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Managing Inflation crisis through Social Dialogue

Workpackage 4 - Deliverable 4.1

Comparative report

Wage-setting in inflationary times: responses in three sectors

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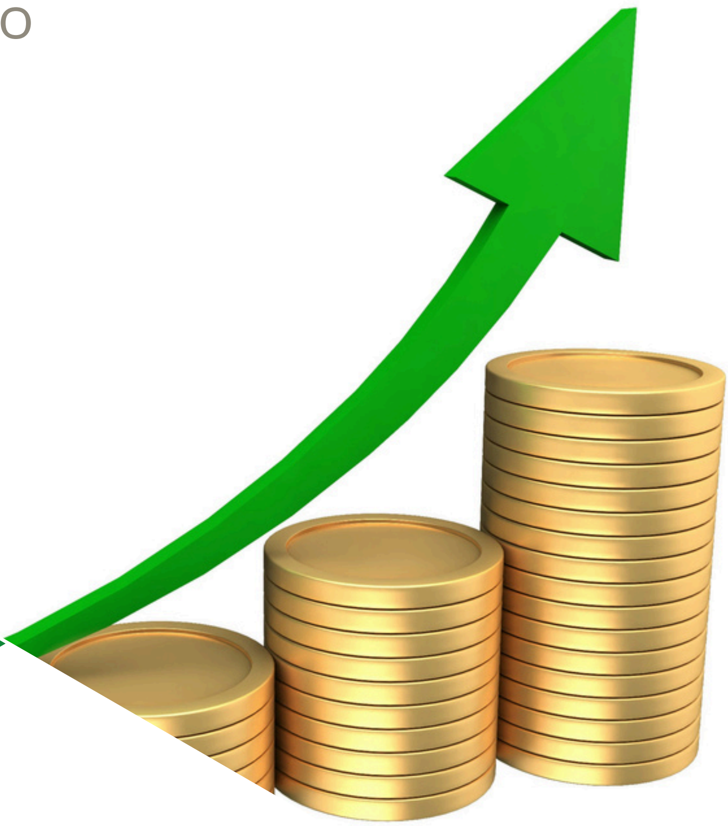

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Deliverable 4.1. – Wage-setting in inflationary times: responses in three sectors

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1. Introduction

This report provides a comparative overview of the WP4 findings on collective bargaining vis-à-vis inflation in five case-study countries: Denmark, Germany, Italy, Spain and Poland. It draws primarily on the national WP4 reports from the MAINSOC project for those countries and on other secondary and academic literature. The objective is to reconstruct in a comparable way how different collective bargaining systems absorbed and mediated the inflationary shock of 2021–2024 on real wages and incomes.

The comparison starts from a common analytical premise. Despite not having its roots in wage-price dynamics (Tassinari et al. 2024), the inflation crisis was a stress test of wage-setting institutions and collective bargaining systems across the board. Consequently, the inflationary shock raised similar questions about the reactive capacity of collective bargaining across different institutional settings: how quickly negotiated wages could react; whether wage increases would be coordinated or fragmented across sectors and bargaining levels; whether adjustment would be channelled through base pay, one-off payments, statutory minimum wages, or extra-contractual instruments; and whether the state would reinforce collective bargaining, compensate for its limits, or bypass it. The answer differed significantly across the cases because the inflation shock encountered very different institutional architectures of collective bargaining, actor constellations and sectoral conditions.

A first comparative finding is that there were deep differences between systems able to deploy collective and coordinated mechanisms for absorbing the shock and systems in which adjustment remained delayed, fragmented or displaced onto the state. Denmark and Spain, despite major differences in institutional design, both retained relatively robust forms of coordinated adjustment. Germany remained partly coordinated but relied heavily on state-enabled one-off compensation and displayed more uneven sectoral dynamics. Italy preserved high formal centrality of collective bargaining, but its responsiveness was weakened by long bargaining cycles, delayed renewals, a weakly developed second level of bargaining and inadequate inflation-adjustment mechanisms. Poland represents a “negative” case in which collective bargaining is too weak to organise a broad response to cost-of-living pressures, and statutory minimum-wage policy plays a far larger role than multi-employer bargaining.

A second finding concerns the form of adjustment. None of the five countries experienced a straightforward return to comprehensive automatic wage indexation. The inflation crisis instead produced a range of hybrid responses. In Denmark, the main response ran through centrally negotiated increases in minimum rates and through the expanded free-choice account. In Spain, revision clauses reappeared in selective and controlled form, especially in construction, while retail maintained a non-CPI-centred adjustment formula linked partly to real sales. In Germany, tax-free inflation compensation premiums became a powerful anti-crisis device, but one whose relationship with durable wage-scale growth remained contested. In Italy, only a few sectoral agreements—notably metalworking—contained robust inflation-protection mechanisms, whereas most sectors remained exposed to delays in adjustment of wage scales and partial compensation. In Poland, the main effective inflation-adjustment mechanism remained the statutory minimum wage rather than collective bargaining itself.

A third finding is that distributive choices in bargaining outcomes were central but were tackled with different levels of attention and focus across countries. As well as generating a problem of average wage recovery, the inflation shock also reopened the question of who should be protected first and by what means. The Danish case is particularly important because the 2023 and 2025 bargaining rounds shifted part of the adjustment burden toward centrally regulated elements that disproportionately benefited workers with weak local bargaining power. In Germany, solidaristic claims also emerged in construction and, to a lesser extent, in retail and manufacturing, but within a context of declining coverage and more conflictual social partnership. In Spain, the interaction between collective bargaining and the statutory minimum wage was especially relevant in retail, while construction relied on a sector-wide mechanism that protected the entire wage structure in delayed and capped form. In Italy, by contrast, the sectors with weak firm-level bargaining and long contractual vacancies—notably retail and other service activities—were the most exposed to erosion of real wages. In Poland, distributive protection was concentrated in the minimum wage and in enterprise-level adjustments where bargaining existed at all.

The cases also differ in the role played by the state. Denmark remains the clearest example of a voluntarist and bargaining-centred model, even if the state remains an important backstop through mediation and, in specific instances, public-sector intervention. Spain illustrates a system in which the legal and institutional scaffolding of bargaining remained crucial, even without a full incomes pact. Germany shows a stronger state role through fiscal instruments such as the inflation compensation premium. Italy saw significant public intervention through tax and fiscal measures, but no real reconstruction of concertation nor of cross-sectoral coordination in collective bargaining. Poland, finally, demonstrates how the state can (more or less effectively) substitute for collective bargaining when the latter is too weak to perform macro-social functions, and the risks associated with this approach.

One important caveat concerns the source base. The five national reports are not fully symmetrical in scope or depth. The German, Spanish, Danish and Italian reports provide rich sectoral and actor-centred evidence. The Polish report is much more complete on the institutional weakness of collective bargaining and on the role of the statutory minimum wage than on directly comparable sectoral bargaining episodes in metalworking, retail and construction.

Against that background, the report proceeds as follows. Section 2 compares wage developments across the five countries, whilst Section 3 develops a comparison of wage developments and bargaining outcomes specifically across the three sectors under analysis: metalworking, retail/commerce and construction, exploring the relevance of the sectoral dimensions in accounting for responses to inflation. The following five sections focus thematically on various aspects of collective bargaining functioning during the inflation crisis: Section 4 on inter-sectoral coordination, Section 5 on indexation mechanisms, Section 6 on mechanisms for protecting disadvantaged groups, section 7 on the balance between conflict and cooperation during the inflation crisis, and section 8 discussing the most relevant institutional innovations or quasi-innovations that emerged from the national cases. Section 9 briefly concludes.

2. Wage developments across case study countries

Across the five cases, wage developments during the inflation crisis followed a broadly similar temporal sequence, but diverged substantially in overall outcomes, distributive effects and institutional mechanisms of negotiation. In most countries, negotiated wage increases lagged behind inflation in the first phase of the shock, especially during 2021 and 2022, when many agreements had been signed under pre-crisis expectations or when bargaining institutions were too slow to react. From 2023 onward, however, most systems showed some degree of adjustment. The key comparative question is therefore not whether wages initially lagged behind prices, as they largely did everywhere at least in the first phase of the inflation shock, but how different bargaining systems subsequently orchestrated partial recovery, redistribution or compensation, or failed to do so.

Denmark stands out as the case where the collective bargaining system most clearly absorbed the shock through coordinated renegotiation. The manufacturing sector remained the pattern-setting sector, and the 2023 bargaining round used a combination of unusually high minimum-rate increases, conversion of pension contributions into current income, and expansion of the flexible "free-choice account" to accelerate wage growth without abandoning the underlying logic of pattern bargaining. In manufacturing, this produced a notable increase in centrally regulated minima and compensation elements, while maintaining the role of local bargaining for the large share of workers above minimum rates. The retail sector followed the same broad logic, but because retail is much more strongly anchored in minimum-rate bargaining, the central increases had more direct distributive effects. The 2023 and 2025 retail agreements therefore benefited workers with weak local bargaining power especially strongly. Construction also broadly mirrored the manufacturing pattern, but with sector-specific adaptations, including the introduction of a housing allowance for non-resident workers. Overall, the Danish evidence suggests that the inflation shock was managed through higher-than-usual but still coordinated nominal increases, followed by relatively rapid recovery of real wages, including among lower-paid groups.

Spain also shows a sequence of initial real-wage loss followed by partial recovery, but in a more differentiated institutional setting. In all three sectors covered by the report—metalworking, construction and large retail—negotiated increases lagged clearly behind inflation in 2021 and 2022. The recovery phase from 2023 onwards was shaped by the V AENC, which provided wage guidance of 4 per cent for 2023 and 3 per cent for 2024 and 2025 and helped re-establish a common framework after the failure of a tripartite incomes pact. Yet the way that this guidance translated into sectoral outcomes varied substantially. Metalworking remained the most fragmented case because wages are largely negotiated at provincial level. As a result, the sector did not produce a single national response to the inflation shock. Provincial agreements adjusted upward, and some introduced or activated revision clauses, but protection remained uneven. Construction followed a more coordinated path. The VII general agreement established fixed increases for 2022–2024 plus a cumulative safeguard clause triggered by the sum of annual December CPI rates, with a threshold, a cap and no retroactive effect. The clause was in fact activated and generated a partial correction in 2025, combined with pension contributions. Retail, by contrast, remained highly centralised and developed a distinctive hybrid response: after very low fixed increases in 2021 and 2022, the 2023–2026 agreement provided strong fixed rises, a guaranteed additional variable payment, a path toward higher wage floors and continued reliance on a real-sales-based variable component rather than CPI. In Spain, then, the inflation shock did not restore a uniform model of wage protection, but it did produce a broad, although incomplete, catch-up mediated by different sectoral institutional logics.

