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# OVERCOMING DIVERGENCE UNDER THE CONDITIONS OF SUSTAINABLE DEVELOPMENT: EUROPEAN EXPERIENCE AND ITS ADAPTATION IN UKRAINE

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**Abstract:** To achieve the Sustainable Development Goals – 2030, it is important to overcome international socio-economic divergence, which could be greatly enhanced by the COVID-19 pandemic. The European Union has a good experience of overcoming divergence between member states, which can also be useful for Ukraine, which implements the Association Agreement with the EU. Implementation is hampered by a tendency of divergence between Ukraine and the EU in recent years. Today Ukraine needs new approaches to state policy that will overcome divergence with the EU and promote European integration. The purpose of this publication is to find out the main directions of Ukraine's state policy on overcoming social and economic differences between Ukraine and the UE in the conditions of sustainable development, taking into account relevant European experiences. To achieve this goal, the authors used the methods of systematic and comparative analysis, own econometric calculations, the results of other research in the subject field and official statistical data. On the basis of the results, the authors clarified the following key directions of the Ukrainian state policy to overcome the differences between Ukraine and the EU: settlement of the military conflict in Donbass, reindustrialization, reduction of the state debt dependence, significant reduction of high levels of corruption and poverty. The results of this study can be used as a scientific basis for the formation of state policy for the European integration of Ukraine.

**Keywords:** economic and social policy, European integration, convergence, divergence, COVID-19 effects, Ukraine

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## Introduction

The processes of convergence and divergence, which provide, respectively, approaching and dividing of key indicators (financial and economic, structural, environmental, social, institutional, etc.) of state and regional development, play an important role in the global paradigm of sustainable development. Convergence is a process of the reducing of inter-country differences, which means that outsider countries move to higher standards and norms of leading countries. Convergence contributes to sustainable development, while divergence, on the contrary, moves away from it.

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Promoting sustainable development and reducing divergence with more developed countries is an important task for Ukraine. This task is of the utmost urgency and priority because of Ukraine's international obligations, in particular, the Association Agreement with the European Union signed in 2014. Scientists have substantiated that socio-economic convergence is a crucial way to achieve the goal of European integration for both post-socialist countries of Central and Eastern Europe (Dobrinsky, Havlik 2014, p. 21-23) and for Ukraine (Lukyanenko, Chuzhikov, Vozhnyak 2010, p. 19-33, 87-106, 290-304; Savelyev, Smalyuk 2019, p. 427, 436).

The problem is that since 2014 there has been a clear tendency of divergence between Ukraine and the European Union, and this is confirmed by the relevant econometric calculations (Burlay 2019, p. 64-66). There are risks that this tendency may become long-term and irreversible, also due to the negative effects of the COVID-19 pandemic. Thus, there is an urgent need to form a Ukrainian state policy aimed at overcoming divergence and stimulating convergence with the EU. Relevant European experience with the EU Member States (World Bank 2012, p. 353-402; Eurofound 2017, p. 5-14) should be useful.

This article aims to find out the main directions of modern Ukraine's state policy to overcome its socio-economic divergence with the EU in the context of sustainable development, based on the adaptation of effective European approaches. Conditions for sustainable development require the application of an integrated approach in economic, social and environmental aspects (Seroka-Stolka et al. 2017, p. 118).

## Brief literature review and methodology

In preparing this article, the results of research on the problems of socio--economic convergence and divergence between countries, and in particular between Ukraine and the European Union were used. Thus, the scientific works by R. Solow (1956) and T. Swan (1956) in the neoclassical theory of economic growth became the basis for constructing the convergence hypothesis for economies in their entry into the steady-state growth path and the famous Solow-Swan model.

J. Galbraith's study *The New Industrial Society* (1967) substantiates the important role of the trend towards convergence of industrial societies, which was clearly manifested in those years. The famous econometrist H. Sala-i-Martin (1994) studied long-term convergence processes and proved the existence and magnitude of the "*natural rate of convergence*". In their book based on empirical research, W. Baumol, R. Nelson, and I. Wolff (1994), proved the existence of a "*club convergence*", which includes only industrial and transformational countries that have the necessary starting level of human capital. Nobel laureate M. Spence emphasized the key role of structural optimization of the economy for the development of convergence and divergence (Spence 2011).

