The Employer’s Guide to Europe’s Inflation

Littler’s Overview of Anti-Inflationary Government Measures Impacting Employers In Key Countries in Europe

Current as of 20 October 2022

Littler®

From Our Team in Europe

After two years of dealing with a pandemic, European countries are now shaken by record levels of inflation and flagging growth. To help households cope with this situation, which currently shows no sign of improving, governments and employers across Europe are adopting evolving policies.

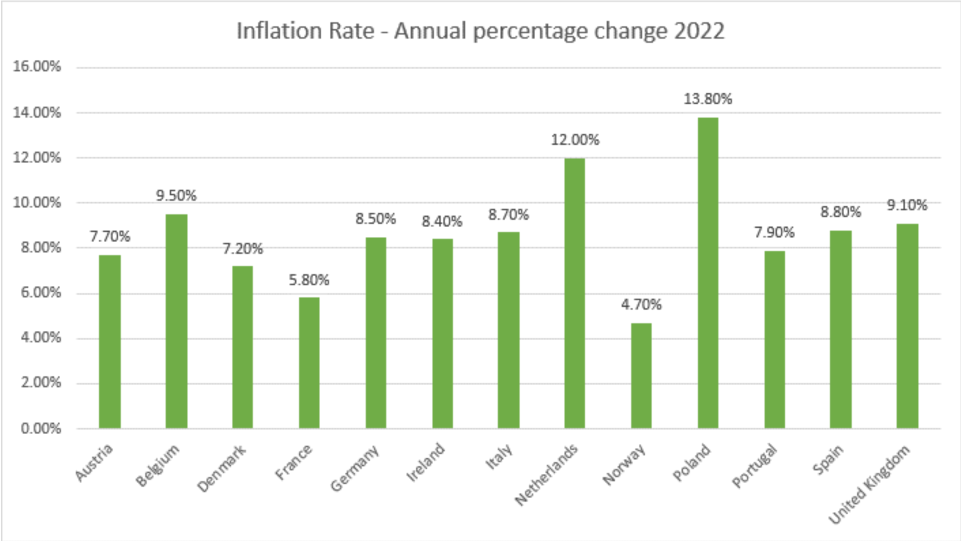
As a result of inflation, an increase in salary and benefits is expected or already occurring in the jurisdictions covered in this guide. In some countries, such as in France and Poland, the government adjusts the statutory minimum wage based on the inflation rate. In the Netherlands and Ireland, an exceptional increase in the statutory minimum wage will apply starting on 1 January 2023; in Belgium, Denmark and Spain, the minimum wage is provided by the sector-wide trade collective bargaining agreements, some of which include indexation mechanisms.

Even where the law mandates salary increases based on inflation, the persistent high inflation is sparking strikes and protests across Europe because such increases do not match the pace of inflation.

As an additional remedial measure, several governments are allowing employers to grant exceptional tax and/or social security exempted bonuses to employees for a limited period. For example, Austria, France, Germany, Italy and Poland have implemented such types of bonuses and tax exemptions.

In more than half of the countries studied, a growing number of employers are adopting complementary measures, such as fuel or car allowances, meal vouchers or energy support.

In this fast-moving context, this guide helps multinational employers ascertain their legal obligations and options to mitigate the consequences of inflation on employees. Last updated on 20 October 2022, this report covers 13 key jurisdictions in Europe, addressing important questions. This guide is for informational purposes only, and not intended to substitute for legal advice. Please review our *Important Notice*. Because the inflation situation is fluid, employers should consult with counsel for the latest developments and updated guidance on this topic.



Source: International Monetary Fund

Littler generated this graph based on the "Inflation rate, average consumer prices" data provided by the International Monetary Fund, available at https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEOWORLD.

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Special thanks to *Geida D. Sanlate*, Knowledge Management Counsel, and her colleagues on Littler's Knowledge Management team for helping to manage and produce this guide.

