

1

Steady as we go: Treading the tightrope of wage recovery as labour markets remain resilient

Sandrine Cazes, Sebastien Martin and Andrea Salvatori

This chapter provides an overview of recent labour market developments, with a focus on wage dynamics. The resilience of OECD labour markets is analysed, focussing especially on the evolution of labour market tightness and gender gaps. Real wage growth, including at the minimum wage, is also examined and compared with the dynamics of profits, to investigate whether the latter have started to buffer some of the increases in labour costs as wages recover their purchasing power. Beyond wages, the chapter also provides an update of the three key indicators of the OECD job quality framework across countries.

In Brief

Labour markets have proven resilient in the wake of adverse shocks and continued to perform strongly, with many countries seeing historically high levels of employment and low levels of unemployment. Amidst tight labour market conditions and a decline in inflation, real wages are now growing on an annual basis in many countries, although they are below their 2019 levels in about half of them.

The latest available evidence at the time of writing suggests:

- **Employment growth has flattened, and unemployment remains at historically low levels in most countries.** In May 2024, total employment was 3.8% higher than before the COVID-19 crisis, while the OECD unemployment rate was at 4.9%, after a record low of 4.8% in September 2023. Global GDP growth is projected to remain unchanged in 2024 from 2023 and strengthen modestly only in 2025, with inflation returning to target in most countries by the end of 2025. The OECD-wide unemployment rate is projected to rise marginally over 2024-25, with employment growth expected to slow over the same period.
- **Labour force participation rates continued to increase in the OECD and reached a record high.** In Q1 2024, participation rates were 1.3 percentage points higher than at the end of 2019 on average across the OECD, with more than half of that increase occurring since early 2022. The increase affected all age groups, with older workers (aged 55 to 64) experiencing the highest increase. The OECD labour force participation rate reached 73.9% in Q1 2024 – the highest level since the series began in 2005. Record levels were reached for both men and women.
- **Gender gaps in employment rates and labour force participation are narrowing in many OECD countries since 2019.** In most OECD countries, the rise in the female employment rate in the four years to Q1 2024 outperformed that of men. Gender differences in the change in unemployment rates were generally small over the same period.
- **Labour market tightness is easing but remains generally high.** In Q4 2023, vacancy-to-unemployed ratios were below their peak in all countries where they increased significantly in the wake of the COVID-19 crisis. While low-pay industries played a significant role in driving the growth of overall imbalances in the past, latest data suggest that this no longer the case. Tensions remain however particularly high in the health sector.
- **Real wages are now growing on an annual basis in many OECD countries but remain below 2019 levels in about half of them.** In Q1 2024, yearly real wage growth was positive in 29 of the 35 countries for which data are available, with an average change across all countries of +3.5%. However, in Q1 2024, real wages were still below their Q4 2019 level in 16 of the 35 countries.
- **Statutory minimum wages are above their 2019 level in real terms in virtually all countries.** In May 2024, thanks to significant nominal increases in statutory minimum wages to support the lowest paid during the cost-of-living crisis, the real minimum wage was 12.8% higher than in May 2019 on average across the 30 OECD countries that have a national statutory minimum wage. The median increase, which is used because the average figure is affected by the particularly large increases in some countries, was at 8.3%. Both figures are quite significant compared to the increase in average/median wages.
- **Wages of low-pay workers have performed relatively better in many countries.** In 17 of the 33 countries with available data, real wages performed relatively better in low-pay industries than in both mid- and high-pay industries between 2019 and 2023. Results by education and occupation from selected countries also point to better performance of wages for the lower-paid groups.

- **While wages are recovering, unit profits growth has slowed down and turned negative in some countries.** After growing considerably and making unusually large contributions to domestic price pressures in 2021 and 2022, unit profits decreased in 14 of the 29 countries with available data over the last year – an indication that they have started to absorb some of the inflationary impact of increasing unit labour costs. In most countries, there is further room for profits to provide some buffering, given their significant growth over the past three years.

A special emphasis is placed in this chapter on job quality in OECD countries, as other aspects of jobs, beyond wages, need to be monitored to assess what has happened to workers' overall well-being following the COVID-19 pandemic and the recent cost-of-living crisis.

- **Earnings quality**, one of the three key indicators of the OECD Job Quality framework, **was generally better across the OECD in 2022 than in 2015.** Yet, data for 2022 show that, because of the acceleration in inflation and slow wage adjustment, earnings quality decreased between 2021 and 2022 in 26 of the 32 countries for which data are available. Earnings quality measures the extent to which the earnings received by workers contribute to their well-being, by taking account of the average level of earnings and the way earnings are distributed across the workforce.
- **Labour market security** (which measures the extent to which public income support for the unemployed mitigates the expected earnings loss associated with unemployment) **generally improved across the OECD between 2015 and 2022.** This positive pattern was driven by a decline in unemployment rates and improvements in unemployment insurance since 2015.
- **The quality of the working environment**, the third key indicator of job quality, is measured by job strain, a situation where workers have insufficient job resources to meet job demands. Results are only available for 2021, when **some 13% of workers experienced job strain on average for the 25 OECD European countries for which data are available.**

Looking ahead, it will continue to be important to strike a balance between allowing wages to make up some of the ground they have lost in terms of purchasing power and limiting further inflationary pressures. The most recent data are reassuring as they do not show signs of further acceleration in nominal wage growth, with some indicators even suggesting that it has slowed down. Some firms will find it more difficult to absorb further wage increases than others, with small and medium-sized firms likely to face greater constraints than large companies. Collective bargaining and social dialogue, when well-designed and implemented, can help identify solutions tailored to sectors and firms' different abilities to sustain further increase in wages and to promote policies and practices to enhance the growth in productivity needed to sustain real wage gains in the longer term.

Introduction

The last few years have been tumultuous, with significant negative shocks hitting the global economy in the aftermath of the COVID-19 crisis. Yet, labour markets in OECD countries have proven resilient, even when living standards came under intense pressure as inflation reached levels not seen in decades in many countries. This chapter reports on the latest developments in labour market indicators across the OECD and provides an update on the impact of the cost-of-living crisis on wages, leveraging a range of diverse national data sources.

Non-wage aspects of jobs also need to be monitored to understand trends in job quality in the wake of the COVID-19 pandemic and the recent cost-of-living crisis. Drawing on the conceptual framework developed by the OECD (Cazes, Hijzen and Saint-Martin, 2015^[1]; OECD, 2014^[2]) and then adopted by the G20 (G20, 2015^[3]), the chapter also provides an update on the three key indicators of job quality across countries – earnings quality, labour market security and quality of the working environment.

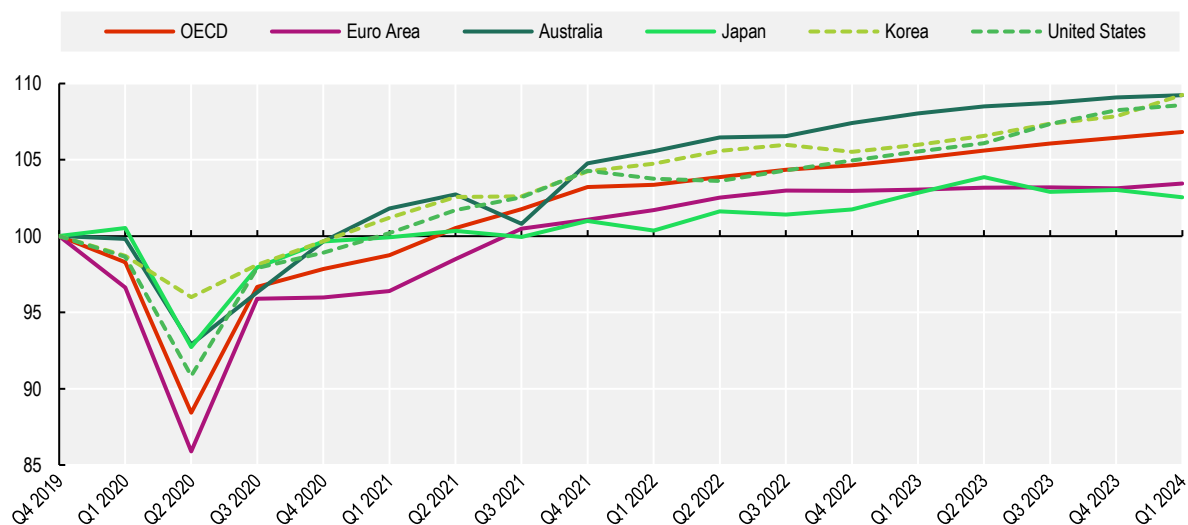
The chapter is organised as follows: Section 1.1 reviews recent labour market developments across the OECD countries; Section 1.2 reports on recent wage developments, including an update on statutory minimum wages and negotiated wages; and finally, Section 1.3 presents the latest OECD job quality indicators and analyses trends in these indicators since 2015. Section 1.4 concludes with policy recommendations.

1.1. Labour markets have proven resilient in the wake of adverse shocks

Global GDP growth has been moderate, but relatively resilient in 2023 despite the negative shocks from Russia’s war of aggression against Ukraine and the sharp tightening of monetary policy to tackle high inflation. Growth was particularly strong in the United States and many emerging-market economies but saw a slowdown in most European countries (Figure 1.1). The attacks on ships in the Red Sea that started in Fall 2023, have raised shipping costs sharply and lengthened delivery times, disrupting production schedules and raising price pressures. According to the latest indicators, global GDP growth is projected to continue growing at a modest pace of 3.1% in 2024, the same growth as the 3.1% in 2023, followed by a slight pick-up to 3.2% in 2025 as financial conditions ease (OECD, 2024^[4]).


Figure 1.1. GDP growth has been moderate with significant divergence between countries

Real GDP indexed to 100 in Q4 2019 in selected OECD countries, seasonally adjusted data



Note: Euro Area refers to the 20 Eurozone countries.

Source: OECD (2024), “Quarterly National Accounts”, OECD National Accounts Statistics (database), <https://doi.org/10.1787/data-00017-en> (accessed on 12 June 2024).

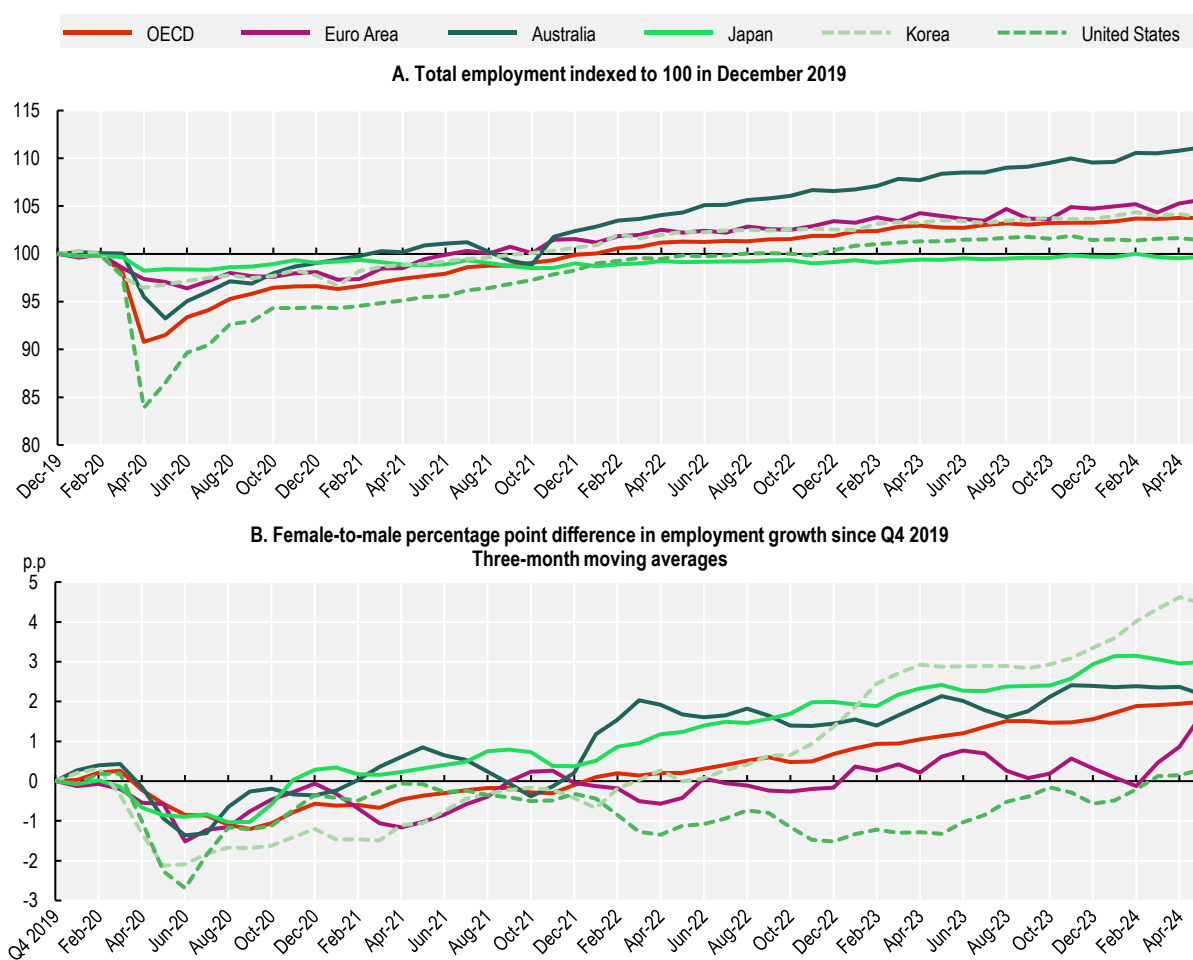
StatLink  <https://stat.link/glsrka>

1.1.1. Employment growth has flattened and unemployment remains at historically low levels in most countries

Employment growth for the OECD area flattened over the course of 2023 and early months of 2024, with total employment reaching a level 3.8% higher than before the COVID-19 crisis by May 2024 (Panel A of Figure 1.2). While remaining positive year on year, total employment growth slowed down in all major OECD economies in recent months. Across the OECD, employment grew more for women than for men continuing a trend seen throughout the recovery from the COVID-19 crisis. By May 2024, on average across the OECD, women's total employment had grown about 2 percentage point more than men's, reaching 5.3% above its pre-crisis level. Women's employment performed particularly well in Australia, Japan, and Korea (Panel B of Figure 1.2).

Figure 1.2. Total employment stabilised in 2023 in the OECD

Series seasonally adjusted data, selected OECD countries



Reading: Panel B shows the difference in the growth rate of total employment between men and women since Q4 2019. By May 2024, on average across the OECD, women's total employment had grown about 2 percentage points more than men's, reaching 5.3% above its pre-crisis level.

Note: Euro Area refers to the 20 Eurozone countries. The OECD average and the Euro Area are derived from the OECD Monthly Unemployment Statistics estimated as the unemployment level times one minus the unemployment rate and rescaled on the LFS-based quarterly employment figures.

Source: OECD (2024), "Labour: Labour market statistics", *Main Economic Indicators* (database), <https://doi.org/10.1787/data-00046-en> (accessed on 9 July 2024).

StatLink  <https://stat.link/y68jwe>

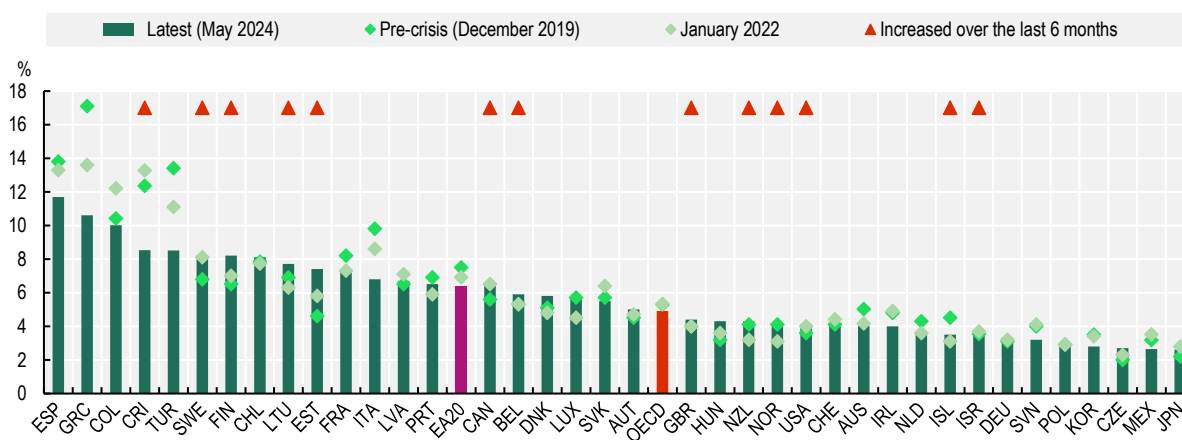
As for employment rates, they progressed more for women than for men in most OECD countries compared to pre-pandemic level, indicating that gender gaps in employment rates are narrowing in many OECD countries. Interestingly, data suggest that the higher the employment gender gap in Q4 2019, the greater was the growth in women’s employment rate between Q4 2019 and Q1 2024 (Annex Figure 1.A.1).

Unemployment rates remain at historically low levels in many OECD countries (Figure 1.3). The unemployment rate for the OECD was already at its pre-COVID-19 level in January 2022 – before Russia’s full-scale invasion of Ukraine. Since then, the unemployment rate declined by a further 0.4 percentage points and stood at 4.9% in May 2024 after a record low of 4.8% in September 2023. Unemployment rates are below their levels of January 2022 in 17 OECD countries, and above that level by more than 0.5 percentage points in 10 countries.

The most recent data also suggest stable unemployment rates across countries, with only 13 OECD countries having experienced an increase of more than a quarter of a percentage point over the past six months. Gender differences in the changes in unemployment rates between December 2019 and May 2024 are generally small: while not shown here, the gender gap in unemployment rates was rather stable on average for the OECD area except for Colombia, Costa Rica and Greece where it decreased by more than 2 percentage points.


Figure 1.3. Unemployment rates remain at historically low levels in many countries

Unemployment rate (percentage of labour force), seasonally adjusted data



Note: The labour force population includes all those aged 15 or more. Euro Area refers to the 20 Eurozone countries. The labour force population includes all those aged 15 or more. The latest month refers to **Q1 2024** for New Zealand and Switzerland; **February 2024** for Iceland, **March 2024** for the United Kingdom; **April 2024** for Chile, Costa Rica and Türkiye; and **June 2024** for Canada and the United States.

Source: OECD (2024), “Unemployment rate” (indicator), <https://doi.org/10.1787/52570002-en> (accessed on 9 July 2024).

StatLink  <https://stat.link/1z75tu>

1.1.2. Labour force participation rates continue to increase while average hours worked are slightly below their pre-COVID-19 levels in several countries

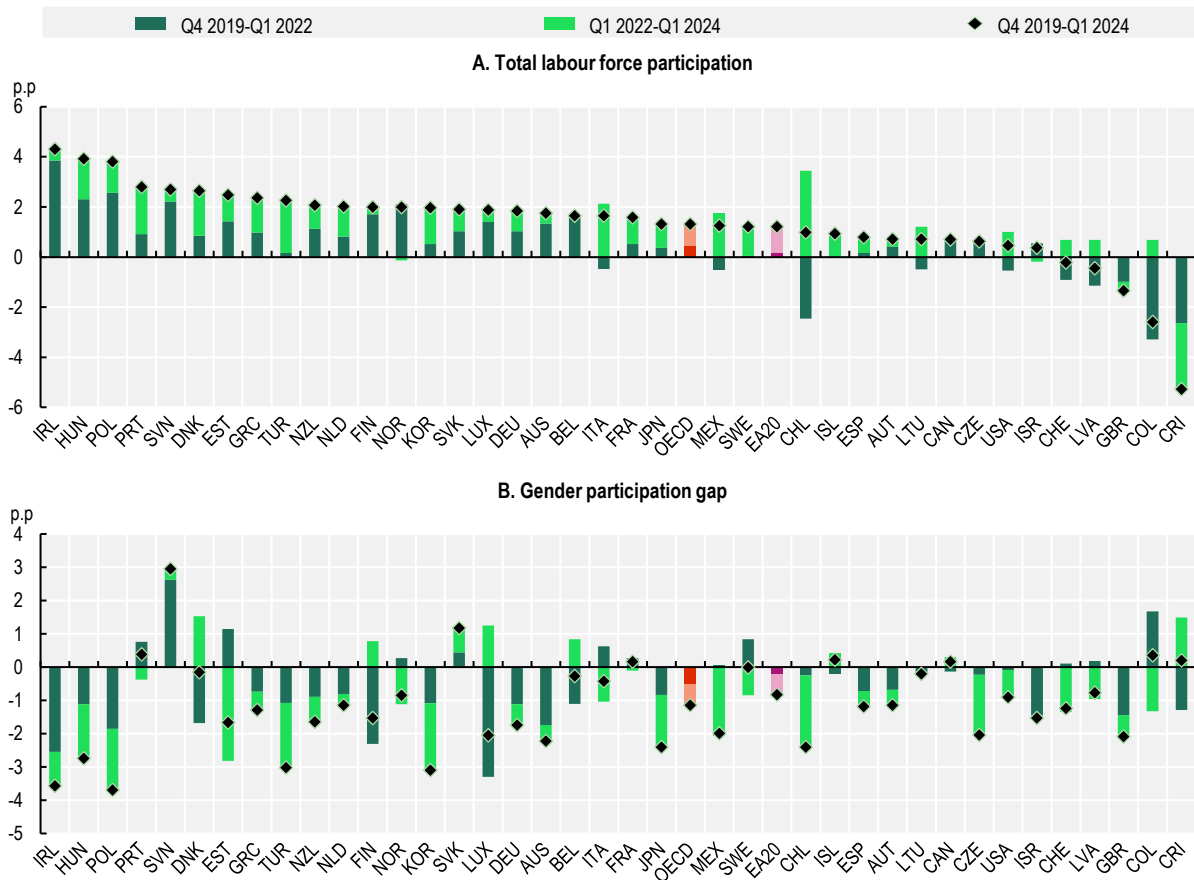
Labour force participation rates among the working age population have continued to increase in most of the OECD countries over the past year or so¹ (Figure 1.4, Panel A). In Q1 2024, labour force participation rates were 1.3 percentage points higher than at the end of 2019 on average across the OECD. More than

half of that increase occurred since the first quarter of 2022 as 32 of the 38 OECD countries continued to see their participation rates increase. Colombia, Costa Rica and the United Kingdom are the only three OECD countries where the labour force participation rate is below its pre-COVID-19 level by more than a percentage point. Within the working age population (aged 15-64), labour force participation rates have increased for all age groups, with older workers (aged 55 to 64) experiencing the largest increase on average across the OECD (1.9 percentage points since early 2022, for a total of 3.5 percentage points since the start of the COVID-19 crisis).²

Similarly to employment rates, labour force participation rates progressed more for women than for men compared to pre-pandemic level, so the gender gaps in participation rates narrowed in almost all OECD countries by 1.1 percentage point between Q4 2019 and Q1 2024 for the OECD area (Figure 1.4, Panel B).

