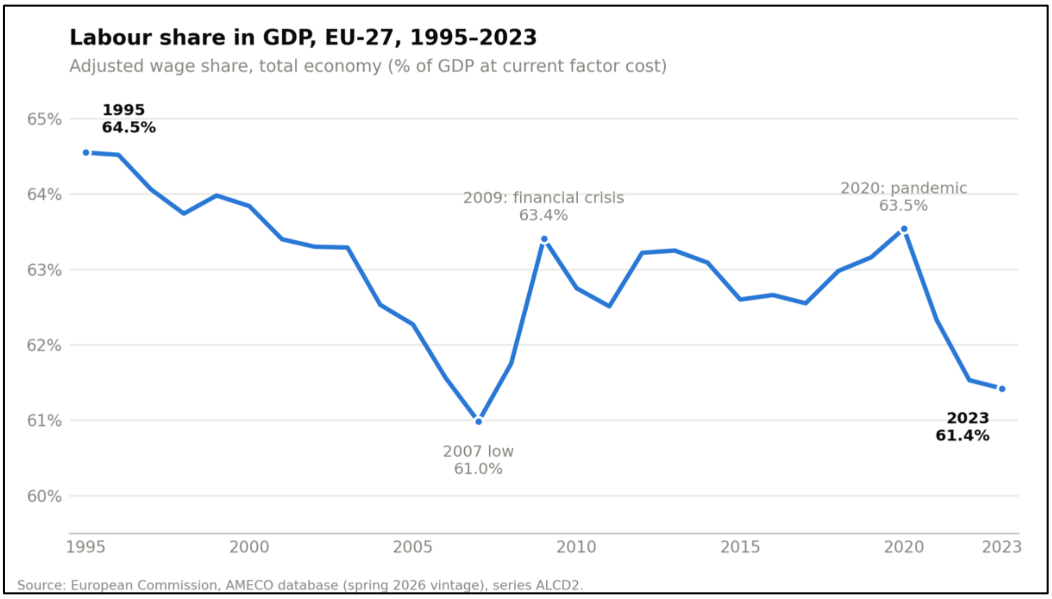
Are lazy workers the root cause of European industries' woes?

industriAll Europe takes on employers' myths and attacks on workers' rights

Europe's economy is facing multiple external pressures – including the China 2.0 Shock, US protectionist policies, and rising energy prices due to increasing geopolitical instability – that are exacerbated by structural deficiencies including chronic underinvestment by the private sector and the lack of a coherent EU-level industrial policy. Instead of addressing the root causes of the crisis, many employers are looking for an easy way out by putting the squeeze on labour. industriAll Europe rejects these attacks on workers – including, but not limited to, restructurings, working time increases and pay cuts – which will only depress demand further in Europe and increase insecurity.

Every time European growth stalls, the same answer resurfaces: workers cost too much. The case for wage compression is still made today even as inflation dampens real-wage growth and workers struggle under a cost-of-living crisis. Meanwhile, the Draghi Report has already cautioned policymakers that there is no route to European competitiveness through wage reductions. In fact, labour's share of total income across the EU-27 non-financial sector has declined significantly, over 3 percentage points, since the turn of the century, with a greater share of income in the economy flowing towards capital instead. Since 2000, total gross profit grew almost twice as fast as the average compensation per employee.



The fact is Europe's workers are *more productive than ever* but have not shared equally in the rewards generated by economic activity. In the manufacturing sector, where job loss and economic anxiety are most acute, gross value added per worker has outpaced compensation per worker by 16 percentage points since 2000. At the same time, Europe has lost more than 2.19 million manufacturing jobs since 2007, including 850,000 between 2019 and 2023.

