

Resolution

Towards Fair and Sustainable Public Procurement in Europe

Brussels, 6 March 2025 | **A fundamental reform of EU public procurement rules is needed to ensure public funds promote fair wages and labour standards, sustainability as well as regional economic development. By shifting from the cheapest to the best bidder principle, procurement policies can strengthen social cohesion, uphold workers' rights and support economic progress.**

Background

Public procurement in the European Union accounts for approximately 14% of GDP, exceeding €2.4 trillion annually. As the European Commission is evaluating the effectiveness of EU public procurement directives¹, the Central European Trade Union Network (CETUN) calls for an overhaul of public procurement rules that would prioritise social responsibility, environmental sustainability as well as fair wages and labour standards over the lowest price principle. To strengthen social cohesion and promote decent work, procurement policies must ensure that public funds serve as a lever for quality employment, regional economic development and European added value.

Strategic Public Procurement for Social and Economic Justice

Current EU public procurement directives establish minimum requirements for awarding contracts, but they lack a binding obligation to consider social and environmental criteria. CETUN urges an approach that shifts the focus from mere cost efficiency to a socially responsible procurement strategy that upholds fair labour conditions, supports collective bargaining and reinforces social dialogue.

Public procurement must not be used to reward companies engaging in social dumping, tax avoidance or labour rights violations. Instead, it should serve as a tool to foster high-quality employment and sustainable development by making the "best bidder" principle, rather than the "cheapest bidder" principle, the cornerstone of procurement decisions.

Key Demands for Reforming EU Public Procurement Rules

To ensure that public contracts contribute to fair working conditions and sustainable economic growth, CETUN calls for the following measures:

- **Strengthening social clauses in public procurement** by reinforcing Article 18 of Directive 2014/24/EU to ensure compliance with labour rights, collective agreements and fair wage standards. This should include the incorporation of ILO Convention 94 (Labour Clauses in Public Contracts) into Annex X of the Directive to enforce decent working conditions in all public contracts.

¹ Directives 2014/23/EU on the award of concession contracts, 2014/24/EU on public procurement and 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors.

- **Mandatory social and environmental criteria** through the establishment of binding obligations to integrate social, labour, and environmental standards into procurement decisions. This ensures that the "best bidder" approach prioritises fair wages, safe working conditions and environmental sustainability.
- **Eliminating purely price-based procurement** by ensuring that public tenders are not awarded based solely on the lowest price but also factor in labour rights compliance and sustainability criteria.
- **Enhancing access for SMEs and regional businesses** by increasing direct award thresholds and introducing a *de minimis* rule for low-value contracts to allow simplified, less bureaucratic procurement procedures that benefit SMEs. Additionally, regional procurement should be encouraged to strengthen local economies and reduce GHG emissions through shorter supply chains.
- **Combating social dumping by limiting subcontracting chains** to a maximum of one additional tier to prevent cascading social dumping and ensure direct responsibility for working conditions. Joint and several liability should be introduced for all contractors and subcontractors, requiring companies to be accountable for violations within their supply chain.
- **Exclusion of non-compliant companies from public contracts** by ensuring that companies that violate labour rights, collective agreements or tax obligations are consistently excluded from participating in public tenders. This includes preventing companies to evade accountability by restructuring or replacing executives.
- **Ensuring financial solvency of contracting companies** by implementing a financial stability requirement, ensuring companies meet minimum turnover and solvency ratios to guarantee contract execution and fair wages for workers.
- **Maintaining exemptions for essential public services** such as water and wastewater management so that water supply services remain exempt from EU procurement directives, in line with the "Right2Water" European Citizens' Initiative. Strengthening inter-municipal cooperation is necessary to secure affordable, high-quality public services.

Leveraging Public Procurement to Strengthen Social Europe

The European Commission's procurement framework should align with the principles of the European Social Model. To enhance social cohesion and economic resilience, CETUN urges the mandatory inclusion of collective bargaining agreements in public contracts, the exclusion of companies engaging in anti-union practices from EU-funded projects and the reinforcement of in-house procurement options to allow public entities to directly provide services without tendering.

Europe's economic resilience is reinforced by stronger regional value creation. For this reason, the Net Zero Industry Act (NZIA) has already limited the share of net-zero technologies sourced from third countries to 50%. Similarly, Article 85 of Directive 2014/25/EU on procurement in specific sectors permits rejecting bids for a supply contract when more than 50% of the goods' value originate from third countries. This provision should also be embedded in the other two EU public procurement directives to ensure European added value in public contracts as part of the selection and award criteria. In all three directives, EU candidate countries should be exempt from such provisions affecting third countries provided that accession negotiations on Chapters 5 (public procurement), 19 (social policy & employment) and 27 (environment) are closed.

Conclusion

Public procurement is a powerful policy instrument that must be aligned with social and environmental objectives. CETUN calls on EU institutions and member states to reform procurement rules to ensure fair labour standards, sustainable development, and regional economic resilience. By prioritising social responsibility over cost-cutting, public procurement can be a driver of economic justice and a pillar of Social Europe.

About

The Central European Trade Union Network (CETUN) assembles trade unions from Austria, Croatia, Czechia, Hungary, Liechtenstein, Serbia, Slovakia, Slovenia and Switzerland. As a regional grouping of ETUC members, the network's goal is to foster trade union structures and social dialogue in the region. Through greater cooperation and coordination, participants aspire to promote common themes at European level.

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