Figure 1.4. Labour force participation rates have continued to increase over the past year

Percentage point change in labour force participation rates (persons aged 15-64), seasonally adjusted data



Note: The gender participation gap is defined as the male-to-female difference in the labour force participation rates. OECD is the unweighted average of the 38 OECD countries shown in this chart. Euro Area refers to the 20 Eurozone countries. p.p: percentage point. Countries are ordered by descending order of the percentage point change in labour force participation rates in Q4 2019-Q1 2024 (Panel A).

Source: OECD (2024), "Labour: Labour market statistics", Main Economic Indicators (database), <https://doi.org/10.1787/data-00046-en> (accessed on 25 June 2024).

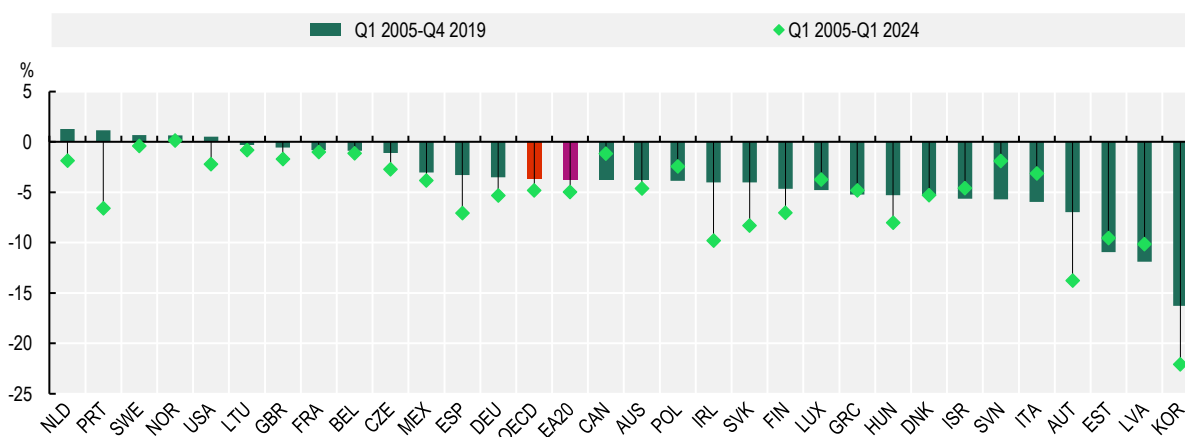
In Q1 2024, hours worked per employed person were below their pre-COVID-19 levels in 20 of the 31 countries with recent data available (Figure 1.5). The average decline in hours worked since Q4 2019 across all countries with available data is rather small – just above 1%.³ In most countries, this decline follows a trend that pre-dates the COVID-19 crisis, though with some notable accelerations in Austria, Finland, Hungary, Ireland, Korea, the Slovak Republic and Spain. Among the five countries where hours worked had been increasing before the COVID-19 crisis, only the Netherlands, Portugal and the United States, saw a decline of more than 1% in the aftermath of the pandemic.

Evidence for Europe indicates that the decline in hours worked over the past 20 years is largely driven by an increase in part-time and a reduction in hours within jobs (as opposed to a compositional shift to jobs typically requiring fewer hours) (Astinova et al., 2024^[5]; ECB, 2021^[6]). However, the decline in average hours worked since the COVID-19 crisis has not been associated with widespread up-ticks in part-time employment. On the contrary, annual data for 2022 point to a slight decrease in the incidence of part-time in most OECD countries relative to 2019.⁴

Overall, the cross-country comparison does not lend support to the hypothesis of a generalised post-COVID change in preferences over work-life balance that might have reduced willingness to work, but more evidence is needed to understand patterns observed in specific countries.


Figure 1.5. The post-pandemic decline in average hours worked per worker is generally consistent with long-term trends

Percentage change, seasonally adjusted data



Note: Average hours worked per worker is defined as the total hours worked divided by total employment, except for **Belgium** where it refers to the average hours worked of employees, **Korea**, where it refers to the average usual weekly hours worked per employed, **New Zealand**, where it is defined as the total paid hours divided by filled jobs, and the **United States** where it refers to the average usual weekly hours worked per wage and salary workers. Statistics are not seasonally adjusted for Canada and Mexico and periods reported for those countries refer to Q4 2004-Q4 2019 and Q4 2004-Q4 2023, and Q4 2005-Q4 2019 and Q4 2005-Q4 2023, respectively. The latest quarter available refers to Q3 2023 for Israel, and to Q4 2023 for Belgium and the United Kingdom. OECD is an unweighted average of the 31 OECD countries shown in this Chart (not including Chile, Colombia, Costa Rica, Iceland, Japan, Switzerland and Türkiye). Euro Area refers to the 20 Eurozone countries.

Source: OECD (2024), "Quarterly National Accounts", *OECD National Accounts Statistics* (database), <https://doi.org/10.1787/data-00017-en> (accessed on 21 June 2024) for all countries except Australia, Korea, New Zealand, and the United States; Australian Labour Account (Australian Bureau of Statistics) for Australia, Economically Active Population Survey (Statistics Korea) for Korea, Quarterly Employment Survey (QES – Tables QEM034AA and QEM025AA, Stats NZ) for New Zealand, and Current Population Survey (CPS, Bureau of Labor Statistics) for the United States.

StatLink  <https://stat.link/kudyaz>

For the United States, evidence suggests that people's willingness to work did decline significantly during the pandemic, as *potential hours worked* (i.e. a measure of hours people are willing to work) declined much more than the overall participation rate – an anomaly relative to other recessions. However, by mid-2022 *potential hours worked* began to increase more quickly than labour force participation suggesting that the impact of the pandemic – while prolonged – might have only been temporary (Bognar et al., 2023^[71]). Similarly, it is too early to establish whether the increase in sick leave that took place in Europe after the pandemic can be seen as a permanent change (Arce et al., 2023^[81]). On the demand side, labour hoarding by firms might have contributed to keeping average hours down in the last year or so as, faced with a slowdown in activity in some countries, firms might have preferred reducing hours to laying-off workers due to the expected difficulties in re-hiring workers (see Section 1.1.3).

1.1.3. Labour market tightness is easing but remains generally elevated

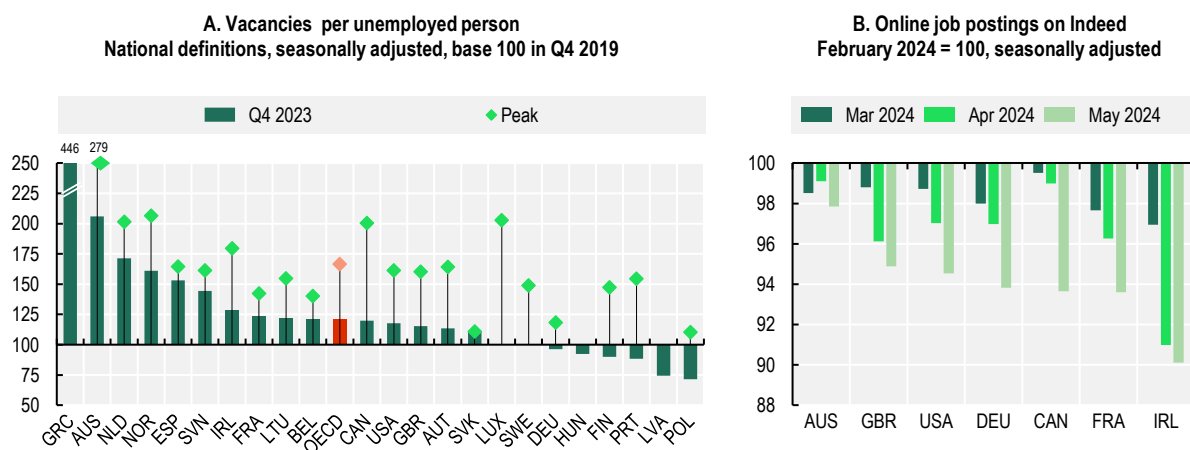
Amid the general slowdown in economic growth, labour market tightness (i.e. the number of vacancies per unemployed person) has eased in recent quarters but remains above pre-COVID-19 levels in many countries (Figure 1.6, Panel A). In Q4 2023, among the countries with available data, vacancy-to-unemployed ratios were below their peak in all countries where they had increased considerably after the COVID-19 crisis.

This picture drawing on vacancy-to-unemployment ratios⁵ is completed with data on job postings to get information on the latest developments of labour demand: data on the online platform *Indeed* confirm a continued easing over the last months (Figure 1.6, Panel B). In May 2024, online job postings were below their February 2024 level in all seven countries with data available.

Imbalances between demand and supply have been widespread across industries. While low-pay industries played a significant role in driving the growth of overall imbalances in the past (OECD, 2023^[91]), the latest data suggest that this is no longer the case. The visualisation, for 26 OECD countries with available data, of the increase in vacancy rates in each industry relative to the change at the country level shows indeed that the distribution of the red squares (i.e. sectors with high increases in vacancy rates relative to the country average) are not concentrated among low-pay industries anymore (Annex Figure 1.A.2). Tensions remain however particularly high in the health sector – which is the only one with higher-than-average increases in vacancy rates in over two thirds of the countries with data available (as shown in the far right column in Annex Figure 1.A.2).

Tight labour markets can push employers to offer better job packages, such as stable jobs or with a set of benefits (OECD, 2023^[91]), but also to adjust wages, as evidenced by the pick-up in nominal wage growth over the past year or so (Section 1.2). They can also stimulate the participation of groups with lower labour market attachment. Moreover, lasting labour shortages may create incentives for firms to invest in technology and automation, which can have positive effects on productivity and wages. At the same time, labour shortages can also lower production and its quality, hinder innovation, and adoption of advanced technologies – at least if they concern high skill workers – and provide incentives for outsourcing and offshoring that are hard to reverse.

Figure 1.6. Labour markets remain tight in many countries even as pressure is easing



Note: OECD is the unweighted average of the 23 OECD countries shown in Panel A of this chart (not including Chile, Colombia, Costa Rica, Czechia, Denmark, Estonia, Iceland, Israel, Italy, Japan, Korea, Mexico, New Zealand, Switzerland and Türkiye). The peak (Panel A) refers to the maximum value of the number of vacancies per unemployed reached in Q4 2019-Q4 2023. For Hungary and Latvia, the number of vacancies per unemployed remains always below its Q4 2019 level and consequently there is no peak during the period considered. For Greece, the peak refers to Q4 2023.

In Panel A, statistics refer to the number of vacancies (see description below) divided by the number of unemployed (ILO definition). The definition of vacancies is not harmonised across countries. For **European countries** (except Austria, France, Germany, Hungary and Portugal – see below), a vacancy is defined as a paid post that is newly created, unoccupied, or about to become vacant for which the employer is taking active steps and is prepared to take further steps to find a suitable candidate from outside the enterprise concerned; and which the employer intends to fill either immediately or within a specific period. For **Australia**, a vacancy is defined as a job available for immediate filling and for which recruitment action has been taken by the employer. For **Austria**, a vacancy is defined as a job notified by firms to employment agencies which remain unfilled at the end of the month. For **Canada**, a vacancy is defined as a job meeting the following conditions: it is vacant on the reference date (first day of the month) or will become vacant during the month; there are tasks to be carried out during the month for the job in question; and the employer is actively seeking a worker outside the organisation to fill the job. The jobs could be full-time, part-time, permanent, temporary, casual, or seasonal. Jobs reserved for subcontractors, external consultants, or other workers who are not considered employees, are excluded. For **France**, a vacancy is defined as the monthly number of vacancies posted by companies in France Travail. For **Germany**, a vacancy is defined as a job of seven days' duration or more reported by employers to employment agencies to be filled within 3 months and remaining unfilled at the end of the month. For **Hungary**, a vacancy is defined as the number of vacancies notified to local labour offices as part of the central government territorial administrative units. For **Portugal**, a vacancy is defined as the number of vacancies reported by employers to be still vacant at the last month of the quarter. For the **United Kingdom**, a vacancy is defined as a position for which employers are actively seeking recruits from outside their business or organisation (excluding agriculture, forestry, and fishing) based on the estimates from the Vacancy Survey. For the **United States**, a vacancy is defined as a job that is not filled on the last business day of the month and a job is considered open if a specific position exists and there is work available for it, the job can be started within 30 days, and there is active recruiting for the position. In Panel B, online job postings on Indeed are indexed to 100 in January 2024.

Source: OECD (2024), "Labour: Registered unemployed and job vacancies (Edition 2023)", Main Economic Indicators (database), <https://doi.org/10.1787/cee89a15-en> (accessed on 29 May 2024) for Australia, Austria, Germany, Hungary, Portugal and the United Kingdom; Eurostat, Job vacancy statistics by NACE Rev.2 activity (Table jvs_q_nace2) for Belgium, Finland, Greece, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, the Slovak Republic, Slovenia, Spain and Sweden, Job vacancies, payroll employees, and job vacancy rate (Statistics Canada) for Canada, Les demandeurs d'emploi inscrits à France Travail (DARES) for France; Job Openings and Labor Turnover Survey (Bureau of Labor Statistics, retrieved from FRED) for the United States; Indeed, Online Job Posting Tracker, https://github.com/hiring-lab/job_postings_tracker (accessed on 12 June 2024).

StatLink  <https://stat.link/jzo2lw>

Hence, addressing labour shortages requires unpacking the many and interconnected factors behind them – and whether they differ from pre-COVID labour markets. For instance, the working conditions in some segments of the health sector – such as the long-term care one – have received considerable attention in the wake of the pandemic with a renewed interest in policy solutions to improve the quality of jobs that are already facing significant recruitment difficulties and are expecting further growth in demand as a result of population ageing (OECD, 2023^[9]). Box 1.1 presents some possible factors behind labour shortages.

Overall, a comprehensive multifaceted policy approach is needed to address labour shortages and the complex and interrelated factors driving them, stimulating labour supply among groups with lower participation rates, improving the working conditions of certain sectors and the skill and geographical match between labour demand and supply, as well as the efficiency of the matching process when there are workers with the right skills in the right place.

Box 1.1. Labour shortages in the post-COVID-19 era: Are they different?

Labour shortages have been a distinctive feature of post-COVID labour markets. While shortages initially appeared in sectors that were more heavily affected by the pandemic, they seem to have since spread to broad swathes of the labour force. Labour shortages are driven by a number of structural and cyclical interrelated factors. In several sectors (mostly high-skill ones) and countries, labour shortages had been steadily increasing *well before* the COVID-19 pandemic – at least since the Global Financial Crisis.

Factors driving shortages in the long term include demographic trends shaping the size and composition of the labour force; geographical and skill mismatches between labour demand and supply which can be exacerbated by the diffusion of AI and the digital and green transitions (see also Chapter 2); changes in workers' preferences concerning job quality and working conditions; and the efficiency of the matching process between labour demand and supply.

The significant increase in labour shortages in the post-COVID labour markets – especially in the low skilled, low pay sectors in the first years – appeared to be linked mostly to the surge in labour demand to catch-up after the COVID-19 crisis. While there is no indication of new significant mismatches induced by the recent crisis (Duval et al., 2022^[10]), the rapid increase in labour market tightness might have contributed to a self-reinforcing mechanism whereby a strong labour market encourages workers to quit their jobs and leads to further vacancies being opened (Bognar et al., 2023^[7]).

By contrast, there is little indication on the impact of labour supply changes on the rise of labour shortages: as reported in Section 1.1.2, labour force participation rates have increased for all age groups and the overall size of the labour force generally continues to grow. It is however possible that there might be changes in workers' preferences over different types of jobs, as well as changes in the composition of the workforce, with young workers not necessarily being willing to perform some of the jobs left by those who have retired.

The OECD webinar “Labour Shortages, today and tomorrow” organised on 18 March 2024 discussed labour shortages patterns across OECD countries. One important insight was the significant differences in the short-term patterns across the United States, the United Kingdom and Germany¹. In the first two countries, workers seemed to have moved away from certain sectors with low pay and strenuous conditions, such as retail trade, food and hospitality and manufacturing, which led to important workers' turnover. Further indication for the United Kingdom suggests indeed that workers might have directed their search away from sectors that were badly hit during the COVID-19 crisis². In Germany, such reallocation did not occur. As labour market tightness remains elevated in many OECD countries, more evidence will be needed about these patterns: further research will be typically important to understand the nature of ongoing workers turnover and identify the factors influencing mobility across jobs, notably those that might hinder flows towards occupations and sectors facing labour shortages.

1. This draws on the panel discussion of the first session of the OECD webinar “Workers, wherefore art thou? Labour shortages, today and tomorrow”, organised on 18 March 2024, as part of the Working Party on Employment Webinar Series, with the respective presentations by Nick Bunker, Director of North American Economic Research, *Indeed*, “Labour Demand and posted wage growth in the United States”, Carlos Carillo-Tudela, Professor of economics at the University of Essex in the United Kingdom, “Job search and sectoral shortages in the United Kingdom” and Bernd Fitzenberger, Director of the IAB and Professor of Quantitative Labor Economics at Friedrich-Alexander - Universität-Erlangen-Nurnberg in Germany “Labour shortages in Germany”.

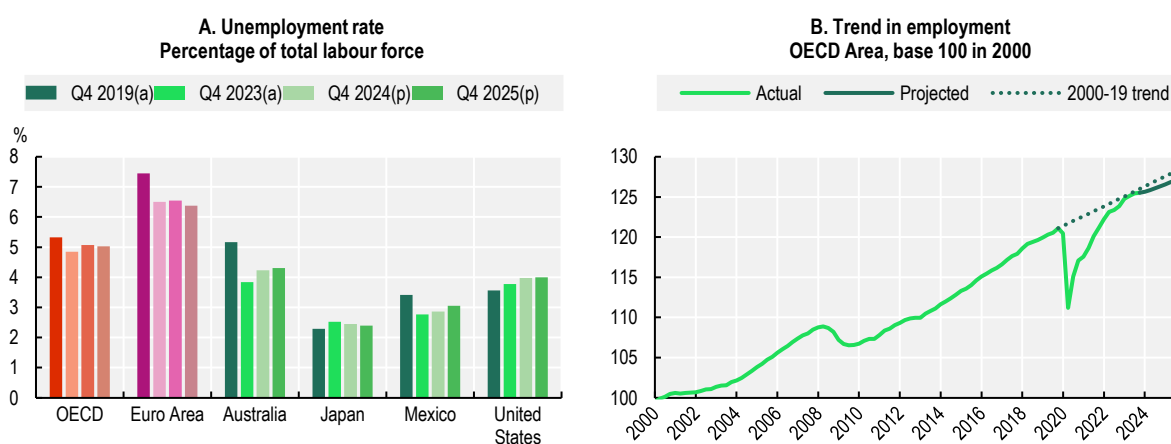
2. <https://covidjobsresearch.co.uk/labour-shortages/>.

1.1.4. Economic growth in the OECD is expected to remain unchanged in 2024 and strengthens modestly in 2025, with marginal increase in unemployment and slowdown of employment growth

Global growth, which slowed in the second half of 2023, is expected to stabilise and then pick up slightly through 2024-25. In part, this reflects better momentum than expected in the United States and some emerging-market economies. Annual OECD GDP growth is projected to be at 1.7% in 2024 and edge up to 1.8% in 2025 (OECD, 2024^[4]).


The OECD-wide average unemployment rate is projected to rise marginally over 2024-25 to 5% in the fourth quarter of 2025 (Figure 1.7). The OECD-wide employment growth is expected to slow from 1.7% in 2023 to around 0.7% per annum on average over 2024-25, below its 2000-19 trend (Figure 1.7).

Figure 1.7. Employment in the OECD is projected to continue to grow in 2024 and 2025, with the unemployment rate also inching up slightly



Note: (a) Actual value. (p) OECD projection. Euro Area refers to the 17 EU member states using the euro as their currency which are also OECD Member States. The 2000-19 trend refers to the average quarterly employment growth rate prevailing in Q1 2000 to Q4 2019.

Source: OECD (2024^[4]), *OECD Economic Outlook, Volume 2024 Issue 1: Preliminary version*, <https://doi.org/10.1787/69a0c310-en>.

StatLink  <https://stat.link/dwxjyq>

Significant uncertainty remains, however. Inflation may stay higher for longer, resulting in slower-than-expected reductions in interest rates and leading to further financial vulnerabilities. Growth could be disappointing in China, due to the persistent weakness of property markets or smaller than-anticipated fiscal support over the next two years. Another key downside risk to the outlook relates to the high geopolitical tensions, notably the uncertain course of Russia's war of aggression against Ukraine, the evolving conflict in the Middle East, and the associated risks of renewed disruptions in global energy and food markets. On the upside, demand growth could prove stronger than expected, if households and firms were to draw more fully on the savings accumulated during COVID-19 (OECD, 2024^[4]).

