



Social considerations in Public Procurement

A political choice!

“An ounce of prevention is worth a pound of cure”

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Brussels, September 2015



Project carried out with the
financial support of the
European Commission

This project has been funded with support from the European Commission.

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Implementation and application of the EU Directive for the award of public works contracts, public supply contracts and public service contracts with a focus on social aspects and a fair level playing field for all

1. Foreword

For many years I have been asking myself why it is so difficult to implement and apply a common sense rule, on which everybody agrees that this is “the right thing to do”? Everybody acknowledges that all our public authorities should spend our money wisely and ethically correct.

Trade unions, environmental and fair trade organisations are continuously demanding that our money should, besides delivering a high quality service or product, (1) support the development of high social public policy standards, (2) contribute to a fair social market economy and (3) drive social standards upwards.

The EU Directives on public procurement (2014/24/EU; 2014/25/EU; 2014/23/EU) have clearly taken into account our three demands and introduced some major social improvements in the current EU legislation on public procurement.

When we take into account that the total EU public expenditure on goods, works and services (excluding utilities) amounted to 1786.61 billion in 2013, surely something positive could be done. Unfortunately, EU legislation needs to be implemented first and later on applied in practice. Within this huge grey area our Member States and public authorities have a huge margin of appreciation on how they wish to implement and apply the newly adopted “social standards”. Even if some “social standards” are set in stone, its real application remains a political choice.

With this manual, the European Federation of Building and Woodworkers, tries to support its affiliated members in the different Member States with the implementation and application of the newly adopted Directives on public procurement. For this we have until April 2016 to transpose the new rules into national law.

This manual contains two parts. The first part is dedicated to an assessment of the current EU legislation and jurisprudence and indicates the lines in which we can implement and apply “social standards” in public procurement. The second part is an overview of various best practices, which could be used as possible options at national level.

Without the active support of the appointed experts and the nominated contact persons of the national trade unions of the construction sector the collection of best practices to highlight effective implementation of social standards within national public procurement legislation would never have been possible.

The meticulous work to collect and systematically sort the bulk of collected information on best practices into a readable manual was done by Mrs Susanne Wixforth and Jan Cremers, to whom we are very grateful that they have taken up this difficult task.

Finally, recognition is attributed to the members of the steering group, who added their experience, and who guided and monitored the whole project.

This manual is the outcome of a project of the European Federation of Building and Woodworkers funded by the European Commission.

Werner Buelen
Project manager

2. Introduction

Public Procurement is often considered to be a purely legal affair, dominated by big law firms and complicated legal considerations. The aim of the project, therefore, was to provide a practical guide for trade unions for the implementation process of the new EU-Public Procurement Directive¹. Focus has been given to best practices as they offer a good overview of what is legally possible within the still paramount guiding principles of the Directive, namely transparency and non-discrimination. It should also be noted that legally enshrined principles do not equal to reality without prevention, control and enforcement. Therefore, best practices with regard to black and white lists as well as other innovative control mechanisms have been included as an important tool to live the good intentions in every day's reality of workers in the construction sector.

A specific feature of the construction industry is the complex structure of temporary and mobile worksites, complicated chains of subcontracting combined with high incidence of work related accidents as well as social fraud which has to be and can be improved by means of public procurement legislation. Also special is the fact that the role of the legislator is threefold: as legislator, as client and as partner in tripartite negotiations that can set the frame for working conditions.

Hence, public procurement is a very important field of political action with regard to social, health and social security considerations. In addition, financial and economic crisis shifts new tasks on the contracting authorities:

Firstly, they have to commit themselves as trendsetters as to occupational, health and safety issues. Public works in building and infrastructure represent some of the most important shares of public spending. Public contracts directly falling within the scope of the European directives represent EUR 422 billion annually or 2.6 % of the EU's GDP (2013 figures). With the ongoing financial and economic crisis public procurement is the main driving force for the construction sector. Therefore, trade unions expect contracting authorities to award public contracts to the most economically advantageous tender and not to the cheapest contractor.

Secondly, in time of enormously high youth unemployment rates amounting up to 50%, contracting authorities are expected to offer opportunities for young people by defining apprenticeship as part of the contract performance criteria.

Thirdly, the construction sector has proved to be especially open for social dumping practices and unequal playing field. Collective agreements and general contractors' responsibility and liability are consequently watered down by subcontracting chains.

The new EU-Directive on Public Procurement offers room for manoeuvre to achieve these political tasks to be fulfilled by contracting authorities. But often national governments prefer to take the line of least resistance and opt for a minimum adaptation of national law with regard to the transposition of the Directive. Trade unions are requested to strongly oppose these tendencies and improve the

¹ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC and directives 2014/23/EU and 2014/25/EU)

shining hour by formulating quality standards relating to occupational, health and safety issues to be applied by public procurement procedures and to cast them into binding legislation as far as possible.

Trade unions are in favour of **transparency** (these are clear and controllable rules) and **enforceability** and thus reluctant to Corporate Social Responsibility, framework agreements or any other non-binding arrangements. The principles proposed by trade unions during the national implementation process should be the following:

- the consideration of social aspects when implementing and applying the EU Directives is a political obligation to consider and not only a legal subject matter;
- the application of social standards in public tenders must be exemplary, ensure that public money is well spent and requisite that high social, educational, health and safety standards are actually applied at the workplace;
- the stipulation of the obligation to respect social aspects is not only in the interest of trade unions but also in the interest of companies which abide by these obligations. Public procurement law thus is an instrument to establish a fair level playing field in order to avoid distortion of competition;
- the fight of social dumping is also a political aim in order to reduce the post contract costs borne by society as a whole. The contracting authority should take a leading role, especially with regard to:
 - the compliance with and consideration of collective agreements,
 - the establishment of a sound system of industrial relations at all levels and
 - the use public procurement as a lever to ensure that younger worker receive the opportunity of high quality training.

3. Legal evaluation of the new EU Directive on Public Procurement

(EU Directive 2014/24/EU of 26 February 2014 on public procurement and repealing Directive 2004/18/EC)

Publicly procured goods, services and works form a substantial part of the national Gross Domestic Product (GDP) in Europe. On average the share corresponds to nearly one fifth (19.7% in 2010) of total EU GDP, varying between 10.5% of GDP in Cyprus and 30.6% in the Netherlands.² More than 250 000 contracting authorities in Europe deal with public procurement. A large part of these goods, services and works stay below the EU thresholds³. In the case of procurements not coming under the EU procurement rules, it is up to the procuring authorities themselves to judge whether procurement can be of any interest to economic players in other Member States. If not, Community law will not be applicable. But, in general, all larger works and projects will have to deal with the renewed regime that comes into force in April 2016. It is expected that under the new procurement rules, the possibilities to tackle social issues are enlarged. Contracting authorities will be able to consider social aspects amongst other criteria for determining which bid is the most promising and price is no longer the central determining factor. In the 'old' Directive (2004/18/EC) the notion of the most economically advantageous tender was already introduced as an alternative for the lowest price. However, the integration of social considerations was mainly restricted to the performance stage of a contract. In the new Directive the concept of the most economically advantageous tender (MEAT) is worked out in much more detail and it allows the inclusion of quality criteria into the specification, contract conditions and award procedure.

The inclusion of social clauses in public contracts can require public purchasers and suppliers to protect the vulnerable, support the disadvantaged, develop the social economy, protect the environment and promote other social goals and community benefits during the course of a project as a condition of the contractual award. But without a decent design, this policy will fail. Therefore, transposition has to be thoroughly followed and practical measures have to be assessed and monitored from pre-procurement till post-procurement. Initiatives have to be well prepared. In the meantime Member States have started the preparations of the transposition and some initiatives are promising. But, there are also first signals of Member States that opt for a plain and unambitious transposition. This is often due to the resistance of the contracting authorities. They prefer simple procedures: Opting for the model of the lowest price means less probability of law suits as it is the case when choosing the most economically advantageous tender option.

This could result, for instance, in non-application of social clauses, thus leaving space for the lowest price to stay upright as the basic award criterion. The potential incentives to contribute to stimulating green and social procurement would get lost, though the legal obstacles to adopting social criteria and criteria to promote sustainability in public procurement procedures have in theory been removed. The report from Portugal⁴ shows for example, that the government is very reluctant to include meaningful

² Schulten T., K. Alsos, P. Burgess, K. Pedersen (2012) *Pay and other social clauses in European public procurement*, WSI/HBS, Düsseldorf.

³ 207 000 EUR for all service contracts, all design contests, subsidised service contracts, all supplies contracts by the Sub-central contracting authorities and 5 186 000 EUR for all Works contracts, works concessions contracts, subsidised works contracts by the Central government authorities

⁴ Delivered by Bruno Monteiro – Instituto de Sociologia - Universidade do Porto

social considerations into the procurement procedure, referring only to the recommendation that “anytime it is possible, the technical specifications must be fixed in order to include the characteristics of the goods to acquire or the constructions to be made in such a way that their use by people with handicaps or any other user is permitted.” The conclusion is made that the procedures are to be judged highly negative, especially regarding the workers’ social rights and working conditions. The concentration upon economic award criteria implies that during the contract performance the economic operator will press the subcontractors in order to meet with the planned costs. Often this is carried out by minimising expenditure in social facilities (overcrowding of sleeping sites, absence of canteens, etc.), security equipment and health services. Often workers must buy themselves the security equipment and pay for the accommodation. The award to the lowest price often implies the transfer of costs down alongside the contractual pyramid. Subcontracting practices even aggravate the problem due to higher invisibility and casualness.

Therefore, within the current transformation procedure of the new EU procurement directives, it is adamant that trade unions make clear to their national government that awarding to lowest price rather than assessing wider benefits across the life of the contract and the long term benefits in the end results in a much higher price for the public budget. Going for the lowest price does not only jeopardise the quality of jobs and prices, but is often endangered by the high probability of bankruptcy of the bidder or his sub-contractors causing high follow-on costs. Danish trade union organisations, for example, recently examined the 15-20% cost savings achieved by outsourcing local care services. The unions found that the difference derived from the deployment of staff with lower training level and part-time workers depriving them from payment for overtime. In conclusion, cost cutting at the expense of workers and reduction of service quality clearly provided only notional saving.

As the report from Ireland⁵ shows, Irish public procurement rules, in terms of compliance with labour standards also impose very few obligations on tenderers and very few obligations on public contracting authorities. This is an area in which Ministerial guidelines, ‘soft-law’ mechanisms (circulars, recommendations, etc.) and administrative discretion play a large role. There seem to be no systematic data on the extent to which the model clauses are used and, crucially, enforced. Compliance clauses are contractual (rather than statutory) in nature; as a result, any ensuing penalty for breach must similarly be provided for contractually (and will be subject to general principles of contract law, including interpretation and, if necessary, adjudication by the courts). Again, there seems a paucity of reliable information on whether such penalty clauses are (commonly) provided for and/or enforced

This is confirmed by the Irish Labour Inspectorate (NERA) statistics which point to a significant continuing compliance problem in relation to public works sites. In the first half of 2010, for example, NERA carried out 191 inspections in the construction sector and found a labour law compliance rate of just 43 per cent.⁶ It is felt that public procurers tend to see these as ‘box ticking’ exercises and no

⁵ Report delivered by Prof. Michael Doherty, Maynooth University Department of Law, Maynooth University, Co. Kildare, Ireland.

⁶ The figures do not relate solely to public works sites, but according to the NERA representative, the vast majority of inspections were carried out at such sites.
<http://www.employmentrights.ie/en/media/NERA%20Quarterly%20Update%20-%20June%202010.pdf>.

real effort is made at enforcement.⁷ The problem, it seems, whilst general, is particularly acute in the construction sector.

Firstly, at the awarding stage the informants were of the view that public authorities are concerned almost exclusively with price and undertake no real checks on how the tenderer intends to account for its labour law obligations. This problem has intensified in recent years given the harsh economic climate.

Secondly, as the model labour law clauses are of a contractual nature, there appears to be a great reluctance on the part of public contracting authorities to invoke withholding payment clauses for fear of becoming embroiled in expensive legal proceedings.

Thirdly, a number of general issues arise in relation to enforcement. The enforcement authorities rely heavily on receiving information on suspected non-compliance. As a result, trade unions, where they have a presence, play an important role in ensuring measures are enforced. However, trade union density in Ireland, as in most EU Member States, has been declining in recent years and trade unions have a relatively limited (if any) presence in many sectors. A decline in the ability of unions to fulfil their traditional 'policing' role puts extra strain on the resources of the State enforcement authorities. For the latter, pursuing a case against a foreign-service provider, particularly one only in the jurisdiction for a limited period of time, is logistically difficult and resource intensive. Even where a claim can be pursued, enforcing orders against undertakings established abroad remains problematic.

Thus, it appears that, although Irish public procurement practice is to include labour law compliance clauses in public contracts, the extent to which these are effective in enforcing labour standards is questionable.

The question is, therefore, whether with the new rules the incorporation of social clauses into publicly procured contracts and the maximisation of social benefit and value through the procurement process can be guaranteed. According to the ETUC the Directive includes several positive dimensions:

- It creates a stronger platform for pressing key demands, such as respect for collective agreements, working and payment conditions, the compliance with health and safety tools, training of workers and apprenticeship opportunities and other social criteria.
- It widens up the possibility to include sustainable criteria and other societal aspects of policy.
- It can make an end to the fixation on the cheapest offer as the obligatory use of the lowest cost criterion has been significantly reduced.
- It is a window of opportunity for a future procurement policy that contributes to the use of public money to promote cohesive social and economic development, good quality employment and quality services, goods and works.⁸
- It is an attempt to improve transparency in subcontracting chains
- It is a means to fight social dumping.

⁷ Indeed, the guidelines for contracting authorities published on the national public procurement website make no reference at all to labour law compliance; <http://www.procurement.ie/sites/default/files/Public-Procurement-Checklist.pdf>

⁸ In Annex 14 a list is provided of 'social and other specific services' which are worth more than 750 000 euro. The Directive foresees a lighter regime for these services.

The Directive lays down objectives with regard to social considerations. However, much is depending on the transposition into national law. Considerable thought needs to be given not only to how to define and guarantee/promote social considerations⁹, but also how to improve control of application and of the compliance with minimum wages.

3.1. Opportunities for social considerations

The European Commission made an attempt for clarification, how social aspects can find their way into public contracts already in 2011, by publishing a Guide on Socially Responsible Public Procurement.¹⁰ The guide offers a tool to help public authorities to buy goods and services in a socially responsible way in line with EU rules. It also highlights the contribution public procurement can make to stimulate greater social inclusion. Although the title sounds promising, in the end the good intentions of the European Commission “to steer the market in a more socially responsible direction and thus contribute more generally to sustainable development”, remain captured within the straight boundaries of the obligatory connection with the subject matter of the public contract as well as the dogma of competition between Member States which includes competition of wages, thus restricting the applicability of collective agreements.

Therefore, Art 18.2 of the new Directive aims to ensure compliance with the working conditions that are applicable at the place of work, be they contained in law and/or collective agreements. If implemented properly, the new rules should guarantee the application of collective agreements of the place of work following a public procurement procedure. The obligation to ensure that economic operators comply with applicable working conditions is on the Member States, not on the procuring local, regional or national public authorities. The shift from the almost ‘mandatory’ procurement for the lowest price to an optional use of social clauses in the award procedure also poses a challenge for the trade unions and the NGO’s that have lobbied for the broadening up of the public procurement rules; now it is their turn to keep the finger on the pulse. Local, regional and national governments no longer have the possibility to hide behind the lowest bid dogma.

The use of posted workers in a public procurement context can create consequences for the type of collective agreements that can be imposed upon the company, depending on the national transposition of the Directive on the posting of workers. But a public contract which does not involve the use of posted workers has to be performed straightforward in compliance with the entire labour law and collective agreements of the workplace.

The question is also where social considerations can figure; is it throughout all procurement stages, or are there stages excluded, for instance the technical specifications or contracting conditions? The Directive makes no reference to Art 18.2 at this particular stage. A public authority can still secure compliance with the applicable working conditions by laying down conditions for the performance of the contracts. However, since Art 18.2 is clearly mandatory and its respect is to be checked on several occasions in the following stages of the procedure, it would make sense for transposition laws to also

⁹ *New EU framework on public procurement – ETUC key points for the transposition of Directive 2014/24/EU*, ETUC, Brussels, October 2014.

¹⁰ European Commission (2011) *Buying Social: a guide to taking account of social considerations*, Brussels.

include a reference to mandatory social considerations already at the technical specifications stage as the non-fulfilment of technical specification is a knock-out criterion. This means that the bidder cannot make up the failure to fulfil by offering other “goodies” like for example a longer timespan for guarantees.

Contract performance conditions may in particular concern social considerations without the necessity to have a link to the subject matter of the contract. Pursuant to recital 99, they may favour amongst others on-site vocational training or the fight against unemployment. Another important criterion is the quality of staff, including its organisation, qualification and experience, where the quality of staff can have a significant impact on the level of performance of the contract (Art 67.2(b) and Recital 94). They may, for instance, involve the obligation during the performance of the contract to implement training measures for unemployed or young persons or to comply in substance with fundamental International Labour Organisation (ILO) conventions. Apprenticeship is an important tool to achieve the objectives of the Europe 2020 strategy for smart, sustainable and inclusive growth. It ascertains the adequate training of young workers as to the quality of the work, technical skills, working standards and risk prevention. Therefore, it should be an important aspect when awarding a public contract in order to comply with their important socio-political role to provide adequate jobs for the young generation. This possibility has always been open to public contracting, however, has been reinforced by the new Directive, by introducing the notion of “best-quality ratio”. Contracting authorities should be encouraged to choose award criteria that allow them to obtain high-quality works (recital 92), including the organization, qualification and experience of the staff assigned to perform the contract in question. With a view to unacceptable high unemployment rate in the EU especially with regard to the young generation, public procurement policy is crucial to support those client contractors which offer apprenticeships. This option has been chosen for example in Norway and Austria, where the offer of apprenticeships within the bidding company is an award criterion respectively a contract performance condition when choosing the best offer.

However, these good examples should not distract from the problem, how the fulfilment of these legal obligations are to be verified and how contracting authorities will be able to check them. That this is not impossible shows another best practice in Austria, where the “wage and social anti- dumping law” has been introduced to provide rigid controls of construction sites, to connect different authorities involved, to increase workers’ information about infringement of collective agreements and to apply considerable penalties.

Finally, the notion of “life cycle cost (Art 68)” was newly introduced into the Directive. Application of the life-cycle concept in construction – from the cradle to the grave or from the drawing board to the execution – always has had a very strong direct link with health and safety (site and product related) for all users (workers in the whole production chain, the public and the end user). Although the notion of life cycle cost probably cannot be used for social protection and decent pay promotion, the aspect of workers’ health could be an operational field for trade union activity.

3.2. Labels and certifications

Quality labels are a mark or design of authentication allowing the consumer to identify a product or service meeting certain quality criteria. This aspect might be of importance for trade unions as social criteria are capturing the market (e.g. eco-bau, Design für Alle). It is distinct from corporate social responsibility, which is a voluntary undertaking by a company to include social concerns in its conduct, and from social statement, which is an ex-post photograph of a company's sustainable development activity. In its judgment "Max Havelaar", the ECJ found that a public purchaser cannot refer to specific labels in order to award a number of additional points when choosing the most economically advantageous tender. The ECJ confirmed its subject-matter of contract doctrine. Therefore, this concept could not cover the specification of criteria relevant to the production cycle (a particular type of packaging for example), which would be useful in trade but alien to the subject-matter of the contract. In the end, Art 43 of the new Directive offers an optional system allowing a specific label to be required as evidence that the services or supplies in question comply with the required social characteristics. Thus, the narrow framework of the ECJ has been overruled by the legislator. However, the label requirements must still be linked to the subject matter of the contract and established in an open and transparent procedure with all relevant stakeholders and set by a third party. Although the codification of the admissibility conditions of social labels might be welcomed in principle, its application will prove to be difficult as the conditions are strict and the application is optional.

Certificates are certainly a possibility to impose ex-ante controls to secure quality standards in the construction sector. However, attention has to be paid who is setting the standards. Is it the sector to be regulated which is endowed to do so? Then it is evident that such rules will not be satisfying with regard to health, occupational and safety measures for the workers but rather try to minimise the costs by minimising the requested standards. If the standards are set by a public institution, if trade unions or workers' representative have a stance within the procedure establishing certificates, then they can play an important role and serve as a tool within the specification and award procedure, as well as for the contract performance conditions. Within this range also falls the establishment of short lists which enumerate those companies complying with specific quality criteria as set by the competent public authority as well as the instrument of social ID cards. These are an "individualized worker certification tool which contains visible and safely stored electronic data that aim to attest that specific social and/or other (e.g. professional qualifications, occupational/safety/health training, social protection/security issues, ...) requirements have been met by the worker's employer and/or the worker him/herself." ¹¹

¹¹ Social Identity Cards in the European Construction Industry, January 2015, EFBWW, Final Report

3.3. Guidelines – non statutory arrangements

Although non statutory arrangements at first sight seem not to be the means to achieve “better quality” procurement, they might be a starting point in order to establish binding rules in the end. Often, arrangements (e.g. the so-called “social clauses” in collective labour agreements in Finland or the Netherlands, or “Towards 2016” in Ireland) between trade unions and companies of a specific sector aim at improving training and security quality at the construction site which then are extended to the whole territory of a Member State. Moreover, if important public purchasers advise their purchasing entities to abide by certain social criteria, a considerable effect is achieved by naming and shaming.

