

**AN INITIAL ANALYSIS OF THE IMPACT OF INFLATION ON COLLECTIVE BARGAINING IN 2022**

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How wages respond to the recent acceleration in inflation is a key factor when assessing how long its current upturn may persist. Thus, should the wage response be significant, this upturn will foreseeably extend over a longer time horizon, as the possibilities of the higher energy prices – the main factor behind the current inflationary episode – feeding through to other prices and costs in the economy will increase.

Against this backdrop, the available information<sup>1</sup> on collective bargaining in Spain in early 2022 shows a moderate uptick in negotiated wage increases. However, these remain well below inflation. Specifically, on the information on the collective agreements registered to February 2022, the wage settlement for this year is 2.3%, above the 1.5% negotiated for 2021, but in line with the 2019 settlement when inflation was much lower (see Chart 1).

However, this negotiated wage increase (which affects 4.4 million employees, or around 40% of the typical year-end figure (see Chart 2)) reflects the wage settlements in collective agreements spanning more than one year signed in prior years. Specifically, to February, new collective agreements signed in 2022 were still very thin on the ground and covered somewhat fewer than 15,000 employees.

To more accurately assess collective bargaining developments in Spain over recent months, this box uses Ministry of Labour and Social Economy microdata that provide individual information on registered collective agreements, by point in time when they were signed.<sup>2</sup> Based on this information, the vast majority of employees covered by collective agreements with economic effects in 2022 signed their collective agreement in 2021 (see Chart 3). This also somewhat reflects the collective bargaining standstill in 2020 during the early months of the pandemic.

A detailed analysis of the collective agreements signed in 2021, by quarter in which they were signed, reveals that the acceleration in inflation in 2021 had somewhat of an impact on negotiated wage increases. Specifically, the percentage of collective agreements that stipulated wage increases of less than 2% fell from 98% in 2021 Q1 (when the inflation rate was 0.5%) to 57% in Q4 (when inflation stood at 5.8%).

As regards the collective agreements effective in 2023 that span more than one year,<sup>3</sup> the analysis of the incomplete information available suggests that the average wage increase negotiated for 2023 will, for the time being, remain relatively contained, at 1.9% for nearly 1.5 million employees.<sup>4</sup> As with the agreements in force for 2022, most of these agreements were entered into in 2021, and the wage increases negotiated have risen slightly over time (e.g. 2% increase in those signed in 2021 Q4, compared with 1.8% in those signed in Q3) (see Chart 4).

One aspect meriting particular attention is the indexation mechanisms in negotiated wage increases for 2022 and 2023. In this regard, the percentage of agreements signed for 2022 with such clauses rose considerably in the first two months of this year, accounting for nearly 30% of the employees with a registered agreement, having fallen below 20% in recent years (see Chart 5). Moreover, the agreements already entered into for 2023 show the prevalence of indexation clauses increasing further, to nearly 50% of employees with an agreement effective for that year. Although this is lower than before the 2008 financial crisis (around 70%) and affects a small number of employees, its upward trend in recent months poses a growing risk of second-round effects on inflation.<sup>5</sup> Specifically, as this type of clause means wages are automatically adjusted for past inflation, its greater prevalence increases the risk of a potential wage increase-price spiral, which could have very harmful effects on activity and employment over a medium-term horizon.

1 Drawing on the *Estadística de Convenios Colectivos de Trabajo* (Collective Agreement Statistics) published by the Ministry of Labour and Social Economy.

2 While these microdata provide incomplete information, as they only include 85% of the employees covered by collective agreements in the official aggregate statistics, their high degree of coverage means that they can be considered representative of the overall dynamics.

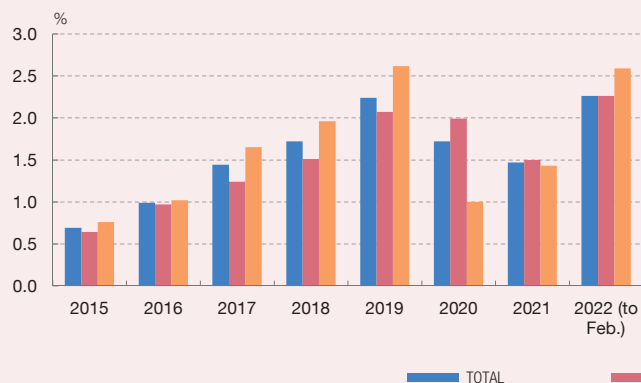
3 Drawing on the individual information about the agreements released on <https://expinterweb.mitramiss.gob.es/regcon/>, which allows information to be obtained on the provisions for the subsequent years of such collective agreements. The statistics published by the Ministry and the available microdata file contain information on negotiated wage increases for the current year.

4 The wage increase is already known for around 90% of agreements effective in 2023. For the remaining 10%, the wage increase negotiated depends on as yet unknown variables. In most cases, this reference is related to inflation at end-2022.

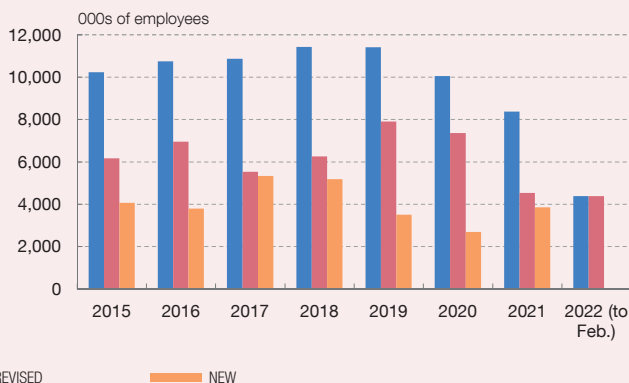
5 It is, however, worth highlighting that a significant proportion (around one-half) of these clauses contain a multi-year component. That is to say, they index wages to inflation over a period of more than one year, mitigating the risks of temporary inflationary spikes directly passing through to wages.