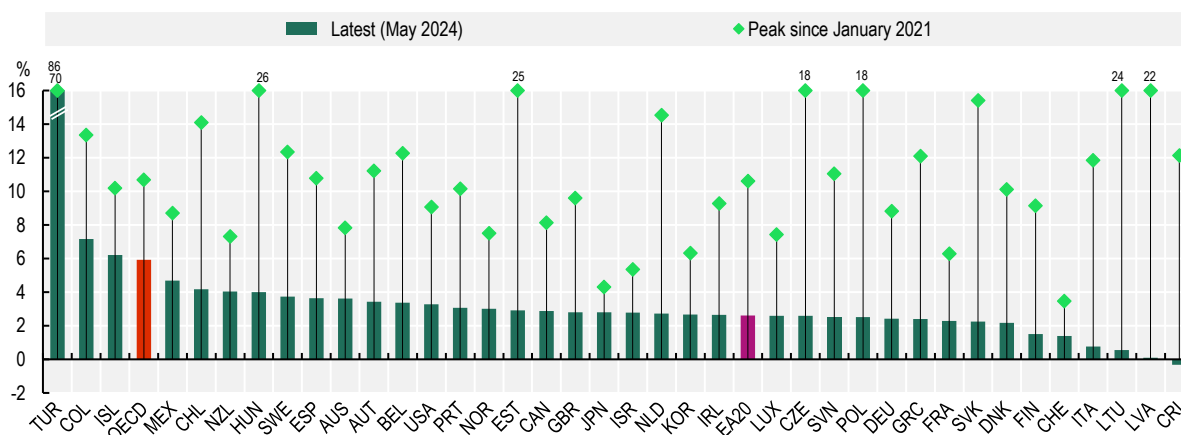
1.2. Real wages are now growing in a number of countries but often remain below 2019 levels

Headline inflation has fallen virtually everywhere primarily because of the partial reversal of the very large rise in energy prices over the previous two years and is expected to further ease.⁶ After peaking at

over 10.7% in October 2022, OECD inflation almost halved reaching 5.9% in May 2024. However, inflation remained above the 2% target of central bank for 31 OECD countries – above 8% in Türkiye, and above 4% in five other OECD countries (Figure 1.8).

Figure 1.8. Inflation remains high but has declined significantly since the peak of 2022

Inflation defined as annual percentage change in the consumer price index (CPI), May 2024



Note: For Australia and New Zealand, statistics refer to year-on-year changes in Q1 2024. Values on top refer to peaks of inflation above 16%. Euro Area refers to the 20 Eurozone countries.

Source: OECD (2024), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 02 July 2024).

StatLink  <https://stat.link/59wpm0>

1.2.1. Real wages are now growing year-on-year, but they remain below 2019 levels in many countries

Year-on-year real wage growth turned positive in an increasing number of countries over the last year, as inflation declined and nominal wage growth picked up.⁷ According to the latest data for Q1 2024, yearly real wage growth was positive in 29 of the 35 countries with available data, with an average change across all countries of +3.5%. In Belgium, Canada, France, Japan, New Zealand and Sweden, the annual real wage growth was still negative in Q4 2024 but relatively moderate – with real wages decreasing less than 1% over the year except for Japan⁸ (Figure 1.9, Panel A).

Data on selected countries for different wage indicators and posted wages in online vacancies suggest that real wage growth has continued to improve in the first months of 2024. This is generally the result of moderating inflation while nominal wage growth has remained stable with some indication of a possible deceleration in posted wages (Box 1.2).

Several factors contributed to the general improvement in annual real wage growth over the last year, including tight labour markets (Section 1.1.3), increases in statutory minimum wages (see Section 1.2.2), and the adjustment of negotiated wages (catch-up process and new collective agreements being renegotiated – Box 1.3).

Figure 1.9. While real wage growth has turned positive in 2023, it remains below 2019 levels in several countries



Note: Otherwise indicated, nominal hourly wages refer to a constant-industry-structure “wages and salaries” component of the labour cost index. Statistics refer to the private sector only for Costa Rica, Japan, Korea, Mexico and the United States. Nominal wage series are seasonally adjusted for all countries except for Canada, Costa Rica, Israel, Japan, Korea, Mexico, New Zealand and Switzerland. Nominal hourly wage presents a significant amount of unreported income for Mexico.


†: Nominal hourly wage refers to the actual wage i.e. without any adjustment for sources of compositional shifts for Costa Rica, Israel, Korea, Mexico and the United Kingdom, and thus comparing these results with the other countries requires caution. Moreover, nominal hourly wage refers to the average monthly wages per employee job for Israel, and to the average weekly earnings for the United Kingdom.

‡: Nominal hourly wage controls for additional sources of compositional shifts, such as regions for Australia, Canada and New Zealand, job characteristics and workers’ characteristics for Australia and New Zealand, gender for Switzerland, and occupations for the United States. For Switzerland, the quarterly estimates refer to the annual Swiss wage index.

Real hourly wage is estimated by deflating the nominal hourly wage by the consumer price index (CPI-all items) which is adjusted, for the purpose of this analysis, using the X-13ARIMA-SEATS Seasonal Adjustment Method. Cumulative percentage changes in real wages since Q4 2019 (Panel B) obtained with these adjustments do not differ substantively from those obtained without any adjustments as reported in the Annex Figure 1.A.3.

Countries are ordered by descending order of the year-on-year change in real hourly wages (Panel A). OECD is the unweighted average of the 35 OECD countries shown in this chart (not including Chile, Colombia and Türkiye). The trough (Panel B) refers to the quarter where real hourly wages were at their lowest value for the indicated country since Q4 2021. The annual growth in nominal and real wages (Panel A) refers to Q3 2023 for Israel, and Q4 2023 for Canada, Costa Rica, Japan, Korea, Mexico and New Zealand, and the cumulative percentage change (Panel B) refers to Q3 2019-Q3 2023 for Israel and Q4 2019-Q4 2023 for Canada, Costa Rica, Japan, Korea, Mexico and New Zealand.

Source: OECD calculations based on the Wage Price Index (Australian Bureau of Statistics) for **Australia**; the Fixed weighted index of average hourly earnings for all employees (Statistics Canada) for **Canada**; the Encuesta Continua de Empleo (Instituto Nacional de Estadística y Censos) for **Costa Rica**; the Labour cost index by NACE Rev. 2 activity (Eurostat) for the **European countries** except the United Kingdom; the Wages and Employment Monthly Statistics (Central Bureau of Statistics) for **Israel**; the Monthly Labour Survey (Ministry of Health, Labour and Welfare) for **Japan**; the Labour Force Survey at Establishments (Ministry of Employment and Labour) for **Korea**; the Encuesta Nacional de Ocupación y Empleo (y Encuesta Nacional de Ocupación y Empleo Nueva Edición (Instituto Nacional de Estadística y Geografía) for **Mexico**; the Labour Cost Index (Stats NZ) for **New Zealand**; the Swiss Wage Index (Federal Statistical Office) for **Switzerland**; the Monthly Wages and Salaries Survey (Office for National Statistics) for the **United Kingdom**; and Employment Cost Index (Bureau of Labor Statistics, retrieved from FRED) for the **United States**. OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/Of2e8000-en> (accessed on 18 June 2024).

StatLink  <https://stat.link/qy0efd>

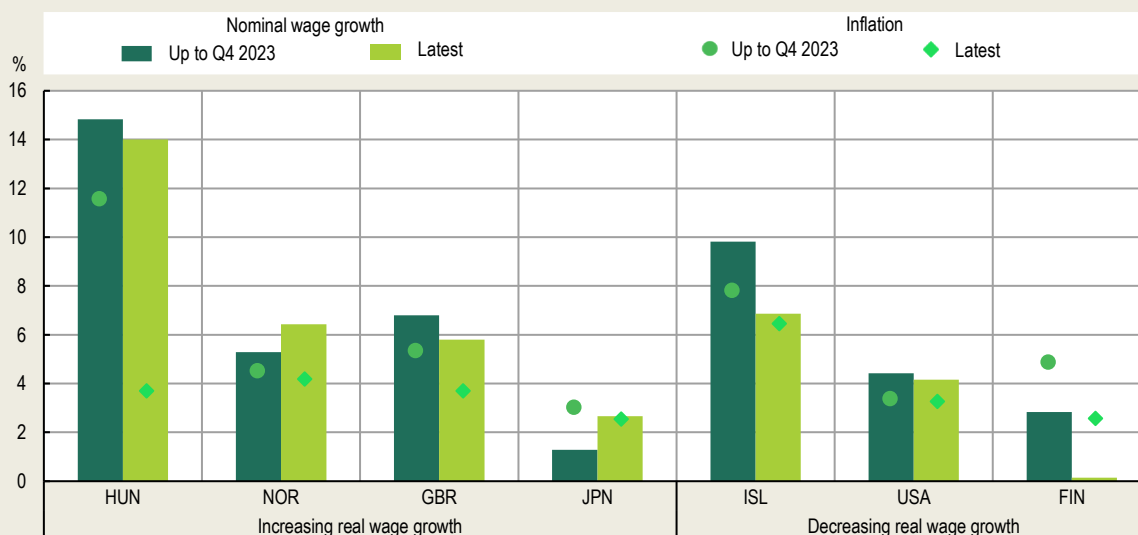
Despite the recent pick-up in their year-on-year growth, real wages remain below their pre-COVID-19 levels in most countries, even though the average change across all 35 countries with available data is positive (Figure 1.9, Panel B).⁹ By Q1 2024, real wages had recovered at least some of the lost ground in 23 of the 27 countries in which they fell in the aftermath of the COVID-19 crisis – rising above pre-pandemic levels in 11 of them. However, real wages remained well below their pre-pandemic levels in virtually all countries where they fell the most. Overall, in Q1 2024, real wages were still below their Q4 2019 level in 16 of the 35 countries with available data.

Box 1.2. Data for selected countries point to continued improvement in real wage growth in recent months generally driven by declining inflation

For a limited number of countries, it is possible to gain insights on very recent wage developments using monthly data. This analysis is subject to the caveat that the underlying measures differ between countries (and from those used in the main analysis in Figure 1.10) and are generally not seasonally adjusted.


Figure 1.10. Monthly data point to continued improvement in real wage growth

Year-on-year percentage change



Note: Up to Q4 2023 refers to the average of the monthly observations of the six months ending to December 2023. Latest refer to the average of all monthly observations available after December 2023. The last available data point is April 2024 for Finland, Hungary, Japan, Norway and the United Kingdom; and May 2024 for Iceland and the United States. For Norway, earnings observed in April 2024 corresponds to the preliminary value. Real wage growth is “increasing” (“decreasing”) where the year-on-year percentage change in the average real wage over January to April 2024 is higher (lower) than the year-on-year percentage change in the average real wage over July to December 2023.

Source: OECD calculations based on the Wage and salary indices by industry (Statistics Finland) for **Finland**; the Main earnings data (Central Statistics Office) for **Hungary**; the Wage indices by sector and month (Statistics Iceland) for **Iceland**; the Monthly Labour Survey (Ministry of Health, Labour and Welfare) for **Japan**; the Number of employment and earnings (Statistics Norway) for **Norway**; the Monthly Wages and Salaries Survey (Office for National Statistics) for the **United Kingdom**; and the Current Employment Statistics (Bureau of Labor Statistics, retrieved from FRED) for the **United States**; OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 26 June 2024).

StatLink  <https://stat.link/1kthew>

That being said, the data for the months since the end of Q4 2023 point to an improvement in annual real wage growth in four of the seven countries with available data. This is generally driven by a decline in inflation rather than an increase in nominal wage growth.

Data from wages advertised in job postings on the online platform *Indeed* show improving or stable real wage growth in all countries with available data, except Spain and the United States (Figure 1.11). Consistently with the results above, where real wage growth is increasing, this is mainly driven by a fall in inflation rather than a significant up-tick in nominal wage growth. In fact, these data point to a decrease in nominal wage growth in five of the eight countries with available data (Canada, France, Germany, Spain, and the United States).

Figure 1.11. Posted wages point to a recent slowdown in nominal wage growth

Year-on-year percentage change, three-month moving averages, from December 2023 to May 2024



Note: The posted wages are the average year-on-year percentage changes in wages and salaries advertised by job postings on Indeed. Source: Indeed Wage Tracker (<https://github.com/hiring-lab/indeed-wage-tracker>); OECD (2024), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 25 June 2024).

StatLink  <https://stat.link/guxrfj>

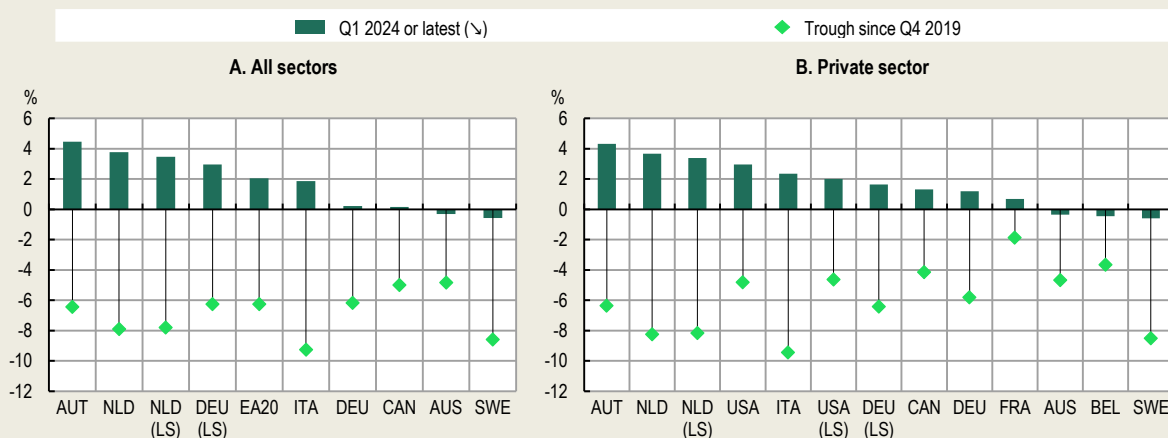
Box 1.3. Year-on-year growth in real negotiated wages has improved and remained negative only in a few countries in early 2024

Real growth in negotiated wages has improved over the course of 2023 and remained negative only in a few countries (Figure 1.12). In Q1 2024, negotiated wages were increasing in real terms on an annual basis in Austria, Canada, the Euro Area, Germany, Italy, the Netherlands, and the United States but continued to slightly decline in Australia and Sweden and stabilised, after one year of steady growth, in Belgium (Annex Figure 1.C.2). These developments reflect a combination of factors, including the staggered and infrequent nature of collective bargaining, the delay between the date of completion of negotiations and the effective revisions of pay, the infrequent use of automatic indexation to inflation, and the strength of workers' bargaining power (Araki et al., 2023^[11]). Overall, as more rounds of negotiation take place affecting an increasing number of workers, real growth in negotiated wages turns positive in more countries for some time, recovering some of the lost ground.

For Europe, the European Central Bank (ECB) indicator of future wage growth embedded in agreements reached in the latest quarter points to continuing growth in nominal wages, without signs of acceleration (Lane, 2024^[12]). In fact, the latest release saw an increase in negotiated wage growth in the first quarter of 2024 to 4.7% – after it slightly moderated from 4.7% in the third quarter 2023 to 4.5% in the fourth quarter of 2023. Further agreements are expected to be renewed in 2024 which might have a significant impact on the dynamics of negotiated wages in the coming quarters.


Figure 1.12. Real negotiated wages in selected OECD countries

Year-on-year percentage change in real negotiated wages (i.e. resulting from collective agreements)



Note: International comparability of data on negotiated wages is affected by differences in definitions and measurement. Statistics are representative of all employees covered by a collective wage agreement for Austria, Belgium, the Euro Area (20), France, Germany, Italy, the Netherlands, Sweden, and the United States. In Canada, statistics refer to collective bargaining settlements of all bargaining units covering 500 or more employees (units of 100 or more employees for the Federal Jurisdiction). For Australia and Canada, statistics refer only to employees affected by an increase of the negotiated wage at date. Wage increases in Austria, Belgium, the Euro Area (20), Germany, Italy, the Netherlands, Sweden, and the United States refers to the average increase in negotiated wages (wages of union workers for the United States) weighted by the employment composition for a reference year (Laspeyres index). The reference year of the employment composition used is 2009 for Sweden, 2010 for Belgium and the Netherlands, January 2015 for the Euro Area (20), 2015 for Germany and Italy, 2016 for Austria, and 2021 for the United States. For Australia, Canada and France, wage increases refer to the average increase in negotiated wages weighted by the number of employees affected in the period considered. In Panel B, private sector for Germany refers to all industries excluding agriculture, public administration, education, health, and other personal services (Sections B to N of the NACE rev. 2).

LS: wages including lump sums and/or special payments. The **trough** refers to the quarter where the year-on-year percentage change in real negotiated wages was at its lowest value for the indicated country and series (basic wage or wage including lump sums) since Q4 2019. Source: OECD calculations based on national data on negotiated wages, see Annex Table 1.C.3.in (Araki et al., 2023^[11]) for further details; and OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 28 June 2024).

StatLink  <https://stat.link/g6dcje>

1.2.2. Wages of low pay workers have performed relatively better in many countries

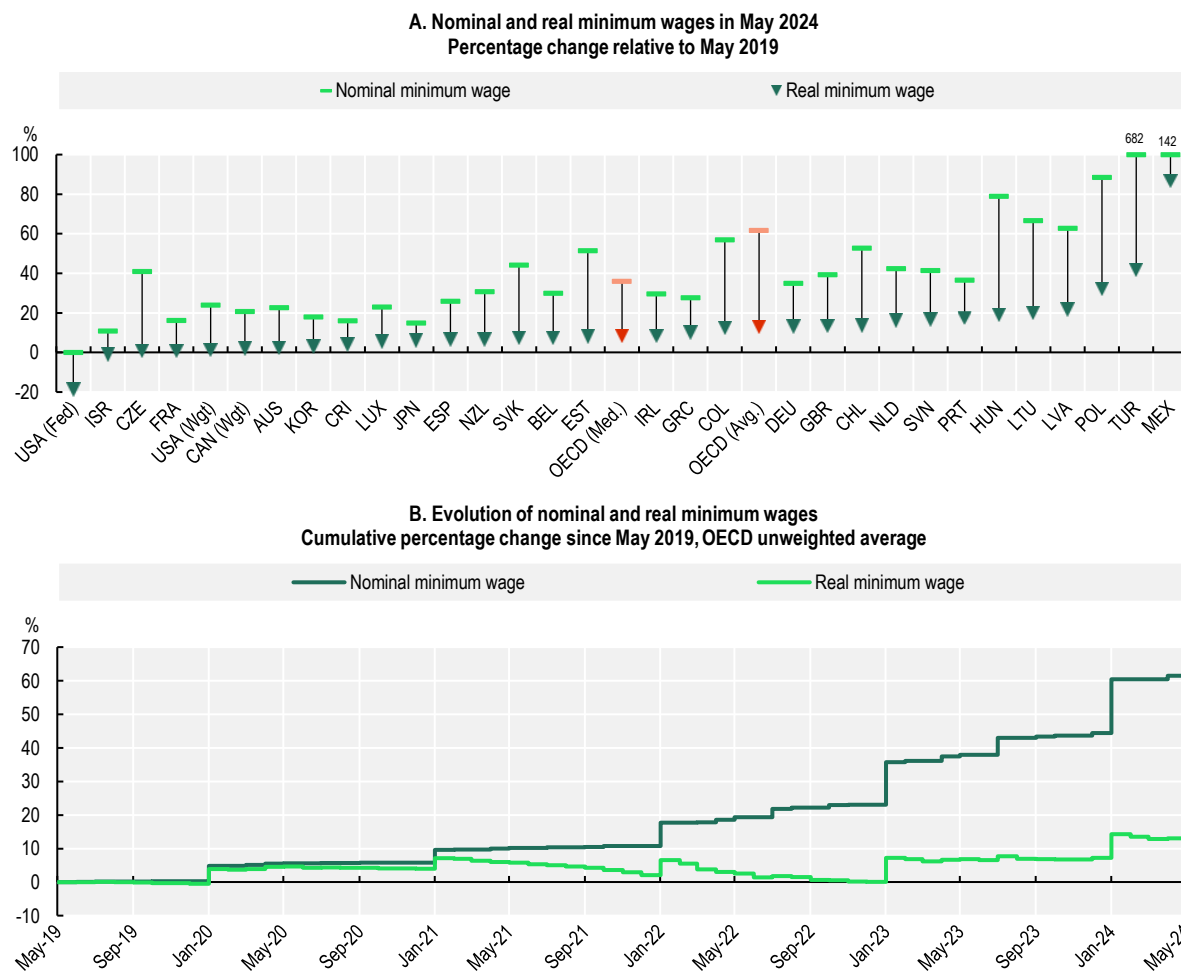
Statutory minimum wages in real terms are above their 2019 level in virtually all countries

In May 2024, thanks to significant nominal increases of statutory minimum wages to support the lowest paid during the cost-of-living crisis, the real minimum wage was 12.8% higher than in May 2019 on average across the 30 OECD countries that have a national statutory minimum wage in place. This average figure

is heavily influenced by the increases of more than 20% in Latvia, Lithuania, Mexico, Poland and Türkiye. However, the median increase, which is unaffected by outliers, was 8.3%, which is still quite significant compared to the increase in median wages.

The real value of the statutory minimum wage was below its level of 2019 in two countries – Israel and the United States. In the United States the federal minimum wage has not changed since 2009, but state-level minimum wages have often increased in recent times raising the employment-weighted average real value of the minimum wage (Figure 1.13, Panel A).

