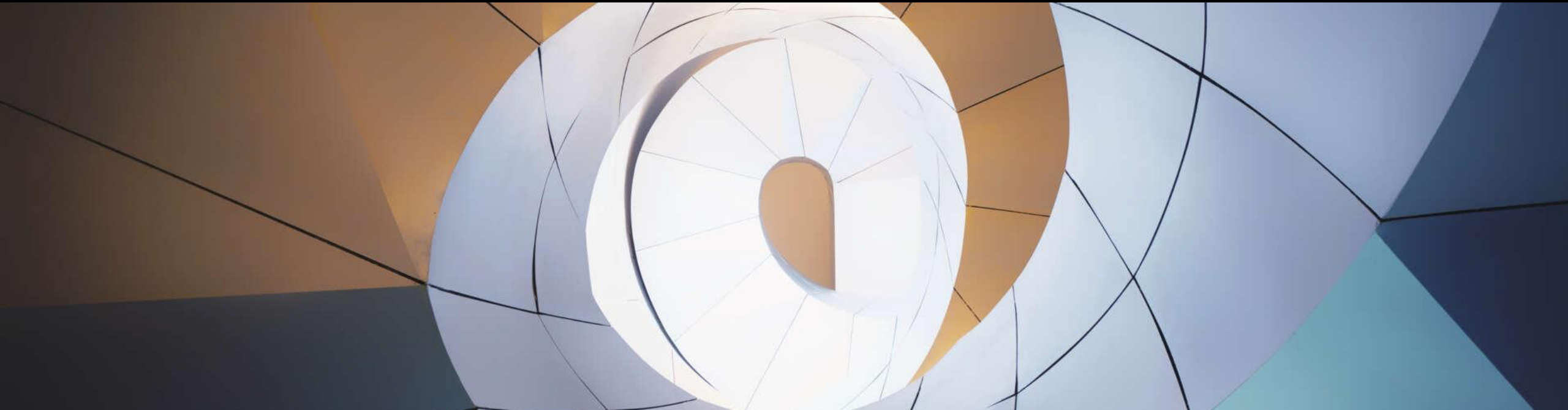


SUERF-OeNB conference

Policy Session on "Labor markets, wage setting and employment stability"

Preliminary remarks

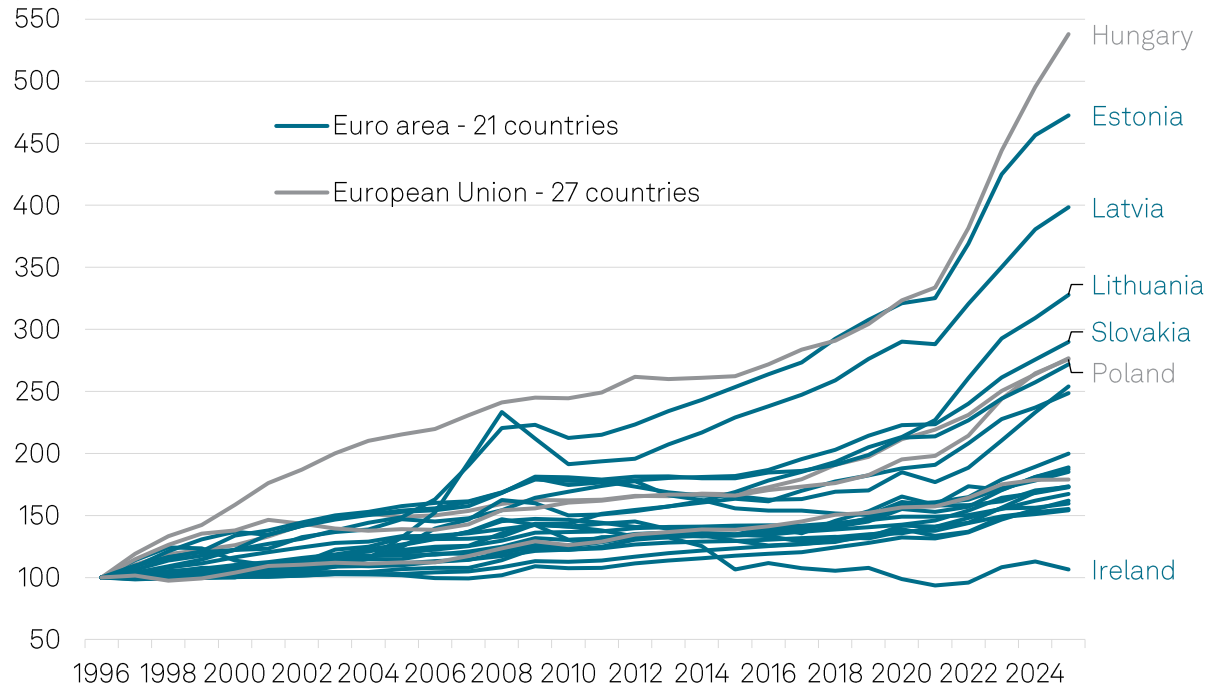
Sylvain Broyer
S&P Global Ratings
Chief EMEA Economist
Vienna, 18-19 June 2026



Europe's unit labor costs are diverging again

- Divergence has widened since the start of the war in Ukraine.
- Eastern European economies account for most of the widening gap.
- The divergence is driven mainly by wage-setting dynamics rather than productivity; Ireland is a notable exception.
- Comparison with the US is a different story: strong rise in ULC at time of covid has been offset by productivity repair later on.