In Ukraine, the study of convergence and divergence processes at the "Ukraine – EU" level was made by the researchers of the Institute of Regional Research named after M.I. Dolishniy of the National Academy of Sciences (NAS) of Ukraine (Mokiy, Fedoryshyn 2007), Kyiv National Economic University named after Vadym Hetman

(Lukyanenko, Chuzhikov, Vozhnyak 2010), Institute for Economics and Forecasting of the NAS of Ukraine (Burlay 2019) and others.

The research methodology on the basis of which the authors prepared this article is based on the results of their previous scientific works. The authors used the methods of systematic and comparative analysis and took into account the results of their previous studies which used the method of econometric modelling. The information base of the authors' study is the scientific literature on the research topic, as well as statistical data of the State Statistics Service of Ukraine and Eurostat.

## Convergence and divergence processes and sustainable human development

The essence of convergence reproduces one of the fundamental principles of the 2030 Agenda for Sustainable Development – the principle of inclusiveness "*to leave no one behind*", which is based on reducing disparities between people, social groups, regions and states. It is noted that these differences can be caused by five factors: any type of discrimination, geographical location, socio-economic status, public administration, and vulnerability to shock (UNDP 2018, p. 3-4). Among the seventeen Sustainable Development Goals that form the basis of the above-mentioned Agenda, Goal 10 "Reducing inequalities within and between countries" is directly dedicated to supporting convergence processes. Several objectives specified for achieving this goal are aimed at promoting economic growth, poverty eradication and social welfare in the less developed countries of the world, which will facilitate their progress towards convergence with more developed countries.

However, promoting convergence processes is not the only task of national governments. Many of them are forced to solve the problem of overcoming divergence. According to the IMF estimates and GDP per capita, during 2017-2022, clear convergence with developed countries will be demonstrated by 110 developing countries or only 72% of their total number, – due to the higher annual rates of their economic growth over this period compared to developed countries (3.5% and 1.4% respectively) (IMF October 2017, p. 9-10).

Maintaining sustainable economic growth is a common basic element for the concept of convergence and the concept of sustainable development. Analyzing the interaction of these concepts in modern conditions, one has to take into account the factors influencing the socio-economic dynamics. This year, one of them was the spread of the global coronavirus pandemic, announced by the World Health Organization in March, which was a powerful catalyst for a new crisis in the international economy.

This will have a significant negative effect on the processes of intercountry convergence, as in the context of the global crisis, the main condition for convergence is impossible: providing outsider countries with higher GDP growth rates compared to leading countries. Under current conditions, there is a deep decline: according to the basic forecast of the World Bank, in 2020 real GDP in the world will decline by 5.2%, the pessimistic forecast – by 8% (World Bank 2020, p. 4-6). This process for most outsider countries will lead to a deepening divergence with the leading countries, which have a much larger "margin of safety" to resist shocks and accelerate recovery from the recession.

In order to strengthen the ability of states to withstand large-scale shocks, including epidemiological ones, OECD experts consider that it is necessary for national governments to build an environmentally balanced economic recovery on a "*building back better*" basis after overcoming the COVID-19 pandemic. Such a recovery is quite congruent with the model of sustainable development, and its central support is human-centric, which involves increasing welfare, increasing inclusiveness and reducing inequality in societies (OECD June 2020, p. 5). According to this approach, the implementation of the model of sustainable development in the current post-pandemic period acquires a clear pro-convergence character and provides additional opportunities to overcome socio-economic divergence, in particular, between the countries of the European region.

## Inter-country convergence and divergence in the European Union

For more than six decades, the mechanism of socio-economic convergence has been the mainstay of the European integration project. The Treaty of Rome, originally 1957, is one of the founding treaties of a united Europe. The Treaty of Rome identified one of the EU's main tasks as promoting "[...] *a high degree of convergence of economic performance*" among the member states. EU convergence has been highly effective over a long period, from the late 1950's to the beginning of the 2008 global financial crisis, which allowed the World Bank to define the EU economic model as a "*convergence machine*", especially for member countries from Central and Eastern Europe (World Bank 2012, p. 71).

