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**Conference "Europe needs a pay rise – It's Time for Our Recovery" – 14-15 February 2017**

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Ladies and gentlemen, dear colleagues,

Welcome to the ETUC Conference "Europe needs a pay rise – It's Time for Our Recovery".

This conference is the kick-off event of the ETUC campaign for a Pay Rise for European workers.

Why did we decide to launch a campaign for a Pay Rise?

Wages in Europe, and more in general at global level, have collapsed in the last decade.

This has been due to globalisation, to the financial and economic crisis, and above all to the austerity measures which have followed the crisis.

Wage cuts and general dismantling of collective bargaining and minimum wage systems have been used as the main tools for macroeconomic adjustment, to boost competitiveness, and in the Eurozone as 'homework' for fiscal and monetary adjustment.

As prisoners of an export-only based economic model, politicians, economists and employers were (and to some extent still are) convinced that the only way to be competitive and to create more jobs was to reduce salaries and cut labour costs (together with social protection systems).

Has this ideology produced any positive result?

Today, after almost a decade of pain for workers, we can say no, it hasn't.

Instead of recovery, we still face stagnation, instead of more and better jobs we still face unacceptable levels of unemployment, instead of more competitiveness for the whole economy we still face a generalised drop in demand and productivity.

And we do not see more fiscal stability in the EU or in the Euro area; on the contrary we still see a number of countries unable to cope with the challenges of public deficit and sovereign debt, and consequently public and private investment continue collapsing, with terrible effects on the economy.

In a few minutes, this situation will be analysed in detail by Ronald Janssen, chief economist at the Trade Union Advisory Committee to the OECD.

In Ronald's slides, you will also see very sound macroeconomic arguments supporting the alternative strategy we want to launch in this conference and with our campaign.

A strategy for sustainable and inclusive growth - and not for 'beggar thy neighbourhood' competition.

A strategy based on effective public and private investment on the one hand, and on a Pay Rise on the other hand.

A strategy which recognises the fact that the European economy (like most of the advanced economies in the world) is based on domestic demand more than on exports; a strategy that aims to achieve a balance between these two elements.

The fall in wages hasn't only caused a fall in demand, but also created rising inequalities, in-work poverty and social exclusion; thus, increasing social expenditure and putting even more pressure on welfare systems.

All international financial institutions are finally recognising that inequalities are harmful to economic growth. How to address inequalities and support sustainable and inclusive growth was the major topic for discussion at the 2017 World Economic Forum in Davos.

For all these reasons, we are fully convinced that a Pay Rise would boost economic recovery by supporting demand, productivity and competitiveness; and make growth more sustainable and inclusive through more equality and fairer wage share and wealth redistribution.

For wage increases to achieve these results, a rise of low pay and establishment of a higher wage floor is essential.

Statutory minimum wages must be increased where they exist, in order to reach living-wage levels, and minimum wage setting mechanisms have to be strengthened and made more transparent through the proper involvement of social partners.

But this is not enough. Minimum wages alone are not able to tackle the wage emergency that the middle class is facing, and which is one of the reasons for the mistrust and populism affecting Europe.

Minimum wages are able to improve the lowest levels of the wage scale, but are too rigid to match the differences between sectors, skills, and organising models in the workplaces.

Even strong and efficient minimum wage systems would not allow cheap labour countries in Europe to start progress towards wage convergence, since a high percentage of a low average wage is still a very low wage.

Only collective bargaining can do this.

Collective bargaining is the foundation of efficient social dialogue and democracy at work, the fundamental tool to make sure wage increases benefit labour and the economy.

What we have seen over recent years has been a systematic dismantling of collective bargaining in most countries, with very aggressive recommendations coming from all institutions for unrestricted decentralisation and even destruction of collective bargaining institutions, as part of the fixation with an export-based economy boosted by labour-cost competition.

The result has been a disaster: well performing industrial relations weakened or ended in a number of countries, fragmentation and discrimination in the labour market, increased social and wage dumping, which is affecting not only workers, but also companies and economies.

It is therefore high time to restore and restart collective bargaining where it was dismantled, to enhance and extend it where it's still working, and to create it where it doesn't exist.

When we speak of collective bargaining, we mean national sectoral bargaining, and collective agreements covering all workers.

These are the tools to boost competitiveness, equally throughout Europe, and to avoid inequality and unfair competition within and between economies and sectors.

To restore collective bargaining, some preconditions are needed: full respect for the autonomy of social partners, funding for capacity building and for reinforcing representativeness, extension mechanisms where appropriate, and national legal frameworks to create modern industrial relations where they don't exist.

Establishing collective bargaining in sectors, but also in big and multinational enterprises, is also the best trigger for wage convergence: it's no longer acceptable that in the European Union we have countries where the hourly wage is one tenth of that in other countries.

This has nothing to do with competitiveness. Nowhere in the EU is productivity and living cost 10 times lower than anywhere else in the EU: this is just exploitation and dumping. In the end, it harms the single market, fair mobility, and the overall EU economy, while increasing discontent and xenophobia.

The Central and Eastern European countries will never accept a compromise on the revision of the Posting of Workers Directive, unless wage divergence is addressed.

Achieving all this requires great responsibility, support and help from the institutions.

The European Commission, the OECD, even the IMF finally admit we have a problem with wages and inequalities: it's now time to be consistent and to stop recommending Member States cut wages and dismantle collective bargaining; it's time to recommend the opposite.

And for employers, it's time to recognise that higher wages and stronger collective bargaining benefit the economy and consequently their own business: competing on quality, innovation, skills, instead of on labour costs, will increase production and will stabilise profits, while pursuing a fairer distribution of wealth. This is the way to the future.

These are the elements which we would like to discuss with all of you in our conference.

We would like to open a dialogue with you, institutions and employers, on the need for a pay rise and how to achieve it.

We would like to understand if trade unions, employers and institutions can agree on a new, more positive narrative.

And we would like to build up with you an alliance for sustainable and inclusive growth, based on justice at work and fairer income distribution.

This is only the start of a process, which will not be easy; and we know we have different opinions on a number of topics.

But be sure we will never give up on our objective; and we are confident we will be able, all together, to open a fruitful discussion today.

Thank you very much.