

COVID-19 and the Europe 2020 targets: A comparative study of V4 and other EU countries

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Abstract

The COVID-19 pandemic that started out as a health crisis quickly turned into a global economic crisis resulting in the worse economic recession since the Great Depression of the 1930s. Following the global financial crisis of 2007-2008, the European Union set for itself various socioeconomic development targets that it aspired to achieve in its Europe 2020 strategy for smart, sustainable, and inclusive growth. Among 5 headline objectives, it was the aim of the EU Commission that 75 % of the population aged 20-64 should be employed and that 20 million less people should be at risk of poverty. The COVID-19 pandemic has inevitably impacted the achievement of these targets in one way or another. Yet, as the world enters the 3rd year of the pandemic, the nature and extent to which the Europe 2020 targets have been impacted in the various EU member countries is yet to be independently investigated using the most recent data. This paper therefore seeks to fill this empirical gap by answering the following questions: how has the COVID-19 pandemic affected the socioeconomic development aspects of the Europe 2020 strategy? Were the impacts symmetrical or asymmetrical across the various EU member countries? To answer these questions, quantitative statistical analysis techniques are used to compare the socioeconomic development indicators of V4, Central Europe and other EU member countries before and during the first year of the pandemic. The results suggest that the COVID-19 pandemic adversely impacted the achievement of the Europe 2020 targets with respect economic growth, employment and poverty. Whereas the V4 countries more adversely affected in terms of economic growth, they did better with respect to employment and the number of people at risk of poverty and social exclusion, when compared to other EU countries.

Keywords: COVID-19; socioeconomic development; V4 and Central Europe; Europe 2020

JEL code: O1, I13, F6, J6

1. Introduction

Crises of various forms have been found to impact socio economic development negatively. That is why the ongoing war between Russia and Ukraine is worrying especially at a time that

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many countries across the globe are still in the process of recovering from the adverse socioeconomic effects of the COVID-19 crisis. Until the COVID-19 pandemic, the last time the world had witnessed a crisis with as far-reaching socioeconomic consequences particularly in Europe was during the global financial crisis of 2008 and 2009, which was closely followed by another recession in 2011 and 2012 (Jones – Sloman, 2017). According to Swinnen – Herck (2009) the ripple effects of the global financial crisis on the industry and the households was evident through increasing unemployment.

During the first year of the COVID-19 pandemic, the global economy contracted by 3.5 percent (IMF, 2020, 2021) causing a worldwide economic recession. The recession experienced in 2020 has been described as the worse since the time of the Great Depression in the 1930s (Acheampong 2021; Acheampong – Ogbemor, 2021; Wheelock, 2020). According to the World Bank's most recent *Poverty and Shared Prosperity 2020* report, hundreds of millions of people in the developing world became at risk of falling back into poverty as a consequence of the pandemic (World Bank, 2020). The report notes that between 88 million and 115 million people were likely to fall back into extreme poverty in 2020, with an additional increase of between 23 million and 35 million people in 2021. In addition to increasing poverty, the World Bank (2020) points out that the COVID-19 pandemic has contributed to increasing inequality across the globe with large human capital losses among people who were already disadvantaged; thereby, making it more difficult for countries to return to inclusive growth even when the acute shocks associated with the COVID crises subsides. Meanwhile, Kulcsár – Kulcsár (2010) have noted that persistent inequalities are unjustifiable from a social equality view point as well also serving as a barrier to economic growth and contributing to underdevelopment. This makes it imperative for policy makes to put in place measures to reverse the adverse effects of the pandemic and facilitate inclusive growth.

