

Press release  
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## **EEI legal study explores risks of restricting subcontracting and its impact on business freedom in the EU**

A new independent legal study, commissioned by the European Employers' Institute (EEI) and led by the **Associate Professor at Stockholm University, Erik Sinander**, looks into the legal implications of restricting subcontracting following the call of the European Parliament "to introduce an EU general legal framework limiting subcontracting and ensuring joint and several liability through the subcontracting chain".

The study warns of the legal complexity and EU fragmentation that could result from introducing restrictions on subcontracting and potentially destabilising a wide array of industries from construction and manufacturing to logistics and services.

Subcontracting is a common and essential practice in modern economies, where businesses delegate contractual obligations to third parties. Because subcontracting enables, in particular, smaller companies to compete effectively, restrictions limiting subcontracting tiers risk undermining competition by disproportionately benefiting larger companies that are able to perform tasks internally.

No existing EU legislation currently limits subcontracting tiers, making such proposals unprecedented and legally challenging.

The study points to significant definitional challenges surrounding subcontracting, including the difficulty of clearly distinguishing between subcontracted services and purchased products, as well as defining the scope of subcontracting chains within supply and value chains.

It also warns of potential negative impacts on sustainability and regional economies. As a matter of fact, restricting subcontracting could force companies to replace repair or refurbishment services with new product purchases, increasing waste and reducing local employment opportunities.

As Brussels continues to debate a possible legislative instrument on subcontracting, this timely study underscores the risks of implementing overly restrictive measures that could inadvertently stifle business growth and job creation.

*"This legal analysis provides a crucial perspective on the challenges of further regulating subcontracting. The risks to the well-being of workers where these exist are a critical issue that must be addressed, but the solution lies not in blanket restrictions on subcontracting. Such measures could have serious consequences for businesses, especially small ones, and therefore for the jobs that their economic growth helps to create. Existing labour protections should be enforced more effectively, and where necessary, the role of labour authorities must be strengthened to ensure compliance. We must focus on a balanced approach that protects workers' rights while maintaining the competitiveness of the EU's internal market",* commented **Delphine Rudelli, Chair of the Board of the EEI**.

### **About European Employers' Institute**

The European Employers Institute (EEI) is a research institute, founded by European and national employer organisations in March 2024. The EEI focuses on emerging employment and social policy topics at the European level, producing research studies, analyses and publications. It aims to ensure balanced representation on employment issues and strengthen social dialogue at the European level.

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