Kind regards,

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AUSTRIA

Current as of 20 October 2022

Contributor:
Armin Popp

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	According to *Statistics Austria*'s consumer price index data, the inflation rate for September 2022 was 10.5%. It was 3.3% in September 2021.
2. What is an acceptable level of inflation in your country?	The government has not officially set an inflation target. However, it has implemented numerous measures to lower inflation, including capping rising energy prices, for example.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	In principle, there is no legal or collective bargaining agreement obligation to adjust salaries to inflation. However, inflation is always used as a starting point for the annual collective bargaining negotiations on wage increases.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.,* specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	Under a new law, employers can grant tax-exempted allowances and bonuses of up to €3,000 per year per employee during calendar years 2022 and 2023. The condition for granting these additional payments is that employees have not received them in the past. Bonuses paid based on performance agreements are not considered when determining eligibility for these benefits.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	This measure was passed by the legislature.
6. Are these measures permanent or temporary?	For the time being, this measure only applies to bonus payments in the calendar years 2022 and 2023.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	Unions have already announced that they expect high salary increases in the collective bargaining negotiations and have threatened strikes if no agreement is reached.

BELGIUM

Current as of 20 October 2022

Contributor:
Catherine Kerrebrouck

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The current inflation rate is 11.3%, according to the Consumer Price Index (CPI) data released by the Organisation for Economic Co-Operation and Development (OECD) on 30 September 2022. The CPI was 2.9% in September 2021.
2. What is an acceptable level of inflation in your country?	Belgium follows the European Central Bank's Governing Council consideration that price stability is best maintained by aiming for an inflation rate at 2% over the medium term.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	Yes, Belgium has a system of automatic indexation. The indexation of salaries in the private sector is not prescribed by law but regulated by sectoral collective bargaining agreements, which provide for a range of indexation mechanisms (*e.g.*, indexation when the pivot index is exceeded or with fixed periodicity), mostly covering both minimum and actual salaries and all employees employed within the sector of industry concerned. To maintain the competitive position of Belgian companies, the government has, however, intervened several times in the past. As a result, salaries are no longer adjusted based on the monthly CPI, but on the smoothed health index (*i.e.,* the mathematical average of the health indexes of the past four months; the health index equalling the consumer price index, excluding several products (*e.g.*, alcoholic beverages, tobacco, and motor fuels)). In the past (between April 2015 and March 2016), a blocking of the smoothed health index was allowed to achieve a 2% "index jump" (*i.e.,* deliberately skipping an indexation). Note that when the pivot index is exceeded, social security allowances (*e.g.*, unemployment and disability benefits) and civil servants' salaries are also automatically adjusted by 2%, respectively the following month and two months later.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.,* specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	No specific employment measures against inflation have been taken by the government or the employers collectively. Companies facing heavy losses due to the increase in energy prices can however temporarily resort to a specific system of economic unemployment for their employees (blue-collar and white-collar workers) from 1 October 2022 onwards.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	Not applicable. (See response to Question 4.)
6. Are these measures permanent or temporary?	Not applicable. (See response to Question 4.)

7. **Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?**	The demand from the employers' federations – for a (partial) index jump (regardless of whether compensated with a net premium) or a socially corrected index jump (in which the lower salaries would be spared) to guarantee competitiveness – is becoming increasingly loud. The likelihood of such measures, however, seems slim. Other possible avenues include abolishing or delaying the employers' social security contributions on the indexation. As yet, there is no clarity on this, but the last scenario (postponement in time) seems the most realistic for the time being. On the employee side, a general day of action and strike is planned by the inter-professional unions on 9 November 2022.

DENMARK

Current as of 20 October 2022

Contributor:
Bo Enevold Uhrenfeldt

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	In Denmark, the current inflation rate is 10%, according to the most recent CPI data released by the OECD. The inflation rate was 2.2% in September 2021 and 0.6% in September 2020.
2. What is an acceptable level of inflation in your country?	The Danish government has not formally established an inflation target. However, normally the inflation is between 1-2%.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No. However, most collective agreements (industry specific) set forth rules ensuring that, at minimum, the salary is increased to account for the usual inflation rate of 1-2%.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.,* specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The Danish government has not taken any specific employment measures to combat inflation. However, because the current level of inflation is higher than usual, the government has implemented several general initiatives, including cap on rental increases, increase to national benefits (*e.g.*, child benefits), a cheque for pensioners, and lower electricity tax.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The government's measures are implemented through legislation.
6. Are these measures permanent or temporary?	The measures are temporary, except the electricity tax, which will be lowered further towards 2030.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	No.

