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PRESS RELEASE

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A 3% raise in 2027 is a real pay cut in most of the euro area

Euro area inflation reached 3.8% in September and real wages are still 2.8% below their 2020 level. Even so, fewer than 1 in 1,000 job ads promise any protection against inflation.

3.8%	–2.8%	–€800	<1 / 1,000
euro area inflation, September 2026	euro area real wages vs 2020 (Italy: –8.6%)	real value of a 3% raise on €40,000 in Spain	job ads promise inflation protection (DE, UK)

Euro area inflation rose to 3.8% in September 2026, up from 2.0% a year earlier, while pay growth is running at around 3%. According to TalentUp's analysis of Eurostat, ECB and OECD data, a 3% raise for 2027, the figure most Western European companies are planning, is a real pay cut at current prices in every large euro area economy except the Netherlands.

> ***"Base pay should follow the cost of labour, not the cost of living. But a 3% raise only avoids a further real cut if inflation falls as projected, and it does nothing to repair what employees have lost since 2020."***
>
> — TalentUp

A new shock on top of an old loss

Between 2021 and 2025, consumer prices in the euro area rose by 22.6% and hourly wages by 19.2%. The average employee still has about 2.8% less purchasing power than in 2020. The gap is widest in Italy (–8.6%), followed by Spain, Germany, the Netherlands and France. Portugal and Poland are the exceptions, with real wages above their 2020 level.

The new rise in prices is driven by energy, up 18.8% year on year in September. Spain (5.0%), Belgium (4.6%) and Italy (4.1%) are well above the euro area average. Wages have not reacted so far: compensation per employee grew 3.3% in the second quarter of 2026, and the ECB wage tracker points to negotiated wage growth of 2.7% in the first half of 2027.

REAL WAGE CHANGE, 2020 TO 2025

Italy	–8.6%
Spain	–4.6%
Germany	–3.8%
Netherlands	–3.2%
France	–3.0%
Portugal	+5.1%
Poland	+18.0%

Source: Eurostat HICP and Labour Cost Index; calculations by TalentUp.

Is a 3% raise enough?

It depends on which inflation figure you compare it with. Looking back, at September 2026 rates, a 3% raise loses 2.0 points in Spain, 1.6 in Belgium, 1.1 in Italy and 0.8 across the euro area. On a €40,000 salary in Spain, that is €800 a year less in real terms. Only in the Netherlands does it break even.

Looking forward, the ECB projects inflation of 2.5% in 2027. If that holds, a 3% raise would be a small real gain. But the projection was finalised before September's jump to 3.8%, and it does not make up for the 3% to 9% that employees in Italy, Spain, Germany, the Netherlands and France have already lost.

Employers don't promise inflation protection

If inflation-linked pay were common practice, it would show up in job ads. **TalentUp data** shows it barely does, and that it is becoming even rarer:

- **Germany:** 0.7 per 1,000 job ads mentioned inflation compensation in 2026, down from 1.6 in 2024, after the end of the tax-free Inflationsausgleichsprämie.
- **United Kingdom:** 0.2 per 1,000 job ads promised cost-of-living or inflation-linked rises in 2026, down from 0.4 in 2024.
- **Spain:** 3 out of about 695,000 job ads mentioned a CPI-linked salary review in 2026, even though many collective agreements include one.

Employers compete on salary levels, not on indexation promises. Where inflation protection exists, it comes from law or collective agreements: automatic indexation in Belgium, CPI-linked revision clauses in many Spanish convenios, and sector agreements in Germany and the Netherlands.

What TalentUp recommends for 2027 budgets

Rather than matching inflation across the board, TalentUp recommends splitting the 2027 budget into separate pools with different rules:

- **Mandatory:** indexation, collective agreements and minimum wage changes, modelled under several inflation scenarios.
- **Cost of living:** targeted at lower bands and the most exposed countries, as a one-off payment if the shock looks temporary.
- **Merit:** protected, so top performers don't end up with the same increase as everyone else.
- **Market adjustment:** for critical roles paid below market, driven by current salary benchmarks rather than the inflation index.

With the EU Pay Transparency Directive applying through national laws, every one of these adjustments will need objective, documented criteria. Gender pay gap reporting starts on 7 June 2027 for employers with 150 or more workers.

Methodology

Inflation and wage figures come from Eurostat (HICP flash estimate for September 2026, HICP annual data and Labour Cost Index), the ECB (September 2026 staff projections, Economic Bulletin and wage tracker) and the OECD. Real wage change compares the 2020 and 2025 annual averages; calculations by TalentUp.

Job ad figures come from the TalentUp job postings database: ads published from 1 January to 30 September 2024 and the same period in 2026 in Germany, the UK, Spain and France. An ad counts if its description contains a language-specific phrase referring to inflation-linked pay; figures are minimum estimates.

About TalentUp

TalentUp is a B2B SaaS platform for salary benchmarking and pay transparency that helps companies set pay ranges with market data and prepare for the EU Directive.

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