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IMF Working Paper

The Structural Determinants of the Labor Share in Europe

by Dilyana Dimova

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I N T E R N A T I O N A L M O N E T A R Y F U N D

IMF Working Paper

European Department

The Structural Determinants of the Labor Share in Europe

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Authorized for distribution by Laura Papi

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Abstract

The labor share in Europe has been on a downward trend. This paper finds that the decline is concentrated in manufacture and among low- to mid-skilled workers. The shifting nature of employment away from full-time jobs and a rollback of employment protection, unemployment benefits and unemployment benefits have been the main contributors. Technology and globalization hurt sectors where jobs are routinizable but helped others that require specialized skills. High-skilled professionals gained labor share driven by productivity aided by flexible work environments, while low- and mid-skilled workers lost labor share owing to globalization and the erosion of labor market safety nets.

JEL Classification Numbers: E25, F66, J31, O33

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