

# Inequality and Technology: The U.S. Experience

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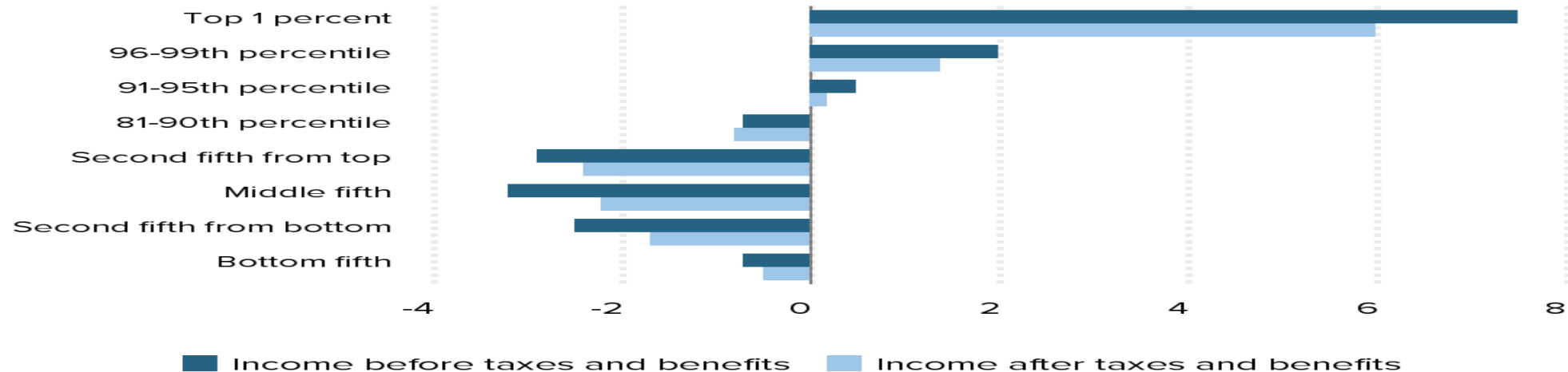
# Overview

- Inequality growth in US was a pre-tax and transfer phenomenon
- This pre-tax and transfer inequality comes from the labor market
- This labor market inequality is not driven by technological changes
  - Instead, intentional policy decisions and the institutional changes unleashed by new policies drove inequality
- All else equal, faster pace of technology *helps* typical US workers – what happens with inequality is dominated by leverage and bargaining power
- Bolstering leverage and bargaining power for typical US workers will lead to faster, not just fairer, growth

# Inequality is a pre-tax and transfer issue

## Since 1979, income share has risen for the top 10% but fallen for the rest

Percentage-point change in each income group's share of total income from 1979 to 2018



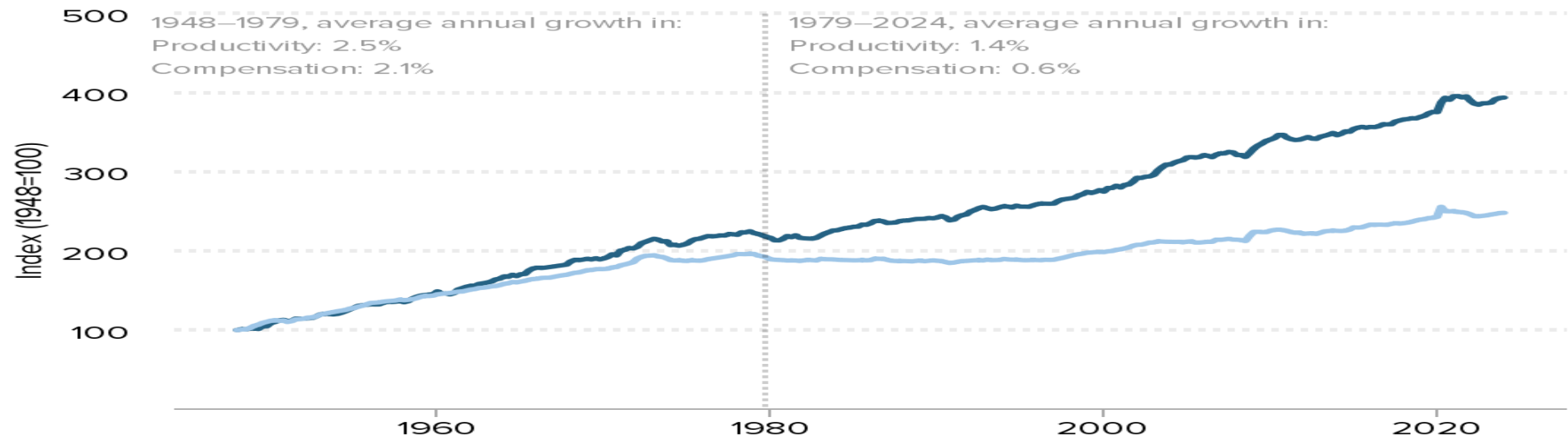
**Notes:** We subtract 1979 income shares from 2018 income shares for each group. Income before taxes and government benefits includes benefits from social insurance programs like Social Security and unemployment because the Congressional Budget Office includes those labor-related benefits in its data set. Income after taxes and benefits includes not only social insurance benefits but benefits like food assistance payments that households qualify for by virtue of their incomes, as well as income from tax credits, minus tax payments. Households are ranked in the income distribution by income after taxes and benefits.

