Understanding changes in the labour share in Ireland and Denmark

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Outline

1. Comparative labour share dynamics in Ireland and Denmark.

2. Labour share as a key component in capturing the multidimensional nature of class and inequality.

3. Pooled and comparative effects in time series analysis.

Definition

$$Labour\ share = \frac{(CE) + (SE \times NC)}{GNI}$$

CE = Compensation of employees

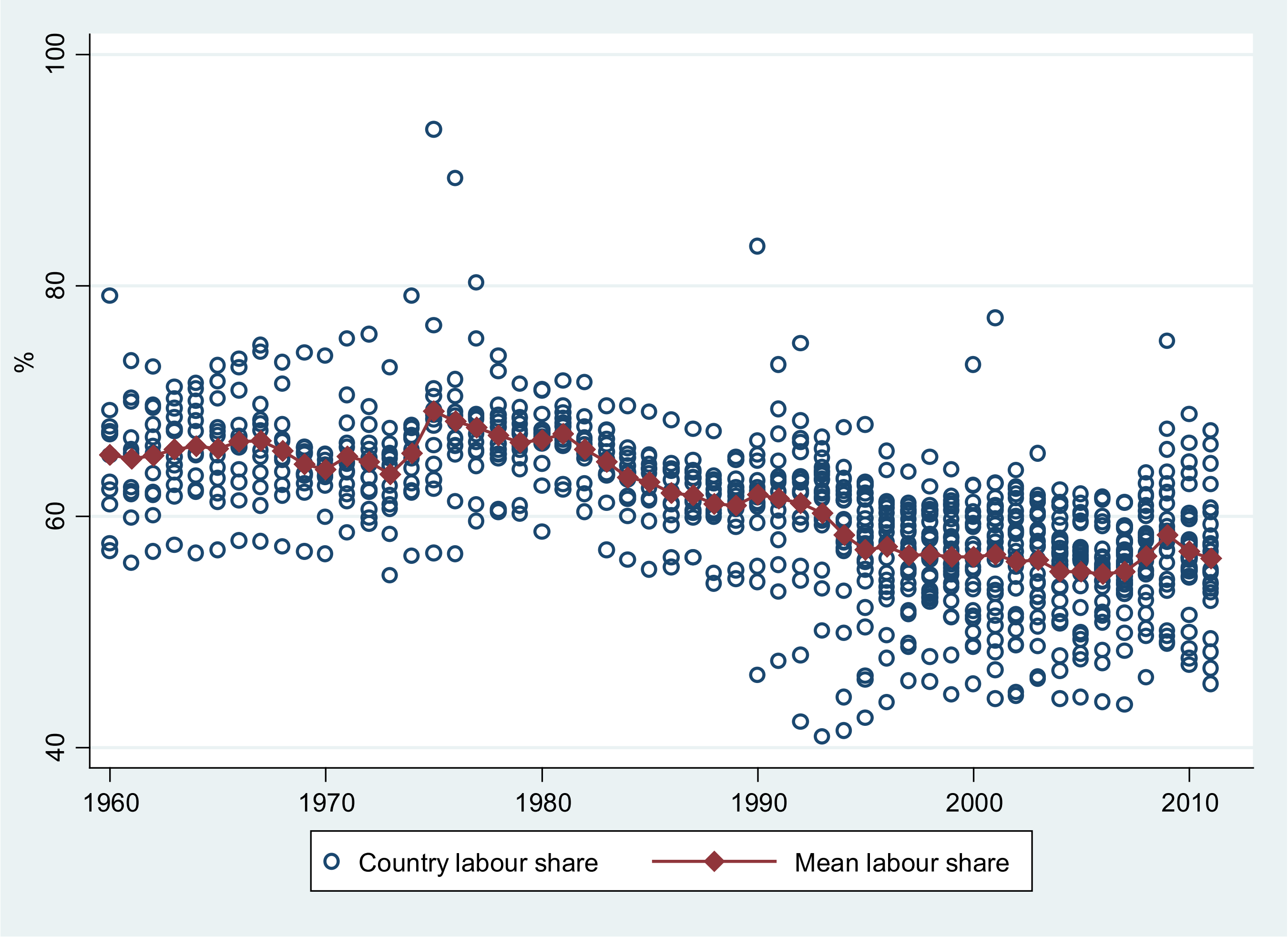
SE = Number of self-employed

NC = Nominal compensation per employee

GNI = Gross National Income (goods and services, investment, gross exports less gross imports, sales and value-added tax).

"...the division of national income between capital and labour has been roughly constant over a long period... More recent US data are also consistent with the Cobb-Douglas production function... Despite the many changes in the economy over the past four decades, the division of income is easily explained by a Cobb-Douglas production function" (Manikew 2007)

"...to determine the laws which regulate this distribution is the principal problem in Political Economy" (Ricardo, 1817)



100
80
60
40
%
1960
1970
1980
1990
2000
2010
Country labour share
Mean labour share

Conceptual approach

Conventional understandings

Elasticity of factor substitution: labour share self-regulating and equilibrating.

Skill-biased technological change: computerisation and skill-biased wage premium.

Pooled analyses: common effects across diverse sets of countries.

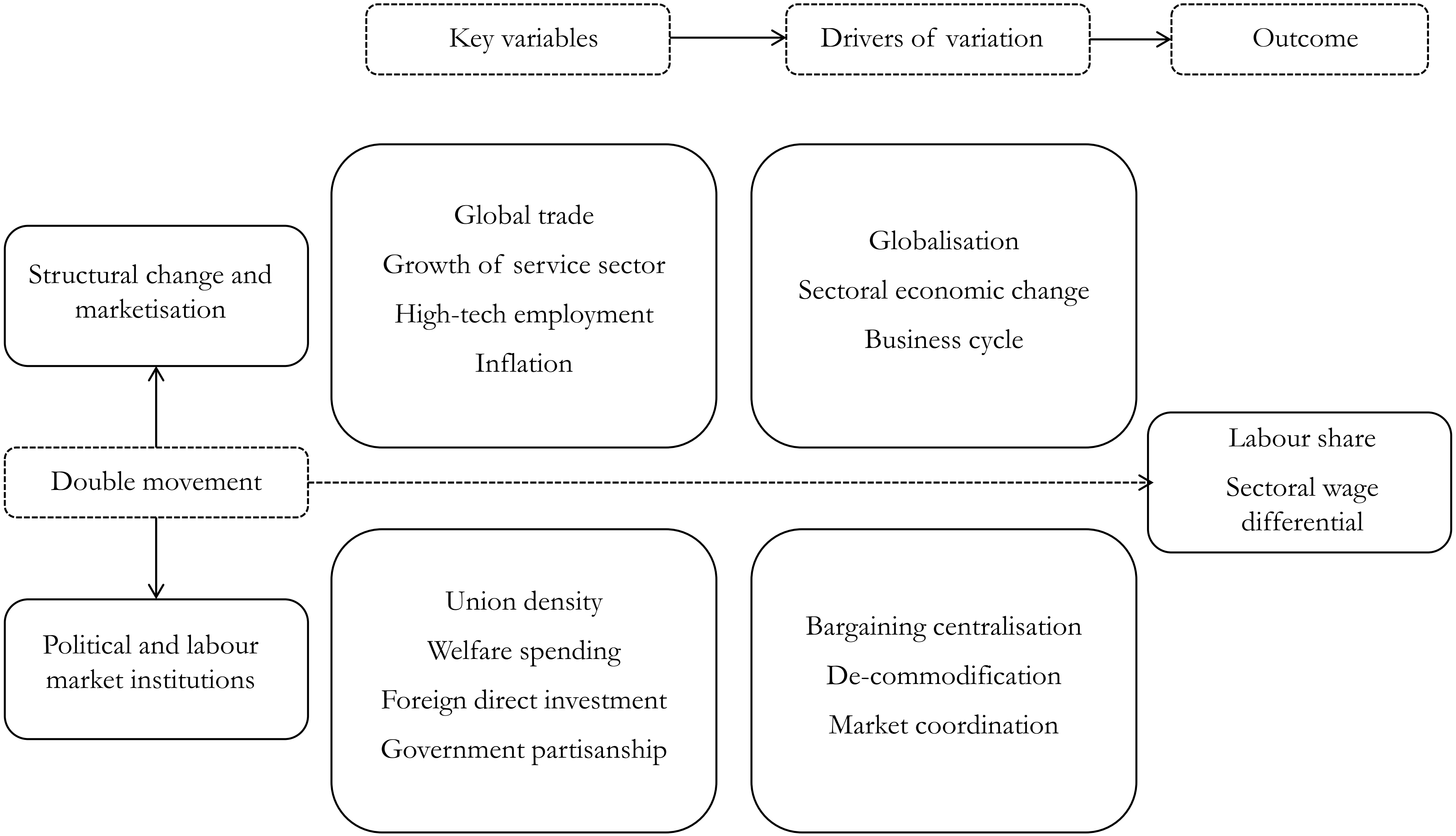
Workers bargaining power: unions, strikes, centralisation, shareholder managerialism, international competition, technology, financialisation.

