

The Great Recession and the integration of EU labour markets

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Abstract

The Great Recession was the worst post-war macroeconomic downturn. It ended in 2009 according to business cycle dating, but in the Euro area (EA) was followed by the new recession triggered by the sovereign debt crisis. Since the Great Recession the EA has entered a phase of internal macroeconomic divergence. The paper shows how the EA earnings distribution has changed since 2007, disentangling the response of wage rates from that of the employment. It focuses on the distributions of monthly full-time equivalent wages among employees and of annual total labour incomes among the whole labour force, including employed and unemployed. A significant fall of the former in the lower half of the EA distribution was paralleled by a much larger drop of the latter: the main distributive effects stemmed from employment rather than wage adjustments. Yet, wages did respond: were not for the offsetting role of a re-composition of the employees, real wages would have declined even further. The analysis is still preliminary, as EU-SILC data stop in 2011 and do not cover developments throughout the heterogeneous sovereign debt crisis.