

Decomposing the Decline of the Labor Share in Austria: A LMDI Decomposition across Sectors and within Manufacturing, 1980-2019

This paper provides novel evidence on the decline of the labor share in Austria between 1980 and 2019—a period marked by a pronounced decrease in the labor share both in Austria and globally. Using a Log Mean Divisia Index decomposition and national accounts data, I disentangle the roles of productivity growth, changes in employment shares, relative prices, and real wage developments for different business cycles over the span of almost forty years. Analyzing the decline across broad sectors and across manufacturing industries, I confirm the profound impact of the manufacturing sector on the decline of the labor share and wage-productivity decoupling as the primary driver of the falling labor share. Additionally, sectors with low labor shares and comparatively low real wages saw relative employment growth, consistent with theories of dual labor markets and, given their predominantly service-based nature, with Baumol’s cost disease and radical theories of capitalist stagnation. Comparing my results with Mendieta-Muñoz et al. (2021) and Sarangi (2024), who apply the same methodology to the US labor share, I discuss the institutional and sectoral specificities of Austria that lead to similarities and differences in the outcome with respect to structural change.

References

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