

The decline of the labour's share of income in the US

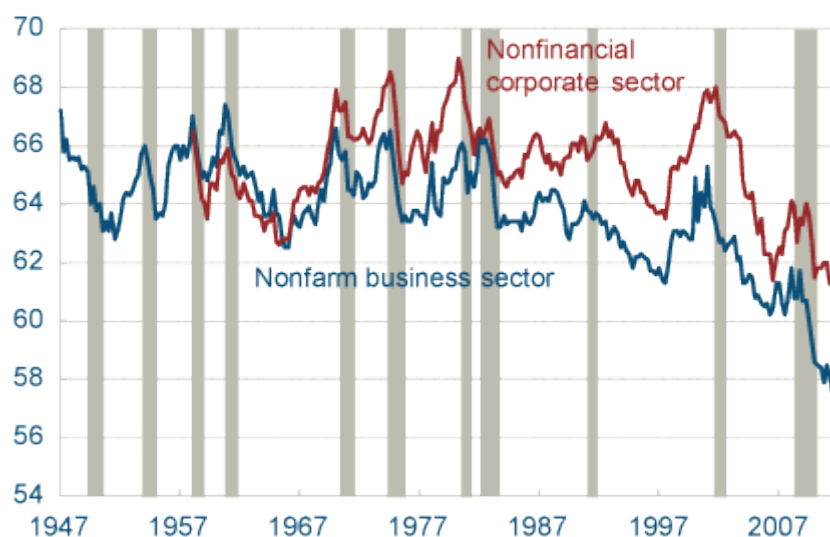
DOCUMENT 1 :

Labor and capital both contribute to the production of goods and services in the economy, and each gets compensated with income in return. [...]

For decades, the labor income share has been fluctuating around a long-run value of approximately two-thirds. More recently, however, the share has been trending down. In the nonfarm business sector, which accounts for roughly 74 percent of the output produced in the U.S. economy, the share has decreased from values around 65 percent before 1980 to the current level of 57.6 percent. This decline has accelerated during the last decade. Excluding the financial sector, the labor income share was more stable up to the year 2000, but it has been trending down since. [...]

Labor Income Share

Compensation as a percent of output



Note: Shaded bars indicate recessions.
Source: Bureau of Labor Statistics.

Margaret Jacobson and Filippo Occhino, « Behind the Decline in Labor's Share of Income », Federal Reserve Bank of Cleveland

Question 1 : Why do labour and capital receive incomes ?

Question 2 : What forms can take the incomes that capital receive ?

Question 3 : Make a diagram that shows the way added value is distributed to labour and capital, using the following words : *added value*, *wages*, *gross operating surplus* ("Exédent brut d'exploitation"), *corporate tax* ("impôt sur les bénéfices"), *interests*, *dividends*, *gross corporate savings* ("épargne brute").

Question 4 : Make a sentence with the last observation for the nonfarm business sector (graph).

Question 5 : Describe the evolution of the labor's share of income.

Vocabulaire :

decade : décennie (attention c'est un faux ami : en français, une décade = 10 jours)

to share : partager

share : une part, mais également une action (puisque une action est une part de propriété d'une entreprise)

to trend dow : avoir une tendance de fond à la baisse

trend : une tendance de fond. Les économistes français utilisent ce mot anglais en français. Il faut le connaître.

Farm sector : secteur agricole ; *nonfarm business sector* : toute l'économie, sauf le secteur agricole

Decline : déclin

DOCUMENT 2

There are many explanations for why labor's share of income is falling. Globalization, automation, skills-based technological change and the decline of unions all play a part. But in the end, all these explanations end up saying the same thing: Most workers have less power to negotiate raises than they did a generation ago. And that's truest for those who making the least money and holding the fewest skills.

Economists argue over whether a small increase in the minimum wage would have no effect on employment or a slightly negative one. There's no doubt that, at some margin, making low-wage workers more expensive will lead small businesses to hire fewer of them, and lead big businesses to automate more tasks.

But what no one argues is that increasing the minimum wage leads, in most cases, to a higher minimum wage. If we lift the minimum wage to \$9 per hour, as President Obama has proposed, then most of the workers getting paid \$7.25 per hour now will see their pay increase to \$9 per hour. So these workers, who have essentially no power to bargain for higher wages, will get higher wages. That is the case for a minimum wage raise.

Now, Obama's minimum wage increase might not pass the House. But if it doesn't, then Democrats have a hugely popular cudgel with which to beat Republicans in the 2014 midterm elections. That's basically what happened in the 2006 elections, and the strategy was so effective for Democrats that George W. Bush subsequently signed a minimum wage increase into law.

Ezra Klein, "This graph is the best argument for raising the minimum wage", *Wonkblog, Washington Post*, 14 february 2013

Question 1 : For the author, what's the main explanation of the decline of the labor's share of income ?

Question 2 : What's the solution he proposes ?

Question 3 : How much is the minimum wage per hour in France ?

Question 4 : What can be the side effect of this solution ? (side effects = effets secondaires (négatifs))

Question 5 : Why will it be very hard to implement this solution ?

Vocabulaire :

explanation : explication

globalization : mondialisation

labor-intensive sectors : secteur intensif en travail (c'est-à-dire utilisant beaucoup de travail)

trade openness : ouverture commerciale

skill : compétence, *qualification* : *skill based technological change* : changement technologique fondé sur des qualifications élevées

union : syndicat

raise : une augmentation (ici de salaire) (rappel : *to raise* : augmenter quelque chose)

to argue over : débattre (to argue with someone : se disputer avec quelqu'un)

to hire : embaucher

cudgel : un gourdin, un bâton

effective : efficace, qui fonctionne