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Europe needs to spend its money better

The EU's public procurement framework is failing to guarantee decent work. The Commission needs to change course, and swiftly

Two trillion Euros, around 14 per cent of the European Union's GDP, are spent every year by governments and public institutions across the EU for goods and services delivered by private corporations. But this money could be better spent. As the European Commission maintains flawed rules on public procurement, too many contracts go to companies violating labour rights and delivering bad services. The Commission needs to change course, and swiftly.

The holes in the EU's public procurement rules are all too well known. Reports, declarations, mappings, European Parliament hearings and studies have shed light on the multiple weaknesses that legitimise awarding public contracts to private companies solely based on the cheapest offer. This short-sighted approach not only undermines the quality of services and consumer products. It also hurts workers and businesses alike.

Prioritising profit over people

The core problem is the EU's flawed Public Procurement Directive. It perpetuates a race to the bottom, rewarding companies that prioritise cost over quality of services and fair labour practices. It is workers who suffer the brunt of this system through exploitation, underpayment, lack of payment, overwork, discrimination and violations of their basic rights.

Employers, too, find themselves struggling to compete on quality when the primary criterion is price. In fact, trade unions and employers in the cleaning, security and catering sectors agreed that legal intervention is needed to guarantee that public authorities engage in socially-responsible public procurement by purchasing services only from private companies that respect workers' rights.

The consequences of flawed public procurement extend well beyond the workplace, as citizens ultimately get low-quality services and products. It's a lose-lose-lose situation for everyone involved.

Calls for reform

Therefore, and perhaps unsurprisingly, there is a broad political consensus – backed by overwhelming evidence – for a reform of the EU's Public Procurement Directive.

Last September, a European Parliament study found that the Public Procurement Directive does not provide sufficient legal clarity on social public procurement – and would therefore need to be revised. At a subsequent hearing in the Committee on Employment and Social Affairs in the European Parliament, various experts unanimously backed up the study's conclusions.

In December, a European Court of Auditors report found that the EU's Public Procurement Directive did not meet its objectives: 'strategic (e.g. environmental, social and innovative) aspects are rarely taken into account in public procurement.'

Unfortunately, this isn't news to the European Commission.

By ignoring the ubiquitous evidence of the broken legal framework, the European Commission is contributing to a social race to the bottom.

Already since 2021, when a public hearing of the IMCO/ENVI committee on sustainable public procurement delivered the same message, the Commission knows that the legal framework, as well as its voluntary approach to social public procurement, are failing. In fact, on green public procurement, it has openly stated that 'compared to a voluntary approach, mandatory criteria or targets will ensure that the leverage of public spending to boost demand for better performing products is maximised'.

Yet, when faced with all this evidence and political support for a revision, the European Commission sounds like a broken record. It continues to argue that the Directive is fit for purpose, that public authorities are free to include social criteria in their calls for tender, and that its good practice approach is largely sufficient.

This does not change the reality that, without proper guarantees for

public authorities that they can ensure decent working conditions through compliance with collective agreements in their tenders, companies that disregard democracy and trade unions in the workplace have a competitive advantage. As a result, public money flows to the 'cowboys' of the market instead of supporting social progress.

The Commission needs to start working on a reform of the Public Procurement Directive now.

This risk is not theoretical. It's concrete and tangible; a recent UNI Europa report lists a series of public contracts with blatant labour rights violations and low-quality services. By ignoring the ubiquitous evidence of the broken legal framework, the European Commission is contributing to a social race to the bottom.

But this week, the Commission has another opportunity to change course.

During the European Parliament's plenary session, we – Members of European Parliament from four different European political parties – will urge European Commissioner for the Internal Market Thierry Breton to address the obvious limitations of the Directive and to push for a political commitment to revise it.

This would also make realising an already-made commitment much easier; with the adoption of the minimum wage Directive in 2022, the EU aims to increase the amount of people covered by collective agreements – written contracts negotiated by trade unions for workers with the management of a company – across member states to 80 per cent. Collective agreements usually lead to higher wages and better working conditions, but nowadays less and less workers are covered by them. Public procurement is one of the most effective ways of bringing up that number again and achieving the 80 per cent target set out in the Directive.

The Commission needs to start working on a reform of the Public Procurement Directive now. Europe's working people deserve it.



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