Thus, in the case of public procurement, guidelines elaborated by authorities and contractors might be a starting point where the federal structure or the lack of a central purchasing body does not allow for binding legislative measures. In this case, guidelines may give specific support for contracting authorities and non-application could lead to two consequences:

1. Justification necessity: If the contracting authority does not apply the quality related guidelines it has to explain why it has declined to do so
2. Naming and shaming: The trade unions could publish the deviation from quality standards as set in guidelines and establish a white and black list – those contractors which applied the guidelines and those which rejected to do so.

3.4. Exclusion of tenderers not respecting the applicable working conditions.

Art 56 of the Directive states that authorities may decide not to award a contract to a tenderer submitting the most economically advantageous tender where the tender does not comply with Art 18.2. Thus, one can conclude that the revision offers scope for individual EU Member states to set mandatory grounds for excluding suppliers from competitions for contracts, including where a bidder breaches labour legislation (next to taxation). The changes permit public authorities to effectively blacklist companies and prevent them from bidding for public contracts. The use of the word ‘may’ in Art 56 rather than ‘shall’ is in apparent contradiction to the spirit of Art 18.2, which clearly is mandatory. Transposition laws could helpfully clarify that public authorities have no choice in this matter: a tenderer not respecting the applicable labour law or collective agreement of the place of work cannot be awarded the contract. Moreover, Art 18.2 imposes the obligation on Member States to take appropriate measures. These should include appropriate enforcement measures to ensure the actual application of art 18.2. Within this context, recital 39 gives further indications: The relevant obligations could be mirrored in contract clauses including those ensuring compliance with collective agreements. Non-compliance with the relevant obligations could be considered to be grave misconduct on the part of the economic operator concerned with the consequence to be excluded from the award procedure.

The exclusion grounds are further defined in Art 57: It gives the public authority the possibility to exclude an economic operator from participating in a public procurement procedure when a violation of Art 18.2 either before or during the procedure can be demonstrated by any appropriate means. Moreover, Member States have to stipulate the time span, for which the exclusion from public procedures is valid. If the exclusion period is not set by a judgement in a different manner, the exclusion may not exceed three years from the date of violation.

Hence, the criteria as set in Art 18.2 are to be considered as equally important principles as the guiding principles of public procurement law, that are transparency, equal treatment and adequacy.

Art 59 introduces a simplified procedure: the use of a European Single Procurement Document (ESPD), consisting of an updated self-declaration by the economic operator as preliminary evidence. It is of the utmost importance that attention is paid to this provision during the transposition. Abuse of these documents is relatively easy and adequate verification by the public authority or a reliable third party is a must. Therefore, it could be wise to impose a legal obligation of in depth-examination onto the contracting authority.

One of the key questions related to the exclusion is the necessary evidence. Is it justified where, for example, companies have shown significant or persistent deficiencies when performing past public contracts and where such deficiencies led to early termination of a prior contract, damages or other sanctions. And should this evidence necessarily be based on experiences in the own national territory, or are abuses with cross-border labour recruitment and breaches in other countries sufficient? For instance, is it possible for Germany to exclude a tenderer based on a negative report of the Luxembourg labour inspectorate? Can a company that has been brought to court by the trade unions in France for non-respect of working conditions be excluded in Belgium based on the verdict?¹² There is a clear necessity to define the type of deficiencies, the necessary evidence and the competences of the authorities. Also, it should be considered to introduce a legal information obligation on the contracting authority to check if the bidder has infringed social security, social-dumping or other laws should there exist relevant data bases in the member state.

3.5. Lowest Price or Most Economically Advantageous Tender

To set the lowest price as the main awarding criterion might not be a problem if the specification criteria and contract conditions already include labour, occupational and health aspects. Defining these aspects at the specification level has the advantage that they are not related to the subject matter of the contract but to the client company. Moreover, if they are not fulfilled, they are compulsory grounds for exclusion from the bidding process. Based on Art 57, client contractors can also be excluded if they breached provisions of internationally or nationally recognised social standards. Moreover, a declaration of commitment to abide by the ILO-core labour standards can be asked as a contract performance condition.

¹² A notorious example is Atlanco-Rimec. This contractor has been subject to several judicial and administrative decisions; can these verdicts be of use in other constituencies to exclude the company? (s. also Best Practices part of the manual)

The Directive, however, also paves the way for mandatory application of MEAT. Within this context, it introduces the concept of best price-quality ratio (Art 67.2). This concept is used as an overriding notion referring to what the contracting authority considers as the best solution among those offered. One of the objectives of the reform announced by the European Commission was to strike a balance between the need to take account of social and environmental needs and to prevent obstacles to the opening up of the single market. For the latter reason, the European Commission unfortunately has not included a special chapter on mandatory social clauses, thus the award of a contract on the basis of a cost or price-only assessment is not ruled out. However, this should not prevent Trade Unions to ask for their integration into national legislation, as the cost alone criterion leads to downwards pressure upon working conditions and the quality of service. Although price or cost is a mandatory element (Art 67) that has to be assessed by contracting authorities, they may include a best price-quality ratio, which involves additional qualitative criteria as listed in Art 67.2. Recitals 97 and 99 of the Directive specify the scope of Art 67 as follows: "Furthermore, with a view of better integration of social considerations in the procurement procedures, contracting authorities should be allowed to use award criteria or contract performance conditions relating to the works, supplies or services ... including factors involved in the specific process and its conditions of those works... ." This may include "... measures aiming at the protection of health of the staff involved in the production process, ..." and "... Such criteria or conditions might refer... to the implementation of training measures for young persons...".

Thus, it is open to the Member States to decide to introduce mandatory application of the MEAT-principle in the award procedure and which social criteria they introduce. Within the national implementation procedure Member States might be inclined to offer optional application of MEAT arguing that it could cause price increases. Against this reasoning, an option is offered by the new provision of Art 67.3, allowing for binding provisions in sector-specific legislation. This option is in discussion in Austria, namely to introduce sector-specific mandatory MEAT application for the construction sector. Within this context it must be borne in mind that the respect for labour law and collective agreements of the place of work cannot be considered as a criterion to be weighted as part of a best price-quality ratio. It is a stand-alone obligation.

3.6. Abnormally low tenders

Experiences have proven that in a cross-border context at least some companies (and workers) are willing to perform work at wages and under working standards far below national standards, especially in construction, agriculture, cleaning and other categories of services.¹³ This can lead to abnormally low tenders in public procurement under the flag of the 'free provisions of services'. Several countries have tried to tackle this problem.

The 2004 Directive contained the notion that a contracting authority may request an explanation for an 'abnormally low' offer for a range of reasons, including a request that the bidder demonstrates compliance with the provisions relating to employment protection and working conditions in force at the place where the work is to be pursued. In order to improve the enforcement of pay and other

¹³ Cremers J. (2011) In search of cheap labour in Europe, CLR/International Books, Brussels/Utrecht

social clauses, for instance, most regional German procurement laws contained detailed provisions on these rights and sometimes even an obligation of the contracting authorities to monitor contracting companies, in particular in case of an ‘abnormally low offer’, usually defined as an offer which is at least 10% below the next lowest offer.¹⁴

In some countries the general policy is to only monitor working conditions in the case of abnormally low tenders, notably in countries that have not ratified ILO-Convention. In such a situation only a very general reference exists in the procurement regulation, according to which working conditions of contracting companies have to be taken into consideration in the case of an abnormally low tender.¹⁵ However, over the years still too many public authorities, not the least because of their financial constraints, but also due to the burdensome procedure and the lack of competent staff, simply followed and continue to intend to follow the lowest-cost approach and did not care much about social award criteria.

Is this situation improved with the new rules? The wording in the Directive provides for an exclusion of abnormally low tenders that may relate to compliance with the obligations laid down in Art 18.2 or compliance with the obligations laid down in Art 71 (on subcontracting). First of all, the question has to be answered to what extent the procuring authority is obliged to check working conditions in case of abnormally low tenders. Art 69 in fact prescribes that, in case of abnormally low tenders, public authorities are required to request explanations from the bidder before rejecting a bid. As the ETUC has correctly lined out, public authorities are not obliged to request explanations specifically linked to respect for Art 18.2. The ETUC is of the opinion that this is a loophole, which has to be addressed in the transposition laws. In case of abnormally low tenders, public authorities must systematically request explanations in relation to respect for Art 18.2 (ETUC 2014). Art 69 also makes reference to the cooperation between Member States, by means of the exchange of information. However, as far as working conditions are concerned, this seems to be limited to posting situations and, thus, does not take away the questions related to general experiences with violations as mentioned under Chapter 3.4.

3.7. Subcontracting and externalisation of workers – Posting, work-agencies, other means of outsourcing

In the last decennia enough evidence was collected to conclude that the use of subcontracting chains is one of the key channels for the circumvention of applicable working conditions and labour legislation. The European Parliament’s rapporteur Marc Tarabella devised the concept of “socially sustainable production process”, defining it as a process ensuring respect for the health and safety of workers and for social standards. He therefore proposed to restrict cascade subcontracting by imposing a limit of three consecutive subcontractors and introducing the principle of responsibility

¹⁴ See Schulten et al (2012)

¹⁵ The Estonian Public Procurement Act from 2007 determines that ‘if the contracting authority finds that the value of a tender is abnormally low’ the contracting authority shall request information on provisions in force in the place of performance of the public contract, which regulate the protection of employees and working conditions’ (cited in Schulten et al, 2012). The UK, Latvia and Lithuania have similar provisions.

throughout the subcontracting chain for respecting fundamental rights, workers' health and safety and current labour laws. Within this spirit, some progress has been achieved, although no mandatory limitation is to be found in the new Directive.

Member States are requested to use the newly opened room for manoeuvre by setting appropriate measures to control as far as possible the compliance with social standards. Art 71 refers to the observance of the provisions of Art 18.2 in the case of subcontracting. The obligations referred to also apply to subcontractors. There has already been much criticism with regard to the vague formulation of this article. At first glance, the new rules establish the principle of equal treatment at the work place. However, this seems to be limited to domestic workers. It is unclear what has to be observed in case of companies that use posted workers. To rely on the ECJ in a situation where the legislator has not ruled the issue in a clear and transparent way is not very promising. In earlier rulings (Rüffert) the ECJ judged that a public authority imposing a rate of pay set in a collective agreement which is not universally or generally applicable would act against the posted workers Directive and the Treaty. In the ECJ-view such a mandatory prescription forms a 'barrier' for the free provision of services. The ETUC rightly concludes 'If the ECJ interpretation of Directive 96/71/EC logic was to be applied strictly, a whole chunk of the new public procurement legislation could potentially be set aside in certain Member States. This would raise even further questions as to the ECJ legitimacy as a co-legislator. When the new public procurement Directive enters into force, one has to wonder whether another Rüffert case would still be possible (ETUC, 2014).

Therefore, the use of posted workers has to be scrutinised carefully in the frame of public procurement. A simple self-declared statement by a subcontractor should not be enough. The Directive on the enforcement of Directive 96/71/EC clarifies the circumstances in which posting can be used. Letterbox companies without a genuine place of establishment in the country of origin, and companies using posted workers on a permanent basis cannot pretend to rely on the provisions of Directive 96/71/EC. The consequence has to be that workers are treated as domestic workers. Art 71.6 clarifies that the exclusion grounds apply to subcontractors and defines those measures more in detail: The liability regime can be stipulated also for subcontractors. In case of violation of ILO labour standards and further standards according to Annex X of the Directive the client contractor can be obliged by law to replace such subcontractors. These provisions may be extended to the suppliers. That is, if any supplier, when executing a delivery contract, violates standards as enumerated in Art 18.2, this can be a mandatory exclusion ground if this is defined as such in national law. In fact, and in addition, the observation of such practices and comparable experiences with abuses in other Member States should be enough ground for the exclusion of candidates.

Also, the tendency to water down contractual liability of the main contractor by using an indefinitely long sub-contractor chain should be stopped by introducing a legal limitation. This could be done for example by limiting the chain at the sub-sub-contractor level. Moreover, the bidder should be obliged to execute the critical tasks of the craft and to inform the contracting authority of any sub-contractor and ask for his agreement. Furthermore, the liability of the main contractor should be clearly defined by law. This means that in case of default or misperformance, the main contractor is to be held liable. However, the liability is stipulated in very different ways in the Member States. Thus, although at first sight strict legal obligations seem to be in force, at a second glance they prove not to be valid. This is the case for example in Austria, where the liability ends with the bankruptcy of the subcontractor. Without the existence of support funds (in Austria the Insolvenz-Entgeldfonds), workers of subcontractors would simply remain unpaid for their work. Thus, it is very important to follow Marc

Tarabella's advice, namely to establish a liability of the main contractor independently from the economic state of the subcontractors, which means liability without fault or strict liability.

3.8. Prospective

Since the creation of the European Economic Community in 1957, the fundamental free movement principles of goods, persons, services and capital have represented the primary pillars of the creation of a wide single European market. The approach of the Community was therefore mainly economic, even if the six founding States of the Community did not neglect the social aspects for the future: The idea was that a dual system with the European Economic Community in charge of the creation of a single market and the Member States keeping their different national social systems and systems of collective bargaining or minimum wages would mutually improve both the economic development and the social model in Europe. However, this idea came not to reality and was overruled by the enlargement of the EU, the liberalisation of the markets, the increase of migrant workers and the globally acting industry. These developments show growing negative impacts on the working and wage conditions in the construction sector. Moreover, liberalisation goes hand in hand with the abolishment of red tape and the substitution with smart instruments. Self-regulation and self-cleaning are the new lean instruments proposed on EU level.

These tendencies have to be strongly opposed by trade unions, especially in the construction industry with its peculiarities such as the high level of mobility, its labour intensive nature, the specific and complex production process, the numerous working places, the high incidence of accidents and forms of social fraud. Therefore, an efficient check of the observance of social security obligations, working and payment conditions, the compliance with health and safety tools, training of workers and apprenticeship is adamant.

With a view to the persistent budgetary restrictions and the economic pressure shifted on the contracting authorities, one conclusion might be the necessity to install a control body with the task to survey the contract performance of both contracting partners: The contracting authority and the client contractor including all subcontractors. This could be a regulator or a public procurement prosecutor. In order to make work the intended new focus on social, health and security aspects within public procurement procedures, the inclusion of trade unions as the workers' representatives must be considered an important common aim on EU-level.¹⁶

¹⁶ As a starting point or good example could serve the UK national agreement between trade unions and construction industry: <http://www.niceci.org.uk/national-agreement/>

4. The European Court of Justice and social aspects in public procurement – an overview

4.1 Introduction

The rules and procedures to be applied for public procurement have played an important role ever since the internal market project started in mid-1980s in the (then) European Economic Community. The purpose of the public procurement regulation was to open up projects that were publicly financed for competition on the whole internal market. The European Commission initiated a legislative package composed of Directives for public works, services and concessions. The public procurement rules had to create a legal environment guaranteeing at the same time access for all European undertakings to public contracts and efficient public spending.

The rules were supposed to have an important impact on the overall economic performance of the EU. In the early 1990s the European Commission presented the drafting of the procurement legislation as merely a 'technical affair' that should not be 'polluted' with social or environmental concerns. The official version was that EU law was neutral to the issue of social considerations in public procurement as long as the general principles of transparency, non-discrimination and equal treatment were respected. The dominant reasoning was that the most effective way to spend taxpayer's money in bringing the best benefit to the community was by looking for the cheapest bid. As a consequence, public procurement has been for quite a while dominated by this narrow dogma of the lowest price, without taking into account the effect for workers or the environment.

By contrast, those contracting authorities who wanted to apply social or environmental criteria were and still are confronted with a burdensome procedure. Often, the award procedure has been declared void by the ECJ. However, as the vast majority of public procured projects 'are performed by paid labour and the costs for wages and other working conditions have to be calculated when bidding for public contracts there are strong links between workers' rights and public procurement projects. Besides, several Member States have a long tradition of using their procurement for promoting different social policy objectives (Ahlberg and Bruun, 2012).

The Directives as such are based on articles and principles related to the internal market and on case law. Over the years the European Court of Justice (ECJ) has laid down how the articles of the European treaties and the economic freedom principles of the internal market have to be interpreted in the field of public procurement. In some cases the ECJ accepted the notion of social considerations in procurement procedures. For instance, in **the European Commission v. France** (C-225/98) the ECJ accepted that the tenderer's ability to combat unemployment could be used as an additional award criterion, even though it was not linked to the subject matter of the contract.

But in other cases, notably those related to the posting of workers, the European Commission and the ECJ have demonstrated (from the 1980's and onwards) that they wanted to restrict how some Member States worked with mandatory social policy (or environmental) objectives in procurement. Some of the ECJ-rulings watered down the applicable social legislation and the possibilities to control contract compliance by the Member States, notably the competence for Member States to formulate mandatory labour standards and provisions to be respected by all undertakings and for all those that are pursuing paid work within the territory.

In addition, parts of the national regulatory frame (of labour standards and working conditions), based on labour legislation and collective bargaining, were unilaterally ruled out by the ECJ. In infringement cases where labour rights were disputed the ECJ seems to attach little importance to prescribed working conditions that are enshrined in national systems for industrial relations even when bidders were treated equally. The ECJ judgments on posting (notably in the **Luxembourg and Rüffert cases**) created a situation whereby domestic services providers had to comply with mandatory rules that are imperative provisions of national law, whilst foreign services providers did not have to respect these obligations. The European Trade Union Confederation (ETUC) concluded in 2008 that the Rüffert judgement ignored Public Procurement Directive 2004 which explicitly allowed for social clauses.

The judgement did not recognise the rights of Member States and public authorities to use public procurement instruments to counter unfair competition on working conditions of workers by cross-border service providers, as these were judged to be incompatible with the Posting Directive. Nor did it recognise the rights of trade unions to demand equal wages and working conditions and observance of collectively agreed standards applying to the place of work for posted workers, equal to all bidders and regardless of nationality, beyond the minimum standards recognised by the Posting Directive.

4.2 Short inventory

The decisions of the European Court of Justice concerning social clauses in public contracts over the years have had a decisive impact on the revision of the procurement Directives and have developed the shape of the law as interpreted by the national courts. In this overview we will summarise some of the most relevant rulings and other legislative actions of the European Commission and the ECJ.

One of the earliest cases, still under the old regime of Council Directive 71/305/EEC, with a serious impact on procurement and social issues was the so-called **Beentjes-case** (C-31/87) delivered in 1988. The procedure originated from a national case of a tenderer against the Dutch state. In short, the ECJ ruled that a social criterion of contract performance, which required the successful contractor to employ long-term unemployed persons, may be used in the process of awarding a public contract if it complies with all the relevant provisions of Community law. The ECJ stated ‘the condition relating to the **employment of long-term unemployed persons** is compatible with the directive if it has no direct or indirect discriminatory effect on tenderers from other Member States of the Community. An additional specific condition of this kind must be mentioned in the contract notice’.

The ECJ-position in the Beentjes Case was repeated in the **Nord-Pas-de-Calais case** (C-225/98). It is important to highlight that this was a case of the European Commission versus the French state. The European Commission attempted to neutralise the Beentjes-outcome that had worked out positive for social considerations. The contracting region had included in its contract notices a reference to the ability of the contractors to **combat local unemployment** as an award criterion. The European Commission argued that while employment-related matters may be regarded as a condition of contract performance, such matters could not be characterised as an award criterion. The ECJ rejected the argument, as the European Commission could not show that the criterion was discriminatory or that it had not been published in the contract notice. According to the ECJ, the contracting authorities could use such an award criterion provided that it was consistent with the fundamental principles of Community law; in particular the principle of non-discrimination.

It has to be noted that both cases mainly referred to **general conditions of ‘social policy’**, not to working conditions or other provisions related to workers’ rights. The ECJ-rulings did not say that a prescription of working conditions was compatible with the directive. The conclusions that the European Commission adopted from these cases were also inherently contradictory. According to the European Commission's Interpretative Communication social considerations in public procurement can only be applied as a second type of award criteria which are non-decisive, but which can be used to decide when bids are otherwise equal.¹⁷

A next interesting case was delivered in 2002. In the meantime referring to the Directives revised in the early 1990s (especially Directive 92/50). In the **Concordia Bus Finland versus Helsingin case** (C-513/99) the ECJ acknowledged that a contracting authority was entitled to include environmental considerations in its award criteria. The relevance was twofold: First, the ECJ recognised that **award criteria need not be purely economic**, secondly the ECJ stated ‘Directive 92/50 does not exclude the possibility for the contracting authority of using criteria relating to the preservation of the environment when assessing the economically most advantageous tender’, as long as the criteria adopted to determine the economically most advantageous tender are applied in conformity with all the procedural rules laid down in Directive 92/50, in particular the rules on advertising. The importance of the judgment goes even beyond the direct consequences for the case. The ECJ formulated in fact a **frame of reference for contracting authorities**; such ecological criteria may be taken into account when **the criteria are linked to the subject-matter of the contract**; do not confer an unrestricted freedom of choice on the authority; are expressly mentioned in the contract documents or tender notice; and comply with all fundamental principles of Community law, in particular the principle of non-discrimination.