**Source:** Congressional Budget Office household income data (CBO 2021).

# Overwhelmingly comes from labor market

## The gap between productivity and a typical worker's compensation has increased dramatically since 1979

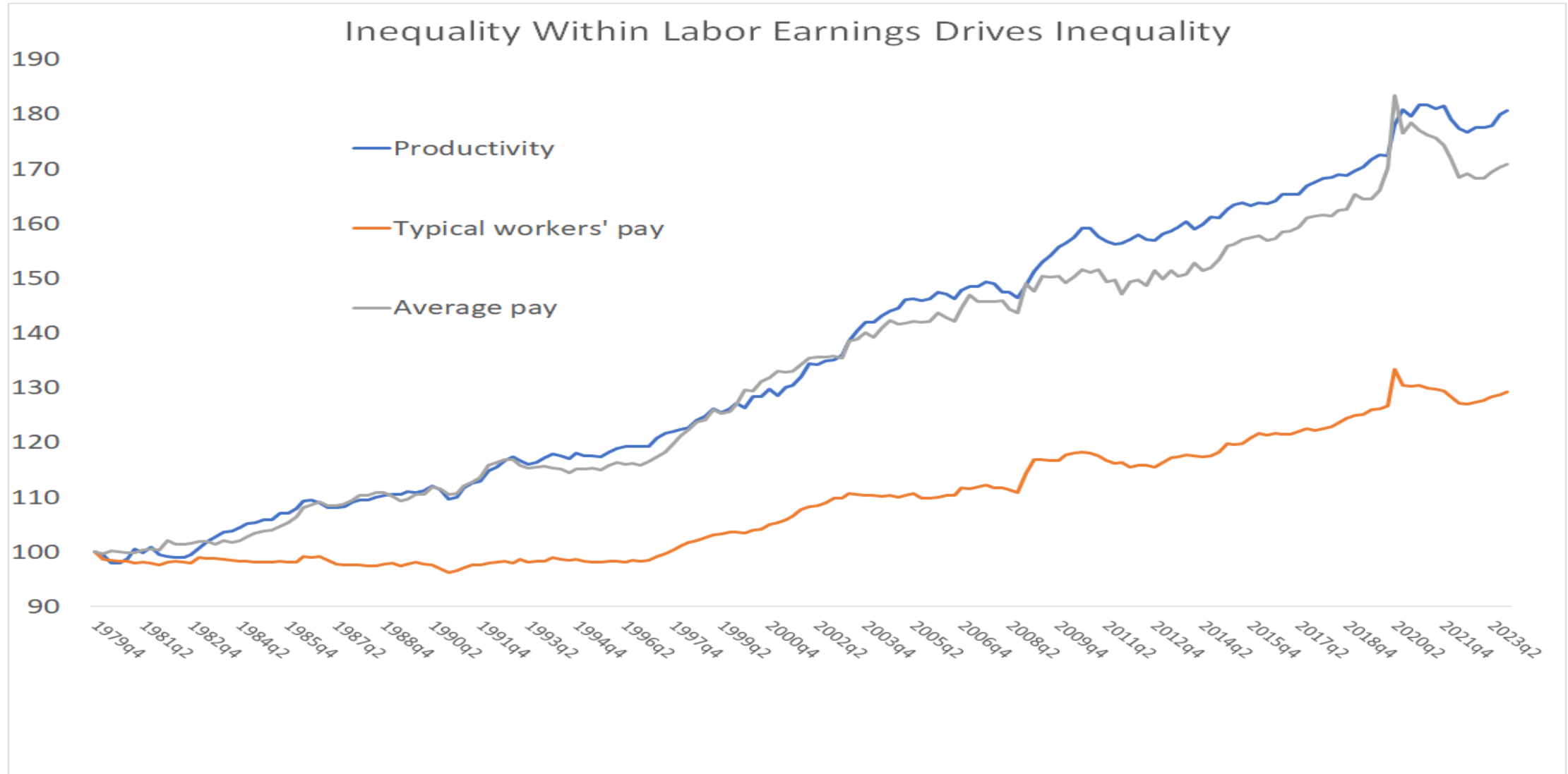
Productivity growth and hourly compensation growth, 1948–2024



