

The real wage recovery is slowing down

The OECD wage bulletin



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Abstract

Real wages continue to rise in virtually all OECD countries. However, the pace of their recovery is slowing, while they remain below the levels seen in early 2021 – just before the post-pandemic inflation surge – in half of countries. In most OECD countries, real statutory minimum wages remain above January 2021 levels and continue to rise. As real wage growth slows down, the contributions of profits and wages to domestic price pressures tend to stabilise to patterns similar to those prevailing before the COVID-19 pandemic.

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Executive summary

Key findings

OECD labour markets have continued to show resilience, but new signs of weakening emerged over the past year, with a slowdown in employment and labour force participation growth, a further easing of labour shortages, and a deceleration of the real wage recovery.

- **The real wage recovery described in the previous bulletins is slowing down, while real wages remain below the levels seen in early 2021 (just before the post-pandemic inflation surge) in half of OECD countries.** Annual real wage growth was positive in virtually all OECD countries in Q3 2025, but it was lower than one year earlier in three-quarters of them. It was 1.8% in Q3 2025 on average across countries, half of the Q3 2024 level.
- **Real statutory minimum wages remain above January 2021 levels and continue to rise.** In January 2026, the real minimum wage was higher than both a year earlier and in January 2021 in most of the 30 OECD countries that have a national statutory minimum wage.
- **The wages of the lowest-paid workers have proved more resilient to the inflation surge than median wages.** Statutory minimum wages have risen more than median wages since 2021 (i.e. Kaitz indexes have increased), and real wages have been more resilient in low wage sectors in some countries, reflecting a compression of the wage distribution at the bottom. As a result, minimum wage workers have become less at risk of in-work poverty.
- **As real wage growth slows down, the profit – wage “catch-up” phase may be shifting towards a steadier pattern of contribution similar to that seen before the pandemic.** Unit labour costs continued to rise faster than unit profits between Q3 2024 and Q3 2025 in most OECD countries, but there are signs that the catching-up of real wages – following the disproportionate contribution of unit profits to the inflation surge in 2021-2022 – could be slowing down, with their relative contribution to domestic price pressures stabilising around pre-pandemic levels in some countries.

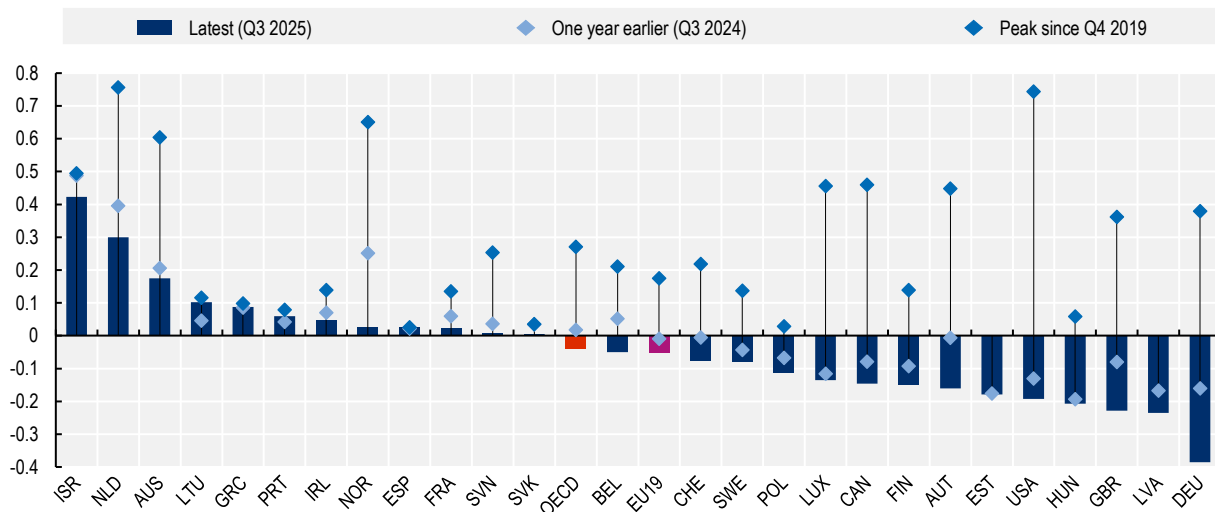
Labour markets have remained resilient but are weakening

For the time being, geopolitical uncertainties and rising tariff rates have not significantly affected the resilience of OECD labour markets. Unemployment has stabilised at historically low levels in many countries, while employment and labour force participation rates have reached record highs on average across OECD countries – 72.2% and 76.7% respectively in Q3 2025. Matching efficiency is also back to pre-pandemic levels (OECD, 2025^[1]).

Nevertheless, there are some further signs of weakening in labour markets. Employment and labour force participation are slowing down, and labour markets have eased further over the past year in most of the OECD countries analysed in Figure 1, with labour market tightness now below pre-COVID-19 levels in more than half of them, consistent with slower wage growth (see next sections).

Figure 1. Labour market tightness continued to decline and is now below pre-pandemic levels in many countries

Difference in the vacancies-to-unemployed ratio relative to its Q4 2019 level



Note: OECD refers to the unweighted average of vacancies per unemployed across the 26 OECD countries shown in this chart (excluding Chile, Colombia, Costa Rica, Czechia, Denmark, Iceland, Italy, Japan, Korea, Mexico, New Zealand, and Türkiye). Europe (19) is the unweighted average of vacancies per unemployed across the 19 EU countries shown in this Chart. Czechia is not shown due to a major break in the vacancy series in Q1 2025, which led to the automatic removal of older vacancies from the register and resulted in a structural discontinuity.

The peak refers to the maximum value of the vacancies-to-unemployed ratio observed between Q4 2019 and Q3 2025. For Estonia and Latvia, this ratio remains below its Q4 2019 level throughout the period considered; therefore, no peak is identified for these countries. Statistics on job vacancies for Estonia and Switzerland are not seasonally adjusted. Vacancy statistics for France exclude “Public administration and defence; compulsory social security” (NACE Rev. 2 section O), while public institutions are not fully covered in “Education” and “Human health and social work activities” (NACE Rev. 2 sections P and Q).

Labour-market tightness is measured as the number of job vacancies divided by the number of unemployed (ILO definition). Definitions of job vacancies are not fully harmonised across countries, which limits international comparability. For Israel, job vacancies refer to posts for which employers are actively seeking a candidate from outside the enterprise following retirement, resignation or promotion. Coverage is limited to enterprises with at least five employees and excludes public administration and defence, compulsory social security, and most education services, while including government-owned enterprises in the business sector and public hospitals. For country-specific vacancy definitions for all other countries, see the note to Figure 1.7 in OECD (2025^[1]).

Source: Job Vacancies (ABS) for Australia; Job vacancies, payroll employees, and job vacancy rate (Statistics Canada) for Canada; Job vacancies and labour turnover (Statistics Estonia) for Estonia, <https://andmed.stat.ee/api/v1/en/stat/PAV011>; Eurostat, Job vacancy statistics by NACE Rev.2 activity (Table jvs_q_nace2) for the European countries (not including Estonia and the United Kingdom); Job Vacancy Survey (CBS) for Israel; Vacancy Survey (ONS) for the United Kingdom; and Job Openings and Labor Turnover Survey (Bureau of Labor Statistics) for the United States; OECD Data Explorer, “Monthly unemployment rates”, <http://data-explorer.oecd.org/s/2aq> (accessed on 16 December 2025).

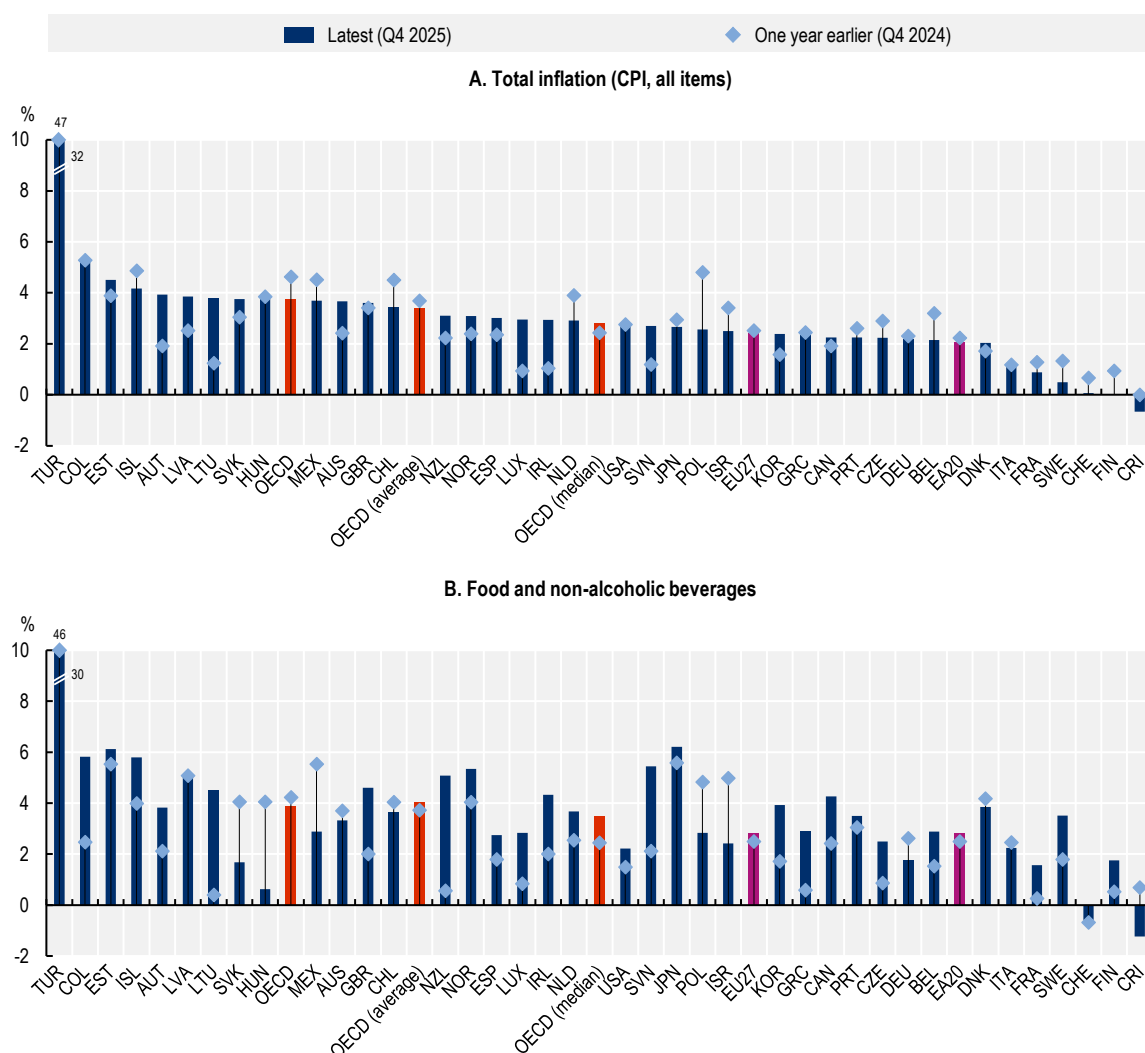
Inflation has risen in a majority of countries