Still, rather than address the root causes of Europe's deindustrialisation, employers embrace limits on pay, job security and health and safety standards as the cure for sluggish growth. Earlier this year, BusinessEurope and their allies achieved many of these goals by successfully advocating for the rollback of the CSDDD and CSRD directives, which reduced responsibility over their own workers and supply chains. Companies now have one less sheet of paper to fill out, while a worker injured on the job loses their ability to hold a lead firm responsible for conditions at its supplier company. In due time, employers will ask if it was worth abandoning their commitments to human rights and sustainability for a change in rules that is expected to save just €6.3 billion per year, or less than 1% of the total annual investment gap identified by Draghi, a figure which doesn't even attempt to calculate what the positive effects of sustainability and supply chain reporting guidelines might have been.

And still, it seems business interests have still not quenched their thirst. A new coordinated effort to lengthen the working week is gaining steam, especially in Germany, where the situation in the automotive industry has become embroiled in a generational political crisis. Chancellor Friedrich Merz commented earlier this year that "work-life balance and a four-day week will not be enough" to maintain the nation's prosperity. Martin Brudermüller, chair of Mercedes-Benz Group's supervisory board, repeated a similar line this summer. For Germany's industrial workers, the 35-hour work week is a sacred right, the result of prolonged struggle for greater freedom and economic security through the 1980s, summed up by IG Metall's slogan at the time: "More time to live, love, laugh."

Across Europe workers yearn for shorter hours and the chance to spend more time with their loved ones - but their wishes come up against business-friendly governments looking to extract an extra euro at any cost. Last summer French Prime Minister Francois Bayrou unsuccessfully proposed abolishing two public holidays which would have forced workers back on the job without extra pay. The Danish government managed to abolish a 300-year-old public holiday outright in 2024 to reach their defence spending target. In Portugal, the government's proposed labour package, which would have allowed for the extension of the working day by up to 2 hours and made worker dismissals easier, triggered the first general strike in over a decade which eventually led to the package being voted down this summer. Greece has gone the furthest, approving a six-day week in 2024 and allowing 13-hour days for a single employer in 2025, over the objections of trade unions who warned that the government was establishing the most deregulated labour law framework in the EU. Greeks already work the longest hours in the EU – 39.6 hours a week against an EU average of 35.9, with 12.4% putting in 49 hours or more, nearly double the EU average of 6.6% – while there is no evidence that these longer hours are enhancing the country's industrial competitiveness.

High Profits, Low Investment, Stagnating Wages (2000-2025)

2X Faster	-2.19 Million	-12.5%
Profit-per-worker in the EU-27 manufacturing sector grew twice as fast as pay per worker	Number of manufacturing jobs lost since 2007	Drop in the investment to profit ratio across the entire EU-27 non-financial sector

Blaming labour for the current economic crisis remains a simple but false answer. Labour costs are small and shrinking in various sectors. In the automotive and supplier industry, workers were 13.9% of total revenue in 2020 but only 10.7% in 2025. A recent study of Europe's largest non-financial firms across multiple sectors found similar results: labour income as a share of revenue has remained flat over the last 25 years, even as profits grew. While employers often point to the high cost of workers in a country as a drag on productivity, the value per hour worked in Germany is slightly above the United States. Shorter hours are the reason for this, as someone in the eighth working hour of the day is nowhere near as productive as in the fourth or fifth. Even the study currently being used to justify working hour extensions shows that lowering the labour cost per vehicle does not predict production levels. Germany, the highest-cost country, lost less automotive output from 2019 to 2023 than countries where the costs were cheaper, including France, Italy, UK, Canada, Spain, and South Korea. This is precisely the argument against a global race-to-the-bottom: suppressing wages or limiting union activity to attract investment only leads to further precarity and uncertainty.

On top of this, the logic of increased hours is completely backwards if the core problems are under-utilisation and lack of internal demand. Across Europe, auto plants, steelworks, and chemical production sites are all sitting at dangerously low-capacity rates. Not a single additional car, wind turbine, or kilo of cement produced is sold because the workforce works longer. In fact, as industriall Europe has argued, internal demand is linked to wages and suppressing wage growth will only undermine growth even further. We saw this in the aftermath of the 2008-09 crisis, when Europe implemented austerity measures that led to member states freezing, and even cutting, wages, and decentralising collective bargaining. The result was a self-inflicted second recession because of the squeeze in internal demand, as workers could not afford to buy additional products. We should not repeat the same old mistakes again.

