

Department SEMINARS



DEM DIPARTIMENTO DI
ECONOMIA E
MANAGEMENT

Capital and Labor Income Mobility

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WEDNESDAY, 12 NOVEMBER 2025
2:30 PM

Room Bruguier Pacini, DEM
Online via Teams

A B S T R A C T

Does capital or labor income drive overall relative income mobility? This article examines the dynamics of capital and labor intra-generational income mobility, utilizing individual-level income registers from Norway covering almost 300,000 individuals observed over 26 years. It introduces a novel methodological framework to decompose total income mobility into the contributions of its components across the life cycle. We present three key findings on the subject. First, different capital and labor income mobility measures along the respective unidimensional distributions do not convey clear income-factor mobility orderings. Second, upward total income mobility is mainly driven by upward labor income mobility and by the joint upward mobility of capital and labor. Third, downward total income mobility is mainly driven by downward capital income mobility and by the joint downward mobility of capital and labor. These results are robust to considering only high upward or downward jumps and are discussed in light of recent theoretical and empirical findings on the dynamics of compositional inequality and homoploutia in capital and labor, both within countries and globally.

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