Inflation (as measured based on the Consumer Price Index) has risen over the past year in a majority of OECD countries (Figure 2, Panel A) – the median annual percentage change in the CPI increased from 2.4% in Q4 2024 to 2.8% in Q4 2025 – with a particularly marked increase for food and non-alcoholic beverages – for which the corresponding CPI growth rose in 31 of the 38 OECD countries (Panel B). The rise in food and beverage inflation could weigh more heavily on low-income households, which tend to spend a larger share of their budget on these products (Caisl et al., 2023^[2]).

However, in all countries analysed, headline inflation has remained a long way from its 2022 peak. In Q4 2025, inflation in the OECD area (3.7%) was less than half its Q3 2022 level of 10.4% (OECD, 2025^[1]), but still above 2%, which is the central bank target for many OECD countries (e.g. the euro area, the United Kingdom and the United States). Inflation remains above this target in 32 OECD countries – 31.6% in Türkiye and above 4% in three other OECD countries.

Figure 2. Inflation has risen over the past year in a majority of OECD countries

Inflation defined as annual percentage change in the consumer price index (CPI), Q4 2025



Note: “OECD (average)” and “OECD (median)” are the unweighted average and the median across the 38 OECD countries, respectively. Countries are ordered in descending order of the year-on-year percentage change in the consumer price index (all items) in Q4 2025 (Panel A). Due to missing data for the United States in October 2025, Q4 2025 data for the United States and for the OECD aggregate, are estimates based on figures for November and December 2025. For the United States (and the OECD aggregate), CPI for food and non-alcoholic beverages is an OECD estimate using CPI for All Urban Consumers (CPI-U): U.S. city average (Food at home) published by the Bureau of Labor Statistics (BLS).

Source: OECD Data Explorer, “Consumer price indices (CPIs, HICPs), COICOP 1999”, <http://data-explorer.oecd.org/s/2aw>, and “Consumer price indices (CPIs), COICOP 2018”, <http://data-explorer.oecd.org/s/2ax> (accessed on 09 February 2026).

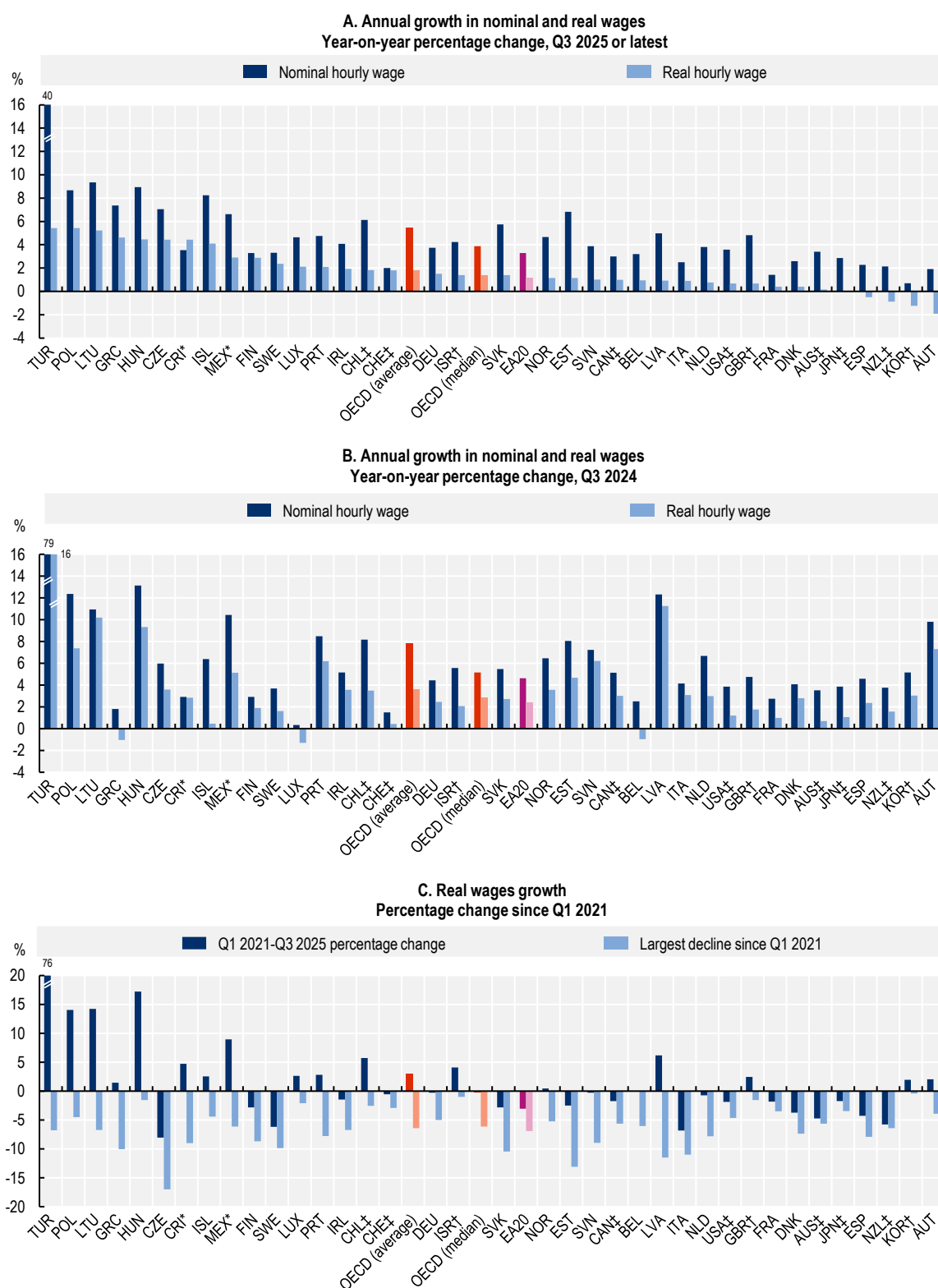
Real wage growth is slowing down, while there is still room for catching up in half of OECD countries

According to the latest data available for Q3 2025, annual real wage growth was positive in virtually all OECD countries, but was slowing down (Figure 3, Panels A and B), in line with rising inflation.¹ The average annual growth in real wages across the 37 countries for which data are available was 1.8% in Q3 2025, half that recorded in Q3 2024, and annual real wage growth in Q3 2025 was lower than a year earlier in three-quarters of these countries. Real wage growth accelerated only in Belgium, Costa Rica, Czechia, Greece, Finland, Iceland, Luxembourg, Sweden and Switzerland. In addition, recent data on wages advertised in online vacancies for nine countries also indicate a slowdown in real wage growth in recent months (Box 1).

Despite persistent annual growth, in Q3 2025, real wages remained below their Q1 2021² levels (pre-dating the post-pandemic inflation surge) in half (19) of the 37 countries analysed (Figure 3, Panel C). Real wages were more than 2% below Q1 2021 levels in a quarter of countries: Australia and New Zealand, four Northern European countries (Denmark,³ Estonia, Finland, and Sweden), two Central European countries (Czechia and the Slovak Republic) and two Southern European countries (Italy and Spain). It should be noted that wage recovery is slowing down in most of these countries, with annual real wage growth in Q3 2025 being lower than a year earlier – wage growth is accelerating only in Czechia, Finland and Sweden (Panels A and B). Nevertheless, real wages have regained some of the lost ground in all OECD countries – the two countries that have seen the weakest recovery in real wage since the trough of the cost-of-living crisis are New Zealand (with a 10% recovery) and Australia (with 16%).