**Notes:** Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. “Net productivity” is the growth of output of goods and services less depreciation per hour worked.

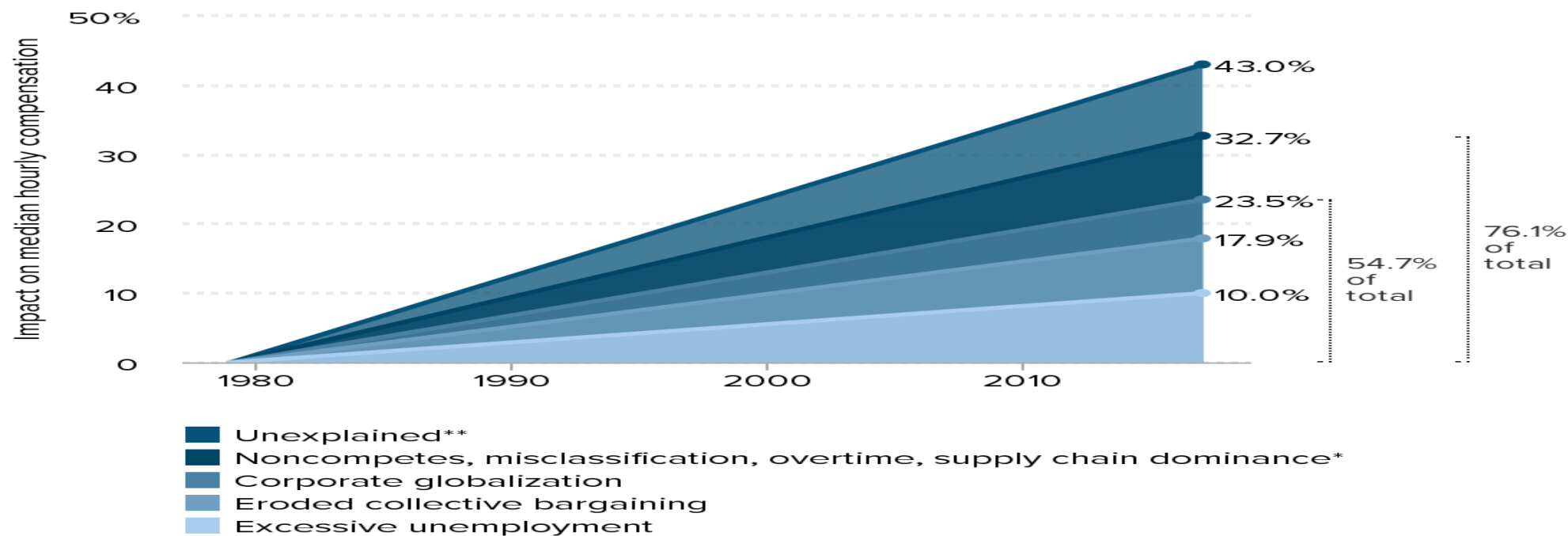
**Source:** EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts.

