Position paper 2025/172

From Price to People: Public Procurement as a Tool for Quality Jobs and Sustainability

Revision of EU Public Procurement Directives - background and key demands

The European Commission announced plans to revise the EU public procurement directives in its 2025 Work Programme, the Clean Industrial Deal, and the Competitiveness Compass. Public authorities spend over €2.4 trillion annually across sectors such as energy, transport, health, and education, with around half of EU Structural and Investment Funds channelled through public procurement. Recent reports (EU Court of Auditors in 2023, Letta and Draghi in 2024) highlight declining competition and other key issues. In her 2024-2029 Political Guidelines, Ursula von der Leyen proposed revising the directives to allow preference for European products in strategic sectors, strengthen EU added value, security of supply, and vital technologies, and modernise and simplify procurement rules. IndustriAll Europe contributed to the 2025 consultation, while the European Parliament, in its September 2025 report, called for **reduced reliance on lowest-price criteria**, greater SME access, simpler procedures, and **stronger links between public procurement and social and green objectives**. The Commission is currently analysing consultation results, with impact assessments and a new public consultation to follow, and a legislative proposal expected by mid-2026.

In this context, industriAll European Trade Union, representing 7 million workers across industrial sectors, calls for public procurement to serve as an **effective lever for manufacturing workers, promoting collective bargaining and respect of collective agreements, delivering quality jobs and a thriving industrial base in Europe**. We recognize the role of public procurement in **boosting demand, promoting local industrycreating quality jobs in Europe and supporting the twin transition.** We believe public authorities must lead by example, awarding contracts that place workers at the heart of public purchasing through **mandatory social conditionalities**, guaranteeing participation and consultation of trade unions, ensuring quality jobs creation, including fair wages, good working conditions, health and safety at the workplace, job security and elimination of the gender pay gap. IndustriAll Europe believes that social and environmental criteria should not be viewed as discriminatory towards economic operators but as **essential tools for improving the quality of goods and services procured**, enhancing employment standards, and rewarding compliance with social and environmental norms.

1. Current challenges in the implementation of the public procurement rules

Why does it matter for industriAll Europe sectors?

Public procurement constitutes a major part of the European economy, representing approximately **14% of EU GDP** and accounting for millions of jobs. It encompasses a wide range of goods and services, many of which are produced by the **manufacturing sector**. For instance, sectors like construction, transportation, and public infrastructure projects often involve significant manufacturing components. **Mining** is an integral part of the supply chains of various industries active in public procurement markets, as the extraction of raw materials is essential. While exact figures for the share of public procurement in the manufacturing and mining sectors are not readily available, these sectors play vital roles in the broader public procurement landscape. The **energy sector**, on the other hand, has a more direct and substantial involvement.

What are the main issues?

The **lowest price** remains the most frequently used stand-alone criterion despite its significant **negative impact** on the quality of not only goods, services and works procured, but also on the quality of employment for workers delivering those goods, services and works, as well as on the environment and the climate. In 2024, the European Labour Authority observed that the use of the lowest price criterion can **exacerbate the risk of undeclared work** and undermine the quality of the product or service concerned, as well as **sustainability and social standards**[1].

Moreover, the current EU legal framework does not provide sufficient **legal certainty** for procuring authorities wishing to effectively protect and promote collective bargaining, quality jobs, the climate and the environment. The **horizontal social clause** in article 18(2) of the Directive 2014/24/EU is considered mandatory but not implemented as it should be: transposition is not harmonized due to an unclear interpretation at national level. Companies that ignore this clause very often award contracts solely on the basis of the lowest price, which **encourages abnormally low bids** and discourages participation by tenderers who comply with labour standards and practices[2]. Current rules and the lack of strong and effective social conditions have created a **downward pressure on labour costs and collective bargaining**, and consequently also on **working conditions and wages for workers under public contracts.**

Other challenges: fragmentation and risk of social dumping

IndustriAll Europe warns against the risk of **fragmentation between Member States**, with different national procedures reducing efficiency and creating barriers to cross-border competition, as well as **poor enforcement of social and environmental criteria**: many contracts do not comply with European labour and environmental directives. In addition, there is a **risk of fiscal and social dumping and relocation to third countries**, with potentially inadequate enforcement of standards, which can lead to **unfair labour practices and exploitation**, as mentioned above. Other challenges have been reported, such as the complexity of rules, transparency issues, access to data, and the prevention of fraud and corruption.

