

A Social Euro and Economic Dialogue: Conflicting aims

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Valdis Dombrovskis has been appointed Vice-President of the European Commission for the portfolio Euro and Social dialogue. His background in engineering economics, as Minister of Finance and Prime Minister of Latvia, justify his capacity to deal with both monetary and financial challenges. During his mandate as Prime Minister, austerity measures in Latvia represented the solution for an almost bankrupted country. As a result he joins the group of northern countries trying to cut expenses.¹

The portfolio under the responsibility of Dombrovskis includes many objectives and aims; combining fiscal issues with social dialogue has the potential to create disagreement and divergence. The official justification for the controversial combination of portfolios is that it will bring about greater policy coherence and communication within the college. According to Juncker's strategy, this will allow for much stronger cooperation across areas of responsibility, with several Commissioners working closely together with the Vice-Presidents.²

What we find when we examine the political guidelines of the new Commission is that there are ten policy areas to be tackled during the next five years. A deeper and fairer economic and monetary union is one, which essentially focuses on continuing the reform of the Economic and the Monetary Union to preserve the stability

of the single currency. The aims of this part of the portfolio are very clear and well defined, with specific goals and ways to reach them. Examples include the willingness to take the next steps of the "Four Presidents Reports", to launch legislative and non-legislative initiatives to deepen the Economic and Monetary Union (EMU), to review the "six-pack" and "two-pack" procedures as well as, in the future, to look for a more democratically legitimate European kind of "Troika".

In relation to the social dimension of fiscal restructuring, few precise goals can be found. Instead, the social sphere appears as an appendix of what is considered the real issue. According to the political guidelines, the social dialogue is seen to be as important as the single currency.³ However, when looking for specific measures or actions, the most relevant one refers to the social impact assessment. The proposal entails that reform programs will go through a fiscal sustainability assessment as well as a social impact assessment.

Surprisingly, even in priority affairs such as jobs, growth and investment there is no reference what so ever to social partners or social dialogue. Not being explicitly named does not mean that they will not be considered in any decision, rather it looks like the role will not be especially dominant. The social dimension has clearly less distinctly

defined aims than the financial section.

The aims of the above mentioned social impact assessment involve the creation of a process of analysing, monitoring and managing the intended and unintended social consequences, both the positives and negatives, of planned interventions (policies, programs, plans and projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.⁴ According to the International Monetary Fund, the fiscal sustainability assessment has two main dimensions: indicators of public debt and deficits, and medium-term fiscal projections. The usefulness of any fiscal indicators depends on the appropriate coverage of the public sector. Ideally, for sustainability analysis, the fiscal framework should include all parts of the public sector that can accumulate debt including public enterprises, especially to the extent that their income and debt reflect mostly non-commercial obligations though it is often difficult to draw the line precisely.⁵ These two tools which check processes, ex ante, could hypothetically produce conflicting opinions about the validity of measures.

During the Vice-President's hearing in the European Parliament, many objectives and goals were mentioned. One of them was the improvement of social protection systems to reduce poverty and social exclusion. In addition, measures to promote inclusive labour markets and improve employment growth will be stimulated. On the contrary, Dombrovskis talked about the reduction of administrative and regulatory burdens that often weighs on businesses. Deregulation and achieving an inclusive market could lead to conflicting points of view between the social partners. Whereas some continue to support the liberalization of services, structural reforms in different areas and

cost reduction, others focus on associated social risks, on worker's rights and incomes, and on Europe's welfare systems.⁶

Since the beginning of the recession all efforts have been focused on battling the financial, economic and debt situation. At the EU level social dialogue's response to the crisis has not been marked.⁷ Social partners have been part of the European integration process since the beginning and their job has been crucial in many moments.

The next five years have the potential to be decisive for the course of European integration in general, requiring the rekindling of the connection between elites and citizens and to find the balance between the economic and social spheres.

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