

Explaining changes in labour's share of income in South Africa

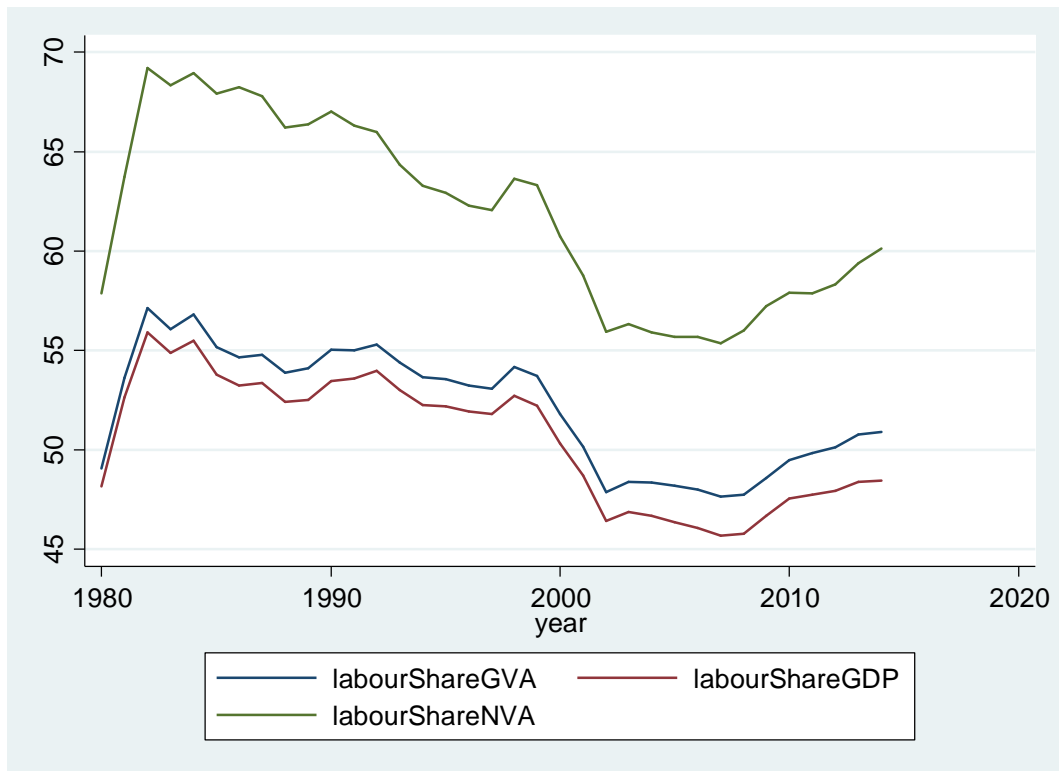
JP Geldenhuys

Abstract:

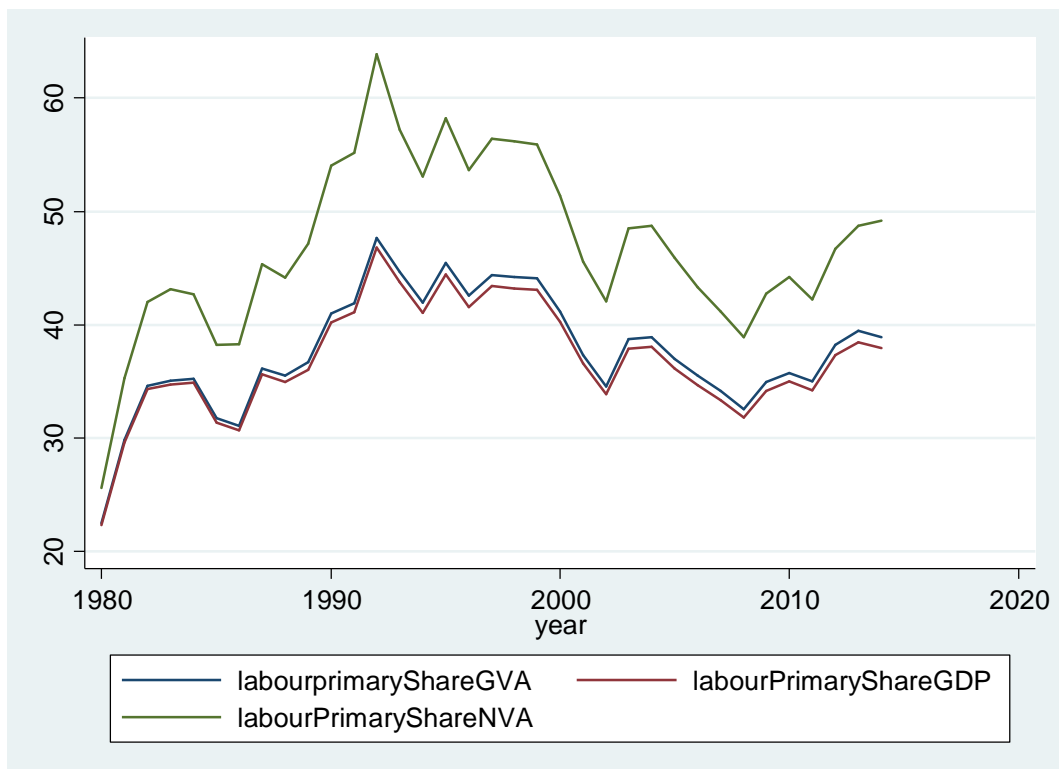
The past few years have seen a sharp increase in income inequality around the world, while South Africa's extreme levels of income inequality are well-known. Furthermore, the share of labour earnings in national income is declining (often sharply) in many countries. In South Africa, labour's share of Gross Domestic Product (GDP) declined markedly between 1982 and 2007, before stabilising thereafter (see Burger, 2014, for an analysis from 1993 onwards). Atkinson (2009) considers the division of national income between profits and wages to be the "principal problem of political economy", and suggests that studying factor shares yields important insights regarding the distribution of personal income, as well as issues pertaining to social justice and fairness.

In this paper I examine the evolution of the distribution of factor incomes within and between major South African industrial sectors (at the one- and two-digit SIC-code levels), using data from the South African Reserve Bank and Statistics South Africa. I also use different measures of labour's share (as suggested by Glyn, 2007) to determine if results are sensitive to the choice of labour share measure used. Furthermore, changes in the aggregate labour share will be decomposed into changes in intra-industry labour share changes and inter-industry output share changes, thereby allowing "shift-share" and variance decomposition analyses of changes in labour's share (along the lines of Elsby et al., 2013). The contribution of changing sectoral employment shares to changing aggregate and inter-industry labour shares, as well as intra-industry relationships between labour compensation and labour productivity, will also be examined. Finally, I use inter-industry panel data (first-difference) regressions to explain differences in changes in the labour share between major South African industries (controls include industrial profit rates, union membership and changes in input prices).