According to World Bank analysts, stable convergence in the EU has been observed for almost six decades (World Bank 2012, p. 73-82):

– 1950-1973: the convergence of Western Europe and the United States in living standards (this period of accelerated economic growth and nearly full employment in the EU is called by experts the "golden age" of Western Europe);
– 1974-1993: Northern and Southern Europe converge according to Continental European Income; the beginning of a large-scale market transformation of the post-socialist economies of Central and Eastern Europe in the late 1980-s was the impetus for their convergence with Western European economies;
– 1994-2010: the convergence of Eastern and Western Europe in income and institutional development. The signing of the Association Agreements with the EU by Eastern European countries marked more than a decade of convergence of living standards between the "old" and "new" member states. This period lasted until the global economic crisis in late 2008 and, according to some indicators, even in recession years.

The above-mentioned convergence mechanism still retains and enhances its relevance. To prove our assertion – social and structural convergence of the European Union is the leitmotif of the Rome Declaration and the European Pillar of Social Rights, signed by EU leaders in 2017.

Experience with the accession of 10 Central and Eastern European and Baltic countries shows that they have all made significant progress in real and nominal convergence. At the same time, this progress was quite uneven both between different groups of countries and in different periods of time.

In the pre-crisis period, GDP growth differed significantly in the main factors. In the Baltics, as well as in Poland, Romania and Bulgaria, GDP growth was driven by growing domestic demand as the credit boom stimulated domestic consumption and investment. Growth was more balanced in the Czech Republic, Hungary, Slovakia and Slovenia, where net exports were the main factor. Croatia's negative economic growth rates during 2009-2014 did not prevent the country from joining the EU in 2013.

The positive dynamics and faster GDP growth rates of the countries that became members of the EU after 2004 allowed these countries to reduce the "lag" in terms of GDP per capita. In particular, the increase in the indicator in 2017 compared to 2004 for most post-socialist countries was twice as large as for the EU-28 (Borzenko, Bogdan, et al. 2020, p. 358-360).

It should be noted the very important role of investment as a driver of real convergence. The rapid pace of economic convergence in the pre-crisis period partially reflected the investment boom. The average share of gross fixed capital formation in the newly integrated member states increased from 25% of GDP in 2004 to over 29% of GDP in 2007 and 2008, while it remained below 24% of GDP in the EU-15 (Borzenko et al. 2020, p. 361).

However, in recent years, especially under the influence of the 2008-2009 global financial crisis and several unresolved internal crises and institutional contradictions, convergence processes in the European Union have slowed down significantly. At the same time, according to some indicators, primarily social, the gaps between EU countries are growing. Experts point out that at the current stage the development of the European Union is characterized by the trends of medium macroeconomic convergence (for the euro area – weak macro-financial convergence) of member states, on the one hand. On the other hand, there are trends of significant social and even societal divergence (Eurofound 2017, p. 4, 12; Gräbner et al. 2017, p. 15).

Thus, according to Eurostat data (Eurostat 2020), in 2019, the year before COVID-19, in terms of real GDP per capita, the gap between the richest and poorest EU countries was 12.3 times – if the corresponding figure for Luxembourg (83.6 thousand Euros) relative to the EU-27 (28.0 thousand Euros) reached 298%, the figure of Bulgaria (6.8 thousand Euros) was only 24%.

Slightly smaller spread indicators of the EU countries was observed in 2019 by the criterion of GDP per capita calculated according to the Purchasing Power Standards (PPS). In 2019, GDP per capita (in PPS) ranged from 52% of the EU-27 average in Bulgaria to 259% in Luxembourg (*Table 1*). In other words, the difference in the latest indicators of the European Union Member States is 5 times.

