

SUERF-OeNB conference

Policy Session

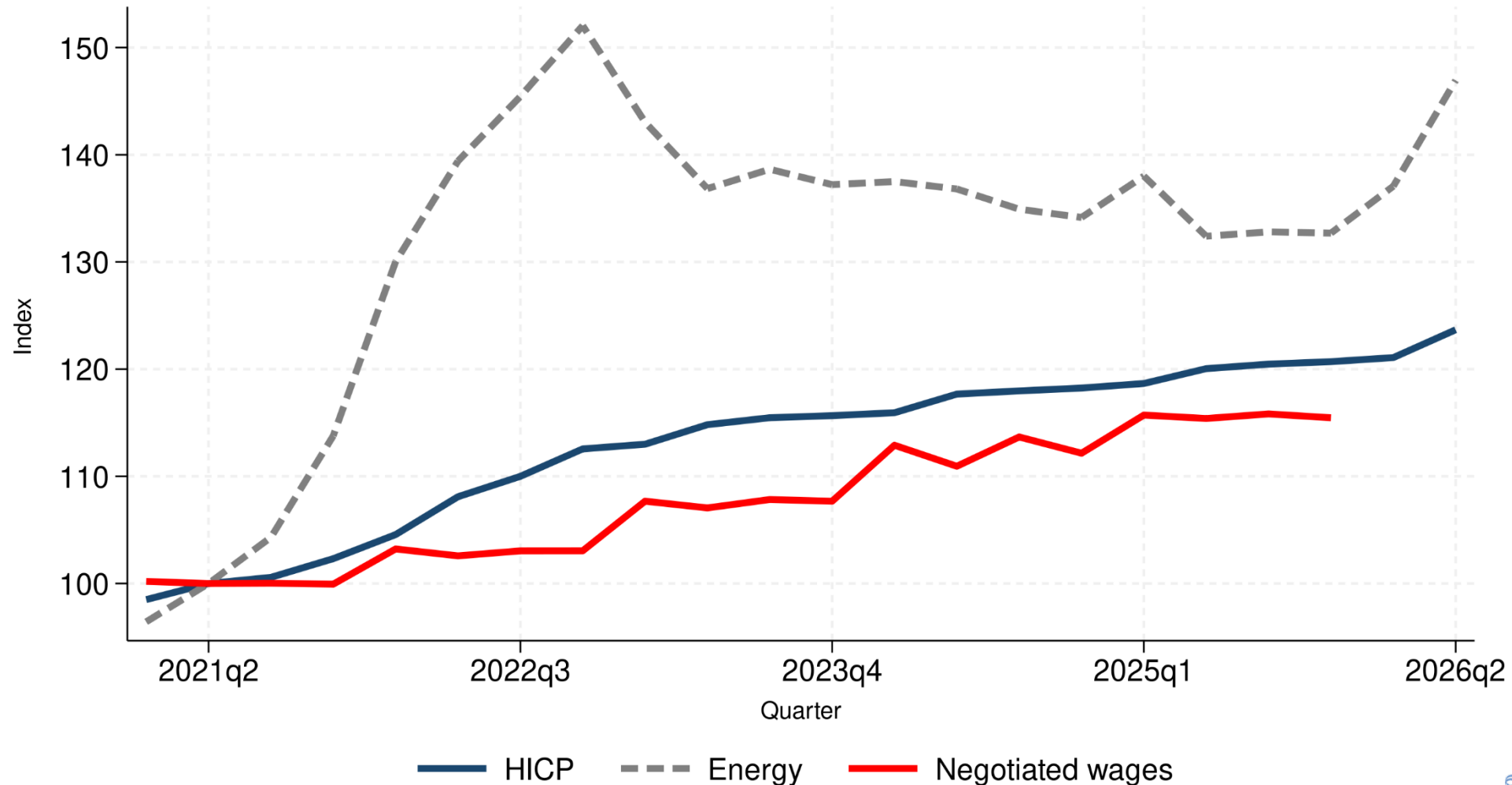
**“Labor markets, wage setting and
employment stability”**

