GQ | Littler GLOBAL EMPLOYMENT LAWYERS

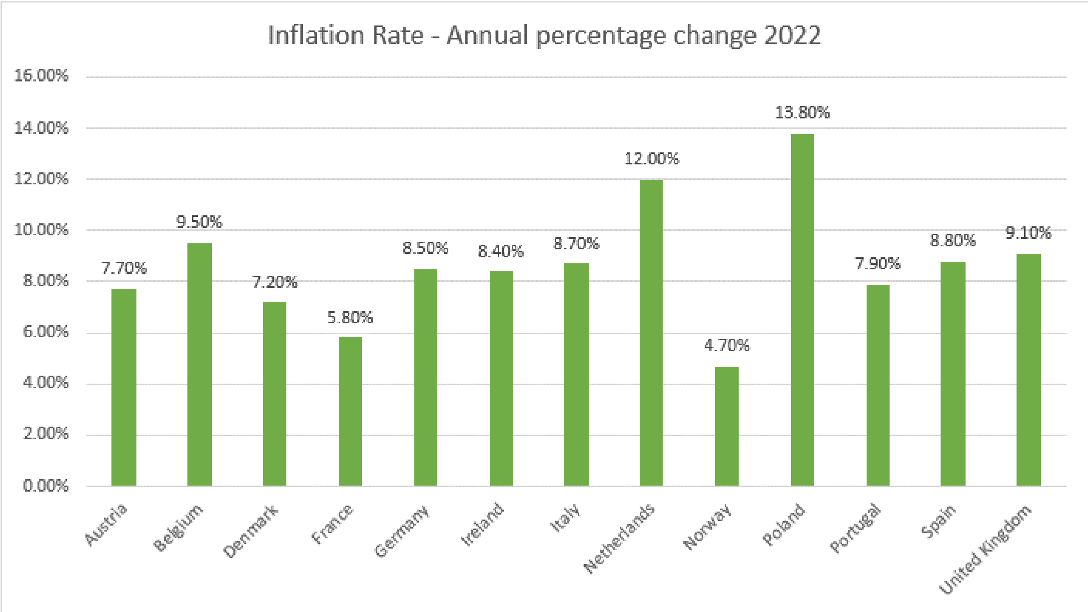
The Employer's Guide to Europe's Inflation

By **Sophie Lippmann** and **Josephine Rendall-Neal**

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 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.



Littler generated this graph based on the "Inflation rate, average consumer prices" data provided by the International Monetary Fund.

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 relevant questions, as follows:

- What is the current inflation rate in each country and how does it compare to 1-2 years ago?
- What is an acceptable level of inflation in each country?
- Is there a legal, regulatory and/or collective bargaining agreement obligation to increase the salary in relation to the inflation?
- 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)?
- Are these measures provided by law, collective bargaining agreement, or only applied voluntarily?
- Are these measures permanent or temporary?
- Is there any specific social response to the inflation and/or the employment measures implemented (strikes, social movements, etc.)?

This guide is for informational purposes only, and not intended to substitute for legal advice.

Because the inflation situation is fluid, employers should consult with counsel for the latest developments and updated guidance on this topic.

Click here to read the full guide.