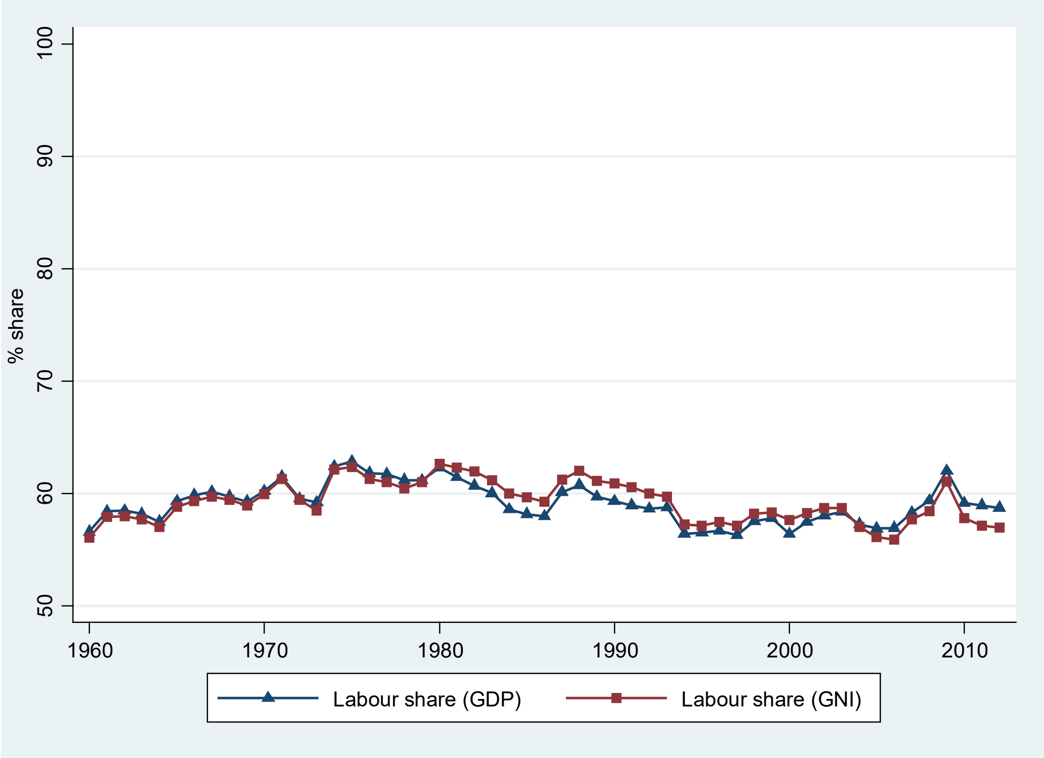
Comparative capitalisms

Coordinated market economies: centralised coordinated bargaining, reservation wage with high public employment and social spend, cross-sectoral solidarities.

Liberal market economies: individualised bargaining, exposure to market forces, destandardisation and retrenchment.

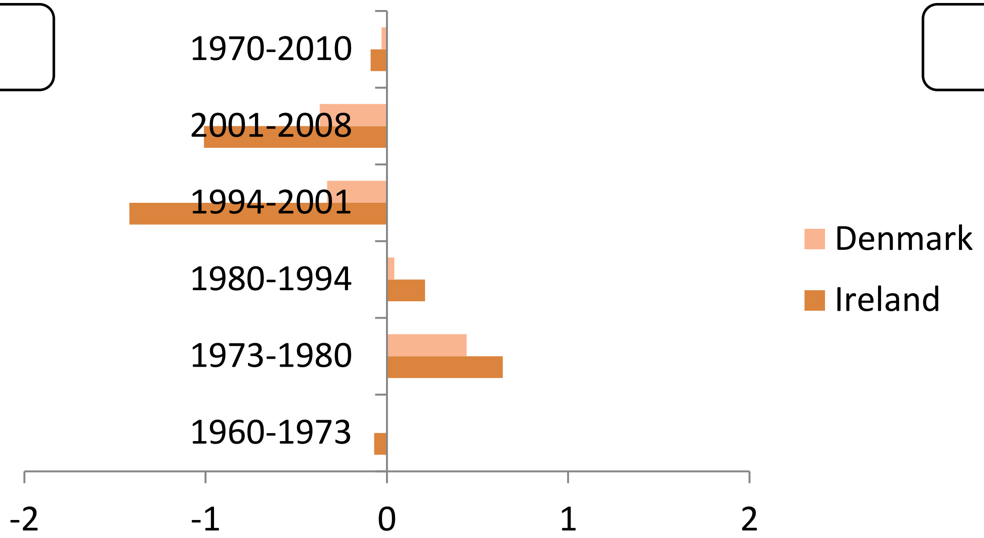
Conceptual approach: institutions and workers bargaining power

