Documentos de Trabajo sobre Economía Regional y Urbana - The Impact of Hard Discount Stores on Local Labor Markets: Evidence from Colombia

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AUTHOR OR EDITOR Delgado-Prieto, Lukas Otero-Cortés, Andrea Sofía Calderón, Andrés
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Publication Date: Monday, 22 of April 2024 **Abstract**
Hard discount stores (HDS) have changed the dynamics of the traditional retail sector by selling a basket of products at very low prices. This business model has gained significant market share in many countries, but little is known about its impact on the labor market. To fill this gap in the literature, in this paper we study the impact of the entry of hard discounters on local labor markets in Colombia. Making use of the staggered geographic expansion of major discount chains throughout the country as part of our empirical strategy and using information from different sources, such as administrative records on social security and household survey data, we analyze the impact of these stores on labor formality and tax collection. Our results show that the arrival of HDS in a municipality increases local formal employment, especially in retail, manufacturing and agriculture. This suggests that there are significant spillover effects from retail to other industries, as most of the goods sold by these stores are locally produced. As for the informal sector, increased competition between formal and informal businesses has no statistical effect on informal employment. However, there seems to be a decline in labor income of informal retailers, suggesting that the margin of adjustment is not through lower employment but via lower earnings.

Fuente: https://www.banrep.gov.co/en/documentos-trabajo-sobre-economia-regional-urbana-impact-hard-discount-stores-local-labor-markets