In a 2003 case (**Wienstrom versus Austria**, C-448/01) this reasoning was applied: Directive 92/50 cannot be interpreted as meaning that each of the **award criteria** used by the contracting authority to identify the most economically advantageous tender **must not necessarily be of a purely economic nature**. But, the ECJ concluded an infringement as the award criterion was not accompanied by requirements which permit the information provided by the tenderers to be effectively verified. Thus, the ECJ concluded the award procedure to be incompatible with the principles of Community law in the field of public procurement law.

In the **Lianakis Case** (C-532/06) the ECJ clarified that selection criteria and award criteria have to be clearly distinguished. For the sake of transparency and equal treatment, all elements taken into account by the contracting authority when identifying the **most economically advantageous tender** and their relative importance must be clearly published in advance. This means, however, that the margin of interpretation of contracting authorities will be reduced and does not support contracting authorities to give priority to tenders which are more “social” than others, if it has not set the relevant criteria in advance in a sufficiently detailed manner.

In order to alleviate the burden of local contracting authorities how to set award criteria and assign quotas, contracting authorities started to refer to **labels** instead of using technical specification to describe the subject matter of the contract. The ECJ admitted the **Max Havelaar case** (C-368/10) in principle that **social or environmental criteria** – in this case products deriving from organic farming –

¹⁷ Interpretative Communication of the Commission on the Community law applicable to public procurement and the possibilities for integrating social considerations into public procurement, COM/2001/0566 final.

may be favoured. Applied to a construction contract, this decision means that an enterprise whose product satisfies the technical specifications does not have to have an eco-label. It must simply be possible to prove that the product meets these technical specifications. Bearing in mind the wide range of national and European labels, the implication of this decision is twofold: a) public purchasers are allowed to introduce social criteria and b) the administrative requirements for enterprises are limited as they do not have to acquire specific labels but only have to prove that they satisfy the required qualifications.

Awareness of the necessity of contracting authorities to take the lead for social aspects has increased among contractors on federal and local level. Thus, Nordrhein-Westfalen stipulated that **minimum wages** have to be applied in all public procurement contracts. City of Dortmund interpreted this provision in such a way that any sub-contractor, regardless of his establishment and location of provision of services, has to pay German minimum wages.

In this case, the **German Staatsdruckerei** outsourced the main subject matter of the contract to a Polish company. The ECJ decided that in such a case German minimum wages are not applicable. From the point of international law, it seems logical that the jurisdiction of one Member State ends at the borders of its territory. However, the ECJ did not refer to this argument but to internal market principles. A reasoning, which slides to a rather cynical argumentation, when the ECJ states that national legislation goes beyond what is necessary to ensure that the objective of employee protection is attained, when ...” imposing a fixed minimum wage corresponding to that required in order to ensure reasonable remuneration for employees in Germany in the light of the cost of living in that country, but which bears no relation to the cost of living in the Member State in which the services relating to the public contract at issue are performed (in this case, Poland) and thereby preventing subcontractors established in another Member State from deriving a competitive advantage from the differences between the respective rates of pay.”

The lesson to be learned from this case is twofold: First, the ECJ further continues to stress the predominance of competition between Member States over any other principles. Secondly, to avoid this kind of interference by the EU co-legislator, contracting authorities should be bound to oblige the main contractor to undertake the whole or main part of the contractual subject matter on his own. Additionally, the sub-contractors chain should be legally limited.

These measures would avoid unfair competition on the shoulders of workers and on the basis of wages.

4.3 The impact of “externalisation of workers” – external employment: The posting rulings, out-sourcing, in-sourcing (labour recruitment), work agencies

The posting rules have been subject of a series of rulings by the ECJ. The outcome of these cases has demonstrated that the ECJ and the EC are working towards a narrow and restrictive interpretation of the posting Directive, with important consequences for the public procurement procedures.

Member States have chosen a different approach to what extent insourcing/outsourcing can be used by contracting authorities. Belgium, for example, regulated agency workers in the way that they have

to be accredited and receive minimum training. In Norway and Austria, the legislator has established the legal provision that sub-contracting and temporary working contracts are considered the same. Thus, the admissible levels of “externalised work” is automatically reduced. However, experience in some Member States shows that the limitation of the externalised works chain is not enough to release the pressure on wages. For example, in the UK, normally the client contractor enforces contract conditions including the obligation of the sub-contractors to pay the penalty for non-compliance with mandatory legal conditions although he is the weakest partner in the chain.

In several cases (as evident in the Rüffert and Laval cases) the ECJ interpretation of the Treaty provision on the free movement of services limits the possibility to set labour standards through mechanisms such as collective bargaining and social clauses in contracts of public procurement (Van Hoek and Houwerzijl 2011). These ECJ-rulings thus directly interfere with the possibility to prescribe mandatory provisions with regard to working conditions. The key question is what it means for social criteria to be compatible with Community (or EU) law. The suggested neutrality means after Laval and Rüffert that in case a contract is performed by workers posted from another country, the contracting authority cannot make the participation in a public procurement ‘conditional on the observance of terms and conditions in just any type of collective agreement’, a restriction that does not apply if the work is pursued by workers employed by local companies (Ahlberg & Bruun, 2012).

The ECJ is also outspoken in the infringement **case** brought by the **European Commission against the Grand Duchy of Luxembourg**. According to the ECJ the list of prescriptions in the Posting Directive regarding labour and working conditions is exhaustive rather than a minimum floor of rights. In Consideration 32 of the Luxembourg case, the ECJ states that the scope for additional mandatory rules in national law is limited to those ‘which, by their nature and objective, meet the imperative requirements of the public interest’ (ECJ Case C-319/06). According to the ECJ, it is not up to the Member States to determine unilaterally the public policy that justifies additional mandatory rules beyond the minimum provisions listed in the Directive. This restriction of the ECJ means, in practical terms, that **a higher level of protection than the minimum as stipulated in the Posting Directive**¹⁸ cannot be imposed on foreign undertakings with their posted workers. As explained before, the ECJ judgements create a situation whereby foreign service-providers do not have to comply with mandatory rules that are imperative provisions of national law and that therefore have to be respected by domestic service providers.

This legal alignment of the EU co-legislator is unacceptable from a trade union’s point of view as it undermines the good will of contracting authorities and national legislation to fight unequal working conditions: On the one hand workers on whom local collective agreements apply, on the other those from other EU countries who might be compensated by lower wages. It is clear that interpreting the common market this way, that is sticking to the “market entry”-doctrine, will increase social tensions. The conclusion of the ECJ in the **case Bundesdruckerei vs Stadt Dortmund** (C549/13) seems to be the cynic culmination of the market doctrine: “By imposing a fixed minimum wage ... and thereby preventing subcontractors established in another Member State from deriving a competitive advantage from the differences between the respective rates of pay, that national legislation goes beyond what is necessary to ensure that the objective of employee protection is attained.”

¹⁸ Consideration 17: „Whereas the mandatory rules for minimum protection in force in the host country must not prevent the application of terms and conditions of employment which are more favourable to workers.“

A similar **case** (C-115/2014) is still pending before the European Court of Justice for preliminary ruling. The post company **RegioPost GmbH** filed against City Landau because of the obligatory application of minimum wages according to the Law concerning the obligation to apply the rates as set by collective bargaining agreements (Landestariftreuegesetz Rheinland-Pfalz). This tariff amounts to 8.70 euro. With a view to the Rüffert case, the tribunal of Koblenz referred to the ECJ the opinion that this minimum tariff goes against EU law, representing a market foreclosure for companies from other Member States with lower wage levels. As the law in question only stipulates minimum tariffs for public contracts and not for private ones, it is not a generally applicable minimum wage. A decision is expected within this year. However, it has to be borne in mind that firstly, the measure in question is set by law according to Art 3 Paragraph 1 of the Posting Directive, thus being a state measure and not only a collective agreement. Secondly, as from 1.1.2015, the mandatory minimum wage of 8,5 euro, as set by federal law, has to be applied. Hence, at least from that moment onwards, the pre-conditions as stipulated in Art 3 Paragraph 1 of the Posting Directive are fulfilled.

Further hope gives the recent judgement in a referral case C-413/13: “bogus self-employment workers”. With this ruling, the ECJ allows that minimum wages and terms of employment set in a collective agreement are applicable to “**bogus self-employed workers**”. The ruling arises from a **case** taken by **Dutch union FNV KIEM**, which has challenged the classification of freelance musicians as individual business “undertakings”. Under the Dutch competition law the trade unions were not entitled to bargain collectively with their employers for fees for self-employed workers. The Dutch collective labour agreement laid down minimum fees not only for substitutes hired under an employment contract, but also for substitutes who carry on their activities under a service contract, who are not regarded as “employees” for the purposes of the agreement (self-employed substitutes). The ruling of the ECJ determines that **false self-employed**, in other words, service providers, in a situation comparable to that of workers, **can enjoy workers’ rights set in a collective agreement**.

A last case that has to be mentioned here is a **Finnish case of Polish workers** being underpaid (Sähköalojen ammattiliitto ry against Elektrobudowa Spółka Akcyjna, C-396/13). In the final verdict the ECJ underlined that the terms and conditions of employment guaranteed to posted workers are to be defined by the law of the host member state (as long as these conditions are declared ‘universally applicable, binding and transparent’). In this case the foreign subcontractor contended that the trade unions in the host country had standing to bring proceedings to the court, given that the employment relationship was based on the law of the home country. Thus, the ECJ had to decide on the question whether the right to an effective remedy, as laid down by the Charter of Fundamental Rights, of claims assigned by the Posted Workers Directive, could be blocked by the rule of the home country (that prohibited the assignment of claims arising from the employment relationship). The ECJ ruled that the **trade union in the host country was eligible**, as its standing was governed by Finnish procedural law and as the Posted Workers Directive makes clear that questions concerning **minimum rates of pay are governed**, whatever the law applicable to the employment relationship, **by the law of the host country**. By this verdict a **company can be brought to court in the host country**, which might have direct consequences for future procurement tenders in that same country.

However, the very use of posted workers has to be scrutinised carefully. The new Directive on the enforcement of Directive 96/71/EC clarifies the circumstances in which posting can be used. Companies without a genuine place of establishment in the country of origin (letterbox companies) and companies using posted workers on a permanent basis cannot pretend to rely on the provision of the Directive (Directive 2014/67/EG). As Recital 37 of the new Directive gives disproportionate importance to the “market entry”-doctrine applied by the ECJ, it seems to be wise not to transpose this provision to national law.

5. Best practices

Precondition for the recording of best practices within the framework of this project was that they can demonstrate a tangible and measurable positive real output with regard to social considerations within the public procurement procedure.

5.1. Preventive measures to avoid that the public procurement procedure is abused/circumvented

France

Key point/background – Black list

The law relating to the posting of workers was introduced in July 2014 (**loi n°2014-790 du 10 juillet 2014**) to reinforce the controls and penalties against undertakings employing posted workers at conditions less advantageous than local workers.

Description of the measure in discussion/already in place

One element of this new legislation is the introduction of a black list, which will be published on a website. This list contains for a maximum time limit of two years all companies which have breached the above mentioned law, i.e. have been convicted for illegal employment. The requirement of publishing this information is imposed by the judge when deciding that a breach of labour law has occurred. The internet website is to be put into force by the Ministry of Labour.

Ireland

Key point/background – Exclusion from public procurement

The Irish public procurement market is undergoing a period of transformation. Traditionally, a semi-centralised procurement system operated in Ireland with various central government departments, local authorities and semi-state bodies held individually responsible for their own procurement requirements. The formalisation and establishment of a new Office of Government Procurement (“OGP”) indicated a national movement towards a centrally controlled purchasing system. The OGP commenced operations in 2014, and together with four key sectors (Health, Defence, Education and Local Government), takes responsibility for sourcing all goods and services on behalf of the Public Service. The three overriding goals of the office are:

- To integrate procurement policy, strategy and operations in one office,
- To strengthen spend analytics and data management,
- To secure significant savings

Description of the measure in discussion/already in place

Within the process of adopting the three new EU public procurement Directives, the OGP launched a public consultation on the transposition of the new Directives on 31st October 2014.

The OGP is now considering how it will transpose the discretionary clauses laid out in the 2014 EU Procurement Directives. The OGP considers a mandatory exclusion of economic operators from procurement procedures for a certain time-span in the following transgressions:

- poor performance,
- submission of low-tenders and
- failure to comply with employment legislation.

Italy

Key point/background – White list

One of the biggest problems in public tenders in Italy is the existence of corruption and criminal organizations' interests in public procurement procedures.

In the course of the last 30 years many governments have attempted to fight this phenomenon. In 2010 the government adopted a measure called "White List".

Description of the measure in discussion/already in place

To fight corruption, the government established a new agency called ANAC (National Anti-Corruption Authority) in 2014. The tasks of ANAC are to prevent corruption in public administration bodies as well as to control and supervise public procurement.

To support this measure, a White List was established. In the White List are registered those companies that are authorized to participate in public procurement procedures as contractors or subcontractors. Every employer, employee or supplier active on a worksite, having any form of contract relation to the contractor, must be checked as to links with criminal organizations.

The authorisation is subject to various controls and can be revoked. Companies which are cancelled from the list are prohibited to take part in public procurement procedures.

The precondition to be cancelled from the list is that the companies or persons with legal liability in the company have been condemned for corruption, fraud, or are suspected or involved in investigations related to connection with criminal organizations.

The White List also takes into account criteria relating to good reputation with regard to the company as a whole as well as to the members of the management. The White List is managed by the "Prefettura" (territorial entities of the central government) and is accessible to public authorities.

Italy

Key point/background – Centralised procurement body

Public procurement in Italy is characterised by a very inhomogeneous federal structure. Therefore, the government envisages a massive reduction of the number of public administration agencies that can call for tenders (actually about 30,000). This large number of entities makes it difficult to control public tenders (for instance, what kind of tenders, based on which standards, the quality level of work performed, duration of a worksite). This unstructured approach brings about a lack of control as well as criminal infiltration and corruption.

Description of the measure in discussion/already in place

The aim is to strongly reduce the number of bodies which can call for tenders, merging them in order to ensure the best quality of procedures and technical specification as to design and management of public procurement procedures as well as more control opportunities with regard to the contract performance.

Malta

Key point/background – Exclusion from public procurement; black list

The government aims to tackle precarious employment in the procurement of public works by means of a new legal notice (L.N. 65 of 2015. Public procurement (Amendment) regulations, 2015). It notes that companies breaching public procurement regulations or the Employment Act could be liable to being blacklisted for between six months and two years.

Description of the measure in discussion/already in place

The measure is to be carried out by the Director of Employment and Industrial Relations who shall request the Commercial Sanctions Tribunal to blacklist an individual from participating in procedures for the award of public contracts if he:

- (a) has been found guilty of an offence in terms of the Employment and Industrial Relations Act; (b) has failed to provide employees with a written contract of service;
- (c) has failed to provide employees with a detailed pay slip containing all relevant details;
- (d) failed to deposit wages or salaries by direct payment on the employee's bank account;
- (e) fails to provide the relevant bank statements of wages and salaries deposited and copies of detailed pay-slips which are to be made available as and when required by the Director of Industrial and Employment relations;
- (f) has subcontracted a public contract to another person employing the same employees of the principle contractor to carry out the same or similar duties for the execution of the said public contract.

In the run-up to introducing this legal notice, the government blacklisted two companies from public contracts for two years because of precarious work. During this time period the convicted party will be banned from bidding for government tenders.

Since the beginning of 2015, bidders for public contracts have also been obliged to offer a minimum hourly rate equivalent to the basic wage for civil servants.

Finally, the government has increased the number of inspectors to carry out more frequent onsite inspections.

UK

Key point/background - Blacklisting

In the UK procurement practice is somewhat elusive from the involvement of trade unions. Comparable to Italy, a vast number of public administration agencies exists which all have their own processes and minimal governance.

Description of the measure in discussion/already in place

Some UK public bodies have written into procurement procedures statements on blacklisting due to the persecution and exclusion of trade union members carrying out legitimate trade union business on the grounds of health and safety. Some Statements are worded more strongly than others. An extract from Cambridge City Council is below:

'Cambridge City Council deplores the illegal practice of blacklisting within the construction industry and will ensure that any company known to have been involved in blacklisting practices that have not indemnified their victims will not be invited to tender for contracts until they have:

- 1 Identified the steps taken to remedy blacklisting for all affected workers
- 2 Identified the steps taken to ensure blacklisting will not happen again
- 3 Given assurances that they do not employ individuals who were named contacts involved in "The Consulting Association", providing black lists with members of trade unions to private companies.

UNITE's view is that all public bodies can adopt this practice with one common statement on this key blacklisting issue. There is legislation already in place to allow for this all be it not very strong and it is a known fact that the companies involved in the UK blacklisting scandal have not been subject to any penalties. On blacklisting there are 3 key issues that need to be addressed –

- Stopping blacklisters tendering for public funded contracts.
- Public bodies having the ability to terminate contracts, if a company is found to be blacklisting after the contract award.
- Heavy and realistic fines for perpetrating companies.

UK/Scotland

Key point/background - Combat black-listing

In Scotland certain companies offer a list of persons that engage in trade union's activities against payment. This practice is prohibited by the Employment Relations Act 1999 (Blacklists) and by the Trade union and Labour Relations (Consolidation) Act 1992.

Description of the measure in discussion/already in place

In order to ensure that blacklisting is not used in connection with the performance of public contracts in Scotland, the government put in place two measures:

Any company which engages in or has engaged in blacklisting of employees or potential employees is considered to have committed an act of grave misconduct in the course of its business and should be excluded from bidding for a public contract.

The contract will be terminated if a supplier is found to have breached relevant blacklisting legislation during the course of the contract.

Switzerland

Key point/background – Positive and negative list

Today the provisions on Public procurement are regulated on two distinct legal levels (federal and cantonal level): in the "Bundesgesetz über das öffentliche Beschaffungswesen" (BöB, federal) and the "Interkantonale Vereinbarung über das öffentliche Beschaffungswesen" (IVöB). Both provisions are in process of reform.

In order to allow the contracting authorities to control the compliance with the contract conditions and to better comply with the target of sustainable procurement, as much transparency as possible about the bidder market has to be obtained. This includes knowledge about the location of contract performance and of production as well as about the whole delivery and sub-contractor chain. Self-declarations by the bidders are not sufficient, an in depth examination by the contracting authority is necessary. To support this control, a positive list has been established in some cantons and a negative list is aimed to be established at the occasion of the transformation of the new Directive into Swiss law by the Trade Unions.

Description of the measure in discussion/already in place

The positive list includes all companies that have undergone an in-depth control and have proven to fulfil all legal conditions in order to participate in public procurement procedures. Such a list has been established in the Kanton of Zurich by the Trade Union "Unia" in order to ensure the subcontractor's accountability. The Trade Union aims at implementing this kind of positive list also

for the procurement sector. The list should include only those companies which are not in breach with their obligations of payment of social security contributions, taxes, as well as minimum tariffs. Moreover, the establishment of a negative list is planned, which enumerates all excluded bidders. This comprises bidders that violated working condition standards and other relevant legal obligations (social or wage dumping, discrimination) within the last 10 years. Such companies shall not be allowed to participate in public procurement procedures for this time span (i.e. 10 years). This centralised negative list shall be maintained for the whole territory of Switzerland and constantly be up-dated. Details should be regulated by way of ordinance.

5.2. Legislative measures to fight social dumping practices – fair level playing field

Austria

Key point/background – Combat against social dumping, equal pay for equal work in the same place

The construction sector is characterised by mobile working conditions and the employment of workers coming from the whole EU, often sent by companies without establishment in the country of the construction site. This offers a wide field of application of different, often unfair, labour conditions and wages.

Point of departure: An actual case

Members of the Financial Police, inspecting a building site came across 21 Polish, four Hungarian and one Slovenian citizen, who were carrying out dry wall installation work. Based on the written results of the interrogations it was established that the contracts for work were false, and by declaring “bogus self-employment” attempts had been made to conceal the true nature of the working relationships.