**Table 1. Selected indicators of economic and social development of the EU, 2018-2019**

| | Gross domestic product per capita (in PPS, EU-28 = 100), 2019 | Actual individual consumption per capita (in PPS, EU-28 = 100), 2019 | Unemployment rate, population by age from 15 to 74 years, % of active population, 2019 | People at risk of poverty or social exclusion, % of total population, 2018 |
|---|---|---|---|---|
| EU-28 | 100 | 100 | 6.3 | 21.8 |
| Belgium | 117 | 113 | 5.4 | 20.0 |
| Bulgaria | 52 | 58 | 4.2 | 32.8 |
| Czech Republic | 91 | 83 | 2.0 | 12.2 |
| Denmark | 128 | 114 | 5.0 | 17.0 |
| Germany | 120 | 120 | 3.2 | 18.7 |
| Estonia | 83 | 74 | 4.4 | 24.4 |
| Ireland | 189 | 95 | 5.0 | 21.1 |
| Greece | 67 | 76 | 17.3 | 31.8 |
| Spain | 90 | 89 | 14.1 | 26.1 |
| France | 105 | 107 | 8.5 | 17.4 |
| Croatia | 64 | 65 | 6.6 | 24.8 |
| Italy | 94 | 97 | 10.0 | 27.3 |
| Cyprus | 88 | 94 | 7.1 | 23.9 |
| Latvia | 69 | 70 | 6.3 | 28.4 |
| Lithuania | 82 | 89 | 6.3 | 28.3 |
| Luxembourg | 259 | 133 | 5.6 | 21.9 |
| Hungary | 73 | 66 | 3.4 | 19.6 |
| Malta | 99 | 78 | 3.4 | 19.0 |
| Netherlands | 128 | 112 | 3.4 | 16.7 |
| Austria | 127 | 116 | 4.5 | 17.5 |
| Poland | 72 | 78 | 3.3 | 18.9 |
| Portugal | 78 | 84 | 6.5 | 21.6 |
| Romania | 69 | 77 | 3.9 | 32.5 |
| Slovenia | 87 | 79 | 4.5 | 16.2 |
| Slovakia | 73 | 72 | 5.8 | 16.3 |
| Finland | 110 | 111 | 6.7 | 16.5 |
| Sweden | 120 | 110 | 6.8 | 18.0 |
| United Kingdom | 104 | 113 | 3.8 | 23.1 |

Source: (Eurostat 2020)

According to the household welfare indicator as Actual Individual Consumption (AIC) per capita expressed in PPS, by the end of 2019 (preliminary estimates), the spread between the EU countries was more than double, varied from 58% to 133% of the EU-27 average.

The difference between the EU countries in terms of the unemployment rate among the population aged 15-74 is very significant. In 2019 in the Czech Republic, Germany and Poland it was only 2.0%, 3.2% and 3.3%, in Italy this figure was 10.0%, in Spain 14.1%, and in Greece 17.3% (*Table 1*).

The share of the population at risk of poverty and social exclusion in 2018 ranged from 32.8% in Bulgaria, 32.5% – in Romania and 31.8% – in Greece to 12.2% – in the Czech Republic (*Table 1*), in other words, the «gap» between EU states was almost 3 times.

The spread of the COVID-19 pandemic can be seen as a driver of further growing socio-economic disparities and divergence trends in the European Union. This is due to the coronavirus factor, along with other global factors, such as the decline of commodity and stock markets; the weakening of world trade under sanctions and artificial "trade wars"; global growth in poverty, unemployment and social inequality; crisis of global governance architecture, etc. All the above – mentioned factors pushed the world economy into a deep transformational crisis.

A serious crisis will affect the countries of the European region, including the EU. According to the forecast of the European Commission, which was published in May this year, in 2020 the EU and especially the euro area expect a significant deterioration in key macroeconomic and macrofinancial indicators.

