

The Declining Labour Share: Lessons from Finnish Micro-Data

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Contrast with the experiences of UK and US, the distribution of labour and capital income has changed sharply in favour of capital in most continental European and Nordic countries during the past two decades. In this study we examine forces behind the evolution of the aggregate labour share by analysing the dynamics of labour shares within and between firms/plants in the Finnish business sector. Using the decomposition methods applied in labour economics and productivity analysis, we show that much of the decline in the aggregate labour share stems from the reallocation of resources between firms and plants, while labour shares at firm/plant level have remained relatively stable.

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