Legal assessment of the case: The Financial Police carries out inspections to check whether the Austrian wage provisions are adhered to. Here too, it must actually be checked on the basis of circumstances, whether the workers involved are “bogus self-employed”, hence, workers who only pretend to be self-employed, but who in reality are employees. If this is the case it will be checked whether the wages the people concerned receive, at least correspond to the relevant collective agreement (here: building and construction industry—workers). If the applicable basic wage is undercut, it is a case of wage dumping. The pretence client, who is in fact the employer, would then be confronted with a high administrative fine and moreover could expect procedures to withdraw the trade licence respectively—if it concerns a foreign employer—being banned from being active in Austria for several years.

Description of the measure in discussion/already in place

In order to prevent unfair labour conditions when awarding construction works within public procedure, companies that were held liable by an administrative decision have to be excluded of the bidding procedure, as they cannot fulfil the specification criteria. Non-fulfilment of specification criteria is a knock-out reason.

Requiring the adherence to Austrian wages is one thing, their practical implementation another. It had only been provided for that workers could assert their entitlements under civil law. A posted Hungarian iron bender for example who continues only to be paid in accordance with Hungarian provisions for his work in Austria, may sue for the difference to the Austrian Collective agreement for the building and construction industry. However, practice shows that this has hardly ever happened. In most cases, workers earn more abroad than in their native country, hence the

incentive to claim the difference does hardly exist. Apart from that workers must expect that they will no longer be employed once they lodged their claim. Hence, in case of short-term posted or cross-border transferred workers, the sheer possibility to assert any claims themselves is not suited for enforcement. Moreover, the risk of the employer is very low. At worst he has only to pay what he would have to pay in the first place. Hence, trade unions and chambers of labour have requested for years that Austria sets up an official control mechanism with the power to impose sanctions if the wages and salaries provided for are not adhered to.

In 2011, Austria implemented the Anti-Wage and Social Dumping Act (Lohn- und Sozialdumpingbekämpfungsgesetz – LSDB-G), which stipulates a wide range of possibilities for the public administration to supervise the compliance of Austrian legislation referring to wages. This law is inspired by the principle of “equal pay for equal work in the same place” in order to prevent competition at the expense of wages. As the Posting of Workers Directive also includes cross-border transfer, this principle also applies to temporary workers, who are transferred/loaned from one Member State to another.

The LSDB-G now includes an official control mechanism for the wages and salaries provided for. Most provisions refer exclusively to employers from other EU and third countries with no establishment in Austria, employing workers with usual working place in Austria, posted to Austria or within a temporary employment agreement. Central provision is that any such employer has to pay the wages as set in the relevant legal (by law or ordonnance) or collective agreement. Any violation is regarded as an administrative statutory offence and penalised.

This mechanism does not only apply to posted but to all workers. That means, if a domestic employer underpays his workers, he can expect sanctions. However, the competence of the authorities varies. Whilst the local control for cross-border workers who have been posted or transferred is carried out by the Financial Police, workers, who have their usual place of work in Austria, are checked by the respective Regional Health Insurance Fund. If the Regional Health Insurance Fund finds that wage dumping exists, it will notify the regional administrative authority. The latter will then take legal action and, if applicable, impose the penalty on the employer.

In cases with cross-border reference, the Financial Police will in general not file the complaint itself, but use a separate institution at the Regional Health Insurance Fund, in Vienna the so-called LSDB Competence Centre. The Financial Police will therefore carry out a rough check on site and then forward the file to the LSDB Competence Centre to conduct an in-depth check. If the latter finds that the determined basic wage has been undercut, it will file a complaint.

Apart from the authorities mentioned, the Construction Workers’ Holiday and Severance Pay Fund is also called to carry out checks and file complaints within the scope of its responsibility.

The level of sanctions orientates itself on the Aliens’ Employment Act. The penalties range between € 1,000 and € 10,000 for each employee. In case of wage dumping affecting more than three workers, the range of penalties per employee is automatically increased. In this case, it lies between € 2,000 and € 20,000 per employee, and in the case of repeated infringement between € 4,000 and € 50,000.

Concrete example for the calculation of penalties: If a construction company would speculate that by underpaying wages provided for by the collective agreement it would obtain a competitive advantage over its competitors and if inspectors find that wage dumping on the building site has taken place in case of 5 workers, the employer’s minimum penalty would be € 10,000 (2.000 x 5) respectively the penalties would range between € 10,000 to € 100,000. In the case of repeated infringement, the minimum penalty would be € 20,000 and the range of penalties € 20,000 to € 250,000. The employer could also expect his trade licence to be withdrawn or—in case of a foreign employer—being banned from working in Austria for at least one year.

However, the application of the law was hampered by the fact that it mainly depended on the workers’ willingness to initiate proceedings in case of abuse.

Therefore, in 2015, the LSDB-G has been amended according to the requests of Austrian Chamber of Labour and Trade Union in order close loopholes relating to control and workers' information:

- Extension of the above mentioned authorities' power of control: besides the basic salary they are empowered to assess the correctness of compensation for overtime, extra allowances, special remunerations and bonuses. Before the recast, they were only competent to control the correctness of the basic salary.
- If the employer is not able to provide the wage records on the construction site, the new penalties amount from 1000€ to 10 000 € per worker. Thus, the non-provision of records is threatened by the same penalties as the non-payment of the correct wages.
- The statutory period of limitation for cases of wage dumping has been extended from one to three years. Hence, unpaid wages and connected legal titles can be called up for the last three years.
- The limit of prosecution has also been extended from 1 to 3 years. Within this time span the competent authorities can enact onsite controls and refer eventual violations to the administrative authorities.
- In case that wage dumping against a worker has been legally established by the regional administrative authority (authority of first instance), all the employees of the relevant company have to be informed. This measure was deemed to be necessary in order to assure that all employees become aware of the eventual incorrectness of their payment roll and are able to seek redress.

France

Key point/background – Ex-ante in depth control

The Social Security Act (loi n°2013-1203 du 23 décembre 2013 sur le financement de la sécurité sociale) was amended in 2013 to reinforce the liability of contracting authorities for ex-ante in depth control.

Description of the measure in discussion/already in place

Prior to the award of a contract amounting to a sum above 3000 euro, the contracting authority has

- to check if the client contractor has fulfilled all social and tax obligations;
- to ask for the necessary documents to prove that the future client company is in conformity with social and labour law and has not been convicted for illegal employment;
- to check if the client contractor has paid the due social security contributions.

In case the contracting authority did not comply with this control liability, it is jointly held liable for the due contributions if it turns out that the client contractor employs illegal workers.

Germany

Key point/background – Combat against abusive wage cutting and control mechanisms

Construction and other services, which are comprised by the workers' posting law, are only allowed to be attributed to such companies, which have signed a written obligation that they will pay their employees the remuneration amounting to the sum and corresponding to the conditions determined in the tariff contract to which the employee is bound under the workers' posting law. This legal obligation is set in 14 of the 16 German Länder.

Description of the measure in discussion/already in place

As for other cases, where tariffs do not exist, the minimum wage of 8,8 € as set specifically for public procurement contracts has to be applied in case of public tenders outside the scope of application of sector-specific minimum wages. In Bremen (one of the German Länder), the federal legislator has established a central “special commission minimum wage” liable for the implementation and control. For this purpose, the federal law provides that the contracting authority has to agree with the contracting company that the tendering authority is allowed to undertake controls and to assess the payroll accounting, relating to the workers employed for the accomplishment of the public contract. Furthermore, it has to be agreed that the contracting authority is empowered to question the workers on the wages paid and their working conditions.

Moreover, § 16 al. 3 of the Tariff Adherence and Public Procurement Act of Bremen stipulates the general obligation of all contracting authorities to inform the “special commission minimum wage” about any awarded construction or service contract. The special commission registers these informations by an electronic collection system. The choice of control samples is further undertaken by the special commission on basis of the reported contracts. Within the selection process focus is put on such cases of public contracts which are typical for low wage sectors. The control is carried out by the contracting authority in close cooperation with the “financial control black labour”, responsible for minimum wage controls outside public procurement.

In case that these controls reveal breaches threatened by penalties, they are reported to the competent authority “finance control black labour”.

Moreover, within the context of sanctions specifically applying in public procurement cases, the federal law foresees a contractual penalty amounting to 1% for each breach of the minimum tariff, in case of repeated breaches up to 10% of the value of the contract value. The main contractor is liable for the abiding by the tariff applicable by the sub-contractors, which are employed for the execution of the contract. If manifold breaches occur, the contracting company may be dismissed without notice and asked for damages compensation.

And finally: The contracting company can be banned from any further public procurement procedure for an exclusion period of 2 years by a respective registration in the public procurement register.

Similar central control authorities exist in federal laws of Berlin, Nordrhein-Westfalen and Hamburg .

Italy

Key point/background - Combat against irregularity in payments of salaries and contributions

The construction sector in Italy is characterized by a low level of workers' rights. This fact is linked to several reasons. The most important one being that in general the award criteria applied in public procurement procedures is the lowest price. Trade Unions CGIL,CISL,UIL engage to improve the relevant legislation. Abuse of workers goes hand in hand with contribution evasion, unclear labour relations, absence of controls on construction sites by competent authorities, attempts of infiltration by organized crime in public procurement, lack of respect of health and safety measures especially with regard to subcontractors.

Description of the measure in discussion/already in place

To fight against abuses of payment of salaries and contributions, the Italian Public Procurement Act states that every company participating in a public procedure must produce a document certifying that payments of contributions to public social insurance agencies were correctly disbursed, including insurance against work injuries and pension contributions. This document is issued by

"Cassa Edile" in accordance with national insurance companies for safety and pensions. "Cassa Edile" is a part of the bilateral relationship entity. It is a bipartite organism composed by Trade unions and employers' representatives of national collective agreements (Sistema Bilaterale delle Costruzioni) and it is an entity established by the national collective agreement for construction workers that ensures the payment of a part of the workers' salary, such as vacation pay and other rights established by collective agreements.

This relevant document is called "DURC" (Certification of Labour Compliance, Documento Unico di Regolarità Contributiva).

If companies cannot provide this document to the contracting authority, they are automatically excluded from public tenders procedures.

The DURC is fully computerized and the contractors have to hand it over for every SAL (state of advancement of works) before asking the relevant compensation for accomplished works from the contracting authority. DURC is managed by "Cassa Edile", INPS (National Institute of Social Pensions) and INAIL (National institute of injuries on workplace).

Unfortunately, some loopholes have still to be closed: This system does not guarantee the payment of the monthly salaries. Some companies just pay the contributions in order to receive the DURC, which they have to hand over to contracting authority, without subsequently paying the monthly salaries to their workers.

Latvia

Key point/background - Prevention of wage dumping

Practice shows that the client contractors in the construction sector often pay a wages to their employees, which do not even amount to the average wage in the sector. In many cases under table pay is involved. To prevent spreading of gray economics, the "State Revenue Service" introduced amendments to the existing public procurement law.

Description of the measure (which will come into force on August 1, 2015)

All contracting authorities are obliged to evaluate if the tender is not abnormally cheap. All economic operators have to prove that their employees and the their subcontractor's employees are receiving at least 80% of the average hourly wage rate in the specific profession based on the relevant NACE code, for the first nine months of the last year. For example if company X is participating in the tender on January 1, 2015, then it has to prove that for the period between January 1, 2014 and September 1, 2014 (nine months) it has paid its employees at least 80% of the average hourly wage rate in the relevant sector based on the applicable NACE code. The amount of the average hourly wage rate for various sectors and professions is established by the State Revenue Service. These average hourly wage rates are publicly available on its website: <https://www.vid.gov.lv/default.aspx?tabid=11&id=6864&hl=1>

Norway

Key point/background - Administrative regulation on wages and working conditions in public procurement

In implementing ILO convention 94 (Convention concerning labour clauses in public contracts), an administrative regulation on wages and working conditions in public procurement was introduced. The regulation has since been evaluated by the EFTA court of justice and has been adjusted accordingly.

It aims at ensuring that public procurement contributes to creating a level playing field and fair competition and does not contribute to creating distortions in the labor market. The administrative regulation is also introduced to fulfill the obligations set out in the Posting or Workers Directive.

Description of the measure in discussion/already in place

The administrative regulation stipulates that companies, which provide services and construction work to public authorities, are obliged to apply wages and working conditions equal to those determined by generally applicable regulation or national collective agreements.

Portugal

Key point/background - Level playing field, public procurement portal

The «Instituto da Construção e do Imobiliário» (InCI) is the regulating entity for the construction and real estate sector in Portugal. The entitlement to exercise any of those activities is issued under its supervision (e.g. «construction authorization», «registration of the entity», «real estate operating licence»). Alongside, it tries to improve a «modern» and «competitive» market in those sectors through an «inspecting and supervisory action».

Description of the measure in discussion/already in place

From 2009 onwards, this institution, placed under the aegis of the Portuguese Ministry of Economics and Employment, publishes annual reports on the situation of these sectors, relying specifically on the data gathered through the «portal BASE», the «public procurement portal». The «portal BASE» was part of the new «Código de Contratos Públicos» (CCP) [«Public Contracts Code»], created to transpose the European norms (Directive 2004/18/EC) into the Portuguese legislation. The official reports highlight two distinctive aspects of this portal. First, it gathers in a single electronic portal all the information concerning public procurement in Portugal (being the first European Member State doing so). Even if there are 8 electronic platforms for the public procurement, those are accessible and connected with the «portal BASE» (InCI, 2013: 7, 16-17). Second, it seems to involve relatively high proportions of the total of contracts from the public procurement. Since 2009, tender procedures in Portugal must be performed through an electronic platform. The electronic public procurement rate in Portugal is 75% (2010), whereas the EU average is estimated to be less than 5%» (InCI, 2012: 9). For 2011, practically 62% of the procurement procedures were carried out using the electronic platforms for public procurement, a percentage that goes to 92% considering only the procedures related to values above the limits set in the EU Public Procurement Directives. The «InCI» states that the principal virtues of such electronic procurement are the «accountability» and «transparency» of the public organizations regarding public spending, besides offering exhaustive and immediate statistical information that any company or citizen can access.

5.3. Transparency measures for sub-contracting chains

Austria

Key point/background – Limitation of subcontracting chain

Austrian institutions are often confronted with workers' claims against their employers of the construction sector relating to unpaid wages. Mostly, they come from other EU countries and cannot even identify who their employing company is, nor its name nor location. Of course, they are not able to identify the main contractor for whom their employer, normally a sub-contractor, was working. In most of the cases it turns out that the sub-contractor went bankrupt and did neither pay social contributions nor the workers' wages, in which case the workers can refer to the publicly funded "Insolvenz-Entgelt-Fonds" (supplied by employers' contributions and public funds) to be reimbursed.

This is a very unsatisfactory situation especially in the case of contracting authorities who tend to award the bid with the lowest price. However, it often turns out to be the most expensive one in those cases that the sub-contractor goes bankrupt and the public has to pay the workers' wages.

Description of the measure in discussion/already in place

Following the lead initiative of the Austrian social partners of the construction sector (amidst others Gewerkschaft Bau-Holz) the Austrian legislator proposed to cut the sub-contractor's chain at the second level except in case that the contracting authority allows to employ further sub-contractors for certain specified crafts and where this is objectively justified. However, this is not admissible for the critical tasks of the craft (§ 83 Abs 5 and 240 Abs 5, draft Austrian Public Procurement Law).

Austria

Key point/background – Exclusion of subcontractors for critical tasks; ÖBB

ÖBB is the Austrian railway company in public ownership. It goes without saying that for safety and security reasons of its passengers, the main factor for ÖBB's construction activities is the quality of the construction performance. The economic pressure on bidders is high, the market situation is strained. To improve profits, the client contractors more and more often recur to the business model of subcontracting.

Description of the measure in discussion/already in place

In 2014, ÖBB decided to set the following priorities: The critical tasks have to be carried out by the economic operator whose technical and economic specification had been verified by an in depth assessment when awarding the contract.

As quality often is watered down by the employment of too many subcontractors, ÖBB decided to include new award criteria into its tenders:

- At least 50% of the critical tasks have to be carried out by way of own performance
- Main subcontractors have to fulfil all specification criteria. They have to carry out 80% of the work by own performance
- Prior to the employment of any subcontractor, ÖBB has to consent
- Sub-subcontracting is restricted
- In case of reasonable grounds that a breach of these obligations has occurred, a contractual penalty applies.

Since June 2014, about 30 projects amounting to a total volume of ca. € 400 million have been awarded on basis of these principles.

Denmark

Key point/background - subcontracting and exclusion grounds

During 2014, a tripartite working group has been elaborating a proposal for a new law on public procurement on the basis of the new EU Public Procurement Directives.

Description of the measure being discussed

The proposal was presented to the Danish parliament on 18 March 2015 and is expected to enter into force in October 2015.

In the remarks for the proposal it says that social provisions can be used as long as they comply with the EU-law and Danish law. The trade union participates in several working groups in this area and works intensely with this subject.

It currently requests the right of the client to approve all subcontractors prior to their employment. Moreover, trade union asks for the exclusion of subcontractors that proved to be fraudulent in the past.

France

Key point/background – Better framework for subcontracting

Subcontracting is an important case for the French trade unions. Frequently, client contractors roll over practically the whole subject matter of the contractual tasks on subcontractors, thus completely watering down the liability and in the end leaving society with the costs of non-compliance with the contractual obligations.

Description of the measure in discussion/already in place

Article 54 of the Public Procurement Act foresees the admissibility of subcontracting. However, the contracting authority can demand that certain tasks which are deemed to be essential for the contract have to be undertaken by the client contractor himself. This provision is further defined by the Law concerning sub-contracting (loi du 31 décembre 1975) specifying that although subcontracting is admissible, a significant part comprising certain essential tasks of the contract has to be undertaken by the main contractor.

Italy

Key point/background and measure – Subcontractors and involvement of trade unions

An important measure to ensure transparency for subcontractors is the obligation to forward to the contracting authority the list of subcontractors to be involved in the execution of the works prior to the beginning of construction works on the site. The access to the construction site is subject to authorization. Authorization is issued by the contracting authority. The following persons are endowed for inspection: representatives of the public entity, the labour inspectorate or the Health and Safety authority. Breaches of relevant legal provisions are threatened by administrative sanctions.

Description of the measure in discussion/already in place

Article 118, indent 6 of the Public Procurement Code (Decreto legislativo 163/06) establishes that "Prior to the beginning of the work, the contractor as well as the subcontractors through him shall provide the client with documentation confirming that the social security authorities, including the

Local Construction Fund, have been notified of the work and provided by a copy of the plan according to the provisions in paragraph 7 (plan on safety at work place).” In order to enable the payment of the amounts due on completion of various stages of the work and completion of the work as a whole, the contractor, and through him, the subcontractors shall provide the client authority or administration with a Single Insurance Contribution Payment Certificate (DURC). The DURC is mandatory to perform construction contracts under a building permit. The effect of this regulation is that all the employers in the construction sector must abide by the applicable collective agreements, otherwise the certificate is not issued. As a consequence, a tenderer who does not apply the sector-specific collective agreement is excluded from the tendering procedure.

Moreover, prior to the beginning of works the contracting company has to send a “Preliminary Note”, indicating every person involved in the works to the competent authority (Labour Inspectorate and Health and Safety Agency).

The national collective bargaining agreement for construction workers also foresees that the contractors have to inform local trade unions about the number of subcontractors, the collective bargaining agreement applied to the workers, the number of workers involved in the execution of the works and the duration of works.

Italy

Key point/background and measure – Requirement of the client contractor to perform certain tasks

The Italian Public Procurement Code provides specific rules for the protection of the rights of workers executing a public contract as well as for the selection of contractors and subcontractors.

Description of the measure in discussion/already in place

The subcontractor must be authorised by the contracting authority which verifies the content of the contract, the kind of activity subcontracted and the qualifying requirements of the subcontractor. Moreover, only a maximum of 30% of the value of the prevailing work (so called “categoria”, which must be specified in the tender) for which the contract is to be awarded can be subcontracted to a third party. Further subcontracting is not allowed.

Netherlands

Key point/background – Code of conduct formulated by the client contractors

In 2008 a group of large contractors formulated a code of conduct. The main aim of the code was to elaborate a fair and transparent treatment in a chain of production among clients, contractors, subcontractors and suppliers. Moreover, the code also included several principles for a more social and sustainable procurement. As a follow-up of the initiative, an independent association *Bewuste Bouwers* (Conscience Builders) was formalised in 2010 with five basic principles: transparency, safety, sustainability, quality and social conduct. (<http://www.bewustebouwers.nl/organisatie>)

Description of the measure in discussion/already in place

The client contractors stated that they expected public and private clients to take more account of societal effects of the building activities. Therefore, the work should be based on price and quality, with more room for innovation.

Part of the code is the notion of the joint liability of the client and the main contractor. Together with the client the contractors shall guarantee a safe and healthy workplace, with social and sustainable working methods. The involved companies have agreed to integrate the principles of the code in their daily business.

Communication is the key value in the approach and the safety applies to the workers, visitors and the local residents. On the website of the association several projects are listed, which received a site related certificate as a result of the observance of the principles of the code. Auditors may visit the sites to assess the compliance with the principles and the certificate can be withdrawn in case of a negative audit. In 2013 a (completely revised) handbook was produced. Unfortunately, the chapter on the social dimension is superficial, apart from the health and safety norms. There is mostly reference to clean facilities and to the engagement of minorities and apprentices.

