

The Euro Area Wage Distribution Over the Crisis

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Abstract: This paper analyses the evolution of the distribution of earnings in the Euro Area during the global financial crisis and the determinants of this evolution using data drawn from the EU-SILC. The EU-SILC data show that the wage adjustment between 2007 and 2011 was substantially larger than that measured in national accounts, and driven mainly by the dynamics of earnings in periphery countries. The real monthly full-time equivalent gross earnings in periphery countries has decreased on average by over 4 per cent relative to levels in core countries, but the relative costs of low wage labour have fallen far more in the periphery, by some 6-8 per cent. The changing composition of the pool of salaried employees boosted earnings growth, thus obscuring a sizeable downward real wage adjustment, especially at the bottom of the distribution.