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JOB CREATION IN COLOMBIA VS THE U.S.: "UP OR OUT DYNAMICS" MEETS "THE LIFE CYCLE OF PLANTS"

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Job creation in Colombia vs the U.S.: "up or out dynamics" meets "the life cycle of plants"

There is growing consensus that a key difference between the U.S. and developing economies is that the latter exhibit slower employment growth over the life cycle of the average business. At the same time, the rapid post entry growth in the U.S. is driven by an "up or out dynamic". We track manufacturing establishments in Colombia vs. the US and find that slower average life cycle growth in Colombia is driven by a less enthusiastic contribution of extraordinary growth plants and less dynamic selection of young underperforming plants. As a consequence, the size distribution of nonmicro plants exhibits more concentration in small-old plants in Colombia, both in unweighted and employment-weighted bases. These findings point to a shortage of high-growth entrepreneurship and a relatively high likelihood of long-run survival for small, likely unproductive plants, as two key elements at the heart of the development problem. An extreme concentration of resources in micro plants is the other distinguishing feature of the Colombian manufacturing sector vis a vis the US.

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