Hitherto, observers signal that the principles have not become popular; even the main procurement offices that deal with public tenders often do not know about the existence of the code. Nevertheless, according to a recent article on the association's website the code has produced some effects. The authors cite several examples where the local authorities have integrated the code in their tender. An ad random glance over the 854 certificated and registered sites reveals that especially ecological concerns and the relationship with other stakeholders, like the clients or the local residents in the neighbourhood of a building project (noise nuisance, waste management), have become a core aspect of the application of the code (<http://www.bewustebouwers.nl/wp-content/uploads/2014/10/Bouwend-NL-artikel-Jansma-en-provincie-Friesland-sept-2014.pdf> visited 23-03-2015).

Norway

Key point/background - Limitation of the number of subcontracting levels under the main contractor

Both public control authorities, the trade unions and several research institutions claim that the more levels under the main contractor, the less transparency and control. From this factor derives more social dumping and crime in the construction sector. By shortening the contracting chain it will be easier to put in place control mechanisms to secure compliance with legislation. Several local communities have already adopted maximum levels in the contracting chain, and experience shows that the big contractors quickly adapt to such legislation.

The Norwegian government is working on the implementation of the new EU Public Procurement Directive. The Norwegian Construction Trade Unions intend to campaign for the inclusion of good practices that have been established by local authorities into national law.

Description of the measure in discussion/already in place

In 2015, the government will change legislation so as to have the possibility to limit the maximum number of admissible subcontracting levels in the subcontracting chain in public procurement. It is expected that it will be left to local and regional authorities to stipulate the limitation according to local preferences and necessities. The parliamentary opposition has proposed to have an absolute maximum limit of 2 levels under the main contractor.

Public procurement giants like Statsbygg (public property owner), Veivesenet (Road construction) and Forsvarsbygg (Defence property) already apply a limit of two levels of subcontractors in their procurement policy.

Norway

Key point/background - Contractor clause and demand of own employees

Originally, this regulation was introduced to combat misuse of false self-employment. Today the regulation is also used to tackle misuse of obscure work contracts and to reduce the number of hired workers with temporary contracts, a business model incompatible with the legislation on regular work contracts. This measure aims at supporting reliable companies contracting a large number of permanent employees and possessing own competence. Experience shows that these companies are more trustworthy and often are organized workplaces ("Union Workplaces- Safer Workplaces").

Description of the measure in discussion/already in place

In the administrative regulation on public procurement a provision stipulates that the contracting company shall dispose of own employees. For construction work executed in Norway the main contracting authority can define as a specification criterion for a contract to be executed that the construction work has to be performed by the contracting company and its own employees, or by subcontractors and their employees or by employing legally hired workforce. The main contractor can demand that the employment of single person companies, which are not the main contractor or a subcontractor, has to be justified.

Slovenia

Key point/background – Combat against lenient payment discipline

In the Republic of Slovenia the Public Procurement Act lays down the mandatory actions required of contracting authorities and tenderers in awarding public supply contracts, public service contracts and public works contracts. The competent authority is the Public Procurement Directorate. Due to increasing lack of payment discipline, which affected subcontractors as vulnerable participants in public procurement, the legislator's attention was turned on the regulation of this legal area to avoid that subcontractors "plunge" as a result of the principal contractor's default. It aims at reinforcing the strength and resistance of the subcontracting chain, indirectly benefitting the subcontractor's workers.

Description of the measure in discussion/already in place

In order to ensure financial discipline, the Public Procurement Act includes provisions in case the client contractor employs subcontractors. In such a case, the contracting authority is entitled to pay directly to subcontractors, on the basis of endorsed invoices or statements. Furthermore, the main contractor is obliged to attach endorsed invoices or status reports of his subcontractors to his own invoice or statement. Violation of these provisions is considered to be grave misconduct and is punishable.

Spain

Key point/background – Limitation of subcontracting chain

The signatories of the general construction industry agreement expressed to the parliamentary groups and the government the need to regulate outsourcing in the construction sector. This consultation resulted in the Act 32/2006 of 18 October, which regulates this subject matter.

Description of the measure in discussion/already in place

The measure is twofold: On the one hand, it limits the subcontracting chain to maximum two levels of companies. The main contractor can subcontract any work package such as for example shuttering, provided that the subcontractor has a company structure (offices), equipment, tools and machinery, as well as offers training for his employees

On the other hand, it establishes a minimum percentage (30%) of workers to be employed with permanent contracts at every level of the subcontracting chain. These provisions showed a practical improvement as to workers' conditions and a significant reduction of risks resulting from the mere fact of temporary employment.

5.4. Strengthening of main contractor's liability

Austria

Key point/background - Liability of general contractor with reference to public procurement (§ 7 c of Austrian labour contract alteration act)

This legislation aims at resolving the problem that public contracts, mainly in the construction sector, are awarded to companies, which at the end of the day do not carry out the contract by themselves but shift at least parts of the works to be carried out by other companies. Those companies often do not fulfill their contractual obligations by paying the wages, taxes and social security contributions for their workers but go bankrupt. The payment obligation is shifted to the Insolvency-Compensation Fund. The final result is that the client contractor earns the reward for its performance whereas society bears the cost.

Description of the measure in discussion/already in place

indent 2 of § 7 stipulates the main contractor's liability as follows:

- The main contractor is liable as guarantor for all wage claims of workers. The main contractor's liability only comes into being if the obligation has been claimed unsuccessfully against the primary debtor before court.
- The same is valid in cases that the subcontractor passes the whole or part of the contract to further subcontractors against contractual agreement.

Indent 3 refers explicitly to the construction sector without special reference to public procurement law. The main contractor is generally held liable as deficiency guarantor. This means that the guarantor can be held liable in the first place, even if insolvency proceedings relating to the main debtor (e.g. the subcontractor) has not been opened. The same is valid in case that the main contractor is of unknown current location at the maturity of the payment.

This general liability is limited insofar as the workers' claims for remuneration have to be asserted by judicial procedure within 6 months after having accomplished their performance, otherwise the main contractor's liability expires.

However, the main loophole is opened by the provision that the liability of the main contractor expires in case of judicial declaration of bankruptcy of the subcontractor. A case of legislative contradiction!

In conclusion, it has to be stated that the aim of the above mentioned provision is well intentioned, however, it still needs improvement:

First of all it takes for granted that the workers concerned know that their production site has been established within a public procurement contract. Secondly, they have to know their client contractor. But even if they have this information, they lack the right of access to the public procurement contract. There is no transparent, freely accessible register in Austria, which offers

information about public contracts, which main contractor has been awarded and which subcontractors were assigned. Hence, it is impossible to establish if incompetent or insolvent subcontractors have been contracted. As this is the pre-condition for the main contractor's liability according to indent 2, it is practically unenforceable.

The second alternative in indent 3 is limited to the construction sector. The systematic social dumping within this sector is based on the establishment of an opaque chain of subcontractors, at the end of which is to be found a company established for the only reason to make workers work without payment and to transfer the payment obligation to the insolvency-compensation fund. If the direct liability access to the main contractor is excluded in case of insolvency of the subcontractor, then in most of the cases the - at first sight straight forward and efficient - liability proves to be quite powerless.

Therefore, an expert group „combat of social dumping“ has been established which also aims at the improvement of the main contractor's liability, as the current legal situation provides for the total elimination of responsibility in case of the insolvency of the subcontractor. Hence, the system still relies on the last piece of the chain. Until the workers have obtained all necessary information, insolvency of the subcontractor occurred and the main contractor's liability expires. The positive side of a new proposal is the information obligation. According to this, the company has to inform the workers within 14 days about all subcontractors and passed on construction works. In case of deficiency, the main contractor is held liable for all passed on construction works, until he provides the information requested.

France

Key point/background – Joint liability of client contractors and subcontractors for the compliance with minimum wages

Article 5 of the law of 10.7.2014 imposes a joint obligation to abide by the payment of minimum wages based on law or collective agreements.

Description of the measure in discussion/already in place

In case that the building contractor or the contracting authority is informed about any non-payment of the due wages by the client contractor or subcontractors, they are obliged to immediately put an end to this situation. They have to provide a written prove to the administrative authority that the wages have been paid. At the same time, the responsible control agent has to be informed. In case that the contracting authority respectively the building contractor breaches this obligation, he is held jointly responsible with the subcontractor to pay the salary, penalty and contributions.

Germany

Key point/background – Liability for minimum wage throughout the subcontractors' chain

Often the main contractor offers calculation details within his bid that covers the wages as set by collective agreements. However, by employing sub-contractors, in many cases these wages are not paid at all or a much lower salary is offered. In many cases, the workers on the site are not employed but act as bogus self-employed contractors on whom collective agreements, minimum wages and minimum health and workers' protection rights do not apply.

To combat these unfair practices, many German Länder introduced the liability of the main contractor to pay minimum wages or wages as set in collective agreements, if the subcontractor fails to do so.

Description of the measure in discussion/already in place:

§ 14 Arbeitsentgeltgesetz (Act on the Work's Remuneration – relating to sector specific tariff minimum wages) and § 13 Mindestlohngesetz (Act on Minimum Wages – relating to the newly introduced minimum wage applicable in the whole country) stipulate that the legal minimum wage is owed throughout the subcontractor chain and regardless of culpability by the main contractor. From this follows that in case of bankruptcy of one of the sub-contractors, the workers can ask regress from the main contractor. The same accounts for the payment liability for social contributions. This liability brings about the obligation of the contracting authority to carry out a plausibility assessment of the bid, the requirement of a guarantee of the client contractor for regular and timely payment of the minimum wage, as well as the obligation of the main contractor to undertake all measures to oblige his subcontractors to undertake the same obligations. This guarantee further includes the agreement on an information or even necessity of consent by the contracting authority if subcontractors are employed. Additionally, enforceable securities to mitigate the liability risk of the contracting authority are often agreed on, as well as the right of the contracting authority to step back from the contract in case of non-payment of the minimum wage.

Switzerland

Key point/background – Joint liability of contractors' chain; compulsory control of negative list

This measure includes a twofold aim: Firstly, to avoid the shifting of risks from the client contractor to the weakest part of the contracting chain. Secondly, to oblige the main contractor to undertake certain control steps prior to any employment of sub-contractors.

Description of the measure in discussion/already in place

The client contractor is held jointly and wholly liable for the non-payment of minimum wages and non-compliance with working conditions by the sub-contractors. Moreover, sub-contractors that are enumerated on the black list are to be excluded from any contract. The sub-contractor has to prove the compliance with working security and working conditions.

However, the client contractor is held reliable on basis of civil law only in case that the subcontractor was sued without success or cannot be sued. The client contractor can free himself from liability if he is able to prove he undertook a due diligence assessment of the subcontractor's application of minimum wages and legally binding working conditions. This he can achieve by providing convincing evidence by relevant documents.

5.5. Most economically advantageous price – lowest price

Austria

Key point/background – Initiative “Fair Procurement”

This initiative originates from the construction sector, where the social partners – companies of the construction sector and the trade union of the construction sector (Gewerkschaft Bau Holz) – decided to take decisive steps against:

- on the one hand unfair competition by companies not abiding by legal standards and collective agreements;
- on the other hand wage dumping and non-compliance with workers’ rights.

The success of the initiative until now – public procurement, normally considered to be a boring issue for specialised lawyers, was made presentable for Joe Citizen – is to be explained by the joint action between representatives of companies and the sector-specific trade union.

Description of the measure in discussion/already in place

In its article 67 indent 2 the new EU Procurement Directive paves the way for mandatory application of the most economically advantageous price in a specific sector. Implementation into national legislation implies that the contracting authority is not allowed to refer to price only as a criterion but has to establish at least one more quality criterion. This seems at first sight simple and an easy way to achieve better working conditions and to reduce predatory price competition on the workers’ shoulders. However, a lot of fine tuning is necessary in order to avoid bogus criteria, like for example a longer time of guarantees or other so called “zero-criteria”. With a view to the strong opposition of the contracting authorities, it seems even to be necessary to establish a list of criteria that are deemed to be valid in order to establish the best price-quality ratio within the meaning of article 67 indent 2 EU Procurement Directive.

Of course, the initiative also tackles the issue of sub-contracting chains by proposing a) the limitation to maximum two levels b) the equation of personnel leasing agencies and affiliated companies with sub-contracting companies.

Moreover, the initiative proposes a ban from procurement procedures for a period of 12 months in case of legally binding statement of infringement of labour rights.

By now, the Austrian government has forwarded a draft which includes the main demands of the initiative for public consultation.

Bulgaria

Key point/background – Award criterion “most economically advantageous tender”; metro Sofia

Bulgarian public procurement is characterised by price dumping often resulting in the bankruptcy of the bidder, followed by non-payment of sub-contractors and their workers involved.

Therefore, when the expansion of the metro network in Sofia was decided, a combination of strong exclusion grounds and award criteria to prevent social dumping were set by the contracting authority.

Description of the measure in discussion/already in place

At the specification stage, strong exclusion grounds and clear contract performance conditions were determined ex-ante. The most economically advantageous price was set as award criterion. Sub-contractors had to proof their economic and technical performance capacity. The final payment of the contracting authority was only to be effected after the written proof of the client contractor that he has paid all sub-contractors, as well that all public debts (social security, taxes) have been cleared.

Moreover, in 2006 a Chamber of Builders has been established. Any company that intends to participate in a public tender has to be registered with this Chamber. Prerequisite to its registration is the fulfilment of a number of social criteria requirements.

Italy

Key point/background – Award criterion “adequate and sufficient” labour cost

In order to avoid that the contract is awarded to a contractor on the basis of the lowest price on the shoulders of the workers’ wages, a new mechanism has been introduced in order to ensure that the wages of the most representative collective agreement are paid.

Description of the measure in discussion/already in place

When the awarding criterion is based on the criterion of the lowest price, the contracting authority has to assess that the economic value of the tender is “adequate and sufficient to cover the labour and safety measures cost” and if it is “reasonable compared to the size and characteristics of the works”. The adequate and sufficient labour cost is calculated on the basis of tables that are periodically collected by the Ministry of Labour, based on economic values of welfare and social security rules provided by collective agreements signed by the comparatively most representative trade unions.

Poland

Key point/background - Abnormally low tender

Lowest price is usually a reason for distortion of competition and cause of social dumping. Reliable companies cannot be competitive in circumstances when other companies are offering abnormally low tenders. This is the reason, why exclusion of bids with an abnormally low price is such an important tool for contracting authorities. However, as experience in Poland shows, this can only be a first step to prevent social dumping.

Description of the measure already in place (since October 19, 2014)

According to Public procurement law article 90.1., the bid has to be assessed if the price of a tender appears to be abnormally low in relation to the subject matter of a contract and raises doubts of the contracting authority as to the possibility of performing the subject matter of a contract. This clarification is mandatory, if the price is lower than 30% of the contract value or the arithmetic average of prices of all submitted tenders. The clarification obligation includes the submission of evidence in particular as regards: the economic method of contract performance, technical solutions chosen or the exceptionally favorable conditions for performance of contract available to the economic operator, the originality of the economic operator's design, and finally labour costs, the amount of which may not be lower than the minimum wage established.

Serbia

Key point/background – ILO Convention 94; scoring of social award criteria

After the ratification of the ILO Convention 94 (Convention concerning labour clauses in public contracts) in the National Assembly of the Republic of Serbia which made its provisions part of the national legislation, and thanks to the initiative made by the Autonomous Trade Union of Road

Maintenance Workers of Serbia, the creation of the conditions for the application of the provisions and the spirit of this Convention was launched.

Description of the measure in discussion/already in place

Within these efforts the following activities and measures were taken: The Autonomous Trade Union of Road Maintenance Workers of Serbia and the Ministry of Construction, Traffic and Infrastructure agreed to form a Working Group that would take measures to provide for the application of the provisions of the ILO Convention 94.

In accordance with this agreement and the decision of the Ministry issued on 2.10.2014, this Working Group was formed, comprising representatives of the Ministry of Construction, Traffic and Infrastructure, Central Registry for Mandatory Social Insurance, Ministry of Finances (The Tax Administration), Ministry of Labour (Labour Inspectorate), Agency for Business Entities and Autonomous Trade Union of Road Maintenance Workers of Serbia. The working group was endowed with the following tasks:

- To determine criteria to set the level of compliance of business entities with the legal obligations undertaken through contracts in the field of traffic infrastructure, as well as in relation to the design, construction and supervision of standards and recommendations of good practice set by the ILO, and as to the monitoring of financial, business, technical, and human resource capacities;
- To create a preliminary list of business entities and other organizations which abide by the established criteria.

According to these tasks, the Working Group established the following criteria:

- Criterion that indicates the number of persons employed for an indefinite period of time, for a fixed period of time and the number of persons hired on the basis of contracts for temporary and occasional jobs;
- Criterion that indicates the frequency of light and heavy injuries at the workplace;
- Criterion relating to “undeclared work”,
- Criterion relating to the indebtedness of the business entity and to the contribution to the public revenue (taxes, contributions for mandatory social insurance – retirement and disability insurance, health insurance and insurance for the case of unemployment).

These criteria correspond to a „scoring“, that is processed by an index. Certain criteria have positive implications while the others have negative implications. Multiplying the values of the criteria with the index, one manages to achieve the equalization of values of all criteria in order to avoid the dominance of certain criteria over the others.

Assessment example for the number of points based on a specific case:

1. The Company has 759 permanently employed workers, multiplied by the factor 3 leads to 2277 points;
2. There are 236 employees working for a fixed period of time which is multiplied by the factor 2 scoring 472 points;
3. There was one serious occupational injury, multiplied by the factor 500, thus scoring 500 points;
4. There happened 5 smaller injuries which are multiplied by 100, scoring 500 points;
5. There was no undeclared work reported;
6. Debt based on public revenues is 2.912.407.170,06 dinars, divided by the index 100.000 scores 29.124.07.

Adding the points for positive criteria and then reducing them by the points for the negative criteria sums up to **27.375,07** which is the number of points relevant for the awarding procedure.

According to the above mentioned criteria a list has been established, containing about 540 business entities out of which almost one half have negative results.

In the next period the Working Group has the task to quarterly update the list.

At the same time, starting with the second half of 2015, the „Central Registry for Mandatory Social Insurance” has the obligation to start updating and sending monthly data about the type of employment relation of hired people and data about the basis (paid salaries and wages) on which contributions are paid as well as the amount of these contributions.

The Working Group made a recommendation for amendments of the Law on Public Procurement in accordance with the previously mentioned criteria.

In any case, already the adoption and publishing of this list has had a positive effect on the behaviour of the contractors and subcontractors especially when it comes to the public contracts, or labour clauses in public contracts. This activity, for example, led to the improvement as to the regularity in payments of salaries and contributions, as well as with regard to the type of employment of people hired leading to the predominance of permanently employed workers.

It is obvious that there is still a lot of work ahead of trade unions, however, it is certain that they will manage to establish a system where the public contracts will be awarded only to such employers, who respect labour clauses, or to those, who regularly pay salaries and contributions for mandatory social insurance and whose employees have a permanent contract, as well as those who do not have reported labour related injuries.

Switzerland

Key point/background – Mandatory inclusion of quality criteria in the awarding procedure

According to the demand of the Swiss trade unions, the bids have to be assessed not only on the basis of the price but also on quality criteria. This is necessary to secure that the contracting authorities can fulfil their tasks relating to social policies. Such provisions already exist in some “Kanton” and shall be introduced on federal level. Moreover, criteria that aim at releasing the pressure on workers by employing them on normal contract conditions, thus not passing on the risk, shall account for additional points in the award weighting.

Description of the measure in discussion/already in place

The relevant provision (art 31 the Interkantonale Vereinbarung über das öffentliche Beschaffungswesen IVÖB which is under reform process) shall be amended in such a way that the bids have to be assessed on the basis of price and quality criteria. The quality criteria are cited in the legal provision and comprise amongst others life cycle costs, delivery conditions, sustainability, client-related service. The public authority awards the contract only to such companies that guarantee the compliance with minimum working conditions at the location of performance. These include minimum tariffs regardless of whether they have been declared binding, the standard working conditions and, where such provisions do not exist, the factual working conditions according to the principles of the relevant profession and location of performance. If necessary, equally represented entities have to be heard. Such entity could be a “Tripartite Commission” as it has already been established by the legislation on dispatched workers on basis of the relevant EU directive (art. Art. 5 Entsendegesetz).

In case the contracting authority does not use capacity oriented variable working times, this fact qualifies for a positive award criterion (new Art 31). Moreover, any company that employs apprentices shall be awarded with extra points within the awarding procedure, as Trade Unions have demanded.

