The division of income in the US

(A) Labor’s Income Share

(B) Capital’s Income Share

Notes: Occupation specific income shares are based on CPS earnings data from the annual march supplement (1968 and after) and the monthly outgoing rotation groups (MORG, starting in 1979) extracts and rescaled to match the aggregate income share in the Non-Farm Business Sector (BLS). The MORG series shows annual averages of monthly data that was seasonally adjusted using the U.S. Census X11 method. Non-routine workers are those employed in “management, business, and financial operations occupations”, “professional and related occupations”, and “service occupations”. Routine workers are those in “sales and related occupations”, “office and administrative support occupations”, “production occupations”, “transportation and material moving occupations”, “construction and extraction occupations”, and “installation, maintenance, and repair occupations” (Acemoglu and Autor, 2011). For details see Section 2. The construction of capital-type specific income shares is described in Section 3. The underlying data are nominal gross capital stocks and depreciation rates, drawn from the BEA’s detailed fixed asset accounts. The vertical dashed line in panel B marks the year 1968.

income share of non-ICT capital has fluctuated around its historical levels absent any significant trend, with the exception of the last decade in our sample (panel B of Figure 1).

Taken together, these trends are consistent with the view that technological advances in ICT are an important force behind the stark distributional changes in labor income during the last forty years. The patterns in Figure 1 also suggest that automation is probably only partially responsible for the declining labor income share, as the counterpart of the steep decline in the labor income share during the post-2000 period was an increase in the non-ICT capital income share, while the ICT income share stagnated during this period. Put differently, our decomposition suggests that the decline in the aggregate labor income share that is directly offset by an increase in the ICT income share is around 3pp, or about half of the overall decline in the labor income share. The

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4Much of the literature surveyed in Acemoglu and Autor (2011) discusses this possibility and provides a host of supporting evidence.

5See panel A of Figure 2 for a plot of the aggregate labor share as measured by the BLS.