Beyond rising inflation (see previous section), there are several factors that could explain the slowdown in real wage growth over the last year. The easing of labour market tightness discussed above may have moderated the wages of new hires. On the institutional side, negotiated wages have been tempered in some countries (see Box 2 and European Commission (2025_[3])), while geopolitical and trade tensions have maintained a climate of high economic uncertainty.⁴

Figure 3. Real wage growth is slowing down while real wages remain below Q1 2021 levels in half of OECD countries



Note: Unless otherwise indicated, nominal hourly wages correspond to the wages and salaries component of the Labour Cost Index, adjusted for a constant industry structure. *: The constant-industry-structure adjustment of average hourly earnings has been estimated and revised by the OECD using total wages and salaries by industry from the 2019 Annual National Accounts. †: Nominal hourly wages refer to actual wages, without adjustment for compositional shifts; comparisons with other countries should therefore be interpreted with caution. ‡: Nominal hourly wages control for additional compositional effects depending on the country, including regions, job and worker characteristics, gender, and occupations.

Nominal wage series are seasonally adjusted for all countries except Canada, Costa Rica, Israel, Mexico, New Zealand and Switzerland. For Japan, statistics refer to regular employees in establishments with five or more regular employees in all industries excluding agriculture, forestry, fisheries and government services. Regular employees are workers employed indefinitely or employed under a contract for a period of one month or longer. Statistics cover only the business sector (NACE Rev. 2 sections B to N) for the Republic of Türkiye. Statistics for Germany and Iceland refer to enterprises with 10 or more employees; for Ireland, to enterprises with three or more employees; for Greece, to enterprises with five or more employees; and for Poland, to entities or local units with 10 or more employed persons. For Finland, statistics cover the public sector and all private-sector enterprises with at least 20 or 30 employees. For Mexico, nominal hourly wages are affected by a significant degree of unreported income.

Real hourly wages are calculated by deflating nominal hourly wages using the consumer price index (CPI, all items).

In Panel C, the trough corresponds to the quarter in which real hourly wages reached their lowest level since Q1 2021. For Israel and Switzerland, the latest observation and the trough is identified among third-quarter observations only and corresponds to the lowest real hourly wage recorded since Q3 2020.

Countries are ordered by descending order of the year-on-year percentage change in real hourly wages (Panel A). The latest observation available for Belgium refers to Q2 2025 (Q2 2024 in Panel B). OECD (average) and OECD (median) refer respectively to the unweighted average and the median across the 37 OECD countries shown in the chart (not including Colombia). Euro area (20) refers to the 20 Eurozone countries.

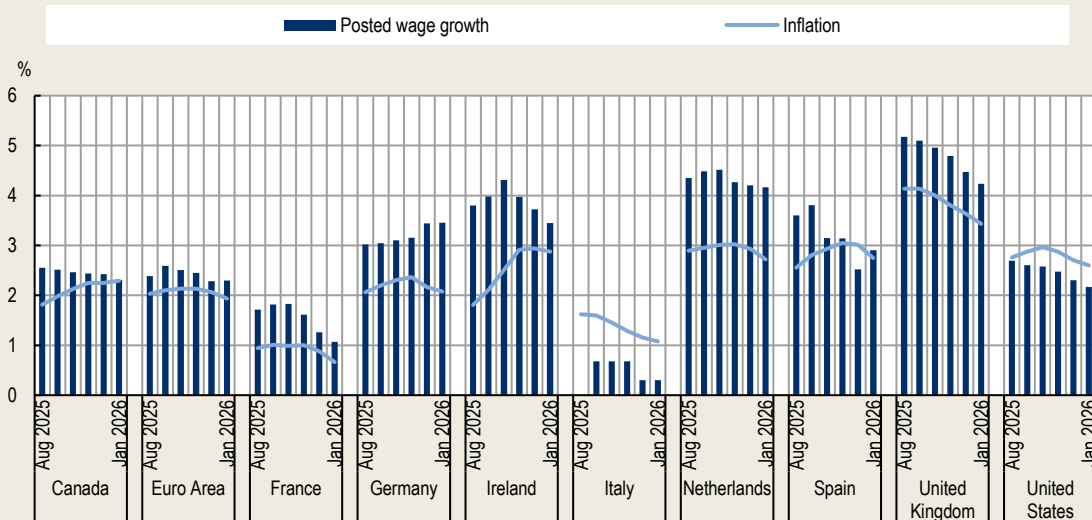
Source: OECD calculations based on national wage indices. For a full description of country-specific data sources, see Figure 1.15 in (OECD, 2025^[1]). OECD Data Explorer, “Consumer price indices (CPIs, HICPs), COICOP 1999”, <http://data-explorer.oecd.org/s/2aw>, and “Consumer price indices (CPIs), COICOP 2018”, <http://data-explorer.oecd.org/s/2ax> (accessed on 07 December 2025).

Box 1. Online vacancies from selected OECD countries point to a recent slowdown in the growth of real posted wages

Data on advertised wages from job postings on the online platform *Indeed*¹ indicate a slowdown in the growth of real posted wages between August 2025 and January 2026 in most countries for which data are available. In only two countries real wage growth is rising (Germany) or real wage contraction is slowing down (Italy) (Figure 4). Germany is the only country where nominal wage growth has been steadily rising; the slowdown in real wage contraction in Italy is mainly due to the reduction in inflation. In countries where real wage growth is decreasing, this can be mainly due to rising inflation (Canada and Ireland) or falling nominal wage growth (France, Spain and the United States). In the Netherlands, the United Kingdom and the euro area as a whole, nominal wage growth has been following disinflation, so that real wage growth has remained virtually constant.

Figure 4. Posted wages point to a recent slowdown in real wage growth

Year-on-year percentage change, three-month moving averages, from August 2025 to January 2026



Notes: Posted wages refer to the average year-on-year percentage change in wages and salaries advertised in job postings on Indeed. Inflation refers to the Consumer Price Index (CPI, all items). As CPI data for the United States were not published for October 2025, the three-month moving averages for October, November and December 2025 are based on two months only, excluding October 2025.

Source: Indeed Wage Tracker (<https://github.com/hiring-lab/indeed-wage-tracker>); OECD Data Explorer, “Consumer price indices (CPIs, HICPs), COICOP 1999”, <http://data-explorer.oecd.org/s/2aw>, and “Consumer price indices (CPIs), COICOP 2018”, <http://data-explorer.oecd.org/s/2ax> (accessed on 27 February 2026).

1. *Indeed* data are subject to a number of limitations, including the over-representation of high-skilled jobs, and the under-representation of low skilled jobs, jobs posted by small firms and the agricultural sector. Nevertheless, there is evidence that job postings at the aggregate level tend to track well with job vacancies from government sources (Adrian and Lydon, 2023^[4]; Adrian et al., 2021^[5]; Bellatin and Galassi, 2022^[6]; Ciminelli et al., 2024^[7]).

Box 2. Real negotiated wage growth in selected OECD countries is slowing down, while there is still room for catching up

Real negotiated wages (i.e. wages defined in collective agreements, as opposed to those actually paid to workers) continued to increase, albeit at a slower pace than a year earlier (Figure 5). Growth in real negotiated wages between Q3 2024 and Q3 2025 was positive in virtually all countries analysed, although generally lower than between Q3 2023 and Q3 2024 – only Sweden recorded a marked acceleration.

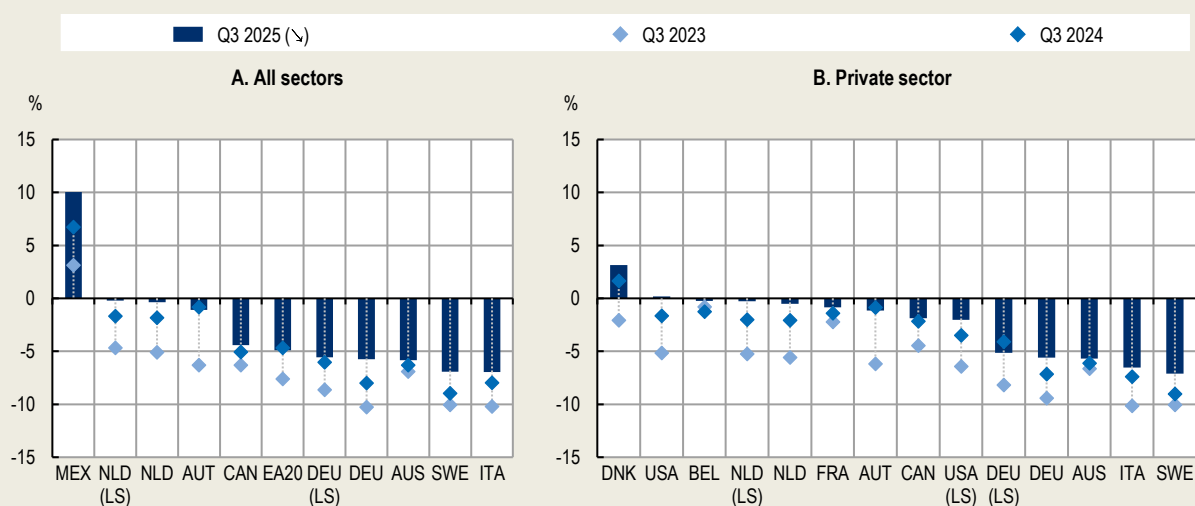
Nevertheless, in all countries except Denmark, where they have fully recovered, and Mexico, where they did not fall with the inflation surge (OECD, 2025^[1]), real negotiated wages remain below the levels observed just before the post-COVID-19 inflation surge (Figure 5). Still, in Q3 2025, real negotiated wages were less than 2% below their Q3 2020 levels in about half of the countries analysed (Austria, Belgium, France, the Netherlands and the United States). Looking at the euro area as a whole, real negotiated wages have remained stable over the past year at 4.9% below their Q3 2020 level.