Figure 1.13. Real minimum wages are above 2019 levels in virtually all countries



Note: “OECD (Avg.)” is the unweighted average of 30 OECD countries with a statutory minimum wage shown in this chart, except the United States (weighted); “OECD (Med.)” is the median values across the same countries. Canada (weighted) is a Laspeyres index based on minimum wage of provinces and territories (excluding the Federal Jurisdiction) weighted by the share of employees of provinces and territories in 2019. United States (weighted) is a Laspeyres index based on minimum wage of states (not including territories like Puerto Rico or Guam) weighted by the share of nonfarm private employees by state in 2019. Change in real minimum wage for New Zealand (Panel A) is estimated by assuming that the CPI in May 2024 is the same as in Q1 2024. For further details on the minimum wage series used in this chart, current and planned minimum wage uprating in 2024, and the evolution of nominal and real minimum wages since May 2019 by country, see Annex 1.C. Source: OECD Employment database, www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm, OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 02 July 2024), and Australian Bureau of Statistics (May 2024), [Monthly Consumer Price Index Indicator](https://www.abs.gov.au/australian-bureau-of-statistics), ABS Website, accessed on 02 July 2024) for Australia.

StatLink <https://stat.link/zui8ec>

Minimum wages have been able to keep up with inflation thanks to either automatic or discretionary increases introduced by countries (Araki et al., 2023^[11]). Over the course of 2021 and 2022, the real gains from these adjustments quickly vanished on average across countries as inflation continued to increase (Figure 1.13, Panel B). In early 2023, many countries implemented significant nominal increases in the minimum wage that brought its average real value around 8% above its 2019 level. As inflation moderated, these real gains generally persisted over 2023 and were then strengthened by the new wave of nominal adjustments of January 2024.

There are indications of an increase in wage compression at the bottom of the wage distribution as proxied by industry and education

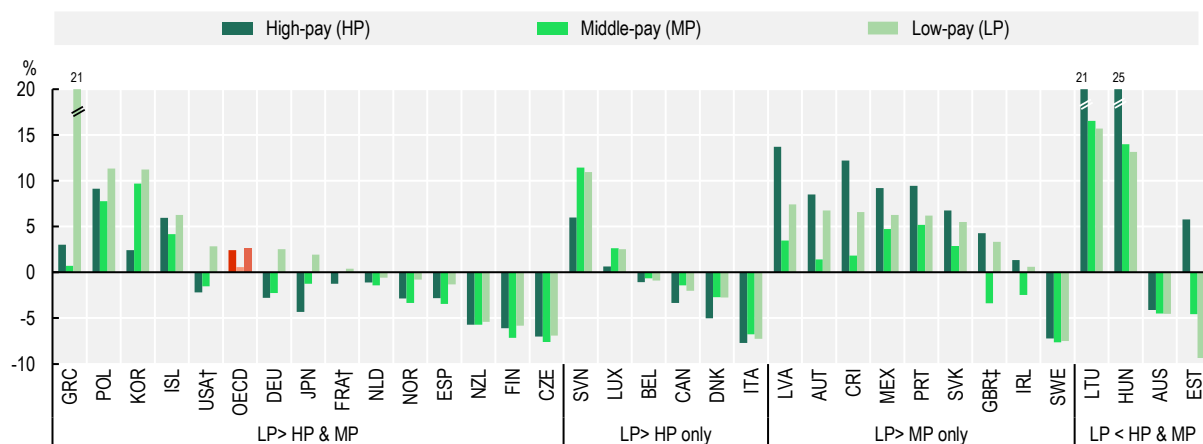
Since data on individual wages become available only with a significant lag for most countries, it is not yet possible to assess comprehensively how the recent wage crisis has affected wage inequality across countries. To provide some preliminary insights on how workers of different pay levels have fared, it is however possible to look at the evolution of wages by industry for most OECD countries and by , education, and percentiles of the wage distribution for five countries with data already available.

To offer an overview of wage developments by industry between Q4 2019 and Q1 2024, Figure 1.14 reports changes in real wages by industries aggregated in three broad groups: low-pay industries (accommodation and food services, administrative and support services, arts, entertainment and recreation, wholesale and retail trade); mid-pay industries (transportation and storage, manufacturing, other services, real estate activities, and construction); and high-pay industries (human health and social work, education, professional activities, information and communication, and finance and insurance). Industries are weighted by employment shares within each group.

Across the OECD, there is a pattern of compression of wages across workers of different pay levels, as proxied by industry wages, particularly at the bottom of the distribution. In 17 of the 33 countries with available data, real wages performed relatively better in low-pay industries than in both mid- and high-pay industries – either because they grew more or fell less. In nine other countries, real wages in low-pay industries outperformed mid-pay industries but not high-pay ones. Low-pay industries had the worst wage performance only in four countries, losing more than 1 percentage point relative to both mid- and high-pay industries only in Estonia.

Figure 1.14. Real wages in low-pay industries have performed relatively better in most countries

Percentage change in real hourly wages between Q4 2019 and Q1 2024



Note: Real wages are obtained by deflating nominal wages by consumer price inflation (all items) which are adjusted, for the purpose of this analysis, using the X-13ARIMA-SEATS Seasonal Adjustment Method. Industries are ranked by the median wage in 2019 in the European Structure of Earnings Survey (SES). The ranking of industries is broadly consistent when 2019 data on median wages from the Current Population Survey of the United States are used. **Low-pay industries (LP)** include Accommodation and food service, Administrative and support service, Arts, entertainment and recreation and Wholesale and retail trade. **Middle-pay industries (MP)** include Transportation and storage, Manufacturing, Other service, Real estate activities and Construction. **High-pay industries (HP)** include Human health and social work, Education, Professional activities, Information and communication and Finance and insurance. Average employment shares by industry over the four quarters of 2019 are used for aggregation and thus small inconsistencies between changes in wages by industry and changes in average wages are possible. Statistics refer to the percentage change in real hourly wages between Q4 2019 and Q4 2023 for Australia, Canada, Costa Rica, Japan, Korea, Mexico, the Netherlands, New Zealand, the United Kingdom and the United States. OECD is the unweighted average of the 33 OECD countries shown in this chart (not including Chile, Colombia, Israel, Switzerland and Türkiye).

†: There are missing industries: Arts, entertainment and recreation is not included for the United States; Human health and social work and Education are not included for France.

‡: Average weekly earnings are used for the United Kingdom. Moreover, wages in the public sector are excluded for Costa Rica, Japan, Korea, Mexico, the United Kingdom and the United States.

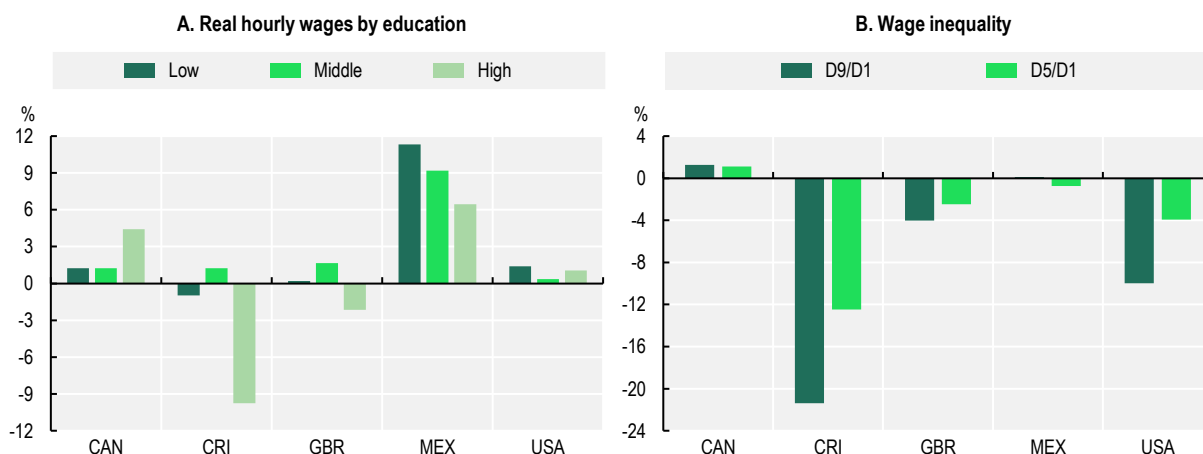
Source: OECD calculations based on the Wage Price Index (Australian Bureau of Statistics) for **Australia**; Fixed weighted index of average hourly earnings for all employees (Statistics Canada) for **Canada**; Encuesta Continua de Empleo (Instituto Nacional de Estadística y Censos, Costa Rica) for **Costa Rica**; the wages and salaries component of labour cost index by NACE Rev. 2 activity (Eurostat) for **European** countries; Monthly Labour Survey (Japanese Ministry of Health, Labour and Welfare) for **Japan**; Labour Force Survey at Establishments (Korean Ministry of Employment and Labour) for **Korea**; Nacional de Ocupación y Empleo, Encuesta Telefónica de Ocupación y Empleo, Encuesta Nacional de Ocupación y Empleo Nueva Edición (Instituto Nacional de Estadística y Geografía, Mexico) for **Mexico**; Labour Cost Index (Statistics New Zealand) for New Zealand; Swiss Wage Index (Swiss Federal Statistical Office) for **Switzerland**, Monthly Wages and Salaries Survey (UK Office for National Statistics) for the **United Kingdom**; and Employment Cost Index (U.S. Bureau of Labor Statistics, retrieved from FRED) for the **United States**; OECD (2024), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 18 June 2024).

StatLink  <https://stat.link/ph6ri2>

Results by education for the five countries with available data also provide additional support for a general pattern of wage compression, especially at the bottom of the distribution (Figure 1.15). Between 2019 and 2023, real wage growth was stronger for the low- and mid-pay groups by education in four of the five countries (Costa Rica, Mexico, the United Kingdom, and the United States). Canada was the only country among those with available data where real wages grew more for the highest educated.

Figure 1.15. Changes in real wages by education and wage inequality

Percentage change between Q4 2019 and Q4 2023



Note: The level of education is classified according to the International Standard Classification of Education (ISCED 2011) as follows: “**Low**” (ISCED 0-2: early childhood education, primary education, and lower secondary education); “**Middle**” (ISCED 3-4: upper secondary education and post-secondary non-tertiary education); “**High**” (ISCED 5-8: short-cycle tertiary education, bachelor’s or equivalent level, master’s or equivalent level, and doctoral or equivalent level). **D9/D1**: ratio of the top (9th decile) and the bottom of the earnings distribution (1st decile). **D5/D1**: ratio of the median (5th decile) and the bottom of the earnings distribution (1st decile).

Source: OECD estimations based on the Labour Force Survey (Statistics Canada) for **Canada**, the Encuesta Continua de Empleo (Instituto Nacional de Estadística y Censos) for **Costa Rica**, the Encuesta Nacional de Ocupación y Empleo, Encuesta Telefónica de Ocupación y Empleo, Encuesta Nacional de Ocupación y Empleo Nueva Edición (Instituto Nacional de Estadística y Geografía) for **Mexico**, the Labour Force Survey (Office for National Statistics) for the **United Kingdom**, and the Current Population Survey (Bureau of Labor Statistics) for the **United States**. OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 15 May 2024).

StatLink  <https://stat.link/35zfpk>

Among the same five countries, there is some indication that overall wage inequality might have decreased since 2019 in Costa Rica, the United Kingdom, and the United States, but not in Canada and Mexico (Figure 1.15, Panel B). The largest reductions in inequality occurred in the two countries with the highest initial level of inequality – Costa Rica and the United States.

More granular data on wages are necessary to provide a comprehensive assessment of changes in wage inequality and their determinants. Wage dynamics could vary across the wage distribution due to several factors, including developments in labour demand and supply, minimum wage laws, collective bargaining, and employer monopsony power. Cross-country analysis attempting to explain differences in wage dynamics across industries over the past two years has been inconclusive and is hindered by limited sample sizes and the presence of many confounding factors (Araki et al., 2023_[11]).

To date, the only detailed country-specific study is that by Autor et al. (2023_[13]) on the United States who document a significant reduction in wage inequality in line with the results presented above. In fact, they report a reduction in the college premium and a remarkable compression of the wage distribution which counteracted almost 40% of the four-decade increase in aggregate inequality between the 10th and 90th percentile. They find that the pandemic increased the elasticity of labour supply to firms in the low-wage labour market, reducing employer market power and spurring rapid wage growth at the bottom. Among the possible drivers, the authors mention a decrease in work-firm attachment spurred by the large number of separations that occurred during the pandemic. By contrast, they find that the fall in inequality is not explained by (state-level) changes in minimum wages.

Lower wage inequality can lead to a mix of social and economic benefits and challenges. On the positive side, lower wage disparities tend to reduce overall income inequality which can increase social cohesion, reduce social tensions, and enhance economic growth by allowing more people to develop their human capital (OECD, 2015^[14]; OECD, 2018^[15]). However, high wage compression can pose efficiency challenges if wages do not reflect productivity or the demand for specific skills (OECD, 2018^[15]; OECD, 2018^[16]).

It is nevertheless critical to bear in mind the specific context in which the recent wage developments have taken place. Most notably, the recent increases in minimum wages relative to average wages were generally aimed at providing some protection for the most vulnerable workers against the cost-of-living crisis, spreading the cost of inflation equitably between firms and workers, but also among workers of different pay levels. In several countries, significant increases in tightness in low-pay sectors have also likely contributed to upward wage pressures for workers in the lower part of the wage distribution. Looking forward, with inflation expected to decline, labour market conditions stabilising and labour market tightness easing especially in low-pay industries, wages are likely to continue to adjust along the distribution as they recover the purchasing power lost in the past two years. Hence, whether the recent signs of an increase in wage compression will lead to a persistent reduction in wage inequality remains an open question.

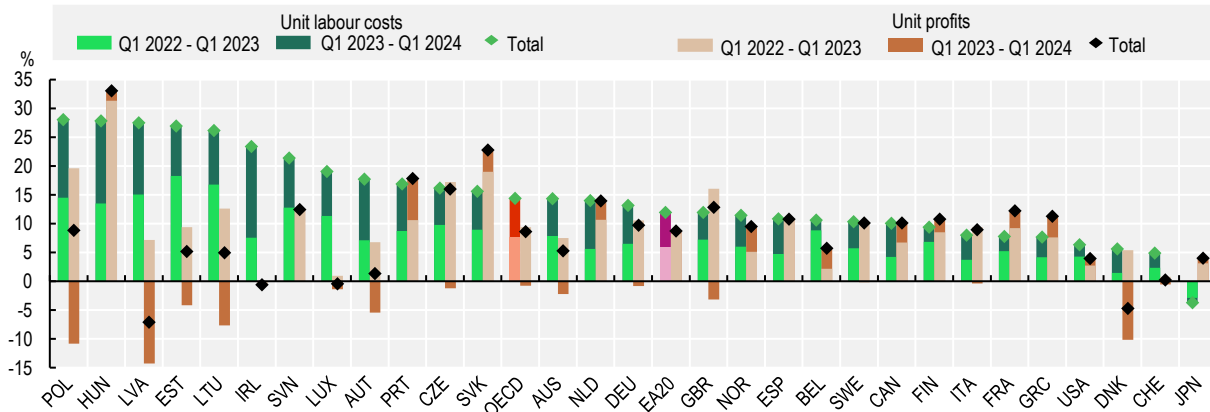
1.2.3. As real wages recover, unit profit growth has slowed down and even turned negative in some countries

In the aftermath of the COVID-19 crisis, unit labour costs¹⁰ increased in most OECD countries as growth in nominal wages exceeded productivity growth. Unit profits also generally increased, indicating that firms were able to increase prices beyond the increase in the cost of labour and other inputs. In fact, between 2019 and 2022, unit profits increased more than unit labour costs in many countries and sectors, making an unusually large contribution to domestic price pressures and driving down the labour share of income (Araki et al., 2023^[11]).

The most recent data point to a change in the relative dynamics of unit profits and unit labour costs in several countries. Between the beginning of 2022 and Q1 2024, unit labour costs grew more than unit profits in about two-thirds of the countries with data available (19 out of 29) (Figure 1.16). This pattern has become more pronounced in 2023, when unit labour costs increased more than unit profits in 25 countries. In fact, in 14 countries, unit profits even declined in 2023, an indication that they have started to buffer some of the inflationary impact of rising labour costs (ECB, 2023^[17]).


Figure 1.16. Profits are beginning to buffer some of the increase in labour costs

Cumulative percentage change since Q4 2021, seasonally adjusted data



Note: OECD is the unweighted average of the 29 OECD countries shown in this chart (not including Chile, Colombia, Costa Rica, Iceland, Israel, Korea, Mexico, New Zealand and Türkiye). Euro Area represents the 20 Eurozone countries. For Norway, the data are based on mainland Norway. Unit labour costs and unit profits are calculated by dividing compensation of employees and gross operating surplus respectively, by real GDP. For Japan and Norway, gross operating surplus is approximated by deducting compensation of employees from nominal GDP – and hence also include unit net taxes.

Source: OECD (2024), “Quarterly National Accounts”, OECD National Accounts Statistics (database), <https://doi.org/10.1787/data-00017-en> (accessed on 21 June 2024), Cabinet Office, Government of Japan, Economic and Social Research Institute (ESRI) Quarterly Estimates of GDP, www.esri.cao.go.jp/en/sna/sokuhou/sokuhou_top.html, for Japan, and Statistics Norway, Quarterly National Accounts, www.ssb.no/en/nasjonalregnskap-og-konjunkturer/nasjonalregnskap, for Norway.

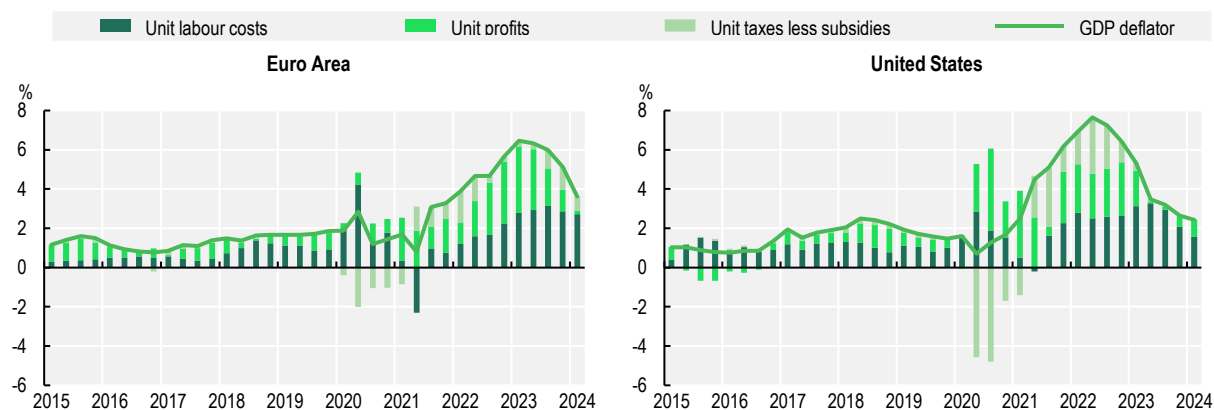
StatLink  <https://stat.link/c4ghnj>

As a result of the recent changes in the relative dynamics of unit labour costs and unit profits, the contribution of unit profits to domestic price pressures has decreased, but remaining higher than prior to the pandemic in the Euro Area (Figure 1.17) – see also (OECD, 2023^[18]). In addition, these results imply a reduction in the profit share of income after its growth between 2019 and 2022 (Araki et al., 2023^[11]).

These developments were largely expected as they reflect the ongoing recovery of purchasing power by wages described above, rather than a warning sign of wage-price spirals (Araki et al., 2023^[11]). Indeed, the contribution of unit labour costs to domestic price pressures is likely to remain sustained for some time as this catch-up process continues, unless labour productivity growth picks up. Reassuringly, however, there are currently no signs of further acceleration in nominal wage growth (Box 1.2). Moreover, in many countries, the growth in unit profits over the last three years allows for more buffering against the inflationary pressures stemming from the recovery of real wages (Lane, 2024^[12]).¹¹ In the medium term, however, labour productivity growth is essential to ensure sustainable increases in wages that do not generate increases in unit labour costs and further inflationary pressures.

Figure 1.17. The contribution of labour costs to domestic price pressures has been increasing

Contribution to the GDP deflator, year-on-year percentage changes, seasonally adjusted data



Note: Euro Area refers to the 20 Eurozone countries. Unit labour costs, unit profits and unit taxes less subsidies are calculated by dividing compensation of employees, gross operating surplus and taxes less subsidies on productions and imports, respectively, by real GDP. For the United States, statistical errors are removed. Compensation of employees, gross operating surplus, taxes less subsidies on productions and imports, gross domestic products and deflators are denominated in local currencies. For the United States, changes in the GDP deflator are reported net of statistical discrepancies.

Source: OECD (2024), "Quarterly National Accounts", OECD National Accounts Statistics (database), <https://doi.org/10.1787/data-00017-en> (accessed on 21 June 2024).