FRANCE

Current as of 20 October 2022

Contributor:
Sophie Lippmann

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The current inflation rate is 5.6%, according to the most recent CPI data released by the *National Institute of Statistics and Economic Studies*.
2. What is an acceptable level of inflation in your country?	The government has not formally established an inflation target. However, the macroeconomics projections of the Bank of France as of September 2022 aim at reaching a level of 2% of inflation by the end of 2024.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	Yes. Under French law, the statutory minimum wage (SMIC) automatically increases: • Each year, according to the CPI, and • During the year, if the CPI rises by at least 2% compared with the index recorded at the time of the last SMIC increase.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.,* specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	Measures introduced by recent laws include: • Increase of national benefits; • Possibility for employers to pay social and tax exempted bonuses; • Easier implementation of voluntary profit-sharing schemes by employers; • Possibility for employees to ask for anticipated release of profit-sharing amounts (which are usually unavailable for five years); • Increase in the amount of meal vouchers provided by employers; and • Increase the employers' contribution to the transport costs.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The measures are provided by law. Some of them can be applied voluntarily by employers (*e.g.*, payment of social and tax exempted bonuses).
6. Are these measures permanent or temporary?	Permanent, except for some social and tax advantages on voluntary bonuses, which will cease as of 1 January 2024.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	Yes. Several national and cross-industry strikes have already been organised in September 2022 to protest the measures implemented by the French government, which are considered by some as insufficient.

GERMANY

Current as of 20 October 2022

Contributor:
Dr. Luisa Rödemer

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The current inflation rate is 10%, according to the OECD's CPI data released on 30 September 2022. The CPI was 4.1% in September 2021.
2. What is an acceptable level of inflation in your country?	The common level of inflation is around 2.6% per year.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	Currently not. The German government is debating a bill to compensate for inflation by means of a fair income tax rate and to adjust other tax regulations (*e.g.*, Inflation Compensation Act).
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The German government has launched three relief packages. The second relief package included, among other measures, an energy bonus, which was paid by the government through employers (€300,00). The third relief package comprises around 65 billion euros. It contains among other measures the possibility for employers to grant employees an inflation bonus of up to €3.000 tax free and free of social security contribution. Furthermore, from our experience, employers have implemented measures such as one-time payments, fuel vouchers, car allowances or reimbursing public transportation costs (job tickets) to support their employees. Only around one fifth of employers plan to pay (or already paid) a separate inflation compensation this year.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The inflation bonus mentioned above is provided by government decision and will be voluntarily paid by employers; the remaining measures mentioned above are applied voluntarily. Further measures are expected to be implemented through the Inflation Compensation Act (see response to Question 3).
6. Are these measures permanent or temporary?	The inflation bonus can be paid out in small amounts, pro rata or in full until the end of the calendar year 2024. The tax adjustments planned through the Inflation Compensation Act (see response to Question 3) will be temporary during 2023 and 2024.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	The number of union strikes relating to pay levels has greatly increased this year. The far-right movement in Germany has announced that it will hold demonstrations and protests based on what they call the government's inaction in combating inflation in Germany.

IRELAND

Current as of 20 October 2022

Contributors:
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Alison Finn

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The Consumer Price Index data released by Ireland's *Central Statistics Office* shows that prices for consumer goods and services in September 2022 increased by 8.2% on average compared to September 2021. This follows an increase of 8.7% in the year to August 2022. Prices have been rising on an annual basis since April 2021, with annual inflation of 5% or more recorded in each month since October 2021.
2. What is an acceptable level of inflation in your country?	The Central Bank of Ireland's target inflation is close to but below 2%.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.,* specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The government introduced the 2023 Budget on 27 September 2022, with further details to be published in the Finance Bill to be published on 20 October 2022. Budget 2023 was framed by the government as a "cost of living budget" with the aim of helping individuals and businesses to deal with rising prices. The aspects most relevant to the employment sector include: • Increase in the minimum wage to €11.30 per hour; • The point at which the higher rate of income tax will apply has increased by €3,200 to €40,000; • The personal tax credit, employee tax credit and earned income credit will each rise by €75, from €1,700 to €1,775; • An increase in the 2% USC rate band from €21,295 to €22,920; • A temporary business energy support scheme will be introduced to assist eligible businesses by allowing them to reclaim 40% of the year on-year increase in their energy bills up to a monthly cap of €10,000 per trade; and • To enable employers to reward employees in a tax-efficient manner, the small benefit exemption (which typically is given as a Christmas voucher) has been increased by €500 so that the maximum tax-free amount per annum that can be given to an employee is a non-cash benefit of €1,000 and this can be split into two separate payments per annum. In terms of market practice, many employers have also opted to increase pay levels, albeit they have generally not decided to match the pace of inflation.

