

Hearings of European Commissioners-designate

Valdis Dombrovskis

Vice-President – The Euro and Social Dialogue

Hearing due to be held on Monday 6 October at 14.30 hours.



Valdis Dombrovskis, Latvia.

Vice-President

Will steer and coordinate the work of the Commissioners for Economic and Financial Affairs, Taxation and Customs; Employment, Social Affairs, Skills and Labour Mobility; Financial Stability, Financial Services and Capital Markets Union; Internal Market, Industry, Entrepreneurship and SMEs; Justice, Consumers and Gender Equality; and Regional Policy.

EP Committees responsible for the Hearing

Economic and Monetary Affairs (ECON)
Employment and Social Affairs (EMPL)

Biography

Born in 1971, Valdis Dombrovskis is a graduate in engineering economics and in physics. He was a Member of Parliament and Minister for Finance from 2002 to 2004, Member of the European Parliament from 2004 to 2009, and Prime Minister from 2009 to 2014. He was again elected to the European Parliament in May 2014, where he sits in the EPP Group.

This is one of a set of Briefings designed to give Members of the European Parliament an overview of major issues of interest in the context of the hearings of the Commissioners-designate. A full set of such Briefings can be found at:

http://ethinktank.eu/commissioner_hearings

Commission President-elect Jean-Claude Juncker has organised the Commission around several project teams, corresponding to certain of his political priorities. The Vice-Presidents in charge of these projects, of which Valdis Dombrovskis is one, have been asked to steer and coordinate work across the Commission, to focus better on achieving the goals set for these projects. The Vice-Presidents will also be in charge of the approach to follow-up, implementation and communication of the Commission's priority policies across the Union and beyond.

Background

Economic and Monetary Union (EMU) has developed substantially since 1990. All 28 EU Member States take part in the economic union, while 18 of them are more closely integrated by having adopted the euro as their currency. EMU essentially brings together the monetary, fiscal and economic policies designed to maintain price stability and safeguard the strength and stability of the euro, promote social and economic progress and boost growth and employment in the EU. Under EMU, Member States coordinate and carry out surveillance of their economic policies at European level and commit themselves to avoiding excessive budgetary deficits and debts.

The social dimension of European integration has been developing since the Treaty of Rome. It is a fundamental aspect of the Europe 2020 Strategy, which aims at ensuring high levels of employment and reducing the number of people living in poverty or at risk of social exclusion. However, many claim that social considerations were not sufficiently taken into account when dealing with the effects of the economic and financial crisis.

Treaty base and EP competence

EMU: Articles 2-5, 119-144, 219, 282-284 of the Treaty on the Functioning of the European Union (TFEU). Protocols annexed to the TFEU on: the excessive deficit procedure; the convergence criteria; the European System of Central Banks and the European Central Bank (ECB); the Euro Group; the opt-out provisions for the United Kingdom and Denmark. The EP is co-legislator for: multilateral surveillance; amendments to certain articles of the legislation on the ECB's statute; measures necessary for the use of the euro. In addition the EP is consulted on: agreements on euro exchange rates; choice of countries eligible to join the euro; appointment of ECB executive board; legislation implementing the excessive deficit procedure.

Social dialogue/social dimension of integration: Articles 3, 9, 10, 19, 45-48, 145-150, 151-161 of the TFEU. Employment and social policies are mostly within the competences of the MS. The EP is co-legislator on measures to facilitate exchanges of information among MS and coordination measures to encourage MS cooperation in combating social exclusion and the modernisation of social protection systems. The EP is consulted (with unanimity in Council) on legislation for minimum standards on social security, social protection of workers, representation and collective defence of workers and employers.

Recent developments

The last five years have been dominated by seeking responses to the consequences of the financial, fiscal and economic crisis. The main result is the creation of a reinforced economic governance system which covers fiscal policies, macroeconomic imbalances, crisis management and macro-financial supervision.

This was launched in 2010 by the establishment of the European Semester, which synchronises the timings of economic and fiscal policy reporting and evaluation at EU level and introduces ex-ante coordination of national economic policies (including employment strategy). In 2011, the so-called 'Six Pack' was adopted to strengthen the rules of the Stability and Growth Pact through tightened surveillance of fiscal policies

and correction of excessive deficits and debts – both of which may lead to sanctions in case of non-compliance by the euro area Member States. New controls on macro-economic imbalances have also been introduced in the package.