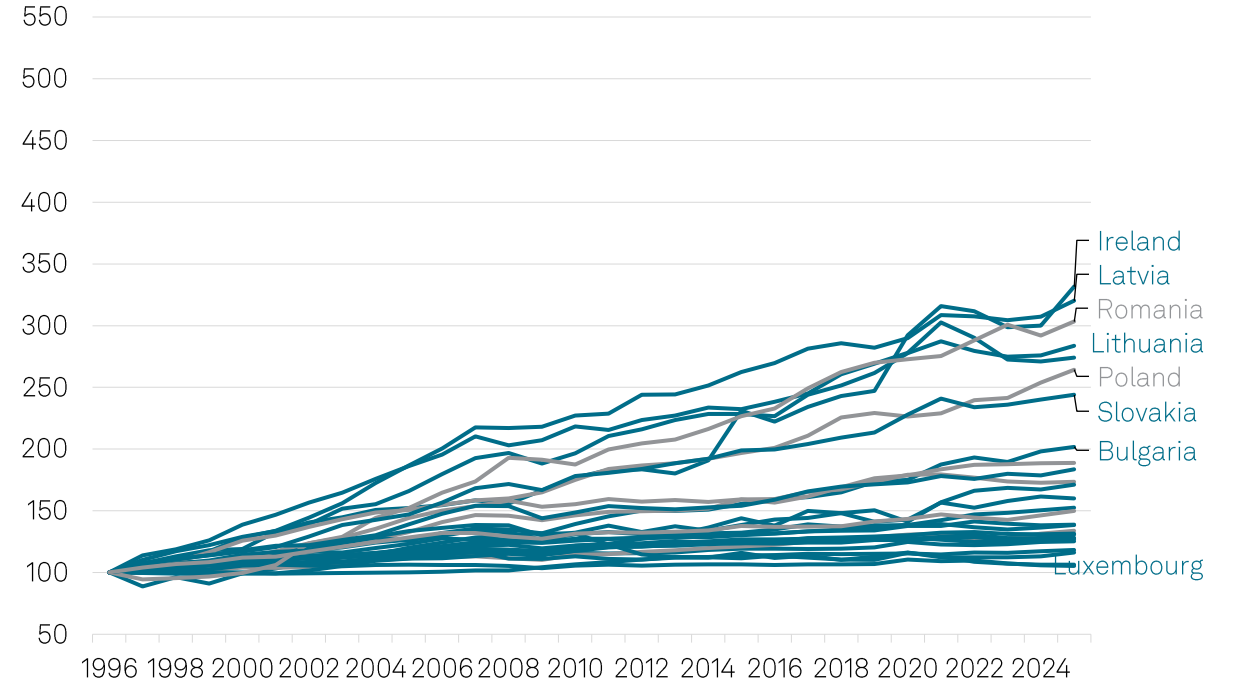
Nominal unit labour cost per hour worked in the EU and the Eurozone (Index, 1996=100)



Source: S&P Global Ratings, Eurostat
 Note: To facilitate comparison, Bulgaria and Romania are omitted from the graph as their unit labour cost increases significantly exceed those of other countries.

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Labour productivity per hour worked in the EU and the Eurozone (Index, 1996=100)