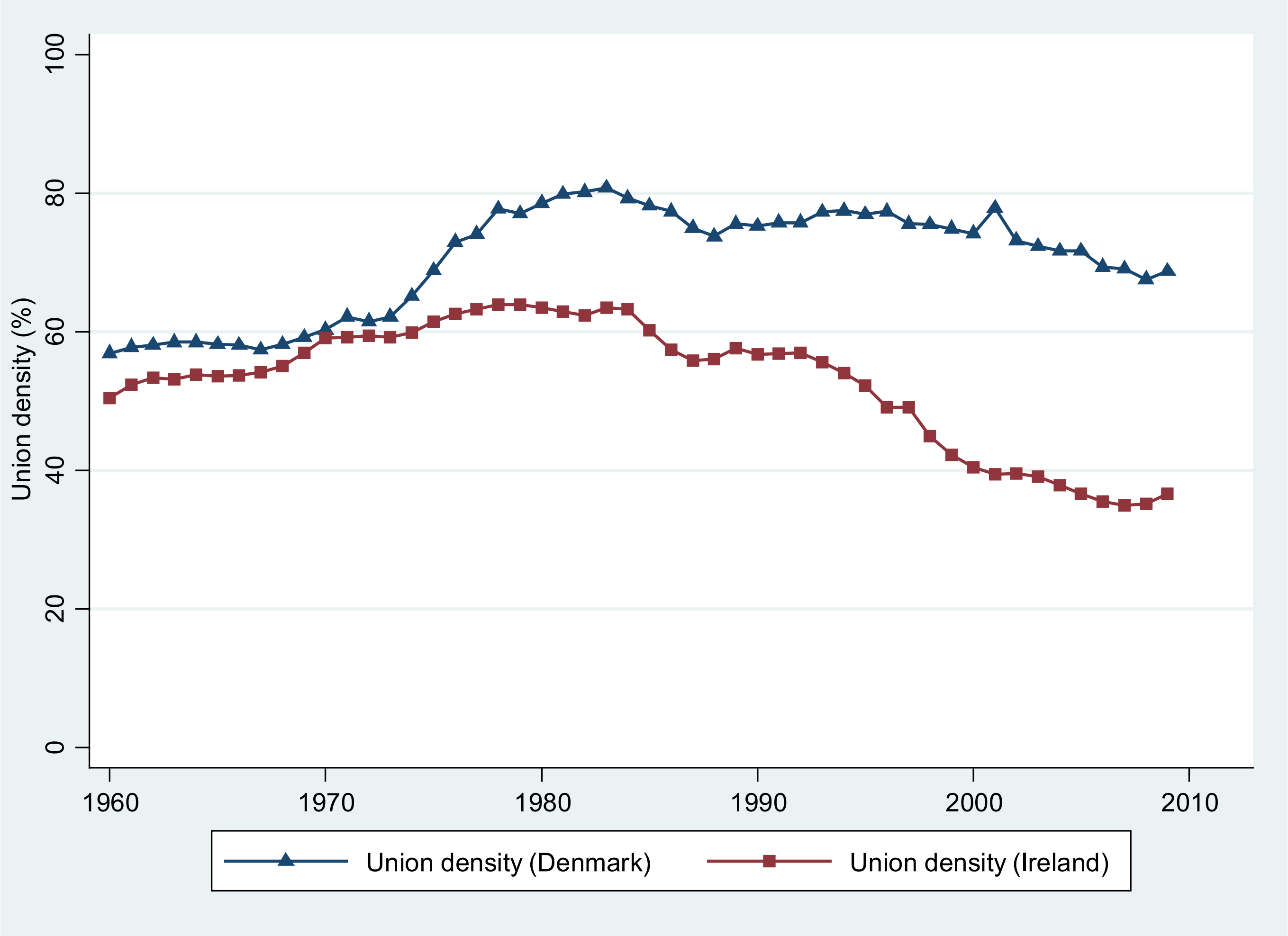


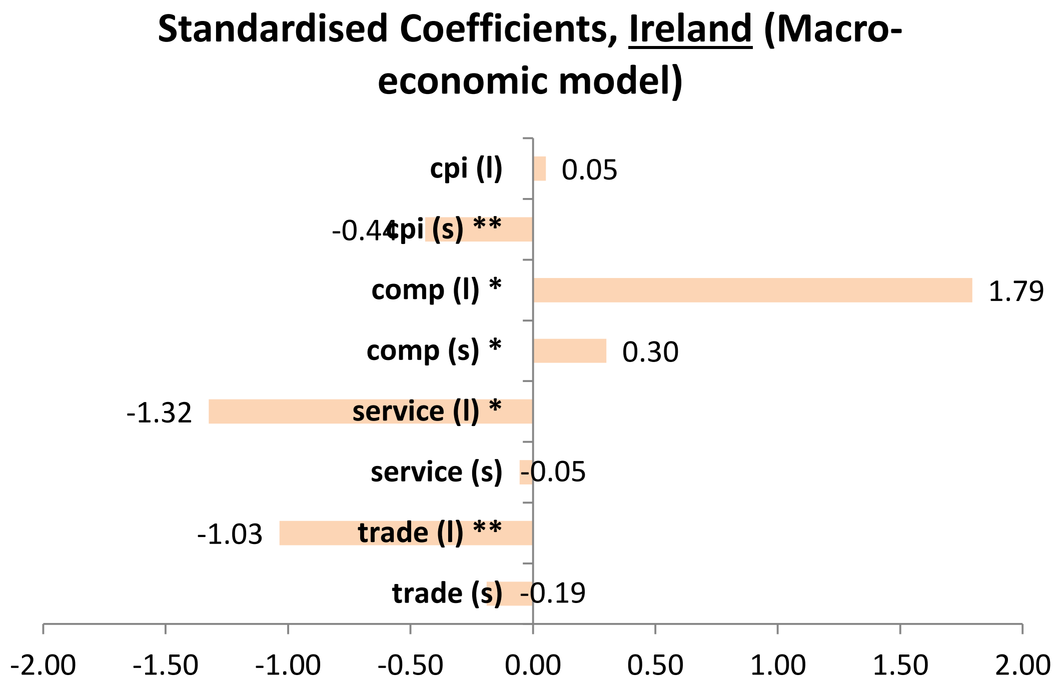


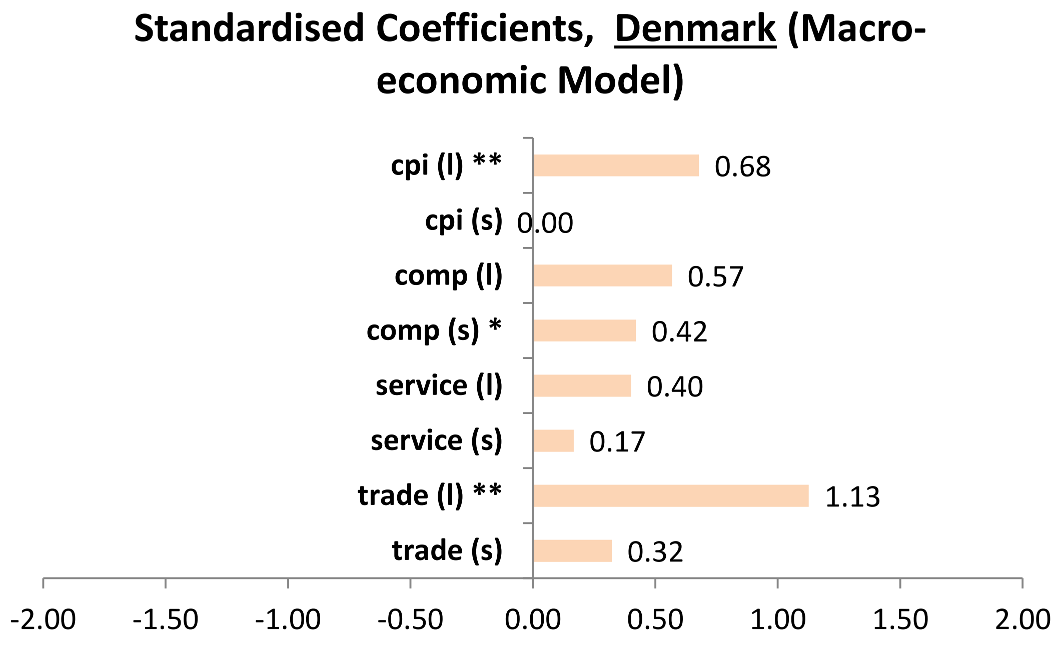
Ireland

Denmark



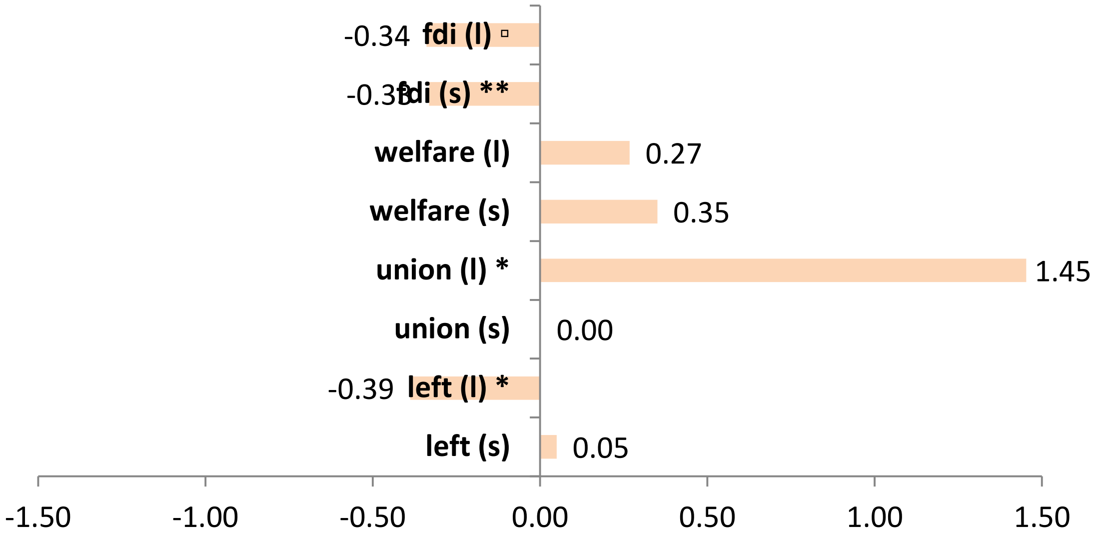

Union density (%)
0
20
40
60
80
100
1960
1970
1980
1990
2000
2010
Union density (Denmark)
Union density (Ireland)