In particular, the reduction of real GDP in the EU-27 will reach 7.4%; in the euro area it will be even 7.7%. The unemployment rate among the population aged 15-74 will rise to 9.0% in the EU-27 and to 9.6% in the Eurozone. The budget deficit, the threshold value according to the nominal convergence criteria is 3.0% of GDP, is expected in 2020 at the level of 8.3% of GDP of the EU-27 and 8.5% of GDP of the Eurozone. General government gross debt, the threshold value according to the criteria of nominal convergence is 60.0% of GDP, this year in the EU-27 will reach 95/1% of GDP, and in the Eurozone 102.7% of GDP (European Commission 2020b, p. 168,179, 185, 188). At the same time, the expected recovery of the European economy in 2021 will not allow the vast majority of member states to compensate for the crisis in 2020.

It is clear that the recession of the united European economy caused by the COVID-19 pandemic, as well as other factors, will be an extremely serious challenge to overcoming the socio-economic divergence in the EU.

Existing inter-country differences in the socio-economic development of the EU (and especially their probable deterioration due to shock effects) lead to the use of appropriate mechanisms to overcome divergence and move forward on the convergence path. The advantage of the European Union is that these mechanisms have a long formation history and are constantly being improved in the context of institutional and macro-economic changes.

## Key mechanisms for overcoming socio-economic divergence in the European Union

We want to highlight four mechanisms for overcoming the socio-economic divergence between the EU Member States:

1. Institutional mechanisms:
   - legal: the institution of the "acquis communautaire" is a single legal system and EU legislation. Significant are the Maastricht Treaty (1992), which established the criteria for nominal (macro-financial) convergence; Stability and Growth Pact (1997); European Pillar of Social Rights (2017);
   - strategic management: the implementation of ten-year European Union Strategies for growth and employment since 2000 (the Lisbon Strategy, the Strategy "Europe-2020"); the implementation by the EU countries of Stability Programs or Convergence Programs (since 1999); the application of the Macroeconomic Imbalance Procedure (since 2011), etc.;
2. Regulatory mechanisms: European Single Market (since 1993); European Cohesion Policy; European Enlargement Policy; European Cross-Border Cooperation; Employment and Social Policy, etc.;
3. Budgetary and financial mechanisms: the Structural Funds and the Cohesion Fund; the Multiannual Financial Framework (from 1988 for a five-year period, from 2000 for a seven-year period); the European Semester (since 2010); mechanisms implemented by the European Central Bank to promote nominal convergence for EU countries and candidate countries of the euro area (including mechanisms for price developments, fiscal developments, exchange rate developments, long-term interest rate developments and other relevant factors (ECB 2020, p. 5-16).
4. Consulting and management mechanisms: activities of the EU Convergence Monitoring Hub created under the Eurofound (2018); development of modern information-analytical and forecasting tools for studying the processes of convergence / divergence in the EU (Stefanini et al. 2020, p. 7-39).

In the context of achieving the Sustainable Development Goals for the period up to 2030, the mechanism of broad cooperation on the basis of inclusion ("*to leave no one behind*") is very important. Cooperation includes among other things, constant exchange of experience, iterative learning and mobilization of management knowledge, strategies and approaches to public policy (UNDP 2018, p. 24).

## Divergence of Ukrainian and European Union socio-economic systems and ways to overcome it

Achieving the ambitious goals of the Association Agreement between Ukraine and the European Union signed in 2014 requires first of all ensuring their convergence in the institutional, economic and social spheres. However, recently there has been a clear trend of growing divergence of Ukrainian and European Union socio-economic systems – primarily according to such criteria as the level of welfare and productivity. This is due to a number of reasons: the ongoing armed conflict in Donbass; the negative consequences of the 2014-2015 deep crisis in the economic and social sphere of the state; strengthening the institutions of destruction and corruption; large-scale deindustrialization and labor migration of Ukrainians abroad; degradation of the inefficient system of public administration, etc.

The Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine conducted the relevant econometric calculations and identified several key internal factors that determine the divergence of Ukraine and the EU in the long run, namely:

– debt factor – in 2015 the Ukrainian Government approved "draconian" terrible conditions for restructuring part of the public debt, which significantly limits the annual growth rate of its GDP (at the level 3%, while the practice of Central and Eastern Europe has shown that for successful convergence these rates must be 7-9%);
– capitalization factor – Ukraine has an unacceptably low level of capitalization of the economy (at the level of 15-16% of GDP, while approximately 25% of GDP is required (Skrypnychenko, Yatsenko 2018, p. 68));
– knowledge-based and technology factor that is insignificant in the country's macroeconomic development. In February 2020, the Ukrainian Government presented an Economic Growth Strategy by increasing investment. During the presentation, it was noted that currently the share of medium- and high-tech goods and services in Ukrainian exports is 17%, and in the processing industry output is only 3%. At the same time, the rate of depreciation of fixed assets in Ukraine reaches 62%, while in neighbouring Slovakia is only 35%. Today, Ukraine needs huge investments, because it has already "eaten" the industrial base left as the Soviet legacy since the 1990s (Mirperemen 2020);
– the factor of labor migration from Ukraine – according to expert estimates, 9-10 million Ukrainians, or about half of its workforce, work abroad;
– demographic factor – according to the IMF forecast, during 2018-2030 Ukraine will lose 15.6% of its labor resources and without significant growth in labor productivity will not be able to ensure economic growth above 2.5% per year, while Ukraine's GDP should grow during 20 years at least 6% per year to reach the current level of Poland (Interfax 2019).

In addition, the possible increase in the divergence between Ukraine and the EU will be significantly affected by the COVID-19 pandemic. According to UNICEF experts, taking into account the projected IMF decline in Ukraine's GDP in 2020 by 7.7%, the reduction in income as a result of the coronavirus pandemic will almost double the poverty rate (in absolute terms) in Ukraine – from 27.2% to 50.8%. Consequently, the number of Ukrainian citizens living in poverty will increase by 9.0 million, including 1.8 million children (Borodchuk, Cherenko 2020, p. 5).

In recent years Ukraine has been among the leaders in Europe in terms of poverty, measured by the size of household welfare – the average market value of assets per adult household member (Credit Suisse Research Institute 2019, p. 72-110).

A comparative analysis of data for the period 2010-2019 shows that the rapid growth of poverty in Ukraine began in 2015 when the average welfare of Ukrainian households fell to 1.8% and 9.2% of the same indicators in France and Poland.

According to the results of 2019, the average welfare of households in Ukraine was only 3.2% of the average welfare of households in France and 15.2% in Poland (*Table 2*). This corresponds to the level of Ukraine in 2011-2012.

**Table 2. Dynamics of household wealth in France, Poland and Ukraine in 2010-2019, $ thousand per adult**

| Year | France | Poland | Ukraine | Ratio of indicators of Ukraine and: | |
|---|---|---|---|---|---|
| | | | | France (%) | Poland (%) |
| *2010* | 282.7 | 46.3 | 6.5 | 2.3 | 14.0 |
| *2011* | 280.0 | 45.4 | 7.7 | 2.8 | 17.0 |
| *2012* | 277.7 | 47.1 | 9.1 | 3.3 | 19.3 |
| *2013* | 289.1 | 52.1 | 10.0 | 3.5 | 19.2 |
| *2014* | 254.1 | 51.7 | 5.7 | 2.0 | 11.0 |
| *2015* | 236.8 | 45.4 | 4.2 | 1.8 | 9.2 |
| *2016* | 238.4 | 46.6 | 4.7 | 2.0 | 10.1 |
| *2017* | 281.8 | 59.2 | 7.5 | 2.7 | 12.7 |
| *2018* | 277.2 | 56.3 | 8.3 | 3.0 | 14.7 |
| *2019* | 276.1 | 57.9 | 8.8 | 3.2 | 15.2 |

Source: (Credit Suisse Research Institute 2019, p. 72-110), authors' calculations

The societal threat is that the scale of poverty growth in Ukraine in the post-pandemic period maybe even more impressive. In June 2020 the IMF downgraded its forecast for Ukraine's GDP decline in 2020 from 7.7% to 8.2% due to the lack of household savings, financial instability and limited fiscal support for the Ukrainian economy during the COVID-19 pandemic. Accordingly, a greater macroeconomics recession, otherwise things being equal, will lead to a greater incidence of poverty and marginalization.

