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Towards fair European economies

A revision of the EU's public procurement framework is needed to reflect the interests of the citizens not companies that undermine European policies

Public Procurement, for many a somewhat bureaucratic, not to say boring-sounding couple of words. And yet, the process of public authorities purchasing work, goods or services from companies and how different practices impacts or even distorts the playing-field should be at the forefront of the political debate. Because the fact of the matter is that public procurement matters far more than many realise, also in EU-politics.

One reason it matters, is that we are talking about huge sums of money: Every single year, EU Member States spend altogether roughly two trillion euros on public procurement - or about 14 per cent of our combined GDP. At the same time, public procurement is vital to the functioning of our society. It concerns anything from energy, infrastructure and transport, to health, cleaning and waste management. Touching so many sectors, and with such impressive amounts means that it is something that can - and should - be used as a tool in many of the more pressing policy areas.

Regrettably, however, the state of the Union today is that far too many public tenders are awarded solely based on the lowest price, while service quality, working conditions or environmental impact are simply not considered.

Incentivising the social market economy

According to a study done for the European Parliament, in 2021 ten Member States awarded 82-95 per cent of their tenders solely on the basis of the lowest price or cost. But the logic of the lowest price is short sighted. It undermines the quality of services and consumer products and it hurts workers and companies alike. Workers because they end up being treated unfairly and companies because it means that those playing by the rules risk unfair competition from those that can bid lower because they

break the rules.

The sad truth in Europe today is that we, time and again, see publically financed projects being awarded to companies that risk the lives of workers by not observing basic health and safety rules; or to companies that exploit posted workers by paying them less than the applicable minimum wage. In such cases, public procurement become an incentive for companies to undercut each other on sub-standard working conditions in order to offer the cheapest services, which in the end undermines fair competition.

Public tenders should only be awarded to companies that respect collective bargaining and trade unions.

We believe this type of unfair competition should be countered, not rewarded. We do not want to see public money used to finance social dumping. Rather we want to finance and promote companies that respect our collective rules and values while providing solutions to the welfare and environmental challenges of our time. Two trillion euros can be a powerful instrument to boost the social market economy and transform the face of European economies in a fair and sustainable way. It can lead to better conditions for millions, which will help to build stronger and more resilient economies for us all.

Now even the long awaited report of Enrico Letta supports our call, we quote: 'Public procurement regulations must ensure that contracts foster the creation of high-quality jobs, characterised by fair wages and conditions underpinned by collective agreements'.

As politicians, we cannot stand idle on the side lines. We have therefore decided to launch the European Public Procurement Alliance - to ensure a revision of the EU's public procurement rules in the coming legislature. We also want to show the European Commission that the call for a revision is anchored broadly across the political spectrum.

A revision of the EU's public procurement framework should first and foremost make social clauses mandatory in all public tenders throughout the subcontracting chain. The current voluntary approach to the application of social clauses is not sufficient.

Moreover, public tenders should only be awarded to companies that respect collective bargaining and trade unions. Collective bargaining and social dialogue is the heart of the European labour model and the social

market economy and public procurement can help promote this. This in turn will help Member States achieve 80 per cent collective bargaining coverage, which is a stated goal in the EU, as just reiterated in the La Hulpe Declaration and which will help expand better working conditions to more people.

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We must also empower contracting authorities on the basis of fundamental ILO Conventions, such as Conventions 87 and 898 (the Freedom of Association and Protection of the Right to Organise, and the Right to Organise and Collective Bargaining Convention), with the authority to exclude companies that commit fraud or breach workers' rights from public tenders.

We also believe that there should be a clear limit to subcontracting chains in public tenders. There are many valid reasons for subcontracting, but endless subcontracting chains have no other purpose than to circumvent the rules or otherwise commit fraud. Sadly, we have seen time after time, how subcontracting chains make it possible for contractors to hide from responsibility in case of work accidents or violations of labour laws.

Another dimension that must be considered is that the European labour market is in shortage of skilled labour that meet the challenges of the green and digital transition. More than 75 per cent of European companies are struggling to find workers with the right skills. Therefore, all public tenders should include earmarked paid trainee and apprenticeships. In this way we make public procurement of today, help contribute of the economy for tomorrow.

If we can get public procurement right, we can make it into a powerful tool that will help us in the policies and initiatives we agree on, at both the European, the national, the regional and the local level.

If we fail, we will continue to pour public money into companies that actively undermine the policies we adopt. We want a Europe in which public procurement works for the interests of the citizens, not against them.



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