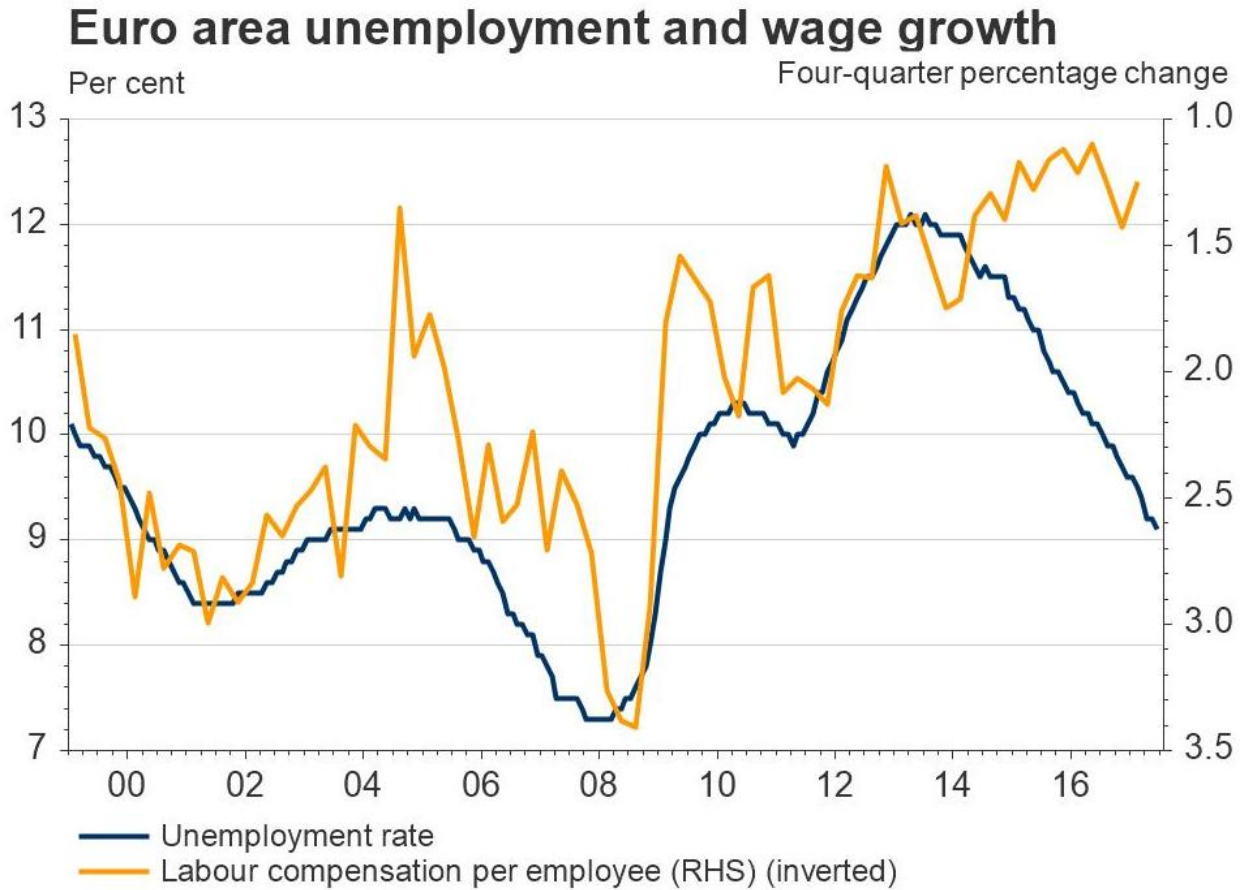


Economic Chart of the Week – Jul 31

Divergence Between Unemployment and Wages in The Euro Area



Source: Thomson Reuters Datastream / Fathom Consulting

[Refresh the chart in your browser](#) | [Edit chart in Datastream](#)

Want more charts and analysis? Access a pre-built library of charts built by [Fathom Consulting](#) via [Datastream Chartbook in Thomson Reuters Eikon](#).

Steadily falling unemployment in the euro area has not translated into any significant increases in wages; increases in quarterly compensation per employee have averaged only 1.3% since 2014. This has been a key reason for why core inflation has flatlined since then. We suspect that labour market slack might be significantly higher than that suggested by the headline unemployment data. Despite the unemployment rate falling to pre-euro-crisis lows, a more detailed look into the composition of unemployment paints a bleak picture for wage growth going forward. As people are unable to secure a full-time job, they may instead take a

part-time job, work on a temporary contract or become self-employed. Therefore, labour market slack might be better reflected by broader unemployment figures, rather than just the headline unemployment figure.

Broader measures of joblessness point to a softer market for jobseekers. There are still around seven million underemployed part-time workers in the euro area, up from just over 5.5 million in 2008. By definition, those are “people employed part-time who want to work more hours and are available to do so”. This suggests a significant number of people would rather work more, and that takes away some of their bargaining power when it comes to wage demands. Rather than pushing for wage increases, underemployed part-time workers are likely to push for full-time employment, which could undermine wage growth. As a result, despite an uptick in June, from 1.1% to 1.2%, core inflation is unlikely to see a “self-sustaining” pick-up anytime soon.

Thomson Reuters Datastream

Financial time series database which allows you to identify and examine trends, generate and test ideas and develop view points on the market.

Thomson Reuters offers the world’s most comprehensive historical database for numerical macroeconomic and cross-asset financial data which started in the 1950s and has grown into an indispensable resource for financial professionals. [Find out more.](#)

Visit financial.tr.com/datastream