Over the years governments across the globe have adopted various policy measures to facilitate sustainable growth and development as well as to reduce poverty and inequality. At the global level, world leaders adopted the Sustainable Development Goals (SDGs) in 2015 with a pledge to eradicate poverty and to reduce inequalities both within and among nations (UN, 2015, 2017). Apart from this global development agenda, there are also various regional as well as national policies adopted by various governments to facilitate socioeconomic development for their citizens. For instance, about 10 years before the COVID-19 pandemic, the European Commission (EC) adopted the Europe 2020 Strategy which among other things intended achieve sustainable and inclusive growth in Europe. The Europe 2020 Strategy was necessitated by the stagflation that characterised economies of EU member states as a consequence of 2007-2008 global financial crisis. The Strategy had 5 headline targets in the areas of climate change, research and development, employment, education, and poverty reduction. While it is obvious that the various locked down measures adopted to limit the spread of the coronavirus has affected the entire global economy and all countries across the world including the European Union member states, independent empirical studies are yet to

investigate how the pandemic affected the achievement of the Europe 2020 Strategy for sustainable and inclusive growth. This paper therefore seeks to fill this empirical gap by answering the following questions:

1. How has the COVID-19 pandemic affected the socioeconomic development aspects of the Europe 2020 strategy?
2. Were the impacts symmetrical or asymmetrical across the various EU member countries?
3. How did effect of the pandemic on the V4 countries compare with other EU countries?

To answer the research questions the study analyses data on the socioeconomic development components of the Europe 2020 Strategy (economic growth, employment, and poverty reduction) from 2010 to 2021. The next section discusses empirical literature on the impacts of crises on socioeconomic development. This is followed by a summary of the objectives and indicators of the Europe 2020 strategy. This is followed by an overview of the data and statistical methods used in this study. The study concludes with key findings and recommendations.

2. Theoretical background

2.1. Impact of crises on socioeconomic development

There is ample evidence that crises of all forms whether humanitarian crises, conflicts, epidemics, or financial crises have been known to have negative impacts on socio economic development (UNDP, 2018, World Bank, 2020). For instance, UNDP (2018) has noted that while there has been some progress in global human development since 1990, many countries have suffered reversals in human development due to conflicts, epidemics, and economic crises. According to UNDP (2018) many countries in Eastern Europe and Central Asia experienced reductions in their HDI values in the 1990s due to the collapse of the Soviet Union and military conflict, hyperinflation, as well changes from more planned to capitalist economies. Similarly in Sub-Saharan Africa, UNDP (2018) points out that the Human Development Index (HDI) of some countries declined in the 1990s due to conflict and the HIV/AIDS epidemic, which caused life expectancy in the affected countries to drop dramatically. Recently, Libya which was classified as a high human development country and was among the most developed countries in Africa before the Libyan civil war started in 2014 dropped to the medium development group. Although the country has rebounded since, it is still yet to reach its pre-crisis HDI levels. Similarly, between 2012 and 2017 the Syrian Arab Republic and Yemen also had declining HDI values and ranks due to violent conflicts. Furthermore, extreme poverty rates nearly doubled between 2015 and 2018, from 3.8 percent to 7.2 percent, as a result of the Syrian and Yemen conflicts (World Bank, 2020).

Apart from conflicts, climate change and pandemics also have been found to impact socioeconomic development negatively. For instance, the UNDP and World Bank have both noted that natural disasters and climate change also have adverse impacts on socioeconomic development. The World Bank (2020) has also observed that 132 million people may fall into poverty by 2030 due to the adverse effects of climate-related threats such as flooding and vector-borne diseases. The recent COVID crisis, has further highlighted how pandemics also impacts on socioeconomic development negatively. In this regard, the recent *Poverty and Shared Prosperity 2020* report of the World Bank posits that hundreds of millions of people in the developing world were at risk of falling back into poverty as a consequence of the COVID-19 crisis (World Bank, 2020). According to the report, between 88 million and 115 million people could fall back into extreme poverty in 2020, with an additional increase of 23 million to 35 million people in 2021, potentially bringing the total number of new people living in extreme poverty to between 110 million and 150 million. In addition to increasing poverty, the World Bank (2020) noted that the COVID-19 pandemic was contributing to increasing inequality across the globe with large human capital losses among people who were already disadvantaged; thereby, making it more difficult for countries to return to inclusive growth even when the acute shocks associated with the pandemic subsides.

