

Last but not least: laggard firms, technology diffusion and its structural and policy determinants*

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Abstract

Motivated by growing evidence of increasing productivity dispersion, this report, unlike most of the literature, focuses on the least productive firms: laggards. Using a unique dataset that collects micro-aggregated firm-level information on productivity for the entire economy in 13 countries over the 1994-2014 period, it provides new evidence on the main characteristics of laggards and on their potential for productivity growth. Laggards are defined as firms lying at the bottom 40% of the productivity distribution. Stressing their diversity, the report highlights that laggard firms are on average younger and smaller than average. In addition, they are at the heart of the process of resource reallocation and firm dynamics. Based on these findings, laggards are analysed from a dynamic perspective. By looking at the relationship between laggards' productivity growth and their distance to the frontier, the report confirms the existence of a catch-up effect which reflects technology transfers and knowledge diffusion. Subsequently, the impact of firms' features and structural factors on the catch-up effect is analysed. Preliminary results show that bigger and more capital intensive laggard firms converge faster. On the contrary, laggards are converging at a lower speed in industries characterised by a higher level of skills and a larger share of ICT specialists, while training and public R&D expenditures increases the speed of catch-up. These results have first-order policy implications for inclusive growth and wages.

Keywords: Productivity, Laggards, Catch-up.

JEL codes: D2; D4; L2; O57.

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