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Introduction to the special issue: Conflict and coordination in the cost-of-living crisis

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Summary
This special issue analyses governments' and social partners' responses to the cost-of-living crisis of 2021–2023, and dynamics of coordination and conflict underlying them. The study of inflation responses needs updating. First, because compared to the 1970s–1980s, the recent inflation crisis was hardly intensified by high wage demands. Secondly, because industrial relations and collective bargaining institutions have over the last three decades undergone liberalisation reforms that have eroded coordination capacities. Contributions to this special issue show cross-country variation in real wage dynamics, inflation's distributional impacts and governments' policies to tackle them. The interaction between government policies, collective bargaining institutions and social partners' strategies largely accounts for this variation. In most cases, governments no longer coordinate with social partners nor use them to enforce wage restraint to internalise inflation shocks. Rather, governments actively manage inflation through direct intervention, framing policies and steering them to either shield competitiveness, support domestic demand or reduce inequalities.

Résumé
Ce numéro spécial analyse les réponses des gouvernements et des partenaires sociaux à la crise du coût de la vie de 2021-2023, ainsi que les dynamiques de coordination et de conflit qui les

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sous-tendent. Il convient d'actualiser l'étude des réponses à l'inflation. Tout d'abord, parce qu'à la différence des années 1970-1980, la récente crise de l'inflation n'a pratiquement pas été intensifiée par des revendications salariales importantes. Ensuite, parce que les relations industrielles et les institutions de la négociation collective ont subi, au cours de ces trente dernières années, des mesures de libéralisation qui ont affaibli les capacités de coordination. Les contributions à ce numéro montrent les différences entre les pays en termes de dynamique des salaires réels, d'impact sur la distribution et de politiques mises en œuvre face à l'inflation. Cette variation s'explique en grande partie par l'interaction entre les politiques gouvernementales, les institutions de négociation collective et les stratégies des partenaires sociaux. Dans la plupart des cas, les gouvernements ne se concertent plus avec les partenaires sociaux et ne les utilisent plus pour imposer des restrictions salariales afin d'internaliser les chocs inflationnistes. Les gouvernements préfèrent plutôt gérer activement l'inflation par une intervention directe, en définissant des politiques et en les orientant de manière à protéger la compétitivité, à soutenir la demande intérieure ou à réduire les inégalités.

Zusammenfassung
Diese Themenausgabe analysiert die Antworten der Regierungen und Sozialpartner auf die Krise der Lebenshaltungskosten 2021-2023 sowie die ihr zugrundeliegende Koordinierungs- und Konfliktdynamik. Die Erforschung von Maßnahmen gegen Inflation muss erneuert werden. Dafür gibt es zwei Gründe. Erstens: Im Vergleich zu den 1970er und 1980er Jahren wurde die jüngste Inflationskrise kaum durch hohe Lohnforderungen weiter angeheizt. Zweitens: In den Institutionen für industrielle Beziehungen und Kollektivverhandlungen hat es in den vergangenen drei Jahrzehnten Veränderungen gegeben, die zu stärkerer Liberalisierung und zur Erosion der Verhandlungskapazitäten geführt haben. Die Beiträge dieser Ausgabe zeigen länderübergreifend unterschiedliche Reallohn-Dynamiken, Umverteilungsfolgen und politische Maßnahmen, um diese Probleme in den Griff zu bekommen. Diese Unterschiede erklären sich weitgehend durch das Zusammenspiel von Regierungspolitiken, Institutionen der Kollektivverhandlungen und Strategien der Sozialpartner. In den meisten Fällen koordinieren die Regierungen ihre Politik nicht mehr mit den Sozialpartnern, und sie nehmen sie auch nicht mehr in Anspruch, um Lohnzurückhaltung zur Internalisierung von Inflationsschocks durchzusetzen. Regierungen steuern die Inflation vielmehr aktiv durch direktes Eingreifen und durch politische Maßnahmen, um entweder die Wettbewerbsfähigkeit zu schützen, die Binnennachfrage zu stärken oder um Ungleichheiten zu verringern.

Keywords
Inflation, collective bargaining, energy crisis, wage setting, real wages, social pacts

Introduction: managing inflation in the wake of the neoliberal transformation

Following two decades of low inflation and sustained wage moderation, the European Union (EU) has, since 2021, faced an unprecedented surge in inflation. This inflationary spike has been driven by a combination of factors, including rising energy prices exacerbated by Russia's invasion of Ukraine, disruptions to global supply chains in the aftermath of the COVID-19 pandemic, and the adverse effects of climate change on agricultural yields and food prices. Compounding these challenges, price gouging and profit accumulation by firms in key sectors have further intensified the crisis (Weber and Wasner, 2023). Although inflation trends have varied across EU Member States, the repercussions have been felt by people in all countries.

Inflationary crises generate three interconnected policy challenges that must be addressed simultaneously: first, maintaining macroeconomic and price stability; second, mitigating the distributional impact of rising living costs on households and workers; and third, preventing economic stagnation resulting from declining demand. The policy strategies required to address these dimensions of the inflation crisis are not always aligned, creating significant dilemmas and trade-offs for governments, trade unions and employers. During periods of crisis, balancing these competing objectives requires careful negotiation and strategic decision-making with regard to reconciling economic efficiency and social equity in industrial relations.

The inflationary crisis of 2021–2023 is interesting because, in the policy debate, its causes have been quite broadly recognised as *not* related to wage dynamics or excessively lax fiscal policy. Furthermore, contrary to what happened in the aftermath of the Great Recession, the distributional dimension of the recent inflation crisis has gained centre stage in public and policy debates. In the face of a dramatic cost-of-living crisis, international bodies have called for real wages to be sustained and for the mitigation of inflation's greater impact on workers at the bottom of the earnings' distribution (European Commission, 2023; OECD, 2022). Policy-makers have seemingly become more attentive to inflation's negative impact on society's most vulnerable groups because of the general absence of indexation mechanisms in collective bargaining (Checherita-Westphal, 2022; Koester and Grapow, 2021) and the erosion of industrial relations institutions which contributes to the low risk of generalised wage-price spirals. Nonetheless, the macroeconomic management of inflation by central banks, including the European Central Bank, has not deviated significantly from the established doxa underpinning a monetarist approach to inflation. Hence, tightening monetary policy through interest rate hikes has remained an important plank of contemporary inflation management. This has exacerbated cost-of-living pressures, especially for low-income groups, while also – by design – intensifying overall recessionary dynamics.

This special issue examines the contemporary politics of inflation management, focusing on how governments and social partners have addressed the dual challenge of mitigating the cost-of-living crisis while managing inflation's macroeconomic dimensions. This task is set against a backdrop of weakened coordination capacities and diminished labour power resources, following decades of neoliberal erosion of industrial relations (Baccaro and Howell, 2017). Four key research questions guide this inquiry. First, what policy tools and strategies did governments and social partners employ to tackle the inflation crisis of 2021–2023, and what have been their objectives and outcomes? Second, to what extent have state actors and producer groups engaged in coordination or conflict in shaping policy responses to the combined energy and inflation crisis? Third, how have developments in wage setting and collective bargaining interacted with public policy to shape the distributive and macroeconomic dimensions of this inflationary episode? Finally, and central to all contributions, how do the macroeconomic and political dynamics of the contemporary inflation crisis differ from those of earlier inflationary periods?

The contributions in this special issue address these questions through two primary approaches: a historical-comparative perspective (Cova, 2024) and in-depth single or comparative case studies of diverse national contexts. These include Germany (Höpner et al., 2024), Greece (Theodoropoulou et al., 2024), France (Massimo, 2024), Norway, Sweden and Denmark (Ibsen et al., 2024), Italy and Spain (Tassinari et al., 2024), and Slovenia and Romania (Guardiancich and Trif, 2024). The selected cases aim to capture the variety of industrial relations regimes across Europe, while also reflecting intra-cluster variation in wage developments and policy responses. However, the coverage is not exhaustive, particularly because of the limited inclusion of Central and Eastern European countries and the lack of Baltic countries, a significant gap that future research should aim to address.

