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GES NewsFlash

Luxembourg – Automatic Indexation of Salaries: An Increase of 2,5% is Expected for 2010

December 9, 2009

Summary

Further to the introduction of the law of 27 June 2006 which adapted the application of the index of salaries and wages, a temporary mechanism has been set up in order to limit the indexation of wages for the years 2006 to 2009.

The provisions foreseen by the law of 27 June 2006 will expire on 31 December 2009. Therefore, the normal system of salaries and wages indexation will apply again as from 1st January 2010.

Currently, the index of salaries amounts to 702,29. This index will increase to 719,25 and will trigger an automatic indexation of salaries of 2,5% when the six-month average of the consumer prices index will exceed 753,62. Last October, the latter index was equal to 744,35.

Based on the Central Service for Statistics and Economic Studies' (STATEC) expectations, the increase of the index of salaries should not occur before mid of the year 2010.

It must also be noted that, when the law of 27 June 2006 came into force, family benefits have also been un-indexed. However, contrarily to the indexation of salaries, this un-indexation is final due to the introduction of an allowance for dependent children (boni pour enfant) granted as from 1 January 2008.

Deloitte's View

In the frame of their projection of costs for the year 2010, employers should take a careful stand by considering an automatic indexation of salaries of 2,5%, which should probably take place during the 2nd half of the year.

People to Contact

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