Germany presents a more uneven picture across sectors. In retail, bargaining remained conflictual and structurally weak because of declining coverage and the regionalised structure of multi-employer bargaining, but wage outcomes did improve after highly contentious bargaining rounds – albeit without securing strong recovery of purchasing power. The 2024 settlement combined wage-scale increases with fixed sums and an improved company pension element, while a €1,000 inflation compensation premium was paid. The statutory minimum wage also played an important role at the lower end of the wage structure, pushing up the floor and compressing wage differentials. In construction, the 2024 round was more conflictual than in the past, but it produced stronger nominal gains, including fixed-sum elements that benefited lower and medium wage groups disproportionately. Construction workers therefore achieved a relative improvement vis-à-vis other major agreements, even if this should not be read as a straightforward case of full inflation recovery on all metrics: the more positive assessment in the national report reflects the overall settlement package, whereas narrower percentage-only indicators capture this only partially. This occurred despite a difficult sectoral environment and the abandonment of the old sectoral minimum wage after 2022. In the metal and electrical industries, by contrast, the key anti-crisis mechanism was the tax-free inflation compensation premium of up to €3,000 combined with delayed and more moderate wage-scale increases. IG Metall judged the 2022 settlement acceptable and later in some respects successful, but also recognised that it did not produce lasting compensation for all inflation losses. The German picture is therefore one of pronounced sectoral differentiation: stronger recovery in construction, mostly achieved through fixed increases and one-off bonuses; moderate gains and organisational fragility in retail, and relative wage moderation in export-oriented manufacturing under the weight of structural industrial crisis.

Italy shows the sharpest contrast between sectors. In the aggregate, the inflation crisis exposed structural weaknesses already built into and well known about the Italian wage-setting system: long contract durations, long periods of contractual vacancy, weak second-level bargaining outside parts of industry and construction, and a bargaining formula tied to expected inflation and to the IPCA-NEI index, inadequate to respond to energy shocks because it excludes imported energy from the calculation of the inflation index. These weaknesses made the system slow and uneven in responding to a rapid inflationary shock with its main roots in energy markets. Metalworking was the main partial exception. Since 2016, and more clearly after the 2021 CBA renewal, the sector has had a safeguard mechanism that every year adjusts contractual minima ex post to realised IPCA-NEI inflation. This made metalworking one of the very few Italian sectors with a genuine anti-inflation device operating inside the collective agreement. Even so, the report notes that the mechanism itself remained limited by time lags, by the exclusion of imported energy from the index, and by the possibility that increases in minima would be absorbed by firm-level “superminimi”. Construction performed better than retail but still did not fully compensate inflation. The 2025 renewal was described by the parties as relatively generous and was concluded quickly by Italian standards, yet the report’s own comparison with inflation indicators shows a decline in real contractual minimum wages between 2019 and 2025. Retail was the most problematic case. The main agreement covering commerce and services had extremely long contractual vacancy, a fragmented employer side, weak second-level bargaining and strong exposure to internal contractual dumping. The 2024 renewal finally restored bargaining after years of delay, but the wage increases were judged clearly insufficient to offset inflation.

The Italian evidence therefore points to a combination of sectoral asymmetry and systemic weakness: where institutional devices existed to link negotiated wages to inflation developments, as in metalworking, collective bargaining protected wages better; where they did not, adjustment was delayed and incomplete.

Poland cannot be integrated into this sectoral comparison on the same basis as the other four countries because the national report contains very limited directly comparable material on bargaining in metalworking, retail and construction. The report is explicit that the great majority of collective agreements are single-employer agreements and that no usable sector-level bargaining data are available for the three sectors. For that reason, no analytically secure comparison of sectoral wage settlements can be made on the basis of the current source material. What can be said is that wage protection in Poland during the inflation crisis depended far more on statutory minimum-wage increases and on ad hoc enterprise-level developments than on multi-employer collective bargaining. In that sense, Poland is best treated as a case of weak bargaining capacity and externally driven wage-floor adjustment rather than as a sectorally articulated bargaining system.

These national patterns already suggest that inflation did not produce a uniform bargaining response. Instead, the effect of the shock depended on the interaction between national bargaining institutions, state intervention and sectoral conditions. In some countries, collective bargaining remained capable of organising coordinated adjustment; in others, sectoral fragmentation or institutional weakness made outcomes more uneven. The next section therefore shifts the unit of analysis from countries to sectors and asks whether manufacturing, retail and construction display common cross-country tendencies once national institutional differences are taken into account.

3. Sectoral wage and bargaining developments across countries: logic of selection, expectations and comparative evidence

An analytically important question raised by the inflation crisis is whether some of the main differences in wage bargaining dynamics are better explained by sectoral characteristics than by national institutional setting alone. The three sectors selected for analysis in WP4 — manufacturing, retail/commerce and construction — are useful for this purpose because they differ in their sensitivity to inflationary dynamics and interest rate hikes, cost structure and energy intensity, demand conditions, labour-market composition as well as workers' power resources and hence bargaining strength. The research design of WP4 therefore allows for a comparison of how similar inflationary pressures were filtered through different sectoral environments, while also making it possible to test whether national institutional arrangements remain the more decisive source of variation.

Expectations about sectoral dynamics during the inflation shock

Manufacturing is typically the sector most exposed to international competition, to imported input costs and, in the recent period, to the energy-price shock. At the same time, it is often the sector with the strongest bargaining institutions, the greatest organisational density and, in several countries, a privileged role in wage coordination. Retail is almost the opposite configuration. It is typically more dependent on domestic demand and household purchasing power, more labour-intensive, lower paid and more fragmented in terms of both firms and employment relations. Construction occupies an intermediate but analytically distinct position. Like manufacturing, it is also sensitive to energy and material costs, but unlike manufacturing it is especially exposed to the monetary-policy response to inflation, above all through interest rates, credit conditions and housing or investment cycles. It is also a sector in which public policy, procurement rules and tax incentives may have unusually strong effects on market conditions and bargaining outcomes.

These sectoral differences suggest competing expectations about how the inflation shock might affect wage-setting dynamics.

i) We expect manufacturing to be strongly exposed to inflationary pressures through rising energy and input costs and, especially in export-oriented industries, through competitiveness constraints. This would suggest pressure toward wage restraint or at least toward greater employer resistance to full inflation compensation. At the same time, because manufacturing is frequently the most organised and institutionally central private-sector bargaining arena, it may still be the sector best able to produce coherent and innovative negotiated responses.

ii) With regard to retail, we expect the inflation shock to be transmitted above all through the erosion of household purchasing power, which might limit firms' ability to pass higher costs on to consumers. At the same time, the widening gap between nominal turnover and sales volume in the sector suggests that, in some segments of the sector, inflation may also have been associated with seller-driven price adjustment and possible protection or even expansion of profit margins, rather than with a simple compression of activity. Yet, because retail is generally lower paid, more fragmented in terms of employment structures and less institutionally coordinated than manufacturing, the ability of workers and their unions to extract wage gains might remain limited even in the presence of profit increases. Overall, we would expect retail to remain more vulnerable to prolonged real-wage erosion unless external supports — strong national sectoral bargaining, pattern bargaining from other sectors, or minimum-wage pressure — help offset these structural weaknesses.

iii) In construction, inflation may affect bargaining both directly, through increased material and energy prices rising firms costs and eroding profit margins, and indirectly, through anti-inflation monetary tightening that depresses housing demand and investment. One might therefore expect construction to be among the sectors most negatively affected by the inflation episode. However, this expectation is complicated by the fact that construction is also highly dependent on national policy design, including public incentives and infrastructure spending – which frequently received a boost in the post-Covid conjuncture across European countries, also thanks in some cases (such as Italy and Spain) to the National Recovery and Resilience Plans. Sectoral outcomes in construction should therefore be expected to vary more sharply across countries than in manufacturing or retail.

Comparative evidence

The national reports broadly support the interpretations that sector matters, but they also indicate that sectoral effects are strongly mediated by national institutions.

Table 1 provides a first cross-country comparison of cumulative negotiated wage-floor growth during the inflation crisis, using 2021–2024 as a common reference window wherever possible and summarising information from the national reports in as comparable a format as possible. The table does not compare realised average earnings, but rather the cumulative negotiated wage settlements realised in collective bargaining agreements over the period (usually calculated by adding together annual negotiated % wage scale increases reported in the national reports). These figures are then set against cumulative HICP inflation over the same period in order to assess the extent to which negotiated wage floors kept pace with consumer prices. The inflation comparator is derived from the Eurostat annual average HICP index (Total), using the cumulative change between 2021 and 2024.

The table should be read with several methodological caveats in mind. First, the wage-floor series are not fully harmonised across countries. In some cases, the figures refer to contractual minima in a strict sense, while in others they refer to benchmark tariff categories or centrally negotiated minimum-rate packages. The underlying object of comparison is therefore not strictly identical across all rows. Second, some of the figures are reconstructed from stepped settlements. Where agreements include delayed tranches, fixed sums, or one-off inflation compensation payments that cannot be incorporated straightforwardly into a cumulative contractual-minima series, these are not included in the calculations. In these cases, the table reports the best approximation of negotiated wage-floor growth while excluding clearly non-consolidated or one-off elements.

Third, a small number of rows rely on explicit proxy assumptions because the national reports do not provide a directly usable cumulative minima series for the whole period. This applies most clearly to Denmark, where the report provides centrally negotiated packages — including minimum-rate increases, pension shifts and free-choice-account expansions — rather than a standardised end-period minima series fully equivalent to the Italian or German cases. It also applies to Spanish metalworking, where bargaining remains provincial and heterogeneous, so that no single national minimum-wage series can be derived. These cases are retained in the table but their results should be interpreted more cautiously than rows based on directly reported or more easily reconstructable series.

Finally, comparability is further limited by differences in bargaining structure and in the role of supplementary compensation mechanisms. In some sectors and countries, non-wage or semi-wage devices — such as one-off inflation bonuses, pension contribution shifts, free-choice accounts, variable sales-linked payments, or bilateral welfare provisions — formed an important part of the overall distributive response to inflation. The table separates these mechanisms from the cumulative wage-floor measure in order to preserve a comparable core indicator, but this also means that the figures may understate total negotiated compensation in cases where non-consolidated or non-wage elements played a large role. The table should therefore be interpreted as a proxy comparative indicator of negotiated lower-end wage adjustment, not as a fully standardised measure of total wage growth or overall compensation.