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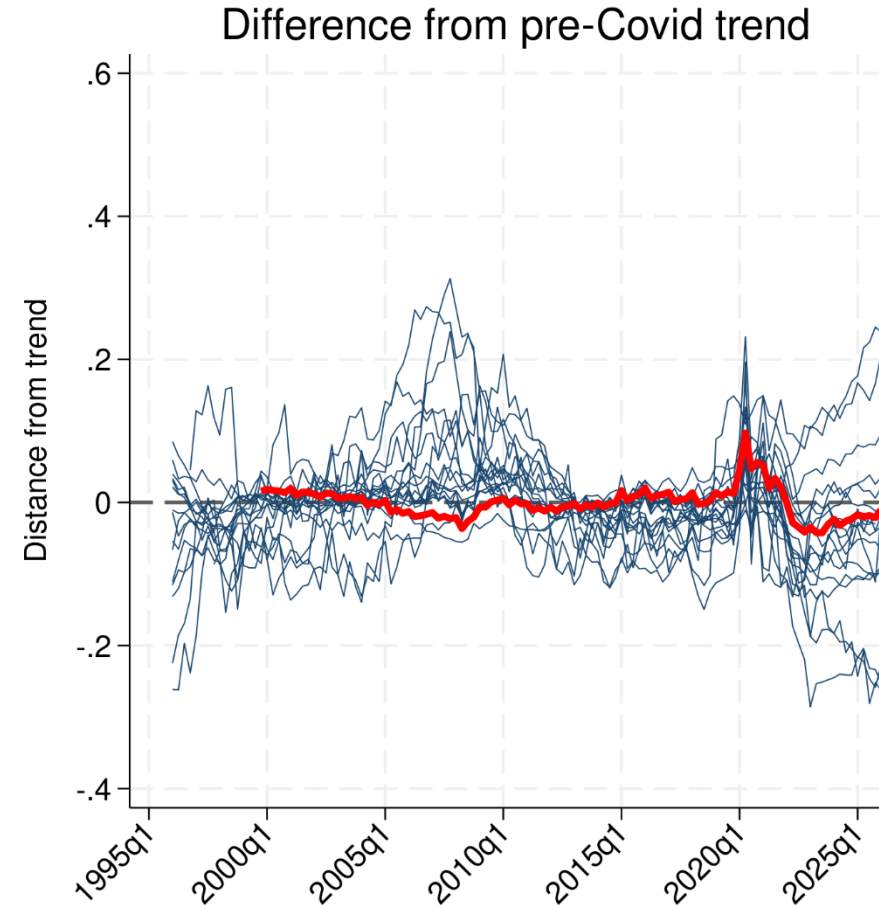
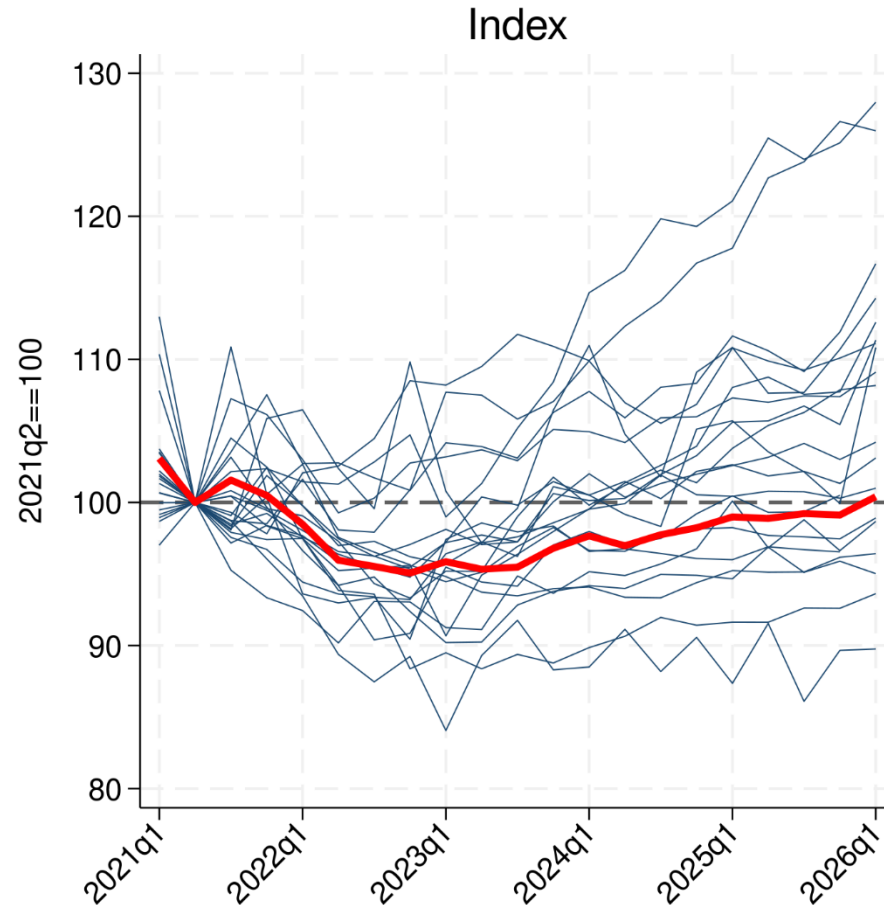
Vienna, 18-19 June 2026