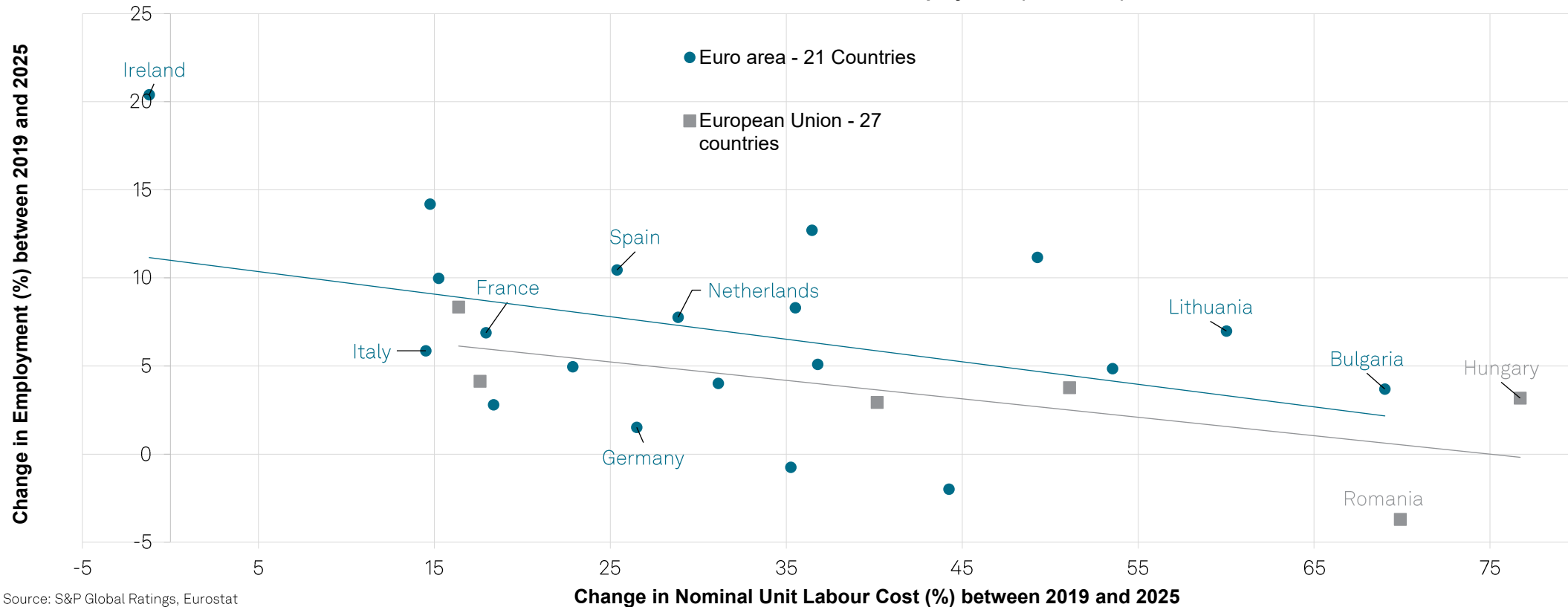
Source: S&P Global Ratings, Eurostat

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Real convergence at stake amid the digital transition

- Unit labor costs are a key differentiator for employment growth across Europe.
- Faster growth in Eastern regions reduces the scope for real convergence.
- This is an important factor for Europe’s ability to compete internationally in the digital transformation race – especially as Europe’s transition is more labor / service intensive than in the US (Ireland vs. Poland).

Variation in Nominal Unit Labour Cost vs. Employment (2019-2025)



Source: S&P Global Ratings, Eurostat

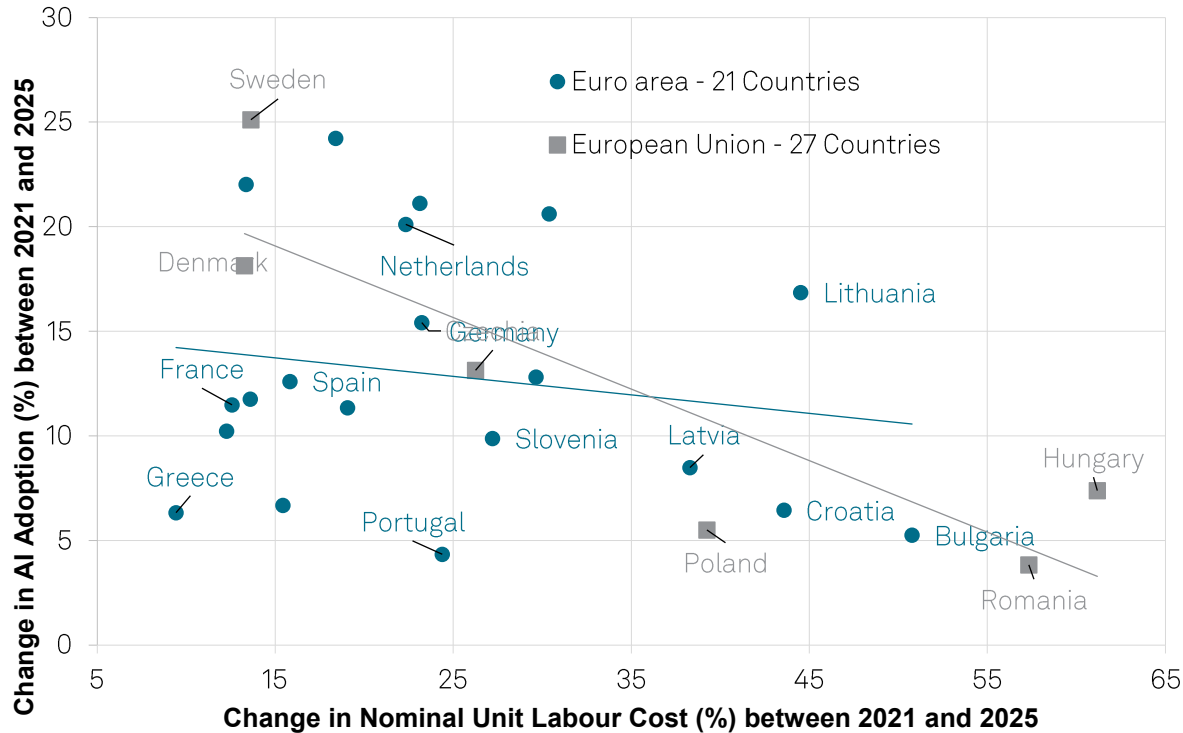
Note: Malta is not included in the graph due to its employment growth exceeding 30%.

