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Managing Inflation crisis through Social Dialogue

Workpackage 4 - Deliverable 4.2

Policy brief

Adapting collective bargaining to a new scenario of moderate inflation Best practices and recommendations for social partners

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Introduction

After the closure of the Strait of Hormuz, the immediate headlines returned to a vocabulary that has become increasingly familiar: another oil and gas shock and interruption of a major trade channel could provoke a return to high inflation, though this time the term stagflation was used. Earlier in the conflict, the European Commission had warned that the European Union would face a "stagflationary shock", while a new member of the Bank of Japan's policy board described the combination of weaker growth and higher import prices as exceptionally difficult for monetary policy. The IMF's July update similarly pointed to the renewed conflict and supply-chain strains as threats to growth and inflation (IMF 2026a). Whilst the situation remains fluid, and the most extreme predictions may not materialize, the uncertainty it has triggered, poses significant challenges for wage bargaining. Euro-area inflation was estimated at 2.8 per cent in June 2026, far below the October 2022 peak, but with energy prices still rising by 8.7 per cent year on year. At the same time, the ECB's wage tracker pointed to negotiated base-wage growth of around 2.6 per cent during 2026 (ECB, 2026a). Overall, the new scenario is characterized by both moderate inflation and moderate wage growth, but in a highly volatile environment.

This episode adds to a sequence of events that have raised prices and price growth over the last six years. The Covid-19 pandemic closed workplaces altered the composition of demand and disrupted global production. Reopening generated bottlenecks in transport, semiconductors, labour and intermediate goods. Russia's invasion of Ukraine in 2022 then triggered an acute European energy and food shock. Subsequent conflict in the Middle East, trade fragmentation, tariffs, extreme weather and the costs of the energy transition have added new sources of supply-side uncertainty. Research disagrees about the precise weight of demand and supply in the 2021–2024 inflation surge, but it agrees that the episode combined unusually large and rapidly changing shocks. And these have tended to persist. Firm-level evidence also shows that uncertainty about future own-price growth rose sharply and remained well above its pre-pandemic level even after sales uncertainty began to decline (Bernanke and Blanchard, 2023; Giannone and Primiceri, 2024; Yotzov et al., 2023).

All the above poses important challenges for collective bargaining. When inflation is low and stable, a three-year agreement with predetermined increases can provide workers and employers with useful certainty and no major (re-)distributional impact. However, when prices accelerate unexpectedly, the same agreement can lead to real-wage losses until renewal. Re-negotiating it too frequently can undermine predictability, intensify conflict and impose costs on firms whose revenues or contracts cannot adjust at the same speed. Inflation also affects workers unevenly: lower-paid households spend a larger share of income on energy, food and rent and have less capacity to smooth consumption, while a common percentage rise delivers a larger cash gain to higher earners. But it affects firms unevenly as well: depending on the sector, companies face very different combinations of energy costs, demand, margins and interest-rate exposure. Wage bargaining must therefore reconcile purchasing-power protection, employment, competitiveness, distributional fairness and the credibility of the bargaining system itself.
This policy brief explores the responses given by social partners in three sectors and five countries and

provides some recommendations as to how to adapt collective bargaining processes and agreements to this new scenario. The paper shows a very diverse picture across countries and sectors, with no generalized return to full automatic indexation. The practices identified by the MAINSOC project usually combine several elements in a flexible way with a view to be able to adapt to a changing environment. These include capped ex-post safeguards, centrally negotiated accounts, sector-performance component, temporary payments linked to a later permanent increase, or an explicit reopener. Moreover, the analysis shows how social partners must decide which inflation measure is relevant, how frequently it is observed, whether the correction is retroactive, capped and consolidable, which workers receive it, and how it interacts with variable pay, pensions, public support and bargaining at other levels.

The brief is organised in four sections. Section 1 provides an overview of the recent scientific and policy literature to identify the channels through which inflation changes collective bargaining, the obstacles to adaptation, and the importance of sectoral and national institutions. Section 2 examines five practices highlighted by MAINSOC: Denmark's free-choice account, Germany's inflation compensation premium, Spanish large retail's fixed-plus-real-sales formula, Italy's metalworking safeguard clause, and the Spanish construction safeguard clause. Section 3 compares the cases and identifies patterns related to bargaining coordination, sectoral exposure, adjustment speed and distribution. Section 4 translates the findings into practical recommendations that unions and employer organisations can use when designing the next generation of collective agreements.

1. How inflation reshapes collective bargaining

1.1. The channels of impact

There are several ways in which inflation impacts upon collective bargaining. The first and most visible channel is the erosion of real wages. Because negotiated wages adjust with a lag, an unexpected price increase initially transfers purchasing power away from employees. Across the OECD, real wages fell widely during 2021–2023; even by early 2026, recovery remained incomplete in many countries (OECD, 2023, 2026). This lag turns the timing of bargaining into a distributive variable. Recent European evidence shows a sequential response: firms first used wage drift, individual increases and bonuses, while negotiated wages accelerated only as collective agreements expired and were renewed (Eurofound 2023). In this scenario, the duration of collective agreements matters greatly. ECB microdata show that contracts renegotiated annually reacted strongly in 2022–2023 and then decelerated, whereas longer contracts responded later and kept wage growth higher for longer (ECB, 2025; Ismail, Lariau and Renault, 2026).

A second channel runs through expectations and reference indicators. Social partners negotiate not only over observed inflation but over its (expected) persistence. For instance, headline CPI is closely connected to workers' living costs, but it is sensitive to imported energy and food. By contrast, core inflation is less volatile and may better signal domestic persistence, but it omits precisely the items that caused the largest losses for many workers. Forecast inflation allows agreements to be forward-looking, but recent forecast errors show the risk of relying on a single baseline. On the other side, sector-specific performance indicators (including real sales, output prices, productivity or margins) can relate pay to capacity to pay, but they do not measure the cost of living and may expose workers to risks outside their control. Choosing the indicator for collective agreements is accordingly not neutral from the point of view of how inflation impacts on workers and / or companies. In addition, inflation changes firms' cost structures and bargaining space differently. Energy-intensive and import-dependent firms face direct increases in production costs whilst labour-intensive services may face less direct energy exposure but stronger pressure from workers' living costs and weak productivity growth. Firms with pricing power may pass costs to customers; firms in competitive international markets, regulated services or fixed-price supply chains may not. Energy shocks also redistribute income between sectors and between wages and profits. As shown by Wildauer et al. (2023), the above shocks raised prices first, reduced real wages and intensified conflict over income shares. This makes firm and sector data (on margins, output prices etc.) key information to negotiate in this context.

Fourth, inflation also alters wage structures. The type of wage response also has distributional impact within workers. A uniform percentage rise preserves wage differentials but provides the largest cash gains to higher earners. A flat-rate increase or identical bonus is proportionally more valuable to low-paid workers and compresses the wage scale. Raising only minimum rates protects the bottom but can create overlap between grades, weaken returns to skill and generate subsequent demands to restore differentials. Eurofound's sectoral study found that social partners often concentrated increases on lower-paid groups, but the effect was constrained where bargaining coverage and union presence were weak

(Eurofound, 2023).

Finally, inflation brings collective bargaining into closer interaction with public policy. Governments influence disposable income through taxes, transfers, energy support and minimum wages; central banks affect demand, investment and employment through interest rates. A wage agreement that looks moderate before a monetary tightening may become difficult for a construction firm after mortgage demand collapses. A tax exemption may make a one-off payment attractive, but it can also redirect bargaining away from base wages and reduce social-security revenue. Public procurement rules may prevent contractors from passing negotiated wage increases into contract prices. The impact of inflation on collective bargaining therefore cannot be assessed from wage clauses alone.

1.2. Obstacles to adaptation

The adjustment of collective bargaining and agreements to the inflationary scenario faces several obstacles and sources of resistance. As has been showed in the recent energy shock, the most prominent is fear of a wage–price spiral. Employers and central banks worry that backward-looking indexation can turn an external price shock into persistent domestic inflation. This risk is higher when labour markets are tight and firms can pass costs through. It should not, however, be treated as automatic. Historical research by Alvarez et al. (2022, 2024) finds that only a small minority of episodes with accelerating prices and nominal wages developed into sustained spirals; falling real wages were often followed by wage catch-up and declining inflation. Bundesbank estimates for Germany and the euro area likewise find little evidence that the post-pandemic surge was driven by a wage–price loop (Menz, 2024). Similarly, Cova's (2024) long-run analysis finds that the historical association between strong industrial relations and inflation has weakened and is no longer statistically significant in recent decades, showing the weakened capacity of trade unions to recover real wages after inflation hits. Conversely, Lucotte and Pradines-Jobet (2023) show that indexation and bargaining power can amplify feedback under some institutional conditions.

In the current context, uncertainty is probably the most important obstacle for social partners, since neither party knows whether a shock is temporary, persistent or sector-specific when an agreement is signed. This makes unions reluctant to lock in insufficient rises and employers reluctant to consolidate a peak rate into future labour costs. Uncertainty may encourage postponement and one-off solutions (as the German case shows). At the same time, firm uncertainty is not symmetrical: smaller firms report greater uncertainty and often have less financial capacity (Yotzov et al., 2023).

Another element to be considered is the timing of renewal or re-negotiation. Fixed renewal dates for collective agreements provide stability but constrain flexible adjustment. Using Italian firm-level data, Faia and Pezone (2024) show that distance from collective-agreement renegotiation amplifies firms' response to monetary-policy shocks, especially in labour-intensive and low-profitability firms. Long duration of collective agreements creates the opposite problem for workers as outdated wage tables persist while negotiations drift. Accordingly, shorter agreements could help improve responsiveness, but at the risk of increasing conflict. Multi-year agreements should accordingly contain annual revisions, but with some automatic mechanisms to avoid re-negotiation.

Sectoral and national institutions mediate all these obstacles. Export-oriented manufacturing combines strong organisation with exposure to energy, imported inputs and external competitiveness; this can generate innovative agreements but also stronger pressures for real wage moderation. Retail is domestic-demand dependent, labour intensive and low paid. It is particularly vulnerable to real-wage erosion and statutory-minimum-wage compression, and often needs national sectoral bargaining or pattern bargaining to offset weak local power.

Finally, construction faces material-cost shocks and, through interest rates, a sharp demand channel; public procurement, project duration and subcontracting make cost predictability central. Nationally, coordinated systems should provide some guidelines, but allowing sectoral specifities to be reflected in collective bargaining and collective agreements.

2. Negotiated responses to the inflation shock

The cases have been extracted from the five national reports elaborated in the context of the MAINSOC project. In these reports, collective bargaining practices and agreements in three sectors (Manufacturing, Retail and Construction) were analysed. The national reports do not reveal a general return to automatic indexation (Molina 2026). The five selected practices cover distinct positions between full automatic indexation and business as usual. The practices identified vary along six dimensions: whether the mechanism is embedded in the agreement or depends on public policy; whether it protects current income or permanent wage scales; whether it uses a cost-of-living or capacity-to-pay indicator; how quickly it reacts; how it distributes gains across workers; and how much it depends on coordination and trust.

2.1. Denmark: the free-choice account as negotiated recentralisation

The 2023 industrial settlement (OK23) addressed the inflation shock through a package rather than a single index or measure. CO-industri and the Confederation of Danish Industry agreed a DKK 9 increase in the hourly minimum rate in two steps, equivalent to 6.9 per cent over two years. Apprentice wages and inconvenience allowances rose by 8 per cent, and overtime and shift premiums by 6.5 per cent. Employer pension contributions rose from 8 to 10 per cent while the employee contribution fell correspondingly, increasing take-home pay by two percentage points. Contributions to the free-choice account (fritvalgskonto) rose from 7 to 9 per cent. Taken together, the centrally guaranteed elements represented an estimated 10.9 per cent improvement for workers at the minimum rate (Ibsen, 2026; Ibsen et al., 2024).

The free-choice account is especially significant in this adaptation. Employers contribute a percentage of gross pay to an individual account, which the worker may use for additional salary, extra leave, care-related time off or pension saving. The balance is normally used or paid out within the annual cycle. The account began as a relatively small negotiated benefit, but the 2023 and 2025 rounds raised it from 7 to 11 per cent; under the 2025 industrial settlement, the additional two points are phased in during the agreement. Because the contribution is set centrally and can be taken as cash, it creates an income increase that does not depend on a successful local wage round. In a decentralised minimum-rate system, this amounts to a selective recentralisation of wage protection.

The mechanism has three advantages in an uncertain inflation environment. First, it gives workers liquidity if prices rise but allows them to choose time or pension if immediate income pressure is lower. Second, it operates through established collective bargaining and therefore strengthens rather than bypasses social partners' autonomy and coordination capacity. Third, the labour-cost norm can be translated differently across sectors: a centrally negotiated account matters particularly where local wage drift is weak, while manufacturing firms retain scope for productivity-related local bargaining. The 2023 agreement also improved shop stewards' access to information on productivity, competitiveness and financial performance and strengthened organisational support when local negotiations stall.

However, it is important to stress that the account is not an inflation guarantee: its value is a negotiated percentage of pay and can lag behind a sudden price shock. Higher-paid workers receive larger cash amounts from the same percentage contribution, while workers who use the account for leave or pension do not receive immediate compensation for higher food and energy bills. Its operation presupposes strong employer organisation, broad coverage, coordinated bargaining and functional workplace representation. The Danish unions' ability to "spend" the pattern on minimum rates and the account also depends on manufacturing employers accepting a settlement that can be transmitted to weaker sectors. Finally, recentralisation can generate tension with the principle that most industrial wage growth should reflect local productivity. OK23 began with union warnings that the local system was not delivering a fair share and employer insistence on preserving decentralised flexibility. The compromise retained the local model while making its central floor more substantial.

2.2. Germany: the inflation compensation premium

Germany's Inflationsausgleichsprämie (IAP) was created through federal tax law rather than by a collective agreement. Employers could pay up to €3,000 between 26 October 2022 and 31 December 2024 free of income tax and social-security contributions, in cash or in kind and in one or several instalments. The payment had to be additional to wages already owed; the law did not create an individual entitlement, although collective or company agreements could do so. The instrument emerged from the government's 2022 "concerted action", whose political aim was to cushion living costs while avoiding a wage–price spiral (Federal Ministry of Finance, 2023; Barthel and Jaehrling, 2026). The IAP quickly became part of wage bargaining. It is estimated that public and private employers paid about €52 billion to 26 million employees, at an estimated cost of €40 billion in foregone tax and social contributions. WSI reports that 86.3 per cent of employees covered by collective agreements were entitled to an IAP over 2022–2024 and that the average amount for covered employees was €2,680. Coverage outside collective agreements was substantially weaker, and amounts varied strongly by sector and firm size (Schulten and WSI Collective Agreement Archive, 2025).

The 2022 metal and electrical industries settlement shows the mechanism most clearly. IG Metall and the employers negotiated the maximum €3,000 in two tranches in 2023 and 2024, paid as the same nominal amount across wage groups. Permanent wage-table increases -5.2 per cent followed by 3.3 per cent, often described as an 8.5 per cent scale package- were delayed. The agreement also contained differentiation and postponement options for firms in financial difficulties. The flat premium was progressive relative to pay: €3,000 represented a larger percentage of annual income for lower-paid workers, although the generally high wage level in the sector limited the emphasis on a separate low-pay component.

The main problem with this mechanism is that it can't be consolidated. A one-off payment supports current income, but it disappears from the comparison base for future percentage increases, overtime, pensions and social insurance. IG Metall interviewees acknowledged that the 2022 package cushioned the immediate shock but did not provide lasting compensation for all inflation losses. Once the premium expired, subsequent wage rises first had to fill the hole left by its disappearance. The fiscal subsidy also created an opportunity cost for the state and social-security funds and distributed support unevenly: profitable, large and covered firms were more likely to pay the premium than weak, small or uncovered firms. A state instrument intended to help all employees therefore produced stronger protection where bargaining institutions were already strongest. Despite these problems, some unions sought to use the tax-free window as a bridge: pay an initially scheduled increase as tax-free compensation, then incorporate the amount into the wage table at a defined later date. Where agreed, this converts immediate compensation relief into structural protection and prevents the one-off from becoming a substitute for bargaining. The obstacle was employer resistance to automatic later consolidation.

2.3. Spanish large retail: fixed increases plus a real-sales formula

Large retail in Spain is governed by a highly centralised national agreement negotiated by the employer association ANGED and the trade unions FETICO, VALORIAN (formerly FASGA), CCOO and UGT. The sector has not used a classic CPI clause. Instead, it links variable pay to the INE's Retail Trade Index for large stores at constant prices (ICM). Because the index deducts inflation, it measures real sales performance rather than nominal turnover. The formula therefore asks whether the sector has expanded its real capacity to pay, not whether employees' cost of living has increased.

The 2023–2026 agreement adapted quantitatively without abandoning the model. It set fixed increases of 4.5 per cent in 2023, 4.5 per cent in 2024, 3 per cent in 2025 and 2 per cent in 2026—a total of 14 per cent over four years. It retained the ICM-based variable and consolidation scales and added an extraordinary guaranteed minimum non-consolidable variable payment of 1 per cent for 2023–2025. It also created a route toward an €18,000 wage floor for the base professional group by 2026 and addressed working time, Sunday work, digitalisation and training (Molina 2026a).

For 2024, real sales exceeded the relevant benchmark sufficiently to generate a 1.6 per cent non-consolidable payment and to consolidate 0.25 per cent into the wage tables. For 2025, the real-sales condition was not met, so neither the ordinary variable complement nor consolidation arose; workers still received the extraordinary guaranteed 1 per cent. Fixed increases apply at the beginning of the year, while the variable outcome is calculated later by the joint commission once official data is available.

The conflict during the 2023 negotiation shows the limits of this mechanism. ANGED emphasised employment, competitiveness, Sunday opening and e-commerce flexibility. CCOO stressed the compression of lower grades toward the sharply rising statutory minimum wage; FETICO demanded a larger four-year increase, an immediate lump sum, shorter hours and limits on compulsory Sunday work. A real-sales indicator can establish capacity to pay, but it cannot guarantee purchasing-power recovery. Workers bear the risk of weak sector demand even when household prices remain high, and a non-consolidable payment does not raise the base for future increases. The formula also uses a sector average: firms with very different margins apply the same result, while employees do not directly share firm-specific productivity or profits. Its strength lies in combining a substantial fixed path, a transparent performance rule and a temporary floor, not in using real sales as a replacement for all cost-of-living protection.

2.4. Italy: the metalworking safeguard clause

The 2016 metalworking agreement moved toward annual ex-post adjustment of minimum rates using

realised IPCA-NEI. The 2021 renewal made the protection explicit: if realised IPCA-NEI produced an increase above the pre-set contractual amount, the higher inflation-based adjustment would prevail. The clause operates each June after ISTAT certifies the previous year's indicator. It was activated decisively in 2023 and 2024: the relevant IPCA-NEI values were 6.6 per cent and 6.9 per cent, producing increases substantially above the amounts originally scheduled. In 2025, the certified 2024 rate was 1.3 per cent and still generated an adjustment during a period of contractual expiry. The 2025 renewal retained the safeguard, demonstrating that a device introduced before the crisis had become institutionally durable (Tassinari and Massimo, 2026; FIM-CISL, FIOM-CGIL and UILM, 2025).
The safeguard does not provide complete cost-of-living insurance. It operates with a lag and excludes imported energy, even though imported energy caused much of the initial loss. Its protection applies to contractual minima, and firm-level individual supplements (superminimi) may be absorbable, allowing part of the contractual rise to offset an existing top-up rather than increase total pay. Employers also face a large, relatively sudden increase once the realised indicator is known. Export exposure and uneven firm performance make this particularly contentious in metalworking. During the 2025 renewal, employers sought a different wage logic and unions mobilised to defend the clause; its survival illustrates both institutional stickiness and the conflict generated when an automatic safeguard becomes binding.

2.5. Spanish construction: controlled indexation and deferred social wage

The safeguard mechanism used in construction in Spain used the sum of headline CPI rates in December 2022, 2023 and 2024. It activated only if the sum exceeded 10 per cent, with the calculation capped at 13 per cent. Fifty per cent of the excess above the threshold was recognised; that recognised amount was divided equally between an increase in the 2024 wage tables and a contribution to the sectoral occupational pension plan. The correction took effect on 1 January 2025 without arrears. The three December rates summed to 11.6 per cent. The 1.6-point excess therefore generated 0.8 points of recognised adjustment: 0.4 per cent for wage tables and 0.4 per cent for pensions (Molina, 2026a).

The agreement is a clear example of "controlled indexation". The threshold absorbs ordinary forecast error; the cap limits employers' maximum exposure; delayed activation improves cost predictability; non-retroactivity avoids a large arrears bill; and the pension split converts part of compensation into deferred social wage. The rule covers the provincial wage structure rather than only selected groups. In a sector exposed to steel, cement, glass, logistics and energy-intensive inputs (and to fixed-price public projects) this design made a safeguard compatible with a multi-year cost framework. Permanent bipartite institutions and a stable national bargaining relationship supported the compromise.

However, the stability provided by this mechanism came at the cost of incomplete and late wage recovery. Workers lost purchasing power during 2022 and received no compensation until 2025. Moreover, this compensation was incomplete since only one quarter of the real wage loss entered current wage tables. Pension contributions build long-term social protection but cannot pay current energy or food bills; they also benefit workers differently depending on tenure and participation. The agreement also could not solve firms' difficulty passing higher labour and material costs into public contracts, which became a parallel demand by employers and unions.

The 2025 amendment extended this logic rather than abandoning it. Fixed increases of 3.5 per cent for 2025 and 3 per cent for 2026 were combined with a new safeguard for the two-year period: activation if the sum of December inflation rates exceeds 7.25 per cent, capped at 9.25 per cent, with the correction applying from January 2027 and again split between wage tables and pensions. This makes the clause repeatable, but it also shows why periodic design review is needed: thresholds, caps and the current/deferred split should respond to the length of the observation window and the distribution of risk rather than simply reproduce the previous formula.

3. Comparative analysis: what travels, what depends on context

3.1. From instruments to patterns

The analysis of collective bargaining practices reveals some patterns. The first pattern is that coordination capacity matters more than any single clause. Denmark could use a non-indexed account as an inflation response because manufacturing's settlement establishes a credible norm, employer organisations can transmit it and local representatives can supplement it. Spanish construction could implement a complex safeguard because a stable national agreement sets binding rules for provincial agreements. Italian metalworking's clause worked because strong social partners maintained it through successive renewals. A formula without the capacity to negotiate, administer, monitor and enforce it offers little protection. Poland provides the contrast: where multi-employer bargaining is weak, repeated statutory-minimum-wage increases became the principal adjustment mechanism. This protected the lowest-paid but left much of the wage distribution dependent on enterprise decisions and the state (MAINSOC WP4 Poland, 2026; Tassinari and Massimo, 2026).

A second element regards the consolidable character of the wage recovery mechanism. Germany's IAP was the strongest on speed and net value for workers, but it was non-consolidable. Italy's clause was strongest on consolidation, but slower and more exposed to a large later adjustment. Denmark's account occupies an intermediate position: it is permanent and negotiated, but individual use determines whether it becomes current pay or deferred benefit. Spanish construction explicitly divides compensation between current and deferred income. Finally, Spanish retail combines a permanent fixed path with both non-consolidable and consolidable variable elements. Negotiators should therefore report separately the effect of a package on (a) current disposable income, (b) permanent hourly or monthly rates, (c) pensionable pay and social contributions, and (d) the base for the next bargaining round. A single "total value" figure can conceal major differences.

The cases also show that the inflation indicator is a political-economic choice. Headline CPI in Spanish construction prioritises a familiar cost-of-living measure, but controls it through a threshold, cap, delay and partial recognition. Italian IPCA-NEI removes imported energy to distinguish external from domestic inflation, at the cost of excluding a major household expense. Spanish retail's real-sales index measures sectoral capacity rather than living costs. Denmark and Germany did not use a formula at all for their central instruments, relying respectively on coordinated judgement and a nominal fiscal ceiling. It is important to stress that no indicator is technically (nor distributionally) neutral. It allocates forecasting error and determines whether workers or firms carry the risk created by energy, domestic inflation persistence, weak demand or productivity.

An interesting element coming out from the comparative analysis is that duration and adjustment frequency are independent design variables. Longer agreements provide stability, reduce transaction costs and allow wage increases to be distributed across years. However, they also magnify forecast error. The ECB's evidence that annual contracts respond faster but longer contracts remain "stickier" after the shock supports a layered solution: a multi-year agreement with a known base path, annual data verification and a narrowly drafted reopener for extreme deviation (ECB, 2025). Italy's annual safeguard inside a longer agreement and Spain's performance review in retail illustrate this logic. Spanish construction's three-year observation window offered greater cost stability but exceptionally slow protection; its later two-year window represents a modest acceleration.

Importantly, the distributive implications of the clauses also different significantly. Flat payments such as the German premium provide a larger proportional gain at the bottom, whilst percentage increases preserve occupational differentials. Higher minimum rates and central accounts protect workers with weak local bargaining, as in Denmark. Statutory-minimum-wage increases can compress the bottom of collectively agreed scales, as in German and Spanish retail, creating pressure to redesign classifications. Sector-wide clauses protect covered workers uniformly but may miss outsourced, subcontracted or uncovered workers.

A final element to be highlighted is the role of the state. State action can reinforce / support collective bargaining by supplying information (for instance on benefits), enabling occupational pensions, revising public-contract prices, extending agreements, supporting mediation or making relief conditional on negotiated coverage. But it can also displace bargaining. Germany's premium entered collective agreements and helped settle a difficult round, but its tax design favoured temporary compensation and generated unequal reach. In Poland, minimum-wage policy substituted for weak sectoral bargaining rather than rebuilding it. Denmark's experience shows the value of autonomy, but also the need for a credible public backstop and caution against government intervention in matters already regulated by agreements. Spain shows a middle route: the legal architecture sustains high coverage and the V AENC provides bipartite coordination, while government policy shapes minimum wages, pensions, procurement and household support.

4. Recommendations for social partners

4.1. Build upon shared evidence

In a context characterized by uncertainty, it's important that unions and employers have all the information available and establish a joint inflation and sector dashboard maintained by the bargaining commission. This should first of all distinguish headline CPI/HICP, core inflation, energy and food and select the most relevant benchmark for the sector. Then, it is important to record the cumulative price-level change from the previous agreement and add sector-specific performance variables such as output prices, real sales, productivity, margins, employment, vacancies etc. Moreover, it is important that data about sector / company margins are also available so that the negotiation takes place in an informed context. The parties should agree the data source, publication date, revision policy and calculation examples before negotiating the trigger. Even though data will not remove conflict, it narrows disputes over facts and makes an automatic clause auditable.

Ideally, the dashboard should include scenarios rather than one single forecast. In inflationary times, this means to establish a central path, an upside inflation shock and a downside demand shock. Each scenario should show the effect on real wages, the wage bill and different firm types. Where firm heterogeneity is high, the agreement can define an evidence-based hardship procedure instead of leaving derogation to unilateral discretion.

Governments can help by providing timely statistics, extending representative agreements where national law permits, linking public support and procurement to collective-agreement compliance, and allowing contract-price revision when verified wage and input costs rise. Minimum-wage policy should be coordinated with bargaining timetables to avoid sudden overlap of wage grades.

Regarding the price indicators to be used, headline inflation is the clearest measure for protecting living standards. Core inflation or an index excluding imported energy is better suited to assessing domestic persistence and limiting second-round effects. Real sales, productivity and margins measure capacity to pay. These indicators should play different roles rather than compete as substitutes. A standard formula can use a cost-of-living index for a partial wage safeguard and a sector-performance indicator for an additional variable or consolidable gain.

When energy is excluded from the permanent index, the agreement should consider a temporary flat energy payment targeted at lower-paid workers. When a sector indicator is used, it should be inflation-adjusted, independently published and combined with a minimum guarantee. Parties should avoid opaque composite indicators that workers and firms cannot reproduce.

4.2. Use a base path plus a symmetric 'safeguard corridor'

For most sectors, the default should be a multi-year schedule of permanent wage increases plus an ex-post clause or wage adjustment corridor. Inside the corridor, the agreed path applies. Above an upper threshold, a defined share of excess inflation is corrected; below a lower threshold, the next scheduled increase may be moderated only if the agreement explicitly provides for symmetry. This type of clause could include aspects like:

- the index and reference period;
- whether change is annual, cumulative or a change in the price level;
- the threshold, cap and compensation percentage;
- the effective date and any arrears;
- the share consolidated into wage scales;
- the treatment of pensions, premiums and future percentage increases; and
- the dispute-resolution procedure.

Caps make employer exposure predictable, but a cap without a reopener can leave workers unprotected in a tail event. A compromise is a capped automatic correction combined with mandatory renegotiation if inflation exceeds the cap or if energy and core inflation diverge by an agreed margin.

4.3. Make duration flexible

Long (4 year) agreements should contain annual technical verification and a clauses allowing to reopen wage negotiations if necessary. Reopeners should be triggered by observable events (such as inflation outside the agreed corridor, a legally mandated minimum-wage change, a major energy shock, a defined collapse in orders or a public-procurement rule change) not by general claims about worsened contexts. The clause should specify a timetable, information rights, mediation and what happens if no agreement is reached.

Short agreements may be preferable in sectors with rapidly changing prices and sufficient bargaining capacity. Where annual full negotiation would be burdensome, social partners can separate the political renewal cycle from a lighter annual wage review conducted by a joint commission.

Flexible duration should be accompanied with a review of every mechanism after activation. Each safeguard, bonus or variable formula should include a joint evaluation within six months of activation or expiry. The review should ask who was covered, how quickly support arrived, how much entered permanent scales, whether low-paid workers were protected, whether firms used hardship clauses, and whether employment, prices or bargaining coverage changed. The results should be published in a short common report and used to recalibrate thresholds and timing in the next agreement.

4.4. Treat one-off payments as quick fixes, not substitutes for consolidable wage increases

Emergency lump sums can be valuable when workers need immediate cash and firms cannot safely raise the wage base. Every one-off should nevertheless be accompanied by an exit schedule. The agreement should identify whether any part will be consolidated, when permanent increases resume, and how the expiry will affect pensions and total annual income. Public tax incentives should require additionality and should not permit already owed pay to be relabelled.

Where government offers a tax-favoured payment, social partners should negotiate sector-wide entitlement or minimum standards so that relief does not depend only on firm generosity. Fiscal support should be assessed for coverage, gender and part-time effects, social-insurance losses and access by workers in SMEs.

Moreover, responses may combine different wage formulas. A balanced package can preserve the wage structure through a percentage rise while providing stronger protection at the bottom through a flat amount, higher minimum rates or a guaranteed floor. Apprentices, new entrants, part-time workers, posted workers and groups without local bargaining should be tested explicitly against the formula. Distributional impact should be reported in euros and as a percentage for at least three representative wage levels. The same exercise should show the effect on total pay, pensionable pay and take-home pay.

Moreover, social-wage instruments can also be useful, but making sure there is genuine worker choice. Pensions, paid leave, care days, training rights and working-time reductions can complement wages and help distribute adjustment across the life course. The Danish account shows the value of a portable, centrally negotiated choice. Similarly, the Spanish construction plan shows how a safeguard can build sectoral social protection. These instruments should not silently replace current pay. Workers need a clear option, information on tax and pension effects, low administrative costs and a default that does not disadvantage those with urgent liquidity needs.

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Annex 1: Summary table of wage practices

	Main inflation channel	How collective bargaining adapted	Distribution and timing	Obstacles and resistance
Denmark: free-choice account	Real-wage losses combined with uneven access to local bargaining	Central account rose from 7% to 9% in OK23 and toward 11% after OK25; workers choose pay, leave or pension; combined with higher minima and a pension-contribution shift	Permanent negotiated contribution; broad coverage where agreements apply; percentage-based but especially important to workers without local wage drift	Requires high coordination and employer organisation; not linked to CPI; worker choice may defer current income; tension between central protection and local flexibility
Germany: inflation compensation premium	Immediate loss of disposable income and concern about permanent labour-cost increases	State enabled up to €3,000 tax- and contribution-free in 2022–2024; agreements converted a voluntary option into entitlements and combined it with delayed scale rises	Fast and highly visible; flat amount proportionally favoured lower earners; temporary and non-consolidable; uneven outside covered and profitable firms	Can substitute for base wages and weaken pensions/social insurance; fiscal cost; cliff edge on expiry; employer resistance to later consolidation
Spain: large retail	Living-cost shock, weak real	Four-year fixed path plus variable pay linked to INE real-sales index; possible	National coverage; annual fixed rises; later variable	Real sales measure capacity, not living costs; no

	consumption and minimum-wage compression	consolidation; guaranteed 1% variable floor in 2023–2025	calculation; common percentage across four groups; variable partly non-consolidable	guaranteed CPI catch-up; sector-average formula masks firm differences; conflict over pay, hours, Sundays and flexibility
Italy: metalworking safeguard	Unexpected inflation and slow renewal of contractual minima	Annual ex-post adjustment of minima using realised IPCA-NEI; higher of inflation-based and pre-set contractual increase	Consolidated in wage floors; annual but lagged; whole contractual scale; strong protection in 2023–2025	Excludes imported energy; sudden cost after certification; potential absorption into individual supplements; export competitiveness; difficult to transfer to weaker sectors
Spain: construction safeguard	Materials and energy shock, real-wage loss, interest-rate and fixed-contract exposure	Multi-year fixed rises plus cumulative headline-CPI trigger, threshold and cap; partial excess split between wage tables and sector pension	Sector-wide; correction delayed to end of window; non-retroactive; only a fraction enters current wages; repeated for 2025–2026	Incomplete and late compensation; pension does not meet current living costs; point-in-time CPI-sum methodology; public-contract price revision remains external constraint