

# The Structural Shift in the Cyclicality of the U.S. Labor Income Share.

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There is a consensus that the U.S. labor share is countercyclical, reflecting the existence of formal insurance mechanisms against unemployment risk. I document a structural change in the cyclicality of the U.S. labor share, which has become procyclical during the last three decades. I show empirically that the new procyclicality of the labor share is due to the vanishing procyclicality of labor productivity, to the increase in the volatility of real wages and to the imperfect positive comovement between real wages and average labor productivity. Theoretically, the shift in the cyclicality of the labor share is a new challenge for a large class of macroeconomic models embedded with labor hoarding and wage rigidity mechanisms. Finally, I present evidence suggesting that the shift in the cyclicality of the U.S. labor share is not due to changes in industrial composition, contrary to recent cross-country evidence.