Figure 2.12. Decomposition of Wage Dynamics, 2000–16
(Percentage-point change relative to 2000–07 average)

For countries with unemployment rates below 2000–07 averages, a large part of the decline in nominal wage growth can be explained by slower trend labor productivity growth, while lower slack would have acted to increase nominal wage growth. In contrast, in countries with unemployment rates still above what they were before the crisis, both conventional labor market slack measures and involuntary part-time employment weigh on nominal wage growth.

Source: IMF staff calculations.
Note: The wage variable used is compensation per hour of workers excluding the self-employed. Involuntary part-time workers are those working less than 30 hours a week because they could not find a full-time position. The involuntary part-time employment share is calculated as the total number of involuntary part-time workers divided by total employment. Groups are as defined in Figure 2.11. The decomposition is based on the coefficients reported in column (5) of Annex Table 2.3.3 and is weighted by GDP at market exchange rates across countries.