

Has the Labour Share Declined? It Depends.

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Paper Abstract:

We revisit the issue of how to best measure the labour and capital shares in OECD economies, distinguishing between production- and income-based perspectives. The former adopts a producer perspective with gross income as a reference: it uses a production function in a market setting. The latter adopts a consumer perspective with net income as a reference, taking account of depreciation and including taxes and subsidies as perceived by final consumers. We confirm a statistically significant but small decline in the labour share across OECD countries over the past two decades under a production perspective. But this appears to result mainly from a rise in the gross capital share caused by rising depreciation rates, themselves reflecting a shift towards short-lived, high-obsolence capital goods such as information and communication technology products and cyclical effects. Accordingly, we find little or no decline in the labour share under an income perspective, where income is measured net and after depreciation.