According to the World Bank, data from their frontline surveys and economic simulations, suggest that COVID-19 pandemic-related job losses and deprivation worldwide was hitting the already-poor and vulnerable people hard, while also partly changing the profile of global poverty by creating millions of “new poor” (World Bank, 2020). Meanwhile, before the COVID-19 pandemic, governments across the world had adopted various policy measures to facilitate sustainable growth and development as well as to reduce poverty and inequality. The Sustainable Development Goals (SDGs) which was adopted by world leaders at the 2015 United Nations General Assembly for instance had the objective to eradicate poverty and to reduce inequalities both within and among nations (UN, 2017). Several regional as well as national policies had also been adopted by various governments to achieve similar socioeconomic development objectives. For instance, following the 2007-2008 global financial crisis the European Commission (EC) adopted the Europe 2020 strategy for sustainable and inclusive growth which among other things intended achieve a sustainable and inclusive growth in Europe.

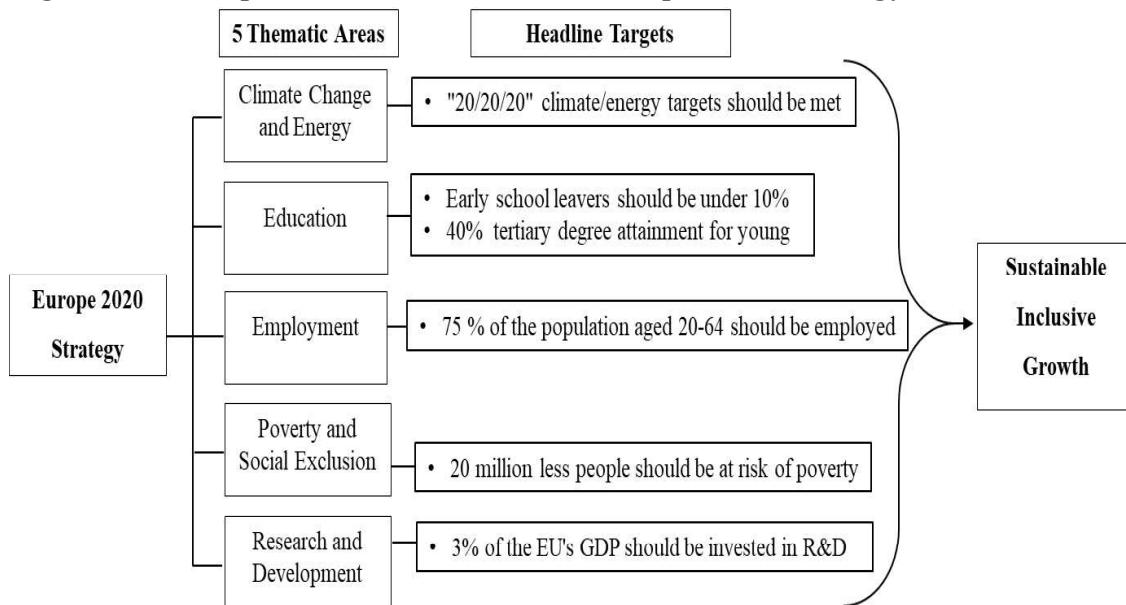
2.2. The Europe 2020 Strategy

The Europe 2020 Strategy for sustainable and inclusive growth was initiated primarily based on the adverse impacts of the global financial crises on the economies of EU member countries. According to EC (2010) the crisis wiped out years of economic and social progress while exposing the structural weaknesses in the economy of Europe. In this regard, the EC (2010) notes that GDP fell by 4% in 2009, while the industrial production dropped back to the levels of the 1990s and 23 million people representing 10% of the active population of the European

Union became unemployed as a result of the global financial crisis. The Europe 2020 Strategy was therefore initiated as means to facilitate recovery from the crisis and also to turn the EU into a smart, sustainable and inclusive economy that delivers the promise of high levels of employment, productivity and social cohesion for citizens in all member states (EC, 2018).