The dynamics of real negotiated wages reflect a combination of factors, including the staggered and infrequent nature of collective bargaining, the time lag between the completion of negotiations and actual wage revisions, the infrequent use of automatic inflation indexation, and workers' bargaining power (OECD, 2023^[8]). Since the start of the cost-of-living crisis, as bargaining rounds have multiplied and affected a growing number of workers, negotiated wages have regained more and more of the ground lost during the inflation surge.

Looking ahead, the European Central Bank's (ECB) wage tracker forecasts annual nominal negotiated wage growth to stabilise at around 2% in Europe during the first three-quarters of 2026, which is similar to the level seen in the second half of 2025 and about half that of the first half of 2025.¹

Figure 5. Real negotiated wages continued to increase

Percentage change in real negotiated wages (i.e. resulting from collective agreements) since Q3 2020



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). In Denmark, statistics refer to collective agreements

negotiated by the main union and employer confederations, FH and DA, and do not cover public sector employees and the academic unions (AC). For Australia, Canada and Mexico statistics refer only to employees affected by an increase of the negotiated wage at date. For Denmark, wage increases cover basic wages, employer pension contributions, “fritvalg” (flexible benefit) accounts, and other collectively agreed elements (e.g. wages in the event of sickness absence or maternity/paternity leave) from the five major sectoral collective agreements (the “breakthrough agreements”) that set the financial framework for the subsequent minimum wage agreements or standard wage agreements to be negotiated in the private sector. Calculations are based on the assumption of full relative pass-through of centrally negotiated wage rates to actual wage adjustments (i.e. a 1% increase in the minimum wage or standard wage rate leads to a 1% increase in locally negotiated wages higher up the wage distribution). 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 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, 2015 for Germany and Italy, 2016 for Austria, 2020 for the Netherlands, 2021 for the United States, and January 2023 for the euro area (20). For Australia, Canada, France and Mexico wage increases refer to the average increase in negotiated wages weighted by the number of employees affected of the period considered. Private sector in Germany refers to all industries excluding agriculture, public administration, education, health, and other personal services (Sections B to N of the NACE rev. 2). Percentage changes for Australia, Canada, Denmark, the euro area, France, Mexico and Sweden are OECD estimates based on published year-on-year percentage changes and can therefore only be calculated between two similar quarters (Q1 in this chart). LS: wages including lump sums and/or special payments. Source: OECD calculations based on national data on negotiated wages and OECD Data Explorer, “Consumer price indices (CPIs, HICPs), COICOP 1999”, <http://data-explorer.oecd.org/s/2aw>, and “Consumer price indices (CPIs), COICOP 2018”, <http://data-explorer.oecd.org/s/2ax> (accessed on 15 January 2025).

1. <https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr251105~8bf4544eb6.en.html>

The wages of the lowest-paid workers have proved more resilient than median wages to the inflation surge

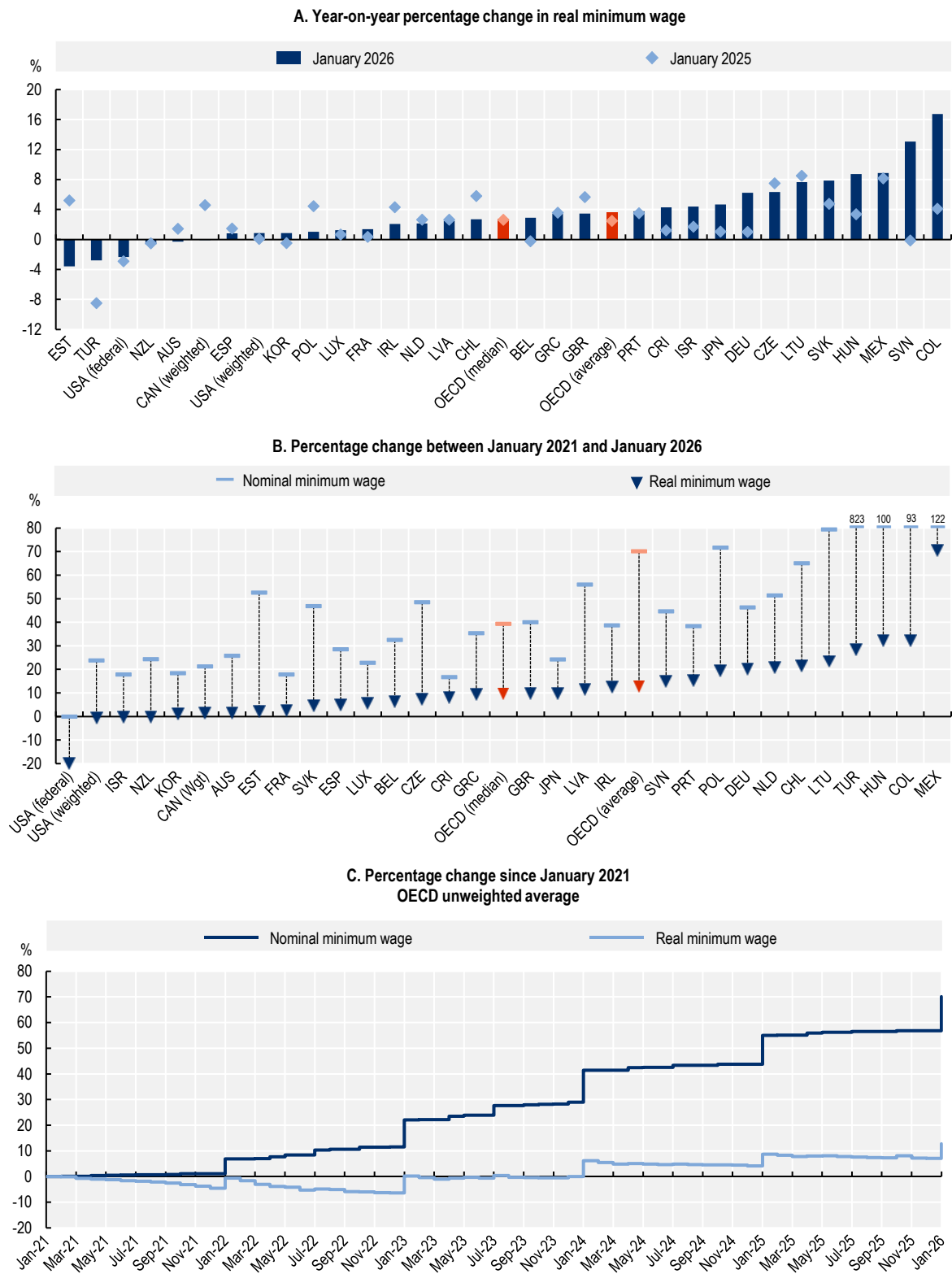
Real minimum wages remain above January 2021 levels and continue to rise

Real minimum wages increased year-on-year in January 2026 in most of the 30 OECD countries that have a national minimum wage in place (Figure 6, Panel A). They increased more between January 2025 and January 2026 than between January 2024 and January 2025 in about half of countries; and their annual growth rate was 3.6% in January 2026 on average across countries, compared with 2.5% in January 2025. The real minimum wage decreased between January 2025 and January 2026 in only six countries: Australia, Canada, Estonia, New Zealand, Türkiye, and the United States⁵.

The real statutory minimum wage was also higher in January 2026 than in January 2021 in virtually all OECD countries with a national statutory minimum wage (Figure 6, Panel B). The real minimum wage was 12.8% higher in January 2026 than in January 2021 on average across these 30 countries, and its median increase, unaffected by outliers (e.g. Mexico), was 9.7%. The real minimum wage was lower in January 2026 than in January 2021 in only two countries – Israel and the United States.

During the post-pandemic inflation surge and the ensuing cost of living crisis, minimum wages were able to keep pace with inflation thanks to automatic or discretionary increases in the nominal minimum wage, introduced by countries to support the lowest earners (OECD, 2023^[8]). During 2022, the real gains resulting from these adjustments quickly faded away on average across countries, as inflation continued to rise (Figure 6, Panel C). In 2023 and 2024, larger minimum wage adjustments and moderate inflation allowed the real minimum wage to catch up (in 2023) and exceed (in 2024) its January 2021 level on average across countries. In 2025, still moderate inflation combined with minimum wage adjustments similar to those in 2024 on average led to a further increase in the average real minimum wage.

Figure 6. Real minimum wages remain above January 2021 levels and continue to rise



Note: Change in real minimum wage in January 2026 compared to January 2021 for New Zealand (Panel A) is estimated by assuming that the CPI in January 2026 is the same as in Q4 2025. “OECD (average)” is the unweighted average of the 30 OECD countries shown except the United States (weighted) and “OECD (Median)” 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 of applicable minimum wages across US states. Where states set a minimum wage above the federal level, the state rate is used; otherwise, the federal minimum wage applies. State minimum wages are weighted by each state’s share of non-farm private employment in 2019. U.S. territories are excluded. In Estonia, the statutory minimum wage increase for 2026 enters into force on 1 April, compared to 1 January in previous years. As a result, the year-on-year change in the nominal minimum wage in January 2026 is zero, and the year-on-year change in the real minimum wage in January 2026 (Panel A) mechanically reflects the year-on-year change in consumer prices over the same period. The minimum wage in Estonia will increase by 6.8% as of 1 April 2026 (from EUR 5.31 to EUR 5.67 per hour). For the Netherlands, the minimum wage is defined in hourly terms, while it was defined on a daily, weekly and monthly basis before 1 January 2024. The hourly minimum wage before 2024 is therefore estimated based on the weekly (or daily) minimum wage of an employee usually working 40 hours per week (or 8 hours per day). See Appendix Table 1.C.1 of the 2024 employment outlook (OECD, 2024^[9]) for more details on the calculations.

