# Labor share of income hits record low as corporate profits soar

**Andre Damon**
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Workers' share of US economic output has fallen to its lowest level since the government began keeping records in 1947, according to data the Commerce Department released Thursday. The share captured by corporate profits rose to the highest since 1950.

In the first quarter, workers' pay grew 0.8 percent from the previous quarter, while corporate profits rose 2.7 percent. Analyzing the data, the *Wall Street Journal*'s chief economics commentator, Greg Ip, calculated that labor's portion of gross domestic income had dropped to 51 percent and the corporate-profit share had reached 12.1 percent.

Another method of calculating the figures, published by the Labor Department, also shows that workers' share of economic output has hit a record low. Counting only the business sector, and crediting the self-employed with wages for their work, it puts that share at 54.1 percent. The level runs higher than Ip's because it leaves out government, nonprofits and housing, but it, too, is the lowest since the series began in 1947.

Corporate profits are soaring. After taxes, they now take 12.3 percent of national output, far above their postwar average of 7.3 percent.

Adjusted for inflation, hourly wages have risen 3 percent since the end of 2019, Ip noted. Corporate profits over the same period have risen 50 percent.

The Economic Policy Institute calculates that since 1979 the productivity of American workers has grown 90 percent while the pay of the typical worker has grown 33 percent. Had wages tracked output, the average worker would earn $16.40 more an hour today.

The profits are concentrated among the largest corporations. Earnings at the 500 biggest US firms rose 28 percent in the first quarter from a year earlier, the fastest pace since 2021, and their profit margins reached 14.8 percent. The seven technology giants known as the "Magnificent 7"—Apple, Microsoft, Nvidia, Alphabet, Amazon, Meta and Tesla—grew their profits 63 percent.

Nvidia, which makes the graphics processing units used to train large artificial-intelligence models, became the first company in history to reach a $5 trillion valuation. Micron, a memory-chip maker, crossed $1 trillion on Tuesday on a gross profit margin of about 75 percent.

These same companies are carrying out mass layoffs at disproportionately high rates. US employers announced 300,749 job cuts in the first four months of 2026, with the technology sector leading every other. Companies blamed artificial intelligence directly for 49,135 of those cuts, naming it the single largest stated reason for layoffs in both March and April.

Corporate executives have bluntly stated that they are replacing labor with AI systems. Salesforce reduced its customer-support staff from 9,000 to about 5,000. "I need less heads," its chief executive, Marc Benioff, explained.

Block, the payments company run by Jack Dorsey, cut 40 percent of its workforce. Dorsey wrote that a smaller team armed with the company's own AI tools could do more, and predicted that most companies would reach the same conclusion within a year.

Meta laid off 8,000 workers this month. Microsoft pushed out 8,750 through buyouts in April and exempted only its AI teams. Amazon has eliminated roughly 30,000 corporate jobs since October.

The Trump administration has compounded these private-sector layoffs with a wave of public-sector layoffs. Through the Department of Government Efficiency, run for much of the past year by Tesla and SpaceX chief executive Elon Musk, the federal workforce was cut by roughly 242,000 jobs, about 1 in

10.

The financial markets are rewarding precisely the companies that promise to replace labor with machines. Three firms built on that promise—the rocket company SpaceX and the AI developers OpenAI and Anthropic—are preparing to sell shares to the public at valuations approaching or above $1 trillion each. None has reported a profitable year; OpenAI lost roughly $9 billion last year.

No one has profited from this order more than Musk. The Bloomberg Billionaires Index put his fortune at $735 billion on Friday, the largest ever recorded and more than $400 billion ahead of the next-richest person. He has gained $116 billion this year alone.

In November, Tesla's shareholders approved a pay package that could deliver him up to $1 trillion in stock over a decade. With SpaceX scheduled to begin trading June 12, analysts expect Musk to become the world's first trillionaire within weeks.

Musk is the wealthiest of a soaring number of global billionaires. They now number 3,428, up from 3,028 a year earlier, together holding $20.1 trillion—an increase of $4 trillion, according to Forbes. Oxfam reckons their wealth grew 16 percent in 2025 and 81 percent since 2020.

In the United States, the richest 1 percent of households hold 31.7 percent of all wealth. The bottom half hold barely 2.5 percent.

The accumulation is worldwide. In its annual global wealth report, issued this month, the Boston Consulting Group found that global private financial wealth rose 10.7 percent in 2025 to $333 trillion, the steepest increase since 2021. Counted with real estate and other holdings, the world's private net worth reached $550 trillion. Stock holdings rose 13.2 percent over the year and gold by about 44 percent.

The boom has swelled the ranks of millionaires as well. In 2024 the United States added more than 1,000 a day, bringing its total to nearly 24 million, according to UBS. A country with about 4 percent of the world's people holds nearly 40 percent of its millionaires.

The chief executives of the largest companies are paid 285 times what their workers earn, against a ratio of about 20 to 1 in the 1960s.

Both US political parties have presided over the upward redistribution of wealth. After the 2008 financial crash, the Obama administration continued the Bush administration's rescue of the banks—the $700 billion bailout, and trillions more from the Federal Reserve—while millions of families lost their homes and only one banker went to prison. The economist Emmanuel Saez calculated that the top 1 percent captured 95 percent of the income gains from 2009 to 2012. The Biden administration presided over the same machine and left it intact.

Billionaires worth a combined $1.3 trillion sat behind US President Donald Trump and his family at his January 2025 inauguration, ahead of his own cabinet nominees; Musk, Bezos and Zuckerberg held the closest seats. In 2025 the world's 500 richest added a record $2.2 trillion to their fortunes—the largest annual gain in the Bloomberg Billionaires Index's history.