The Truth Behind Employer Attacks on Wages and Hours

To be clear, the pressures faced by firms across Europe are real, especially as Chinese companies – which benefit from generous state subsidies, below market rate financing, and access to key upstream inputs like refined rare earths – encroach on the high-value-add sectors that are core to Europe's industrial future. Upcoming changes to European trade, public procurement, and foreign investment rules – including some of the first mandated social conditionalities as well as rules on domestic ownership and technology transfer – in the Industrial Accelerator Act can meaningfully address some of the issues. We also know that investing in and engaging with workers – not only with pay increases but also through re-skilling and training – increases productivity, limits industrial strife, and contributes to stable and inclusive growth. This argument extends to competitiveness itself: maintaining a dedicated long-term workforce leads to significant cost decreases in critical technologies such as batteries. So why are many employers taking the opposite approach?

One alternative explanation for Europe's economic precarity is the pressure being exerted by an ownership class that is increasingly dominated by foreign interests, global asset managers, and private equity funds who are primarily interested in securing liquid returns and short-term profits, even if this comes at the cost of productive capacity. Private equity, for instance, operates on a time-horizons that is incompatible with the long-term investment and planning European industries require. Private equity holdings are often bundled into funds and held for less than 5 years, meaning companies are pressured to reach a certain valuation or profit margins before this deadline. Managers are incentivised, through a tiered bonus structure, to cut their way to profitability or sell a company's core assets to other financial actors, leaving the original business a shell of its former self.

In addition, global asset managers now sit at the centre of European corporate ownership. The three big US firms – BlackRock, Vanguard and State Street – hold stakes between five and sixteen percent in European listed firms and BlackRock alone accounts for 12.5 percent of all European assets under management. These passive asset managers have an incentive to underinvest in active stewardship and often vote alongside management – contradicting the theory that these asset managers would discipline corporate management – because of various commercial ties they share with multiple companies. So, when management proposes to increase distributions and limit investment, there are no mechanisms in the ownership structure to push instead for long-term investment, productive capacity, or building workers' capabilities. Workers, whose institutional leverage is constantly weakened through privatisation and attacks on their rights, are an easier target to save costs.

The immense pressure on managers to meet return rates and profit margins defined by a distant shareholder class has a direct effect on Europe's growing investment gap. Total business investment in the EU-27 was down to 12.5% of GDP in 2024 compared to a 13.9% in 2019. An inverse relationship between investment and shareholder distributions has developed: a thirty-year analysis showed that in 13 member states, when dividend payout levels increased the investment to profits ratio fell.

The rise of an ownership class with little regard for workers' rights should be a central focus of the European Commission's drive for competitiveness. A study of over 375,000 European firms showed only 5.7% of family-controlled firms (where owners often have an interest in maintaining local production and employment) experienced a change in control every year. State-owned enterprises were even more stable. In contrast, firms controlled by financial institutions turned over at a rate of 14% per year. And given the increasing amount of foreign ownership in Europe, the flip side of wage suppression and dividend payments can also be viewed as capital flowing out of Europe altogether – value created on European shop floors, extracted from European workers, and paid out to shareholders who will never set foot in the plants they own.

Enough is Enough: industriAll Europe Campaign

Europe's industrial workers are at a crossroads. Deindustrialisation is not inevitable. But European political and corporate leaders must take their responsibilities and make the right choices now to save Europe's industrial future.

To raise our collective voice in the debate, industriAll Europe is launching our Enough is Enough campaign to demand immediate action. Join us in action this autumn across Europe and write to your government and MEP to ask them to stand up for **Europe's industries, Europe's jobs, and Our future** in this critical moment.