We begin with the observation that there are multiple pathways for tackling the cost-of-living crisis aspect of inflation and achieving the dual objectives of sustaining real wages while mitigating the distributional impact of inflation on the most vulnerable groups in the labour market (OECD, 2022). Governments can employ a range of regulatory and social policy instruments, such as energy price caps, subsidies, income maintenance mechanisms and targeted fringe benefits. Additionally, as both public employers and regulatory authorities, governments have two critical incomes policy tools at their disposal: public sector wage policy (Di Carlo, 2023; Di Carlo et al., 2024b) and minimum wage adjustments (Picot, 2023). Furthermore, governments can leverage social dialogue to negotiate income policy agreements and foster coordinated responses (Busemeyer et al., 2022). In contexts in which collective bargaining is well-established and covers a significant portion of the labour market, social partners can play a pivotal role in shaping the impact of the inflation crisis on wages and the wage distribution. These strategies differ in their implications for overall price and wage dynamics – ranging from *ex-ante* mitigation of inflation to *ex-post* adjustments – and may influence the trajectory of wage developments. They also vary in the degree of coordination required between the state and social partner organisations.

In the past, coordination between governments and social partners in wage setting played a significant role in macroeconomic management. However, after four decades of neoliberal transformation that has substantially eroded the strength and centralisation of collective bargaining systems across Europe (Baccaro and Howell, 2017), we anticipated that collective bargaining and social dialogue would play a diminished role in the recent inflationary episode compared with earlier crises in the 1970s and 1990s. Nevertheless, cross-country differences in industrial relations structures and national systems of interest representation remain significant in Europe. As a result, we expected to observe variation across European countries in the extent of state-social partners coordination and in the ability of social dialogue to mitigate the adverse effects of the cost-of-living crisis on workers while preventing wage-price spirals (Eurofound, 2023; Molina, 2023). Additionally, although heightened levels of industrial conflict might have been expected during an acute inflationary phase – as workers and their organisations seek to defend real wages – declining trade union strength led us to hypothesise that the incidence, scale and intensity of industrial conflict would be moderate and vary across countries. This variation would depend on factors such as the specific cost-of-living pressures, governments' policies and trade unions' strength and power resources.

To foreshadow the findings of this special issue, we identify three broad trajectories in wage policy outcomes across the studied countries. The first group, which we term the 'usual corporatist suspects', includes Germany, Denmark and Sweden. These countries exhibit a strategy of overall wage moderation, driven by coordinated responses between governments and social partners. This approach has resulted in relatively limited losses of purchasing power while prioritising the maintenance of cost-based competitiveness. Spain shares some characteristics with this first group, though wage increases have been more substantial. The second group, labelled the 'unexpected revaluators', comprises Romania, Slovenia and most other Central and Eastern European and Baltic countries. These nations have experienced above-average real wage growth, driven primarily by state intervention through statutory minimum wage increases. While this has generated some spillover effects across the wage distribution, it has also entailed trade-offs, potentially worsening their competitive positions. Finally, the third group – Italy, Greece and, to a lesser extent, France – represents cases of 'competitive impoverishment'. In these countries, the inflation trajectory has been particularly unfavourable to labour, with stagnant wages, workers struggling to keep pace with inflation, and competitiveness maintained at the expense of workers' purchasing power. These divergent wage developments risk entrenching different inflation rates within the eurozone over the long term, posing significant challenges for the coordination of monetary, fiscal and wage policies within the Economic and Monetary Union (EMU) and the broader EU.

The contributions to this special issue offer diverse explanations for the variation in outcomes observed across countries. In corporatist settings, such as Germany and the Nordic countries, (in)formal coordination between governments and social partners has persisted. Consistent with insights from the literature, this coordination is associated with a trajectory of wage moderation aimed at safeguarding overall competitiveness while addressing some of the most severe distributive consequences of the inflation crisis. In contrast, governments have played a significantly stronger role in Mediterranean and Central and Eastern European countries than in previous inflationary episodes. Here, governments have taken the lead in setting policy priorities and shaping responses to the crisis, not so much by coordinating the social partners as through direct interventions, such as social transfers, tax measures, minimum wage increases and price controls. However, this central role by governments in inflation management has yielded markedly divergent outcomes: substantial wage revaluation in Central and Eastern Europe, internal devaluation in Italy and Greece, and more balanced results in Spain. The articles emphasise that institutional legacies in industrial relations and wage-setting frameworks, the power resources of social partners, and governments' ideational orientations have all contributed, to varying degrees, to shaping distinct approaches to the inflation crisis. Furthermore, the findings suggest that the incidence of industrial conflict was generally lower than might have been expected given the severity of the inflationary crisis. This could reflect either the effectiveness of government interventions in mitigating inflation, increased labour weakness and uncertainty, or, most likely, a combination of the two.

This introduction is structured into four sections. First, we provide a historical overview of incomes policies and wage-setting strategies during periods of inflation. Next, we analyse wage developments across the EU, mapping the impact of inflation on real wages. Subsequently, we present a comparative discussion of responses to the inflation crisis, with a focus on the role of collective bargaining and government interventions. The final section offers offers concluding remarks.

Incomes policy and wage setting in inflationary times: a historical overview

Drawing on foundational insights from comparative political economy and industrial relations scholarship, this section synthesises key scholarly perspectives on the role of wage-setting institutions and tripartite incomes policies in managing inflation from the 1970s to the 2000s.

1970s–1980s: neo-corporatism and macroeconomic stability

The Great Inflation of the 1970s, driven by fiscal expansion, welfare state growth and the oil shocks, resulted in stagflation: a combination of high inflation and stagnant economic growth. Central banks responded with restrictive monetary policies, which disproportionately impacted labour. Union wage demands exacerbated wage-price spirals, reflecting systemic distributional conflicts between workers and employers (Goldthorpe, 1978; Panitch, 1977).

During this period, negotiated incomes policies – agreements between governments, unions and employers to limit wage and price increases – played a critical, albeit uneven role in managing inflation (Marks, 1986). These policies were aimed at centralising wage setting to control inflation while preserving economic stability. Neo-corporatist arrangements were central to sustaining the Fordist model of capitalist accumulation, which relied on low inflation and stable employment to balance the interests of labour and capital (Crouch, 1993; Schmitter, 1974). Centralised bargaining also moderated wage inequality, benefiting lower-paid workers and fostering class solidarity (Ackers, 2016).

The success of incomes policies depended on several conditions, including strong unionisation, centralised wage coordination and governments' willingness to share policy-making authority with social partners (Pizzorno, 1978; Streeck and Kenworthy, 2005). Countries with centralised bargaining systems generally outperformed those with decentralised systems in managing inflation and unemployment (Bruno and Sachs, 1985), although Calmfors and Driffill's (1988) seminal work highlighted that both fully centralised and fully decentralised systems could achieve low inflation, via different mechanisms: collective self-regulation in centralised systems and competitive market pressures in decentralised ones. By contrast, intermediate systems often struggled with inflationary dynamics (Flanagan, 1999).

1990s–2000s: incomes policies without neo-corporatist institutional preconditions

The mid-1980s marked a significant shift away from Fordist and Keynesian practices, driven by globalisation, the rise of neoliberalism and the ascendancy of monetarism. This shift led to the decline of neo-corporatist approaches to negotiated inflation management (Lash and Urry, 1987). Attention turned from centralisation to coordination as a key dimension for understanding the capacity of industrial relations to govern wage setting and inflation, with scholars emphasising the role of pattern bargaining (Andersen et al., 2015; Soskice, 1990). As monetary policy gained prominence and central banks became increasingly independent (McNamara, 2002), researchers began to explore the interplay between wage-setting institutions and monetary policy. In particular, export-oriented wage-setters within coordinated wage-setting systems (such as Germany) were found to moderate wage demands to avoid triggering central bank interventions that could lead to unemployment (Hall, 1994; Iversen et al., 2000).