Labour's share: South Africa



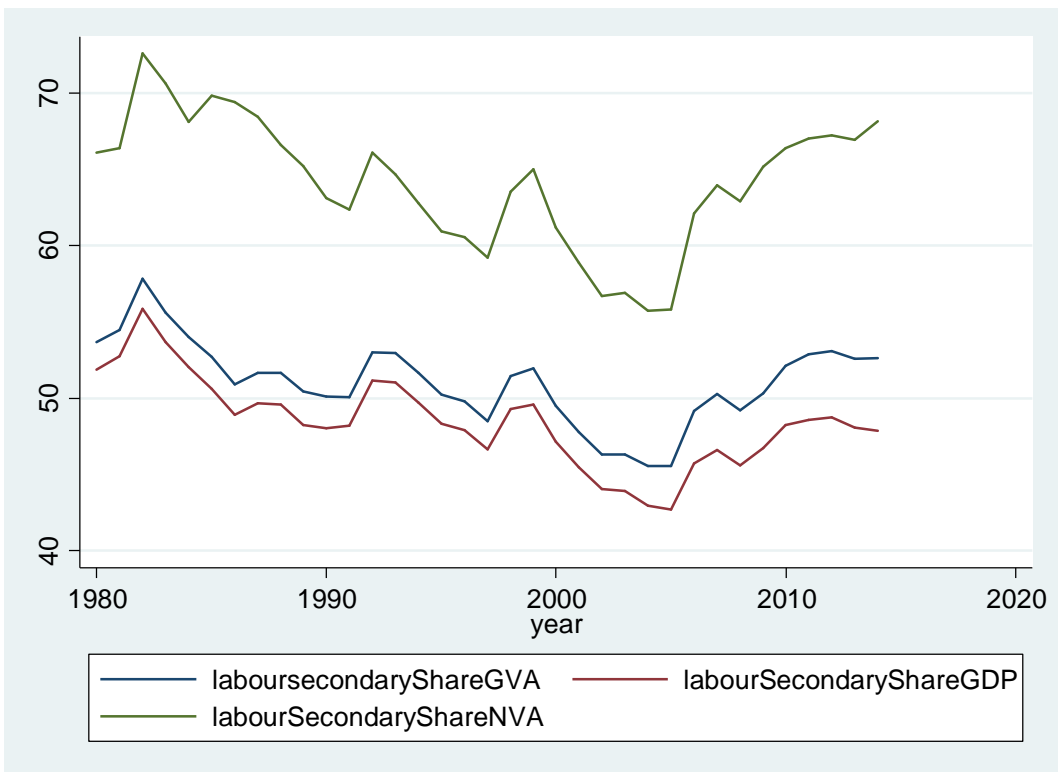
Labour's share: Primary sector



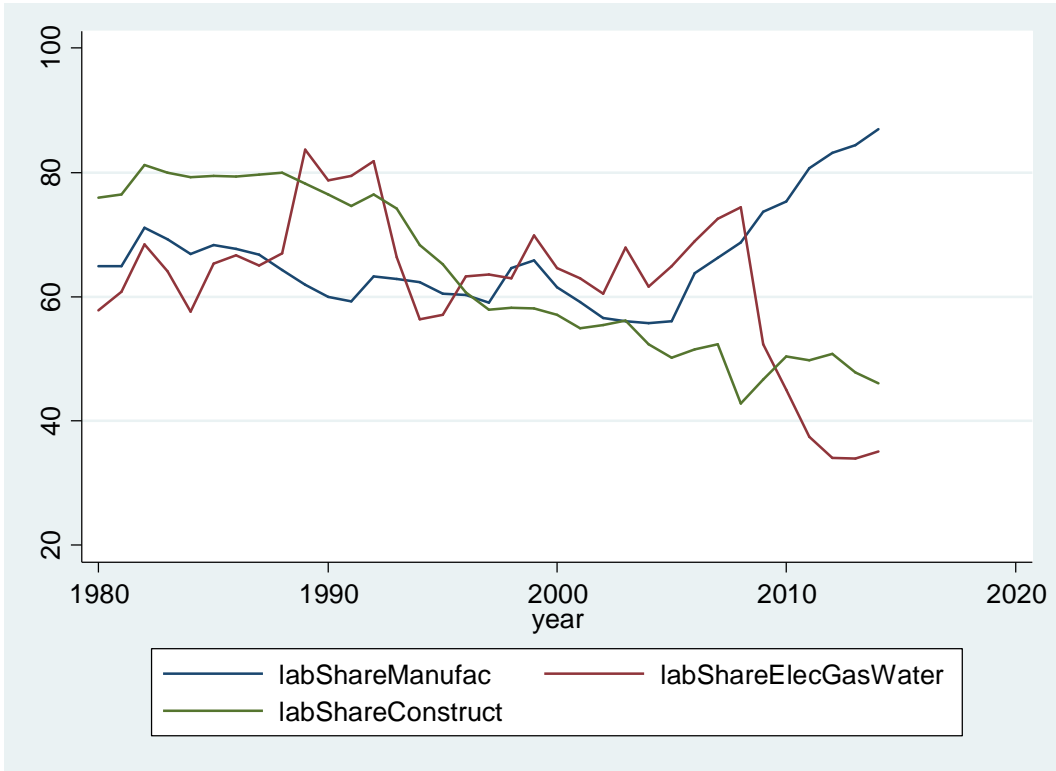
Labour's share of NVA, primary sector decomposition