5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The government's budgetary measures are or will be provided by law. Salary increases are applied voluntarily by employers.
6. Are these measures permanent or temporary?	Pay rises are normally effected as permanent changes to employees' employment contracts. The government's budgetary measures referred to above were announced as permanent.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	The number of union strikes relating to pay levels has increased this year.

ITALY

Current as of 20 October 2022

Contributor:
Carlo Majer

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The inflation rate in Italy is 8.9%, according to the CPI data released by the *National Institute of Statistics* on October 17, 2022. The CPI was 2.5% in September 2021 and 0.6% in September 2020.
2. What is an acceptable level of inflation in your country?	The Italian government's target inflation rate is 4.3% for 2023.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No. Renewals of collective bargaining agreements typically are aimed at increasing base salaries to counter inflation.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The government has enacted two measures, known locally as the "*una tantum*" bonus and the "utility bill bonus". Although they were not introduced as anti-inflation measures, they help employees during this inflationary period. Specifically, under Article 32 of Law Decree 50/2022, employees hired on an open-ended or fixed-term basis (including *part-time* employees) are entitled to receive the one-time "*una tantum*" bonus of €200 if their income in 2021 did not exceed €35,000. With the "bills bonus", introduced through Article 12 of Law Decree 115/2022, the value of goods and services rendered to employees, as well as sums disbursed or reimbursed to them by employers for the payment of various domestic utilities (*e.g.*, water, electricity, and natural gas), up to €600, are not considered income during fiscal year 2022.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	By law.
6. Are these measures permanent or temporary?	These measures are temporary. The *una tantum* bonus will be granted only once, while the bills bonus is valid only with respect to fiscal year 2022.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	There have been several minor strikes and social initiatives (such as distribution of fliers) usually promoted by trade unions.

NETHERLANDS

Current as of 20 October 2022

Contributor:
Dennis Veldhuizen

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	According to the CPI data released by *Statistics Netherlands* in September 2022, the current (annual) inflation rate is 14.5%. The annual CPI was 2.7% in September 2021.
2. What is an acceptable level of inflation in your country?	The government has not formally established an inflation target. The European Central Bank, which the De Nederlandsche Bank follows, sets the inflation target at 2%.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	Yes, the government raised the minimum wage by 10.15% from 1 January 2023. This is the first time since its introduction in 1969 that the minimum wage has received such an additional increase. Because of the special circumstances, the minimum wage adjustment can be regulated through an Order in Council (in Dutch: *Algemene Maatregel van Bestuur*, hereinafter: AMvB) rather than a legislative amendment. An AMvB can be implemented more quickly and this also means that all social benefits (payments) linked to the minimum wage, such as welfare, automatically rise with it. In addition, trade unions, such as the FNV and CNV, are pushing for inflation compensation and the introduction of automatic price compensation (APC) in all collective negotiations agreements to ensure purchasing power retention in the future. For example, FNV is seeking to automatically raise workers' wages each year in accordance with the inflation.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The government proposed the following main employment measures in the tax plan 2023: • Tax-free kilometer allowance up to €0.21 per kilometer. This is for travel expenses while working and for commuting. • First income tax bracket rate down from 37,07% to 36,93%. The government wants to make work more rewarding in this way. • Additional employment tax credit increase starting in 2023. The employment tax credit will be increased each year from 1 January 2023, for employed people and entrepreneurs who pay income tax. The employment tax credit reduces income tax for employed people (and entrepreneurs who pay income tax). The above proposals are under review for approval by the First and Second Chambers/Parliaments (in Dutch: *Eerste en Tweede kamer*).
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The raise of the legal minimum wage is provided by law. The government's tax cuts and raise of the minimum wage are or will be provided by law. The employment measures first need to be approved by the First and Second Chambers/Parliaments. Inflation compensation and the introduction of automatic price compensation will be included in collective bargaining agreements if negotiated jointly by trade unions and employers.