The Europe 2020 Strategy had 5 headline targets in the areas of climate change, research and development, employment, education, and poverty reduction as indicated in Figure 1. It was the expectation that the targets of the Strategy would be achieved by the year 2020. However, in 2020, the coronavirus which was first discovered in Wuhan, China in December 2019 had spread to all regions of the world causing a global pandemic and becoming a worldwide crisis. As at March 2020, Europe has been the most affected region of the world in terms of coronavirus cases and deaths behind the Americas and South East Asia regions respectively.

Figure 1. Conceptual framework of the Europe 2020 Strategy



Source: Author's construct based on European Commission, 2010.

Aside the impacts of the COVID-19 pandemic on human health, the pandemic has also impacted the global as well as regional, and national economies. Although the targets of the Europe 2020 Strategy were expected to be achieved by 2020 which coincided with the first year of the coronavirus crisis, independent empirical studies are yet to investigate how the COVID-19 pandemic impacted the Strategy. This paper therefore seeks to investigate how the pandemic affected the achievement of the Europe strategy targets with respect to economic growth and employment as well as poverty and social exclusion in the various EU member states. In addition to determining the extent to which the targets were achieved, this paper also investigates how the Visegrad Four (V4) countries performed compared to the other EU member countries. The next section discusses the methods and data analysis techniques used to answer the research questions.

3. Materials and Methods

With respect to research design, the study was evaluative in nature since it sought to investigate the extent to which the Europe 2020 Strategy was achieved. The target population for this study therefore included all the current 27 member countries of the European Union. However, the study was also comparative in nature since it sought to compare the performance of the V4 countries with other EU member countries. In this regard, the 27 EU countries were subdivided into 2 different country groupings namely the V4 and other EU member countries excluding the V4 (Appendix 1).

The current V4 group began as cooperation between 3 countries that had all suffered from totalitarian systems (Baba et al., 2021). The Visegrad Cooperation, which was established in 1991 was among the first 3 forms of cooperation established in Central Europe during and after the 1989-1990 period of democratic change. The other two regional cooperation entities were the Central European Initiative (CEI, 1989) and the Central European Free Trade Agreement (CEFTA, 1992) The Visegrad Cooperation initially began on the 15th of February 1991 with 3 member countries namely Czechoslovakia, Hungary, and Poland. The Visegrad Four (V4) was formed in 1993 when Czechoslovakia was divided into the Czech Republic and Slovakia respectively.

According to Baba et al. (2021) regional cooperation is considered as very necessary to promote the political and economic needs of member states in the EU; however, over the years, a fundamental question has arisen as to the extent to which membership in the various which membership in the various groups can help to articulate the regional interests of participating states. It is in this regard that the study sought to investigate, how the V4 has performed on the Europe 2020 Strategy compared to the other EU countries since these countries had similar historical experiences and economic conditions as well as also lagged behind the other member states when they joined the EU in 2004 (Kulcsár – Kulcsár, 2010).

Table 1. Study variables, indicators, and data sources

Variable	Indicator	Data source
Economic growth	Real GDP growth (%)	IMF
Employment	Percentage of adult population employed	Eurostat
Poverty	Number of people at risk of poverty and social exclusion	Eurostat