This large-scale increase in poverty in Ukraine can not only significantly strengthen the social divergence of Ukraine and the European Union but also make it virtually impossible to reverse this negative trend, even in the long run.

Additional pressure on maintaining the convergence processes between Ukraine and the European Union is provided by the insufficiently sustainable state of the Ukrainian monetary and financial system. It is mainly related to the incompleteness of financial sector reforms and the low level of development of financial services markets in Ukraine; low efficiency of the country's financial integration into the European and global space; vulnerability of the national monetary and financial system to the external impact of crisis phenomena (Borzenko 2019, p. 80).

To avoid a negative scenario for the long-term deepening of socio-economic divergence between Ukraine and the EU, Ukraine must adapt a relevant European experience in overcoming divergence to its reality. The main ways of such adaptation for Ukraine today are as follows:

– settlement of the conflict in Donbass, restoration and reintegration of the territories occupied and affected by the conflict;
– the implementation of an effective anti-crisis policy to overcome the consequences of the COVID-19 pandemic;
– carrying out effective institutional transformations, in particular, reducing the level of corruption;
– recovery of the industrial profile of the state;
– acceleration of innovation and investment modernization and structural and technological renewal of production;
– overcoming the debt dependence of the state;
– strengthening social protection and improving the quality of life;
– refracting the negative demographic trend and the trend of rapid labor migration outside of Ukraine.

None of these paths is easy for Ukraine due to the lack of political will, highly professional managers and the necessary resources, which can make overcoming the socio-economic divergence of Ukraine-EU a task for the next decades.

## Growing demand for the Welfare State under the influence of the COVID-19 pandemic: how it will help overcome social divergence between countries

One of the priorities of the new European Commission, which began work in December 2019, was social development and building a "strong social Europe" that could meet today's challenges. In early 2020, trying to find adequate responses to the challenges posed by trends in digital societies, ageing population (demographic shifts) and the EU's planned transition towards a climate-neutral economy, the European Commission presented to the public, EU institutions and social partners special Social Policy Action Plan.

This document is a draft of Action Plan on the further implementation of the European Pillar of Social Rights that will be adopted in 2021, and provides for the development and public discussion in EU on a number of important initiatives: the New Skills Agenda for Europe; fair minimum wages for workers in the EU; European Unemployment Re-insurance Scheme; An updated Youth Guarantee; A Green Paper on Ageing; Strategy for Persons with Disabilities; A European Gender Equality Strategy, etc. (European Commission 2020a). The next round of consultations on the topic area "Reinforcing Social Europe" was held by the European Commission in June 2020, noting that "[…] the Action Plan on the European Pillar of Social Rights will be a crucial component of our long-term recovery strategy. We can only emerge from this crisis by putting employment and social matters at the heart of our plan" (European Commission 2020c).

The European Commission's approaches clearly demonstrate the commitment in modern EU policy to the priorities of the Social Agenda, the strengthening of Social

Europe, and generally the preservation of the European Welfare State model. This was especially noticeable during the spread of the COVID-19 pandemic, which greatly strengthened the public demand for an effective model of a welfare state, which, even in force majeure events, has efficient and stable healthcare, social protection, education, etc.

To counter the coronavirus pandemic and overcome its consequences, the European Union, with some delay and incoordination in the beginning, has implemented a number of effective anti-crisis initiatives, including the Coronavirus Response Investment Initiative; Temporary Framework to enable Member States to further support the economy in the COVID-19 outbreak; State aid Framework Flexibility; broad anti-crisis initiatives to support the employment and earnings of European workers, etc.

According to the European Foundation for the Improvement of Living and Working Conditions, the proposed set of measures within these initiatives was unprecedented in the history of the European Union, but the effectiveness of these measures was not always high. As of June 2020, partial unemployment benefits have been most effective in most EU Member States, while simplification of credit for small businesses and social support for informally employed workers have proved ineffective (Eurofound 2020, p. 51-52).