6.	Are these measures permanent or temporary?	The raise of the legal minimum wage is presented as permanent. The government's employment measures were presented as permanent (for this year), provided they are approved by the First and Second Chambers/Parliaments. The government's tax plan with employment measures are announced and renewed every year. Trade unions want the inflation compensation and automatic price compensation to be permanently included in collective bargaining agreements. Whether this will be permanently included depends on the outcome of the negotiations.
7.	Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	No.

NORWAY

Current as of 15 October 2022

Contributor:
Veslemøy Lode

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The current inflation rate is 6.9% according to the most recent CPI data released by Statistics Norway on 10 October 2022. The inflation rate was 3.5% in 2021. The inflation rate was 1.3% in 2020.
2. What is an acceptable level of inflation in your country?	The Bank of Norway's target inflation rate is 2%.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The Norwegian government has not implemented any specific employment measures against inflation. Annual pay growth is expected to be around 4.7% in 2022 according to Statistics Norway. So, while employers have opted to increase pay levels, they have not generally decided to match the pace of inflation.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	Not applicable.
6. Are these measures permanent or temporary?	Not applicable.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	Not for the time being.

POLAND

Current as of 20 October 2022

Contributors:
Karolina Kanclerz

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	According to the most recent CPI data released by the OECD, the inflation rate for August 2022 was 16.1%. According to the Polish Central Statistical Office, the inflation rate for September 2022 was 17.2%. The CPI was 5.9% in September 2021 and 3.2% in September 2020.
2. What is an acceptable level of inflation in your country?	The National Bank of Poland's objective is to stabilise inflation at 2.5% with a permissible fluctuation range of +/- 1 percentage point.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	Yes. Under the Minimum Wage Act, the amount of the minimum wage is subject to inflation-dependent adjustment once or twice per year.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The government has implemented anti-inflation measures, known as the "anti-inflation shield", which includes: • reduced VAT rates on basic food products (0 instead of 5%); • reduced VAT rates on electricity and heat (5 instead of 23%); • reduced VAT rates on natural gas (0 instead of 23%). In addition, Parliament enacted the "credit holiday" law, which allows PLN mortgage holders to temporarily suspend mortgage payments. Further, the government has introduced the "coal allowance" for households where the main heating source is powered by solid fuel. Some employers have implemented various measures, such as: • inflation bonuses; • fuel allowances; and • inflation increases. Most employers increased salaries at the beginning of the year due to changes in Poland's tax laws, however, they currently are not keen to materially increase salaries.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	The governmental measures are provided by law. Measures taken by employers are undertaken voluntarily.

6. Are these measures permanent or temporary?	These are temporary solutions. The government’s anti-inflation shield is valid until the end of 2022 with the possibility of extension in the following year (see response to Question 4).
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	Currently, there are no specific social responses. Surveys show that the public is adjusting its spending habits by abandoning more expensive products in favour of cheaper substitutes. There is also a noticeable drop in taking out new mortgages.

PORTUGAL

Contributors:
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Current as of 20 October 2022

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The current inflation rate in Portugal is 9.8%, which is the highest ever registered in the last few years, according to Eurostat, the statistical office of the European Union. In September 2020, the inflation rate was -0.8%, and in September 2021, it was 1.3%. This means that the inflation rate has increased by than 8 percent so far.
2. What is an acceptable level of inflation in your country?	The Bank of Portugal does not fix an acceptable level of inflation. As an EU member state, however, Portugal follows the objectives of the European Central Bank, which has set 2% as the acceptable level of inflation.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No, there is not yet any legal or conventional disposition imposing an obligation to increase the salary based on inflation. Nonetheless, the government plans to increase minimal guaranteed wages for January 2023, regardless of inflation.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	In September of 2022, the Portuguese government announced several measures to address inflation, including: • A 50% exceptional supplement for all pensioners and updating the value of pensions – *with immediate effect*; • A €125 supplement for each person earning a salary of up to €2.700 – *with immediate effect*; and • A €50 supplement for each dependent who is 24 years old or younger – *with immediate effect*.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	These measures were established by Decree-Law no. 57-C/2022.
6. Are these measures permanent or temporary?	Given their exceptional nature, they are temporary, designed to address the impact of inflation.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	In the last couple of years, Portugal has been dealing with a series of difficulties, including the COVID-19 pandemic, political instability, and the current energy crisis, all of which are impacting inflation and its effects on employers and workers. There have been an exponential increase in strikes, primarily in the first semester of the year, because wages have not increased to match inflation. Additionally, employers in both the private and public sectors have signalled an intention to conduct collective dismissals, as well as elimination of positions.