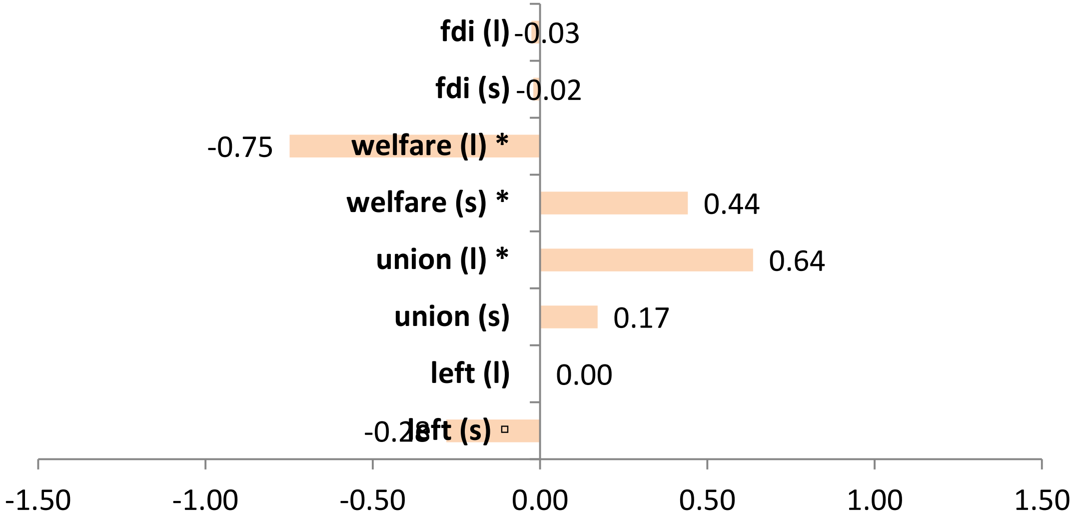


	Ireland	Denmark
Comp	(+) High-skill LME compensation premium, individual skills, FDI-sector	(+) Competitive skill premium under CME equalisation, wider population benefits
Service	(-) Low unionisation, flexibility (i.e. retail, tourism), destandardisation	(+) Security from subsidiarity, outsourcing and subcontracting, more unified wage structure.
Trade	(-) Global exposure and externalisation of risk, corporate profitability, low relocation costs, market signal sensitivity.	(+) Strong SME network, industrial innovation, incremental change and upgrading, product and labour market regulation.

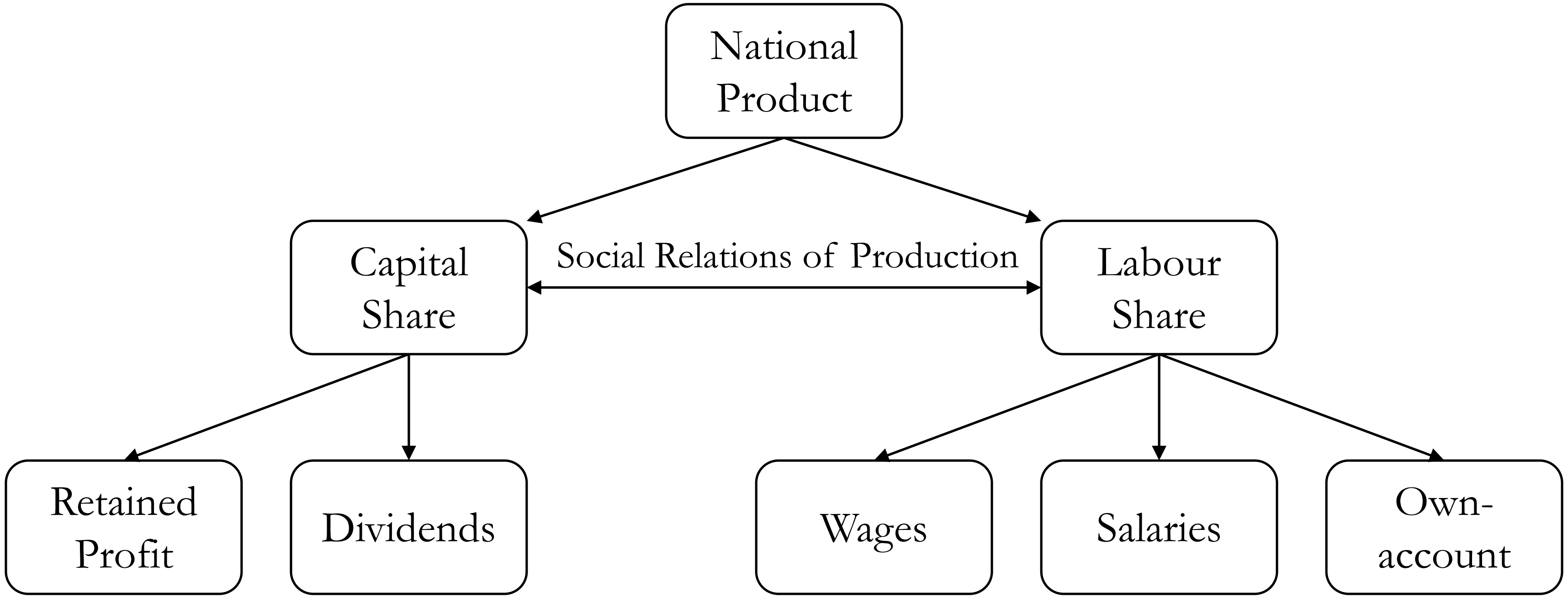
Standardised Coefficients, Ireland (Political-economic model)



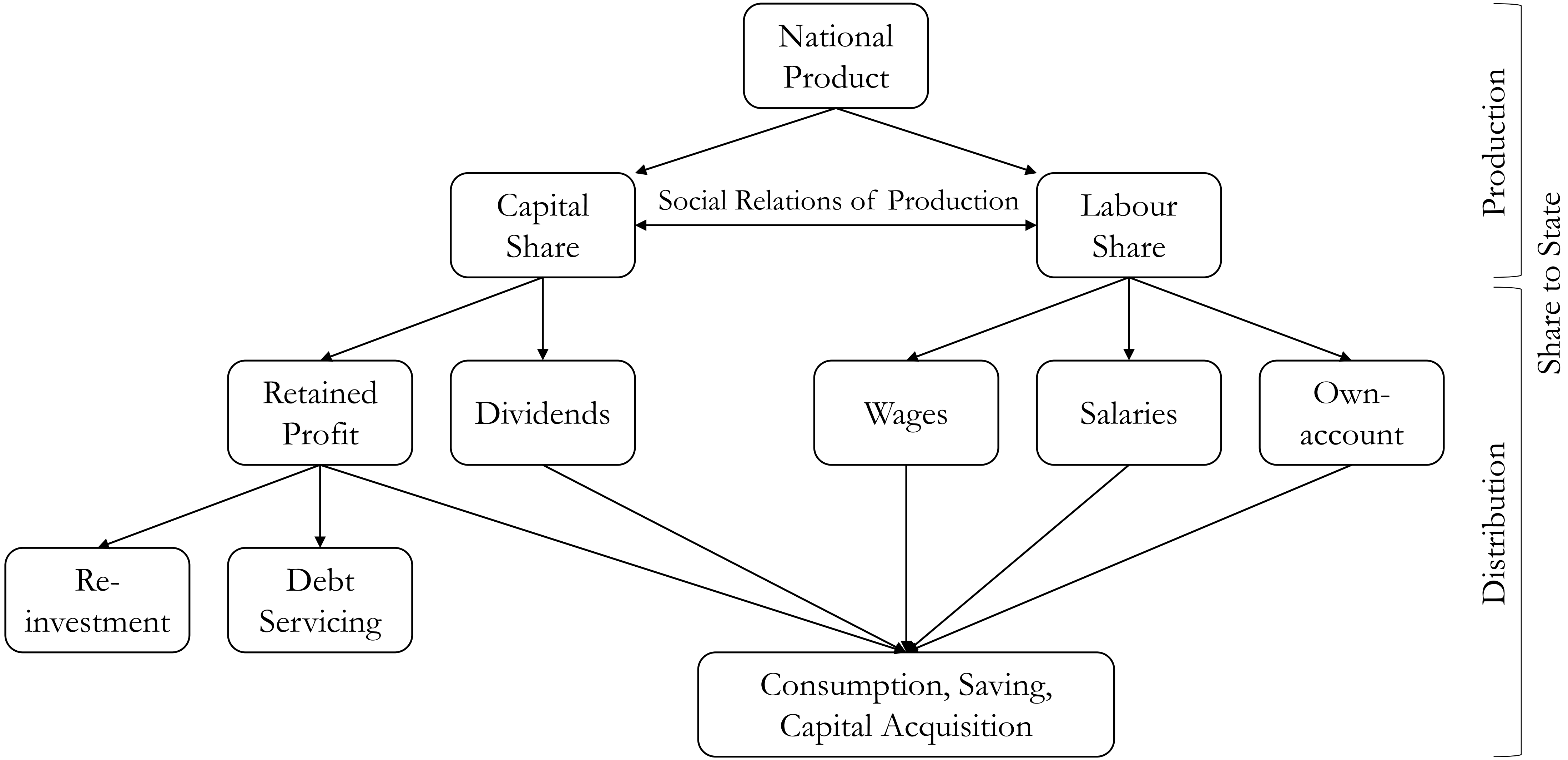
Standardised Coefficients, Denmark (Political-economic model)