5.6. Social Considerations

Austria

Key point/background – Joint consideration of social aspects in contract conditions; City of Vienna

The Vienna administrative body (Magistrat der Stadt Wien) regularly sets the conditions and modalities for all its subordinate contracting authorities. These conditions are established according to the result of a coordination procedure between subordinate authorities as well as its outsourced companies under public ownership. These conditions and modalities ("general procurement conditions of the City of Vienna) explicitly refer to the application of certain social clauses, control mechanisms and right of withdrawal in case of violation of contractual clauses. This set of rules is declared mandatory by ordonnance of the chief civil servant of City of Vienna.

Description of the measure in discussion/already in place

The first relevant clause refers to the ban of exploitative child labour which opens the right of withdrawal from the contract. The client contractor is held liable for all subcontractors and providers. The second set of clauses refers to subcontracting, causing the major problem with regard to the contract performance. The general conditions establish a ban to subcontract the whole subject matter of the contract. Subcontracting is only admissible after the explicit consent of the contracting authority. The same accounts for the change of the subcontractor. The contracting authority has the right to refuse a change in case of lacking qualification or violation of the ban of exploitative child labour.

Moreover, the liability for the contract performance remains with the main contractor. The same accounts for personnel leasing.

Although the City of Vienna could have included many more social and vocational aspects into these general contracting conditions, they are a good basis to agree on more in the future.

Austria

Key point/background – Apprenticeship; Guidelines – City of Vienna

At the beginning of 2013, City of Vienna started a pilot project aiming at setting priority to companies offering training for young people when directly awarding public contracts. This measure emphasizes the willingness of the City to give preferential treatment to such socially responsible companies. To support its tendering entities, City of Vienna devised a so called "work tool".

Description of the measure in discussion/already in place

The pilot project takes into consideration that not all Member States offer "dual" training like it is typical for Austria and Germany and therefore refers to a wider definition, taking also into consideration also comparable methods of training. Those companies, which have trained at least one apprentice for at least three months within the last three years shall achieve special points within the award evaluation.

Also, the measure only applies in the construction sector when direct award is possible, that is with tendering limits below the thresholds of the EU Procurement Directive and with no relevance for the internal market.

In order to alleviate the burden on the contracting authority, the register of client contractors (Auftragnehmerkataster Österreich) reports the apprentices of the registered companies on a yearly basis and makes it evident for the contracting authorities.

Belgium

Key point/background – One specialised regional helpdesk ‘RenoWatt’

Basic aim is to assist local initiatives in the field of energy friendly procurement that focus on the creation of long-term and sustainable employment.

Description of the measure in discussion/already in place

Starting point of the project was the creation of the GRE (Groupement Redéploiement Economique) in 2004 after the announcement of the closure of an Arcelor Mittal plant. Basic reasoning is that with a large majority of the public building stock dating back 20 years, there is a lot to win with an ambitious energy saving renovation project (of 60% of the existing stock) that targets the decrease of the total of the energy consumption. In total 10 regional organisations in the Liège region participate. A unique helpdesk has been created. Important earmarks are the social responsible procurement of the different sites and the recreation of jobs. The trade unions back up this project and participate in the working group that looks after sustainable and socially responsible procurement (for instance, with long-term employment perspectives).

Belgium

Key point/background – Prioritise social responsible procurement

The (regional or national) government formulates a policy that prioritises social issues in procedures and provisions.

Description of the measure in discussion/already in place

The council of the Brussels region formulated already in 1998 the obligation to include social and employment concerns in the procurement regulation (for projects of 750,000 euro and beyond). It created an intermediary office (Actiris). Actiris is engaged as a coordinator that has the task to promote and control the use of social clauses in the procurement of works and services. Between 2008 and 2013, thirty educational and informative campaigns have been launched for tendering authorities in order to promote social clauses. A helpdesk was financed to assist with eventual barriers in the formulation of social and sustained conditions. In participating communities the future procurement plans were assessed with a view of tracing possibilities for responsible procurement. The regional authority installed also an Alliance for Employment – Environment – Sustainable construction. An assessment of the functioning of the helpdesk led to an update of the circular that illustrated and explained the possibility to work with social clauses.

Denmark

Key point/background - Fight against social dumping, fair wage.

In June 2014 a Circular on Labour Clauses in Public contracts was presented. The circular states that all central authorities (ministries, executive agencies etc.) must apply labour clauses in accordance with ILO Convention no. 94 ensuring that employees of enterprises that provide services to public authorities and contracting entities are granted common pay and working conditions.

Description of the measure already in place (since July 1, 2014)

More specifically, the circular states that the contracting authority must set requirements in the contract to ensure that workers employed by contractors and sub-contractors who contribute to the performance of the contract receive due payment (including special allowances), hours of work

and other working conditions which are not less favourable than those established for work of the same character under a collective agreement, contracted by the most representative organisations of workers and employers in Denmark in the trade or industry concerned and being applicable throughout the Danish territory.

The contract must include provisions that specify the documentation requirements to be met by the contractor. Furthermore the contracting authority is obliged to carry out the necessary control of whether the contractor and any sub-contractors comply with the labour clause.

A part of the Circular recommends that also all local councils and regional authorities apply labour clauses in construction and civil engineering contracts. This is also reflected in the agreement of 3rd June 2014 between the government and the municipalities (LGDK) regarding the finances for 2015, where it says that "The government and Local Government Denmark (LGDK) ... agree that labour clauses must be expanded to all local supply contracts regarding construction work..."

The Circular has resulted in a more positive climate as to labour clauses in connection with public clients, and since last summer many local governments have introduced such clauses – both labour and training clauses.

Denmark

Key point/background – Labour Clauses, enforcement control

The Danish trade unions in BAT are working closely with local governments and the public authorities in order to prevent social dumping. We try to influence the decision makers where ever we can and have representatives in several governmental working groups regarding social dumping.

For some time BAT has been pushing for the implementation of the circular on Labour Clauses that was presented in June 2014. It continuously tests the ability of the clauses to enforce fair wage and working conditions and prevent social dumping. For the time being the challenge now is the enforcement of the clauses and the control of the demands in the clauses. BAT's assessment is that this part is totally up to the unions.

Description of the measure in discussion/already in place

The Danish construction unions in BAT have initiated a project focusing on the building projects with construction costs of more than 65 mio. Euro. The project consists amongst others to contact the clients in order to start a dialogue and a corporation regarding a forthcoming building project. BAT offers support regarding a range of issues, e.g. input regarding labour clauses, information about bidding companies, exchange of information regarding legal cases and incidents with contractors and subcontractors. It also provides information for foreign companies regarding the Danish model. BAT has a website that focus on exchange of information among all the local unions in Denmark.

Here we can tell good stories regarding the contact to clients, health and safety, successful ways of organising etc. We have plans about expanding with experience regarding foreign companies that may benefit others. It is an easy way to get in contact with colleagues around the country (

<http://batkartellet.dk/Overblik-og-inspiration.asp>)

At another website BAT has collected information about labour clauses for the benefit of politicians, local unions, public authorities etc. Here the best examples of labour clauses around the country can be found (<http://arbejdsklausuler.dk/>)

France

Key point/background – Joint liability of client contractors and subcontractors; alarm mechanism concerning the sleeping facilities at the site

Articles 4 and 5 of the law of 10.7.2014 impose an alarm obligation on the building contractor (“maitre d’ouvrage”) and the contracting authority.

Description of the measure in discussion/already in place

Both, client contractor and the building contractor have to immediately inform the labour inspectorate if they get aware of the breach of rules concerning the workers’ sleeping facilities, thus breaching “the human dignity” as defined in the Penalty Code. The administrative authority imposes on the client contractor and all subcontractors the obligation “to achieve a result”. The addressees of this injunction are jointly liable. In case of non-compliance the administrative authority is in charge of providing decent sleeping facilities at the expense of the client contractor and subcontractors.

Ireland

Key point/background – Social clauses project group; Grangegorman Development and Developed Schools Build Programme; enhancement of apprenticeship; reintegration of unemployed

Irish public procurement policy tends to be more concerned about ‘levelling the playing field’ for small and medium size enterprises (“SMEs”). The vast majority of the government guidance documents encourage the use of social clauses which promote the participation of SMEs in tender competitions. By contrast, the State has been reluctant, to date, to use public procurement to prevent social dumping and to ensure compliance with sub-contractors rights.

Prior to the establishment of the OGP (Office of Government Procurement), public procurement policy did not encourage the inclusion of social clauses in public contracts.

Description of the measure in discussion/already in place

Within six months of its establishment, the OGP created a “Social Clauses Project Group”. The aim of the pilot project is to identify public contracts where social clauses could be deployed to contribute to employment or training opportunities for long term unemployed. The project is concentrating on examining the use of social clauses in contracts where employers are likely to be employing additional workers to deliver the contract. The project is in particular reviewing the use of social clauses in two current contracts: Grangegorman Development (The Grangegorman Development Agency is a statutory agency established in 2006 by the Irish Government under the Grangegorman Development Agency Act 2005 to redevelop the former St. Brendan’s Hospital grounds in Dublin City Centre) and Developed Schools Build Programme. In the Developed Schools Build Programme, the social clauses included in the Public Works contracts require that:

- “10% of the aggregate time worked on site to have been undertaken by individuals who have been registered on a national unemployment register within the EU for a continuous period of at least 12 months immediately prior to their employment on the project,
- 2.5% of the aggregate time worked on site to have been undertaken by individuals who are employed under a registered scheme of apprenticeship or other similar national, accredited training or educational work placement arrangement. The Department of Social Protection, through its Intreo offices, is providing support to the contractors in meeting their obligations under the contract by providing suitable candidates to match the skills requirements from

those long-term unemployed construction workers (Government Speech, 17th October 2014 by Minister Simon Harris, Second Stage Speech – Social Clauses in Public Procurement Bill 2013; available at: <http://www.per.gov.ie/minister-simon-harris-td-second-stage-speech-social-clauses-in-public-procurement-bill-2013/>).

Early results indicate that approximately 48 long term unemployed people have been hired across fifteen sites out of a total workforce of 440.

Ireland

Key point/background – Joint liability; Health and Safety

The Safety, Health and Welfare at Work Act 2005 places responsibility on all stakeholders (employers, temporary work agencies, contractors, designers, suppliers) for the protection of health and safety at the workplace.

Description of the measure in discussion/already in place

The employer-employee relationship arises if an employee is working in the capacity of an employee, regardless of whose employee he or she is and if he or she is under an employer's direction and control. The employer's duty of care cannot be passed to another party in order to discharge it. Thus, when a worker is dispatched by his or her employer to work for another party (including an independent subcontractor) the general employer's care to the workers remains. The same accounts if a subcontractor comes onto the employer's property and negligently causes injury or loss to the employer's workers, the general employer retains liability.

Ireland

Key point/background – Joint liability; Health and Safety

For the time being, Ireland chose the option to make use of 'model' contracts (with labour law compliance clauses) which is not a legal obligation imposed on public procurers, but rather is Government policy and advised as best practice (Circular 1/11 from the Department of Public Expenditure and Reform, Circular 1/11: Model Tender and Contract Documents for Public Service and Supplies Contracts

(<http://www.procurement.ie/sites/default/files/PER%20%20Circular%201%20of%202011-1.pdf>)

makes it clear that the new suite of standardised documents for public procurement is provided as an aid to contracting authorities and, whilst their use is recommended as good practice, the documents and explanatory notes (including the Circular itself) are not intended to confer rights on third parties. However, this set of model contract could serve as a basis for further legal steps into the direction of mandatory compliance.

Description of the measure in discussion/already in place

A suite of 'Standard Forms of Contracts' were launched in 2011 (See the website of the National Procurement Service; www.procurement.ie). In essence, the new public contracts contain model labour law compliance clauses, which make it the responsibility of the principal contractor to ensure that all its representatives and subcontractors:

- Comply with appropriate rates of pay and conditions of employment;
- Apply the terms of any applicable Registered Employment Agreement for the sector;
- Make appropriate deductions from payments to workers required by law;

- Keep proper records (including time sheets, leave records, wage deductions, wage books and copies of pay slips) and produce these records for inspection and copying by any persons authorised by the client;
- Respect the right under law of workers to be members of trade unions;
- Observe, in relation to the employment of workers on the site, the Safety, Health and Welfare at Work Act 2005 and all labour legislation, codes of practice and legally binding determinations of the Labour Court.

The contracts provide that where non-compliance occurs, contracting authorities can take whatever corrective action is considered necessary and appropriate, within the terms of the contract, including the proportionate withholding of payments to ensure compliance. Contracting authorities may also provide in their contracts for random checks of the records of contractors and subcontractors to assess compliance with the requirements of labour law, as appropriate. The construction contracts require mandatory checks to be completed in cases where the contract sum is expected to exceed €30 million; and the duration of the work is expected to exceed 18 months (Guidance Note for Public Works Contracts, published on 30.4.2007 by the National Public Procurement Policy Unit of the Department of Finance).

It should be emphasised, however, that the use of these 'model' contracts (with labour law compliance clauses) is not a legal obligation imposed on public procurers, but rather is Government policy and advised as best practice. Circular 1/11 from the Department of Public Expenditure and Reform makes it clear that the new suite of standardised documents for public procurement is provided as an aid to contracting authorities and, whilst their use is recommended as good practice, the documents and explanatory notes (including the Circular itself) are not intended to confer rights on third parties.

Undertakings tendering for public contracts for services, therefore, in line with the EU Directives, must supply a statement confirming that they have 'taken account' of their obligations relating to employment protection and working conditions (Circular 1/11: Model Tender and Contract Documents for Public Service and Supplies Contracts:

(<http://www.procurement.ie/sites/default/files/PER%20%20Circular%201%20of%202011-1.pdf>)

However, how compliance with labour law requirements is to be monitored is not stated.

Contracting authorities may prescribe special conditions relating to the performance of a public contract that is to be awarded, provided that those conditions are compatible with EU Law and are specified in the relevant contract; in particular, those conditions may deal with social and environmental matters (Circular 1/11: Model Tender and Contract Documents for Public Service and Supplies Contracts:

(<http://www.procurement.ie/sites/default/files/PER%20%20Circular%201%20of%202011-1.pdf>).

Italy

Key point/background – Health and safety; identification card

Italian law prescribes specific obligations for the client and the contracting authority or to improve health and safety conditions of the workers. Both are responsible for the coordination and implementation of prevention and protection measures.

Description of the measure in discussion/already in place

The client contractor is in charge of all preliminary checks on the reliability of the contracting undertaking and of its compliance with its obligations for workplace safety. All employers involved in the subcontracting chain must cooperate in the activities informing each other.

To this end, the client contractor is required to prepare the single document of the follow-up risks assessment (DUVRI), which lists all measures taken to combat the risk of interference to be adjusted in the light of the development of the ongoing works. The DUVRI has to be attached to the contract agreement. The client contractor and subcontractor must then equip workers executing the contract with a special identification card.

Lithuania

Key point/background – Social considerations

A working group composed of 21 members has been established by the Ministry of Economy of Lithuania on 18 April 2014. The Lithuanian Trade Union Solidarumas is represented in this group by its vice-president. It has the task to submit proposals for the implementation of the EU Public Procurement Directives into Lithuanian Law.

Description of the measure being discussed

According to the draft Law on Public procurement, the principal award criteria shall be the most economically advantageous, rather than the lowest price.

According to the group's opinion, the lowest price does not represent the most desirable result from a societal perspective as it often brings about social dumping at the expense of workers, hence the lowest price is not considered to be a socially responsible policy.

Moreover, the draft foresees the obligation of the contracting authority to check if the due minimum wage is paid and if part of the salary is paid "under the desk".

The Lithuanian Trade Union "Solidarumas" organised a round table discussion on social economy on 24 April 2014 in Vilnius in cooperation with the European Economic and Social Committee and the Ministry of Social Security and Labour. The main purpose of this conference was to initiate a discussion and dissemination of information on social enterprises, social economy and social entrepreneurship, and encourage involvement of social partners in Lithuania.

Netherlands

Key point/background - Contracting of 'social return on investment'; apprenticeship and unemployed workers

A case in the city of Dordrecht that started in the late 1990 shows how local authorities can work with social criteria. By the end of the 1990s the city had an unemployment rate that was substantially higher than the national average. The local government decided for a program that was called 'social return on investment' (SROI). Key principle in all procurement procedures (exceeding 50,000 euro) became that bidders had to spend at least 5% of the tender price for the creation of apprenticeship places or the contracting of unemployed. At the beginning this principle was legally challenged by one contractor, but the arbitration council for the building sector backed up the local community policy.

Description of the measure in discussion/already in place

Since then the city has used the SROI-principle (on average 40-50 projects a year). From 2000-2010, the principle has been also used in larger projects of urban development and social housing. Part of these projects were based on private capital, with no or just a minority participation of the community. The local community decided to impose the same principle to private property developers. Over the years, this initiative has created a large impact. The unemployed are contracted by institutes specialised in training or reintegration for a period of two years. These

institutes provide the contractor with staff. Their payment is based on the collective agreement for the construction sector. In one project it was estimated that with this approach an additional 350 unemployed (for a period 5 to 6 years) could be engaged.

The SROI-method has become popular all over the country and has expanded from the tenders for construction and infrastructure sectors to other tenders. In fact, a whole new 'industry' of offices specialised in assisting in SROI-methods came into being. The success of the SROI-approach was completed with an official statement of the central government in 2011. As of 1 July 2011, the government ordered the application of a 5% social return on investment in all governmental tenders (works and services) beyond a threshold of 250,000 euro.

Norway

Key point/background – Health and safety measures

Local and regional measures introduced in public procurement are plentiful. One of the most talked of is a model which has been introduced in Skien municipality. The mayor of Skien stated the following when asked to justify this comprehensive regulatory framework:

"We could no longer sit still and observe such serious social dumping, work site crime and black market development at construction sites of municipal contracts. We have had too many scandals"

Description of the measure in discussion/already in place

Skien has taken advantage of all legal possibilities offered by legislation and regulations to stop social dumping and crime on work sites of public contracts. The model serves as an example for different measures introduced at local level all over Norway. The following obligations are put on contractors:

- Work is to be performed by the contractor and his employees or subcontractors and its employees. A contractor has to prove by documents that a majority of his workers have a certificate of completed apprenticeship.
- The main contractor demands a written justification for the necessity of the use of self-employed, subcontractors and hired-in work force
- Norwegian is the main language on all work sites on public contracts. This means that at least one person of each work team has to speak Norwegian in order to ensure the technical quality and security of the working place.
- The contracting authority does not allow the employment of more than one level under the main contractor in the contract chain
- The company has to be a training company and all major contracting partners have to employ apprentices
- All workers are registered in all public records, also foreign workers
- Wages and other pecuniary benefits shall be paid out to a Norwegian bank account
- Documentation is required that no worker is granted wages and working conditions less favorable than what follows from a national collective agreement or what is the norm for the specific place and occupation
- In breach of the regulation, where self-cleaning is not possible, the contract may be terminated and the company will be banned for two years from public procurement contracts or works for the municipality.

Norway

Key point/background – Compulsory vocational training - Registered training companies

The obvious motivation for the subsequently described measure is to secure access to apprenticeships in industry, which in turn strengthens skill training in Norway, which in turn strengthens the competitive position.

Even more important for the trade unions, the results of such legislation improve the trustworthiness and standing of the companies. To become a training company requires to prove training competence within the company. Having apprentices implies regular evaluations in a timely manner. All experience shows that companies, which employ apprentices, are more reliable companies within a socio-economic aspect.

Description of the measure in discussion/already in place

Current national legislation comprises a provision, which opens the possibility to oblige a contracting company taking part in a public procurement procedure to be an approved/registered training company according to the Education Act.

In Norway, precondition to become a skilled worker is the accomplishment of two years of school education and two years as an apprentice in a training company. To be able to provide such education, a company has to prove that it is capable of securing the necessary vocational content. As a consequence, it then becomes a certified company.

So far, the request to employ apprentices on construction sites within the context of a public contract and the application of the legislation on approved training companies has been voluntary for local and regional authorities.

However, the government announced its intention to make the relevant legislation compulsory. This means that any company wishing to bid for a public procurement contract has to be approved as a training company according to the law.

Moreover, the government aims at introducing legislation to secure that any contracting company winning a public bid employs apprentices on site if the construction work or service refers to a branch in need of apprenticeships.

Poland

Key point/background - Inclusion of social aspects

To provide contracting authority with a tool for socially responsible public procurement the criterion of social aspects was explicitly included into the legal provisions. However, practice shows that Article 91.2 is only the first tool to raise awareness of this aspect by contracting authorities. A lot of action has to be undertaken by trade unions in order to bring this provision to life.

Description of the measure already in place (since October 19, 2014)

According to article 91.2 of the Public Procurement Act, contract award criteria shall be the price or the price and other criteria linked to the subject matter of a contract, in particular quality, functionality, technical parameters, environmental aspects, social aspects, innovative aspects, service, period of contract performance and operating costs.

Poland

Key point/background - Minimum salary, safety and health conditions

During construction, especially if work is carried on for long time periods, the minimum requirements for safety and health, the minimum wage and different tax rates may increase. Therefore the contracting authority is obliged to adapt and pay its open debts accordingly.