Source: Author's construct

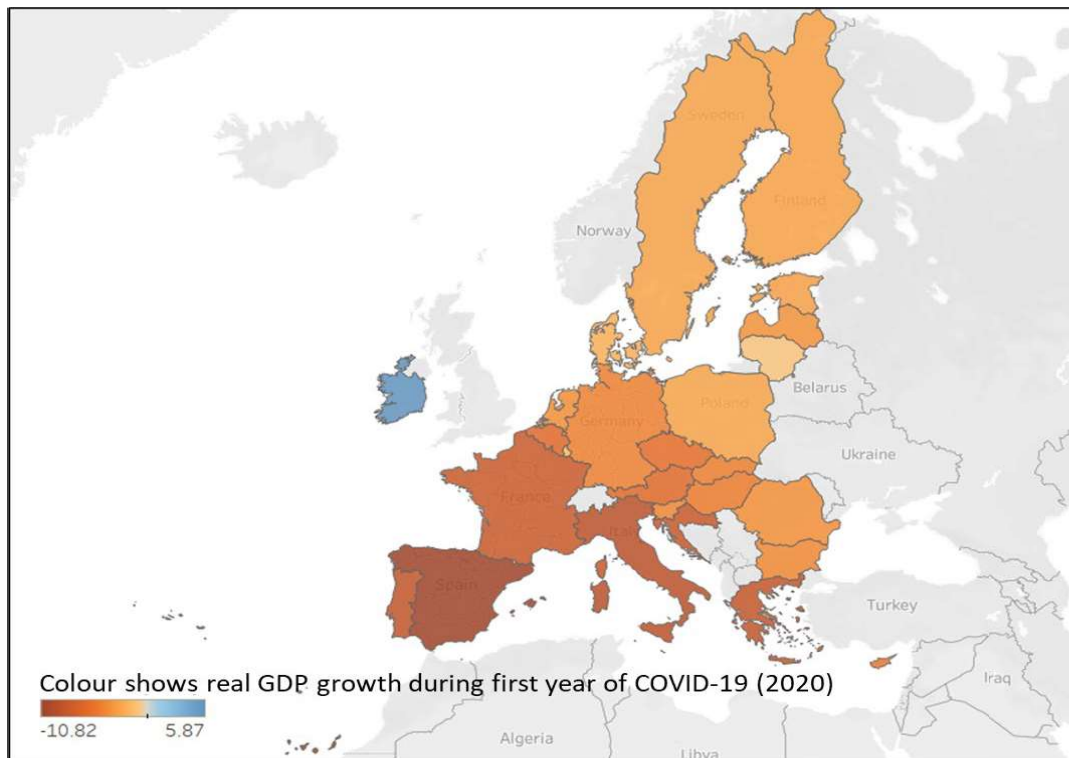
Since the objective of the study was to investigate the impact of the COVID-19 pandemic on the achievement of the Europe 2020 strategy, the study utilises trend analysis and descriptive statistics to analyse data on real GDP growth, the percentage of adult population employed, and the number of people at risk of poverty and social exclusion from 2010 to 2020. The next section presents and discusses the key results.

4. Results

4.1 Impact of COVID-19 on economic growth in the European Union

With respect to economic growth, the study finds that the COVID-19 pandemic had an adverse effect on the economies of the EU member states. Consistent with global trends, there was also a recession in the European Union where the real GDP growth rates contracted by 4.73% overall. Aside from Ireland which recorded positive growth during the first year of the pandemic (Figure 3), the study finds that all other EU member countries had a recession.