Euro area: the delayed response of wages allowed prices to slow down after the acceleration in 2022. Wages increased when other costs were already declining



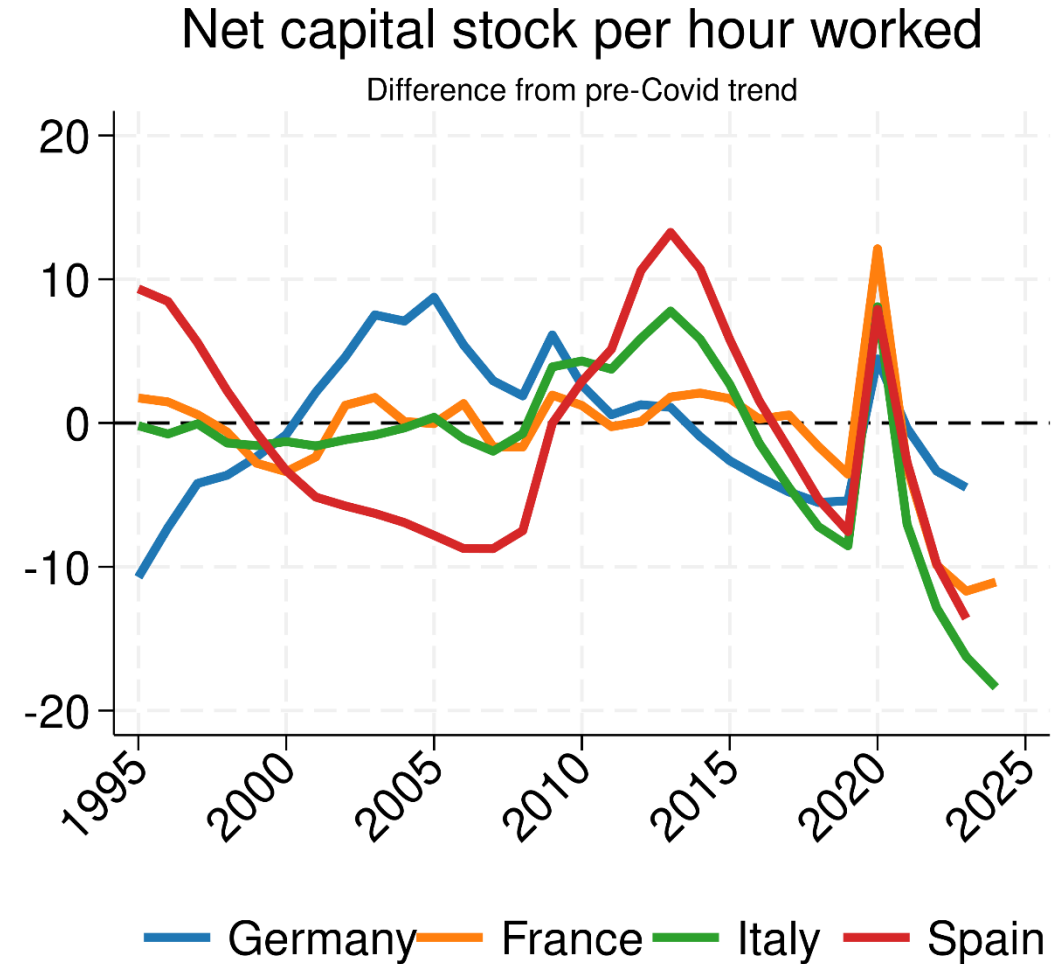
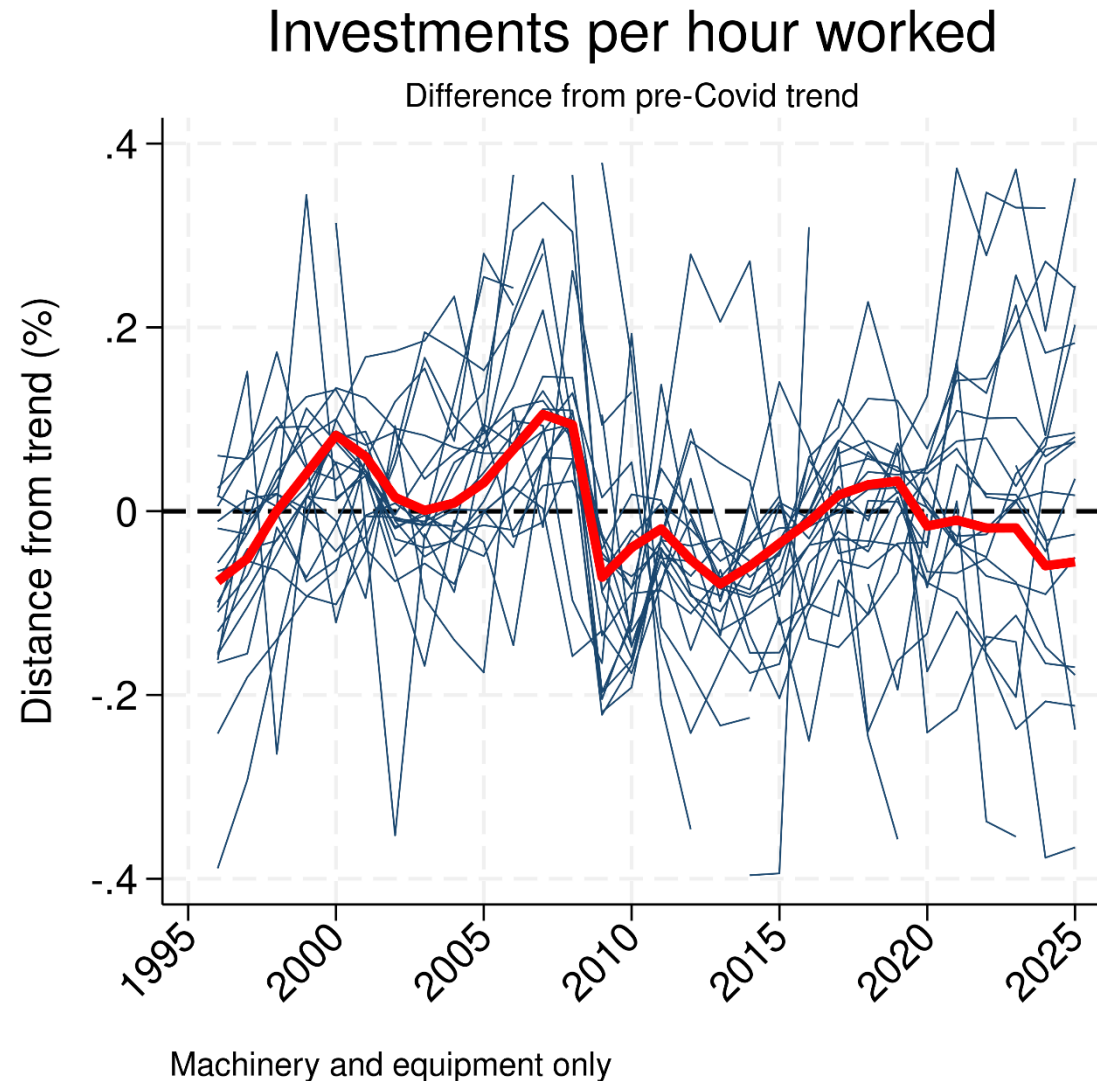
Real wages are back to pre-shock levels — but still below their pre-shock trend