SPAIN

Current as of 20 October 2022

Contributor:
Sara Bermejo Maniega

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The inflation rate is 9.0%, according to CPI data released by the OECD on 30 September 2022. Inflation was at 4% in September 2021.
2. What would be considered as an acceptable inflation rate in your country?	The Bank of Spain's target inflation rate is 2%, keeping in step with the European Central Bank's target.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	The law does not require an automatic increase of wages. However, approximately 15-20% of the collective bargaining agreements include "wage clauses" that are linked to CPI increases, capped at a maximum percentage. Nevertheless, there are various mechanisms whereby companies can avoid implementing such clauses, depending on the circumstances at play.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	It is expected that the Spanish Parliament will approve various measures in the upcoming months, some of which may include: • Increase to retirement benefits, up to 8.5%; • Increase various unemployment benefits, up to 3.6%; and • Increase civil servant salaries by 8% in the period 2022-2024. These proposals may be modified during the parliamentary process. Additionally, the Spanish government currently is negotiating the increase of the minimum interprofessional wage in 2023, based on the CPI.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	Any of these measures approved by Parliament will be enacted into national law.
6. Are these measures permanent or temporary?	They are expected to be permanent, unless provided otherwise.
7. Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?	As of September 2022, the number of strikes and demonstrations across Spain (in different sectors) has increased by 20% in relation to the same period in 2021. Among the reasons reported for the strikes is the increase in the inflation rate and the lack of government measures to restore the purchasing power.

UNITED KINGDOM

Contributor:
Josephine Rendall-Neal

Current as of 20 October 2022

1. What is the current inflation rate in your country and how does it compare to 1-2 years ago?	The Bank of England shows the current inflation rate as 10.1%. The inflation rate was 3.8% in October 2021 and 0.9% in October 2020, according to the CPI data released by the OECD, the measure used by the Bank of England to set the target inflation rate.
2. What is an acceptable level of inflation in your country?	The Bank of England's target inflation rate is 2%.
3. Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?	No.
4. What are the main employment measures taken by the government and/or employers against inflation (*e.g.*, specific social and/or tax exempted bonuses, profit-sharing schemes, increases in benefits)?	The government recently announced its "Growth Plan", proposing the biggest package of tax cuts since 1972, amongst other legislative interventions. The plan included numerous proposals; notable employment-related examples included proposals to reduce income tax and National Insurance Contribution rates, new legislation to make it easier to settle industrial disputes, and the promise of an ambitious package of deregulation later this autumn, including removing the cap on bankers' bonuses derived from EU law. The situation, however, is very much in flux following political and economic backlash to the proposals and subsequently many of the tax and other policy proposals put forward in the Growth Plan have now been scrapped or changed. For example, the government had proposed to cut the basic rate of income tax from 20% to 19% from April 2023, but this has now been scrapped (albeit the legislative proposals set out above currently look as if they will remain). Further detail is expected later this month. Annual pay growth was around 5.1% in April to June 2022, according to the Office for National Statistics. Accordingly, while employers have opted to increase pay levels, they have not generally matched the pace of inflation.
5. Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?	Most of the remaining proposals, mentioned in response to Question 4, are or will be provided by law. Further detail is expected in the coming days. Any salary increases are applied voluntarily by employers.
6. Are these measures permanent or temporary?	Pay rises are normally effected as permanent changes to employees' employment contracts. There is a lot of political uncertainty, which has already resulted in many of the proposals being withdrawn and there may be more changes to come.

7. **Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?**	The number of union strikes relating to pay levels has greatly increased this year. We anticipate that there will be rapid ongoing developments given the political and economic uncertainty.

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