StatLink  <https://stat.link/fbo9tr>

1.3. An update on job quality

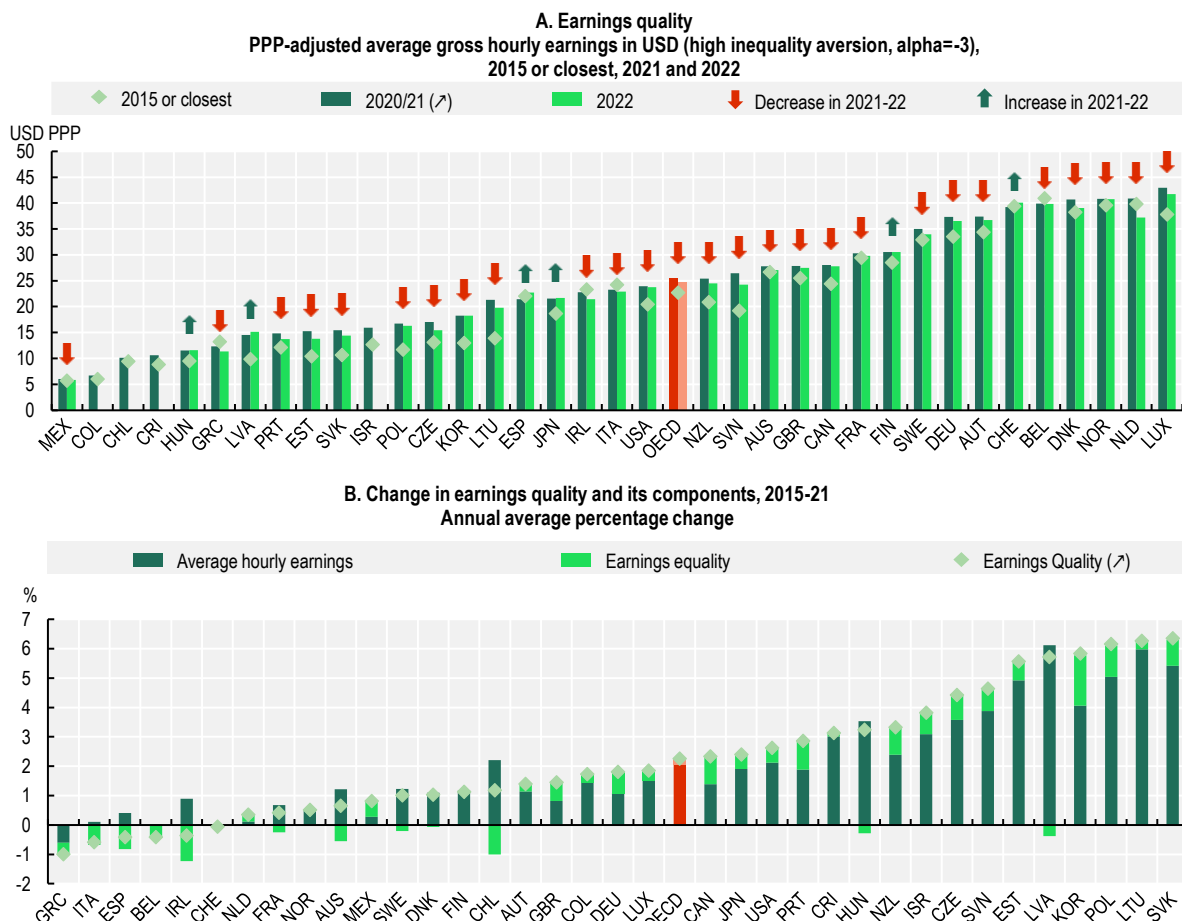
As other aspects of jobs, beyond wages, need to be monitored to assess what has happened to workers' overall well-being following the COVID-19 pandemic and the recent cost-of-living crisis, this section provides an update on job quality drawing on the conceptual framework developed by the OECD, which was then adopted by the G20. Job quality is defined along three main complementary dimensions that have been shown to be particularly relevant for workers' well-being in the existing literature on economics, sociology and occupational health (OECD, 2014^[2]; Cazes, Hijzen and Saint-Martin, 2015^[1]):

- *Earnings quality*. This measures the extent to which the earnings received by workers contribute to their well-being by taking account of the average real level of earnings and the way earnings are distributed across the workforce.¹²
- *Labour market (in)security*. This is defined in terms of the unemployment risk¹³ and unemployment insurance; it measures the expected monetary loss associated with becoming and staying unemployed as a share of previous earnings by taking account of the mitigating role of public unemployment insurance (in terms of coverage of the benefits and their generosity).
- *The quality of working environment*. This captures non-monetary aspects of job quality, such as the nature and content of work performed, working-time arrangements and workplace relationships; it measures the incidence of workers experiencing job strain, a situation where workers have insufficient resources in the workplace to meet job demands.

Job quality indicators are updated with the latest available data (2022 or 2021). They are also compared to 2015 values – the last time that the OECD job quality framework was updated – except for the third dimension, the quality of the working environment, due to significant methodological changes, which makes job strain indicators not comparable over time (see below).

Both earnings quality and labour market security generally improved across the OECD. Between 2015 and 2021,¹⁴ earnings quality indicators show generally positive patterns across the 36 OECD countries for which data are available:¹⁵ gross hourly earnings expressed in 2022 USD purchasing power parity (PPP) adjusted by inequality¹⁶ increased from USD 22.7 to USD 24.7 between 2015 and 2021 for the OECD average (Figure 1.18, Panel A). The increase in earnings quality was largely driven by higher average earnings. Yet, higher *equality* of earnings also played a role – notably in countries which had the highest increase in the overall earnings quality (above 3 annual average percentage change), such as Czechia, Estonia, Israel, Korea, Lithuania, New Zealand, Poland, Slovenia and the Slovak Republic, but also in other countries, such as Canada, Germany, Japan, the United Kingdom and the United States (Figure 1.18, Panel B). Finally, in the few countries where earnings quality was stable or slightly decreased between 2015 and 2021 (Belgium, Ireland, Italy, Spain and Switzerland) the pattern was mainly due to a slight increase in wage inequality that was not offset by the rise in average earnings, except for Greece where lower average earnings between 2015 and 2021 drove the decrease in earnings quality.

Figure 1.18. Earnings quality in OECD countries, 2015, 2021 and 2022



Note: Calculations based on the OECD Earnings Distribution Database and the average hourly earnings per full-time equivalent employee at constant prices and 2022 USD PPPs derived from the OECD Annual National Accounts Database. 2015 refers to 2014 for Estonia, France, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovenia, Spain and Switzerland. 2021 refers to 2020 for Poland. No data in 2022 for Chile, Colombia, Costa Rica and Israel. OECD is the unweighted of the 32 OECD countries with data available in 2022 shown in this chart (not including Chile, Colombia, Costa Rica, Iceland, Israel and Türkiye).

Source: OECD calculations based on the OECD Earnings distribution database, www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm and the OECD Annual National Accounts Database.

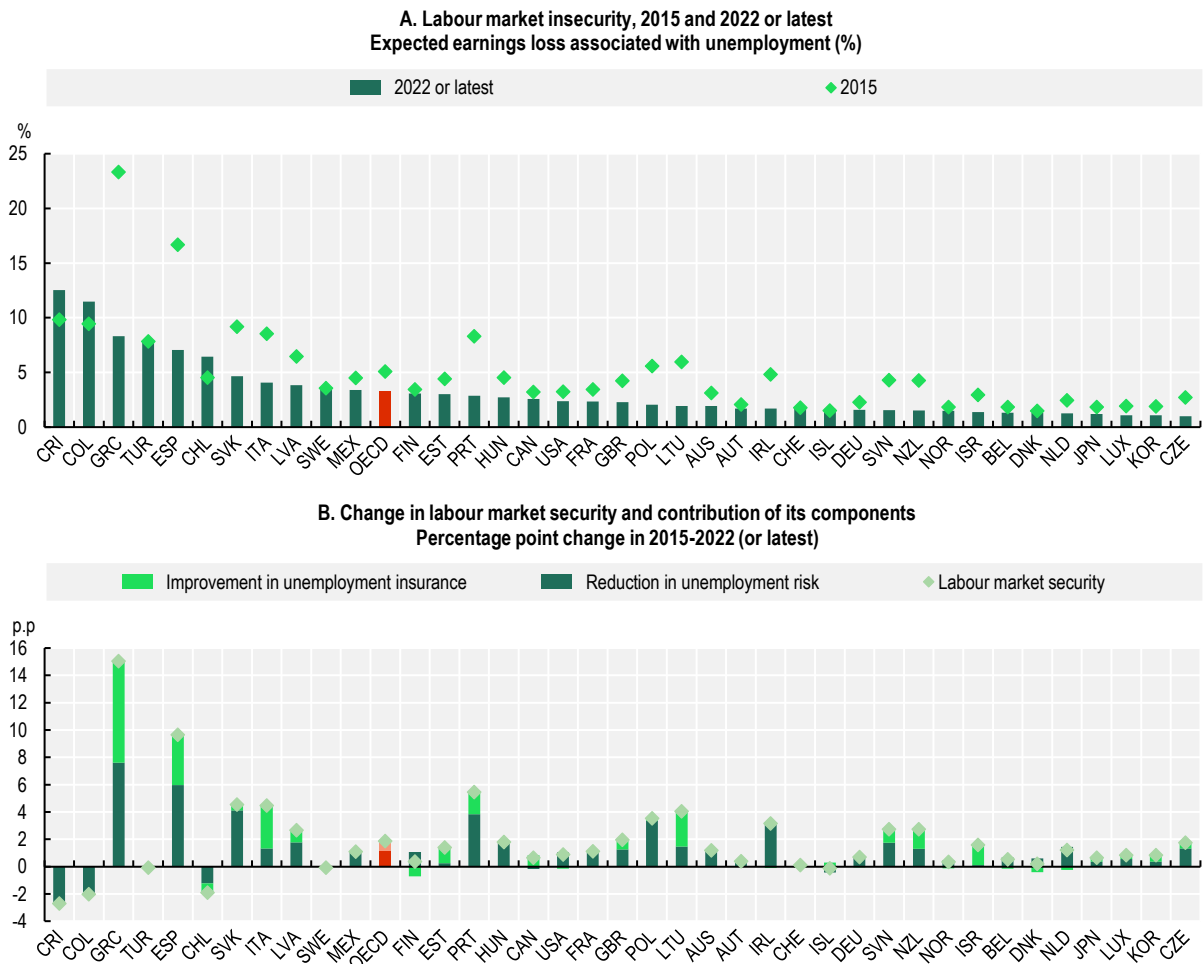
However, updates for 2022 show that earnings quality decreased between 2021 and 2022 in 26 of the 32 countries for which data are available (Figure 1.18, Panel A). This deterioration reflects the significant impact of inflation on real wages and wage distribution discussed in Araki et al. (2023^[11]) and Section 1.2. These declines in earnings quality are generally driven by a reduction in average real earnings – even if higher earnings inequality also played a role in Estonia, Ireland, Luxembourg, the Netherlands,¹⁷ New Zealand and Portugal. Conversely, in Hungary, Latvia and Spain, earnings quality increased due to a significant decrease in earnings *inequality*,¹⁸ which counterbalanced the decline of average earnings.

Finally, the comparison of the gender gaps in average earnings show a general improvement across the OECD of women’s earnings quality relative to men’s one¹⁹ between 2015 and 2022 (Annex Figure 1.B.1).

Labour market security generally improved across the OECD between 2015 and 2022: in most of the 31 OECD countries²⁰ for which 2022 indicators are available, labour market security increased since 2015 (Figure 1.19, Panel A). This positive pattern was driven by both lower unemployment rates and higher unemployment insurance: on average, the expected monetary loss associated with unemployment decreased by 1.9 percentage points between 2015 and 2022 for the OECD area. This reflects the combined impact of lower unemployment inflows in most OECD countries, as well as the widespread use of job and income support measures as a response to the COVID-19 pandemic across the OECD (OECD, 2021^[19]; 2022^[20]).²¹ The sharpest drop in labour market insecurity (above 8 percentage points) occurred in Greece²² and Spain, due to the significant declines of unemployment rates and generous income protection measures during the COVID-19.²³ It also reflected the effect of more structural measures, such as the 2021 labour market reform in Spain and the introduction of the Guaranteed Minimum Income in Greece. In contrast, the increase in labour market insecurity observed in Chile, Colombia and Costa Rica was driven by higher unemployment risk and no unemployment benefit schemes to mitigate the monetary loss associated to it in the two latter countries. In other OECD countries, the improvement in labour market security indicators was rather modest except for Italy, Lithuania, Portugal and the Slovak Republic where it was above 4 percentage points (Figure 1.19, Panel B).

As for labour market security by gender, data show little change between 2015 and 2022 in the differences in unemployment risk²⁴ between men and women except for a few countries (Annex Figure 1.B.2).

Figure 1.19. Labour market (in)security in OECD countries, 2015 and 2022



Note: Unemployment risk refers to the annual unemployment rate. Unemployment insurance refers to the coverage rate of unemployment insurance (UI) times its average net replacement rate among UI recipients plus the coverage rate of unemployment assistance (UA) times its net average replacement rate among UA recipients plus the share of those not covered by unemployment benefits [or the ratio of the number of social assistance (SA) recipients to the number of unemployed if this is lower] times the SA replacement rate. The average replacement rates for recipients of UI and UA take account of family benefits and social assistance if eligible. Labour market insecurity is estimated as the unemployment risk times one minus unemployment insurance, which may be interpreted as the uninsured average expected earnings loss associated with unemployment as a share of previous earnings. OECD is the unweighted average of the 38 OECD countries shown in this Chart. Countries are ordered by descending order of the labour market insecurity in 2022 (Panel A). The latest year refers to 2021 for Canada, Greece, Hungary, Iceland, Israel, Italy, and Slovenia. p.p: percentage point.

Source: OECD calculations based on the OECD Labour Market Statistics (database), <http://dx.doi.org/10.1787/data-00322-en>, the OECD Benefit Recipients (database), the OECD Labour Market Programmes (database), <http://dx.doi.org/10.1787/data-00312-en> and the OECD Taxes and Benefits (database), <http://dx.doi.org/10.1787/data-00201-en>.

StatLink  <https://stat.link/2gqhun>

Comparable measures of the quality of the working environment are limited by the diversity of countries' approaches to collecting information and the general paucity of available data on working conditions.²⁵ Still, comparable data are available for 25 OECD European countries in the European Working Conditions Telephone Surveys (EWCTS) carried out by Eurofound in 2021. As defined in the OECD conceptual framework,²⁶ the quality of the working environment is measured by the incidence of workers experiencing job strain – i.e. a situation where the job demands (those aspects of jobs which require sustained physical and psychological efforts, and may negatively affect workers' well-being) exceed the job resources (those

attributes of jobs that may induce a motivational process) that workers have at their disposal (see Annex 1.B). The key features of the job strain indicators are sketched in Table 1.1. Unlike the two other job quality dimensions, only 2021 results are discussed for the quality of the working environment due to important methodological changes introduced in the 2021 EWCTS edition.²⁷

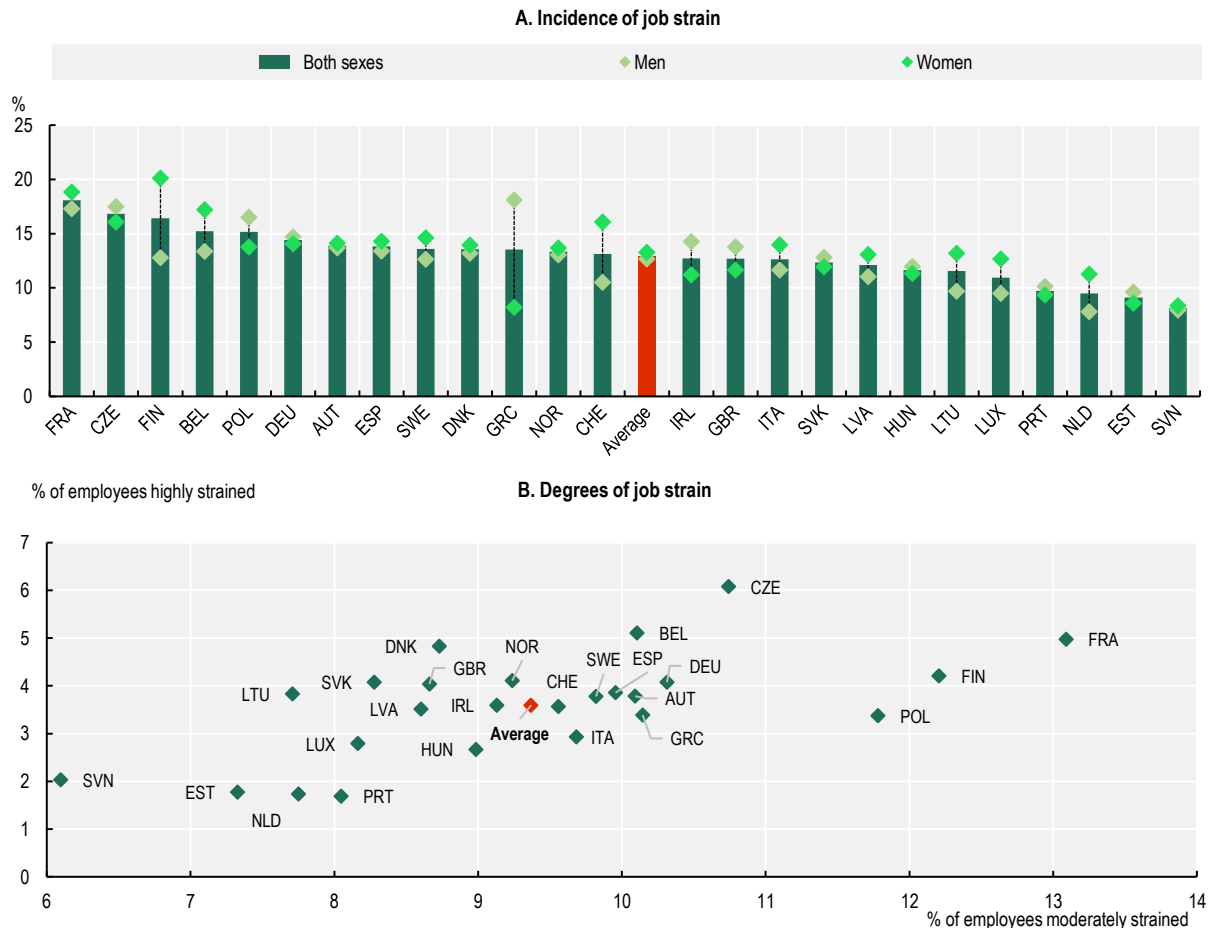
Table 1.1. Job demands, job resources and job strain

Job strain, as the result of...			
... too many job demands		... and too few job resources	
Physical risk	<ul style="list-style-type: none"> • Handling or being in skin contact with chemical products or substances. • Handling or being in direct contact with materials which can be infectious. 	Social support at work	<ul style="list-style-type: none"> • Help and support from colleagues.
Physical demands	<ul style="list-style-type: none"> • Tiring and painful positions. • Carrying or moving heavy loads. 	Task discretion and autonomy	<ul style="list-style-type: none"> • Can choose or change methods of work. • Can take an hour or two off during usual working hours to take care of personal or family matters.
Work intensity	<ul style="list-style-type: none"> • Working at very high speed. • Working to tight deadlines. • Usually working 50 hours or more per week. • Working during free time to meet work demands. 	Learning opportunities	<ul style="list-style-type: none"> • Learning new things at work.

On average for the 25 OECD European countries for which data are available, 13% of workers experienced job strain in 2021 (Figure 1.20, Panel A). More women than men experienced job strain, but the differences are small (13.3% on average for women against 12.7% for men), except for a few countries where further analysis would be necessary to explore the factors driving the gap, notably composition effects (see below). Broken down further by degree of strain, the results show that 3.6% of workers experienced high strain (i.e. where the number of job demands exceeds by at least two the number of job resources), while 9.4% of them experienced moderate strain (i.e. where the number of job demands exceeds by one the number of job resources) (Figure 1.20, Panel B). While a few countries clearly performed better than others, in three-quarters of the countries reviewed, the share of strained workers ranged between 11% and 15%. Yet, it was below 10% in Estonia, the Netherlands, Portugal, and Slovenia and around 17% in Czechia and Finland, and up to 18% in France. Overall, work intensity was the most common job stressor, with 73% of workers reporting they had to cope with this type of constraint at work. Turning to job resources, the lack of social support at work appeared to be the main area of concerns in 2021, as being reported by workers as insufficiently provided to them.²⁸

Figure 1.20. Job strain in OECD European countries, 2021


Percentage of employees aged 16-64 in OECD European countries, 2021



Note: Countries are ordered in Panel A by descending order of the incidence of job strain. "Average" is the unweighted average of the 25 OECD European countries shown in this Chart. Figures in Panel B refer to the difference between job demands and job resources, capturing the degree of strain. **Highly strained:** Cases where the number of job demands exceeds by at least two the number of job resources. **Moderately strained:** Cases where the number of job demands exceeds by one the number of job resources.

For further details on methodology, see Annex 1.B.

Source: OECD calculations based on the European Working Conditions Telephone Survey (EWCTS) 2021 of the European Foundation for the Improvement of Living and Working Conditions (Eurofound).

StatLink  <https://stat.link/9qidkp>

Country differences in the share of workers' experiencing job strain are likely to reflect different factors, such as different sectoral and occupational structures, different labour and employment policies,²⁹ as well as different phases of the pandemic and policy responses to it. Moreover, as data display results for 2021, i.e., a year after most OECD European countries implemented lockdown measures and social distance requirement, results may also be affected by teleworking. For instance, those who were able to work from home fared best, while frontline workers during the COVID-19 pandemic fared poorly on several fronts and reported much higher exposure to physical risks than those working from home (Eurofound, 2022^[21]). Controlling for a number of observable factors, such as individual characteristics, occupation structures and teleworking, explains some of the country variation³⁰ in job strain, notably in the case of Luxembourg, Spain and Switzerland.³¹ Yet, significant cross-country variation remains unexplained that might be attributed to differences across countries in policy, norms, expectations, or attitudes towards job.

1.4. Concluding remarks

Labour markets have been resilient in recent years despite suffering a sequence of negative shocks, including the COVID-19 crisis, Russia’s war of aggression against Ukraine and the upsurge of inflation, which triggered a sharp tightening of monetary policy. Many countries are now experiencing historically high levels of employment and low levels of unemployment. The resilience of OECD labour markets is also shown by the fact that several aspects of job quality improved during, or immediately after, the COVID-19 crisis. Labour market tightness is easing but remains generally high. Tensions remain however particularly high in the health sector.

In this context and following a quicker-than-expected fall in inflation, real wages are now growing in many countries even though they remain below 2019 levels in about half of them. There is some indication that on average across countries, the real wages of low-pay workers fared better than those of mid-pay and high-pay workers during the cost-of-living crisis. In particular, in almost all countries the real value of statutory minimum wages is already above its 2019 level thanks to either automatic or discretionary adjustments.

Nevertheless, unit labour costs have increased considerably over the past year or so, while unit profits – which had seen significant growth in the previous two years – appear to have begun to absorb some of the inflationary impact of increasing labour costs.