Source: OECD calculations based on national data and OECD Data Explorer, “Consumer price indices (CPIs, HICPs), COICOP 1999”, <http://data-explorer.oecd.org/s/2aw>, and “Consumer price indices (CPIs), COICOP 2018”, <http://data-explorer.oecd.org/s/2ax> (accessed on 05 March 2026).

Statutory minimum wages have increased more than median wages since 2021

Minimum wages not only recovered in real terms, but also improved their relative position compared to the median wage and reduced poverty gaps for benchmark households.

In most OECD countries, minimum wages increased by more than median wages between 2021 and 2024, reflecting a compression of the wage distribution at the bottom. Figure 7 illustrates the changes in the minimum wage-to-median wage ratio (or Kaitz index) during this period. There was an increase in 23 of the 30 countries analysed. On average, the Kaitz index rose from 54.8% in 2021 to 56.4% in 2024. Mexico exhibits by far the largest increase in the Kaitz index, reflecting the dramatic rise in the minimum wage illustrated in Figure 6. In some countries, this wage compression at the bottom of the distribution led to a substantial increase in the share of employees earning the minimum wage, as the latter caught up with slightly higher wages (Box 3).

This trend toward wage compression at the bottom of the distribution can be explained in part by the fact that wages negotiated in collective agreements generally take longer than the minimum wage to keep pace with inflation (OECD, 2023^[8]), particularly in a context of low productivity growth (OECD, 2024^[9]) and a long-term trend toward a reduction in the scope of collective agreements (OECD, 2019^[10]).

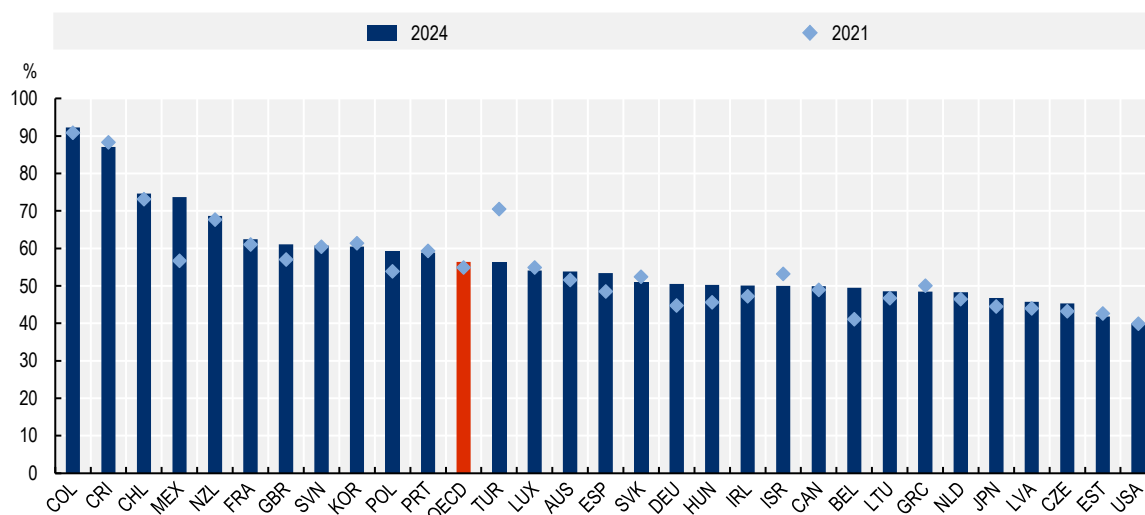
Between 2021 and 2024, as minimum wages moved closer to median wages, minimum wage workers became less at risk of in-work poverty – i.e. their net disposable income increased relative to the poverty line (set at 50% of median net disposable income) (Figure 8).⁶ This is true for the majority of OECD countries analysed, as well as for the average across countries. The same remains valid when looking at the evolution of *real* income relative to an *invariant* “pre-inflation” poverty line (anchored at its 2021 level, i.e. 50% of the 2021 median income), albeit to a slightly lesser extent, in line with the overall increase in real minimum wages over the period discussed in the previous section.

However, in a number of countries, particularly those where real wages remain close to or below pre-pandemic levels, workers with middle and lower-middle earnings, who did not directly benefit from minimum wage increases, saw their economic security deteriorate (European Commission, 2025^[3]). In addition, by narrowing pay differentials among low-paid jobs, wage compression can reduce early-career progression prospects, especially for workers with weaker bargaining power, by lowering the returns to incremental skill acquisition and job mobility within the low-wage segment. For the tax-and-benefit systems, compression may mechanically increase the caseload and budgetary cost of in-work supports and bottom-targeted transfers if more workers cluster near eligibility thresholds. A larger number of workers eligible for bottom-targeted transfers could also further weaken workers’ incentives to accept slightly higher-paid jobs or invest in short training spells. Indeed, in some countries the tax and benefit system is susceptible to

generate low-wage traps mechanisms, i.e. gross wage gains at the bottom of the wage distribution translate into limited net income increases once taxes and social contributions are applied and means-tested benefits are withdrawn (as is the case, for example, in France, Germany or the United Kingdom, see Barreto et al. (2025_[11])).

Figure 7. Statutory minimum wages have increased more than median wages

Gross minimum wage as a percentage of gross median wage of full-time workers

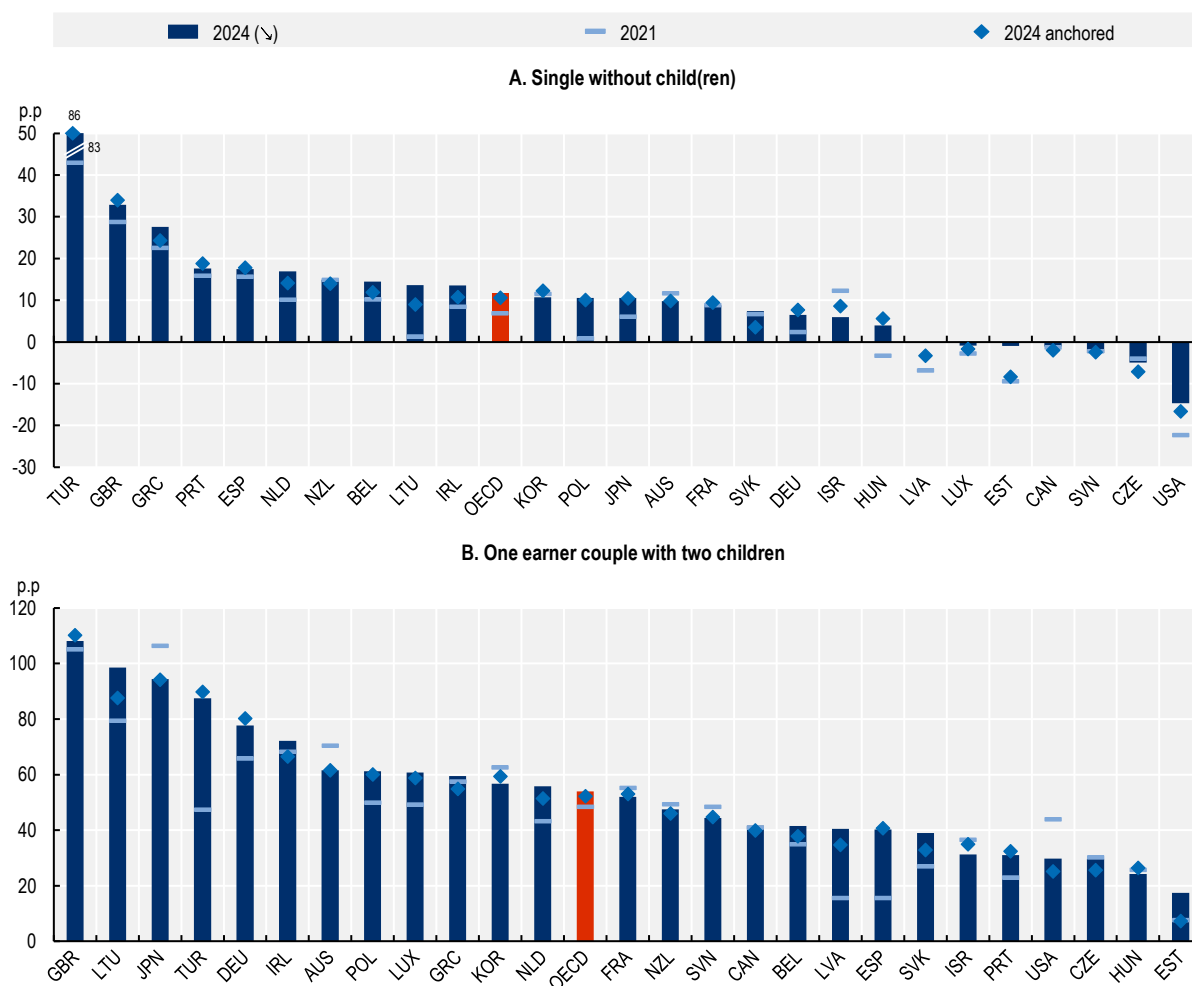


Note: The Gross minimum wage as a percentage of gross median wage of full-time workers for the United States is an estimate based on a Laspeyres index of applicable minimum wages across US states. Where states set a minimum wage above the federal level, the state rate is used; otherwise, the federal minimum wage applies. State minimum wages are weighted by each state's share of non-farm private employment in 2019. U.S. territories are excluded. The minimum wage used for Canada is an average of the provinces' minimum wages (not including territories) weighted by employment shares. OECD is the unweighted average of the 30 OECD countries shown.

Source: OECD Data Explorer, "Minimum relative to average wages of full-time workers", <http://data-explorer.oecd.org/s/2ay>.