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Labor costs are not yet driving AI adoption

- No obvious relationship between labor-cost growth and the pace of AI adoption across firms.
- No obvious relationship between unemployment rates and AI adoption.
- AI may lift productivity over time, but it is unlikely to narrow unit labor cost divergence on its own: divergence is largely driven by wage-setting dynamics, and AI adoption is not faster in the countries contributing most to that divergence; Estonia as an exception.

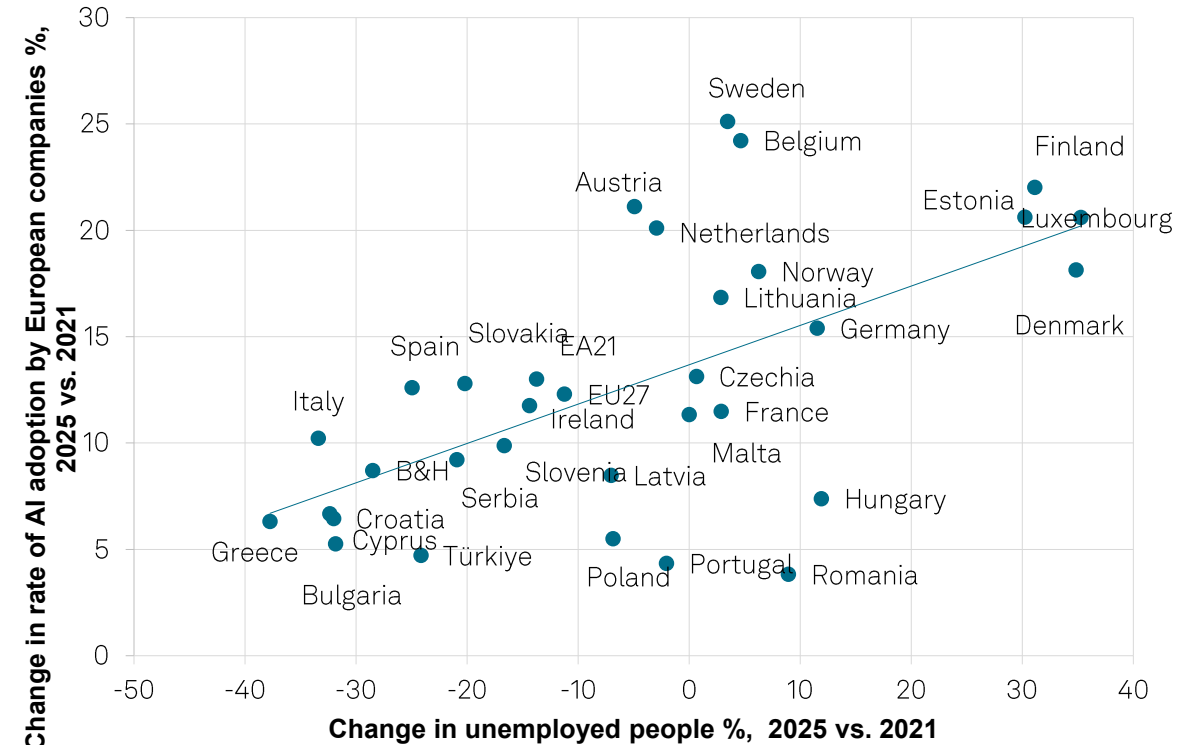
Variation in Nominal Unit Labour Cost vs. Proportion of Enterprises Adopting at Least One AI Technology (2021-2025)



Source: S&P Global Ratings, Eurostat
 Note: The primary sector and financial services are excluded from the scope.
 Note: Estonia is not included in the graph due to its AI adoption growth reaching 744%.

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The dispersion is high between the variation in the number of unemployed people and the speed of AI adoption.



Source: S&P Global Ratings.

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