The 1990s, for its part, saw a revival of tripartite concertation, particularly in EU countries preparing for accession to the Economic and Monetary Union (EMU) (Hancké, 2002; Molina and Rhodes, 2002, Rhodes et al., 2011). These social pacts, aimed at reducing inflation to meet the Maastricht convergence criteria, often included welfare reforms and labour market flexibilisation. While successful in securing EMU membership, such 'competitive corporatist' agreements (Rhodes, 1998) facilitated economic liberalisation, sometimes exacerbating inequality (Baccaro, 2014).

By the early 2000s, in a context of historically low inflation rates, many countries had phased out or limited wage indexation, shifting toward productivity-based pay systems. Moreover, once EMU accession was achieved, the relevance of negotiated incomes policies for managing inflationary pressures diminished, as inflation rates fell to historically low levels. Scholars (such as Hancké, 2002) attributed this to the leadership of wage-setters in exposed sectors, signalling a broader shift toward employer dominance in wage-setting dynamics. However, sheltered sectors in some countries experienced wage-push inflation during the first decade of EMU, highlighting the challenges of maintaining macroeconomic stability in the absence of coordinated wage-setting systems (Johnston and Hancké, 2009).

The 2008 financial crisis and the subsequent European sovereign debt crisis exposed vulnerabilities arising from diverging unit labour costs and competitiveness trends across the eurozone (Höpner and Lutter, 2018). In response, European authorities prioritised export-led recovery strategies, emphasising wage restraint, labour market flexibilisation and decentralisation of collective bargaining (Braun et al., 2024; Rathgeb and Tassinari, 2022; Scharpf, 2021).

These measures undermined the 'institutional prerequisites' necessary for effective wage-setting coordination and inflation management, significantly weakening many countries' capacity to address the resurgence of inflation in the 2020s and to mitigate its distributive consequences.

Lessons for the contemporary inflationary phase

Drawing on this historical and scholarly review of inflation management, four key lessons can be distilled for the current inflationary phase:

The importance of coordination capacities in industrial relations systems

The political exchange during the 'golden age' of incomes policy relied heavily on the capacity of industrial relations actors to manage the wage-setting process through collective bargaining with a degree of autonomy. This included fostering both horizontal (across sectors) and vertical (across levels) coordination of wage setting.

Tripartite negotiations as a response to labour strength

Tripartite negotiations were often initiated by the state as a response to the need to manage and, where possible, contain the influence of strong unions and mitigate class conflict. This dynamic was driven by labour's strength, not its weakness. By the 1990s, however, this dynamic had largely faded, leaving wage-setting frameworks structurally oriented toward wage moderation and employer dominance.

Shifting distributional concerns

In the 1970s, distributional concerns in incomes policy focused on limiting excessive wage differentials that could arise from an 'excess' of labour bargaining power, which risked harming weaker groups in the labour market. By the 1990s, even these concerns had diminished. In contrast, the current inflation crisis has brought renewed attention to distributional concerns arising from excessive profit accumulation, marking a novel aspect of inflation management.

Erosion of alternatives to centralised inflation management

Alternatives to centralised inflation management, such as coordinated wage-setting practices (e.g. pattern bargaining), have emerged but remain unevenly distributed across countries. Since the Great Financial Crisis, these arrangements have been eroded in many contexts, increasing the need for direct state intervention in distributive dynamics to compensate for the weakening of collective bargaining.

The 2021 return of inflation and its impact on workers' incomes and countries' competitiveness

The COVID-19 pandemic of 2020 not only triggered a severe global health crisis but also caused a profound economic shock, disrupting global supply chains and leading to widespread shortages across various sectors. From mid-2021 onwards, these disruptions, combined with the reopening of economies and surging demand, became key drivers of inflation across multiple industries (Kemp et al., 2023). In Europe, inflationary pressures were further intensified by Russia's invasion of Ukraine in 2022. The conflict reduced Russian energy exports to Europe and disrupted Ukrainian wheat exports, causing sharp increases in energy and food prices (Blot et al., 2023). Against this backdrop, this section provides a comparative overview of developments in inflation, real wages and unit labour costs across the countries examined in this special issue, situating them within broader trends across European macro-regions. To structure the analysis, we group countries into five geographical clusters, which largely reflect established institutional varieties of industrial relations regimes: the Baltics (Estonia, Latvia, Lithuania), the Nordics (Denmark, Finland, Norway, Sweden), Continental Europe (Austria, Belgium, France, Germany, Netherlands), the Mediterranean (Greece, Italy, Portugal, Spain), and Central and Eastern Europe (Czechia, Hungary, Poland, Romania, Slovenia).

Our analysis proceeds in three steps. First, we examine price inflation, distinguishing between total inflation and energy inflation. This allows us to assess the varying magnitude and persistence of the recent inflationary shock and the resulting problem load in terms of the cost-of-living crisis across different European clusters. Second, we analyse developments in real compensation to evaluate the extent to which workers' purchasing power has been maintained in the face of inflation. Finally, we investigate trends in unit labour costs to explore how the inflation shock may have contributed to entrenching divergent trajectories in external cost-based competitiveness across Europe. These developments are particularly significant because unit labour cost monitoring has become a central component of the EU's New Economic Governance framework established after the Great Financial Crisis (Jordan et al., 2021; Miró, 2021; Rathgeb and Tassinari, 2022). Consequently, the potential deterioration of cost-based competitiveness could incentivise policymakers to prioritise wage moderation, even amid a severe cost-of-living crisis. By examining real compensation and unit labour costs together, we can explore how the trade-offs between these two dimensions of inflation management have shaped policy responses.

The extent to which European countries were exposed to the inflationary shock caused by rising Russian energy prices depended largely on their reliance on Russian energy imports (Redeker, 2022). However, inflation dynamics were also critically influenced by the policy measures adopted to mitigate escalating energy costs. Across Europe, price inflation began to accelerate in the final quarter of 2021, reaching dramatic levels in the third and fourth quarters of 2022 (Figure 1). Energy inflation was a central driver of this surge. Energy prices rose particularly sharply in the Baltic countries (Estonia, Latvia and Lithuania all experienced very high inflation), followed by Continental Europe (notably Austria, and less so in Germany and France) and the Nordic region (especially Sweden and Norway). In contrast, Mediterranean countries experienced relatively lower levels of energy inflation, partly due to government interventions such as the energy price caps implemented in Spain and Portugal (Tassinari et al., 2024, in this special issue). Notably, energy prices began to decline significantly only from the first quarter of 2023.

As inflation surged, workers across Europe faced the increasing erosion of their purchasing power. Figure 2 illustrates the substantial variation in employees' real compensation, both across and within country clusters. The indicator used to track these developments – 'real compensation of employees' – includes both wages and employers' social contributions. While we use the term 'wage developments' for brevity, changes in real compensation may also reflect policy interventions, such as reductions in employers' social security contributions financed through general fiscal policy. A decline in real compensation indicates that prices grew faster than nominal compensation in a given year, while an increase shows that real compensation exceeded prices' growth.

