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# Visiting Researcher papers

This publication is the fourth in an occasional series presenting the work of visiting researchers at the Productivity Commission.

In support of its core function of conducting public inquiries and studies commissioned by the Government on key policy and regulatory issues, the Commission conducts supporting research into diverse issues concerning productivity and its determinants, environmental and resource management, labour markets, and economic models and frameworks to aid policy analysis.

To assist the research effort, the Visiting Researcher Program seeks to attract established researchers in areas closely related to the Commission’s primary research themes. Visiting researchers share their expertise and knowledge with Commission staff and contribute to the work of the Commission during appointments which are usually for terms up to one year.

During their stay with the Commission, visiting researchers take an active interest in the work of the Commission and mentor its staff. It is common for visiting researchers not only to conduct their own research in conjunction with Commission staff but also to contribute to the research work of others in their areas of expertise. However, *the views expressed in this series are those of the visiting researchers themselves, and do not necessarily represent those of the Commission*.

More details on the Visiting Researcher Program and released papers are available on the Commission’s website at www.pc.gov.au/research.

# Preface

This paper examines the distribution of production income between labour and capital. In particular, it looks for explanations for the fall in labour’s share of income in Australia since the turn of the millennium. An examination of the industry sources of change makes the origins of the fall in labour’s share — or more aptly, the rise in capital’s share — quite clear. The increase in the terms of trade and the associated investment boom in mining are revealed as driving the overall trend in labour’s share of income in Australia over the past decade.

Jenny Gordon, Mike Woods and Shiji Zhao assisted in the development of the paper. Derek Burnell, from the Australian Bureau of Statistics, and Shawn Sprague, from the US Bureau of Labor Statistics, assisted with data enquiries.

Helpful comments on an earlier draft were received from Bob Gregory, from the Australian National University, and from Jenny Gordon, Shiji Zhao, Lisa Gropp and Noel Gaston of the Productivity Commission.

Dean Parham was a part-time Visiting Researcher at the Productivity Commission from April 2012 to June 2013 when the research for this paper was undertaken. Until 2008, he was an Assistant Commissioner at the Commission, where he led a team engaged in research on Australia’s productivity. He was also a Visiting Researcher at the Commission in 2011.