Table 1. Cumulative growth of negotiated contractual minima / benchmark wage floors and HICP during the inflation crisis, by sector (2021–2024)

Sector	Country	Wage floor growth 2021-2024 (%)	Cumulative HICP growth 2021-2024 (%)	Gap (pp)	Additional mechanisms / note
Manufacturing / metalworking	Italy	16.2[1]	16.4	-0.2	Safeguard clause; annual ex post IPCA-NEI adjustment
	Germany	11.7[1]	18.1	-6.4	€3,000 inflation premium outside wage-scale figure
	Spain	3,04[2]	15.2	n.a.	Provincial bargaining; no single national minima series available
	Denmark	10.9[3]	13.6	-2.7	OK23 package includes minimum-rate rise, pension shift and free-choice account
Retail /	Italy	6.2[1]	16.4	-10.2	Long ultra-activity;

commerce					stronger bilateral welfare elements
	Germany	14.7[1]	18.1	-3.4	€1,000 inflation premium; pension increase
	Spain	11[1]	15.2	-4.2	Sales-linked variable component; non-consolidable variable payment excluded from wage-floor measure
	Denmark	10.9[4]	13.6	-2.7	Proxy based on strong pass-through of OK23 package to low-paid workers
Construction	Italy	7.1 [1]	16.4	-9.3	No safeguard clause; some firm-level bonuses
	Germany	7.4 (West Germany) 10.7 (East Germany) [1]	18.1	-10.7 (W) / -7.4 (E)	One-offs and separate inflation premium: +€230 fixed increase in 2024 above % increases
	Spain	8.75 [1] [figure refers to 2022-2024]	15.2 [figure refers to 2022-2024]	-6.45	Capped safeguard clause; partial correction in 2025
	Denmark	n.a.[6]	13.6	n.a.	No directly usable cumulative % in national report

Notes

Source note: HICP figures are calculated from the Eurostat annual average index dataset prc_hicp_ainr ("Total"). Cumulative inflation is calculated as [(index in 2024 / index in 2021) – 1] × 100, except for Spain- construction, where the 2022–2024 HICP comparator is taken directly from the national report in order to match the reported wage-growth window.

[1] The reported percentage is obtained by summing the annual agreed percentage increases in wage scales reported in the national reports over the period 2021–2024 (or other periods indicated in the respective reports). It excludes one-off bonuses, inflation premiums, fixed nominal increases, and other transitory or variable compensation elements. It should therefore be read as a synthetic measure of agreed percentage wage-scale adjustment, not as an exact cumulative change in contractual wage levels between two time points.

[2] Not available as a nationally comparable series because Spanish metalworking bargaining is provincial and

heterogeneous.
[3] Proxy based on the centrally negotiated OK23 two-year package rather than a full 2021–2024 minima series.

[4] Same proxy logic applied as in Danish manufacturing; the national report indicates near-full transmission of centrally negotiated minima-related improvements to low-paid retail workers.

[5] The cumulative HICP figure for 2022-2024 for Spain is drawn from the Spanish national report.

[6] The national report contains the construction settlement in levels and instruments, but not a directly usable cumulative percentage for 2021–2024.

Manufacturing provides the clearest example of a recurrent cross-country logic, but the quantitative evidence also shows that strong institutional centrality did not generally translate into full protection of lower-end wage floors against inflation. Across Denmark, Germany, Spain and Italy, manufacturing emerges from the national reports as the sector with the greatest bargaining capacity and the clearest role in wider wage coordination, but not as the sector with uniformly strongest wage protection, as cumulative negotiated minima or benchmark lower-end wage floors still diverged substantially in relation to inflation. In Denmark, manufacturing remained the pattern-setting sector and the main carrier of coordinated adjustment. The 2023 bargaining round used the strength of this institutional position to enlarge the central economic framework, notably through unusually high increases in minima, shifts in pension contributions and the expansion of the free-choice account. The significance of manufacturing in Denmark lies therefore not only in the direct settlement reached in the sector, but in its ability to transmit a labour-cost norm and a distributive orientation to the rest of the private economy. In Germany, metalworking and electrical engineering retained a similar institutional centrality, but under significantly harsher macroeconomic conditions. High energy prices, export pressures and the broader industrial slowdown constrained the wage bargaining space, with the result that the main anti-crisis device became the tax-free inflation compensation premium combined with delayed and more moderate wage-scale increases. In Spain, metalworking remained one of the most important bargaining arenas, but its provincial and territorially fragmented bargaining structure made the response more uneven and less coherent than in other sectors (and limits comparability of wage outcomes). In Italy, metalworking stands out as the strongest organised sector and the main locus of institutional innovation in wage-setting through the safeguard clause (see below), which made it one of the few sectors with an actual inflation-adjustment device embedded in the agreement and whereby cumulative growth in contractual minima almost matched HICP. In all four cases, then, manufacturing remained institutionally central to the wage bargaining architecture, but the degree of inflation protection varied substantially depending on the macroeconomic environment, the structure of bargaining and the willingness of sectoral actors to use their central position to initiate wage recuperation (as for instance in Italy) as opposed to entrench wage moderation with an attention to external cost competitiveness (as, for instance, in Germany).

We can interpret these outcomes as resulting from two overlapping tendencies. On the one hand, manufacturing was among the sectors most directly exposed to the inflation shock through energy prices, imported inputs and competitiveness pressures, which pushed to some extent towards wage moderation, as observed for instance in the German case. On the other hand, it also remained the sector most likely to possess the organisational and institutional resources needed to produce a structured bargaining response. This combination helps explain why manufacturing often remained the reference point for wage-setting, although without necessarily delivering the strongest real-wage protection. In Denmark, these strong institutions allowed manufacturing to absorb the shock through coordinated adjustment. In Italy, the sector's stronger institutions and workers bargaining power similarly facilitated innovation in wage setting and a more robust alignment of wages with inflationary dynamics. In Germany, the same sectoral centrality coexisted with relative wage caution because the industrial environment was much more adverse, thus resulting in more observable wage moderation. The coexistence of strong institutional centrality and weak cumulative wage-floor protection shows more clearly that the main anti-crisis strategy in Germany shifted toward one-off compensation rather than strong permanent wage adjustment. In Spain, the manufacturing sector exhibited higher levels of conflict due to the stronger power resources of trade unions. However, conflict mirrored the fragmented character of collective bargaining in the sector and happened without articulating a national strategy.

Retail shows again a non uniform cross-country pattern. Across the cases, it appears as a relatively low-wage, labour-intensive and demand-sensitive sector in which the inflation shock was transmitted through the interaction between rising prices and declining purchasing power. The divergence between turnover and sales volume documented both at EU and country level suggests however that in at least some segments of the sector, firms appeared to have been able to preserve or even expand margins through price increases. Whether workers managed to recuperate part of these profits varies substantially across countries.

In Italy, the bargaining outcomes reported in the national report are consistent with the interpretation of retail as the sector in which weak bargaining leverage, fragmented employment structures and distributive vulnerability were most visible in wage dynamics. Cumulative growth in contractual minima in retail and commerce reached only 6.2 per cent between 2021 and 2024, against cumulative HICP inflation of 16.4 per cent, resulting in a very high cumulative 10 percentage points gap between HICP and negotiated wages. Spanish retail bargaining performed more strongly than in Italy, with the fixed wage-floor component of the large retail agreement rising by 11 per cent, compared with cumulative HICP inflation of 15.2 per cent, resulting in a much smaller gap of around 4.2 percentage points. In Germany, the sum of negotiated annual % wage increases amounts to 14.7 per cent over the 2021-2024 period, still lagging behind a cumulative inflation rate of 18.1 per cent but by a smaller margin than in Italy or Spain. Denmark again appears relatively more protective, with the OK23 package proxy indicating lower-end growth of about 10.9 per cent against inflation of 13.6 per cent (but this too remains a proxy based on centrally negotiated package elements rather than a directly observed contractual minima series).

The qualitative evidence helps explain these differences. In Denmark, retail benefited from the transmission of the manufacturing pattern and from the deliberate emphasis on centrally regulated improvements that mattered particularly for low-paid workers with weak local bargaining power. Because retail is more strongly centred on minimum-rate bargaining than manufacturing, central increases in minima and supplementary wage-like components had especially large distributive effects. In Spain, the national agreement combined fixed wage increases with a variable component linked to real sales rather than directly to inflation, thereby incorporating sector-specific demand conditions into the wage-setting formula. This is analytically important because it shows that adaptation to the inflation shock did not necessarily require CPI-linked mechanisms.

Germany and Italy reveal more clearly the structurally weak side of retail, but in different ways. In Germany, the weakness mostly transpired in the process: retail bargaining remained regionally fragmented, coverage had declined significantly, and the bargaining round was highly conflictual and prolonged. At the same time, the eventual settlement was not weak in formal percentage terms: the agreed scale increases, together with supplementary measures, produced a much more substantial adjustment than in Italy and even slightly stronger cumulative percentage wage-scale growth than in Spain. Nevertheless, this stronger formal settlement still did not restore purchasing power fully, and part of the adjustment relied on fixed sums, inflation compensation and other supplementary devices rather than on a durable closing of the inflation gap through consolidated wage floors alone.

In Italy, retail and commerce was instead the sectors in which the broader structural weaknesses of the collective bargaining system became most visible. Low wages, prolonged contractual vacancy, fragmented employer representation, weak second-level bargaining and internal contractual competition all combined to delay and weaken wage adjustment. The 2024 renewal restored bargaining after a very long interruption, but did not compensate inflation losses in any robust way.

Taken together, the cases suggest that, notwithstanding differences in outcomes, retail was the clearest pressure point of the inflation crisis. Where wage protection was stronger, this was usually thanks to institutions exogenous to the sector's structural position, such as strong pattern bargaining in Denmark or strong national sectoral bargaining in Spain, that helped offset its vulnerabilities. The statutory minimum wage also played an important role in shaping retail bargaining outcomes in both Germany and Spain, though in somewhat different ways. In Germany, the report suggests that minimum-wage increases directly pushed up the lower end of the wage structure and overtook some of the lowest collectively agreed categories, so that developments at the bottom of the retail pay scale cannot be understood as the product of collective bargaining alone. In Spain, the interaction is also explicit: the report identifies large retail as a sector with strong direct and indirect exposure to minimum-wage increases, and notes that unions used the compression of lower wage floors toward the statutory minimum as an argument for stronger upward revision of sectoral pay scales.

Construction presents the least uniform cross-country pattern, but the combined qualitative and quantitative evidence still indicates that lower-end negotiated wage growth generally lagged behind inflation in all available cases. At the same time, construction differs from manufacturing and retail because sectoral dynamics are shaped not only by inflation and bargaining institutions, but also by housing cycles, credit conditions, public incentives, procurement rules and the structure of firms. This makes the sector particularly sensitive to the broader policy response to inflation and to country-specific market conditions.