In the Baltic countries, workers in Latvia and Lithuania experienced significant real wage growth, particularly from 2023 onwards, despite high inflation in the region. In contrast, Estonia saw stagnant real wage developments by 2024. In Continental Europe and the Nordic countries, real wages remained relatively stable, with limited variation within these clusters. Exceptions included France, Sweden and Finland, where workers faced noticeable declines in real wages. Central and Eastern Europe exhibited pronounced divergence: Romania, Slovenia and Hungary, like Latvia and Lithuania, recorded steady real wage growth, while Czechia experienced the sharpest real wage decline among all the countries in the sample. In southern Europe, after a significant decline in 2022, real compensation nearly returned to 2019 levels by 2024 in Greece and Spain,

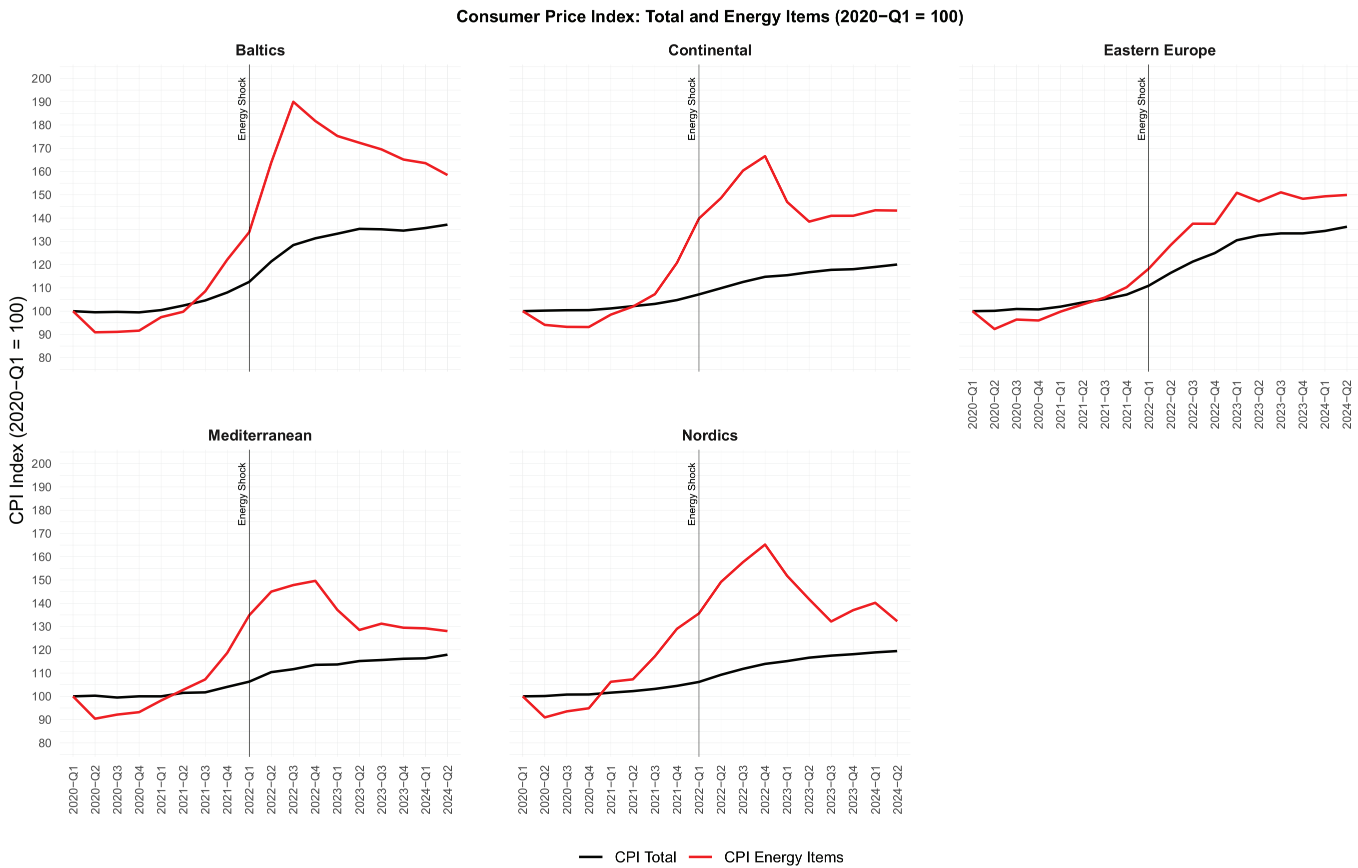

Figure 1. Inflation across Europe's different macro-regions. Consumer price index, total prices and energy items only, quarterly data (2020–2024).
Note: Countries are grouped into clusters as follows: *Baltics* (Estonia, Latvia, Lithuania), *Nordics* (Denmark, Finland, Norway, Sweden), *Continental* (Austria, Belgium, France, Germany, Netherlands), *Mediterranean* (Greece, Italy, Portugal, Spain), and *Central and Eastern Europe* (Czechia, Hungary, Poland, Slovenia). Romania is not included in the Central and Eastern European cluster due to lack of data in the OECD dataset.
Source: Authors' elaboration from OECD data.

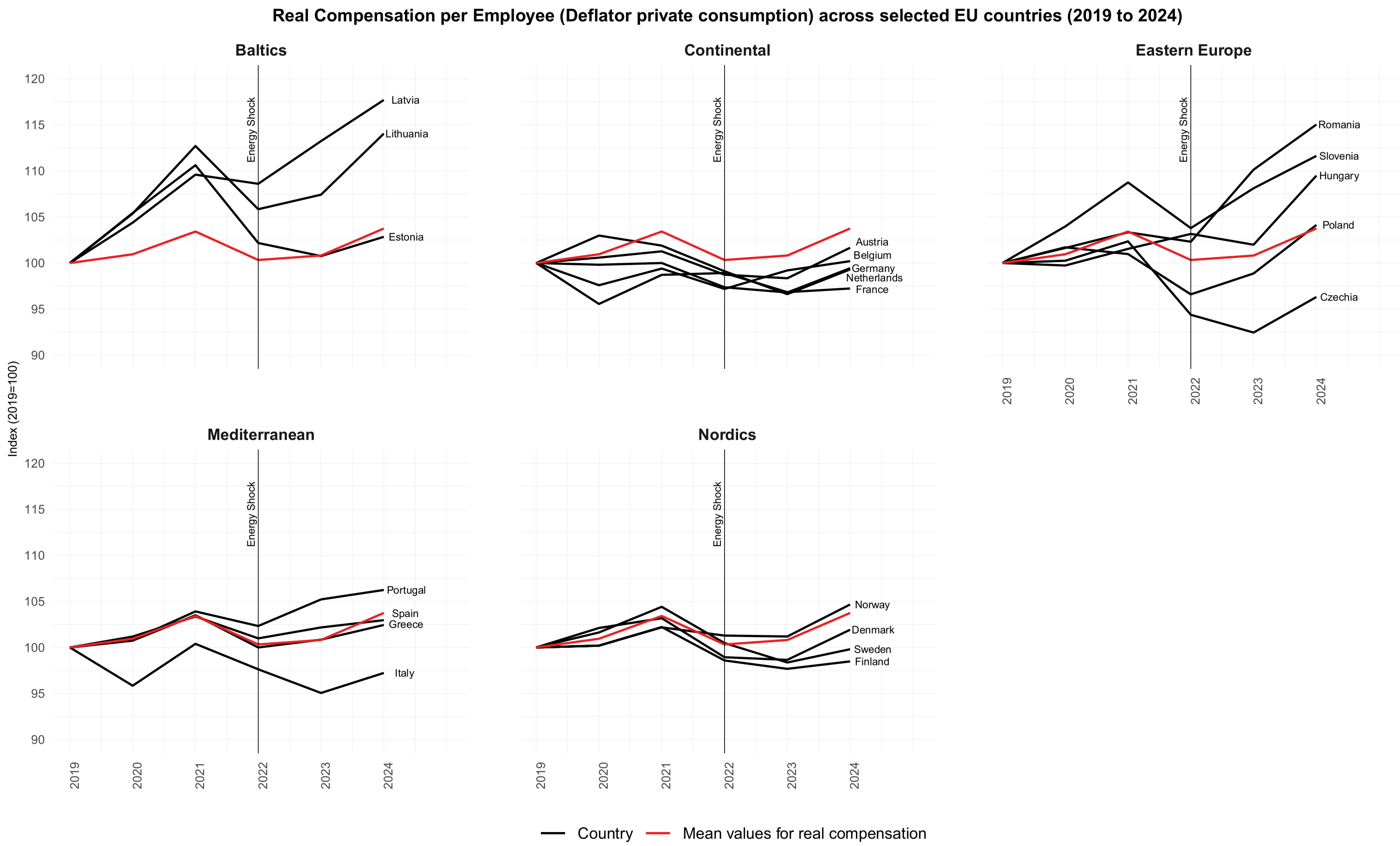

Figure 2. Real compensation per employee, deflator private consumption (2019–2024).
Note: Romania is included in the Central and Eastern European cluster because data are available in AMECO.
Source: Authors' elaboration based on AMECO data.

while Portugal saw moderate real wage growth over the period. Italy, however, recorded the second largest decline in real wages after Czechia.