In 2012, all Member States apart from the United Kingdom and Czech Republic signed the intergovernmental (not integrated into EU law) Treaty on Stability, Coordination and Governance (the 'Fiscal Compact Treaty') under which the signatories agreed to implement a balanced budget rule in national law (annual limit of structural deficit not to exceed 0.5% of GDP). In 2013, the adoption of the so-called 'Two Pack' aimed at tighter surveillance of Member States which have financial stability problems, and greater coordination of national budgetary processes in the euro area (by common budgetary timeline and rules). Budget plans are scrutinised by the Commission, which may request that they be changed.

After the setting-up of two temporary emergency funds in 2009 and 2010 to help EU Member States cope with their debts, the permanent European Stability Mechanism was launched in 2012, with a lending capacity of €500 billion. Through these funds and following negotiations with the group of international lenders – the 'Troika' of the International Monetary Fund, European Commission and European Central Bank – financial assistance has been given to eight Member States. Many stakeholders and observers claim that social dialogue has been weakened in these countries due to austerity measures implemented in return for financial help. In 2013, reacting to calls from the EP and European Council, the Commission presented a communication on strengthening the social dimension of EMU, by stepping up coordination and surveillance of employment and social policies, enhancing job mobility and social dialogue, and using the EU budget, as well as a scoreboard of key employment and social indicators complementary to the Macroeconomic Imbalance Procedure.

European Parliament

The Lisbon Treaty made the Parliament co-legislator in setting rules for multilateral surveillance (Article 121(6) TFEU). The 'Six Pack' has strengthened the role of the EP, in particular through formalising the European Semester and the establishment of an Economic Dialogue. EP negotiators succeeded in making it harder for the Council to block the issue of a warning and enabled the possibility of examining countries running surpluses also being a potential source of macroeconomic stability.

MEPs' amendments in the 'Two Pack' focused on measures stimulating growth and employment. The legislation also made the Commission and 'Troika' more accountable to the EP. The role of the latter was further investigated by the EP, which resulted in two own-initiative reports (identifying a series of problems in its set-up and programmes). The EP has also favoured full implementation of the current governance rules before introducing further ones and the use of the Community method rather than intergovernmental treaties in future structures for economic governance. In the context of the European Semester, the EP adopts two own-initiative reports annually. In recent reports, the EP has asked to be involved in setting EU economic and employment priorities and guidelines. In resolutions on EMU, the EP has emphasised that the social and employment effects of the reforms and crisis need to be addressed with the involvement of the social partners, and that new tools are needed to address social concerns.

Priorities and challenges

Jean-Claude Juncker has indicated that over the next five years reform of EMU will be one of his top ten priorities. He will aim at preserving the stability of the euro and increasing convergence of economic, fiscal and labour market policies in the euro area. Juncker also intends to build on the findings of the 2012 'Four Presidents' Report' (deepening EMU through an integrated financial, budgetary and economic framework and the creation of a shock-absorbing capacity at central level) and the 2012 Commission 'Blueprint for a deep and genuine EMU' (building up fiscal capacity for the euro area in the short term, strengthening the coordination of budgetary and economic policies in the mid-term, and creating a full banking, fiscal and economic union in the long term), while integrating the social dimension.

One of the main priorities will be streamlining and reinforcing the European Semester. Juncker also intends to launch initiatives such as a stability-oriented review of the 'Six Pack' and the 'Two Pack', proposals for further structural reform and stronger external representation of EMU. He will examine the possibility of replacing the 'Troika' with a new structure based on the EU institutions and accountable to the EP.

Juncker has indicated that he will seek to make the recent reforms more socially legitimate, and promote social dialogue and engagement with social partners. He has proposed to develop the use of social impact assessment to support reform programmes and public discussion of the social effects of structural reforms.

European Added Value

According to the 'Mapping the Cost of Non-Europe 2014-2019' published by the Parliament's European Added Value unit, implementing regulation to avert a new financial crisis and on the Banking Union may result in an efficiency gain to the European economy of some €35 billion annually, whilst improved coordination of fiscal policies in EMU has the potential to save €31 billion per year. The potential annual added value from a common unemployment insurance scheme within the euro area is €15 billion, whilst 'equal pay for equal work' could generate €13 billion in additional GDP and improved information and consultation of workers €3 billion.

Further reading

[Mapping the cost of Non-Europe, 2014-19](#) / Joseph Dunne, European Added Value Unit, EPRS, July 2014.

[Economic and Monetary Union](#), Factsheets on the EU / EP, 2014

[Social and employment policy](#), Factsheets on the EU / EP, 2014

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