The quantitative evidence points to a common distributive tendency, although the indicators are not perfectly uniform. In Italy, cumulative growth in contractual minima in construction reached 7.1 per cent against cumulative HICP inflation of 16.4 per cent. In Germany, the agreed percentage increases reported in the national agreement amount to 7.4 per cent in West Germany and 10.7 per cent in East Germany, against cumulative HICP inflation of 18.1 per cent; however the reported percentage refers only to the sum of agreed annual percentage wage-scale increases (West: 7.4; East: 10.7) and excludes the fixed nominal increase agreed in 2024 (€230), earlier one-off payments, and the separate inflation compensation premium. The table figure therefore understates the redistributive strength of the settlement, which was more favourable to lower and medium wage groups than a percentage-only indicator suggests. In Spain, the national construction agreement shows cumulative negotiated increases of 8.75 per cent against cumulative inflation of 11.6 per cent, although both figures refer to the shorter 2022–2024 period used in the national report. Denmark cannot be included on the same basis, since the report provides the settlement package in levels and instruments but not a directly usable cumulative percentage for the full period. Taken together, the quantitative evidence suggests that construction did not come close to preserving lower-end wage floors in real terms during the inflation episode, even where bargaining institutions remained comparatively stable.

The German case illustrates particularly well how inflation interacted with a difficult and internally differentiated sectoral environment. The report describes a more conflict-ridden bargaining process than in previous years, a sharper confrontation over the interpretation of purchasing-power losses, and strong employer resistance to any inflation-linked wage rule. Employers explicitly rejected an arbitration proposal that would have tied sectoral minimum wages to inflation, partly because they feared the cost implications of establishing such a precedent. At the same time, the report also shows that the downturn was not uniform across the sector. Housing construction was clearly under pressure, but labour shortages remained significant and firms could partly shift activity toward refurbishment and renovation. The West/East German distinction also reflects a longer institutional history. Construction bargaining has continued to operate through separate collective agreements, rooted in the post-unification legacy of different wage levels and reinforced by stronger competitive pressures in Eastern Germany. Because wage scales in the East started from a lower base, agreed increases often appear higher in percentage terms, and the 2024 agreement continued this convergence logic, with somewhat stronger eastern increases and eventual alignment to the western wage scale scheduled for 2026. The report also links the tougher employer position, especially among smaller firms and those in the East, to stronger exposure to cost competition and to weaker margins in parts of the sector. Overall, the report presents the 2024 settlement as comparatively favourable to labour within the German context. The agreement combined percentage increases with fixed-sum elements (€230 in 2024) that benefited lower and medium wage groups disproportionately, and was seen by both bargaining sides as relatively expensive by comparison with other recent major agreements. This more positive assessment, however, refers to the distributive profile of the settlement as a whole. Narrower percentage-only indicators as reported in Table 1 can capture this only partially, because they exclude fixed nominal increases, one-off payments and the inflation compensation premium. German construction should therefore be understood as a case of comparatively strong and redistributive nominal adjustment within Germany, but not as an unambiguous case of full inflation recovery on every comparative metric.

The Spanish case shows again a different trajectory. Here construction remained comparatively coordinated and the inflation shock was processed through a stable sectoral framework rather than through bargaining breakdown. The most important innovation was the introduction of a cumulative but capped safeguard clause in the VII General Agreement. The agreement set fixed increases of 3.0 per cent for 2022, 3.0 per cent for 2023 and 2.75 per cent for 2024, while also establishing a delayed wage-revision mechanism linked to the cumulative sum of December CPI rates for 2022–2024, subject to a threshold and a cap and without retroactive effect. Part of the eventual correction was also channelled into the new sectoral occupational pension plan, rather than being translated fully into wages. The national report therefore presents Spanish construction as a case of controlled and partial re-indexation: inflation did not restore classic full indexation, but it did reactivate a rule-based protective mechanism in a more limited, delayed and institutionalised form. In distributive terms, the result still implied some real-wage erosion, but the gap remained smaller than in Italy or Germany.

Italy again followed a different path. Construction was strongly reshaped not only by inflation, but also by extraordinary public intervention, above all the superbonus 110 per cent and related incentives. These policies sustained activity, boosted employment and intensified labour demand, while also fuelling price increases in materials, subcontracting and operations. The national report is explicit that inflationary pressures in the sector were partly linked to this very expansion of demand. In response, employers also obtained more favourable public-procurement price-revision rules. Collective bargaining, however, did not introduce an ex post correction mechanism comparable to metalworking. Wage increases continued to be based on forecast IPCA-NEI rather than on systematic recovery of realised inflation, and the report concludes that real collectively agreed minimum wages in construction declined over the inflation period despite the comparatively favourable business cycle. In this respect, Italy shows most clearly that strong sectoral demand does not automatically translate into stronger wage protection if bargaining institutions are not designed to redistribute inflation-driven gains.

Denmark cannot be compared quantitatively in the same way, but the qualitative evidence remains important. The Danish report shows that construction broadly followed the general pattern set by manufacturing, while also containing specific distributive issues of its own. The 2023 agreement mirrored the industrial settlement in its main wage components, but also introduced a housing allowance for non-resident workers and other sector-specific provisions. The report interprets the settlement as more than a simple translation of the industrial pattern: it represented a partial “normalisation” of bargaining in construction because it helped resolve the long-standing issue of migrant and non-resident workers’ pay and conditions. In this sense, the Danish case again points to negotiated adaptation under relatively stable institutional conditions rather than to sectoral disorganisation.

The broader conclusion is that construction is the sector in which the inflation shock is filtered most heavily by national market conditions and public policy. There is some commonality in the channels of exposure: rising input costs, dependence on credit conditions, and vulnerability to the monetary response to inflation. But these common pressures did not translate into a uniform bargaining trajectory. In Germany, inflation interacted with a weakening housing market, stronger internal employer divisions and resistance to index-linked adjustment, but construction still produced a comparatively favourable outcome for labour because the 2024 settlement combined relatively high nominal increases with fixed-sum elements that disproportionately benefited lower and medium wage groups, continued the East–West convergence dynamic, and was supported by strong labour shortages and unusually intense industrial action. In Spain, the same shock produced a more orderly process of partial and capped correction within a stable national framework. In Italy, wage-setting unfolded in a sector whose activity and price dynamics were heavily shaped by exceptional fiscal incentives and public-procurement rules. In Denmark, construction remained embedded in coordinated pattern bargaining but with distinctive sectoral distributive issues. Construction is therefore less useful for identifying a single cross-country distributive logic than for showing how strongly the inflation shock was mediated by national institutions, public interventions and sector-specific bargaining arrangements.

A final issue concerns Poland, that cannot be integrated into this sectoral comparison on the same basis as Denmark, Germany, Spain and Italy. The national report is very clear that collective bargaining in Poland remains extremely weak, overwhelmingly decentralised and almost entirely confined to single-employer agreements. It also states explicitly that there are no directly usable sector-level bargaining data for manufacturing, construction and commerce comparable to those available for the other countries.

Taken together, the sectoral comparison suggests that sectoral characteristics shaped the channels through which inflation was experienced: manufacturing mostly through imported energy costs and concerns around maintaining external cost competitiveness; retail through depressed domestic demand, which combined with fragmented employment structures and weak bargaining power; and construction through the interaction between inflationary dynamics, interest rate hikes and public policy interventions. Yet, the ability to process these pressures through collective bargaining depended above all on national and sectoral institutions. Manufacturing and retail therefore show the strongest cross-country regularities, though in opposite directions: manufacturing as the sector of strongest bargaining capacity under high economic pressure, retail as the sector of greatest distributive vulnerability unless supported by stronger institutions. Construction, by contrast, remained much more contingent in outcomes. The broader implication is that sectors matter, but not autonomously. Sectoral characteristics matter insofar as they structures the form and intensity taken by the inflation shock, while national bargaining systems and policy regimes structure the capacity to respond to it.

4. Mechanisms of inter-sectoral coordination

The comparison of inter-sectoral and peak-level coordination shows that the inflation crisis did not simply reactivate old-style coordinated incomes policies (cf. Tassinari et al. 2024). Rather, it revealed different ways in which coordination can still matter under contemporary collective bargaining conditions, but in sometimes new forms.

Denmark remains the clearest case of institutionalised inter-sectoral coordination. The manufacturing agreements negotiated by CO-industri and Danish Industry continue to set the labour-cost norm for the rest of the private economy. This norm is subsequently transposed into other sectoral agreements, although not mechanically and with some room for different distributive emphases. Coordination is reinforced by synchronised bargaining rounds, strong employer-side capacity through DA and DI, and the mediation system, which links sectoral agreements and makes it difficult for individual sectors to break the overall pattern. Public-sector wage setting is further connected to private-sector developments through the regulation scheme. The inflation crisis did not alter this architecture. What changed was the content of the pattern, especially in 2023, when manufacturing negotiators deliberately used centralised tools to favour workers in sectors with weak local bargaining power. In that sense, the Danish case shows that coordination remained both institutionally strong and strategically adaptable.

Spain presents a different but still robust model of coordination. It is less dependent on one pattern-setting export sector than Denmark and more reliant on a layered institutional structure that combines sectoral bargaining, legal extension and interconfederal guidance. Coordination with the government during the inflation crisis remained important but did not culminate in a binding tripartite incomes pact. The attempted broader pact of 2022 failed because unions, employers and government did not converge on a common wage formula. Nevertheless, the state remained highly consequential through anti-inflation measures, the statutory minimum wage and the legal framework of bargaining restored by the 2021 labour reform. The decisive development at peak level was bipartite rather than tripartite: the signing of the V AENC in 2023 after a period of conflict. The agreement did not impose binding wage settlements sector by sector, but it set a reference path that quickly became visible across agreements and provided legitimacy for renewed bargaining activity. The Spanish case therefore shows how coordination can be reactivated even without a formal incomes policy, through interconfederal guidance embedded in a strongly institutionalised bargaining system.

Germany occupies a more ambiguous position. Historically, the metal and chemical industries played an important benchmark role for collective bargaining across the economy. The national report makes clear, however, that this role has weakened. The 2022 "concerted action" convened by the Federal Chancellery was intended to coordinate the reaction of social partners and the government to the inflation crisis, combining relief measures with wage moderation. In practice, it had limited and short-lived effects. There was no lasting formal coordination of bargaining across sectors, and interview evidence suggests that employers increasingly tried to ignore settlements reached in the traditionally leading sectors. Coordination in Germany therefore remained indirect, fragmented and more contested than in the past. The inflation compensation premium functioned as a cross-sector enabling device, but it did not amount to coordinated wage policy. Moreover, the sectoral logics diverged strongly: construction achieved strong increases, retail remained weak and conflictual, and the metal and electrical industries accepted moderation in light of industrial crisis. Germany thus demonstrates that coordination may persist as a historical memory and a loose reference point while losing much of its previous governing capacity.

Italy represents a weaker form of coordination again. The pre-crisis system already lacked strong cross-sector mechanisms beyond the broad reference to expected inflation and the two-tier logic inherited from the reforms of the 1990s and 2000s. During the inflation crisis, there was no real reconstruction of tripartite concertation. Governments consulted the social partners and adopted a range of anti-crisis and fiscal measures, but neither the Draghi government nor the Meloni government restored an organic incomes policy or a coordinated wage-setting strategy. Nor was the absence of concertation compensated by strong autonomous coordination among social partners across sectors. The national report is explicit on this point: the lack of concertation was not replaced by autonomous inter-sectoral coordination. The result was that sectoral bargaining remained largely on its own, subject to highly unequal bargaining power and timing. Metalworking was able to rely on its own internal institutional innovation; construction used sector-specific capacities; retail remained exposed. In comparative terms, the Italian case shows what happens when a formally centralised system lacks effective coordinating instruments in practice.