It is important that these EU approaches in the future will directly contribute to overcoming both imbalances and divergences in the employment of the European Union and social divergence between its member states in general, and can be adapted accordingly in the formation of Ukraine's pro-convergence policy (Kostrytsia, Burlay 2020, p. 97-101).

At the same time, modern social policy of Ukraine should not only meet the goals of its European integration policy, but also contribute to overcoming the deepening national demographic crisis, as well as leveling existing threats to social security of the Ukrainian state, the main among which experts identify the following:

- encroachment on the territorial integrity of the state, related to the annexation of Crimea and the armed conflict in Donbass;
- high level of poverty;
- inefficiency of the public administration system, imbalance of national security and social policy;
- the imperfection of the state policy on preservation of human potential;
- growth of social inequality in society, deformation of the social structure of society (Novikova (ed.) 2020, p. 370-383).

## Conclusions

The processes of socio-economic convergence and divergence of states play an important role in the global paradigm of sustainable development. Thus, inter-country convergence contributes to the achievement of the Sustainable Development Goals for the period 2015-2030, while divergence moves away from it. Therefore, the success of countries' integration policies is largely determined by the results of their convergence and ability to overcome existing divergence trends, which are likely to intensify under the influence of the COVID-19 pandemic, which catalyzed a new large-scale crisis in the global economy.

The European Union has its own success story in ensuring the convergence of member states and has created effective mechanisms and approaches to overcome the divergence between them, including social divergence. Ukraine needs to adapt these mechanisms and approaches to its reality in order to reverse the trend of socio-economic divergence with the EU that has emerged since 2014. The reversal of this negative trend should be seen as a necessary, but insufficient, condition for achieving the ambitious goals of the EU-Ukraine Association Agreement.

Particular attention should be paid to social aspects when forming Ukrainian state policy which will reduce its divergence with the European Union. This is relevant given the growing scale of poverty in Ukraine and the growing global demand for the Welfare State under the influence of the COVID-19 pandemic.

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## PRZEZWYCIĘŻANIE ROZBIEŻNOŚCI W WARUNKACH ZRÓWNOWAŻONEGO ROZWOJU: DOŚWIADCZENIE EUROPEJSKIE I JEGO DOSTOSOWANIE NA UKRAINIE

**Streszczenie:** Osiągnięcie Celów Zrównoważonego Rozwoju do 2030 roku możliwe jest poprzez przezwyciężenie międzynarodowej społeczno-gospodarczej rozbieżności, która może znacznie zwiększyć się w wyniku pandemii COVID-19. Unia Europejska ma duże doświadczenie w pokonywaniu różnic między państwami członkowskimi, co może być również przydatne w przypadku Ukrainy, która wdraża układ o stowarzyszeniu z UE. Jego wprowadzenie utrudniają różnice między Ukrainą a UE w ostatnich latach. Dziś Ukraina potrzebuje nowego podejścia do polityki państwa pozwalającej przezwyciężyć rozbieżności z UE i promującej integrację europejską. Celem tej publikacji jest poznanie głównych kierunków polityki państwa ukraińskiego w zakresie przezwyciężania różnic gospodarczych i społecznych z Unią w warunkach zrównoważonego rozwoju, z uwzględnieniem odpowiednich doświadczeń europejskich. Aby osiągnąć ten cel, autorki zastosowały metody analizy systematycznej i porównawczej, własne obliczenia ekonometryczne, wyniki innych badań tematycznych oraz oficjalne dane statystyczne. Zgodnie z wynikami badań autorki wyjaśniły następujące kluczowe kierunki polityki Ukrainy w celu przezwyciężenia jej rozbieżności z UE: rozstrzygnięcie konfliktu zbrojnego w Donbasie, reindustrializacja, zmniejszenie zależności od długu publicznego, znaczne ograniczenie wysokiego poziomu korupcji i ubóstwa oraz innych. Wyniki tego badania można wykorzystać jako podstawę naukową do kształtowania polityki państwa w zakresie integracji europejskiej Ukrainy.

**Słowa kluczowe:** polityka gospodarcza i społeczna, integracja europejska, konwergencja, dywergencja, efekty COVID-19, Ukraina