Figure 3.9. Evolution of the Adjusted Labor Share of Income (Percent)

Adjustment of the labor share of income for self-employment and capital depreciation results in level changes as well as changes in the trend of the labor share. The level shift of self-employment adjustment is larger in emerging markets and developing economies while that of capital depreciation adjustment is larger in advanced economies.

Sources: Karabarbounis and Neiman (2014); national authorities; Organisation for Economic Co-operation and Development; World Bank, World Development Indicators database; and IMF staff calculations.

Note: Both panels show year fixed effects from regressions that also include country fixed effects to account for entry and exit during the sample. The regressions are weighted by nominal GDP in current U.S. dollars. Fixed effects are normalized to reflect the level of the labor share in 2000.