Poland lies at the far end of the spectrum. The report states unambiguously that no inter-sectoral coordination of wage bargaining existed during the inflation crisis. Social partners' involvement in anti-crisis policy was limited, and the central tripartite institutions did not steer wage developments in a meaningful way. The representative social partners and the government did not build a consensual national action plan around collective bargaining. Instead, the government drafted it. Because multi-employer collective bargaining is largely absent and most existing agreements are single-employer and indefinite, there is no institutional equivalent to pattern bargaining, interconfederal wage guidance or concerted wage coordination. Poland therefore should not be treated as a decentralised coordinated system, but as a case in which coordination is largely missing because collective bargaining itself is too weak.

A second comparative issue concerns the relationship between coordination and sectoral diversity. The Danish and Spanish cases show that coordination does not eliminate variation across sectors, but rather structures the terms on which variation occurs. In Denmark, retail and construction do not simply copy manufacturing, but translate the pattern in ways that reflect sector-specific priorities, including low pay in retail and migrant labour in construction. In Spain, the V AENC did not erase the differences between construction, large retail and metalworking, but it clearly narrowed the range of acceptable outcomes and created a common reference path. By contrast, the German and Italian cases show that where coordination weakens, sectoral diversity more easily translates into fragmentation of bargaining outcomes. In Germany this was visible in the very different trajectories of construction, retail and the metal industries. In Italy it was visible in the coexistence of a relatively effective anti-inflation clause in metalworking with severe delay in retail and more partial adjustment in construction.

A third issue is the role of state action in relation to coordination. Denmark suggests that a limited but credible state backstop can help preserve a bargaining-centred system, provided the state does not routinely intervene in wage setting. Spain shows that legal and institutional scaffolding, backed by government support, can reinforce bargaining coordination even without direct wage imposition.

Germany shows that state-enabled fiscal devices can partly coordinate responses while also potentially weakening incentives for common wage-scale solutions. Italy demonstrates that fiscal intervention without institutional steering does little to solve the problem of fragmented bargaining outcomes. Poland illustrates a more radical substitution effect: when collective bargaining is weak, the state does not complement coordination but effectively replaces it at the bottom of the wage structure through minimum-wage policy.

The broader implication is that coordination remains central to inflation management, but its institutional forms have changed. The cases do not support the idea that national incomes policy has simply returned. Nor do they support the opposite claim that wage coordination is no longer relevant under decentralised capitalism. Instead, they suggest that the resilience of collective bargaining depends on whether a system retains institutions, organisations and shared expectations capable of translating a macroeconomic shock into a recognisable bargaining response. Denmark and Spain retained such capacities most clearly. Germany retained them partially and unevenly. Italy and Poland reveal, in different ways, the cost of their absence.

5. Comparative overview of indexation mechanisms

Inflation Management after the Demise of Automatic Indexation

An inflation indexation mechanism is an automatic contractual (or law-based) clause that adjusts wages, prices, or benefits in line with a recognized and conventional index, such as the IPC (consumer price index). The goal is to preserve the real purchasing power of incomes against rising living costs.

Historically, in the post-war "Fordist" period, wage indexation was widely spread across Western capitalist economies. These economies were wage-led growth regime based on a stable class compromise between capital and labor. With the demise of this macro-economic and socio-political regime in the 1970s – driven by the breakdown of the class compromise in the workplaces, the unleashing of capital's freedom of movement, the stagflation crisis, and the subsequent political realignment toward neoliberalism – this framework was radically shacked. A new hegemonic consensus, inspired by monetarism and led by central bankers and neoliberal political entrepreneurs, coalesced around the idea that these mechanisms triggered wage-inflation spirals and that they needed to be dismantled to secure price stability. This was complemented by other key reforms of monetary policy (such as central bank independence) and industrial relations arrangements (including neo-corporatist arrangements and collective bargaining reforms). The result was a paradigm shift in the entire political-economic mode of regulation, in which wages were no longer central to the growth model, replaced instead by debt and export-led strategies. Wage indexation mechanisms were gradually but inexorably removed in all countries, with only few exceptions.

Table 2 – Automatic wage indexation mechanisms in EU countries, 2022.

	Indexation mechanisms including prices in EU countries
Belgium	*All* wages are indexed to past CPI excluding alcohol and tobacco and petrol but including heating fuel, gas and electricity (every time CPI increases by 2% or more since last increase). NB In Belgium, wage increases are capped by a "wage norm" (a ceiling which takes into account weighted wage developments in France, Germany and the Netherlands).
France	The minimum wage only is indexed to past CPI for the bottom quintile (every time CPI increases by 2% or more since last increase) + half real salary increase of blue collar workers (annually and only if positive).
Luxembourg	*All* wages are indexed to past CPI (every time CPI increases by 2.5% or more since the last semester)

Poland	The minimum wage is indexed to future inflation + 2/3 of future GDP growth if, in the first quarter of the year, the amount of the minimum wage is lower than half of the average wage. If the inflation forecasts differ from the real price index, a correction takes place in the following year.
Other forms of indexation	
Netherlands	The minimum wage is indexed to the predicted wage developments for the next six months using a basket of collectively agreed wages.

Source: Authors' elaboration based on Carcillo et al. 2022

Consequently, we could expect that, when the energy crisis and inflation spiral arrived in the 2022 following the post-COVID recovery and the war in Ukraine, collective bargaining systems across Europe found themselves largely disarmed, having been stripped of the automatic indexation mechanisms that had once protected workers' purchasing power during previous inflationary episodes. Indeed, the European systems of collective bargaining had developed alternative systems of purchasing power protection although they were subordinated real wage protection to the supreme goal of price stability.
The management of inflation and wage setting in Germany, Spain, Denmark, Italy and Poland reveals a common reliance on collective bargaining autonomy, though the specific mechanisms used to safeguard purchasing power vary from temporary government-backed bonuses to sophisticated hybrid safeguard clauses and strategic shifts in sectoral coordination.

Germany. Compensation without Indexation

In Germany, the institutional framework of Tarifautonomie (collective bargaining autonomy) has historically excluded automatic indexation mechanisms, and employers remain staunchly opposed to them, claiming that indexation would inevitably boost inflation. Trade unions were less persuaded by this hypothesis. Nonetheless, they did not try to force the introduction of such an instrument, loyal to the German neo-corporatist legacy (German Report, 3.1.4; 3.3.4). Therefore, during the recent inflation crisis, the primary tool for addressing price hikes was the government-facilitated Inflation Compensation Premium (IAP), which allowed for tax- and social contribution-free payments of up to €3.000. In the Metal and Electronics industry, the union IG Metall pursued a "two-pronged strategy", applying pressure on the government to provide relief through the IAP while negotiating permanent wage increases that would remain sustainable for the industry. A representative from IG Metall noted that this premium was "very, very clever to at least cushion the direct impact" (3.3.7) on employees while acknowledging that it also served to postpone permanent wage scale increases.

However, the use of such one-off payments was met with skepticism in other sectors; in Retail, the union ver.di expressed concern that the IAP might be "used by employers as a substitute for wage and salary increases" (3.1.5), insisting that permanent pay rises should not be replaced by temporary bonuses. In the construction sector, a significant conflict emerged when an arbitrator proposed indexing sectoral minimum wages to inflation . This proposal was flatly rejected by employers, with one representative stating that "our entrepreneurs really did not want that at all" (3.2.1), fearing the long-term cost implications of such a precedent.

Spain. Safeguard Clauses and Controlled Indexation

Spain has never had an economy-wide automatic wage indexation system of the Belgian type. The presence of cost-of-living adjustment mechanisms was real but uneven. At the level of the overall collective bargaining framework, Spain relied less on compulsory indexation than on a combination of bargained wage increases, optional wage guarantee clauses and soft coordination through intersectoral agreements. Instead, inflation entered bargaining through two channels. First, there were the intersectoral framework agreements concluded by the peak organizations – initially the 1996 AINC and later the various AENCs – which provided non-binding recommendations on wage growth, productivity and, at times, wage revision. Second, many sectoral and company agreements contained wage guarantee clauses ("cláusulas de garantía salarial" or "de salvaguarda"), which revised wages ex post if inflation turned out higher than expected. This was designed to limit the protection of purchasing power to remarkably high and sudden inflation increases, leaving the recovery of more moderate increase to negotiations. Historically these clauses were an important part of the Spanish system of wage coordination and inflation management, especially in the 1990s and early 2000s, when they often referred to the headline CPI published by INE and operated as a backward-looking adjustment mechanism.

While these clauses became less common after the 2012 labor reforms, the inflation crisis triggered a partial reactivation of such mechanisms. The V AENC intersectoral agreement of 2023 established a path of moderate wage increases (4% in 2023, 3% in 2024–2025) while including a safeguard clause for an additional 1% annual increase if the Consumer Price Index (CPI) exceeded these targets. This intersectoral framework should be kept analytically distinct from the construction sector's own safeguard clause. In construction, the VII General Agreement introduced a separate cumulative revision mechanism linked to the sum of December CPI rates for 2022–2024, with a threshold, a cap and no retroactive effect; when activated, the resulting correction was split equally between wage-table increases and contributions to the sectoral pension plan. In contrast, the large retail sector deliberately avoids CPI-linked adjustments, utilizing a variable pay model tied to a real sales performance index instead.

Sectoral differences in Spain are pronounced. In metalworking there was no sector-wide institutional change: inflation protection was addressed through a combination of higher nominal increases and, in some cases, locally negotiated revision clauses at provincial level. In large retail, which deliberately avoids CPI-linked indexation in favor of a variable pay model tied to the Retail Trade Index (ICM), reflecting real sales performance rather than the cost of living. In contrast, the construction sector negotiated a "hybrid clause" in its VII General Agreement, described by the parties as a "social contract" for the sector (Spanish Report, p. 23). This mechanism triggers an adjustment only if cumulative inflation over a three-year period exceeds 10%, with any excess (capped at 13%) being split equally between immediate wage table increases and contributions to a sectoral pension plan. This effectively created a form of "controlled indexation" that provided a safety valve for workers without fully translating the inflation shock into immediate labor costs.

The report illustrates that the proportion of collective agreements including COLA clauses increased only moderately during the inflation period and remained far from the levels observed in earlier decades. This suggests that the inflation shock did not lead to a generalised return to automatic wage indexation. Instead, the evidence points to a partial reactivation of inflation-related mechanisms.