Moreover, the EU fiscal rules and the increase of military and defense expenditures create a heavy constrain on public finance. A significant number of Member States are implementing austerity budgets

[1] ELA report, *Evaluating policy responses to prevent undeclared work in public procurement contracts*, May 2024
[2] European Parliament resolution on public procurement (2024/2103(INI)), 9 September 2025

that will force public authorities to go for low-cost bids. Hence, the importance to flank public procurement legislation revision with a European Investment plan for good industrial jobs[3].

2. Our principles

End of the lowest price criteria

We call on the Commission to clearly put an end to this approach in public procurement legislation and practice, given the **very negative consequences** it has on employment and workers. The criterion of the lowest price is **highly problematic from a social perspective**. It places significant pressure on organizations submitting tenders to reduce costs to an absolute minimum, which can have serious implications for working conditions, fair wages, and overall social standards within the sector. The European Parliament report and many studies identified the **lowest price criterion** as one of the main problems of the current legislative framework. It can lead to **wage and social dumping**, for example through **abnormally low bids**, which are unfortunately favoured by purchasing entities. In addition, abnormally low bids, when tabled by foreign companies from third countries, can be the result of foreign subsidies that have a distortive impact on European markets and undermine efforts to strengthen the EU "open strategic autonomy". We call on the Commission to make it clear that these practices must stop and that the new rules will have to take other criteria into account, in particular **social and environmental conditions.** We also invite the Commission to consider various options, such as separating labour costs from tenders, introducing incentives to encourage stakeholders to comply with the rules, or making greater use of lot splitting in the procurement process, to reduce reliance on the lowest price criteria.

Mandatory social conditionalities: a real lever to promote collective bargaining and workers' rights

In general, industriAll Europe calls[4] for the inclusion of **mandatory** social conditionalities in all instruments involving public funding (State aids, EU budget and funds, public procurement). The Letta report made very detailed suggestions for how conditionalities in industrial and investment strategies could contribute to **broader common public policy objectives**. The **returns of social conditionality** are manifold: from the availability of a skilled workforce, greater labour market participation and wellbeing, decent living wages and stimulation of demand, tax incomes, regional cohesion, overall societal peace and trust in democratic organisations. It is also a mean of achieving a **better societal return** on public funds. Ensuring that public money is used for the public good and spent on contracts with companies that respect the law is part of a **good governance approach**.

For example (non-exhaustive list):

- Guaranteeing **participation, information and consultation of trade unions**
- Promoting collective bargaining coverage, respect of collective agreements and social dialogue
- Ensuring **quality jobs creation**, including fair wages, good working conditions, health and safety at the workplace, job security and social protection, work-life balance, while promoting direct employment
- Supporting **training, upskilling and reskilling** and the creation of high-quality apprenticeships
- Guaranteeing anticipation and management of change and ensuring a **just transition** in practice by avoiding redundancies or the deterioration of working conditions

[3] IndustriAll Europe position paper n°157/2024*: A European investment plan for good industrial jobs*

[4] IndustriAll Europe policy brief n°2025/1: *Provisions for social conditionality, employment security and anticipation and management of change in the Clean Industrial Deal*

- **Limiting subcontracting chains** and ensuring that where sub-contractors are in place the same social conditionalities apply. Direct employment relationship should remain the norm, chains should be limited to one level or, in exceptional and justified cases, to a maximum of two secondary level.
- Contributing to eliminate the pay gap between men and women
- Implementing inclusiveness and non-discrimination policies