Looking ahead, it will continue to be important to strike a balance between allowing wages to make up some of the ground they have lost in terms of purchasing power and limiting further inflationary pressures. The most recent data are reassuring as they do not show signs of further acceleration in nominal wage growth, with some indicators even suggesting that it has slowed down.

Collective bargaining and social dialogue, when well-designed and implemented, can help identify solutions tailored to sectors and firms’ different abilities to sustain further increase in wages and to promote policies and practices to enhance the growth in productivity needed to sustain real wage gains in the longer term.

References

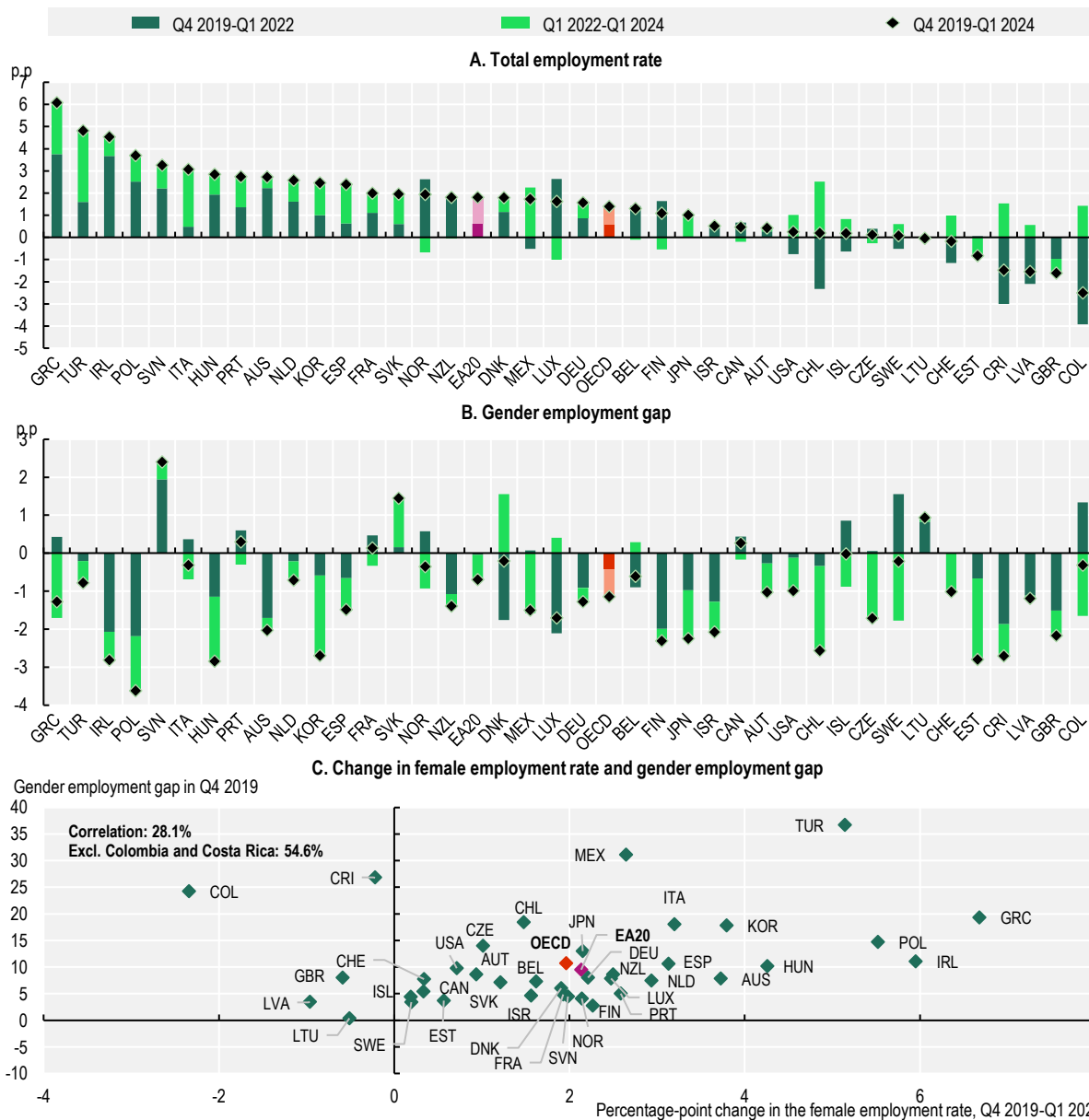
- Araki, S. et al. (2023), “Under pressure: Labour market and wage developments in OECD countries”, in *OECD Employment Outlook 2023: Artificial Intelligence and the Labour Market*, OECD Publishing, Paris, <https://doi.org/10.1787/b3013c36-en>. [11]
- Arce, O. et al. (2023), *More jobs but fewer working hours*, The ECB Blog, <https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog230607~9d31b379c8.en.html>. [8]
- Astinova, D. et al. (2024), “Dissecting the Decline in Average Hours Worked in Europe”, *IMF Working Papers*, No. 24/2, International Monetary Fund, Washington, DC. [5]
- Autor, D., A. McGrew and A. Dube (2023), “The Unexpected Compression: Competition at Work in the Low Wage Labor Market”, mimeo. [13]
- Bakker, A. and E. Demerouti (2007), “The Job Demands-Resources model: state of the art”, *Journal of Managerial Psychology*, Vol. 22/3, pp. 309-328, <https://doi.org/10.1108/02683940710733115>. [23]
- Berson, C. and V. Botelho (2023), *Record labour participation: workforce gets older, better educated and more female*, European Central Bank, Frankfurt, <https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog231108~8a96e44be0.en.html>. [24]

- Bognar, L. et al. (2023), “What does everything besides the unemployment rate tell us about labor market tightness?”, *Chicago Fed Letter*, <https://doi.org/10.21033/cfl-2023-491>. [7]
- Carcillo, S., A. Hijzen and S. Thewissen (2023), “The limitations of overtime limits to reduce long working hours: Evidence from the 2018 to 2021 working time reform in Korea”, *British Journal of Industrial Relations*, <https://doi.org/10.1111/bjir.12743>. [22]
- Cazes, S., A. Hijzen and A. Saint-Martin (2015), “Measuring and Assessing Job Quality: The OECD Job Quality Framework”, *OECD Social, Employment and Migration Working Papers*, No. 174, OECD Publishing, Paris, <https://doi.org/10.1787/5jrp02kpw1mr-en>. [1]
- Duval, R. et al. (2022), “Labor Market Tightness in Advanced Economies”, *Staff Discussion Notes*, No. 2022/001, International Monetary Fund, Washington, DC. [10]
- ECB (2023), *ECB Economic Bulletin 8/2023*, European Central Bank, Frankfurt. [17]
- ECB (2021), *ECB Economic Bulletin 6/2021*, European Central Bank, Frankfurt. [6]
- Eurofound (2022), *Working conditions in the time of COVID-19: Implications for the future, European Working Conditions Telephone Survey 2021 series, Publications Office of the European Union, Luxembourg.*, <https://doi.org/10.2806/056613>. [21]
- G20 (2015), *G20 Labour and Employment Ministerial Declaration*, <http://g20.org.tr/wp-content/uploads/2015/09/0-G20-Labour-and-Employment-Ministers-Meeting-2015-Ankara-Declaration.pdf>. [3]
- Lane, P. (2024), *Disinflation in the euro area*, European Central Bank, Frankfurt, <https://www.ecb.europa.eu/press/key/date/2024/html/ecb.sp240208~e775b07928.en.html>. [12]
- OECD (2024), *OECD Economic Outlook, Volume 2024 Issue 1: An unfolding recovery*, OECD Publishing, Paris, <https://doi.org/10.1787/69a0c310-en>. [4]
- OECD (2023), *Beyond Applause? Improving Working Conditions in Long-Term Care*, OECD Publishing, Paris, <https://doi.org/10.1787/27d33ab3-en>. [9]
- OECD (2023), *OECD Economic Outlook, Volume 2023 Issue 2*, OECD Publishing, Paris, <https://doi.org/10.1787/7a5f73ce-en>. [18]
- OECD (2022), *OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets*, OECD Publishing, Paris, <https://doi.org/10.1787/1bb305a6-en>. [20]
- OECD (2021), *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, OECD Publishing, Paris, <https://doi.org/10.1787/5a700c4b-en>. [19]
- OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264308817-en>. [15]
- OECD (2018), *OECD Employment Outlook 2018*, OECD Publishing, Paris, https://doi.org/10.1787/empl_outlook-2018-en. [16]
- OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264235120-en>. [14]
- OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing, Paris, https://doi.org/10.1787/empl_outlook-2014-en. [2]

Annex 1.A. Additional results

Annex Figure 1.A.1. Gender employment gap narrowed in almost all countries

Percentage point change in employment rates (persons aged 15-64), seasonally adjusted data

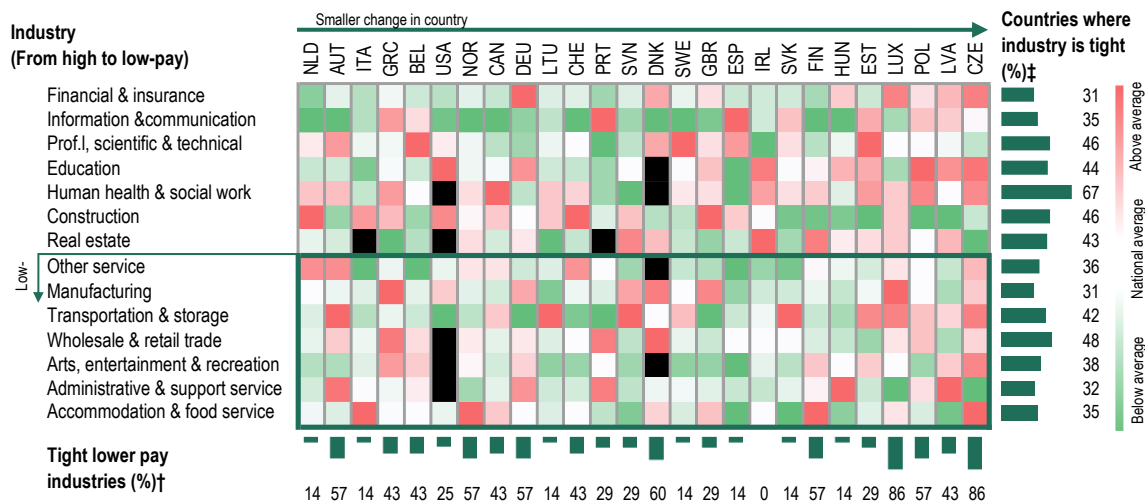


Note: The gender employment gap is defined as the male-to-female difference in the employment rates. OECD is the unweighted average of the 38 OECD countries shown in this Chart. Euro Area refers to the 20 Eurozone countries. p.p: percentage point.
 Source: OECD (2024), "Labour: Labour market statistics", Main Economic Indicators (database), <https://doi.org/10.1787/data-00046-en> (accessed on 25 June 2024).

StatLink <https://stat.link/lrdgkp>

Annex Figure 1.A.2. Changes in vacancy rates by industry

Changes in vacancy rates by industry relative to the country average, Q4 2023 vs. Q4 2019



Reading: Each column visualises the percentage point change in job vacancy rates in each industry (row) relative to the national average. Darker shades of red indicate a larger increase in job vacancy rates than the national average, while darker shades of green indicate a smaller increase in job vacancy rates than the national average. Countries are ranked (from left to right) by the national average percentage point change in job vacancy rate (from largest to smallest). Industries are ranked from high to low pay (from top to bottom). For instance, the national vacancy rate for Austria was 4.3% in Q4 2023 and 3.3% in Q4 2019 which represents a 1 percentage point change in the national average. The vacancy rate for the same country in education increased from 1.5% in Q4 2019 to 1.9% in Q4 2023, a change below the change in the national average.


Note: The definition of vacancy rate is not harmonised across countries. For **Canada**, the job vacancy rate is the number of job vacancies expressed as a percentage of labour demand; that is, all occupied and vacant jobs. For the **European countries** (except Italy and the United Kingdom), a vacancy is defined as a paid post that is newly created, unoccupied, or about to become vacant for which the employer is taking active steps and is prepared to take further steps to find a suitable candidate from outside the enterprise concerned; and which the employer intends to fill either immediately or within a specific period. The job vacancy rate is the number of job vacancies expressed as a percentage of the sum of the number of occupied posts and the number of job vacancies. For **Italy**, it refers to paid jobs (new or existing, if they are vacant or about to become vacant) for which the employer is looking (actively and outside the company) for a suitable candidate and is willing to make additional efforts to find one. The vacancy rate is the percentage ratio of the number of vacancies to the sum of vacancies with filled job positions. For the **United Kingdom**, the vacancy rate is calculated as the number of vacancies per 100 jobs. For the **United States**, a vacancy is defined as a job that is not filled on the last business day of the month and a job is considered open if a specific position exists and there is work available for it, the job can be started within 30 days, and there is active recruiting for the position.

† Average proportion of industries where the vacancy rate increased more than the national average as a share of the bottom seven industries in the pay rank (below the industry other services).

‡ Number of countries where the vacancy rate for a given industry increased more than the national average as a share of the total number of countries with information available. Black cells indicate missing data.

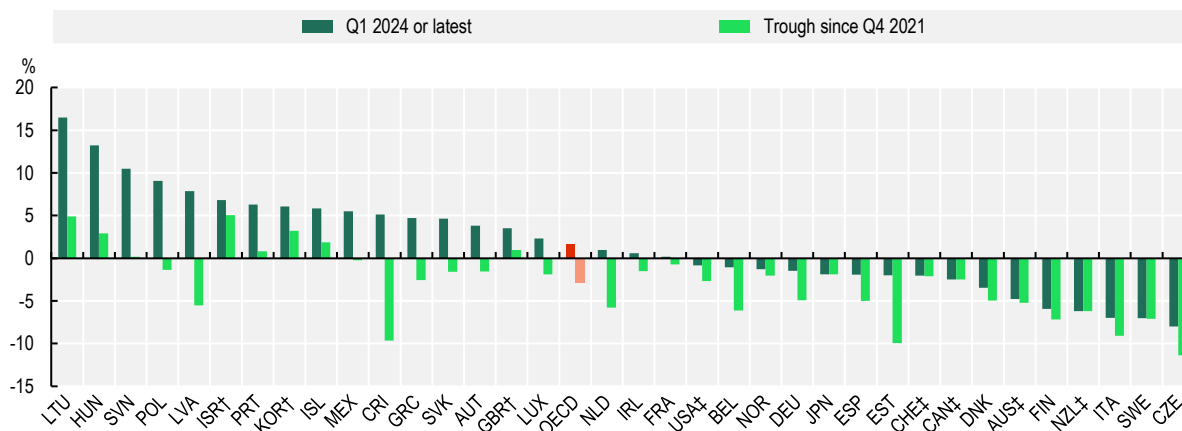
Industries are ranked by the median wage in 2019 in the European Structure of Earnings Survey (SES). The ranking of industries is broadly consistent when 2019 data on median wages from the Current Population Survey of the United States are used.

Source: Job vacancy statistics by NACE Rev.2 activity for **European countries** except Italy and the United Kingdom (Eurostat), Job vacancies, payroll employees, and job vacancy rate by industry (Statistics Canada) for **Canada**, Posti vacanti (National Institute of Statistics) for **Italy**, Vacancies by industry (Office for National Statistics) for the **United Kingdom**, Job Openings and Labor Turnover Survey (Bureau of Labor Statistics, retrieved from FRED) for the **United States**.

StatLink  <https://stat.link/sna58f>

Annex Figure 1.A.3. Real wages remain below 2019 levels in several countries

Cumulative percentage change in real hourly wage since Q4 2019



Note: This Chart is a version of Figure 1.9 (Panel B) without any adjustments for seasonality in the CPI series. Otherwise noted, nominal hourly wages refer to a constant-industry-structure “wages and salaries” component of the labour cost index. Statistics refer to the private sector only for Costa Rica, Japan, Korea, Mexico and the United States. Nominal wage series are seasonally adjusted for all countries except for Canada, Costa Rica, Israel, Japan, Korea, Mexico, New Zealand and Switzerland. Nominal hourly wage presents a significant amount of unreported income for Mexico.

†: Nominal hourly wage refers to the actual wage i.e. without any adjustment for sources of compositional shifts for Costa Rica, Israel, Korea, Mexico and the United Kingdom, and thus comparing these results with the other countries requires caution. Moreover, nominal hourly wage refers to the average monthly wages per employee job for Israel, and to the average weekly earnings for the United Kingdom.

‡: Nominal hourly wage controls for additional sources of compositional shifts, such as regions for Australia, Canada and New Zealand, job characteristics and workers’ characteristics for Australia and New Zealand, gender for Switzerland, and occupations for the United States. For Switzerland, the quarterly estimates refer to the annual Swiss wage index.

Real hourly wage is estimated by deflating the nominal hourly wage by the consumer price index (CPI-all items).

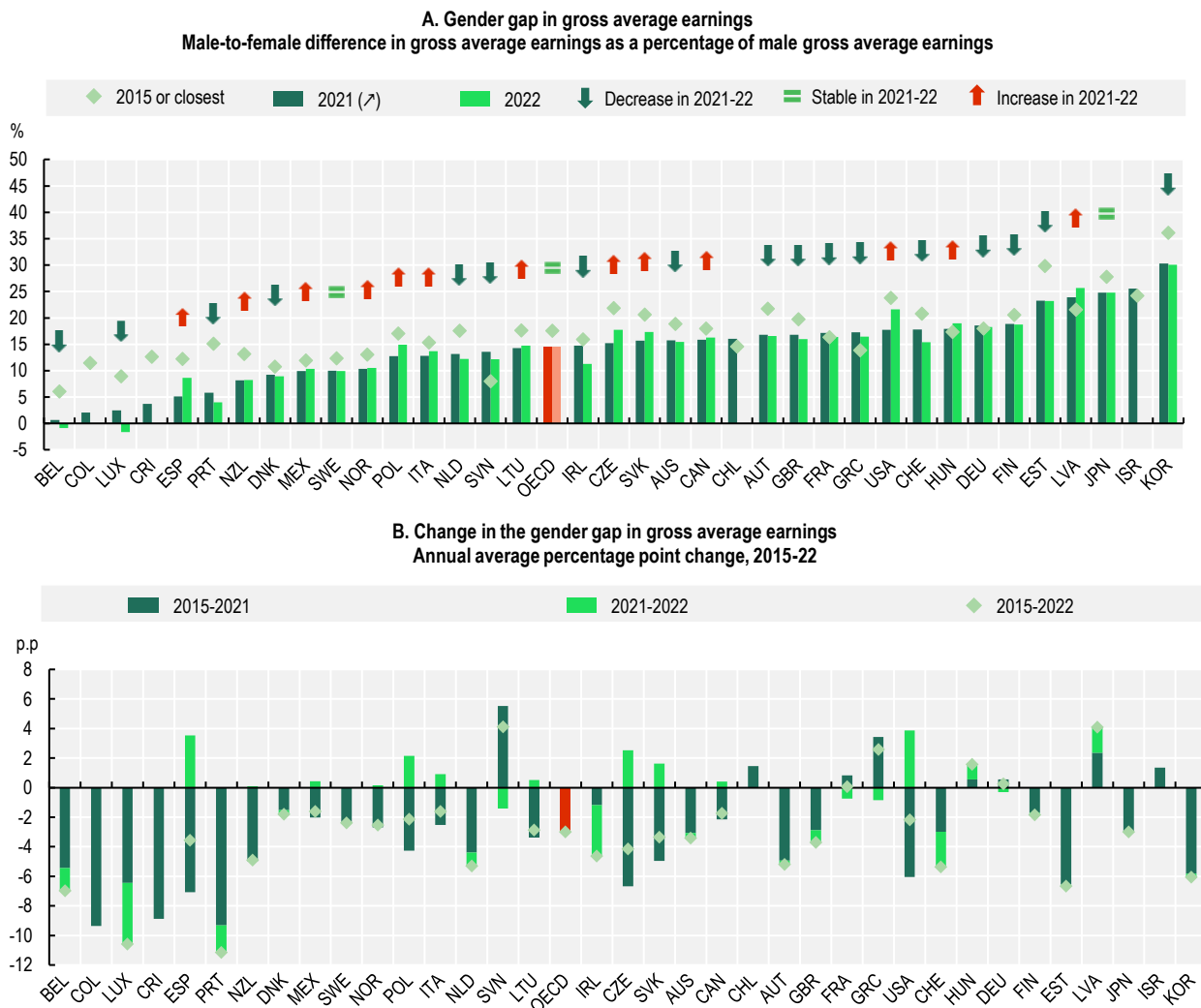
Countries are ordered by descending order of the cumulative percentage changes in real hourly wages in Q1 2024 compared to Q4 2019. OECD is the unweighted average of the 35 OECD countries shown in this chart (not including Chile, Colombia and Türkiye). The trough refers to the quarter where real hourly wages were at their lowest value for the indicated country since Q4 2021. The latest date available refers to Q3 2023 for Israel, and Q4 2023 for Canada, Costa Rica, Israel, Japan, Korea, Mexico and New Zealand.

Source: OECD calculations based on the Wage Price Index (Australian Bureau of Statistics) for **Australia**; the Fixed weighted index of average hourly earnings for all employees (Statistics Canada) for **Canada**; the Encuesta Continua de Empleo (Instituto Nacional de Estadística y Censos) for **Costa Rica**; the Labour cost index by NACE Rev. 2 activity (Eurostat) for the **European countries** except the United Kingdom; the Wages and Employment Monthly Statistics (Central Bureau of Statistics) for **Israel**; the Labour Force Survey at Establishments (Ministry of Employment and Labour) for **Korea**; the Monthly Labour Survey (Ministry of Health, Labour and Welfare) for **Japan**; the Encuesta Nacional de Ocupación y Empleo y Encuesta Nacional de Ocupación y Empleo Nueva Edición (Instituto Nacional de Estadística y Geografía) for **Mexico**; the Labour Cost Index (Stats NZ) for **New Zealand**; the Swiss Wage Index (Federal Statistical Office) for **Switzerland**; the Monthly Wages and Salaries Survey (Office for National Statistics) for the **United Kingdom**; and Employment Cost Index (Bureau of Labor Statistics, retrieved from FRED) for the **United States**. OECD (2024), “Prices: Consumer prices”, Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en>, (accessed on 21 June 2024).