Denmark. Stability of Pattern Bargaining and Voluntaristic Approach

Denmark maintains a strictly voluntarist system with no statutory minimum wage or automatic indexation, relying instead on pattern bargaining led by the manufacturing sector. The relative balance between organised labour and organised capital has historically supported coordinated wage restraint. An agreement in 1987 – the Common Declaration – pronounced a mutual commitment by union and employer organizations to the principle of export competitiveness, low nominal wage increases, increased occupational pension contributions and industrial peace. These principles undergird the pattern-bargaining model in Denmark where manufacturing goes first and sets the labour cost-norm for the rest of the sectoral agreements.

The 2023 bargaining round saw a significant increase in the "free-choice account" – contributions employers pay into an individual worker account – from 7% to 11%, as well as shifting two percentage points of pension contributions from employees to employers to boost take-home pay.

The Dansk Metal (the Danish Union of Metalworkers) president emphasized that "our members expect us to send a signal that wage restraint is over" (Danish Report, p. 19), and the eventual agreements were framed by employers as a "responsible breakthrough" that balanced worker expectations with international competitiveness (Ibidem). In the Construction sector, negotiations focused on "social dumping" resulting in a housing allowance of DKK 25 per hour for non-resident workers, which functioned as a de facto wage supplement to stabilize the bottom of the pay scale. Across all Danish sectors, the "regulation device" ensures that public sector wages remain aligned with private sector developments, providing an institutional stabilizer that maintains horizontal parity without formal cost-of-living clauses.

Italy. Delayed and Insufficient Adjustment but Sectoral Innovations

In the decade between the beginning of the 80's and the beginning of the 90s, Italy's wage-setting framework underwent fundamental changes. Until 1983, wage-setting was characterized by an automatic indexation mechanisms, the so-called "scala mobile", which was gradually dismantled and eventually abolished in with the inter-confederal agreements of 1992-1993, signed by employers and all the three main trade union confederations (CGIL, CISL and UIL).

The current system of ex ante inflation adjustment in Italian collective bargaining is regulated by the 2009 interconfederal agreement, which was not signed by the CGIL. This agreement replaced the previous reference to "programmed inflation" with a new forward-looking index based on IPCA (Harmonised Index of Consumer Prices), adjusted by excluding the variation in imported energy prices (IPCA-NEI). The forecast was produced by an independent technical body (the ISAE, later suppressed and replaced by ISTAT in this role) and serves as the main benchmark for determining wage dynamics in national collective agreements. As a result, wage increases are set ex ante on the basis of expected inflation rather than actual inflation, effectively turning wage bargaining into a system largely driven by the application of IPCA-NEI projections.

The agreement also provides that any deviation between forecast and actual inflation is not assessed against headline inflation experienced by workers, but again against the energy-adjusted IPCA index (IPCA-NEI). Moreover, the recognition of such deviations is not automatic: their "significance" must be evaluated by a joint interconfederal body, leaving to negotiations between trade unions and Confindustria the decision on how much of the gap should be translated into wage adjustments. Any correction of deviations must take place within the three-year duration of the collective agreement, which inevitably introduces a significant delay between price increases and wage adjustments.
In addition, definitive data on IPCA-NEI deviations are released by ISTAT several months after the reference period (in June, so six months later). This creates a substantial time lag between inflationary pressures and their partial compensation through wages. Since the index excludes imported energy prices – often a key driver of inflationary spikes – the system tends to shift the burden of external energy shocks onto wages, resulting in a persistent erosion of real wages that is often only partially recovered or, in practice, effectively irreversible.

The overall growth of real wages therefore came to depend, as regards protection of base pay (minimum contractual wages and other "category"/"sectoral" allowances) from inflation, on the spread of national-level bargaining (and thus, essentially, on limiting undeclared work and on the timely renewal of contracts).

The metalworking collective agreement introduced in 2016 and made it permanent in 2021 a rare contractual safeguard mechanism in the Italian system. This mechanism updates contractual minima ex post every year, based on IPCA-NEI (thereby excluding imported energy goods from calculation) rather than forecast inflation. It was activated repeatedly in 2023–2025, making metalworking one of the few sectors with an actual anti-inflation adjustment device. This has allowed contractually agreed wages to follow inflation (although excluding energy goods prices). In the rest of the economy, national sectoral collective contracts (CCNLs) do not provide similar clauses, and wage-setting relies exclusively on the negotiation between social parties. In retail and construction, for example, this has led to a loss of purchasing power of collectively agreed wages. The loss was particularly strong in the retail sector, where collective bargaining has been traditionally very weak. Nonetheless trade union confederations in Italy do not claim a return to wage indexation mechanisms, although there are different orientations between (and even within) confederations. Inside CGIL, for instance, the metalwork federation de facto introduced an indexation mechanism in the collective contract. The construction and woodwork federation, instead follow the 1992-1993 consensus that linked such mechanisms to wage-inflation spirals.

Poland. Weak Collective Bargaining with SMW Inflation Protection

In Poland, collective bargaining is particularly weak regarding the protection of purchasing power. Collective agreements are concluded for an indefinite period, so there is no mechanism of regular reviews and/or updates of their content. Poland's minimum wage, instead, is not automatically indexed one-for-one to actual inflation, but the law effectively guarantees at least inflation protection (based on forecast inflation), with additional adjustments and negotiations that can produce increases above inflation. The threshold is set each year through a legal process involving the government and the social partners (trade unions and employers). However, the law requires that the minimum wage increase by at least the forecast inflation rate for the coming year. The law stipulates that if the price increase forecast for the following year is 105%, the minimum wage is to be changed twice a year: on 1 January and on 1 July. If it is less than 105%, the change is to be done once a year (1 January). If the forecasted price index differs from the actual price index in the previous year, when determining the minimum wage for the next year, the level of the minimum wage in the year preceding the year for which the minimum wage is determined is taken into account, adjusted by the verification index. The verification index is obtained by dividing the price index in the previous year by the forecasted price index in the previous year, based on which the proposal for the minimum wage is determined (art. 5(2-3) of the Minimum Wage Act, approved in 2002). Furthermore, if in the year of negotiations, the minimum wage is lower than half the average wage in the first quarter of the year in which negotiations take place, the degree of the minimum wage increase is additionally enhanced by two-thirds of the forecasted real growth rate of the gross domestic product. Up to and including 2022, the increase in the minimum wage happened only once a year, while in 2023 and 2024 it occurred twice a year, as the inflation in each case in the reference (preceding) year was 14.4% and 11.4%, respectively.

Conclusion

Overall, the comparison of Germany, Spain, Denmark, Italy and Poland demonstrates that the European inflation shock of 2022–2024 was managed within institutional frameworks that largely reject automatic wage indexation. While all five countries relied on collective bargaining and social dialogue to address the erosion of purchasing power, the outcome depended on the institutional strength of collective bargaining and on the bargaining power of trade unions. Germany and Denmark remained closest to the non-indexation paradigm, favoring one-off compensation measures, coordinated bargaining and competitiveness-oriented wage setting. Spain adopted a more hybrid approach, combining negotiated wage increases with safeguard clauses that provided limited ex post protection against unexpectedly high inflation. Italy occupied an intermediate position, retaining sector-specific inflation adjustment mechanisms but generally relying on negotiated wage setting based on projected inflation, often resulting in delayed and incomplete compensation for price increases. Poland stands out because its statutory minimum wage incorporates a legally mandated inflation-adjustment mechanism, although collective bargaining itself remains weak and provides little additional protection.

Taken together, these cases illustrate a broader European trend: rather than restoring the comprehensive indexation systems that characterized earlier wage-led growth regimes, countries have developed alternative and often partial instruments to cushion inflationary shocks. The result is a fragmented landscape in which the protection of purchasing power depends less on automatic mechanisms and more on the institutional strength of collective bargaining, sectoral coordination and state intervention. While these arrangements may help contain inflationary pressures and preserve wage restraint, they also tend to shift a greater share of adjustment costs onto workers, making the recovery of real wages slower, more uneven and increasingly contingent on bargaining power.

6. Protecting the incomes of disadvantaged groups

The inflation crisis reopened an old but central question for collective bargaining: not only how much wages should rise, but also who should be protected first when full compensation is not feasible or politically sustainable. The five cases show that distributive protection took different forms: targeted support for low-wage groups through collective bargaining, compression at the lower end of the wage structure through fixed sums or minimum-wage dynamics, broad but delayed protection of contractual minima, or, where bargaining was weak, greater dependence on the statutory minimum wage. What emerges comparatively is a set of different strategies through which bargaining systems tried—or failed—to protect more vulnerable groups.

Denmark is the clearest case in which protection of low-paid workers was brought explicitly to the centre of the bargaining strategy. The national report stresses that the 2023 manufacturing settlement was deliberately designed to help workers in sectors such as retail, hotels and restaurants who were concentrated around collectively agreed minimum rates and who benefited little from local wage bargaining. The unusually large increases in minimum rates, the expansion of the free-choice account and the shift in pension contributions all worked in this direction. In retail, where many workers are actually paid at or near sectoral minima, these central instruments had a direct distributive effect. The 2025 agreement continued the same logic in a less inflationary environment. Denmark is therefore important not because it eliminated distributive tensions, but because it shows a coordinated system consciously using central bargaining tools to protect groups with weaker workplace bargaining power.

Germany also generated distributive measures, but in a more uneven and conflictual way. Construction offers the strongest example. The union's demand for a fixed-sum increase of €500 per month in the 2024 round was explicitly framed as a solidaristic claim in favour of lower-income workers. The final settlement combined percentage and fixed-sum increases and thereby compressed wages at the lower and middle levels. In retail, the distributive outcome was weaker but still visible: fixed sums and pension improvements benefited lower categories disproportionately, while the statutory minimum wage pulled up the bottom of the sector's pay structure. In the metal and electrical industries, IG Metall also sought a "social component" benefiting lower-paid groups, and the sector-wide inflation compensation premium gave the same nominal amount to all wage groups, which in relative terms favoured lower earners. Yet the overall German picture is ambivalent. Distributive gains existed, but they were often embedded in settlements that accepted moderation at the level of the wage scale or relied on temporary compensation rather than permanent improvement of the lower end of wage structures.

