



A trade union perspective on productivity

Adopted at the Executive Committee meeting of 19-20 November 2025

Productivity depends on investment and workers' participation, not wage cuts

The real drivers of productivity are investment in people, technology, and strong public infrastructure. Increased productivity cannot and will not be delivered through compression of wages, reduction of employment protection or undermining of health and safety at work. Productivity can only improve through modernising industry, ensuring quality jobs, and access to high quality training and innovation for all workers.

Europe's productivity gap with the US is not due to wages or worker protections. It reflects chronic underinvestment, especially in infrastructure and capital deepening. As noted by Mario Draghi (2024), real wages in the US have grown nearly four times faster than in the euro area since 2008, further disproving claims that wage restraint boosts productivity. Instead, fiscal rules prioritising deficit ceilings over investment have worsened the problem, leaving public spending too low to support growth or mobilise private investment.

The key to increasing productivity, revitalising the European economy and creating quality jobs lies in reversing underinvestment. A strong industrial policy and massive public and private reinvestment are urgently needed to rebuild Europe's productive base and support the climate transition.

Trade unions have a strong interest in productivity, as it is one of the various factors that influences wage bargaining. Too often, weak productivity is used to justify wage moderation, labour deregulation, or austerity, shifting the blame onto workers. Measures like output per hour worked are not neutral, they reflect narrow economic assumptions. They promote the idea that productivity must improve before wages or conditions can. Yet productivity depends on investment, technology, sectoral structure and workers' participation, it cannot be delivered by lowering wages or undermining employment protection.

Strong collective bargaining institutions, workplace democracy and workers' participation are essential components of a productive economy. Evidence from coordinated bargaining systems shows that negotiated wage floors, high job quality and strong participation mechanisms enhance innovation, stability and productive investment.

Wages are a driver of productivity, not an obstacle

Wages do not simply follow productivity, they help create it. Higher wages increase demand and push firms to upgrade technologies, improve work organisation, and invest in skills. This effect, known as *Marx-biased technical change*, shows that better pay leads to better productivity, not the other way around.

Unfortunately, in the EU, wages have lagged behind productivity for decades, weakening domestic demand. Closing this gap means not only matching wage increases to current



productivity growth, but also compensating workers for past underpayment. Additionally, real progress should include working time reduction without loss of pay, as technological progress makes such gains feasible.

The wrong approach: deregulation and work intensification

The focus on productivity growth based on compression of wages and working conditions has led to damaging policies. Institutions have used the narrative of “stagnation” to justify attacks on collective bargaining, labour deregulation, and wage restraint. In reality, this approach has led to:

- Work intensification, burnout, and digital surveillance;
- Automation without protections;
- Lower health and safety standards.

These are not paths to higher productivity, they are threats to workers and to the European social model, as well as to the EU economic success. Social and environmental sustainability, collective bargaining, and respect for workers’ pace and wellbeing must guide productivity strategies.

Questioning the metrics: what are we really measuring?

The way productivity is measured is not neutral. Standard indicators like “value added per hour worked” are based on outdated economic assumptions that often blame workers for weak productivity while ignoring systemic causes.

They fail to properly measure:

- Public service sectors like health, education, and care, where outcomes are hard to quantify;
- The quality of work, including unpaid and undeclared work;
- The impact of tax avoidance, which distorts national value and artificially lowers productivity indicators (e.g. –10% in France, Banque de France 2021).

Current models ignore environmental limits and promote endless growth at the expense of social fairness. Trade unions demand a redefinition of productivity that includes ecological balance, social justice, and democratic control over how value is created and shared.

Recent contributions by Nobel laureates have underscored the importance of ‘counterbalancing institutions’ to ensure that productivity growth remains inclusive and socially beneficial. This growing recognition among mainstream economists, aligning with long-standing trade union perspectives, highlights that strong labour market institutions and collective bargaining are indispensable to making productivity gains genuinely European and broadly shared.

The ETUC:

- Stresses that the real drivers of productivity are investment in people, technology, and strong public infrastructure. Increased productivity cannot and will not be delivered through compression of wages, reduction of employment protection or undermining of health and safety at work.
- Demands a massive investment agenda, public and private, to deliver quality jobs, just green and digital-transformation, to modernise the European Union’s productive base.
- Calls for stronger collective bargaining institutions, wage increases, and the guarantee of an adequate wage that ensures a decent standard of living, ensuring that gains in productivity are fairly distributed and restore the domestic demand by raising the wage share.



- Insists that productivity/economic growth cannot be delivered at the expense of workers' rights, health, and safety.
- Recognises the key role of public services as both a driver and a multiplier of productivity
- Rejects the framing of productivity as a labour productivity problem and insists it is a systemic issue of capital, innovation, training and governance, with a strong focus on dividends payments versus private investment.
- Demands limits on dividend payouts where they undermine reinvestment, and supports redirecting profits into wages, equipment, and skills.
- Calls for robust action against tax avoidance, including full tax transparency, strong anti-avoidance rules, and fair corporate taxation, to safeguard employment and public revenues.
- Resolves that productivity policies must be based on social quality, fair distribution (including through working time reduction without loss of pay), occupational health, and environmental sustainability.



Annex I

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