Figure 2. Real GDP growth rate of EU member countries during COVID-19 crisis

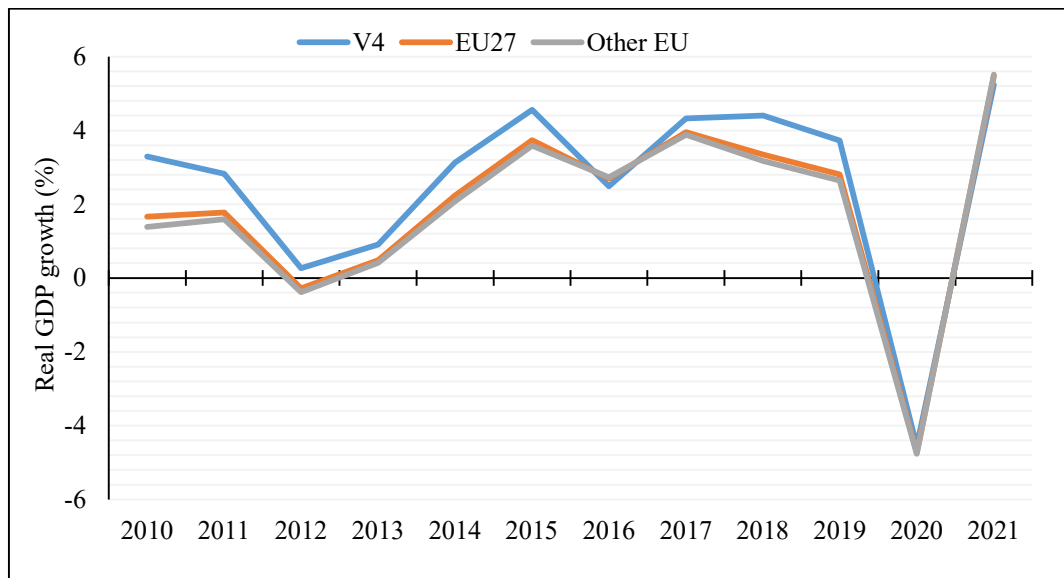


Source: Author's construct and calculations based on data from IMF

Compared with the other EU member countries, the study finds that the V4 countries with a real GDP growth rate of -4.56% did slightly better than the other EU member countries, which collectively had a real GDP growth rate of -4.76 (Figure 3). Further analysis of the data from

IMF also indicates that over the study period (2010-2021), the V4 countries on average recorded higher real GDP growth rates as compared to the other EU member countries prior to the COVID-19 pandemic. However, while there was a rebound in 2021 from the 2020 recession, the rebound in the V4 countries (5.23%) was less than the EU27 average of 5.47% and also less than the other EU member countries (5.51%).

Figure 3. Real GDP growth trend of the V4 and other EU member countries 2010-2021



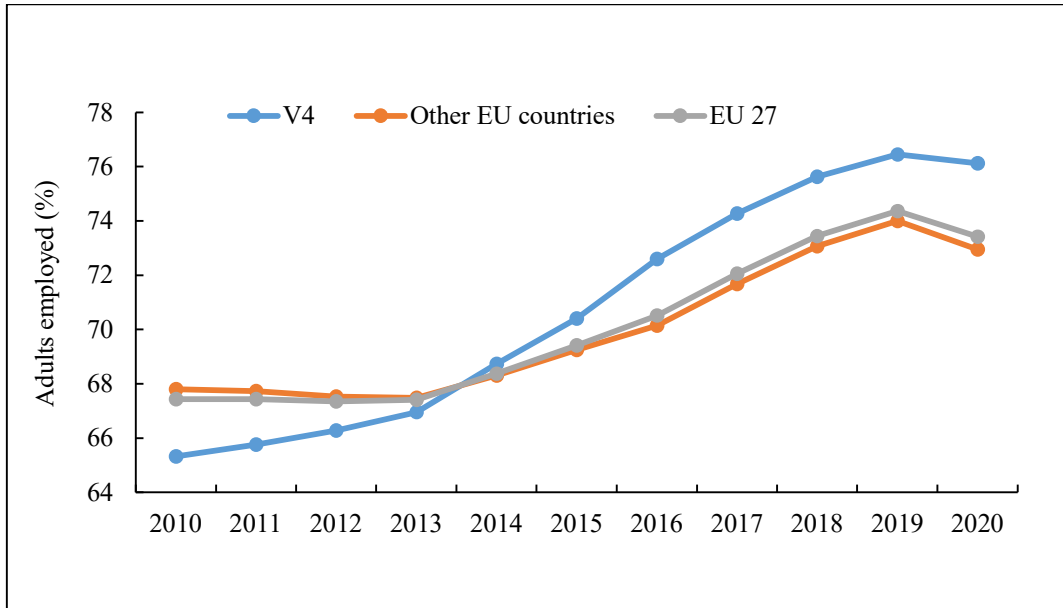
Source: Author's construct and calculations based on data from IMF

4.2. Impact of COVID-19 on employment in the European Union

With respect to employment, the headline target of the Europe 2020 Strategy was to ensure that 75 % of the population aged 20-64 should be employed by 2020. The study finds that by 2020, this target was only achieved in 15 out of the 27 EU member countries. Furthermore, the study finds that the COVID-19 pandemic adversely affected the achievement of this target as thousands of people lost the jobs due to the various lockdown measures to contain the spread of the coronavirus.