Overall, we identify three distinct trajectories in real wage developments, which only partially align with geographical clusters. First, countries typically characterised in the industrial relations literature by coordinated or corporatist labour market institutions – such as those in Continental Europe (excluding France) and Nordic countries such as Denmark and Norway – exhibited a pattern of overall wage moderation. In these countries, real compensation remained relatively stable over the period (or declined during 2022–2023 before mainly recovering to pre-crisis levels by 2024). Belgium, the only country in the sample with a generalised wage indexation system, also followed this trajectory. Portugal and, to a lesser extent, Spain diverged from the broader Mediterranean trend of wage erosion, instead showing real wage developments in line with or slightly above the sample's mean. Second, Italy and Czechia stand out as experiencing the largest losses in real compensation, followed by France. Finally, several countries in the Baltics and Central and Eastern Europe (Latvia, Lithuania, Romania, Slovenia and Hungary) – often associated with more neoliberal labour markets – recorded substantial real wage gains well above the sample's mean.

Examining unit labour costs' growth provides a useful proxy for assessing countries' cost-competitiveness trajectories in the aftermath of the inflation crisis (Figure 3). Unit labour costs measure labour costs per unit of output: rising unit labour costs indicate higher productivity-adjusted labour costs or declining productivity, which can erode international cost-based trade competitiveness. This often becomes a focal point of policy concern, particularly in export-led economies. Conversely, declining unit labour costs reflect lower relative production costs, enhancing a country's competitive position. Within the Economic and Monetary Union (EMU), in which currency devaluation is precluded, adjustments in unit labour costs serve as a mechanism for so-called 'internal devaluation' or 'internal revaluation'.

An analysis of unit labour costs from a regional perspective reveals significant disparities across Europe, particularly since the onset of the energy crisis. Three distinct trajectories emerge, cutting across regional clusters. First, countries such as Austria, Czechia, Spain and Portugal have experienced unit labour cost growth broadly aligned with the sample mean, despite heterogeneous developments in real compensation (see Figure 2). Second, countries in the Continental, Mediterranean and Nordic clusters have generally exhibited productivity-adjusted wage restraint, though with notable intra-group variation. Restraint has been particularly pronounced in Denmark, Finland, France, Greece and Italy, suggesting that wage developments in these countries remained below productivity growth even during the inflationary crisis. Third, several Central and Eastern European countries (such as Hungary, Poland and Slovenia) and the Baltics (Lithuania, Estonia and Latvia) have undergone significant internal revaluation, reflected in substantial unit labour cost increases. This indicates that the rise in compensation driven by price inflation has not been matched by proportional productivity growth.

Overall, the inflationary surge triggered by the 2022 energy crisis has led to highly varied developments in real wages and unit labour costs across Europe. These disparities have given rise to three broad trajectories that can be identified in the country case studies analysed in this special issue:

(i) **The 'usual corporatist suspects'**: This group includes Germany (Continental) and the Nordic countries of Denmark, Norway and, to a lesser extent, Sweden, as well as, contrary to expectations, Spain. These countries adopted strategies of wage moderation, balancing contained or limited losses in purchasing power with a stable external competitiveness position, meaning that the moderate inflation-related compensation

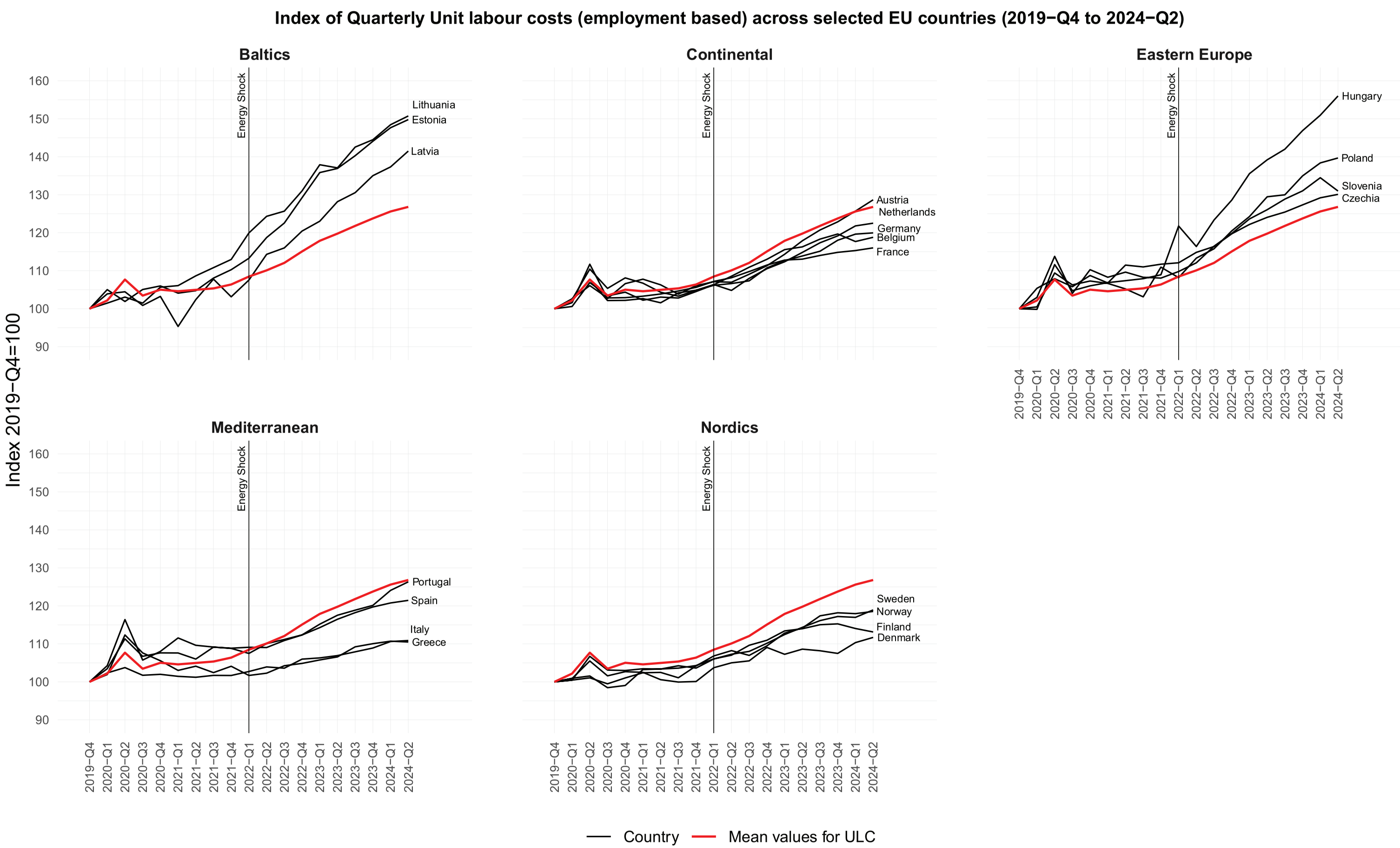

Figure 3. Quarterly unit labour costs (employment-based) by country (2019–2024).
Note: Romania is not included in the Central and Eastern European cluster due to lack of data in the OECD dataset.
Source: Authors' elaboration based on OECD data.

increases have been matched by productivity developments. Their performance highlights the stabilising and competitiveness-enhancing effects of coordinated labour market institutions and practices, particularly central in export-led economies. Sweden, however, is a partial outlier in this category, as real wages declined over 2021–2024. Spain's trajectory aligns partially with this cluster, showing moderate real wage growth coupled with a positive record in maintaining unit labour cost-based competitiveness.