StatLink  <https://stat.link/m9kfd5>

Annex 1.B. Additional material on Job quality

Annex Figure 1.B.1. Gender gap in gross average earnings of full-time workers



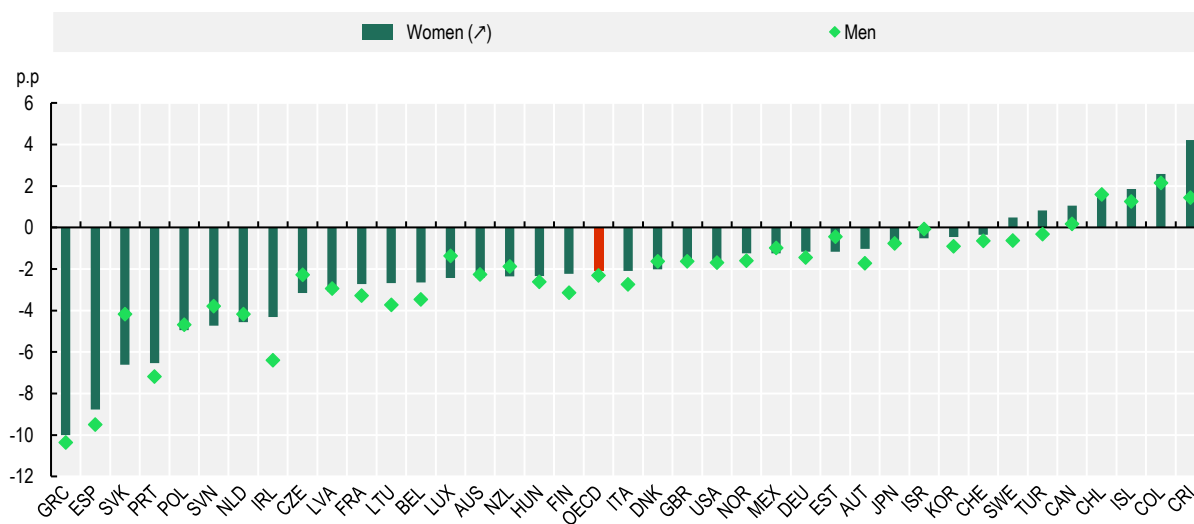
Note: 2015 refers to 2014 for Estonia, France, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovenia, Spain, and Switzerland. 2021 refers to 2020 for Poland and Switzerland. No data in 2022 for Chile, Colombia, Costa Rica and Israel. OECD is the unweighted of the 32 OECD countries with data available in 2022 shown in this Chart (not including Chile, Colombia, Costa Rica, Iceland, Israel and Türkiye). p.p.: percentage point.

Source: OECD calculations based on the unpublished data from the OECD Earnings Distribution database.

StatLink  <https://stat.link/emsug6>

Annex Figure 1.B.2. Change in unemployment risk by gender

Percentage point change in unemployment rate by gender, 2015-22



Note: OECD is the unweighted average of the 38 OECD countries shown in this Chart. Statistics for Canada, Greece, Hungary, Iceland, Israel, Italy, and Slovenia, refer to the percentage point change in 2015-21, to be consistent with the data shown in Figure 1.19. p.p: percentage point. Source: OECD calculations based on the OECD Labour Market Statistics (database), <http://dx.doi.org/10.1787/data-00322-en> (accessed on 24 April 2024).

StatLink  <https://stat.link/46w2xu>

Existing psychometric scales and indices of job strain provide critical guidance on the type of survey questions that can be used for measuring the various components of total job demands and that of total job resources. Yet, the precise set of questions to be selected among the many included in the EWCTS 2021 inevitably relies on judgment and depends on the purpose of the exercise. Since the approach followed in this chapter gives prominence to objective features of job quality, the questions chosen were those seeking objective and precise information (e.g. whether an individual can choose or change their methods of work), as well as readily interpretable in terms of the quality of the working environment (QWE). Annex Table 1.B.1 reports: i) the set of qualitative variables (i.e. EWCTS 2021 questions) retained to measure the various aspects of QWE; ii) the normalisation procedure used to compare these variables, initially measured on different scales; iii) the way these variables have been aggregated into a reduced number of components, which refer to broad categories of job demands or job resources.

Annex Table 1.B.1. Job demands and job resources based on the European Working Conditions Telephone Survey (EWCTS 2021)

Job demands				
Dimension	Item	EWCTS question	Possible answers	Recoding
JD1. Physical risks	JD1A. Handling or being in skin contact with chemical products or substances	How often are you exposed at work to handling or being in skin contact with chemical products or substances?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD1B. Handling or being in direct contact with materials which can be infectious	How often are you exposed at work to handling or being in direct contact with materials which can be infectious?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD1=1 (Yes) if JD1A=1 or JD1B=1 JD1=0 (No) if JD1A=0 and JD1B=0			
JD2. Physical demands	JD2A. Carrying or moving heavy loads	How often does your main paid job involve carrying or moving heavy loads?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD2B. Lifting or moving people	How often does your main paid job involve lifting or moving people?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD2=1 (Yes) if JD2A=1 or JD2B=1 JD2=0 (No) if JD2A=0 and JD2B=0			
JD3. Work intensity	JD3A. Working at very high speed	Does your main job involve working at very high speed?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD3B. Working to tight deadlines	Does your main job involve working to tight deadlines?	5 Always 4 Often 3 Sometimes 2 Rarely 1 Never	Yes, if always or often No if sometimes, rarely, or never
	JD3C. Long working hours	How many hours do you usually work per week in your main paid job?	# Number of hours per week	No if 1-49 hours Yes if 50-168 hours
	JD3D. Working during free time to meet work demands	How often have you worked in your free time to meet work demands?	1 Daily 2 Several times a week 3 Several times a month 4 Less often 5 Never	Yes, if daily, several times a week or several times a month No if less often or never
	JD3=1 (Yes) if JD3A=1 or JD3B=1 or JD3C=1 or JD3D=1 JD3=0 (No) if JD3A=0 and JD3B=0 and JD3C=0 and JD3D=0			
Job resources				
Dimension	Item	EWCTS question	Possible answers	Recoding
JR1. Social support at work	JR1A. Help and support from colleagues	Still thinking about your main job, please tell me how often the following applies to your work situation? Help and support from colleagues	1 Always 2 Most of the time 3 Sometimes 4 Rarely 5 Never	Yes, if always No if most of the time, sometimes, rarely, or never
	JR1=1 (Yes) if JR1A=1			

	JR1=0 (No) if JR1A=0			
JR2. Task discretion and autonomy	JR2A. Can choose or change methods of work	In your main job, are you able to choose or change your methods of work?	1 Never 2 Rarely 3 Sometimes 4 Often 5 Always	Yes, if always, often, or sometimes No if rarely or never
	JR2B. Possibility to take an hour or two off during usual working hours to take care of personal or family matters	In your main job would you say that for you arranging to take an hour or two off during your usual working hours to take care of personal or family matters is...?	1 Very easy 2 Fairly easy 3 Fairly difficult 4 Very difficult	Yes, if very easy or fairly easy No if fairly difficult or very difficult
	JR2=1 (Yes) if JR2A=1 or JR2B=1 JR2=0 (No) if JR2A=0 and JR2B=0			
JR3. Learning opportunities	JR3A. Learning new things at work	Does your main job involve learning new things?	1 Always 2 Often 3 Sometimes 4 Rarely 5 Never	Yes, if often or always No if never, rarely, or sometimes
	JR3=1 (Yes) if JR3A=1 JR3=0 (No) if JR3A=0			

Annex 1.C. Evolution of statutory minimum wages and negotiated wages by country

Annex Table 1.C.1. Reference minimum wage series and 2024 uprating

Country	Name	Official source	Rate	Minimum wage series	Revision(s) in 2024
Australia	National Minimum Wage	Fair Work Commission	Hourly	Employees aged 21 and over	1 July 2024: AUD 24.10 (+3.75%).
Belgium	Revenu Minimum Mensuel Moyen Garanti / Gewaarborgd gemiddeld minimummaandinkomen	Conseil National du Travail (CNT) / Nationale Arbeidsraad (NAR)	Monthly	Employees aged 18 and over under CCT No. 43 ¹	1 April 2024: EUR 2029.88 (+1.8%). 1 May 2024: EUR 2070.48 (+2%).
Canada (Federal)	Minimum wage	Government of Canada	Hourly		
Canada (Weighted)	Minimum wages of Provinces and Territories	Government of Canada	Hourly	Laspeyres index weighted by the share of employees of provinces and territories in 2019.	As of 1 April 2024, 5 Provinces will increase their minimum wage, and one province and one territory on 1 October 2024.
Chile	Ingreso Mínimo Mensual	Ministerio del Trabajo y Previsión Social, Dirección del Trabajo	Monthly	Employees aged 18-65 for a 45-hour week.	1 July 2024: CLP 500 000 (+8.7%)
Colombia	Salario Mínimo	Ministry of Labour	Monthly	Basic wage excluding transport allowance.	1 January 2024: COP 43 333 (+12.1%).
Costa Rica	Salarios Mínimos del sector privado	Ministry of Labour and Social Security	Monthly	Generic unskilled workers (Trabajador en Ocupación No Calificada (Genérico), TONC).	1 January 2024: CRC 358 609.5 (+1.8%)
Czechia	Minimální mzdy	Ministry of Labour and Social Affairs	Hourly	Individual work of the same kind (private sector).	1 January 2024: CZK 112.5 (+8.4%)
Estonia	Töötasu alammäär	National collective agreement on minimum wage	Hourly		1 January 2024: EUR 4.86 (+13%). The minister added that according to the goodwill agreement concluded with the social partners in spring 2023, the goal is that in 2027 the minimum wage would be 50% of the average wage in Estonia. In 2024, this percentage is 42.5.
France	Salaire Minimum Interprofessionnel de Croissance	Ministry of Labour, Health and Solidarity	Hourly		1 January 2024: EUR 11.65 (+1.1%). Possible increases along the year depending on the evolution of the CPI for the first quintile of the distribution of living standards.
Germany	Mindestlöhne	Minimum Wage Commission	Hourly		1 January 2024: EUR 12.41 (+3.4%) On 1 January 2025, the minimum wage will be raised again to EUR 12.82 (+3.3%) according to the recommendations of the Minimum Wage Commission.
Greece	Κατώτατος Μισθός	Ministry of Labor and Social Security	Daily	General Workers.	1 April 2024: EUR 37.07 (+6.4%).

Country	Name	Official source	Rate	Minimum wage series	Revision(s) in 2024
Hungary	Minimálbér	Government of Hungary	Hourly		1 December 2023 (for the 1 January 2024): HUF 1 534 (+14.6%)
Ireland	National Minimum Wage	Workplace Relations Commission	Hourly	Employees aged 20 and over.	1 January 2024: EUR 12.7 (+12.4%)
Israel	שכר מינימום	Ministry of Labor	Hourly		1 April 2024: ILS 32.3 (+5.5%).
Japan	地域別最低賃金の	Ministry of Health, Labour and Welfare	Hourly	Weighted average of prefectural minimum wages calculated by the Ministry of Health, Labour and Welfare.	Next revision in October 2024.
Korea	최저 임금	Minimum Wage Commission	Hourly		1 January 2024: KRW 9 860 (+2.5%)
Latvia	Minimālā darba alga	Ministry of Welfare	Monthly		1 January 2024: EUR 700 (+12.9%)
Lithuania	Minimalusis valandinis atlygis	Ministry of Social Security and Labour	Hourly		1 January 2024: EUR 5.65 (+9.9%)
Luxembourg	Salair Social Minimum	Agency for the Development of Employment (ADEM)	Hourly	Unskilled workers aged 18 and over.	No decision taken at date.
Mexico	Salario Mínimo General	National Minimum Wage Commission	Daily	Generic workers (excluding the Zona Libre de la Frontera Norte or "Free Tarde Zone" since 2019).	1 January 2024: MXN 248.93 (+20%). Minimum wage is increased every December, at least by the same percentage as inflation. Can be updated through the year if requested.
Netherlands	Minimumloon	Government of the Netherlands	Hourly ²	Employees aged 21 and over.	1 January 2024: EUR 13.27 (+15.3%) 1 July 2024: EUR 13.68 (+3.1%)
New Zealand	Adult minimum wage	Ministry of Business, Innovation & Employment	Hourly	Employees aged 16 and over (excl. training and starting-out minimum wages).	1 April 2024: NZD 23.15 (+2%).
Poland	Placa minimalna	Chancellery of the Prime Minister	Monthly	Employees with more than one year of services.	1 January 2024: PLN 4 242 (+21.5%) 1 July 2024: PLN 4 300 (+1.4%)
Portugal	Retribuição Mínima Mensal Garantida ²	Directorate-General for Employment and Labour Relations (DGERT)	Monthly	Employees in Portugal continental.	1 January 2024: EUR 820 (+7.9%).
Slovak Republic	Minimálna mzda	Ministry of Labour, Social Affairs and Family	Hourly		1 January 2024: EUR 4.31 (+7.1%)
Slovenia	Minimalna plača	Ministry of Labour, Family, Social Affairs and Equal Opportunities	Monthly		1 January 2024: EUR 1 253.9 (+4.2%)
Spain	Salario Mínimo Interprofesional	Ministry of Labour and Social Economy	Daily	General employees aged 18 and over.	1 January 2024: EUR 37.8 (+5%)
Türkiye	Asgari Ücret	Ministry of Labour and Social Security	Monthly		1 January 2024: TRY 20 002.5 (+49.1%)
United Kingdom	National Living Wage	Government of the United Kingdom	Hourly	Employees aged 21 and over (aged 22, 23 or 25 and over before 2024).	1 April 2024: GBP 11.44 (+9.8%)

Country	Name	Official source	Rate	Minimum wage series	Revision(s) in 2024
United States (Federal)	Federal minimum wage	Department of Labor	Hourly		
United States (Weighted)	Minimum wage at State level	DoL and information from States	Hourly	Laspeyres index based on minimum wage of 50 states weighted by the share of nonfarm private employees by state in 2019.	1 January 2024: 23 States have increased their minimum wage.

Note: Canada (weighted) and the United States (Weighted) are OECD estimates used to illustrate the aggregate evolution of minimum wage rates based on the minimum wage rates at the sub-national level. These estimates do not, however, consider special exemptions and rates in force in the provinces and states of the countries concerned. In particular, the minimum wage applying to the employees working under the Federal Jurisdiction in Canada are excluded. The weighted minimum wage for Canada is based on minimum wages of province and territories weighted by the number of employees in provinces and territories in 2019 from the Survey of Employment, Payrolls and Hours (SEPH); and for the United States, on the minimum wage of states weighted by the number of nonfarm private employees by state in 2019 from the State and Metro Area Employment, Hours, & Earnings published by the BLS. For the five US states where no minimum wage is required (i.e. Alabama, Louisiana, Mississippi, South Carolina and Tennessee), the federal minimum wage is included in the estimation.

For Greece, Portugal and Spain, in addition to monthly or daily minimum wages, employees are legally entitled to annual extra payments in the form of a 13th and 14th months bonuses. In Greece, this includes one-month pay as a Christmas bonus; half a month pay as an Easter bonus; and half a month pay as an annual holiday bonus. In Portugal and Spain, this includes one-month pay as a vacation pay in Summer and one-month pay as Christmas pay.

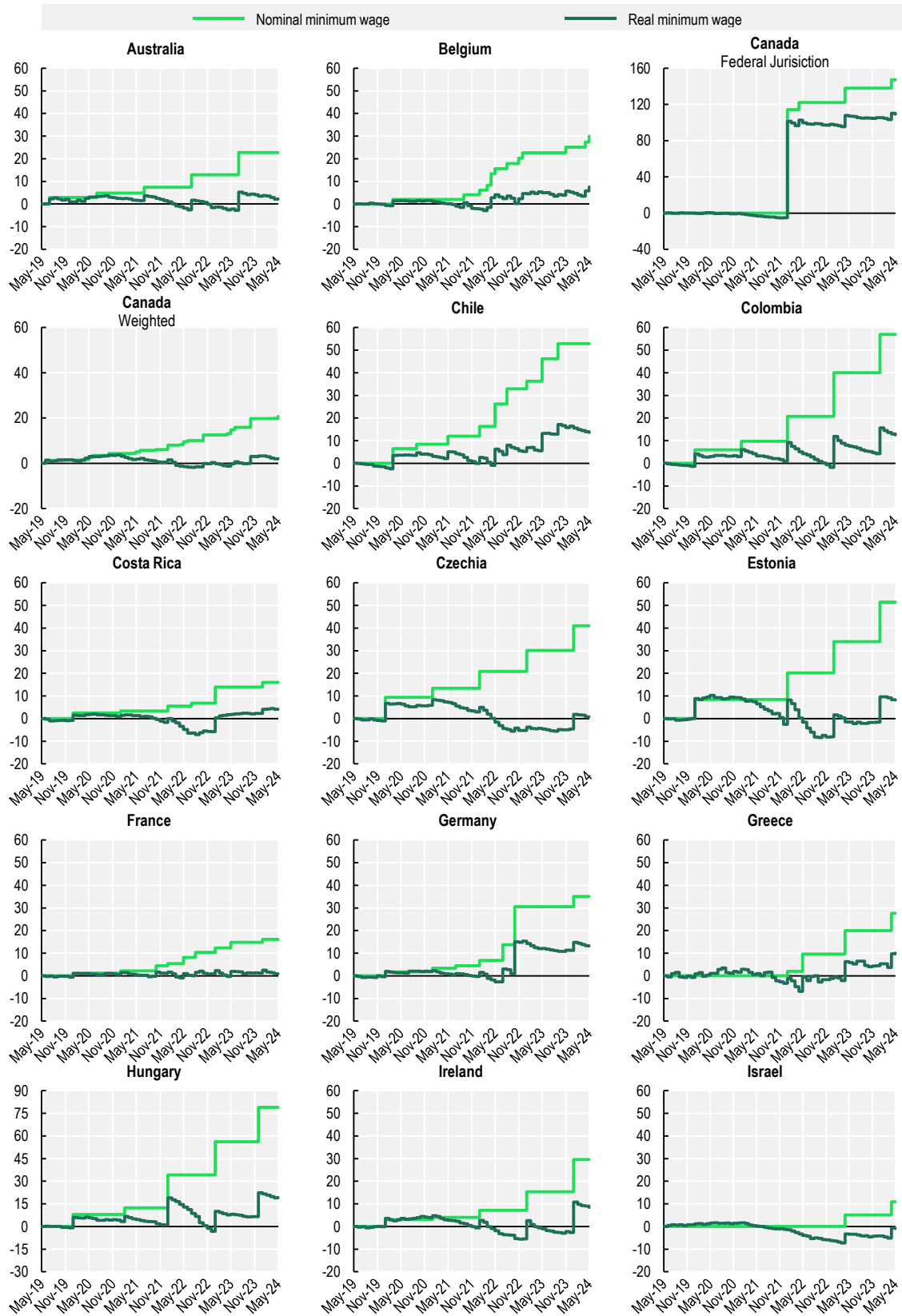
For Slovenia, there is no statutory requirement to pay annual bonus in addition to the monthly minimum wage. However, employees are generally entitled to a 13th month bonus where the employer is bound to pay by a collective agreement, an individual agreement, or the employer himself.

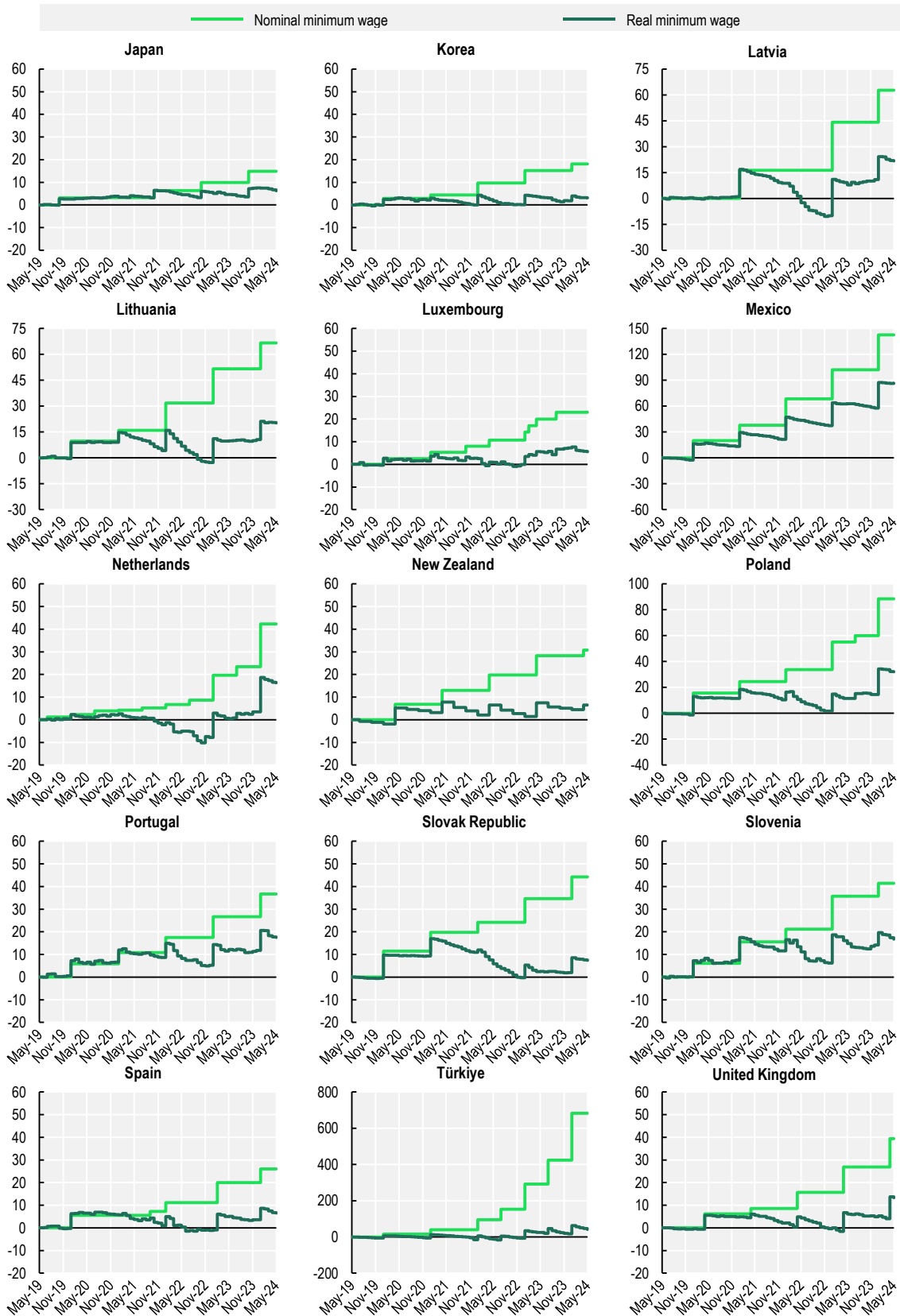
1. Reduced rates of the RMMMAG applies to employees aged under 18 with an employment contract, and to workers aged 18, 19 and 20 with a student contract under the CCT No.50 (collective agreement on the guarantee of a minimum average monthly income for workers under the age of 21). For further details, see https://emploi.belgique.be/fr/themes/remuneration/salaire#toc_heading_2.