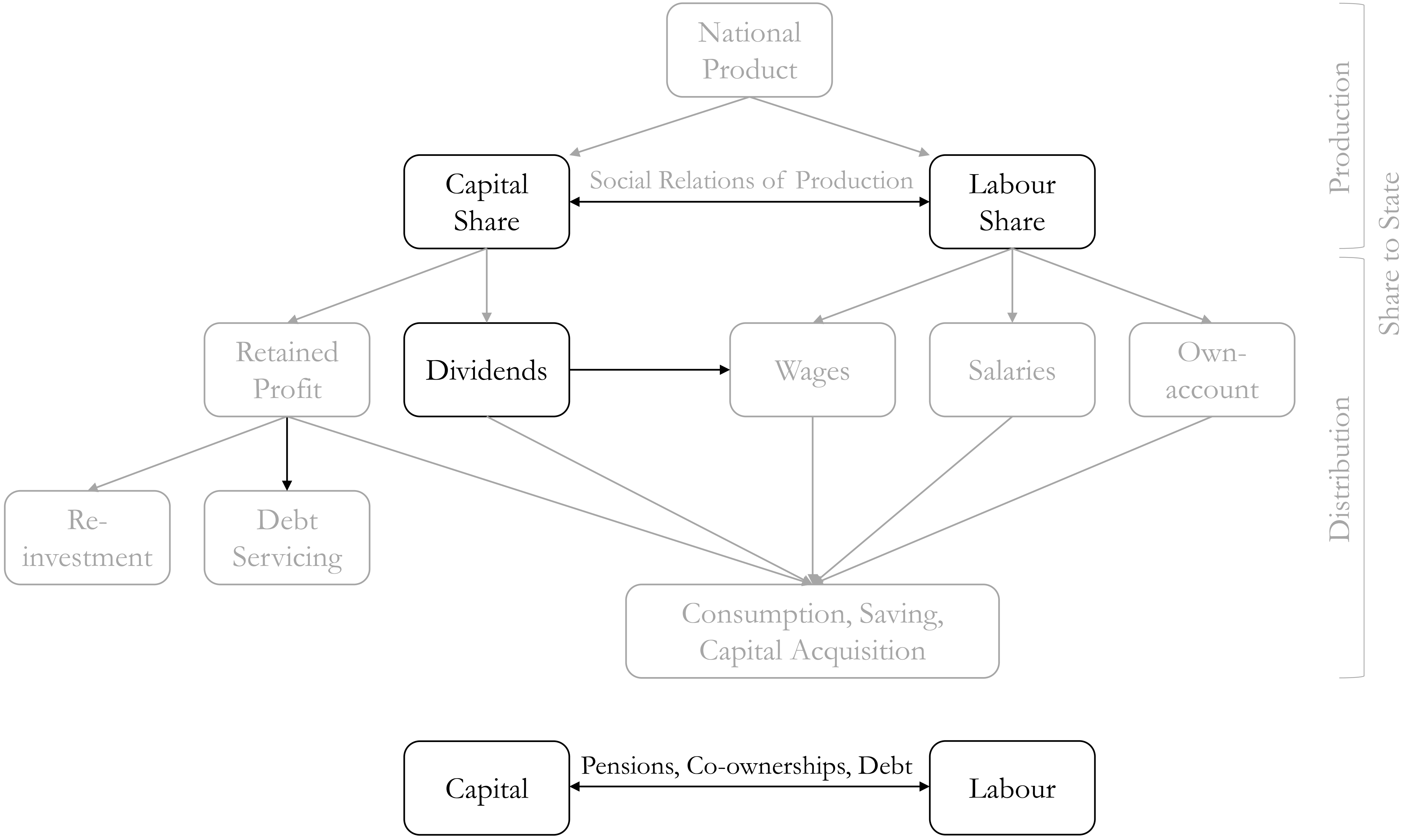
	Ireland	Denmark
Union	(+) Lower union coverage, bargaining decentralisation, public sector wage premium, voluntary recognition.	(+) Centralisation and sectoral coverage boosting compensation, Ghent.
FDI	(-) MNC double-breasting and avoidance, precarious employment, mobile capital, spin-off service employment.	() Insulation from labour and product market price fluctuation which influence domestic MNC strategies.
Welfare	(+) Absence of reservation wage mechanism, residual services, regressive tax base.	(-/+) Stabilisation and decline in welfare spend under late 90's 'workfare', compensation effect of wage restraint-social spending trade off, high ALMP spend.