Figure 8. In-work poverty risk has decreased for minimum wage workers

Actual and anchored poverty gaps for selected minimum-wage household types



Note: The actual (anchored) poverty gap is measured as the p.p. difference between (real) net equivalised disposable income expressed as a percentage of (2021) median equivalised disposable income and 50% (the poverty line is defined as 50% of median equivalised disposable income). OECD refers to the unweighted average of the 26 OECD countries shown. Results in Panel A refer to a single adult aged 40 without children, working full-time (40 hours per week) at the minimum wage. Results in Panel B refer to a one-earner couple (both aged 40) with two children aged four and six; the earner works full-time at the minimum wage, while the non-working partner is not eligible for unemployment benefits. Other benefits, including social assistance, housing and family benefits, are available if eligibility and income conditions are met. Housing benefits are calculated assuming private market rent plus related charges amounting to 20% of the national average wage. Minimum wages used in the TaxBEN model correspond to their statutory levels in force on 1 January of each year. For the United States, the minimum wage refers to the statutory minimum wage in Michigan. For Canada, the minimum wage is calculated as an employment-weighted average of provincial minimum wages, as reported in the OECD minimum wages database.

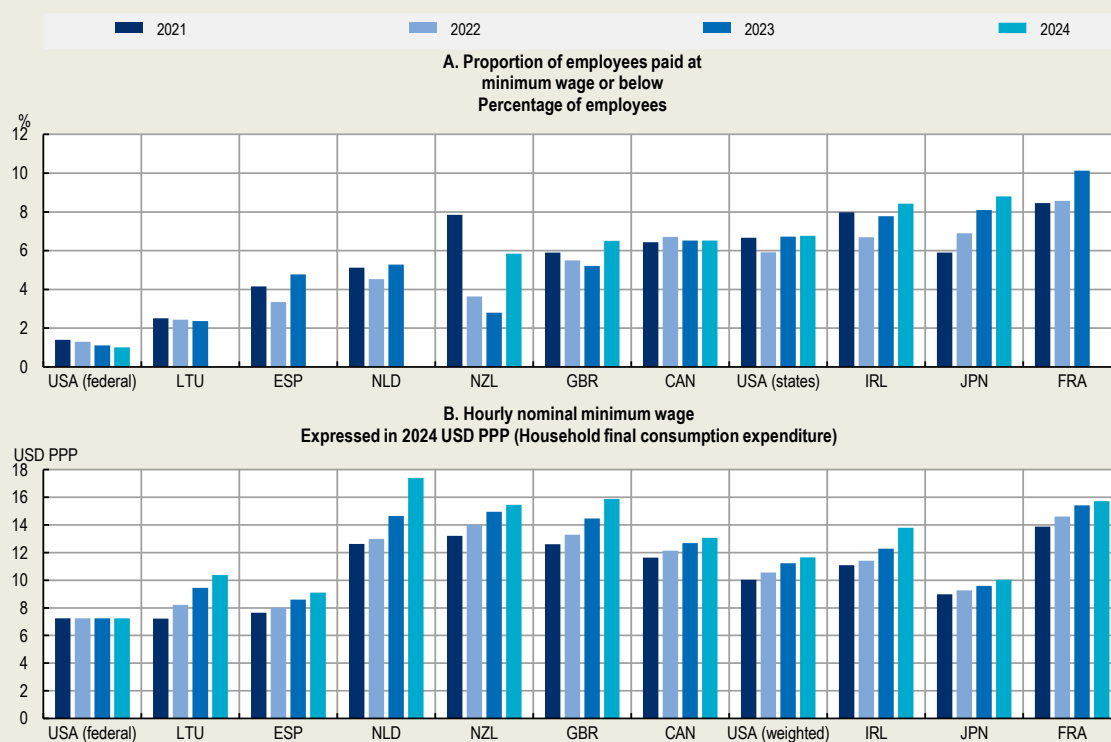
Source: OECD calculations based on OECD Tax-Benefit (output from the OECD tax-benefit model (Model version 2.7.1); and OECD Data Explorer, "Consumer price indices (CPIs, HICPs), COICOP 1999", <http://data-explorer.oecd.org/s/2aw>, and "Consumer price indices (CPIs), COICOP 2018", <http://data-explorer.oecd.org/s/2ax> (accessed on 12 December 2025).

Box 3. The share of minimum wage workers evolved along different trends across countries during the cost-of-living crisis

Minimum wage hikes during the cost-of-living crisis 2020 could have resulted in a substantial increase in the share of workers earning the minimum wage, if the minimum wage had caught up with wages higher up in the distribution. This phenomenon would be more pronounced in countries where wages close to the minimum wage (i) cover a large number of workers or (ii) benefit from only limited spillover effects from minimum wage increases.

Among the 10 countries analysed, minimum wage increases between 2021 and 2024 were associated with a steady increase in the share of minimum wage workers in only two of them: France and Japan (Figure 9). By contrast, in six other countries (Ireland, the Netherlands, New Zealand, Spain, the United Kingdom, and the United States), the share of minimum wage workers follows a U-shape curve over time (Figure 9, Panel A). It initially declined, mainly in 2022, which could be explained by the fact that market wages at the bottom of the distribution were more dynamic than the minimum wage in response to soaring inflation, so that many minimum wage workers were able to negotiate higher wages. Dynamic market wages could have resulted from widespread labour shortages at the bottom of the wage distribution in the wake of the pandemic and during the cost-of-living crisis (Autor, Dube and McGrew, 2023^[12]). The share of minimum wage earners then increased in 2023 – 2024, sometimes to levels above those of 2021 (e.g. in Ireland, Spain and the United Kingdom), 20as the minimum wage rose significantly, possibly regaining some of the ground lost to market wages.

Figure 9. The share of minimum wage workers evolved along different trends across countries during the cost-of-living crisis



Note: In Panel A, the proportion of minimum-wage earners cannot usually be established with certainty and can vary between data sources and studies. Counts of minimum-wage earners are commonly based on survey data or administrative records, which are affected by

measurement error, both in earnings and in working hours. It is therefore common to include those with wages below the minimum and slightly above it. Data for **Canada** refer to employees earning less than 101% of the applicable provincial minimum wage (excluding territories) and do not take account of the federal minimum wage. Data for **France** refer to private sector employees (excluding salaried self-employed) aged 18-64, in metropolitan France, earning less than four times the gross hourly minimum wage in their main job (i.e. highest paid in terms of gross wage); employees paid at minimum wage or below are those earning 105% or less of the statutory minimum wage, based on total remuneration, including bonuses and overtime. Data for **Japan** refer to enterprises with five or more employees (Basic Survey on Wage Structure) and use the impact rate, defined as the share of employees whose wage would fall below the revised minimum wage following the annual adjustment. For **Lithuania** and **Spain**, data refer to full-time employees only; for **New Zealand**, to employees aged 16-64. For the **Netherlands**, the 2024 share of minimum-wage workers (around 5%) is not reported due to a change in the methodology used to identify minimum-wage jobs (<https://www.cbs.nl/nl-nl/longread/diversen/2025/methodebeschrijving-minimumloonbanen--vanaf-2024--/3-berekeningswijze-minimumloonbanen>). For the **United States** (federal and states), data refer to employees paid by the hour earning less than the applicable federal or state minimum wage, respectively.

In Panel B, the hourly minimum wage in the **Netherlands** (prior to 2024) and **Spain** is estimated from the statutory weekly and daily minimum wages, respectively, assuming a usual working time of 40 hours per week and 8 hours per day. Since the 1 January 2024, the minimum wage in the Netherlands is defined in hourly terms, while it was defined on a daily, weekly and monthly basis before. For **Canada**, the minimum wage is a Laspeyres index based on provincial and territorial minimum wages (excluding the Federal Jurisdiction), weighted by the share of employees in each province and territory in 2019. For the **United States** (states), statistics refer to a Laspeyres index of applicable minimum wages across US states. Where states set a minimum wage above the federal level, the state rate is used; otherwise, the federal minimum wage applies. State minimum wages are weighted by each state's share of non-farm private employment in 2019. U.S. territories are excluded.

Source: Panel A: Canada: OECD estimates based on the Canadian Labour Force Survey (LFS PUMFs); France: Bozio and Wasmer (2024^[13]), and OECD estimates based on the Bases et Panels Tous Salariés; Ireland: Central Statistical Office (CSO), Labour Force Survey National Minimum Wage Estimates; Japan: Ministry of Health, Labor and Welfare, Minimum wage data and statistics (https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/toukei_00001.html); Lithuania: Statistics Lithuania, Number of employees by October the amount of the salary; Mexico: INEGI, Encuesta Nacional de Ocupación y Empleo (ENOE), Población ocupada según nivel de ingreso, nacional trimestral; Netherlands: Central Bureau of Statistics (CBS), Statistiek Werkgelegenheid en Lonen (SWL), minimumloners; New Zealand: Ministry of Business, Innovation and Employment (MBIE), Minimum Wage reviews (<https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-legislation-reviews/minimum-wage-reviews>); Spain: Instituto Nacional de Estadística (INE), Encuesta Anual de Estructura Salarial, <https://www.ine.es/jaxiT3/Tabla.htm?t=28182>; United Kingdom: Low Pay Commission, estimates based on the Annual Survey of Hours and Earnings (ASHE); United States (federal): Bureau of Labor Statistics (BLS), Characteristics of minimum wage workers, 2024, <https://www.bls.gov/opub/reports/minimum-wage/2024/>; and the United States (states): OECD estimates based on the Current Population Survey Outgoing Rotation Group (CPS MORG). Panel B: OECD calculations based on national data.