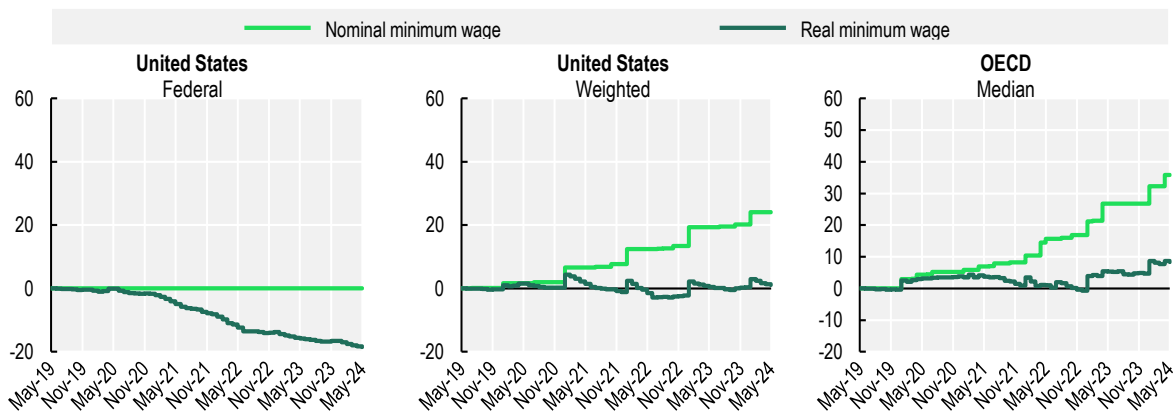
2. As of 1 January 2024, employers are required by law to pay workers at least the hourly minimum wage. Before 2024, minimum wage was defined on daily or monthly basis. To ensure comparison over time, daily minimum wage before that year is divided by a standard workday of 8 hours.

Annex Figure 1.C.1. Minimum wage evolution, May 2019 to May 2024

Nominal and real minimum wage, cumulative percentage change since May 2019







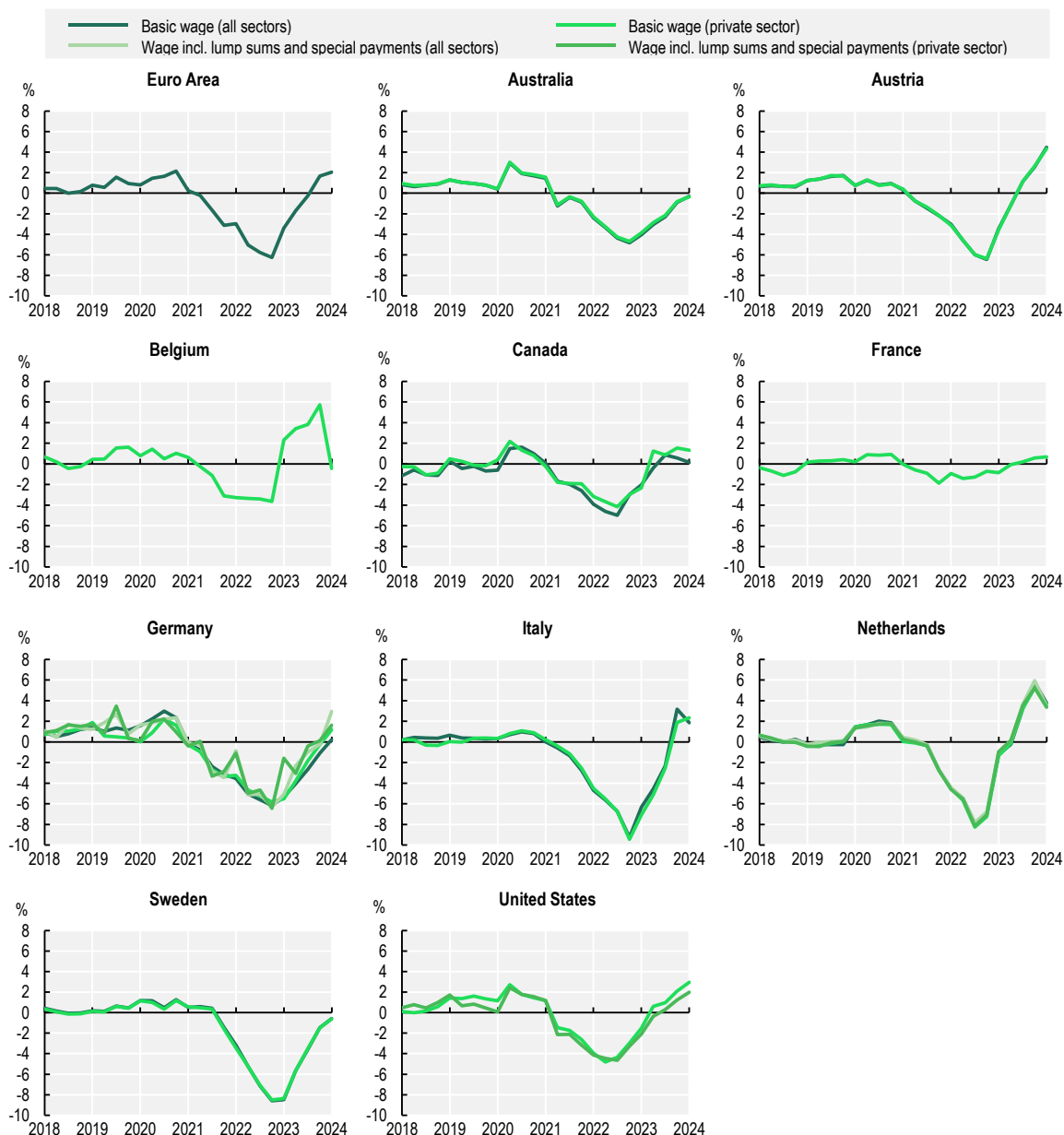
Note: Canada (weighted) is a Laspeyres index based on minimum wage of provinces and territories (excluding the Federal Jurisdiction) weighted by the share of employees of provinces and territories in 2019. United States (weighted) is a Laspeyres index based on minimum wage of states (not including territories like Puerto Rico or Guam) weighted by the share of nonfarm private employees by state in 2019. Changes in nominal minimum wage in Belgium in April and May 2022 relate to the transition to a single rate for workers aged 18 and over. OECD is the unweighted median across the 30 OECD countries with statutory minimum wage (not including the Canada Federal Jurisdiction and the weighted average for the United States). Changes in real minimum wage in April and May 2024 for New Zealand are estimated by assuming that the CPI remains the same as in Q1 2024.

Source: OECD Employment database, www.oecd.org/employment/emp/onlineoecdemploymentdatabase.htm, OECD (2024), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 02 July 2024), and Australian Bureau of Statistics (May 2024), [Monthly Consumer Price Index Indicator](https://www.abs.gov.au/austats/abs/series/seriesbyseries.do?series=6401.0), ABS Website, accessed on 02 July 2024) for Australia.

StatLink  <https://stat.link/bvrmly>

Annex Figure 1.C.2. Real wages in selected OECD countries resulting from collective agreements

Year-on-year percentage change, Q1 2018 to Q1 2024



Note: International comparability of data on negotiated wages is affected by differences in definitions and measurement. Statistics are representative of all employees covered by a collective wage agreement for Austria, Belgium, the Euro Area (20), France, Germany, Italy, the Netherlands, Sweden, and the United States. In Canada, statistics refer to collective bargaining settlements of all bargaining units covering 500 or more employees (units of 100 or more employees for the Federal Jurisdiction). For Australia and Canada, statistics refer only to employees affected by an increase of the negotiated wage at date. Wage increases in Austria, Belgium, the Euro Area (20), Germany, Italy, the Netherlands, Sweden, and the United States refers to the average increase in negotiated wages (wages of union workers for the United States) weighted by the employment composition for a reference year (Laspeyres index). The reference year of the employment composition used is 2009 for Sweden, 2010 for Belgium and the Netherlands, January 2015 for the Euro Area (20), 2015 for Germany and Italy, 2016 for Austria, and 2021 for the United States. For Australia, Canada and France, wage increases refer to the average increase in negotiated wages weighted by the number of employees affected in the period considered. Private sector for Germany refers to all industries excluding agriculture, public administration, education, health, and other personal services (Sections B to N of the NACE rev. 2).

Source: OECD calculations based on national data on negotiated wages, see Annex Table 1.C.3.in (Araki et al., 2023^[11]) for further details; and OECD (2024), "Prices: Consumer prices", Main Economic Indicators (database), <https://doi.org/10.1787/0f2e8000-en> (accessed on 28 June 2024).

StatLink  <https://stat.link/wz8xun>

Notes

¹ The size of the active population (or labour force) has also continued to grow in absolute terms in virtually all OECD countries. On average across all members, in Q1 2024, the active population grew year-on-year by 1.3%, with an overall increase since Q4 2019 of 3.9%.

² Results for older age groups are less clear. In the United States, the labour force participation rate of individuals aged 65 and over was around 19-19.5% in 2023 (after dropping from a record high of 20.8% just before the COVID-19 crisis (<https://fred.stlouisfed.org/series/LNU01300097>)). For the European countries, Eurostat data for individuals older than 65 show a labour force participation rate increasing by 0.9 percentage point in Q1 2024 compared to Q4 2019. Analysis for the broader age group 55 to 74 in Euro Area countries, show an increase in participation of over 2 percentage points between Q4 2019 and Q2 2023 (Berson and Botelho, 2023^[24]). More generally, there is little indication of a significant increase in retirement after the COVID-19 crisis – see Araki et al. (2023^[11]) for a summary of the evidence.

³ The relatively large decline in hours per employed in Korea can be partly explained by the progressive lowering of the statutory limit on total weekly working hours from 68 to 52 (Carcillo, Hijzen and Thewissen, 2023^[22]). However, the change in the hours worked per employed is likely to be affected by other elements such as shifts in the industrial and employment structure and higher awareness on work-family balance.

⁴ The share of part-time employment in total employment was slightly down in 2022 relative to 2019 both in the European Union and most non-EU OECD countries – including Canada, New Zealand, the United Kingdom, and the United States. In the European Union, the share of part-time employment had declined more for women than for men.

⁵ Different indicators can be used to document labour shortages: *vacancy-to-unemployed ratios*, defined as the number of unfilled jobs relative to the number of unemployed, provide an indication of the tightness of the labour market; but other indicators are used to gauge the extent of labour shortages, such as the *vacancy rate*, defined as the share of unfilled jobs relative to all jobs available, the *quit rate*, defined as the share of workers who recently left their job voluntary, relative to total employment, as well as the share of firms reporting labour shortages as a factor limiting their production as collected and used by the European Commission (e.g. https://economy-finance.ec.europa.eu/document/download/5b9a6678-a424-46e0-8056-eeb6d5b47737_en?filename=tp059_en.pdf).

⁶ Average annual headline inflation in the OECD is projected to gradually ease from 6.9% in 2023 to 5% in 2024 and 3.4% in 2025. By the end of 2025, inflation is expected to be back on central bank targets in most major economies (OECD, 2024^[4]).

⁷ Most of the data used in this section refer to the “wages and salaries” component of the Labour Cost Index (i.e. excluding employer’s social security contributions) produced by Eurostat – or similar measure for non-European countries (see notes to the figures for the details on the countries for which different wage measures have been used). In addition to separating wages from other labour cost components, these indicators have two main advantages relative to measures of compensation per hour worked derived from National Accounts. First, they are generally constructed to follow the evolution of hourly nominal wages for a constant industry structure, therefore minimising the potential impact of compositional changes on aggregate wage dynamics. Second, they are available at a more detailed sectoral breakdown than

measures of compensation of employees from National Accounts, allowing the analysis on wage dynamics by industry of different pay levels of section 1.2.2.

⁸ However, the overall decline in real wages for Japan since 2019 has been much smaller than in most other countries (Figure 1.9, Panel B).

⁹ Seasonally adjusted series for nominal wages are available for all countries except for Canada, Costa Rica, Israel, Japan, Korea, Mexico, New Zealand, Norway, and Switzerland. CPI series are generally not available with seasonal adjustment and are adjusted for the purpose of this analysis using the X-13ARIMA-SEATS Seasonal Adjustment Method. The results on the cumulative changes in real wages obtained with these adjustments do not differ substantively from those obtained without any adjustments reported in the Annex Figure 1.A.3.

¹⁰ To allow a comparison of dynamics between labour costs and a measure of profits, this section uses indicators from the National Accounts (see note to Figure 1.16). Using the income approach, nominal GDP can be decomposed as $PY = NCE + GOS + TAXN$ where P is the GDP deflator, Y is real GDP, NCE is nominal compensation of employees, GOS is gross operating surplus, and $TAXN$ is nominal taxes. This illustrates the interpretation of GOS as profit margin, i.e. the difference between total revenue and total costs (labour costs, which are part of value added, and intermediate inputs, which are not part of total value added). This is a timely measure of profits that is commonly used in this type of analysis but does not fully correspond to the notion of corporate profits. Unit labour costs and profits are derived by dividing the two relevant GDP components by real GDP. Equivalently, unit labour costs can be expressed as compensation per hour worked divided by real GDP per hour worked (i.e. labour productivity). This latter formulation illustrates that unit labour costs will increase when growth in compensation per hour worked exceeds growth in labour productivity. This measure of unit labour costs differs in some important respects from the measure of hourly wages based on the “wages and salaries” component of the labour cost index used in the previous sections (see footnote 7). Most notably, unit labour costs include employer’s social security contributions and do not control for changes in the sector composition of the economy.

¹¹ Overall, between Q4 2019 and Q1 2024, unit profits grew, often significantly, in all 29 countries with available data – growing more than unit labour costs in 15 countries. See Lane (2024_[12]) for other indicators for the Euro Area also pointing to further room for profits to buffer the inflationary pressure arising from the ongoing increases in labour costs.

¹² The need to take into account both aspects reflects their empirical importance for well-being. While the average level of earnings provides a key benchmark for assessing the extent to which having a job ensures good living conditions, a large body of empirical research has shown that earnings inequality also matters for life satisfaction so that overall well-being tends to be higher the more equal is its distribution, see OECD (2014_[21]).

¹³ The unemployment risk is approximated in this chapter by the actual unemployment rate to extend country coverage and enhance consistency with group level data – see, for example, Chapter 2. Indeed, while measured in the *Employment Outlook 2014* as the product of the probability of becoming unemployed and the average duration of completed unemployment spells in months, it can be shown that the risk of unemployment can be proxied by the actual unemployment rate in the absence of any strong exogenous shock (OECD, 2014_[21]).

¹⁴ Data are shown for 2021 to document a maximum of countries and to single out the effect of the Cost-of-living crisis in 2022.

¹⁵ The 38 OECD countries, except Iceland and Türkiye for which only 2018 data available.

¹⁶ To take into account both the level and distribution of earnings in the aggregate measure of earnings quality, the general means approach is used as an aggregation tool. General means place greater weight on certain parts of the distribution, and less on others, depending on the assumed degree of inequality aversion (alpha). In the OECD Job quality framework a coefficient of -3 is used (strong aversion for inequality aversion), which gives a weight of 85% to the bottom tercile of the distribution – see Box 3.3. of Chapter 3, OECD (2014^[2]) for more details.

¹⁷ Part of the increase of earnings inequality in the Netherlands can be explained by the indexation of the minimum wage to the predicted wage developments for the next six months using a basket of collectively agreed wages: with the significant increase of inflation in 2022 and the delayed adjustment of the minimum wage, the minimum wage significantly lost ground in real terms, until it was increased by 10.2% in January 2023, to limit the purchasing power losses of low-paid workers – see Annex Figure 1.C.1.

¹⁸ Spain's minimum wage was increased in 2022 and, in real term, has been keeping up with inflation better than the average wage. Even before the surge in inflation, the increases in Spain's minimum wage were substantial, placing the country among those with the most rapid growth in statutory minimum wages – see Annex Figure 1.C.1.

¹⁹ The comparison however only refers to the level of average earnings and does not take account of the distribution due to data availability.

²⁰ The 38 OECD countries, except Canada, Greece, Hungary, Iceland, Israel, Italy, and Slovenia for which only 2021 data available.

²¹ The majority of OECD countries took measures to ensure widespread use of job-retention schemes and extend unemployment benefits entitlements by improving access, notably for workers with insufficient contribution records, lengthening maximum durations and raising generosity to account for the great difficulty of finding work during the COVID-19 crisis. Yet, most of these measures were temporary, and only a few of them were still in place in 2022.

²² As data for Greece are for 2021, this very positive pattern may have changed in 2022, since labour market security in 2022 is likely affected by the phasing out of income support measures that were temporarily implemented as a response to the COVID-19 pandemic.

²³ Beyond job retention schemes, Spain extended the unemployment benefit entitlements along several dimensions by improving access to unemployment insurance (unemployment insurance coverage increased significantly in 2020 due to the suspension of the minimum contribution requirements), but also by extending benefit duration and raising benefit generosity. All these were however temporary measures which were suspended in March 2022. In Greece, the duration of unemployment benefits was extended in 2020 but this measure was then phased out in 2021.

²⁴ The overall labour market security indicator cannot be computed, as information is only available for unemployment risk.

²⁵ The main challenges include the combination of infrequent or one-off surveys at different dates, the small sample sizes, as well as the diversity of questions and coding across OECD countries. For instance, the International Social Survey Program (ISSP) Work Orientation module used in previous OECD publications to extend the country coverage of the quality of the working environment beyond European countries has not been updated. The main source of European data, the European Working Conditions Survey, was only conducted by telephone with a reduced format in 2021 (EWCTS 2021) and an update of the full survey is not planned before 2025. In the same vein, it is not possible to use the Korean Working Conditions Survey (2020) since the questions are not comparable with the EWCTS 2021.

²⁶ The OECD Job quality framework builds on the Job-Demands and Resources model developed by Bakker and Demerouti (Bakker and Demerouti, 2007^[23]). See details in OECD (2014^[2]) and Cazes, Hijzen and Saint-Martin (2015^[1]).

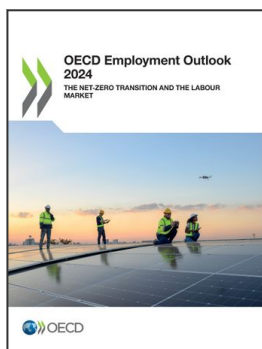
²⁷ Indicators of the quality of the working environment in previous OECD publications have been relying for OECD European countries on the European Working Conditions Surveys (EWCS) carried out by Eurofound every five years since 1991. However due to significant methodological changes in the 2021 edition – interviews conducted by phone instead of face-to-face; changes in the range of questions and for some of them changes of the answering scales, different sampling methodology, etc. – Eurofound itself is recommending not to compare EWCTS 2021 with previous EWCS waves.

²⁸ Results are not shown here but are available on request.

²⁹ Such as working time regulations, health related labour laws, sickness insurance schemes, occupational healthcare services, labour inspection bodies, vocational training, etc.

³⁰ A simple analysis with controls for gender, age groups, educational attainment, contract duration, firm size, industry, occupation, with and without teleworking, suggests that controls do explain some of the cross-country variation. In particular, the standard deviation of the country fixed effects is 56% lower when estimating a model with all controls included than a model with no controls – that is, accounting only for the unconditional differences across countries. Results not shown here but available on request.

³¹ For Luxembourg and Switzerland, estimates of average job strain conditional on observable characteristics are significantly higher, indicating that these countries have many jobs that are inherently not prone to job strain – such as jobs in high skill sectors. For Spain, the conditional estimates are instead smaller, suggesting that there are many (manual) jobs that are intrinsically candidates for high strain.



From:
OECD Employment Outlook 2024
The Net-Zero Transition and the Labour Market

Access the complete publication at:
<https://doi.org/10.1787/ac8b3538-en>

Please cite this chapter as:

OECD (2024), “Steady as we go: Treading the tightrope of wage recovery as labour markets remain resilient”, in *OECD Employment Outlook 2024: The Net-Zero Transition and the Labour Market*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/0ea4644c-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.