In this context, we call for public procurement to become a **real instrument for promoting collective bargaining and social dialogue, respect of collective agreements and workers' rights**. Price must not be the only decisive factor in public procurement. We also call for **a reinforcement and greater harmonization of these social conditionalities,** because only harmonised implementation will prevent internal competition between Member States. Moreover, we call for **clarity, clear definitions and legal certainty** in the future public procurement framework, as well as measures that ensure European regional cohesion. For example, we support using public procurement to **help reindustrialise** areas heavily affected by deindustrialisation, while also upholding **high social and environmental standards**. It is essential to design procurement regulations in a way that finally and feasibly can ensure real protection and improvements for workers on the ground. We believe that it is also important to ensure policy coherence with other European social legislations, and to consider possible risks of overlapping.

Social, environmental and climate criteria should not be considered discriminatory towards economic operators, but rather as a **lever for improving the quality of goods and services purchased and the quality of employment for workers**, and for **rewarding those who comply** with social and environmental standards, bearing in mind thatrespecting legislation on workers' rights should be a precondition and non-negotiable condition to enter into a public procurement. We also call for an **ambitious set of rules to avoid social dumping** and the disqualification of any stakeholder which does not comply with social and environmental obligations (for instance, disqualification of bidders, contractors or subcontractors involved in social dumping or any kind of abusive practices, those who do not comply with ILO conventions, human rights due diligence obligations or those located in tax heavens). To this end, we believe a transparent, adequate and efficient control system is necessary, accompanied by sanctions for non-compliance and a genuine commitment on the part of local, national and European authorities and stakeholders involved in the public procurement system.

EU preference and local content – the example of the Rule of Origin in Trade Agreements

We believe that, by setting high standards for social and environmental conditions, **we also directly or indirectly favour European suppliers**, as Europe is often at the forefront of labour and sustainability standards, compared to other regions of the world. Therefore, this question of European preference, or local content, **is closely linked to the criteria of decent work and social conditionalities** in public procurement tools.

We take note of the Commission's intention to introduce a **preference to be given to European products** in public procurement **for certain strategic sectors**. Given the importance of exports for key industrial sectors, it must be clear that this "**European preference" in public procurement cannot be the only answer to the trade tensions** that are materialising. Moreover, fostering **added value and quality jobs in European industrial supply chains** must be a mainstream principle for industrial policy instruments, in all sectoral initiatives and beyond strategic sectors. With those key issues in mind, **we support the principle of a significant mandatory proportion of European content in public purchase.** We believe that the implementation of this measure requires a series of clarifications:

- First, a "Buy European" agenda needs a **geographical scope that fits for European supply chains**. Keeping in mind the transnational nature of industrial supply chains and their role in fostering a peaceful economic integration across the continent, we believe important to avoid a too restrictive geographical definition of European content. The Made in Europe agenda should not penalise workers in non-EU countries or undermine the efforts of the EU to build a strong and fair relationship with neighbouring countries. For example, EEA/EFTA states are integrated into the european value chains through their participation in the internal market and should thus be included in the definition of European. Nevertheless, the expansion of the scope of eligibility for "buy European" must be accompanied by conditions of social and environmental reciprocity.
- Secondly, the sectorial scope of the European preference should not be too narrowly defined. We believe that public procurement policy that focuses on European suppliers can help to **increase resilience and reduce dependency on third countries**, particularly when it comes to security-related products, such as electricity networks, telecommunications or critical infrastructures. This is increasingly important at a time of geopolitical tensions. In the interests of consistency with other pieces of European legislation, we believe that the Commission could use the definition of strategic sectors of the **Net-Zero Industry Act** (products, components and machinery necessary for manufacturing net-zero technologies, energy-intensive industries that produce components used in net-zero technologies and invest in decarbonisation, but also digital, aerospace, defence) as a basis, but that additional sectors could be considered as strategic if necessary.
- Thirdly, keeping in mind the complexity of globally interconnected supply chains and the need to avoid exacerbating trade tensions, we encourage the Commission to implement a clear methodology to **assess and define the European content.** In the same way, the implementation of the "Buy European" principle must not undermine the incentive for European companies to innovate and compete with players from other regions of the world. Public authorities must also consider sustainability, resilience, cybersecurity and other qualitative factors. Therefore, the Commission should consider the **NZIA provisions related to non-price criteria in procurement procedures** for clean technologies and energy as a good starting point.
- Fourthly, if generally, we believe that the Made in Europe agenda must be translated into binding obligations when public money is involved, there are cases where the European supply chain is not able to produce the expected volumes or quality. In those cases, the EU should strike a balance between a sense of pragmatism to adapt local content requirements to existing capacities and its ambition to reduce Europe's dependence. For technologies where the EU must rely on foreign companies, investments must be accompanied by obligations to transfer technologies, to work with local suppliers and to create joint ventures with European companies in order to build or rebuild European supply chains.
- Fiftly, the Commission should consider the different EU trade defence tools as well as the different Free Trade Agreements concluded with third countries, in which certain rules of origin already exist, giving European preference to a specific product or material in a certain proportion.