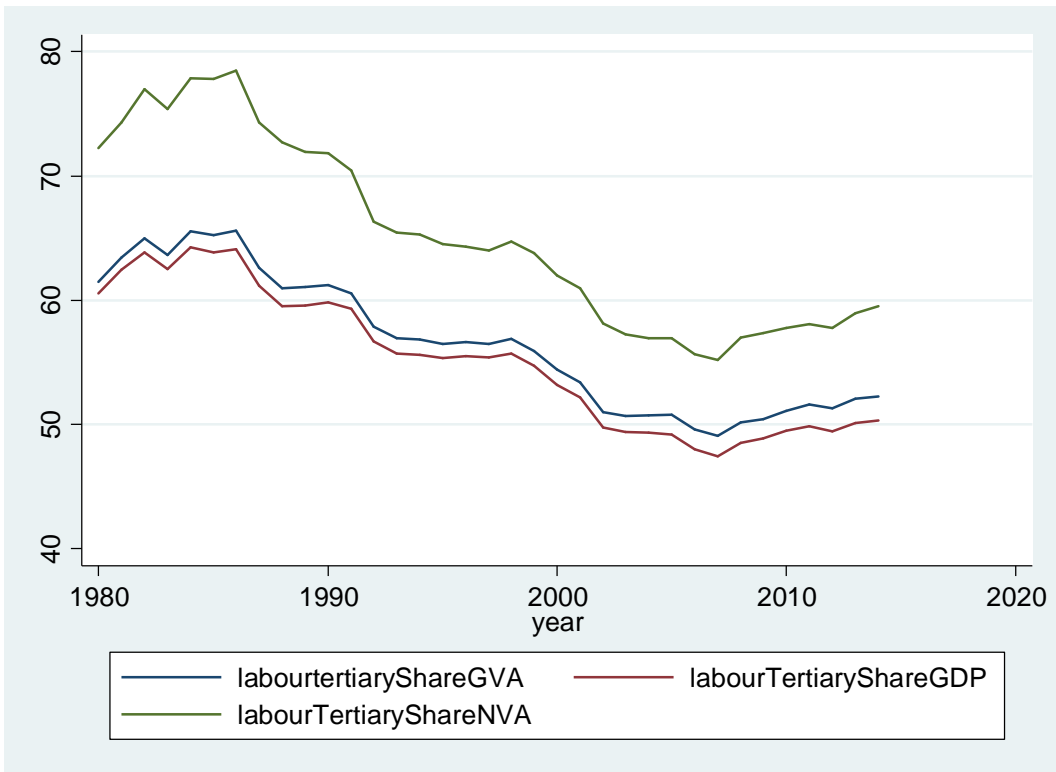
Labour's share: Secondary sector



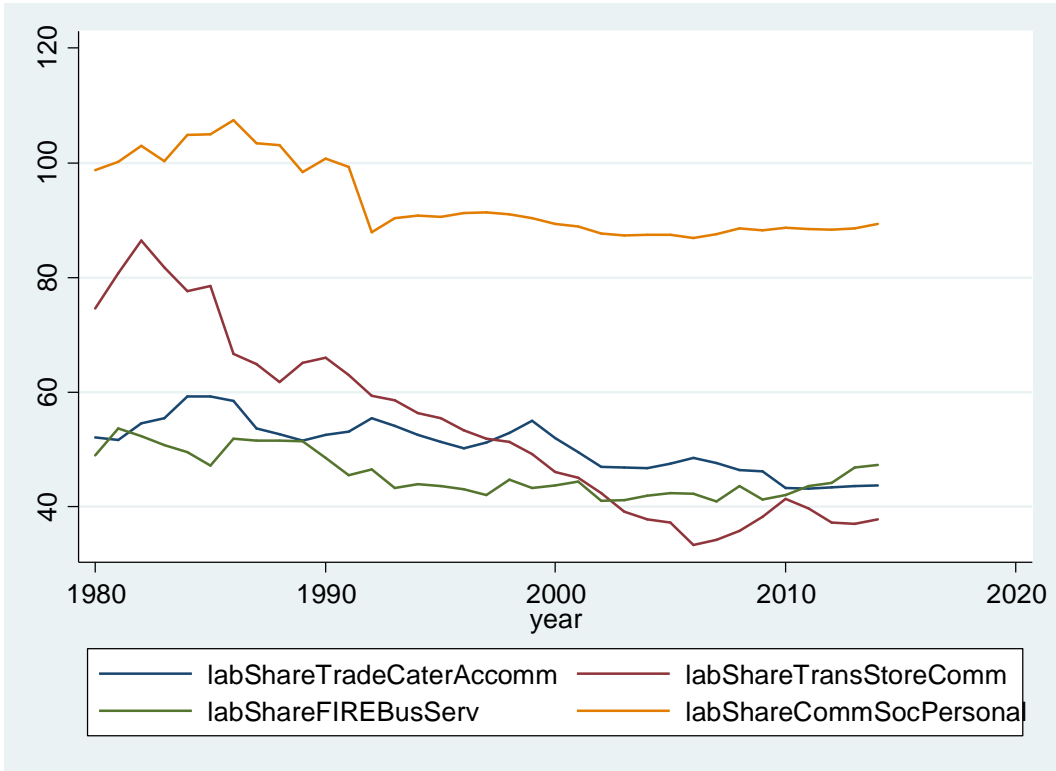
Labour's share in NVA: secondary sector decomposition