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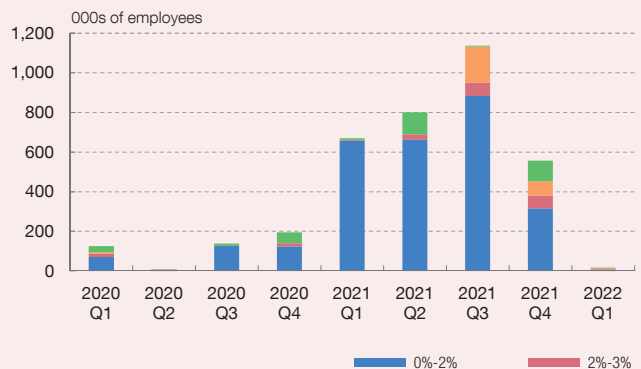
**Chart 1**  
NEGOTIATED WAGE INCREASE, BY YEAR OF ECONOMIC EFFECTS AND WHEN THE COLLECTIVE AGREEMENT WAS SIGNED (a)



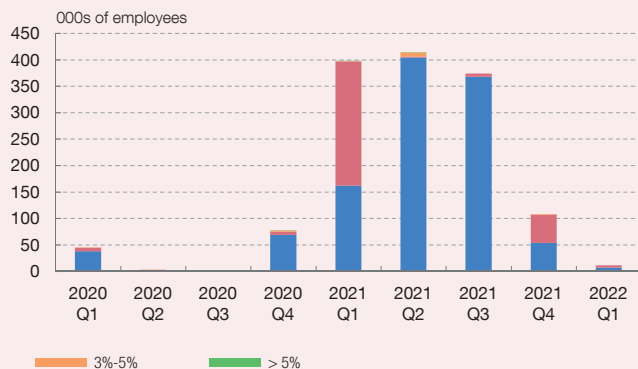
**Chart 2**  
EMPLOYEES COVERED, BY YEAR OF ECONOMIC EFFECTS AND WHEN THE COLLECTIVE AGREEMENT WAS SIGNED (a)



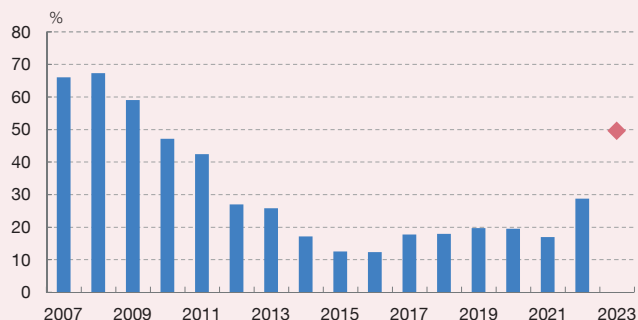
**Chart 3**  
EMPLOYEES COVERED, BY BRACKET OF NEGOTIATED WAGE INCREASE FOR 2022 AND QUARTER WHEN THE COLLECTIVE AGREEMENT WAS SIGNED (b)



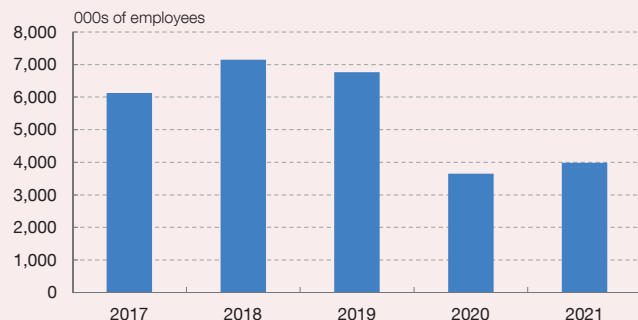
**Chart 4**  
EMPLOYEES COVERED, BY BRACKET OF NEGOTIATED WAGE INCREASE FOR 2023 AND QUARTER WHEN THE COLLECTIVE AGREEMENT WAS SIGNED (c)



**Chart 5**  
PREVALENCE OF INDEXATION CLAUSES (d)



**Chart 6**  
EMPLOYEES WITH A COLLECTIVE AGREEMENT SIGNED IN EACH YEAR THAT IS EFFECTIVE IN THE FOLLOWING YEAR (b)



**SOURCE:** Ministerio de Trabajo y Economía Social.

- a Revised collective agreements are those signed in years before their economic effects begin. New collective agreements are those signed in the same year their economic effects begin or those whose economic effects are retrospective.
- b Calculated drawing on the microdata file provided by the Sub-Directorate General of Statistics of the Ministry of Labour and Social Economy.
- c Information obtained from the individual records compiled at <https://expinterweb.mtramiss.gob.es/regcon/index.htm>.
- d Information referring to 2023 is incomplete and only available for the collective agreements effective in that year and already registered. It only covers just over 1.6 million employees.

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Lastly, it should be pointed out that in both 2020 and 2021 the number of employees with a signed agreement in force for the following year was much lower than usual (see Chart 6). In this regard, there currently seems to be a relatively

sizeable volume of latent collective bargaining yet to be agreed. Progress in this respect over the coming months will be key to calibrating the degree to which the current pick-up in inflation will pass through to wages in the medium term.