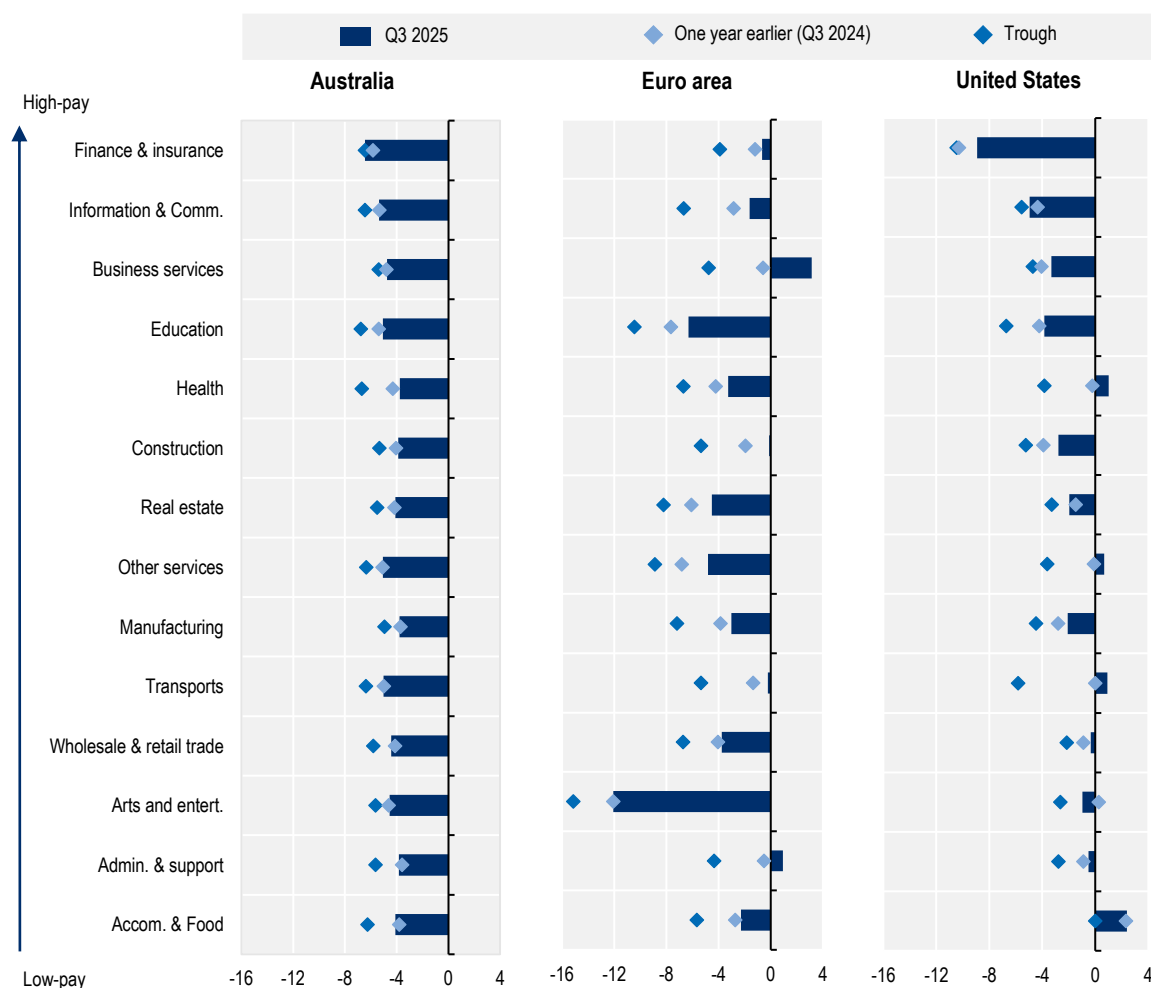
Real wages have been more resilient to the inflation surge in low-wage sectors in some countries

In addition to the minimum wage, other factors may have influenced wage compression at the bottom of the distribution in recent years. In the United States, for example, it was the tightening of the labour market rather than minimum wage increases that enabled some low-wage workers to benefit from substantial wage increases (Autor, Dube and McGrew, 2023^[12]).

In fact, since the onset of the post-pandemic inflation surge (i.e. since Q1 2021), there has been a clear trend towards wage compression *between sectors* in the United States, a phenomenon that has not been observed in Australia or the euro area (Figure 10). In the United States, accommodation and food service activities is the sector with the highest wage growth over the period Q1 2021 – Q3 2025, while the largest declines in real wages are all in sectors where wages are relatively high: finance, information and communication, education, business services, and construction. The situation is less clear-cut in some other OECD countries (OECD, 2025^[11]): there are some trends toward wage compression between sectors in Chile, Denmark, Iceland, Korea, Norway, Mexico and Poland, but they are significantly less pronounced than in the United States.

Figure 10. There has been a clear trend towards wage compression between sectors since Q1 2021 in the United States but not in Australia or the euro area

Percentage change in real hourly wages since Q1 2021



Note: Nominal hourly wages correspond to the wages and salaries component of the Labour Cost Index, adjusted for a constant industry structure for the euro area, and controls for additional occupational shifts for Australia and the United States. Real hourly wage is estimated by deflating the nominal hourly wage with the consumer price index (CPI-all items). The trough corresponds to the quarter in which real hourly wages reached their lowest level since Q1 2021. Industries are ranked by median wages in 2018 using the European Structure of Earnings Survey (SES). This ranking is broadly consistent when using 2019 median wage data from the United States Current Population Survey. Industries are defined at the 1-digit level using ANZSIC 2006 for Australia, NACE Rev. 2 for the euro area, and NAICS for the United States; as a result, industry classifications are not fully comparable across countries. For the United States, changes in real wages in Wholesale and retail trade correspond to employment-weighted averages of the wholesale trade and retail trade industries, based on non-farm payroll employment weights from Q4 2005. Similarly, changes in real wages in Arts and entertainment are derived from the Leisure and Hospitality and Accommodation and Food Services industries, using non-farm payroll employment weights from Q4 2005.

Source: OECD calculations based on the Wage Price Index (Australian Bureau of Statistics) for Australia; wages and salaries component of labour cost index by NACE Rev. 2 activity (Eurostat) for the euro area, the Employment Cost Index (U.S. Bureau of Labor Statistics) for the United States; and OECD Data Explorer, "Consumer price indices (CPIs, HICPs), COICOP 1999", <http://data-explorer.oecd.org/s/2aw>, and "Consumer price indices (CPIs), COICOP 2018", <http://data-explorer.oecd.org/s/2ax> (accessed on 17 December 2025).

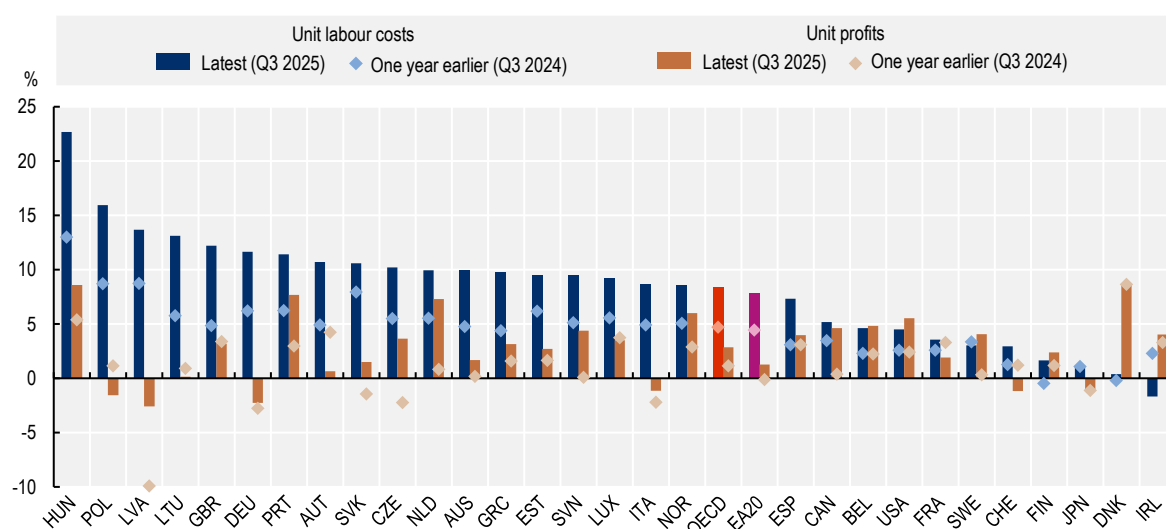
Wage compression between sectors in the United States appears to have ceased if we focus on the latest period Q3 2024 – Q3 2025, while wage dispersion has (modestly) increased between sectors in Australia and the euro area (Figure 10, Panels A and B). In the United States, the only three sectors where real wages have fallen are spread across the entire wage scale: arts, entertainment and recreation; real estates; and information and communication. In contrast, in Australia, three of the four sectors with the largest wage declines have relatively low wages: accommodation and food service activities, administrative and support service; and wholesale and retail trade. Similarly, in the euro area, the lowest wage growth was observed in three low-wage sectors: wholesale and retail trade; arts, entertainment and recreation; and accommodation and food service activities.⁷

The catching up of real wages relative to unit profits may be slowing down

Unit labour costs⁸ (i.e. nominal compensation of employees divided by real GDP) rose more than unit profits (i.e. gross operating surplus divided by real GDP) between Q3 2024 and Q3 2025 in most OECD countries (Figure 11), continuing a trend that began around Q1 2023 (OECD, 2024^[14]). While unit profits have remained virtually unchanged in the majority of countries over the past two years – the magnitude of the variation was greater than 5% in only five of the 29 countries analysed –, unit labour costs have increased significantly in many countries – by more than 5% in about three-quarters of countries.