(ii) **The 'unexpected revaluators'**: Romania and Slovenia, representative of the Central and Eastern European cluster, fall into this category, characterised by exceptionally high real wage growth. However, these gains came with trade-offs, as rising unit labour costs undermined cost competitiveness, with productivity growth failing to match inflation-related compensation increases. This suggests, in line with the findings of the special issue, a relatively better performance than other Mediterranean countries in defending workers' real incomes against the cost-of-living crisis, albeit within a framework of wage moderation. Spain's trajectory also marks a partial departure from the deep internal devaluation that characterised its response to the Great Financial Crisis.

(iii) **The 'competitive impoverishment' group**: This group includes Italy, France and, to a lesser extent, Greece. These countries experienced an inflationary shock that was largely unfavourable to workers as real wages declined, while unit labour costs grew more slowly than in other European countries. Stagnant wages and declining purchasing power left workers struggling to keep pace with rising inflation. Competitiveness was maintained, but only at the expense of labour conditions and workers' welfare.

Policy responses to the inflation crisis: new roles for social partners and the state

To assess how the 2021–2023 inflation crisis has been managed across the EU and to explain the variations in outcomes outlined in Section 2, it is necessary to consider the distinct contexts in which governments and social partners have operated. Three key elements are particularly relevant. First, the characteristics of industrial relations and wage-setting institutions, as well as the power dynamics between capital and labour, differ significantly from those of past inflationary crises and vary considerably across countries. These differences shape the dynamics of cooperation and conflict in wage setting and inflation management. Second, the interaction between the European Central Bank's (ECB) monetary policy responses and wage-setting processes has played a critical role. Third, government objectives and the policy tools deployed to achieve them have diverged from those of previous inflationary episodes, reflecting both the specific nature of the current inflation crisis and the changed institutional and macroeconomic environment. This third element has implications for the role of government intervention in inflation management, which has expanded, and the extent to which governments have had to coordinate with social partners, which has diminished.

The role of industrial relations and wage setting in the current inflation crisis

When considering the role of industrial relations in the management of the current inflation crisis, three key aspects demand consideration.

The nature of the current inflation crisis

Unlike previous episodes, the current inflation crisis has not been driven by expansionary wage setting or rigidities in collective bargaining institutions (ILO, 2022). Instead, it is best understood as a supply-side shock exacerbated by profit accumulation dynamics with systemic impacts on prices (Weber and Wasner, 2023). Real wages have faced sustained losses in many countries over the past 15 years, with only limited increases observed in others.

Decentralisation of collective bargaining

Over the past two decades, many countries have experienced a decentralisation of collective bargaining. This trend has been particularly pronounced in Continental and southern European countries, where collective bargaining coverage rates have declined significantly. In contrast, bargaining coverage has remained consistently high in the Nordic countries. Additionally, research highlights the diminished role of indexation mechanisms within collective agreements (Koester and Grapow, 2021).

Declining coordination capacity of social partners

The capacity of social partners to coordinate effectively has been weakened in many countries, driven by factors such as decentralisation, declining union density and shrinking collective bargaining coverage.

The weakening of industrial relations institutions, as highlighted in Section 2, has had significant consequences. In most countries, negotiated wage increases have lagged behind price increases, particularly during the initial stages of the inflation crisis (Janssen and Lübker, 2023). While the decline in real wages observed in many EU countries immediately following the energy shock was partially recovered over the subsequent three years, the intensity and pace of this recovery varied significantly across countries. These differences can be attributed to variations in political-economic structures and the degree of coordination in collective bargaining mechanisms.

One significant factor that has made it difficult to ensure that negotiated wages keep pace with inflation is the diminished role of wage indexation mechanisms (De Spiegelaere, 2023; Molina, 2023). As discussed in Section 2, these mechanisms were largely dismantled in most countries during the neoliberal restructuring of industrial relations in the 1980s and 1990s. Wage indexation has survived in only a few countries, either in the form of generalised indexation – Belgium being a notable exception, where it has positively impacted workers' purchasing power and internal demand (Bouquin and Martinez-Garcia, 2024) – or limited to statutory minimum wages, as in France (Massimo, 2024, in this issue).

Besides the absence of automatic indexation, other institutional features of national collective bargaining systems, entrenched through decades of neoliberal reforms, have further hindered wage revaluation. These include: the use of inflation indices in cost-of-living adjustment clauses that exclude energy items; the weakness of firm-level bargaining in decentralised systems; the rigidities imposed by the duration and renewal processes of collective agreements; and the general decline in union strength (Eurofound, 2023). Together, these structural constraints limit the ability of wage negotiations to effectively address the cost-of-living crisis, exacerbating the challenges workers face in maintaining their purchasing power.

The current inflation crisis followed a prolonged period of wage stagnation, particularly severe in countries most affected by austerity policies after the global financial crisis (GFC) and where institutional changes to wage-setting systems had been most profound. This was especially evident in southern Europe, where post-GFC labour market reforms aimed to institutionalise competitive wage devaluation through the decentralisation of collective bargaining, real wage cuts in the public sector, and the freezing of minimum wages. Although some of these reforms were relaxed by the late 2010s and early 2020s, their legacy created unfavourable conditions for a rapid recovery of real wages in response to a sudden surge in prices. As shown in Section 2, real wages in these countries have either stagnated (for example, Greece) or declined significantly (for example, Italy and, to a lesser extent, France).

The explanation for observed wage developments differs in countries with more ‘corporatist’ industrial relations settings, where a pattern of wage moderation is also evident, albeit less pronounced than in some southern European cases. As highlighted in Section 2, the corporatist, export-led economies of Continental Europe and the Nordic countries, where collective bargaining remains relatively coordinated and maintains high coverage levels, exhibited wage moderation during the inflation crisis. This approach enabled competitiveness gains while providing a moderate (though not always sufficient) defence of workers’ real incomes, particularly for those at the lower end of the wage distribution.

This pattern should not necessarily, or solely, be interpreted as a consequence of institutional weaknesses in collective bargaining. In many cases, these outcomes reflect deliberate coordination efforts, where unions have internalised the goal of wage moderation to avoid second-round effects and maintain external competitiveness through cautious wage-setting policies. This is particularly relevant in EMU countries, where ‘internal devaluation’ or ‘undervaluation’ serve as a key mechanism to enhance competitiveness. Export-oriented economies such as Germany, Denmark and Sweden exemplify this dynamic, as illustrated by the case studies in this special issue (see Höpner et al., 2024; Ibsen et al., 2024; on Germany, see also Di Carlo et al., 2024a). At the same time, it is important to note that even in corporatist contexts – such as the Scandinavian countries and, to a lesser extent, Germany – the inflation crisis has prompted a revitalisation of wage solidarity in collective bargaining. This could have transformative effects in the medium to long term, highlighting that unions’ wage-setting strategies are not static but can evolve dynamically as immediate inflationary pressures subside.