Description of the measure already in place (since October 19, 2014)

According to article 142.5 of the Public Procurement Act, a contract concluded for a period longer than 12 months shall contain provisions for a suitable modification of remuneration rates payable to the economic operator, in case of change in:

- 1) the rate of tax on goods and services,
- 2) the amount of minimum wage determined under Art. 2 para. 3-5 of the Act of 10 October 2002 on minimum wages,
- 3) the rules on social insurance or health insurance or the rate of social security or health insurance contributions,

if these changes will affect the cost of contract performance by the economic operator. This legal provision was stipulated in order to ensure that price increases will not be rolled over to the workers as the weakest part of the chain and that they profit from eventual wage increases.

Sweden

Key point/background – fight against regional unemployment; Örebro

The area of Örebro is characterised by a high unemployment rate. Therefore, when in 2013 it came to the renovation and reconstruction of regional infrastructure, it introduced social considerations to be respected when awarding public procurement contracts.

Description of the measure in discussion/already in place

These social criteria comprised: The proof of an effort of regional employment of 15%. One third of the involved workers should come from the sub-regional area and at least 50 to 80 persons should have regular employment at the contractor's or sub-contractor's level.

Moreover, further award points were foreseen for the employment of long-term unemployed people and the development of the workers, trainees as well as other forms of education on the job.

Sweden

Key point/background – centralised procurement company setting social criteria, Göteborg

Goteborg Municipality has established a procurement company that manages the process of stipulating social criteria for public procurement contracts. Its task is to support the municipal administration and companies in procurement procedures.

Since 2014, 7 municipal companies in Göteborg included social criteria in 25 procedures which resulted in 40 new jobs.

Description of the measure in discussion/already in place

The procurement company established a control system that verifies that the supplier paid taxes and has not been involved in tax fraud. Moreover, the contract performance is monitored by regular inspections and on-site visits.

Sweden

Key point/background – fight against regional unemployment; Göteborg

In order to prevent increasing unfair competition by not complying with legal provisions aiming at the workers' protection, Sweden has introduced stricter obligations on persons hiring workers.

Description of the measure in discussion/already in place

The temporary work agency is obliged to assess the work environment at the construction site. The hirer has to assume the same responsibility as for his own workers, that is to say he has to undertake the same safety measures for the agency workers as he would have done for his own employees. This responsibility applies regardless of the length of the assignment.

UK

Key point/background – Social covenant (apprenticeship, approved labour supply companies, principle of direct employment)

UK plans the construction of a new reactor at the nuclear power station Hinkley Point. As the construction and the involved feed-in tariffs guaranteed for 30 years to the private company operating the power station was not undisputed, the client company and its contractors agreed with a covenant including several social considerations.

Description of the measure in discussion/already in place

The client and its contractors are committed to a fair and transparent recruitment policy. All parties to this agreement will actively ensure that the engagement of labour is based on the individuals' ability to meet the needs of the project and to undertake the work for which they are being recruited. Contractors are expected to be thorough and rigorous in making selection decisions (e.g. by holding competence-based interviews). Contractors should provide unsuccessful candidates with the reasons for their non-selection. Successful candidates are offered training support for the acquisition of the necessary skills. The delivery of the skills development programme will be monitored with the engagement of the accredited Union representatives. Moreover, the primary contractors and the trade union will develop a plan for the employment of a significant number of traditional and adult apprentices to improve regional socio-economic benefit. The commitment amounts to at least 500 persons.

The client contractor committed himself to the principle of direct employment, which means employment under an employment contract with the associated income tax.

In case of recurrence to a labour supply company, these workers must also be employed under the terms and conditions of the social covenant. The labour supply company must be drawn from a list of supply companies approved by the competent body (JPB) and their engagement must be agreed by the JPB in advance of them coming onto site. No payroll companies or other organisations with an equivalent purpose are to be used on the construction site.

Finally, all parties agree that it is unlawful and unacceptable for any party to use or make any reference to any form of blacklist.

Key point/background – Contract notices that refer to living wage payments

Public sector employers have taken a variety of approaches to inserting living wage considerations into contract notices when services are put out for tender. An accreditation process has been put into place by Living Wage Foundation. It requires the employer to submit a written plan to the foundation which sets out how they intend to implement the living wage among their contractors. If the employer satisfies the criteria set out by Living Wage Foundation, he qualifies for a “living wage employer”.

The branches of the trade union UNISON can request a copy of the plan and if not satisfied with the employer’s progress in complying with the plan, a complaint can be sent to the Living Wage Foundation.

Description of the measure in discussion/already in place

The contract of London Borough (LB) of Camden for architectural, construction, engineering and inspection services stipulates that bidders need to be aware that, should they be short-listed, they will be asked to propose solutions to deliver the social, economic and environmental benefits specified in the invitation to tender and to pay the National or London Living Wage to employees including their sub-contractors working on LB Camden contracts in accordance with the criteria established by the Living Wage Foundation.

5.7. Exclusion grounds

Key point/background – Lack of confirmation of payment of social security contributions

Strong exclusion grounds are a good measure to control the compliance with the most important legislative provisions referring to social aspects. To this end, normally an in depth assessment is necessary, a self-declaration by the client contractor and sub-contractors is not sufficient.

Description of the measure in discussion/already in place

Draft Section 19 indent 1 of the Federal Act on Public Procurement stipulates that contracting authorities are only allowed to assign the contract to authorised, qualified and reliable (sub)contractors. Reasons for exclusion are, among others: serious professional misconduct, especially non-compliance with tax, labour and social law. The bidders have to prove that they have fulfilled their obligation to pay the social security contributions in their home state by presenting a confirmation of the social security bodies or by an affidavit. The contracting authority has to obtain this information from the central Administrative Penalty Register of the Federal Ministry of Finance. This screening relates to the entire subcontracting chain. The subcontracting of the entire construction work is illegal and subcontracting is only permitted when the subcontractor also holds the legally required authorisation, qualification and reliability. The consequences for a tenderer who does not comply with these provisions are extensive: The exclusion of a tenderer is justified if his quote is based on a calculation for staff costs which is not in line with the regulations which apply in Austria regarding for example the payment for overtime.

Finland

Key point/background – Exclusion of companies from bidding process

The protection of workers' rights in subcontracting chains is foreseen in the "Liability Act". The Act is seen as a means to combat undeclared work. Within this context, the social partners proposed to amend the existing rules by excluding a company from public procurement procedures, which has seriously neglected the below mentioned liability, and to increase resources for monitoring and control.

Description of the measure in discussion/already in place

The client contractor has the obligation to undertake an in depth assessment on the reliability of a candidate subcontractor or temporary work agency before concluding a contract with them. This check includes also the information on the applicable collective agreement, as well as the fulfilment of obligations with regard to social security and fiscal law. This liability is also valid in case that the subcontractor is a foreign company. In case of breach of this obligation to check, a negligence fee is imposed amounting from 1600 euro up to 16 000 euro.

France

Key point/background – Combat of unfair competition

Article 14 of the Law of 10.7.2014 foresees that any company which wants to participate in public procurement procedures in France has to provide the proof that it concluded an insurance contract covering the relevant risks. This is seen as a measure to fight unfair competition caused by companies that do not conclude such a contract to cover their 10 years' responsibility after completion of construction works.

Description of the measure in discussion/already in place

Any bidder has to provide the proof that it concluded a 10 years' insurance contract. The 10 years' responsibility coverage by the insurance must be provided during the awarding procedure. In case the projected bidder cannot provide this proof he has to be discarded.

France

Key point/background – Preclusion for future procurement procedures for a certain time span

Article 10 of the Law of 10.7.2014 foresees the temporary exclusion for a company that has been held liable for the breach of certain legal provisions relating amongst others to bogus working contracts.

Description of the measure in discussion/already in place

In case of a breach relating to bogus working contracts, temporary employment, employment of illegal workers or of foreign workers without work permit by administrative act, the administrative authority may establish a temporary exclusion from public procurement procedures not exceeding 6 months. The timespan has to be fixed according to the gravity of the breach.

Latvia

Key point/background - Exclusion ground – employment of illegal workers

In the construction sector the practice of shadow economy including payment under the table and unregistered employment is widespread. Black economy in Latvia amounts to around 23% and in construction it amounts to approximately 48%, of which a big part is to be attributed to the construction sector. Public authorities, however, shall not show any tolerance for economic operators who are active in the hidden economy or who are practicing any illegal activities.

Description of the measure already in place

According to Public procurement law (article 39) 2) b), an economic operator can qualify as candidate for public procurement tender only after having submitted an extract from the police penalty register to the contracting authority, confirming that in the last year before the contract award the relevant company did not make use of unregistered employment.

5.8. Control

Austria

Key point/background – Interconnection of data banks

In Austria, some data-banks about different violations of provisions relating to working conditions in the construction sector exist. Besides the general register concerning administrative penalties and the register relating to convictions according to the Foreign Employment Act, two further evidences have been established: the register relating to wage and social dumping convictions (Lohn- und Sozialdumping-Verwaltungsstrafevidenz (LSStE; § 71 AVRAG) and the registration office of the Construction Workers' Holiday and Severance Pay Fund (BUAK, Bauarbeiter-Urlaubskasse). The latter has been assigned by law the task to collect all data of foreign and local construction companies maintaining construction sites on the Austrian territory. This data bank offers the possibility to provide all declarations regarding official registration, payment performance and employment structure of the workers on a concrete construction site on a daily basis.

Description of the measure in discussion/already in place

Within the ongoing discussion as to the recast of the Austrian Public Procurement Act, it has been proposed to impose a legal three-fold obligation on the contracting authority:

- 1.) Pre-qualification confirmation – ex-ante: The qualification of the bidder including his subcontractors is only assumed if – in addition to the confirmation of payment of social security contributions and of absence of convictions according to the LSStE - the BUAK confirms that all obligations have been fulfilled by the bidder. In case that the bidder cannot provide such confirmation, the company has to be excluded from the tendering procedure.
- 2.) Contract performance – request of registration confirmation: The contracting authority shall inquire every three months at the BUAK, if the registration of all workers has been effected by the client contractor for the relevant construction site. In case of non-compliance, the contracting authority has to undertake administrative and civil proceedings.
- 3.) Request of registration and payment confirmation prior to the payment of works' compensation: Only after confirmation by BUAK that all wages have been paid, the contracting authority shall be allowed to pay the agreed fee to the client contractor.

Austria

Key point/background - On-site access control and principle of building contractor

Vienna Lines is a publicly owned company, 50% it is owned by the City of Vienna, 50% by the Federal Government. Its competence is the construction of new subway lines and its extensions. Its annual investment put to tender amounts to 700 million Euro. When executing constructions, Vienna Lines acts as building contractor and does not employ a general contractor. Thus, responsibility is not watered down.

Description of the measure in discussion/already in place

The design and management remains with Vienna Lines during the whole construction process. For each construction section, a project team is appointed which is responsible for the supervision of quality, costs and construction time on site. All sub-contractors employed are checked, they have to fulfil all technical and economic specifications as set out in the tender. If a new sub-contractor is proposed, he has to apply for a permit by Vienna Lines. Moreover, Vienna Lines checks if the sub-contractor has been condemned for illegal employment of foreign persons or wage dumping. By daily site inspections, Vienna Lines project team can identify illegal sub-contractors.

Belgium

Key point/background – Establishment of a data bank; cross-border control

With the enlargement of the European Union and the establishment of a huge internal market of cross border workers without harmonised working conditions, Belgium decided to introduce flanking measures to secure as much as possible a level playing field for workers from which ever jurisdiction they are sent to work. They aim at finding a balance between the free movement of services and the obligation to guarantee posted workers a minimum level of social protection by means of efficient enforcement measures. Apart from a new cooperation agreement for the inspections services and a joint and several liability for principal contractors and clients, it also provides for the introduction of LIMOSA (<http://fr.workpocket.be/1/3/declaration-obligatoire-limosa/>), a computerised system on cross-border employment.

Description of the measure in discussion/already in place

The use of LIMOSA is twofold:

First, it comprises a general ex-ante registration obligation for posted workers, self-employed persons and trainees. The registration can be undertaken electronically prior to the employment at the National Social Security Office by the employer, who will receive an electronic receipt as proof of registration. In order to improve the enforcement of this obligation, not only the employers, but also the end users and clients must control the compliance with the registration obligation. The company for whom the posted workers shall carry out a job must also electronically register the identification details of the posted worker or self-employed as well as of the posted worker's employer. Only having complied with this task, the user is able to release himself from joint liability.

Second, it is a central registry containing information for the benefit of the inspection services and other governmental services and hence a useful tool to be further developed for control purposes. Moreover, it is proposed to use LIMOSA for further purposes, especially with regard to the control of compliance with minimum wages. If the contractor or subcontractor does not pay the minimum wage, the fellow contractor is obliged to withhold an amount and to transfer it to the Federal Public Service Employment. The observation of the procedure could be effected by existing entities, which are the National Social Security Office, the social inspectorate or the PDOK (Employers' Service for the Organisation and Control of the Social Security Schemes).

Belgium

Key point/background - Individual on-site registration

The construction sector is confronted with a huge number of fraud cases. Unreliable market players are infiltrating the construction market in such a way that it becomes disrupted and reliable undertakings are confronted with a level of unfair competition which makes it nearly impossible for them to survive.

Description of the measure in discussion/already in place

An agreement of the social partners proposes an obligation of individual registration to achieve a traceable identification of all persons working on the construction site. This should be combined with a withholding obligation and the liability for wages. Any person present at the site needs to be in possession of a badge, which at the same time serves as a pre-condition for entry onto the site. Thus, the badge should allow to determine who has worked when on the site. In case that the badge is not used, the contractor is threatened by a penalty.

France/Netherlands

Key point/background – Coordinated control actions; Labour Agency Atlanco-Rimec

Three years after the European Federation of Building and Woodworkers launched a forceful campaign against Irish temporary work agency Atlanco Rimec to protest against its exploitation of thousands of foreign workers from various Eastern European countries, the first results are visible.

Description of the measure in discussion/already in place

On 14 March 2015, the French construction company Bouygues, as the main contractor of Atlanco Rimec, was summoned to pay damages of €150,000 and pay back €22 million to the French social security and tax authorities. The judgement in the first instance referred to the deliberate creation of complex, cross-border structures with the aim of illegally employing some 500 Polish and Romanian workers over a period of several years. This social fraud took place at a construction site in Flamanville.

On 18 March 2015, an interlocutory judgment in the Netherlands ordered Atlanco to pay €500,000 to a blocked account as an advance on the final claim. Atlanco must also make all the requested documents available immediately and comply with the collective labour agreement for the Dutch construction sector. The final Judgement is expected in June 2015. The sentence was handed down in respect of the illegal posting of 180 Portuguese and 25 Polish workers to a Dutch construction site, Avenue 2 in Maastricht. In its defence, Atlanco attempted to apply pressure by trying to have Dutch union leaders held personally accountable for 'damaging the image of Atlanco'. This claim was dismissed.

Although this is an example for successful cross-border cooperation, sadly enough, Atlanco Rimec's social fraud is just the tip of the iceberg. Every day, thousands of workers are exploited as cheap labour, with no form of social protection.

Ireland

Key point/background - In depth assessment of specification criteria

Recent guidelines on facilitating SME participation in public procurement set out, as one of the guiding principles, that contracting authorities should allow tenderers at the time of tendering only to declare that they have the relevant and proportionate capacity (as specified in the contracting authority's tender documentation) necessary to undertake the contract (Circular 10/10 Facilitating SME Participation in Public Procurement: <http://www.procurement.ie/publications/circular-1010-facilitating-sme-participation-public-procurement>).

Description of the measure in discussion/already in place

When suppliers have passed this first stage and have been shortlisted to the tender award stage, the contracting authority should seek verification or evidence of the tenderer's financial and technical capacity to fulfil the contract. Suppliers will be requested to provide the necessary documentation, such as bank statements, audited accounts, proof of professional indemnity, etc. If a contracting authority is using the one-step Open Procedure, only the selected winning tenderer will be requested to provide their financial and professional information.

Although labour law compliance is not yet mentioned here - tax compliance is emphasised- this can be a starting point of assessment of social and labour criteria within the implementation of the new EU directives.

Ireland

Key point/background - Data sharing, joint liability and exclusion

Labour inspectorate statistics point to a significant continuing compliance problem in relation to public works sites. In the first half of 2010, for example, the Labour Inspectorate (NERA) carried out 191 inspections in the construction sector and found a labour law compliance rate of just 43 per cent.¹⁹ It is felt that public procurers tend to see these as 'box ticking' exercises and no real effort is made at enforcement.²⁰ The problem, it seems, whilst general, is particularly acute in the construction sector. At the awarding stage, the informants were of the view that public authorities are concerned almost exclusively with price and undertake no real checks on how the tenderer intends to account for its labour law obligations. This problem has intensified in recent years given the harsh economic climate. Thus, it appears that, although Irish public procurement practice is to include labour law compliance clauses in public contracts, the extent to which these are effective in enforcing labour standards is questionable.

Description of the measure in discussion/already in place

The Irish Congress of Trade Unions therefore has suggested that companies must be required to demonstrate their track record and monitored for continued compliance, and enforcement mechanisms must be strengthened and included in contracts.

It also proposed the exclusion of companies that consistently breach legal obligations including employment rights obligations from tendering for public procurement contracts.

¹⁹ The figures do not relate solely to public works sites, but according to the NERA representative, the vast majority of inspections were carried out at such sites.

<http://www.employmentrights.ie/en/media/NERA%20Quarterly%20Update%20-%20June%202010.pdf>.

²⁰ Indeed, the guidelines for contracting authorities published on the national public procurement website make no reference at all to labour law compliance; <http://www.procurement.ie/sites/default/files/Public-Procurement-Checklist.pdf>

In that regard, a provision for data sharing between those responsible for public procurement contracts and Revenue, Social Protection, the Health and Safety Authority and the Labour Inspectorate (NERA) should be included as part of the transposition process. An additional tool within this context is the provision for a system of joint and several liability throughout the subcontracting chain as the only effective way to ensure compliance

Sweden

Key point/background – Compliance control with working conditions

The Swedish trade unions hold the opinion that the new directive implies an obligation of the purchaser to take measures in order to ensure that the supplier respects labour legislation and the conditions of the collective agreements that normally apply to the current work at the place where the work is performed. This means that the contracting company is obliged to either abide by collective agreements or otherwise shows that it offers at least equivalent levels of wages and employment conditions. As to works performed outside Sweden, which in practice concerns mainly supply contracts, the contracting authority is obliged to undertake measures to ensure that ILO core conventions are respected and that labour regulations and collective agreements are in force, where the work is applied. Today, the situation has gone so far that trustworthy companies abiding by collective agreements are not participating in public procurement procedures, because of unfair competition practices of other companies that for example have no costs for contractual pensions for their employees. It is absolutely unacceptable that society contributes to those wages and employment conditions and that employees are dismissed without retirement insurance and other benefits.

Description of the measure in discussion/already in place

Where a collective agreement with a Swedish trade union exists, the contracting authority may assume that the trade union as well as its members at the work-site exercise the control on working conditions. If the supplier (the awarded company) already has signed a collective agreement with a Swedish trade union, the latter will have access to the workplace and therefore can control the working conditions. The right to exercise control over working conditions in favor of trade unions derives from the collective agreement with the supplier. With regard to the stipulations of the new EU-Directive, in future, the contracting authority has to undertake action against the supplier in case of violation of agreed working conditions. This is already the case now, if the competent trade union officially reports such breaches.

When no collective agreement between a Swedish trade union and the contracting company or supplier exists, the exigencies as to control by the contracting authority increase. The contracting authority has to seek the appropriate documentation to verify that the conditions as set by collective agreements are met. When the work is done abroad, an effective control is naturally more difficult to achieve. It can be achieved by joint actions between the trade unions of the two countries as has been successfully done in the Atlanco-Rimec case.

However, in Sweden itself the problem remains that a “two class society of workers” exists: If works are performed by posted staff, pursuant to the Laval judgement, only the minimum conditions stipulated in the Posted Workers Directive apply on them. Should domestic workers perform the works, it goes without saying that all provisions as set in collective agreements have to be applied. From this derives an unacceptable discrimination of workers depending on the origin of their employer. This problem derives from the fact that in Sweden most of the provisions referring to working conditions are set in individual collective agreements which are not binding all over the territory. Therefore, the Swedish trade unions demand that at the occasion of the implementation

of the new EU-Directive, the legislator should clearly stipulate that the contracting authority has to ensure that the suppliers are applying working conditions according to those stipulated in collective agreement. By such legislation, the provisions become binding all over the territory, thus satisfying the pre-conditions of the Laval-judgement.

Switzerland

Key point/background – Two level control mechanism

In order to prevent unfair competition based on circumvention of compliance with minimum working conditions as well as minimum wages, efficient control mechanisms have to be established. This is envisaged to be done in Switzerland by a mandatory two-level control.

Description of the measure in discussion/already in place

The client company has to be obliged to undertake regular controls relating to the compliance of all relevant legal provisions on the location of the contract performance.