Further analysis of the trend from 2010 to 2020 indicates that since 2013 the percentage of adults employed in the EU trended upwards until the first year of COVID-19 pandemic. Also, the study finds that since 2014, the V4 countries have had higher percentages of their adult population employed when compared to other EU member countries (Figure 4). Also, while the V4 countries collectively met the Europe 2020 the target on employment as 76.1% of their adult population were employed as at 2020, this target was not achieved for the EU as a whole since only 73.4% of adult population of the EU were employed as at 2020.

Figure 4. Employment trends of the V4 and other EU member countries 2010-2020

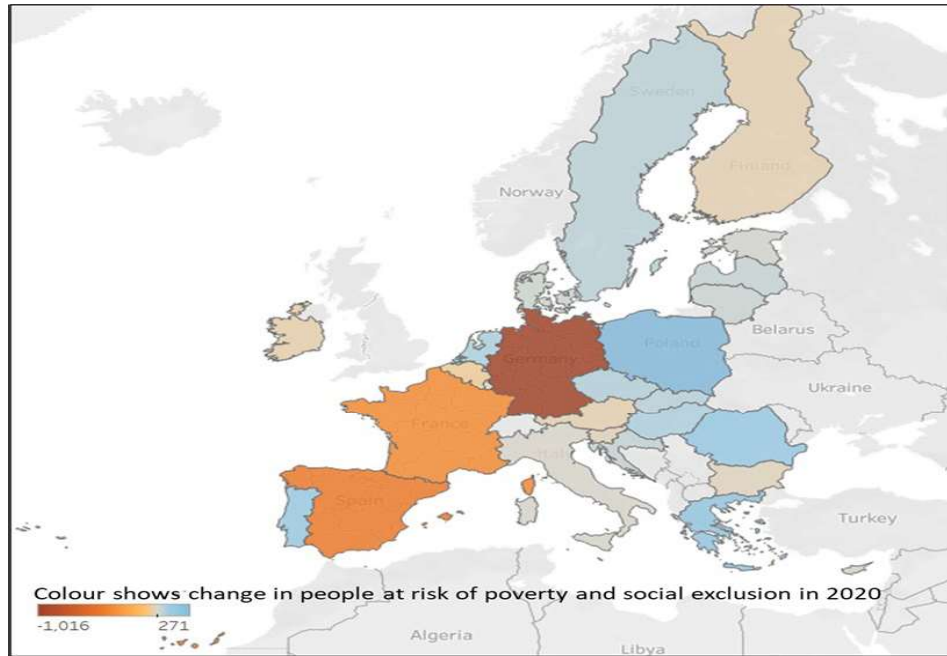


Source: Author’s construct and calculations based on data from Eurostat

4.3. Impact of COVID-19 on the number of people at risk of poverty in the European Union

With respect to the number of people at risk of poverty and social exclusion, the study finds that during the first year of the COVID-19 pandemic, there was a year-on-year reduction in the V4 countries; however, particularly in Western EU member countries such as Germany, Spain, France, Belgium, Ireland, and Austria the situation worsened as the number of people at risk of poverty and social exclusion increased. Germany was the most affected country where an addition over 1 million people becoming at risk of poverty and social exclusion during the first year of the pandemic (Figure 5).

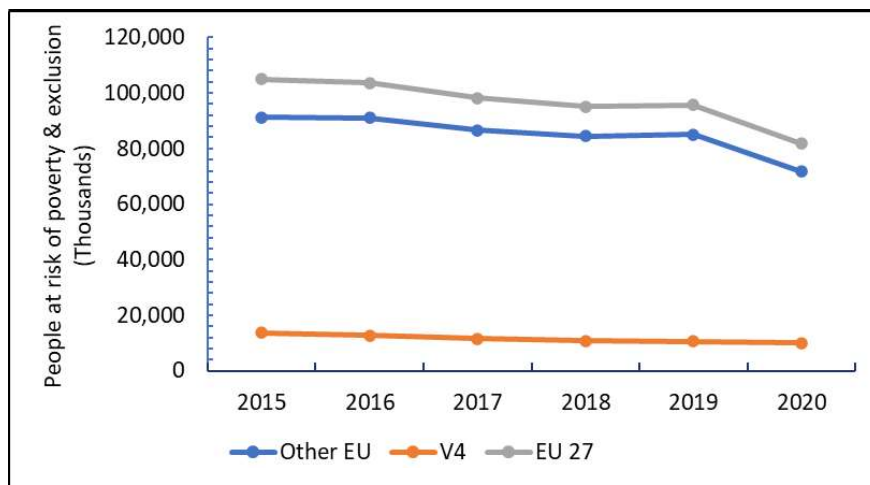
Figure 5. People at risk of poverty and social exclusion (Thousand persons) during COVID