Wage developments in Central and Eastern European and the Baltic countries contrast sharply with the trajectory of wage moderation observed across much of western Europe during the inflation crisis. As discussed in Section 2, these countries have largely followed pronounced trajectories of internal revaluation, with significant increases in real compensation despite high inflation and corresponding rises in unit labour costs. These developments can be explained partly in terms of collective bargaining weakness. Rather than reflecting strong union power or wage militancy, these countries (with the exception of Slovenia) are characterised by liberal industrial relations frameworks, weak sectoral collective bargaining in terms of both coverage and coordination, and low levels of union density. Wage setting is thus shaped predominantly by state intervention and firm-level dynamics. In a context of high inflation and tight labour markets, the substantial increases in real compensation appear to have been driven primarily by statutory minimum wage hikes implemented by the state, rather than by developments in collective bargaining (see Guardiancich and Trif, 2024, on Slovenia and Romania, in this issue). Indeed, Table 1 highlights the scale of these increases: Eastern European and Baltic Member States recorded substantial minimum wage growth between 2021 and 2024, with increases of +62 per cent in Romania, +62 per cent in Poland, and approximately +40 per cent in the Baltic states.

Overall, these findings highlight that, although the current inflation crisis did not originate in the wage-setting system, the structure of industrial relations institutions, the role of the state in wage setting and the strategic orientation and power resources of industrial relations actors in the wage-setting process are nonetheless consequential in shaping the outcomes of the inflation crisis, from both a cost-of-living and a competitiveness perspective.

Inflation and conflict dynamics

The challenges faced by collective bargaining systems in recovering workers’ purchasing power have put significant pressure on employees, particularly those on lower wages. One might expect this to trigger a surge in labour conflicts over wages. However, the lack of homogeneous data

Table 1. Nominal national statutory monthly minimum wages (euros) in selected EU Member States, 2019–2024.

Selected EU Member States	2019-S1	2021-S1	2023-S1	2024-S2	% change 2021–2024
Bulgaria	286.33	332.34	398.81	477.04	43.54%
Czechia	518.97	579.22	717.37	755.24	30.39%
Germany	1561.00	1585.00	1997.00	2054.00	29.59%
Estonia	540.00	584.00	725.00	820.00	40.41%
Ireland	1656.20	1723.80	1909.70	2146.30	24.51%
Greece	683.76	758.33	831.83	968.33	27.69%
Spain	1050.00	1108.33	1166.67	1323.00	19.37%
France	1521.22	1554.58	1709.28	1766.92	13.66%
Latvia	430.00	500.00	620.00	700.00	40.00%
Lithuania	555.00	642.00	840.00	924.00	43.93%
Hungary	464.20	442.44	578.74	675.27	52.62%
Netherlands	1615.80	1684.80	1934.40	2134.08	26.67%
Poland	523.09	614.08	745.60	997.91	62.50%
Portugal	700.00	775.83	886.67	956.67	23.31%
Romania	446.02	458.07	606.12	743.37	62.28%
Slovenia	886.63	1024.24	1203.36	1253.90	22.42%
Slovakia	520.00	623.00	700.00	750.00	20.39%

Source: Eurostat (earn_mw_cur).

makes it difficult to measure the intensity and extent of labour disputes across the EU. Available studies indicate no significant increase in labour conflicts across the region (Cojocariu and Sedlakova, 2024; Molina, 2023). According to data from the ETUI strikes map, the countries reporting the highest increase in disputes in 2022 and 2023 were Austria, Germany and Finland. Other countries, such as Belgium, Spain, Portugal and the Netherlands, experienced more moderate increases. There is no direct correlation between the depth of wage moderation and the occurrence of conflict, as countries such as Italy and Greece have seen subdued levels of industrial conflict. This suggests that the emergence of conflict also depends crucially on unions' power resources, strategic orientation and choices. While strikes have affected most sectors, health care and transport workers have been particularly active in many countries.

In this context of limited conflict escalation, the United Kingdom stands out as a notable exception. The strike wave triggered by the inflation crisis resulted in more working days lost to strikes in 2022 than in any year since 1989. Strikes have impacted nearly all sectors of the economy but have been especially intense in public services, including health care and education. The weakness of collective bargaining institutions in the United Kingdom probably explains why it has experienced such a significant increase in strike activity despite facing inflation levels similar to EU countries.

However, conflict during the inflationary crisis has also taken on a political dimension, particularly in response to government actions to manage the crisis. This political dimension has been most evident in countries with stronger wage indexation mechanisms. In Belgium, for example, trade unions called a general strike in November 2022 in response to proposals from right-wing parties and some employer organisations to abolish wage indexation in collective agreements. Similarly, in France, the CGT and FO confederations organised demonstrations demanding higher pay across all sectors, as well as updates to pensions and social transfers to reflect the new inflationary reality. Finland also saw political strikes in opposition to the government's plans to fundamentally reform the Finnish industrial relations model, including measures aimed at moderating and decentralising wage setting. Overall, however, the level of inflation-related conflict across Europe has remained relatively low, a trend that may be linked to the mitigating role of government policy interventions, which we analyse below.

Interaction between ECB responses and wage setting

As inflation rates surged in the eurozone, the European Central Bank (ECB) faced the dual challenge of maintaining price stability while supporting economic recovery in the post-COVID-19 context. Although the primarily 'cost-push' nature of the current inflation crisis limited the effectiveness of traditional monetary tools, such as interest rate hikes, the ECB pursued this approach from 2022 onward, implementing substantial increases over the following two years. This strategy has been criticised for being inadequately restrictive given the character of inflation, raising concerns about its broader impact on economic performance and labour markets (Theodoropoulou, 2024). Moreover, despite the tightening of monetary policy, core inflation remained persistently high, underscoring the limited role of such measures in addressing supply-side inflation.

The tightening of monetary policy also risks the emergence of asymmetric effects across EU countries. The ECB's uniform monetary approach lacks the granularity needed to address Member States' diverse economic and wage-setting contexts, as evidenced by the inflation differentials highlighted in Section 2. This approach may exacerbate tensions within the eurozone, as the combined effects of tight monetary policy and real-wage moderation could lead to divergent wage dynamics and inflation differentials, potentially undermining a strong recovery across the eurozone. Similarly, the transmission of the ECB's monetary policy to non-euro countries, such as those in the Nordic region, suggests comparable impacts. However, these countries retain some capacity to fine-tune monetary policies to their specific institutional and economic conditions, thereby facilitating a softer landing from the adverse effects of overly restrictive monetary policies (Schulz and Verdun, 2022).

A stronger role for the government

The changes in the industrial relations landscape over the past three decades have significantly impacted the capacity of collective bargaining institutions and actors to deliver timely responses to protect the most vulnerable groups. The functional need for the state to coordinate with social partners to limit wage militancy and avoid second-round effects has also diminished, as unions in only a few countries and sectors retain sufficient power resources to exert significant cost-push pressures through the wage channel. However, the cost-of-living crisis aspect of inflation is not one that governments can easily ignore, even in the context of weak unions, as the social and political consequences of rising prices are acute and generate strong public demand for protective policy interventions. Failing to address this demand could have severe electoral repercussions. This dynamic helps explain the heightened attention policy-makers have paid to the distributive dimensions of the inflation crisis.

In this context, government responses have played a central role in the politics of inflation management. Governments' primary role has not been to broker incomes policy agreements with trade unions and employers, as the low likelihood of second-round effects rendered such agreements largely unnecessary. Instead, governments have taken a dominant role in defining policy priorities and shaping the strategies to achieve them.

Table 2 lists the country cases covered in the special issue, indicating the main policy priorities that governments pursued in inflation management and the extent and form of coordination with

Table 2. Government policy priorities and forms of coordination in tackling inflation in the countries covered in the special issue.

