

Market Concentration and Labor Income Share: A Panel Analysis based on the Korean Manufacturing Sector

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The purpose of this research is to closely examine relationship between market concentration and labor income share. To assess market concentration effects on labor income share, this paper assumes imperfectly competitive markets consisting of heterogeneous firms based on theoretical models and estimates panel data models for the Korean manufacturing industries.

The theoretical model suggests that an increase (a decrease) in firms' market power induces a decrease (an increase) in labor income share in the imperfectly competitive product markets. The empirical analysis using the panel data also finds the relationship between the factors inversely related.

It is meaningful in the sense that this study explored the role of imperfect competition in the product markets that has not been recognized as an important determinant of labor income share.

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