For instance, in the EU-UK Trade and Cooperation Agreement, there are particular provisions related to the **Rules of Origin (RoO)**, which determines which goods qualifies as "originating" in either the EU or the UK, and thus can benefit from **zero tariffs and zero quotas** under the agreement. It ensures that the **preferential treatment** under the TCA benefits **local (EU/UK) production**, maintaining incentives for local content. It shows how the **EU can remain open to trade** while still conditioning access on genuine local economic participation. Similarly, the new procurement rules could integrate origin or value-based criteria (e.g., percentage of EU value added) to favour suppliers that contribute to EU production chains without breaching WTO obligations. It also reinforces **reciprocity**, encourage investment in **local supply chains** and ensures that public money supports EU-based value creation.

Green and sustainable public procurement

We welcome the strong endorsement of the **circular economy approach** in the Clean Industrial Deal and the need for concrete measures to create secondary markets and to 'close the loop'. This is essential for job creation and Just Transition. IndustriAll Europe welcomes the continued commitment to ambitious climate goals in the Clean Industrial Deal, and the recognition that decarbonisation and competitiveness go hands in hands. Public procurements must be seen as part of a broader strategy to create pilot or lead markets for low-carbon industrial goods,which could further boost the demand for European and sustainable products, including private demand, through various levers (e.g. a system providing financial incentives for the purchase of green products, green labelling system, such as that already in place for steel or cement). In the same way, **Eco-design and circularity requirements** must be part of the decarbonisation agenda while supporting efforts to reduce dependency on imported raw materials as well as to foster energy efficiency. We call the Commission to ensure consistency with current provisions related to **Green and Sustainable Public Procurement.** Markets that incorporate only one of the two conditions, social or environmental, could still be facilitated to guarantee local employment and production.

Modernising Public Procurement for Innovation and Inclusiveness

We would like to emphasize the fact that innovation should be consider in the public procurement processes. Future legislation should make it easier for public sector to obtain innovative solutions via procurement. The future legal framework for public procurement should also facilitate the redesign and increase efficiency of procurement processes to take full advantage of the use of AI. Finally, we support provisions that could help compliant SMEs, often small local players, to bid for public contracts.

3. Conclusion and final remarks

In public procurement, as in private procurement, even with compliance and active union engagement, challenges can still arise, demonstrating that lasting change requires both stronger regulations and a fundamental shift in mindset throughout the whole procurement system. In parallel, while public procurement can support Europe's competitiveness and resilience, it cannot carry the full weight of these challenges alone. A strong, long-term European industrial policy is essential. Fostering added value and quality jobs in European industrial supply chains must be a mainstream principle for all industrial policy instruments.