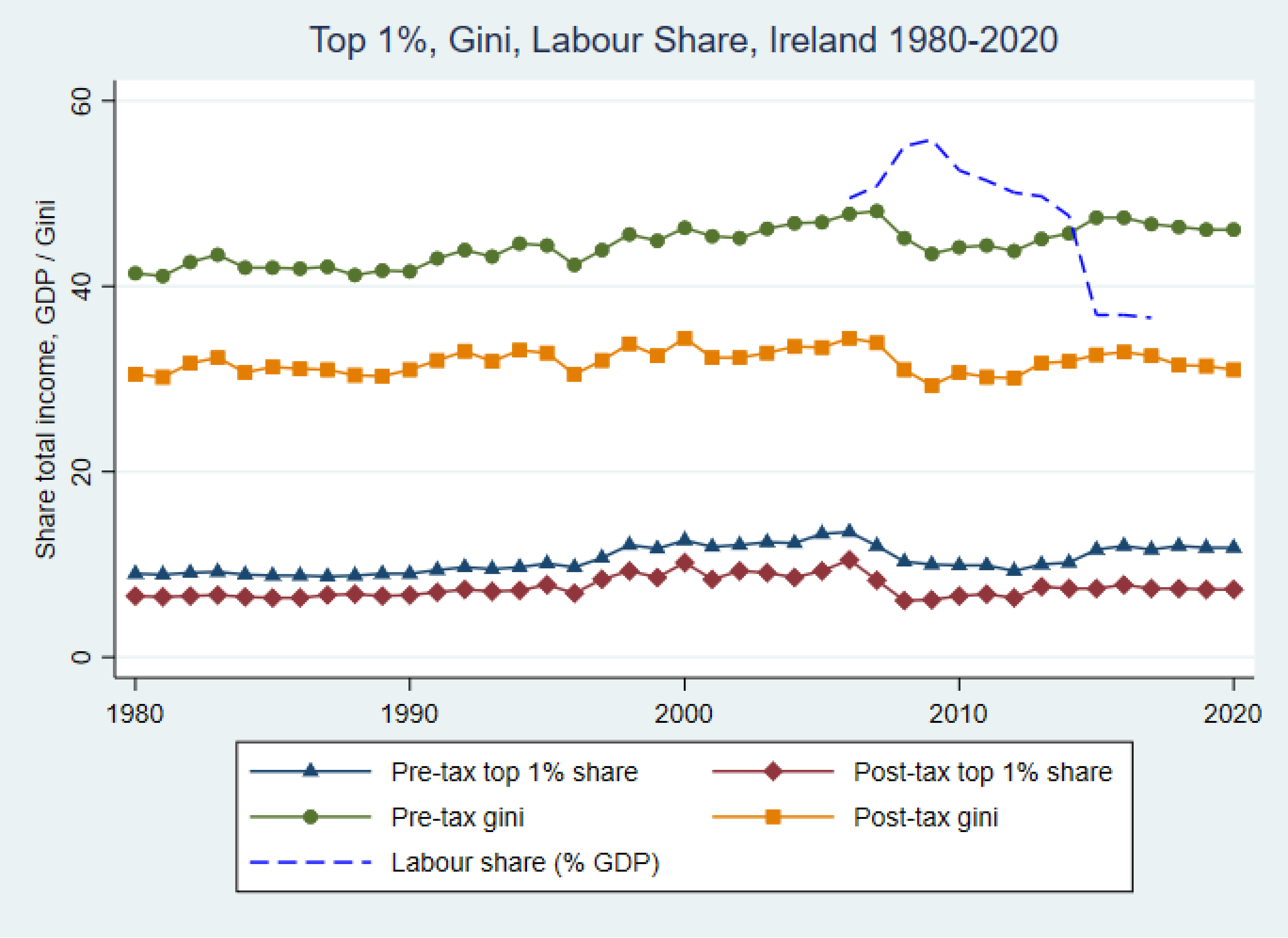


Capitalist Income Distribution in Classical PE



Capitalist Income Distribution in Classical PE


National Product
Capital Share
Social Relations of Production
Labour Share
Production
Share to State
Distribution
Retained Profit
Dividends
Wages
Salaries
Own-account
Re-investment
Debt Servicing
Consumption, Saving, Capital Acquisition
Capital
Pensions, Co-ownerships, Debt
Labour


Top 1%, Gini, Labour Share, Ireland 1980-2020
Share total income, GDP / Gini
0
20
40
60
1980
1990
2000
2010
2020
Pre-tax top 1% share
Post-tax top 1% share
Pre-tax gini
Post-tax gini
Labour share (% GDP)

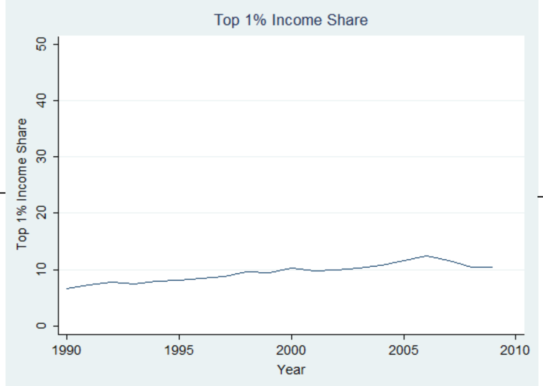
Subtype | **Measure** | **Historical Trend** | **Causal Process Consensus**

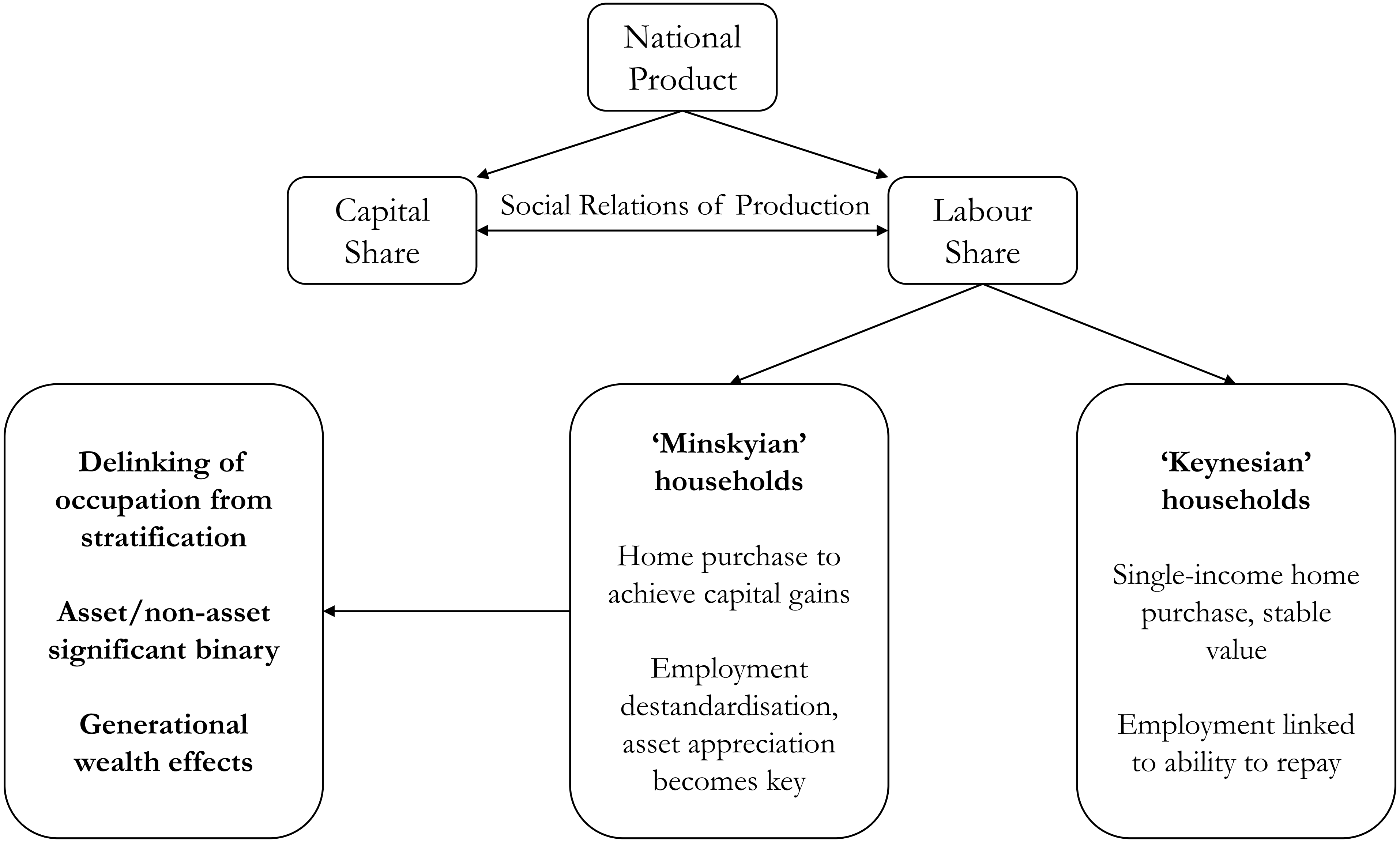
Labour Share (Factor Income)

Share of national income (GDP or Gross National Income)

Rising productivity, stagnant real wages, greater share to capital, class-biased power resources

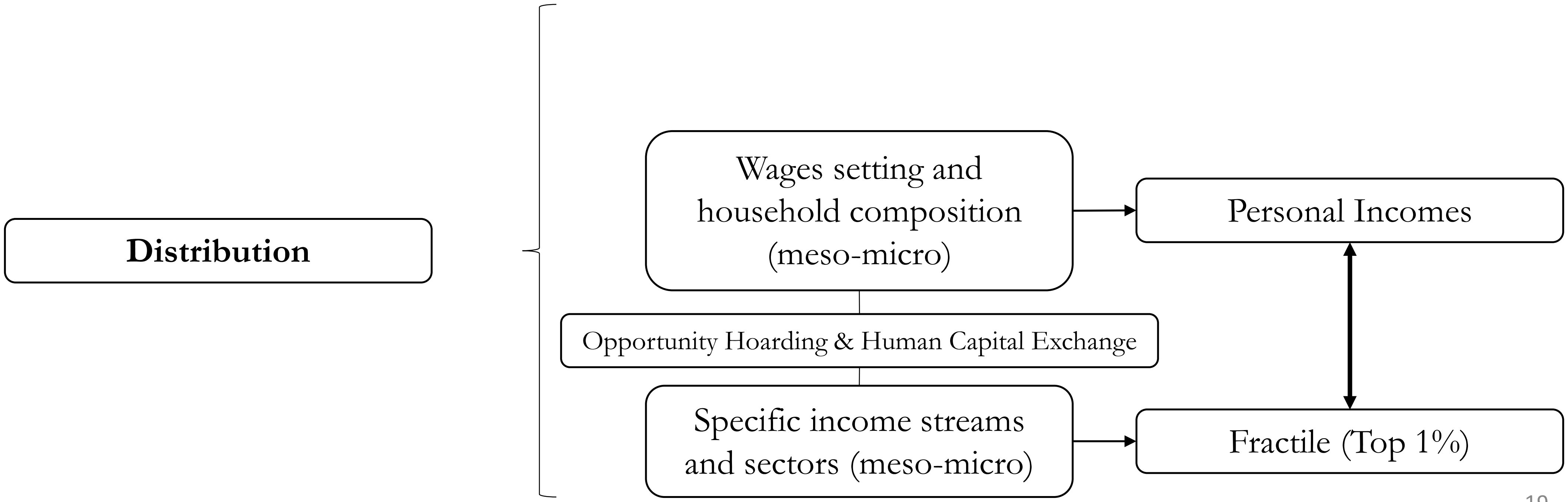
Income Distribution in Economic Sociology