Hourly wages in real term



Private sector only (B-N). Deflated by the use of HICP

Relative input prices favoured labour hoarding over capital deepening

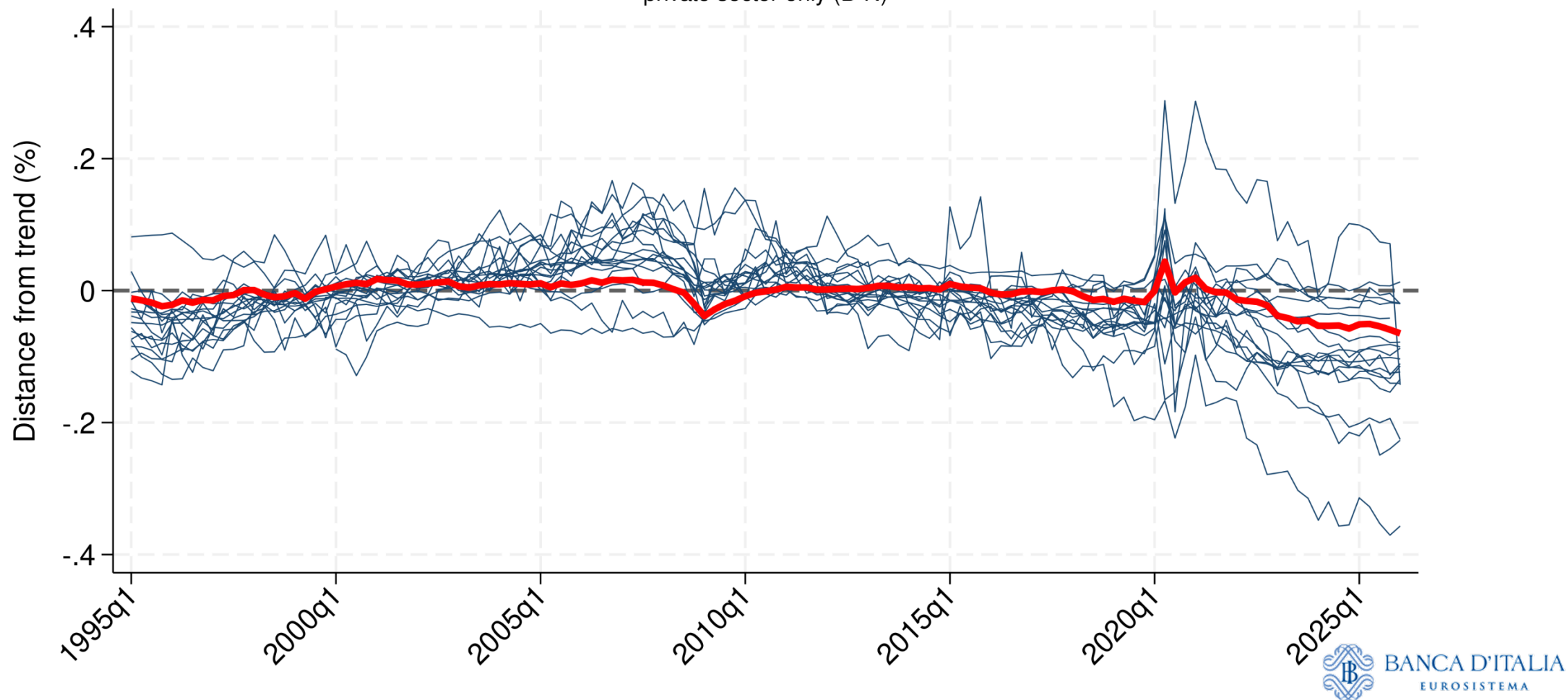


Greco and Torrini (2026), Banca d'Italia

Employment resilience came with a productivity cost

Value added per hour worked. Difference from pre-Covid trend

private sector only (B-N)



The euro area faces a second energy shock with real wages still fragile

Key euro area variables under the baseline and alternative scenarios

(annual percentage changes)

	Real GDP growth			HICP inflation			HICP inflation excluding energy and food		
	2026	2027	2028	2026	2027	2028	2026	2027	2028
June 2026 baseline	0.8	1.2	1.5	3.0	2.3	2.0	2.5	2.5	2.2
Milder scenario	0.8	1.4	1.6	2.9	1.8	1.8	2.4	2.3	2.1
Adverse scenario	0.7	0.9	1.5	3.3	3.0	2.3	2.5	2.7	2.3
Severe scenario	0.5	0.4	1.6	4.0	5.3	3.0	2.5	3.8	2.9

Source: ECB staff calculations based on ECB-BASE model simulations.

Wage tracker: 2.6% in 2026

Policy challenges ahead

- Employment resilience has been achieved partly through labour hoarding and weaker capital deepening, also supported by employment protection and policy measures.
- If K/L remains weak, productivity (and wages) may stay below trend for longer.
- The risk is that a cyclical response becomes a supply-side scar.
- Cross-country heterogeneity matters: the same shock may deepen divergence within the euro area, making policy design more difficult.
- AI could be a force for convergence — but also for divergence if adoption is uneven.

Thank you

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