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Pay cuts on a silver platter

For too long, the way the EU spends public money has encouraged a race to the bottom — with millions of workers paying the price

Europe's citizens have spoken. Seventy-two per cent of them believe that public procurement – the vast sums of taxpayer money used to award contracts to private companies – should be used to strengthen workers' pay and conditions through collective bargaining. A Europe-wide survey commissioned by UNI Europa and released yesterday confirms what workers and trade unions have been demanding for years: the European Commission must stop rewarding companies that drive wages down and instead use EU public authorities' immense purchasing power to ensure decent work for millions of workers.

'We must [...] make better use of public procurement', Ursula von der Leyen wrote in her political guidelines for a second term as President of the European Commission in July 2024. The Commission's just-published Clean Industrial Deal explicitly mentions that 'the use of social conditionalities in public funding ensures that workers benefit from the support provided to industry, including to promote collective bargaining.' In this context, the European Commission will propose a reform of the public procurement directives until the end of 2026. That is urgently necessary: currently, over half of the contracts are awarded based on the lowest price. Our survey found that a majority of EU citizens (65 per cent) believe that, instead, public contracts should be awarded based on a combination of price, quality, environmental and social criteria.

Even more strikingly, 83 per cent of Europeans want companies that bust unions and underpay workers to be excluded from public contracts entirely; yet this is not obligatory and rarely done in practice. And 72 per cent of respondents want authorities to give preference to companies with collective agreement. But the current legal framework is a minefield, deterring public authorities for fear of getting dragged into the courts, paying big compensations to companies competing on low salaries and working conditions. Take the example of the government of Malta, which was sued because it attempted to award a contract to a company

with a collective bargaining agreement it had signed with its workers.

The cost of cheap contracts

The current system is broken, and it's time for a fundamental shift in how we allocate public contracts. This is more than just a workers' issue; it's a fundamental question of fairness and economic progress. Public contracts influence pay and conditions across entire industries. But for too long, the EU's procurement rules have encouraged a race to the bottom, with half of all public tenders still being awarded based solely on the lowest price. This has had dire consequences for workers, fostering an environment where union-busting tactics, low wages and precarious work thrive.

The impact of low-price-only procurement is devastating. When companies win public contracts by undercutting competitors on price alone, workers pay the price. Wages stagnate, job security erodes, and collective bargaining agreements are ignored or undermined. In industries like cleaning, security and catering – where public procurement plays a dominant role – workers are often left with substandard conditions, despite their essential contributions to society.

These voices –from workers, economists and even employers' organisations –are calling for the same thing: procurement rules that put quality jobs at the centre.

This isn't just bad for workers; it's bad for the economy. When workers earn less, they spend less, weakening demand and slowing growth. Low-wage competition creates instability, leading to higher turnover rates and reduced productivity. Meanwhile, responsible employers who respect collective agreements and invest in their workforce are squeezed out of the market. By allowing this dynamic to continue, EU institutions are enabling a system that punishes good employers and rewards exploitative ones.

Fortunately, momentum for reform is building. On 1 October 2024, over 1 000 essential workers from nine countries mobilised in Brussels, demanding fairer procurement rules. Their call was echoed by over 100 leading economists – including Thomas Piketty and Isabella Weber – who have criticised the EU's fixation on the lowest price and urged a shift towards procurement policies that strengthen collective bargaining. Even employer organisations in labour-intensive sectors recognise that a lowest-price-only approach is unsustainable.

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quality jobs at the centre. The European Commission has a golden opportunity to act. By mandating that public contracts prioritise companies with collective agreements, the Commission can set a new standard that uplifts workers rather than dragging them down.

Fairer procurement for a stronger Europe

The Commission has expressed interest in simplifying procurement rules. But true simplification should not mean more deregulation or cutting corners on workers' rights. Rather, it should mean clear and enforceable standards that prioritise fair wages, job security and respect for collective bargaining. A system where public authorities can easily identify responsible employers and award contracts accordingly will not only improve pay and conditions for millions of workers but also reduce bureaucratic inefficiencies.

These changes are not just necessary; they are popular. The survey results show a growing public consensus that procurement reform is overdue. This is not about ideology — it's about common sense. European citizens want their taxes to fund good jobs, not a race to the bottom that leaves workers struggling to make ends meet.

The European Commission now faces a choice: listen to the voices of workers, voters, experts and businesses — or continue down a path that deepens inequality and weakens our economy. The status quo is untenable. Europe must move beyond lowest-price procurement and embrace a model that respects workers and supports economic progress.

Failure to do so would not just be a betrayal of workers — it would be a betrayal of the very principles that the European Union claims to stand for.



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