In Spain, distributive protection was shaped strongly by sectoral institutions. Construction relied on a sector-wide mechanism that covered the whole wage structure rather than targeting only the lowest paid. In that sense, it protected workers broadly but not selectively. Retail presents a more distinct distributive story. There, the interaction between collective bargaining and the statutory minimum wage was much more important. Union actors explicitly referred to the way increases in the statutory minimum wage had brought the lower part of the sector's scale closer to the legal floor and used this as leverage to demand stronger upward revisions of sectoral tables. The 2023 agreement's pathway toward €18,000 and its broad application across professional groups reflected this pressure, even though the core adjustment

instrument remained the combination of fixed rises and variable payments linked to real sales rather than a low-pay-targeted device as such. Metalworking, by contrast, offered much less uniform distributive protection because outcomes depended on provincial bargaining. In some provinces safeguard clauses or strong nominal increases supported the maintenance of purchasing power. In others, weaker settlements left greater losses. Spain therefore shows that distributive protection is easier to achieve where bargaining is centralised or tightly coordinated, and more uneven where decentralisation remains strong.
Italy reveals the opposite side of this pattern. The sectors most exposed to real-wage erosion were those in which workers had weak access to second-level bargaining and where national renewals were delayed. Retail is the clearest example. Low wages, precarious work, fragmentation of employers and weak workplace union presence combined to make inflation especially damaging for workers in the sector. The eventual 2024 renewal did not restore purchasing power. Construction workers fared better than retail workers because of the sector's denser institutional framework, strong bilateral bodies and articulated territorial bargaining, but even there the national report concludes that real contractual minima fell over the crisis period. Metalworking protected minima more effectively thanks to the safeguard clause, but the protection remained partial in two senses. First, the mechanism follows realised IPCA-NEI and therefore works with delay and with an index that excludes imported energy. Second, increases in contractual minima can be absorbed against firm-level superminimi, which limits their distributive reach inside firms.

The Italian case therefore illustrates a general point: even where a formal safeguard exists, distributive protection depends on the wider structure of bargaining and on the extent to which workers actually receive the increase in take-home pay.

This brings the discussion to the role of the statutory minimum wage. The comparison suggests that the minimum wage mattered most where collective bargaining was weak, less centralised or strongly segmented at the bottom. In Poland, this is the dominant pattern. The report makes clear that indexation is effectively built into the statutory minimum wage and that this mechanism has become the main source of inflation protection for many lower-paid workers. Employers explicitly describe repeated minimum-wage increases as a key source of wage pressure and of rising expectations among workers more broadly. Yet precisely because collective bargaining is so weak, this form of distributive protection remains external to bargaining and cannot perform the same coordinating functions as negotiated sectoral wage floors. The same mechanism is visible, though in a much less dominant form, in Germany and Spain. In German retail and construction, the statutory minimum wage compressed the lower end and sometimes overtook collectively agreed rates. In Spanish retail, it strengthened union claims for improving the lower part of the sectoral wage structure. Italy remains the major exception because it still lacks a statutory minimum wage despite severe distributive weaknesses in some sectors.

A related issue is whether social partners attempted to protect disadvantaged groups through non-wage or para-wage instruments. Denmark did so through the free-choice account and pension shifts, which could be translated into disposable income. Spain's construction agreement partly channelled correction into an occupational pension plan, thereby mixing immediate and deferred protection. Italy's retail and construction sectors relied heavily on bilateral welfare institutions and, in the construction case, on travel, meal and other allowances. Yet the Italian report also shows disagreement over these instruments. Some union actors emphasised the practical value of bilateral welfare and tax relief, whereas others insisted that only increases in contractual minima can provide durable protection because they also feed future pension rights. Germany's inflation compensation premium sits squarely inside this tension: it provided immediate relief and was attractive because it was gross-for-net, but it did not strengthen the wage scale in the same way as tabellenwirksame increases. The broader lesson is that inflation management often pushed systems toward mixed packages of wage and non-wage instruments, but the distributive consequences of these packages remained contested.

From a comparative standpoint, protecting disadvantaged groups depended on three variables. The first was the degree of centralisation or coordination of bargaining. Systems with stronger coordination, such as Denmark and Spain's retail and construction sectors, were better able to organise broad or targeted protection. The second was the existence of institutional devices that could translate distributive intent into actual settlement design: fixed sums, minimum-rate increases, safeguard clauses, variable supplements or minimum-wage linkages. The third was the availability of union power in sectors with structurally weak workplace bargaining. Where unions could compensate weak workplace leverage through strong sectoral institutions, lower-paid workers were better protected. Where they could not, as in Italian retail or much of Poland, the distributive consequences of inflation were harsher.

The main comparative conclusion is therefore that collective bargaining did not consistently succeed in protecting disadvantaged groups effectively, yet the inflation crisis forced bargaining systems to confront this issue more directly. In some countries, the result was a more explicit solidaristic orientation inside bargaining. In others, it was wage compression produced by the statutory minimum wage or by fixed sums. In still others, the crisis exposed the inability of existing institutions to protect the workers most exposed to inflation. This is a central lesson for the future: the distributive credibility of collective bargaining increasingly depends on whether it can offer a convincing answer to the problem of low pay under conditions of high volatility.

7. Conflict vs cooperative dynamics in collective bargaining

The inflation crisis intensified distributive tensions everywhere, but it did not produce the same balance between conflict and cooperation across the five cases. One of the clearest comparative findings of WP4 is that conflict was not simply a function of the size of inflation or of wage loss. It depended on how far social partnership remained institutionalised, whether employers and unions shared a minimum understanding of sectoral viability, and whether bargaining institutions could still convert high distributive pressure into negotiated compromise. In that respect the cases range from highly cooperative adjustment, through mixed forms of coordinated conflict, to contexts in which bargaining was too weak to organise either strong cooperation or strong conflict.

Denmark remained the most cooperative case overall. The 2023 and 2025 rounds were certainly shaped by unusually strong wage demands and by the end of the old period of wage restraint, but the core social-partnership logic remained intact. In manufacturing, both unions and employers explicitly presented the outcome as a responsible settlement in a difficult geopolitical and inflationary environment. Employers accepted that a more expensive agreement was warranted, while unions accepted recovery over two to three years rather than immediate full compensation. Retail also remained broadly cooperative, even though there were contentious issues, including zero-hours contracts and demands for stronger rights to annual pay review. Construction was the most tension-ridden Danish sector because of the longstanding conflict over the wages and conditions of non-resident workers. Even here, however, the key feature of the 2023 round was the success of prolonged pre-negotiation and confidential dialogue in producing a compromise. The later rejection of the agreement by 3F construction members is important because it reveals a tension between bargaining elites and membership sentiment, but it did not overturn the fundamentally cooperative character of the process.

Spain also remained more cooperative than conflictual in comparative terms, though with important sectoral variation. Construction is the clearest example. The report repeatedly stresses the sector's strong tradition of social dialogue and the role of bipartite institutions in sustaining permanent dialogue during the most acute phase of inflation. The resulting agreement combined moderate nominal increases, a controlled guarantee clause and the creation of a sectoral pension instrument. This was a negotiated compromise rather than a confrontational breakthrough. Retail was more conflictual in framing but still concluded within a stable and centralised bargaining arena. There, employers, CCOO, FETICO and FASGA all advanced different views not only on wages but on working-time organisation, Sunday work and the employment model under digitalisation. Yet these conflicts remained contained within a functioning bargaining process. Metalworking displayed the highest level of conflict in Spain, not at the level of the national framework agreement but in provincial bargaining arenas. Cadiz is the clearest case of intense conflict, and the report also notes disputes over wage revision clauses in other local settings. Even so, Spain did not experience a general breakdown of bargaining cooperation. Its main pattern was conflict within coordination rather than conflict replacing coordination.

Germany is the case in which the crisis most clearly deepened tensions in already stressed social partnerships. The 2022 concerted action at federal level sought to dampen conflict by aligning relief measures with wage moderation, but it did not produce durable coordination. At sectoral level, conflict and cooperation coexisted in sharply differentiated ways. Retail was the most conflict-prone sector, reflecting weak and declining collective bargaining coverage, employer resistance and relatively limited union power. Ver.di used bargaining partly as an organising opportunity and sought to mobilise against further institutional erosion; the final agreement was not weak in formal percentage terms, but it still fell short of fully restoring purchasing power and remained embedded in a fragmented and conflict-prone bargaining environment.Construction was more conflictual than in the past, with arbitration and unusually strong industrial action in 2024, yet the social partnership remained sufficiently institutionalised to produce an agreement acceptable to both sides. In the metal and electrical industries, by contrast, strikes and strike threats remained important power resources, but the overall settlement logic remained one of negotiated moderation under structural crisis. The 2022 agreement was accepted by both sides as an "acceptable" compromise, and the 2024 follow-up was concluded without major industrial conflict, despite worsening industrial conditions. Germany therefore illustrates a mixed pattern: social partnership remained alive, but inflation and structural crisis increased the strain and made cooperation more fragile and conditional.

Italy shows a similarly mixed but more fragmented configuration. At national level, the crisis did not lead to renewed concertation between government and social partners. This absence of peak-level cooperation was not compensated by robust autonomous coordination across sectors, so conflict and cooperation unfolded mainly inside separate sectoral arenas. Metalworking experienced renewed tension. The 2021–2024 renewal already revealed strong distributive disagreement between unions and Federmeccanica, and the subsequent 2025 round involved sector-wide strikes in late 2024 and early 2025. Yet the sector remained capable of concluding agreements because both sides continued to recognise a shared institutional framework and because the safeguard clause had become embedded in that framework. Construction, by contrast, remained the most cooperative Italian sector among the three examined. Employers and unions both described the 2025 renewal as comparatively fast, and the report explicitly notes the absence of industrial mobilisation. The dense network of bilateral institutions and territorial bargaining in construction appears to sustain a more concertational sectoral culture, even though disagreements remained over taxation, welfare and broader reform of the wage-setting model. Retail was different again. Here the main obstacles were organisational fragmentation, long contractual delay and the practical weakness of workplace unionism in a sector characterised by dispersed worksites, high turnover and multiple employer organisations. There was sectoral strike action in December 2023, but the report's overall picture is one of difficult mobilisation in a weakly organised sector rather than of strong conflict capacity.

Poland is harder to place on the usual conflict–cooperation continuum because sectoral collective bargaining is so limited. There was no meaningful inter-sectoral coordination and no strong sectoral bargaining rounds comparable to the other countries. Social partners' involvement in anti-crisis policy was limited, and the report does not identify major inflation-driven bargaining conflicts in metalworking, retail or construction. This does not mean that distributive tensions were absent. On the contrary, the report suggests tension over the consequences of repeated statutory minimum-wage increases and over the state's ambivalent commitment to reviving collective bargaining. But these tensions were not processed through strong multi-employer bargaining institutions. In that sense, Poland is less a case of cooperative or conflictual collective bargaining than a case of bargaining marginality.

The comparison also shows that conflict was shaped by the strategic orientation of the actors. In Denmark, unions used the inflation shock to reorient bargaining in a more solidaristic direction while preserving the cooperative framework. In Spain, unions combined pressure and coordination, especially through interconfederal mobilisation before the V AENC and through sectoral framing of purchasing-power protection. In Germany, union strategies differed by sector: organising and symbolic conflict in retail, more classic distributive conflict in construction, and moderated but credible strike-backed bargaining in manufacturing. In Italy, unions often combined wage claims with broader political demands such as tax-wedge reduction, stronger regulation of representativeness or, in some cases, introduction of a statutory minimum wage, but differed in their willingness to initiate conflict, and this overall limited the effectiveness of their mobilisation. Employers' strategies also diverged. Danish employers accepted responsibility for delivering socially viable agreements. Spanish employers varied by sector but generally accepted coordinated compromise. German employers were more likely to invoke competitiveness pressures, deviation clauses and fiscal instruments. Italian employers in weaker sectors stressed cost pressure and frequently shifted attention toward tax relief rather than tackling the cost of living crisis through the wage setting system. Polish employers focused above all on the pressure created by minimum-wage increases and general cost uncertainty.

A final point concerns the relationship between conflict and institutional innovation. The cases suggest that innovation did not arise only where conflict was highest. Some of the most interesting innovations emerged precisely in relatively cooperative bargaining settings: Denmark's free-choice account expansion, Spain's construction safeguard clause, and even Italy's metalworking safeguard mechanism originated within ongoing social partnership, not through its breakdown (although in 2025 strikes were necessary to defend the existing mechanism of wage safeguard clause). By contrast, high conflict did not necessarily produce stronger institutional outcomes. Germany's retail case illustrates this clearly: conflict intensity increased, but institutional erosion and moderate settlements remained. This is an important corrective to any simple expectation that distributive pressure alone would radicalise collective bargaining in a uniform way.

Overall, the inflation crisis did not dissolve the distinction between cooperative and conflictual bargaining regimes, but it did sharpen the tensions within them. Systems with strong institutionalised social partnership could absorb unusually strong wage demands without losing bargaining control. Systems with weaker institutions either shifted conflict to lower sectoral levels or failed to translate tension into effective bargaining outcomes. The comparative lesson is that the capacity to manage conflict—not to avoid it entirely, but to process it through robust institutional mechanisms—remains one of the core strengths of resilient collective bargaining systems.

8. Institutional innovations

As could have been expected, the inflation crisis did not produce similar institutional innovations across the five cases. Most national reports explicitly emphasise continuity rather than wholesale transformation. Even so, the crisis did bring to the surface a number of institutional innovations, quasi-innovations or particularly revealing bargaining devices. Some of these are promising examples of negotiated adaptation. Others are better understood as cautionary mechanisms that solved immediate distributive problems while generating longer-term ambiguities. Taken together, they show that inflation management in contemporary Europe is less about the return of old automatic indexation, which seems to remain squarely off the cards, than about the spread of hybrid instruments inside and around collective bargaining.

The Danish free-choice account is perhaps the clearest example of a negotiated innovation with broader comparative relevance. It is not a classic cost-of-living clause. Rather, it is a centrally negotiated account that can be used as wages, leave or pension contributions. During the inflation crisis, its expansion became a way of increasing disposable income through collective bargaining, especially for workers who do not benefit much from local wage bargaining. Precisely because it is centrally regulated, it reintroduced a stronger element of collective wage protection without abandoning the Danish model's basic division between central minima and local wage formation. The account therefore deserves attention not simply as a technical measure, but as a way of reconciling coordination, distributive protection and flexibility. A second Danish innovation worth noting is the housing allowance in construction for non-resident workers. This was designed to address a long-standing vulnerability of the minimum-wage model in the presence of migrant and posted labour. Its significance lies less in macroeconomic inflation management than in showing how sectoral bargaining can use targeted supplements to protect vulnerable groups while stabilising the bargaining order itself.

Spain offers a different set of innovations. The most important is the construction sector's cumulative safeguard clause introduced in the VII agreement. This mechanism is noteworthy because it is neither a classic automatic COLA clause nor a purely discretionary bargaining adjustment. It links correction to cumulative inflation over a defined period, introduces a threshold and a cap, excludes retroactive full compensation, and channels part of the correction into an occupational pension plan rather than solely into current wages. In that sense, it is a hybrid device combining delayed wage protection, cost sharing and deferred social wage. The Spanish large-retail agreement offers another innovation of a different kind. Its response to the inflation crisis was not based on CPI indexing at all, but on a combination of fixed increases, a guaranteed variable payment and a pre-existing variable supplement linked to real sales. This makes the agreement significant as an example of sector-specific adaptation: instead of tying wage correction directly to consumer prices, it ties part of wage adjustment to a sectoral performance indicator. Such a model is not easily transferable to all sectors, but it shows that inflation management can be embedded in the economic logic of a specific sector. At inter-sectoral level, the V AENC itself should also be treated as an institutional innovation in a looser sense: not because wage guidance agreements are new in Spain, but because the 2023 agreement reactivated cross-sector coordination after the failure of a tripartite incomes pact and under much more adverse inflationary conditions.

Germany's most significant innovation was the inflation compensation premium. Strictly speaking, it was not a collective bargaining innovation alone, since it was enabled by the state through tax and social contribution exemptions. But it became central to bargaining outcomes and therefore belongs inside the WP4 comparison. Its main advantage was immediate and politically visible relief for employees without the gross labour-cost consequences of equivalent tabellenwirksame wage increases. This made it attractive in sectors under economic pressure, especially the metal and electrical industries, and also relevant in retail and construction. Yet the German evidence also makes clear why the premium is best treated as an ambiguous innovation. It eased short-term distributive pressure, but precisely because it was temporary and did not permanently raise pay scales, it could substitute for more durable wage consolidation. In manufacturing, it helped maintain social partnership during a difficult conjuncture and arguably prevented escalation. At the same time, it contributed to wage moderation and left open the question of long-term purchasing-power recovery. The German case is therefore important not because it provides a model to emulate uncritically, but because it shows the trade-off between emergency compensation and structural wage growth.

Italy's most relevant innovation is the metalworking safeguard clause. Among the sectors covered in WP4, it is the clearest Italian case of a built-in anti-inflation adjustment device. The 2016 agreement moved away from predetermined increases based on expected inflation and toward annual ex post adjustment of contractual minima based on realised IPCA-NEI. The 2021 renewal then reinforced the mechanism through an explicit safeguard clause ensuring that the IPCA-based adjustment would prevail if it exceeded the pre-set reference increases. This innovation is important for at least three reasons. First, it shows that even in a system otherwise characterised by slow renewals and weak responsiveness, sectoral actors can construct a more robust inflation-protection mechanism. Second, it demonstrates that such a mechanism can become institutionally sticky: according to the employer-side testimony in the Italian report, the clause was initially proposed by Federmeccanica itself, yet it later became politically impossible to remove. Third, it reveals the limits of such innovation when it remains sector-specific. The clause protects contractual minima, but it works with delay, excludes imported energy through the IPCA-NEI index, and its distributive effect can be reduced by the absorbability of increases against superminimi. For that reason, the clause should not be read as a complete solution to Italian wage-setting problems. It is better understood as a significant but partial innovation inside a structurally weak system.

Two additional Italian sectoral elements deserve mention, though more cautiously. In construction, the inflation period reinforced demands for faster updating of labour-cost tables in public procurement and highlighted the role of bilateral institutions and territorial bargaining in cushioning some distributive pressure. These are not anti-inflation innovations in the narrow sense, but they show how sector-specific institutional infrastructures can improve adaptive capacity. In retail, the expansion of bilateral health coverage and other welfare elements formed part of the response to stagnant wages. Yet the Italian report is clear that such devices remain contested: some union actors value them as income complements in a high-tax environment, while others insist they cannot substitute for increases in contractual minima.

Poland presents the opposite picture. The report does not identify significant bargaining innovations generated by the inflation crisis itself. The main developments concern the implementation of the EU Adequate Minimum Wages Directive, the government-prepared national action plan and new legislation on collective agreements. These may eventually matter for the future of bargaining in Poland, but the report does not support any claim that the inflation crisis directly produced lasting institutional change in the wage-setting system. If anything, the Polish case serves as a negative benchmark in this section: it shows that where collective bargaining institutions are already close to collapse, inflation is more likely to reinforce reliance on statutory wage floors than to trigger innovative bargaining responses.

From a comparative perspective, the most promising innovations share three features. First, they are embedded in existing bargaining institutions rather than imposed entirely from outside. The Danish free-choice account, the Spanish construction safeguard clause and the Italian metalworking safeguard mechanism all fit this criterion. Second, they are hybrid rather than purely automatic. They combine rule-based elements with bargaining discretion, or current income with deferred compensation, or central protection with local flexibility. Third, they are politically and organisationally intelligible to the actors themselves. They solve recognised problems inside the system rather than presupposing a wholesale redesign from outside. The German inflation premium partly meets the second criterion but only weakly the first, since it relied heavily on state tax policy and did not necessarily strengthen bargaining institutions in the long run.

The broader lesson is that institutional innovation under inflationary pressure was selective, incremental and strongly path-dependent. None of the countries invented a wholly new wage-setting regime. What they did instead was adapt existing institutional repertoires to a new macroeconomic shock. In some cases, these adaptations appear robust enough to influence future bargaining. In others, they should be understood as temporary expedients. For the purposes of WP4, this distinction is crucial. The key policy and analytical question is not whether inflation generated innovation in general, but which innovations appear capable of strengthening collective bargaining's future resilience. On the current evidence, the strongest candidates are those that extend protection without displacing bargaining itself.

9. Conclusions

The experience of 2021–2024 shows that inflation did not produce a general return to wage indexation; rather, it exposed the unequal capacity of collective bargaining systems to protect workers' living standards. Where inter-sectoral bargaining remained coordinated and institutionally strong – for example Denmark and, to a lesser extent, Spain – real-wage losses were more effectively contained, and adjustment was more equitable. Where bargaining inter-sectoral coordination was fragmented or weak, as, for example, in Poland and Italy, workers – and especially those employed in more vulnerable sectors such as retail – bore a larger share of the adjustment costs. More generally, concerns about preserving competitiveness and avoiding potential wage–price spirals, particularly in export-oriented sectors such as manufacturing, constrained demands for full and direct inflation compensation. Where social partner's autonomous coordination was not sufficient to contain wage claims, government intervened directly to provide alternative schemes to indexation and cool possible social conflicts on wage-setting: in Germany, for instance, government facilitated inflation compensation premium, while in Italy, the executive established tax breaks on wages. These mechanisms provided a temporary and partial cushioning of inflationary pressures on purchasing power, thus responding to employers' concerns on labour cost competitiveness. Trade unions were rarely willing or able to secure direct mechanisms linking wages to inflation, with the notable but sector-confined exception of Italian metalworking (which, in fact, had been introduced before the inflationary crisis) and the Spain construction industry, where a controlled guarantee clause was established. This also shows the resilience of sectoral specificities and their role in refract the effect and the response to inflation: while sectoral characteristics shaped the channels through which inflation was experienced, outcomes remained mediated by specific local traditions and national-level bargaining structures. The inflation shock thus acted as a stress test of collective bargaining institutions, highlighting both their enduring relevance and the growing divergence in their capacity to shape distributive outcomes across Europe.