

Wage dynamics in Spain: are low and high wages growing at the same pace?

The recovery of the labour market in the wake of the pandemic is proving surprisingly strong. As of June 2022, there were 20.2 million registered workers, far exceeding the pre-pandemic level of three years ago (19.5 million in June 2019). Wage incomes per employee, meanwhile, increased on average by 2.4% year-on-year in May 2022 according to CaixaBank Research's wages indicator, the same rise as that registered in April, although 0.2 pps higher than in March.¹ But are low-income workers' wages growing at the same rate as those of high-income workers?

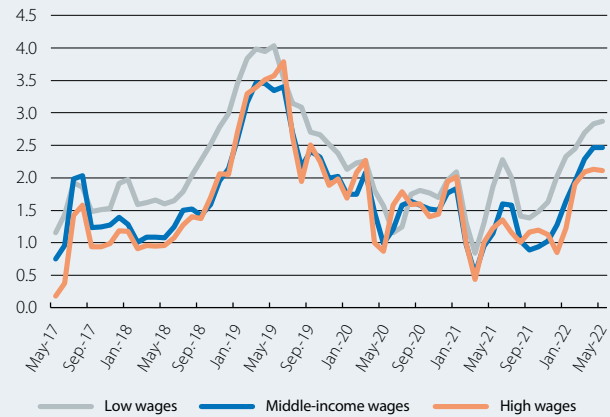
To try and answer this question, we sorted the payrolls of each month by amount from low to high and we calculated – separately for low-, middle- and high-income workers – the median year-over-year change in their payrolls one year later.² The monthly payroll amount refers the total net wage income received during the month, so increases in this amount are due to both salary improvements and increases in the number of hours worked.³

Before analysing what has happened to wages by income level today, we explored what pattern they followed prior to the pandemic. What we observed is that in 2018 and 2019, on average, the median increase in payrolls was 2.8% year-on-year for low wages, 2.2% for middle-income wages and 2.3% for high wages (see chart). These low-wage workers are often young people who, as they embark on their career, change jobs frequently and thus experience greater increases in their income from one year to the next. This result also occurs in other countries, as can be seen in the US with the Atlanta Fed's Wage Growth Tracker.⁴

Let us now look at what is happening today. In May 2022, the average increase in the payrolls of low-wage workers

Spain: wage incomes

Year-on-year change (%)



Notes: The indicator corresponds to the median year-on-year change in the monthly payroll of employees who received a payroll in the previous year that lay between the 20th and 40th percentiles (low wages), between the 40th and 60th percentiles (middle-income wages), and between the 60th and 80th percentiles (high wages). The change is calculated person by person. All customers with a payroll present in the previous month are considered as a stabilisation criterion. Data in nominal terms (not deflated). The indicator corresponds to the two-month moving average.

Source: CaixaBank Research, a partir de datos internos de CaixaBank.

was 2.9% year-on-year. Workers with middle and high wages, meanwhile, experienced increases of 2.5% and 2.1% year-on-year, respectively. These results show that, as was the case before the pandemic, the payrolls of lower-income workers are growing at a faster rate than those of higher-income workers, although across the spectrum the growth rate is similar to the average rate for 2018 and 2019. They also indicate that, for the time being, there are no significant wage pressures for any particular level of wages. That said, the inflationary pressures and the uneven impact of the war in Ukraine between sectors could alter this situation, so it is worth monitoring these developments in real time.

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1. This indicator corresponds to the median year-on-year change in monthly wage incomes for all those people who have a payroll paid into a CaixaBank account, and it is calculated customer-by-customer in a completely anonymised manner. For further details on how it is built, see the article «[Wage dynamics in Spain: what does the CaixaBank Research wage growth tracker tell us?](#)» in the Dossier of the MR05/2022.

2. In this case, we calculated the median year-on-year change in the monthly payroll of employees who received a payroll in the previous year that lay between the 20th and 40th percentiles (low wages), between the 40th and 60th percentiles (middle-income wages), and between the 60th and 80th percentiles (high wages).

3. Analysing the median change allows us to avoid extreme cases caused by significant changes in the number of hours worked or in a person's job position, which due to their nature lie in the margins of the distribution.

4. This indicator measures workers' nominal wage growth observed 12 months apart using data from the [Current Population Survey](#) (CPS).