The contracting authorities have to ask regularly for appropriate proves of compliance and to undertake on-site controls.

In case the companies do not undertake their control obligations themselves, they have to convey these obligations to an equally represented control entity or the competent authority ("Tripartite Commission", art. 7 Entsendegesetz and art. 360 Obligationenrecht). The federal government and each canton established such a "tripartite commission", which is composed of an equal number of employers' and employees' representatives as well as representatives of the state.

In order to allow the control entity to fulfil its tasks, the contracting authority has to refer all necessary information and provide all documents. The bidder has to prove the compliance with workers' protection provisions and working conditions. The control authorities regularly refer their results and measures undertaken to the contracting authority. Should any violations occur, they have to be reported in the negative list.

UK

Key point/background – Gangmasters Licensing Authority (GLA)

The introduction of one liaison office on the basis of article 4 of the Posting of Workers Directive as one single contact point for cooperation between the competent authorities of the various Member States is held as an important first step to improve the tracing of infringements of minimum labour standards.

Description of the measure in discussion/already in place

The GLA is considered to be a best practice itself. The GLA maintains compliance with the licensing standards of the Gangmasters Licensing Act through a proactive enforcement approach, involving an exchange of information with government departments and inspection of companies, interviews with workers and the client contractors. Information to undertake this approach is received from trade unions, exploited workers etc. Were the non-compliance relates to the activities of a licensed labour provider, the appropriate solution will normally be to issue additional licence conditions. For more extreme non-compliance licence revocation may be considered by GLA. In the most severe cases, and for identified unlicensed labour providers and labour users using unlicensed providers, prosecution will normally be the consequence, followed by a criminal investigation. Should other offences be discovered by the GLA investigation, including a labour provider operating without a licence (GLA offence), but also operating false records in relation to his workforce (false accounting, no GLA offence), GLA investigates all offences and refers the case to Defra Legal, the Procurator

Fiscal or Public Prosecution Service (NI) to consider bringing charges for both, the GLA and non-GLA offences.

As an example for cross-border cooperation, the case of poorly treated Bulgarian workers posted to the UK should be mentioned. The GLA identified bogus posted workers, who were employed by licensed and unlicensed Bulgarian recruitment agencies, together with the Bulgarian competent authority. This good practice was made part of a formal agreement between Bulgarian and UK authorities. The GLA bases its work on this partnership approach which allows it to discover instances of cross-border exploitation of migrant workers from other EU and third countries.

5.9. Role of trade unions

Netherlands

Key point/background – Agreement with the client (and/or the main contractor)

The trade unions have developed a strategy that focuses on negotiations in the preparatory stage of a project with the aim to conclude agreements on social issues, so-called ‘covenants’. In these covenants the client (and/or the main contractor) and the trade unions settle rules and prescriptions with regard to compliance with collective agreements and labour legislation.

Description of the measure in discussion/already in place

Given the broad range of potential clients (local or regional governments, large contractors in utilities, like RWE, the national railways or the airports) the covenants cover a wide spectrum of different issues. Through negotiations the effort is made to come to tailor-made agreements. With local authorities (for instance the city of Rotterdam) the agreements usually cover all projects with the authority as main or partial customer. Most often the employers’ side is also included in the talks or as signatory. Examples of the issues covered are:

- Compliance with sector specific collective agreements and pay provisions in the whole chain of (sub)contracting,
- Respect for general labour legislation and in particular compliance with health and safety and other relevant legislation,
- Fight against practices with bogus self-employed or the use of fake subcontractors,
- Monitoring and close examination of abnormal low tenders,
- Restriction of the use of temporary workers; for instance only through registered recruitment agencies,
- More attention to the inclusion of vulnerable groups on the labour market and a stronger focus on (re)training.

The monitoring of the respect for the agreed rules is very often included in the agreement. This can be either done by specific rights for trade union officers (information rights, site visits, publications and office hours on site), or by the office installed by the social partners in construction that facilitates the implementation of the collectively agreed working conditions (Technisch Bureau Bouwnijverheid - TBB). The TBB has the right to visit the sites and contractors have the duty to cooperate with the office.

Portugal

Key point/background – Quadripartite commission

According to the most important construction trade union («Sindicato da Construção de Portugal», «SCP»), in principal, the characterization of the public procurement procedures is highly negative, especially regarding the workers' social rights and working conditions. The priority on the lowest price implies that subsequently the contracting company will put financial pressure on the subcontractors in order to meet with the planned costs by cutting expenditure in social facilities (overcrowding of sleeping sites, absence of canteens, etc.), security equipment, and health services. In some cases the workers must buy themselves the security equipment and pay for the accommodation. The priority on costs means that often the lowest tender «wins»: This implies the transfer of costs down alongside the «contractual pyramid». The subcontracting practices make the situation even worse since it promotes a higher invisibility and casualness.

Description of the measure in discussion/already in place

The trade union therefore put forward proposals aiming at a change in the construction panorama in Portugal within the context of the implementation of the new EU-Procurement Directives, pointing to the need of improving the control of transparency, enforcement and fulfilment of public contracts. In that sense, in particular three measures are suggested:

- (a) the constitution of «quadripartite commissions», with members of the trade-union, the public work inspection service, the local municipality of the construction site, and the employer's association;
- (b) to impose on the companies that want to apply for a public contract the pre-requirement of employing at least 50% of the necessary workforce for the accomplishment of the contracted construction; and
- (c) a preliminary inspection that only enables the work to start when all the accommodations and social facilities for workers are in accordance with the number of workers and the legal regulations.

Spain

Key point/background – Improvement of safety, TPC (Tarjeta Profesional de la Construcción; professional construction card)

In the construction sector, questions of compliance with health and safety issues and its control is of utmost importance. The general construction industry agreement (CGSC), undertaken between the trade union and the industry, provides for mechanisms related to health and safety and includes trade unions into the control procedures.

Description of the measure in discussion/already in place

The measure is twofold: Firstly, the "TPC" (Tarjeta Profesional de la Construcción; professional construction card) was introduced, which includes basic training in occupational risk prevention and also requires a specific training for any employment in the construction sector in addition to the basic skills. Workers active in the construction sector and unemployed, who have worked in the sector over the last five years can take the TPC.

FLC (Fundación Laboral de la Construcción) is the responsible entity for the release of the TPC and for the selection of the companies, which can provide the necessary training for the TPC.

The FLC is a bipartite organism composed of employers (CNC) and trade unions (MCA-UGT and CCOO construcción y servicios), which are signatories for the 5th General Construction Industry Agreement, the most important collective agreement.

Secondly, trade unions together with employers' representatives concluded agreements with various public authorities for joint monitoring to follow-up the execution of all types of public works with a view to secure the compliance with occupational safety and health issues.

There are to be distinguished two different types of agreements:

- a) The agreements between Trade Union, employers' associations and Building Ministry concern the possibility of the trade union to visit the major infrastructure projects (roads, bridges, airports, railway works) to check safety and health conditions.
- b) The agreements between trade unions, employers' associations and autonomous regions and city councils concern the right to visit civil works, i.e. construction sites of public housing and underground works.

Sweden

Key point/background – Negotiation and right to veto of trade unions

The Co-Determination Act provides that trade unions have the right to negotiate and to veto the employer's plan to engage a certain (unreliable) contractor. This is based on the consideration that increased social and economic responsibilities of employers for employees bear also the risk that employers will try to evade the application of labour law and collective agreements by using other forms of contracts in order to evade their obligations. As ex-post control and legal disputes often prove to fall on stony ground, the government decided to opt for the trade union's right to negotiate and veto which could help to prevent contract practices which aim at cutting workers' rights.

Description of the measure in discussion/already in place

Section 38 (3) of the Co-Determination Act assigns trade unions the right to ask the employer for information about the envisaged subcontractor and the conditions under which his employees work, their education as to work environment issues, wages, tax conditions etc., which trade unions deem to be necessary to judge whether the future contractor is likely to fulfil his duties.

This way, the employer is automatically obliged to undertake an assessment of the envisaged contractor.

In sectors characterised by subcontracting, social partners developed simplified information procedures as an alternative to those foreseen by legislation, which can be implied on the condition that the employer is registered for income tax and VAT, as well as a company and that he is bound by a collective agreement. Having carried out this assessment, the employer establishes a list of the contractors he wants to use in future. In the absence of trade union's dissent, the employer is then free to contract the companies of his list.

This negotiation and selection procedure is a useful tool to induce the employer to select reliable contractors, mostly such bound by collective agreements (if he wants to avoid the more burdensome procedure foreseen by law). To further simplify the procedure, the Swedish Construction Federation has elaborated standard contract conditions (UW 2004) for all works to be subcontracted in the construction sector.

Moreover, the client contractor often prefers to select subcontractors bound by collective agreement, because they are less likely to be exposed to industrial action.

Further to this information procedure, the Co-Determination Act stipulates a veto right in public procurement procedures covering all situations where the employer plans to engage workers without a permanent contract with his company. However, the trade union can veto against a tenderer only in such cases for which exclusion is foreseen in the EU-Directive. Moreover, the right

to veto only applies if the employer is bound by a collective agreement covering the work performed and only at the level of client and first contractor.

Switzerland

Key point/background – Right of trade union to file law suits

In order to enforce the correct application of law it is useful and necessary to involve the parties concerned. Often, the individual workers are put under pressure and are generally in a weak condition to file law suits against the company for which they work and hope to further be employed. Therefore, it is necessary to enable the trade union to take action.

Description of the measure in discussion/already in place

In order to avoid that bids are awarded to client companies that proved to not comply with the relevant legal provisions relating to working conditions, such bidders must be discarded. The relevant legal legitimization to request such exclusion shall be established in favour of employees' organisations for any public procurement award (whichever amount).

UK

Key point/background – Olympic Games Memorandum of Agreement

In the UK, alongside the outsourcing of orders to the private sector, a two-tier workforce emerged. In the absence of legally binding provisions, trade unions campaigned and negotiated the introduction of codes of practices from 2001 onwards to reverse this trend. The practice was reaffirmed and extended by the central government.

Description of the measure in discussion/already in place

These efforts culminated in the Olympic Games Memorandum of Agreement seeking to ensure direct employment and to guarantee minimum rates according to the collective agreements. The social partners and clients signed a Memorandum of Agreement which recognises the relevant collective agreements. This Agreement was regulated by the client (Olympic Delivery Authority), who was empowered to undertake a monitoring coordinating role, whilst the partners of the agreement were to periodically review the progress, identify areas of concern and agree on solutions. The Memorandum applied to all subcontractors.

UK

Key point/background – Inclusion of trade unions to control contract performance

In 2012, trade unions and employer representatives concluded the National Agreement for the Engineering Construction Industry (NAECI Agreement, <http://www.njeci.org.uk/national-agreement/>) for the time period 2013-2015.

The key objective of the NAECI is to continue to supply a modern, robust national employment relations structure in the construction sector that

- Enables the UK engineering construction industry employers and clients to remain competitive
- Provides attractive terms and conditions and greater security of employment for a competent, motivated, productive and competitive industry workforce and

- Establishes a sound foundation for further improvements to industry productivity, resourcing and employment relations.

Description of the measure in discussion/already in place

The NAEI agreement comprises detailed provisions on

- Continuous education and training measures to improve workers' and apprentices skills
- Safety issues set out in a separate booklet setting out detailed provisions on current industry good practice for employers, employees, trade unions and safety representatives
- Payment including pension, welfare benefits and bereavement leave, and working hours according to the sector specific collective agreements

Key element of the agreement are

- a) NAEI being funded on the principle of direct employment
- b) The establishment of two control mechanisms:
Shop Stewards and statutory Trades Union Site Safety Representatives can request detailed documentation on the issues regulated under the agreement and access to the site
- c) A dispute settlement by a formal, written grievance procedure (internal resolution)
- d) On site meeting and dispute adjudication panel (external resolution)

The NAEI thus provides a sound basis for public procurement procedures: It ensures that client contractors and sub-contractors being signatories to this agreement will abide by the principle labour, health and safety issues and pay the minimum wages foreseen in the UK. It grants trade unions' representatives the right to access to the construction sites. Therefore, they have the possibility to control the working conditions, supported by various dispute settlement procedures.

5.10. Outsourcing of workers

Finland

Key point/background – Posted workers and role of trade unions

So far, the majority of the posted workers in Finland have been Estonians and the most common sector where they work has been the construction sector.

In order to avoid social dumping and discriminatory treatment, several control mechanisms have been established.

Description of the measure in discussion/already in place

In the construction sector, every person, either Finnish or foreign, shall have a Finnish tax number and shall be registered to the public tax number register before starting work at site in Finland. If a worker's tax number does not figure in the tax number register, the worker cannot start to work in Finland. According to the Finnish Occupational Safety and Health Act (738/2002), any person working at a construction site has to wear an identification card. The data content of the card is prescribed in the Act. Also, the worker's tax number has to be printed on the identification card.

In order to support information exchange with other Member States, a Liaison Office was established. Additionally, in spring 2011, the IMI system has been put into operation. It is used if a posting company does not have a representative in Finland or if the representative neglects his obligations.

Finnish social partners do not have a role in the IMI information exchange process. However, in practice Finnish OSH (Labour) inspectors might need advice from social partners when IMI request relate to collective agreements. This is connected with the Finnish Employment Contracts Act

(55/2001), according to which the regional occupational, safety and health authorities must act in close cooperation with the social partners in particular when supervising the observance of collective agreements. In addition, regular (2 to 4 times a year) meetings are held between the occupational, safety and health administration, the Confederation of Finnish Construction Industries and the Finnish Construction Trade Union, focussing on the combat of grey economy.

France

Key point/background – Law Relating to the posting of workers

The law n°2014-790 (loi n°2014-790 du 10 juillet 2014) is the relevant piece of legislation regarding posted workers. It aims at reinforcing the controls and sanctions against companies that make use of posted workers in an abusive way.

Description of the measure in discussion/already in place

The new element introduced into the legislation is the “joint liability”, allowing to declare responsible the client contractor for the abusive actions undertaken by one of his subcontractors. These comprise the employment of illegal workers, non-payment or partial payment of wages as well as the use of letter-box companies located in other Member States with a view to employ French workers in France under the status of posted workers.

Ireland

Key point/background – Towards 2016

In order to combat bogus self-employment, agency work and so on, a number of labour law compliance measures were agreed by the social partners in “Towards 2016” mainly in response to two major disputes in 2005. The first involved the Irish subsidiary of a Turkish company, Gama Construction Ireland Ltd, which exploited Turkish workers posted to Ireland to work on public works contracts. The second concerned Irish Ferries, which reflagged its vessels to Cyprus and sought to replace its Irish workers with temporary agency workers, primarily from Latvia and were to be paid less than half the Irish minimum wage. These two cases brought the problem of posted workers and migrant agency work onto national stage.

Description of the measure in discussion/already in place

By consequence, a new labour inspectorate was established, the national Employment Rights Authority (NERA), with the special task to undertake regular controls on construction sites.

NERA was established to secure compliance with employment rights legislation and to foster a culture of compliance in Ireland through five main functions:

- Information
- Inspection
- Enforcement
- Prosecution
- Protection of young persons in employment

a) Inspection

Inspectors, duly appointed and authorised by the Minister for Jobs, Enterprise & Innovation, visit employers, carry out inspections of records and speak to relevant persons as part of their role of ensuring compliance with employment-related legislation. Any breaches of legislation identified will be explained and discussed with the employer, and he/she will be given a set time period within

which to rectify these and to provide proof to the inspector that the issues have been resolved. Failure to comply with the legislation can result in prosecution and the NERA has a prosecution unit.

b) Enforcement Services Unit

The Enforcement Services Unit can seek to have a determination of the Labour Court or the Employment Appeals Tribunal enforced through the Courts Service in certain specific circumstances. Generally where such an award is made in favour of an employee, the employer has six weeks to implement it. If the employer fails to do so within this period, the employee or the employee's trade union may make an application to the Courts for an order directing the employer to carry out the determination. Where they are not in a position to do so, they can refer the matter to the Enforcement Services Unit, which may in certain circumstances, make an application to the Courts for an order on their behalf.

c) Protection of young persons

NERA also has rights in the protection of young persons in employment.

Norway

Key point/background – Trade union's right of co-determination in case of outsourcing

In a number of collective agreements specific rights of co-determination were set for cases of hiring workers for a fixed term/specific task as well as hiring for labour with a view to give the employees' representatives the opportunity to exchange views with the management. The agreements are complemented by law in order to combat social dumping especially by hired labour and involving subcontractors who do not pay the minimum wages.

Description of the measure in discussion/already in place

The basis of these agreements is to be found in the 2005 Act on working environment, working time and dismissal protection. This law leaves only a narrow scope for lawful hiring for a fixed term or specific task, including agency work. Thus, outsourcing of a work is only lawful if warranted by the nature of the work and if the requested works differs from the work ordinarily performed in the undertaking. Moreover, if the hiring of workers exceeds 10% of the hirer's employees or if its duration exceeds one year, an agreement is required with the employees' representatives. Thus, the control of outsourcing beyond a certain limit is laid into the hands of trade unions' representatives at the work place.

Further to this narrow scope left by legislation, based on collective agreements, the employer is required to inform and consult with workers' representatives before making a relevant decision, to provide information on terms and conditions of the workers concerned. The client undertaking is obliged to ensure that the (sub)contractors are in line with the Posting Directive. The representatives have the right for information concerning the lodging and residence conditions for workers of a foreign (sub)contractor when staying in Norway.

Sweden

Key point/background – Certificate for compliance with ethical and professional standards

The social partners elaborated a private authorisation for such temporary work agencies that commit themselves to uphold high ethical and professional standards as employers and companies. In combination with the possibility to appoint a coordinator to improve work environment, this initiative based on private agreement proved to be efficient.

Description of the measure in discussion/already in place

The employer's responsibility for the workers' health and safety is one of the subject matters of the authorisation programme all companies have to participate in. Within this authorisation programme the client has to undertake all necessary precautions to protect the agency worker from health damages of accidents as well as to provide safety equipment. The agency and agency's safety delegate are entitled to visit the client at any time during the assignment to check whether the work environment is acceptable. In the negative case, the agency is entitled to immediately withdraw the workers and terminate the contract after consultation with the client's safety delegate.

Moreover, the "Work Environment Act" allows the appointment of a coordinator at construction sites whose task is to prevent the risks that can arise due to the specific risk that various companies with different skills work at the same site.

UK**Key point/background – Combat of false self-employment**

The UK government announced that it would tackle the use of employment intermediaries facilitating false self-employment to avoid employment taxes, hence the introduction of new legislation in July 2014. The Finance Act 2014 includes this specific legislation relating to "On Shore Employment Intermediaries: False self-employment".

Description of the measure in discussion/already in place

The new legislation provides that agency workers of the employment business will be taxed as employees if they are subject to a right of direction, supervision and control by the client.

Under the new legislation the responsibility falls upon Employment Businesses to prove if a worker is employed or self-employed and will be liable for up to 6 years of unpaid tax and national insurance if a seemingly self-employed worker is subsequently found not to be truly self-employed.

Chronologic list of judgements referred to in the text:

European Court of Justice rulings	
C-31/87 – Gebroeders BeentjesBV vs the Netherlands	Social criterion of contract performance relating to the employment of long-term unemployed persons is compatible
C-225/98 – European Commission vs France; Nord-Pas-de-Calais	Combat of local unemployment is admissible as an award criterion
C-513/99 - Concordia Bus Finland versus Helsingin (Finland)	Frame of reference for contracting authorities: quality criteria may be taken into account when the criteria are linked to the subject-matter of the contract
C-448/01 - Wienstrom vs Austria	Award criteria must not be purely economical
C-341/05 – Un Partneri Ltd v Svenska Byggnadsarbetareförbundet ;Sweden	Preclusion of application of more favourable conditions of non-binding collective agreements than those set by national law
C-438/05 - International Transport Workers Federation v Viking Line ABP; Sweden	Preclusion of application of more favourable conditions of non-binding collective agreements than those set by national law
C-346/06 – Dierk Rüffert vs Niedersachsen (Germany)	The obligation to pay wages set by regional collective agreements for posted workers is not admissible
C-532/06 – Lianakis, preliminary ruling (Greece)	Need to stipulate from the very outset the weighing of award and sub-criteria
C-368/10 – European Commission vs Netherlands; Max Havelaar	Economic and technical specification, contract conditions, award criteria - sustainability criteria in the form of quality labels are admissible
C-549/13 - BundesdruckereiGmbH vs Stadt Dortmund (Germany)	Minimum wages - applicability
C-396/13 - Satakunnan käräjäoikeus (Finland); reference for a preliminary ruling	Mandatory pay clauses – posted workers
C 413/13 – Dutch union FNV KIEM (Netherlands); reference for a preliminary ruling	Collective agreements are applicable to „bogus self –employed workers“
C-115/14 – Regio Post GmbH vs Stadt Landau (Germany)	Pay clauses – posted workers

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