Subtype	Measure	Historical Trend	Causal Process Consensus
Labour Share (Factor Income)	Share of national income (GDP or Gross National Income)		Rising productivity, stagnant real wages, greater share to capital, class-biased power resources
Top 1% (Fractile Income)	Share of the personal income distribution accruing to the top 1% of earners		Finance wage premium, de-indexing of top pay, falling marginal rate, deregulation
Gini (Personal Income)	Ratio of observed income distribution to perfect equality (Gini/Atkinson)		Polarisation of market incomes, differences in tenure, terms, security, skill-returns, FDI sectors

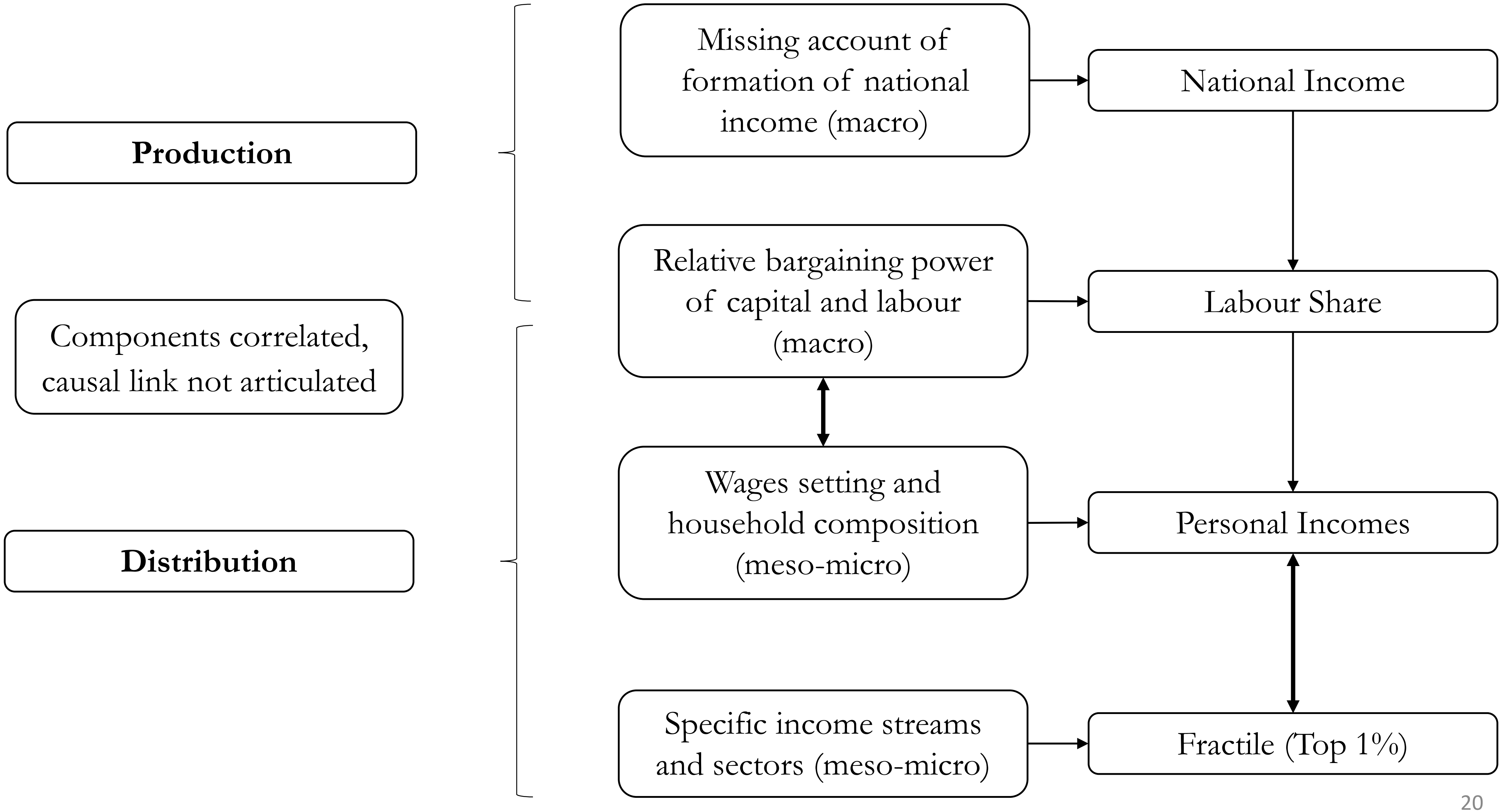


Adkins et al (2021) The asset economy…

Importance of class-biased power resources

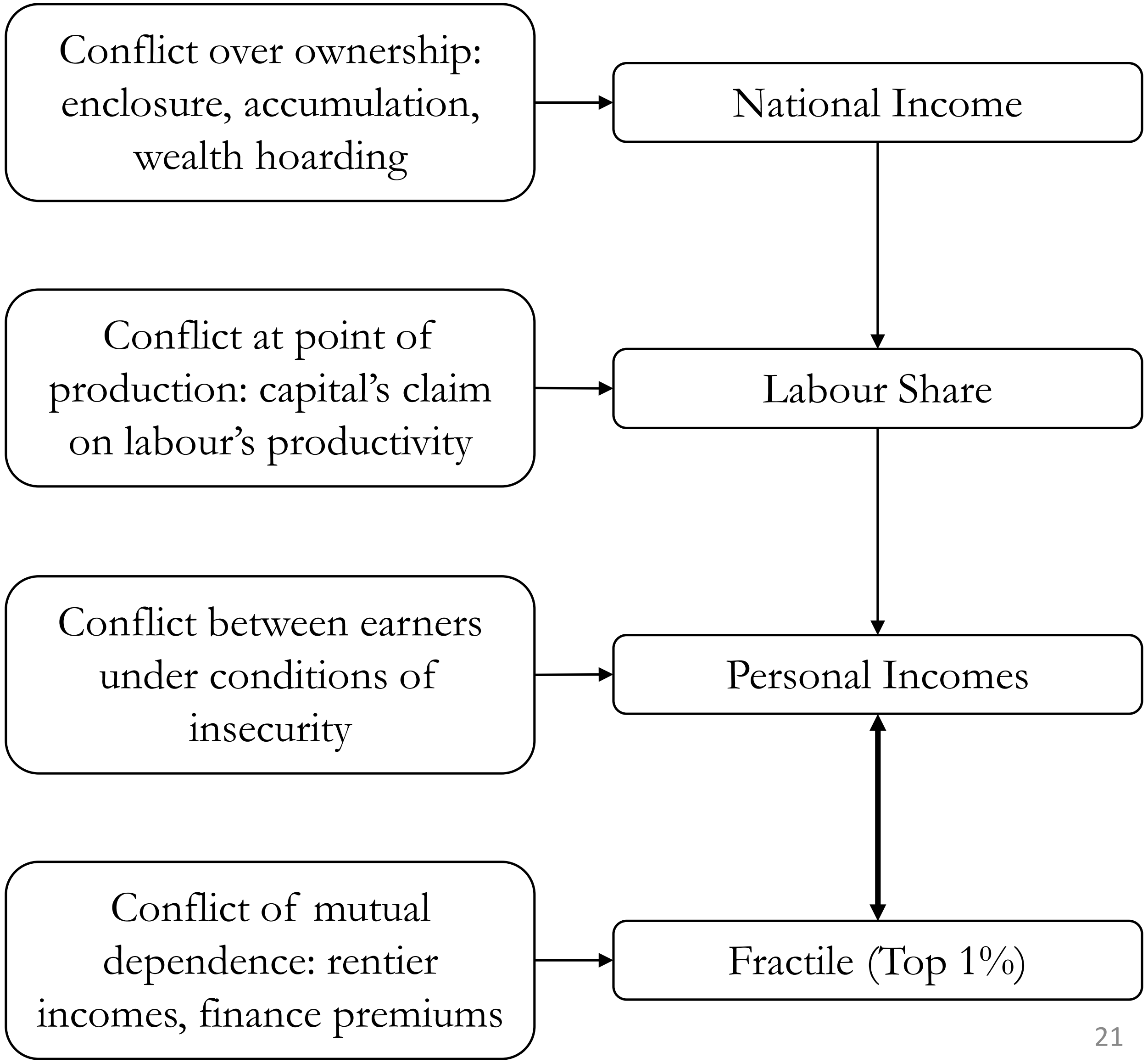


Importance of class-biased power resources



Importance of class-biased power resources

Enables theorising of resource conflict at points of income formation and distribution



Conclusions

- Pooled models can mask the complexities of how different factors mitigate the dynamics and impact of inequalities.
- Different causal factors can work in different ways in different contexts.
- 'Inequality' is multidimensional, focus on Gini alone is partial.