Figure 11. Profits continue to buffer rising labour costs

Percentage change since Q3 2023, 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). 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 calculations based on OECD Data Explorer, “Quarterly GDP and components – income approach”, <http://data-explorer.oecd.org/s/2az> (accessed on 09 January 2026), Cabinet Office, Government of Japan, Economic and Social Research Institute (ESRI) Quarterly Estimates of GDP for Japan, and Statistics Norway, Quarterly National Accounts for Norway.

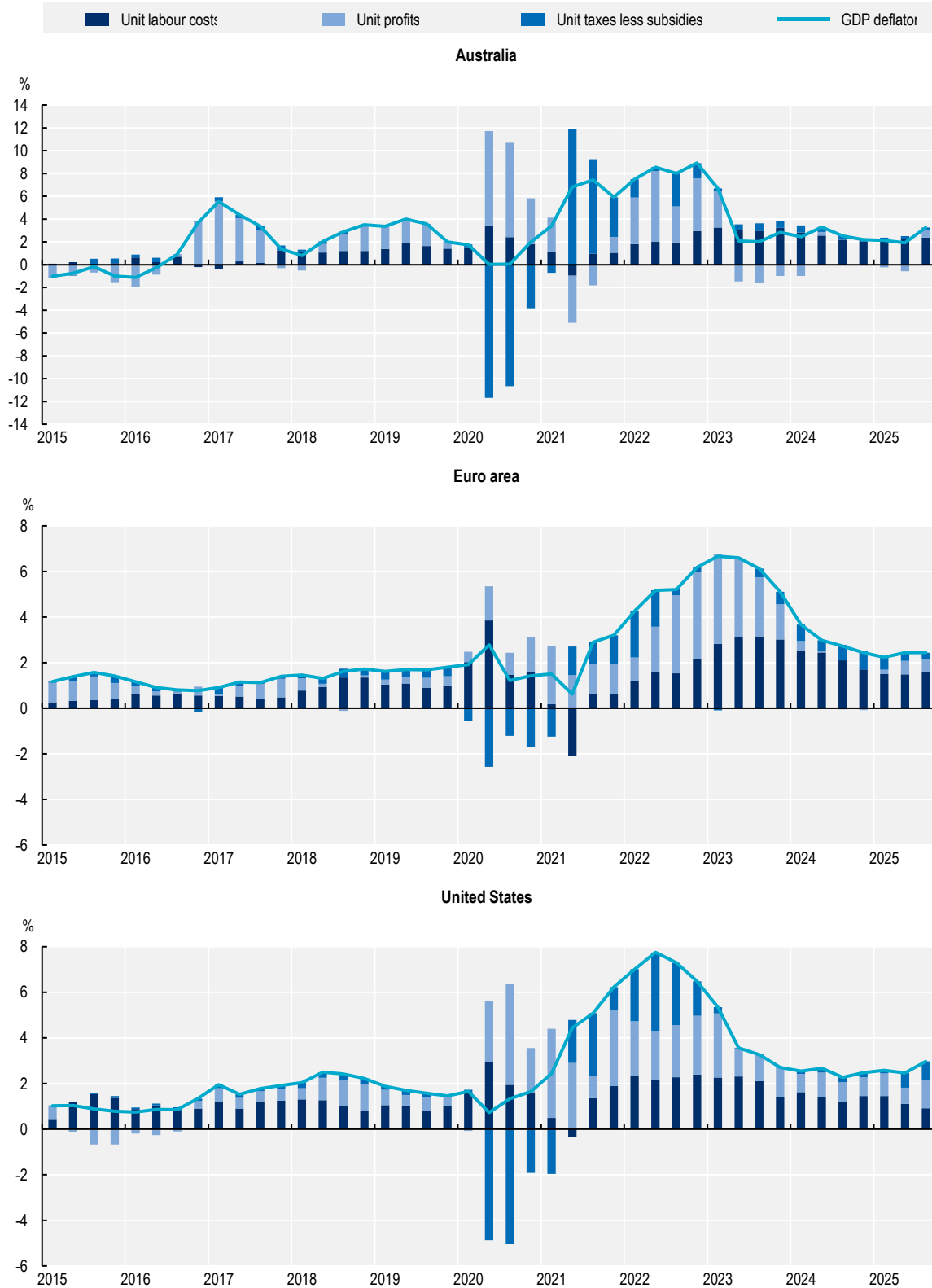
These developments still reflect the catching-up of purchasing power by wages and should not be interpreted as a warning sign of price-wage spirals – i.e. a sustained acceleration in nominal wage growth

passing through to domestic prices beyond its effects on productivity –, as (i) wages have not fully caught up with the inflation surge in half of OECD countries (see previous section), which suggests that, in these countries, unit profits continue to lose the ground gained during the inflation surge;⁹ and (ii) wage pressures are expected to stabilise at relatively low levels in 2026.¹⁰

Besides, there are signs that the catching-up of real wages might be slowing down. On average across countries, the increase in unit labour cost has been slightly lower over the past year compared with the year before, while that of unit profits has been slightly higher (Figure 11). In addition, the relative contribution of unit labour costs to domestic price pressures has stabilised around pre-pandemic levels in the euro area (Figure 12, Panel B) and the United States (Panel C).^{11,12}

Figure 12. The contribution of unit profits to domestic price pressures has stabilised around pre-pandemic levels in the euro area and the United States

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



Note: Euro area refers to 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. 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 calculations based on OECD Data Explorer, “Quarterly GDP and components – income approach”, <http://data-explorer.oecd.org/s/2az> (accessed on 05 January 2026).

Conclusion

Looking ahead, the following factors will need to be monitored to track wage developments: the persistence of the recent rise in food inflation and its impact on low-income households; the extent to which easing labour market conditions will result in a further weakening of workers’ bargaining power; whether the 2026 minimum wage updates will keep pace with both inflation and with negotiated wage settlements; and whether the labour share of income will stabilise as profit contributions to domestic price pressures normalise.

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Notes

¹ 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 the next section.

² Examining wage growth since Q4 2019 instead of Q1 2021 reveals positive wage changes in a greater number of countries. However, using Q1 2021 as the reference quarter is more relevant than pre-COVID-19 data (Q4 2019) for analysing the wage recovery from the inflation surge. Nominal wage index series since Q4 2019 show that the artificial increase in wages induced by composition effects during the pandemic had subsided by Q1 2021 in virtually all OECD countries (OECD, 2025^[1]).

³ By contrast, the Danish *standardised index of average earnings* was only 0.3% below pre-inflation levels in Q3 2025. This is because the labour cost index used in Figure 3 refers to a constant industry structure and covers all employees, while the standardised index of average earnings is adjusted for both the industrial and occupational structure and does not include employees in private-sector firms with less than 10 employees.

⁴ Compositional shifts in the sectoral composition of the workforce are adjusted for in most countries in Figure 3.

⁵ In the United States the nominal federal minimum wage has remained unchanged since 2009, but state level minimum wages have risen frequently in recent times, so that the employment-weighted average of state level real minimum wages has been much more dynamic than the federal real minimum wage.

⁶ The actual poverty gap (Figure 8) measures the p.p. difference between net equivalised disposable income expressed as a percentage of median equivalised disposable income, and 50% (the poverty line

is defined as 50% of median equivalised disposable income). It is therefore a measure of *relative* poverty, reflecting the shape of the bottom of the income distribution in a given year. In contrast, by anchoring the poverty line at its 2021 level and focussing on real income, the anchored poverty line better captures developments in *absolute* poverty.

⁷ Lower wage growth in low wage sectors is not due to a remarkably more advanced wage recovery from the inflation surge in these sectors (Figure 10).

⁸ To enable a comparison of the dynamics between labour costs and profits, this section uses indicators from the National Accounts (see note to Figure 11). 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. Unit labour costs and profits are derived by dividing the two relevant GDP components by real GDP. Unit labour costs increase when growth in compensation exceeds growth in real GDP or, dividing these two components by hours worked, 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 endnote 1). Most notably, unit labour costs include employer’s social security contributions and do not control for changes in the sectoral composition of the economy.

⁹ Unit profits made an unusually large contribution to domestic price pressures during the 2021-2022 inflation surge (OECD, 2023^[8]).

¹⁰ <https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr251105~8bf4544eb6.en.html>

¹¹ The relative contribution of unit profits to domestic price pressures in the United States has stabilised in late 2023 around pre-pandemic levels, following a sharp fall in early 2023 (Figure 12, Panel C). In the euro area, it declined more continuously between early 2023 and early 2024, then remaining at historically low levels, before coming back to pre-pandemic levels in mid-2025 (Panel B). In Australia, however, the contribution of unit profits to domestic price pressures has remained at historically low levels since Q2 2023, after a sharp drop in that quarter (Panel A).

¹² It should be noted that this decomposition domestic price pressures provides only a partial picture of real wage catch-up, as they exclude the distribution of productivity gains between labour and profits.

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The real wage recovery is slowing down

The OECD wage bulletin

Real wages continue to rise in virtually all OECD countries. However, the pace of their recovery is slowing, while they remain below the levels seen in early 2021 – just before the post-pandemic inflation surge – in half of countries. In most OECD countries, real statutory minimum wages remain above January 2021 levels and continue to rise. As real wage growth slows down, the contributions of profits and wages to domestic price pressures tend to stabilise to patterns similar to those prevailing before the COVID-19 pandemic.