Country in special issue	Main government policy priorities	Form of coordination with social partners
Germany	Shielding competitiveness Mitigating (income) inequality	Informal coordination for wage restraint; increases in minimum wage
Denmark	Shielding competitiveness Mitigating inequality	Consensual policy-making without explicit coordination
Sweden	Shielding competitiveness Mitigating inequality	Consensual policy-making without explicit coordination
Norway	Mitigating inequality	Consensual policy-making without explicit coordination
Spain	Supporting domestic demand Mitigating inequality	Coordination for expressive purposes alongside state intervention via statutory minimum wage to compensate for weakness of collective bargaining
Italy	Shielding competitiveness	No coordination
Greece	Shielding competitiveness	No coordination
France	Mitigating inequality	No coordination; automatic indexation of minimum wage at bottom of pay scale
Romania	Supporting domestic demand Mitigating inequality	No coordination; statutory increases in minimum wage
Slovenia	Supporting domestic demand Mitigating inequality	No coordination; statutory increases in minimum wage

Source: Authors' elaboration.

social partners. In export-oriented economies such as Germany, Denmark, Italy[1] and, to some extent, Sweden, governments have aimed at shielding firms' competitiveness. The type of policies used to achieve these goals include subsidies to producers for increased energy costs or indirect price controls. To ensure competitiveness, these countries rely on existing forms of wage-setting coordination, as in Germany. Real wages in these countries may accordingly stagnate or even fall during the inflationary phase and workers will be compensated mainly through one-time payments, rebates on social security contributions or social transfers financed through general taxation to avoid second-round effects on collective bargaining. In Denmark and Sweden, the emphasis on overall wage moderation was mitigated, however, by specific attention on increasing wages for low-paid workers. This did not happen in Italy.

In a second scenario, generally more marginal, governments' responses have been oriented towards supporting domestic demand as part of a wage-led macroeconomic strategy to avoid recession and maintain households' purchasing power. Among the cases covered in the special issue, Spain falls into this second group (alongside, for instance, Belgium and Portugal, not covered in the special issue). Policies used to achieve this goal may include expansionary public sector wage setting or wage revaluation across the pay scale, for instance by ensuring some indexation of wages in collective bargaining. Moreover, governments in this case may play a more active role in promoting coordinated responses with social partners to ensure some real recovery in negotiated

1 Italy can to some extent be ascribed to an export-led growth regime given the strong and resilient export-oriented manufacturing sector in the northern regions of the country (Di Carlo et al., 2024c).

wages. This has been the case in Spain, where the government has tried to involve the social partners in a tripartite incomes policy agreement aimed at setting out a path for wage recovery compatible with competitiveness requirements. Beyond wage setting, other policy tools have been used by governments in these countries, including direct transfers to families and/or individuals or tax reductions, such as reduced VAT for basic goods.

Finally, in a third scenario, governments (and social partners) have set the mitigation of the negative distributional impact of inflation as a key goal in their responses to the inflationary crisis – aiming in particular to protect workers and families on low incomes. Primarily, Romania, Slovenia, Norway and France fit this scenario because the main focus of their policy responses is on minimum wage increases and transfers for low-income families. Some government policy responses to reduce inequalities provoked by inflation include direct transfers to families or rebates on some indirect taxes, such as VAT, which have a proportionally larger impact on low-income groups. The resources necessary to follow this approach can be raised through new taxes on excess profits in sectors such as banking or energy. Price controls to limit energy cost increases may also play an important role in this case. When it comes to wage setting, governments may rely primarily on minimum wage increases aligned with inflation to compress the wage structure at the bottom of the wage scale, as occurred in France and Germany. In countries without a statutory minimum wage, social partners may also look for ways to set higher negotiated minimum wages that help compress the wage structure at the bottom.

What is common across the board is that, in all these different scenarios, direct state intervention has increased to compensate households and/or increase the social acceptability of wage moderation with alternative forms of compensation financed through fiscal policy, while explicit coordination with social partners to achieve these objectives has waned.

Conclusions and future research trajectories

The contemporary politics of inflation management in the aftermath of the neoliberal transformation of industrial relations are complex and multi-faceted. To conclude, we would like to highlight three main takeaway points from the contributions to this special issue, as well as some avenues for future research.

First, the role of the state as the chief actor in managing both the macroeconomic *and* the distributive aspects of inflation has, in many cases, increased in the current crisis compared with the past. This is particularly the case, as expected, in countries in which collective bargaining structures have been more eroded and unions have lower power resources, such as in southern and Central and Eastern Europe; less so in contexts, such as the Nordic countries, in which collective bargaining coverage and social partners' autonomous coordination capacities are more resilient. While governments did not need to mitigate the wage militancy of strong unions, they nonetheless intervened frequently to address the adverse distributional effects of inflation on households, which, if left unaddressed, are sure to result in electoral backlash and possible social unrest. Hence, in most cases, the main 'reference' constituencies for governments when crafting policy responses to the current inflation phases have been households in their primary role as *consumers* and *voters*, rather than union members, alongside firms hit hard by increased energy and production costs and interest rate hikes.

In a context of generally subdued industrial conflict, it appears that the combined use of fiscal policy, price controls and statutory wage interventions has been temporarily effective in ensuring social peace, even in the context of repeated interest rate hikes. Future research should investigate the extent to which governments' efforts to minimise the political costs of inflation have actually paid off in the medium term, or whether conflicts will erupt more strongly in the aftermath of the shock as recent developments in Germany following the February 2025 general elections suggest. Furthermore, as many countries face constrained fiscal space or deteriorating competitiveness coming out of the acute inflationary crisis, the sustainability of this response strategy might not be ensured in the long run, potentially causing trouble if inflation re-emerges in the near future.

Second, governments have prioritised policy tools within their direct control – such as fiscal interventions, price controls and statutory wage adjustments – to mitigate the adverse effects of inflation on firms and workers, while aligning these efforts with broader macroeconomic objectives. The use of 'visible' policies that directly impact households' purchasing power – such as direct social transfers, tax cuts, price controls or statutory minimum wage increases – has helped secure public legitimacy. This has reduced the relevance of coordination with unions in wage setting as a consensus-generating (or 'expressive') function. Wage-setting coordination with unions and employers has remained relevant only in specific contexts, such as countries and sectors with 'competitive corporatist' features aimed at preserving competitiveness in export-led economies (for example, Germany and Sweden), or in rare cases such as Spain, where left-leaning governments have cultivated close political ties with unions as part of a broader wage-led growth strategy (see Bondy et al., 2024). However, these cases are exceptions rather than the norm. Future research should systematically explore the links between growth strategies and wage policy, during both inflationary and non-inflationary periods.

Third, the cumulative effects of four decades of neoliberal transformation appear to have achieved some of their intended outcomes regarding the relationship between industrial relations and inflation. As already noted, a primary objective of the neoliberal-monetarist reforms of the 1980s was to weaken unions and institutionalise wage moderation. Today, union strength no longer poses a significant challenge to price stability (Cova, 2024, in this issue), and in most countries the institutional collective bargaining framework has largely internalised the imperative of wage moderation. However, two caveats must be considered. First, union strategies are not static, even within strong institutional constraints. The extent to which unions, in the wake of the Great Inflation of 2021–2023, will continue to internalise and comply with an institutional framework geared toward wage moderation and price stability – or seek to transform it by reviving demands for wage solidarity, indexation and broader labour-capital redistribution – remains an open question for future research. Second, wage developments in many Central and Eastern European and Baltic countries suggest that wage moderation is not the only approach in play. In contexts of weak industrial relations and tight labour markets, government interventions – particularly through minimum wage hikes – can lead to significant internal revaluation. The implications of these developments for growth strategies in these countries remain uncertain. Future research should investigate the politics of wage revaluation and its macroeconomic and social consequences in Central and Eastern European and Baltic Member States.

To conclude, future research should also analyse more systematically the broader interrelations between monetary policy, especially for EMU countries, wage-setting dynamics and fiscal policy. To what extent did policy-makers and unions adapt their strategies, wage demands and fiscal policy responses to ECB interest rate setting? To what extent was there explicit coordination across eurozone governments and unions in this regard? And, if this was absent or limited, what are the long-run effects for EMU? Only a renewed dialogue between industrial relations and comparative political economy, in the spirit of the 1970s, can help to address these questions. Future studies should prioritise this line of enquiry.

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