



## Social conditionalities in public funding to companies under the next EU budget: Call to the European Parliament and EU Member States

December 2025

Public support for companies should advance both short- and long-term goals for Europe's economy. Aid must favour the best-in-class companies — those committed to carbon neutrality, resource efficiency and respect for social and labour standards. Without robust social and environmental conditionalities, subsidies risk propping vested interests, rent seekers and hindering innovation. Conditionalities are binding legal requirements on companies in receipt of public funding or other benefits to ensure that the supported activities also uphold Europe's social and environmental objectives. They are a tool used by governments and financial institutions to shape the behaviour of public and private firms.

Public money should not support companies that provide low-quality jobs, be they in energy intensive industries, clean technology, [renewable energy](#), circular economy, or any other sector. The industrial transformation towards carbon neutrality and circularity must instead create high quality jobs, i.e. jobs with fair wages and good working conditions, work security and social protection, trade union representation and bargaining rights, lifelong learning and training opportunities, reasonable working time and work-life balance, and jobs which respect equality and non-discrimination. At a time of budget cuts affecting essential services and social protection, it is crucial that financial support to companies delivers clear societal benefits.

For a more impactful next long-term EU budget, we therefore call upon our national governments and the European Parliament to amend the legislative proposal for the next MFF to:

### **1. Integrate a horizontal social clause in the Performance Regulation:**

An additional paragraph should be added in Article 6: *“EU programmes and instruments shall contribute to supporting a socially just transition, based on high environmental and labour standards, delivering quality jobs and wellbeing to the people in Europe, in line with the objectives of Art 3(3) TEU and Art 9 TFEU”*.

### **2. Integrate social conditionalities for financial support to companies in the MFF, notably the Competitiveness Fund:**

The eligibility conditions listed in Article 10 of the European Competitiveness Fund currently concern only geographic restrictions for security reasons (cf so-called Made in EU provision). We suggest to amend Art 10 paragraph 2 as follows: *“The work programme, the Investment guidelines or the documents related to the award procedure may set out eligibility conditions to ensure the competitiveness of the Union and the resilience of Europe’s economy in a just transition framework, including for the protection of quality jobs in the European Union”*. We also urge to add the following conditions:

- Companies engage in collective bargaining and respect collective agreements;
- Companies support upskilling and reskilling of workers;
- All multinational corporations should evidence responsible tax behaviour and should publish a full public country-by-country report annually, at least as comprehensive as the Global Reporting Initiative reporting template.

Union funding may be reduced and may be fully or partially recovered in case of failure to produce agreed objectives.

We also call for social conditionalities to be integrated in any other instruments that grant benefits or priority status to certain companies and projects, including the Industrial Accelerator Act.

### **3. Include in the Performance Regulation a commitment by the European Commission to provide guidance on how to operationalize those social conditionalities:**

An additional paragraph should be integrated in Art 6 of the Performance Regulation, committing the European Commission to provide guidance about how to translate social and tax conditionalities into effective measures, including how to monitor respect, ensure enforcement, with appropriate sanctions, suspension mechanisms and recovering of funds in case of breaches. This would help Member States and other financial intermediaries operationalize social and tax conditionality principles. To develop this guidance, the Commission should establish a dedicated group composed of social partners representing employers and trade unions equally, alongside legal and technical experts. They could also look at best practices concerning sector-specific not work-related social conditionalities (ex: shared benefits with local communities).

We support a specific approach towards SMEs that takes into account their needs, capacities and resources. Achieving these goals is more difficult for SMEs, and their access to EU funding should be preserved and strengthened. Therefore, the receipt of funding for SMEs should go with a clear, proportionate and supported pathway to meet agreed social and environmental objectives. Conditionalities for SMEs should focus on a realistic trajectory towards compliance, developed through dialogue and cooperation with trade unions and the granting authorities, rather than rigid ex-ante requirements.

**Signatories:**

**AK EUROPA**

**Climate Action Network (CAN) Europe**

**European Environmental Bureau (EEB)**

**European Public Service Union (EPSU)**

**European Trade Union Confederation (ETUC)**

**Finance Watch**

**IndustriAll Europe**

**SOLIDAR**

**Transport & Environment**

**New Economics Foundation**