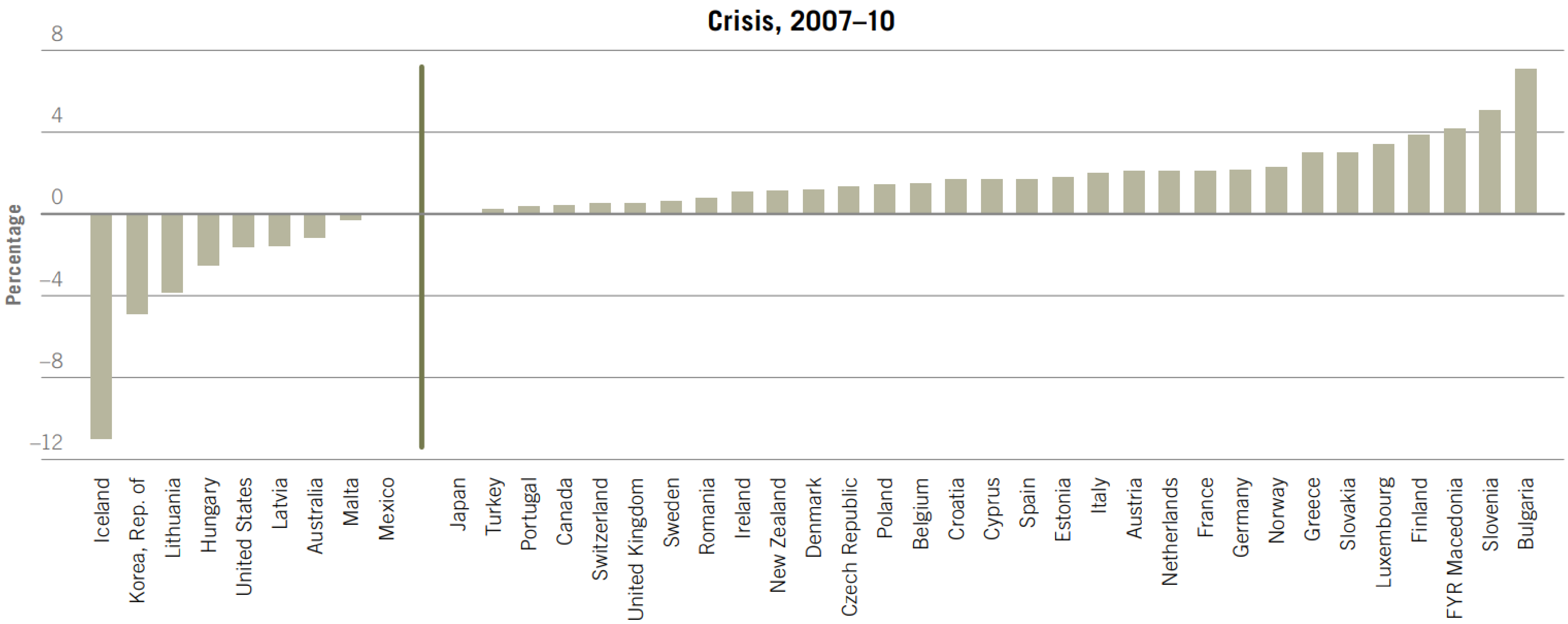
- Weakening association between occupation and class membership calls for new models of social class that incorporate dynamics of capital (participation in asset economy, capital-labour, income stream diversity).

- What kinds of stratification system are being consolidated, and how has worker's wellbeing become tied closer to the actions of capital, and dependent on their weakening bargaining power?

Figure 13 Labour income shares in four examples of developed and emerging economies

Source: Adjusted labour income share from AMECO for Mexico, Portugal and the United States. Unadjusted labour income share in China from the National Bureau of Statistics, China Statistical Database http://219.235.129.58/indicatorYearQuery.do?id=0302103000000000; AMECO http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm

Source: ILO Global Wage Report 2017: https://www.ilo.org/global/research/global-reports/global-wage-report/2016/WCMS_537846/lang--en/index.htm



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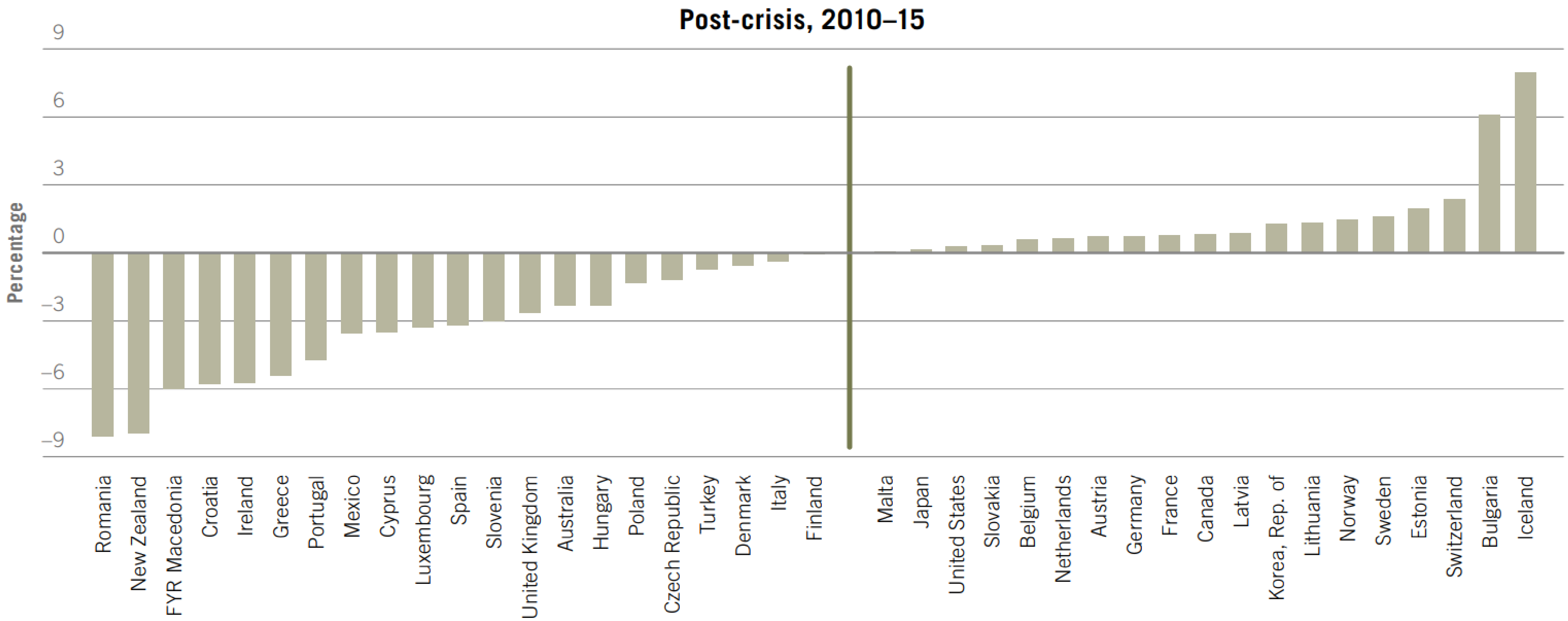

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