Source: Author’s construct and calculations based on data from Eurostat. Note: Negative values represent a worsening situation or increase in people at risk of poverty and exclusion.

Although countries of Western Europe recorded an increase in the number of people at risk of poverty and social exclusion during the first year of the COVID-19 crisis, further analysis of the trend for the past 5 years before the pandemic suggest that overall, the number of people at risk of poverty and social exclusion has been declining in the EU (Figure 6).

Figure 5. Trend of the people at risk of poverty and social exclusion 2015-2020



Source: Author’s construct and calculations based on data from Eurostat

5. Conclusions and recommendations

This paper investigated the impact of the COVID-19 crisis on the achievement of the socioeconomic components of the Europe 2020 targets and how the V4 countries compared with the other EU member countries. Specifically, data on economic growth, employment, and the number of people at risk of poverty and social exclusion for the period 2010 to 2021 were analysed. The findings of this study suggest that the COVID-19 pandemic adversely impacted the achievement of the socioeconomic development aspects of the Europe 2020 strategy. The impacts were however asymmetrical across countries and also across targets. For instance, Whereas the V4 countries more adversely affected in terms of economic growth, they performed better with respect to employment and reducing the number of people at risk of poverty and social exclusion, especially when compared to other EU countries particularly in western Europe. The Europe 2020 target of ensuring that at least 75% of the adult population in the EU were employed between 2010 and 2020 was achieved in the V4 but not the entire EU. The asymmetrical nature of the impact of the pandemic on the EU member countries could be due to some of the underlying trends that existed before the pandemic as well as some of the policy measures response measures initiated by the various governments to combat the adverse impacts of the pandemic. For instance, in Hungary, when the country first went into lockdown in March 2020, the Prime Minister Viktor Orbán announced a fiscal stimulus package of 7.9% of GDP and several new economic policies to protect the economy by providing relief to workers and businesses. Some of the policies included the government taking over a portion of wage payments from firms that have had to resort to shortened work hours due to the coronavirus epidemic. All these measures were intended to minimise job losses. That notwithstanding it can be concluded that the EU did not achieve the level of sustainable and inclusive growth that it aspired to achieve from 2010 to 2020 and one of the major factors was the COVID-19 crisis. Nevertheless, more in-depth studies would be required to understand the factors that influenced the performance of the various EU member countries and their susceptibilities and resilience to various crises. Although, many of the EU member countries had already begun to rebound from the effects of the COVID-19 pandemic by early 2022, it is currently unclear how the ongoing war between Russia and Ukraine will impact socioeconomic development in the EU. Already over million refugees from the war zone have arrived in neighbouring countries in Eastern Europe. The energy shock and the disruption of trade will also inevitably have socioeconomic consequences on the V4 and other countries in Central and Eastern Europe. Since, the EU collectively was unable to achieve all the Europe 2020 targets, it would be interesting to investigate the future actions that the EU would take to address the shortfalls as it also seeks to recover from the COVID-19 pandemic and the negative externalities of the Russia-Ukraine crisis.

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Appendix 1. List of countries analysed

Country Group	List of countries
EU 27	Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Czechia Republic (CZ), Cyprus (CY), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE)
V4 Countries	Czechia, Hungary, Poland, Slovakia
Other EU Countries	Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Cyprus (CY), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Malta (MT), Netherlands (NL), Portugal (PT), Romania (RO), Slovenia (SI), Spain (ES), Sweden (SE)

Source: Author's construct