# Key Tell That Inequality Comes From Labor Market



# Labor Market Inequality Not Driven by Technology

**Factors percent contribution to productivity--median compensation divergence, 1979–2017**



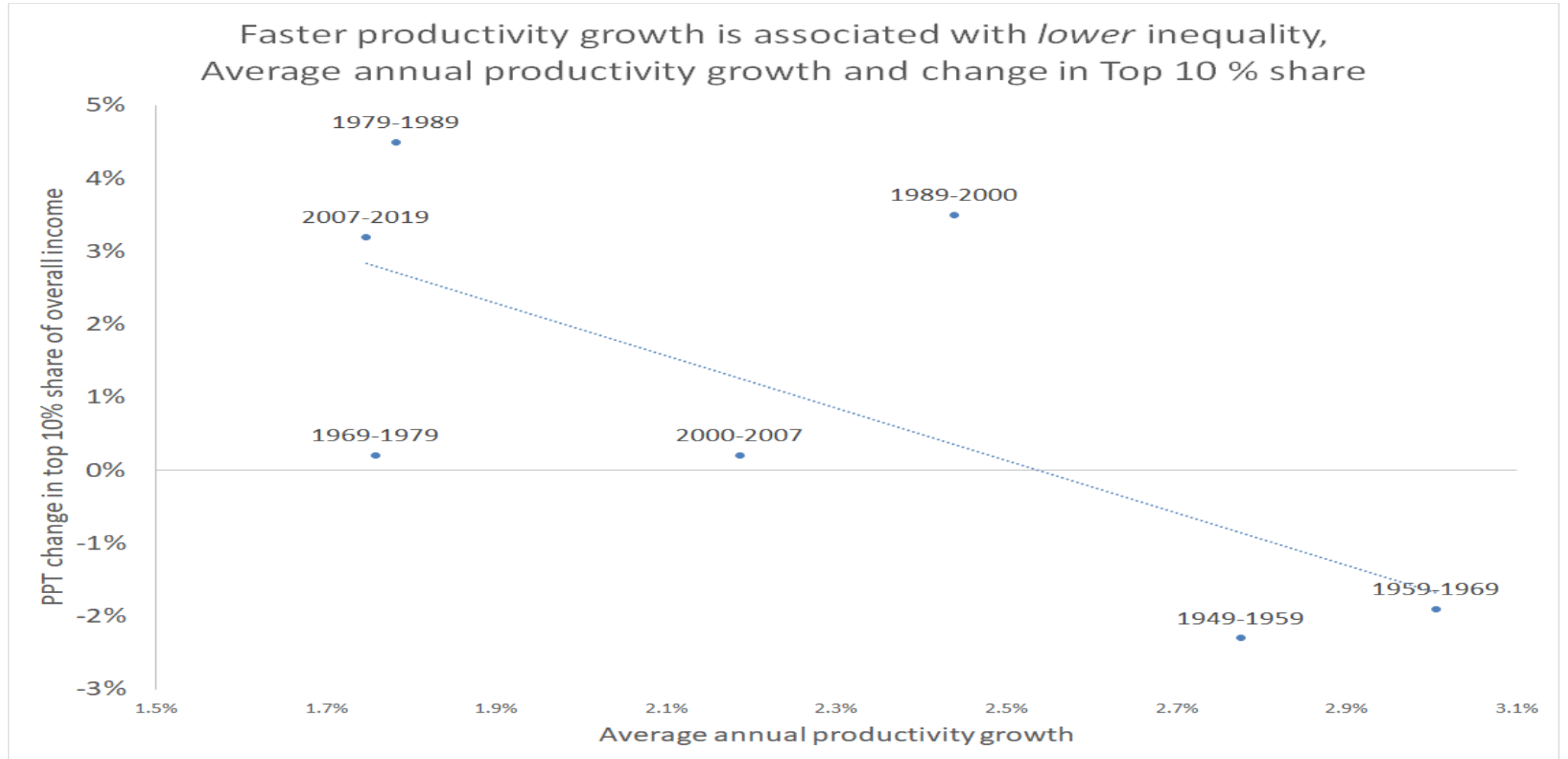
**Notes:** Automation/skill deficits had no effect.

\* Dominant buyer and fissuring

\*\* Including but not limited to: wage theft, guestworker programs, racial discrimination, industry deregulation, forced arbitration, and anti-poaching agreements

**Source:** Authors' analysis from Table 3.

# All Else Equal, Technology Good for Workers



# Bolstering typical workers' leverage could spur growth

- Say firms can invest in technology that boosts overall productivity, or that helps keep labor disempowered
  - Think of a Bowles (1985) or Greenwald/Stiglitz (1984) model of labor discipline
- Assume reduction in cost of monitoring
- All else equal, this will nudge towards invest in zero-sum labor disciplining technologies
- But this nudge can be blunted if collective bargaining fuzzes up link between being detected shirking and dismissal, or, if full employment makes threat of dismissal less worrisome
- Owen Davis (2024) doing some nice work in this direction:  
<https://ofdavis.com/ai.pdf>