Labour's share: tertiary sector

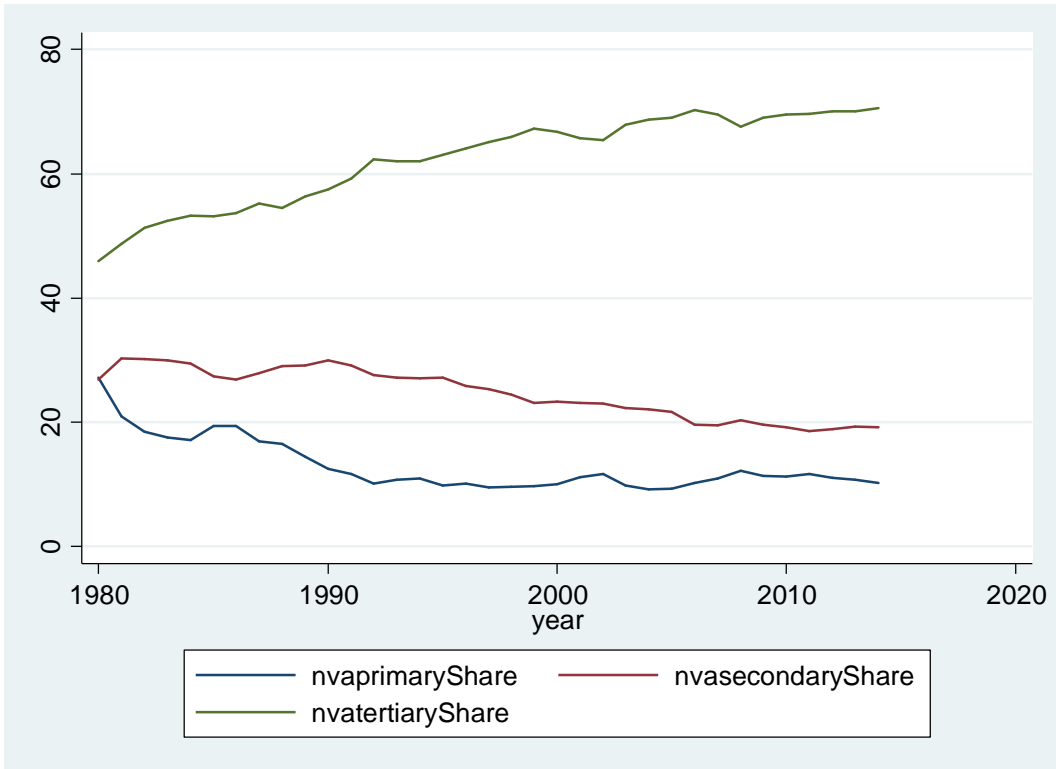


Labour's share in NVA: tertiary sector decomposition

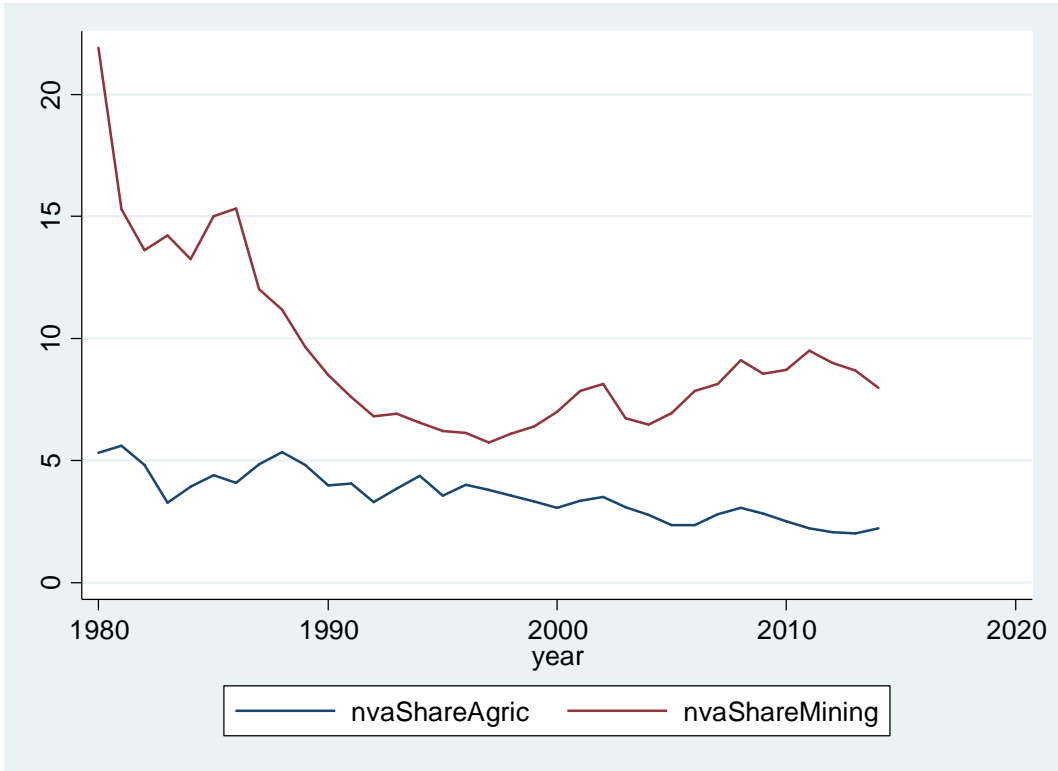


Sectoral composition of NVA:

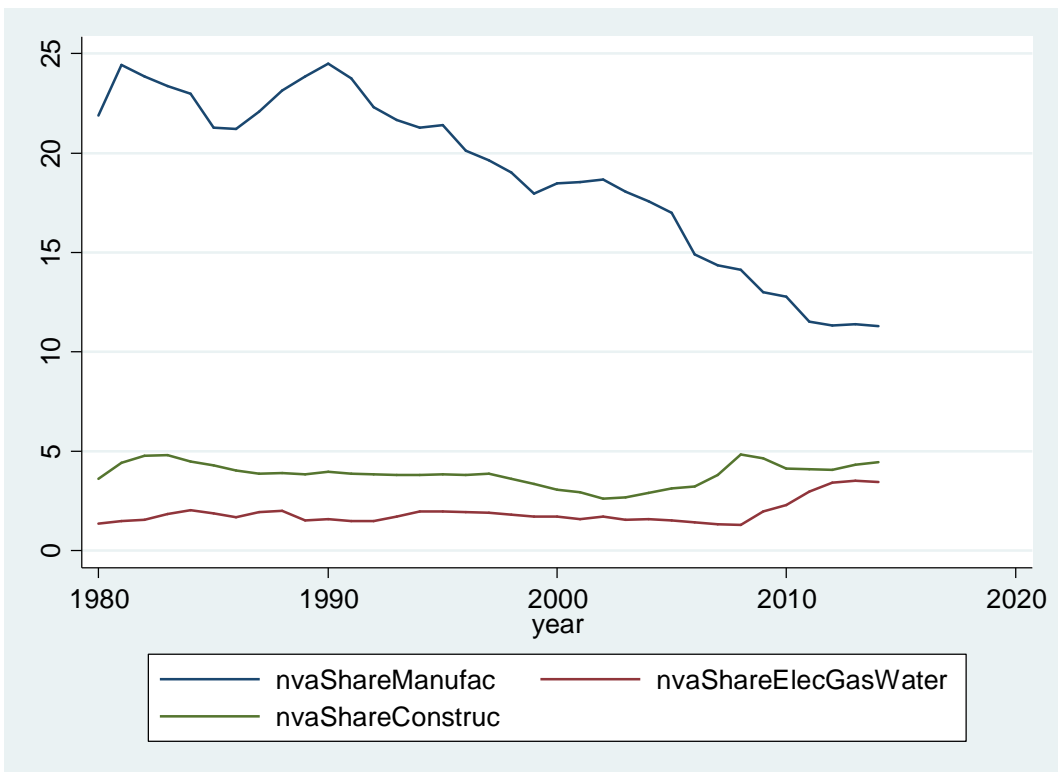
Contribution of primary, secondary and tertiary sectors to GVA



Contribution of primary sector sectors to NVA:



Contribution of secondary sector sectors to NVA:



Contribution of tertiary sector sectors to NVA:

