

# Luxembourg salary indexation system: Outlook for the next months

22 September 2022

As you may know, Luxembourg is one of the few remaining countries that has a mandatory salary indexation system.

In substance, the indexation is linked to the inflation of a number of commodities, including petrol and other items.

If the inflation on these items exceeds 2.5%, all salaries in Luxembourg – irrespective of the level of seniority of the relevant employee – are increased by 2.5%.

Considering the economic context of significant increase of inflation on a global level due to recent international events, the system has been put on hold for the year 2022. It had however been agreed politically, that an indexation increase will occur in April 2023.

Earlier this week, the *ad hoc* political body of the *tripartite* – which includes government, employer and employee representatives – has agreed on a number of measures, including a cap on energy prices, a VAT reduction for 2023 and also a re-application of the indexation system.

As a result of this, an indexation increase of 2.5% is expected to take place early 2023, presumably in February. This will then be followed by another indexation increase of 2.5% in April 2023 (the one that had been postponed this year).

Depending on how inflation evolves, despite the cap on energy prices it cannot be excluded that an additional indexation increase would happen later in the year 2023. If that latest scenario happened, the government has promised potential aids for companies, but no additional details are known.

The technical implementation of these measures is still required. We do however consider it important that companies have this on the radar in their salary planning exercises.

We are at your disposal in case of questions and keep you updated on any additional development.



*For further information on the topic, please reach out to your usual A&O contact, or any of the below relevant contacts.*



**André Marc**  
Partner  
Tel +352 44 44 5 5724  
andre.marc@allenoverly.com



**Gilles Dall'Agnol**  
Partner  
Tel +352 44 44 5 5104  
gilles.dallagnol@allenoverly.com



**Christophe Erzen**  
Counsel  
Tel +352 44 44 5 5112  
christophe.erzen@allenoverly.com



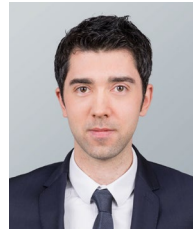
**Maurice Macchi**  
Counsel  
Tel +352 44 44 5 5231  
maurice.macchi@allenoverly.com



**Gabrielle Eynard**  
PSL-Senior Associate  
Tel: +352 44 44 5 5115  
gabrielle.eynard@allenoverly.com



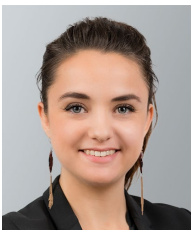
**Nathaël Malanda**  
Senior Associate  
Tel +352 44 44 5 5206  
nathael.malanda@allenoverly.com



**Julian Kisslinger**  
Associate  
Tel +352 44 44 5 5316  
julian.kisslinger@allenoverly.com



**Laurie Lougsami**  
Associate  
Tel +352 44 44 5 5299  
laurie.lougsami@allenoverly.com



**Clara Duc**  
Associate  
Tel +352 44 44 5 5180  
clara.duc@allenoverly.com



**Eric Weber**  
Associate  
Tel +352 44 44 5 5462  
eric.weber@allenoverly.com



**Laure Varichon**  
Junior Associate  
Tel +352 44 44 5 5510  
laure.varichon@allenoverly.com

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