

20 Years of EU Membership in Charts and Numbers

Impacts of EU Membership on the Czech Economy and Society

This year, we commemorate the 20th anniversary of Czechia's membership in the European Union. A whole generation of Czech citizens has grown up within the EU. This moment offers a good opportunity to look back and evaluate what EU membership has brought us in terms of living standards, quality of life, and societal cohesion. The aim of this brochure is not to provide a comprehensive overview of the benefits and costs of Czech membership in the EU, but rather to illustrate the development of the Czech economy and society through selected indicators across a broad range of areas from economic convergence to the labour market, social sphere, and environmental quality. Although not all opportunities offered by EU membership to Czechia have been fully exploited, it can be generally stated that the original expectations associated with joining the EU have been met: EU membership has been a key factor in bringing Czechia closer to the living standards of Western Europe.

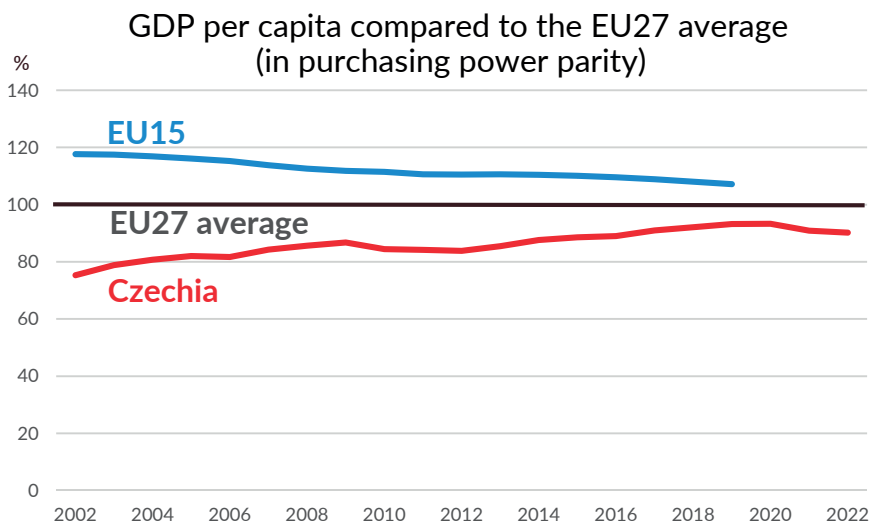
This publication was created for the Government Office by a team of authors consisting of Pavlína Žáková, Petr Zahradník, Martin Bursík, Luboš Komárek, and Zbyněk Štork. The graphic design was done by Martina Wranová.



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Convergence in living standards

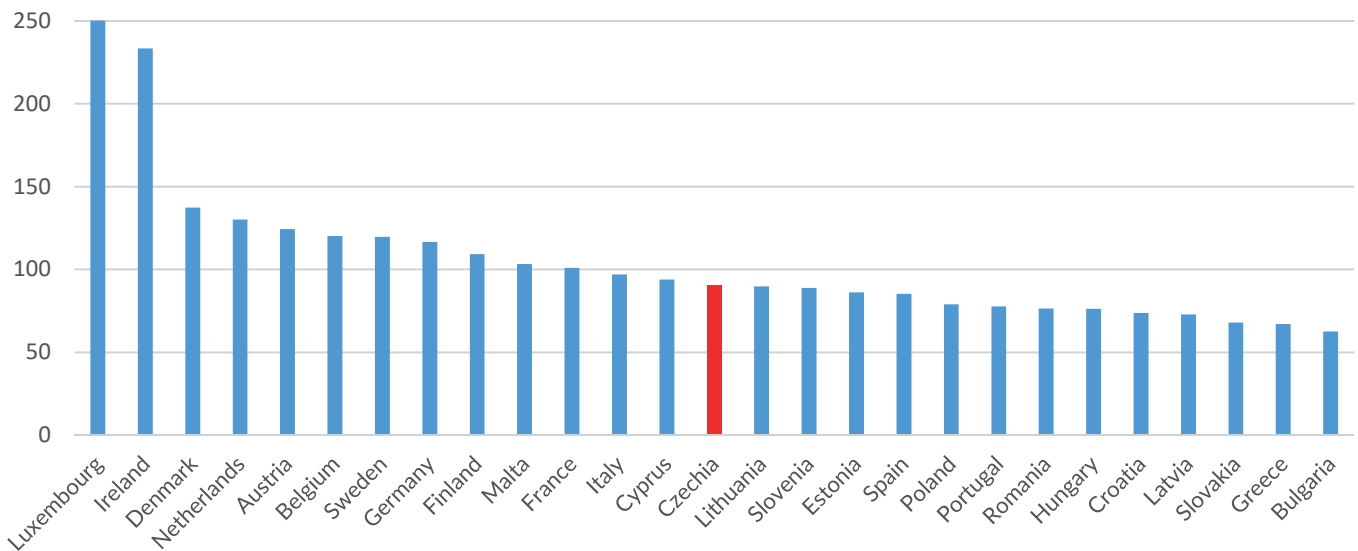
The standards of living in Czechia have risen to 90% of the EU average and approached the level of Western Europe.



When joining the EU, Czechia's GDP per capita was at 80% of the EU average. Since then, Czechia has overtaken Greece, Portugal, Spain, Slovenia, and approached Italy. In 2022, the GDP per capita reached 90.3% of the EU average. Among the ten countries that joined in 2004, only Malta and Cyprus have a higher standard of living.

Source: Eurostat

GDP per capita in 2022 (EU27=100, in purchasing power parity)

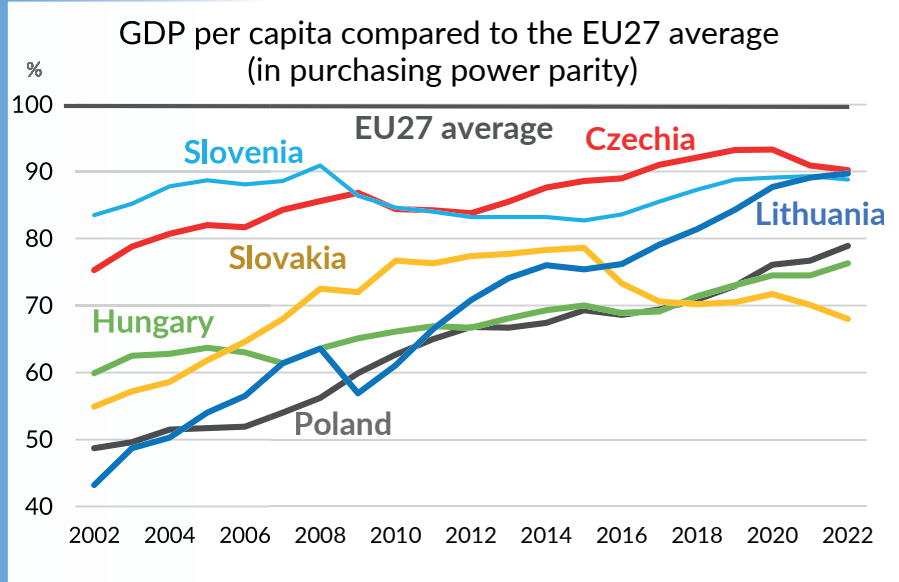


Source: Eurostat

Some countries that joined the EU in 2004 have experienced faster growth.

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Poland or the Baltic countries have utilized the convergence trend significantly better. While Czechia has only closed the gap with the EU average by 10 percentage points over the last 20 years, Poland has risen from 50% to 80%, and Lithuania, the 'biggest jumper,' even from 43% to 89% of the EU average.



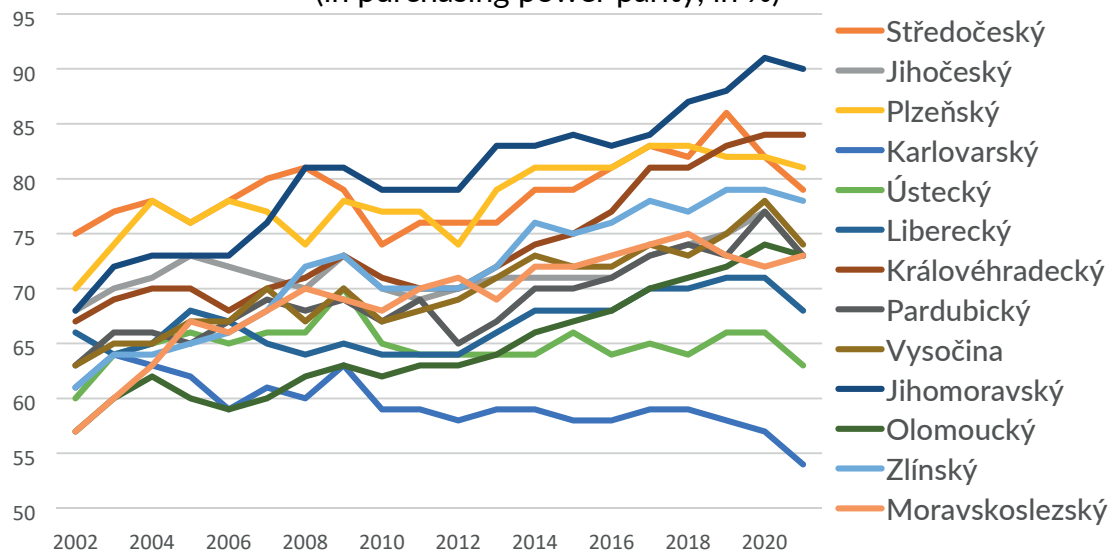
Source: Eurostat

The gap grows wider between regions in Czechia.

While Czechia as a whole is converging towards the EU average, some regions are diverging instead. Specifically, standards of living have grown more slowly in the Karlovy Vary and Ústí nad Labem regions than in the rest of the country and compared to the EU average since joining the EU. The potential of EU funds has been significantly better utilized in the case of the Moravian-Silesian region. The biggest leap among the Czech regions is seen in the South Moravian region.

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GDP per capita compared to EU27 in Czechia regions (in purchasing power parity, in %)



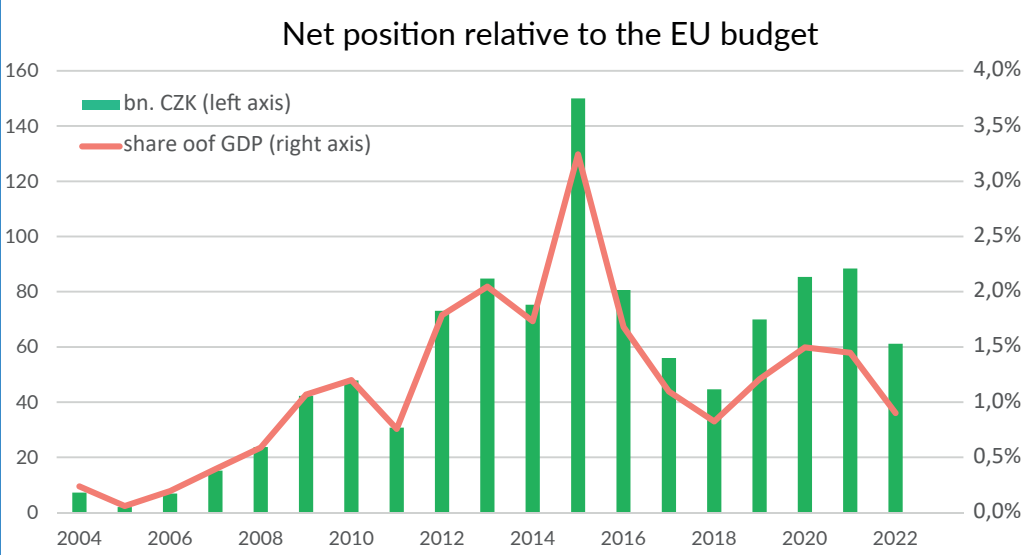
Note: Prague is outside the limits of the graph (2002: 159 %, 2021: 203 %)

Source: Eurostat

Contribution of the EU budget to economic convergence

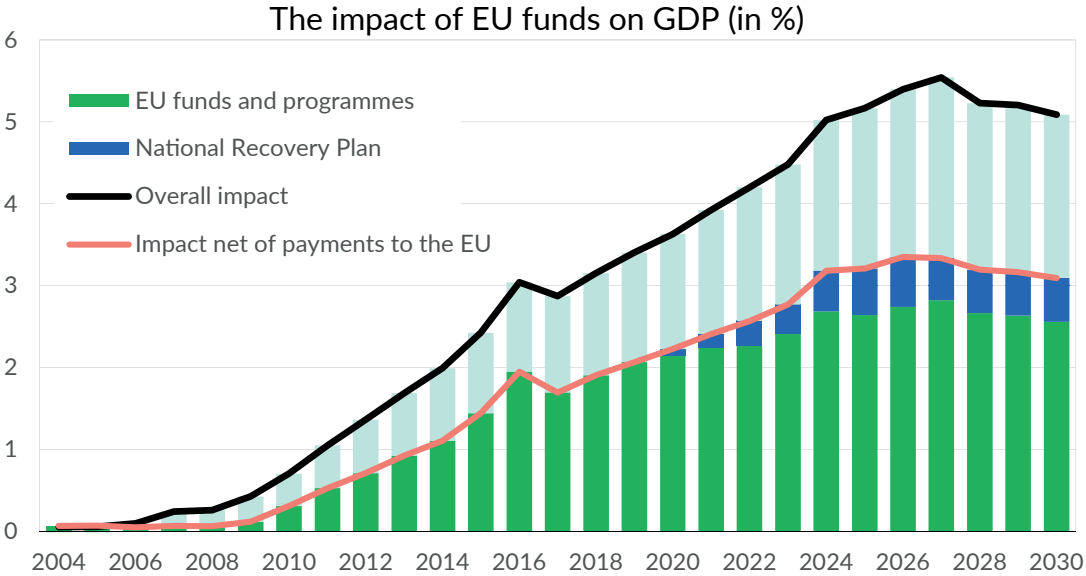
Czechia receives more from the EU budget than it contributes. Since joining the EU, the net position has exceeded 1 trillion CZK, averaging more than 1.2% of GDP annually.

In recent years, revenues from the EU budget have ranged between 100 and 150 billion CZK annually. Czechia's contributions to the EU budget are around 50-70 billion CZK. As a result, every year, thanks to the EU budget, Czechia has additional approximate 70 billion CZK at its disposal, which is more than the annual budget of most ministries.



Source: Ministry of Finance

EU budget revenue has a significant macroeconomic impact. From EU accession to 2024, EU funds will generate a cumulative output equivalent to 40% of GDP.



Source: Ministry of Finance, QUEST model

During EU membership, GDP has increased annually due to the impact of EU funds and programmes. For 2023, an additional increase equivalent to 4.5% of the GDP level is estimated. On average, over the past 20 years, this represents about 2% of the volume per year. After adjusting for payments to the EU budget, the average annual impact is 1.2% and 2.8% in 2023 alone. Given the implementation of investments and their long-term nature, the positive macroeconomic impact will only become more pronounced over a longer time horizon.

EU funding represents 40-50% of public investment and therefore a significant fiscal stimulus and relief for public budgets.

In the 2014-2020 programming period, cohesion policy support accounted for 40% of public investment, and even 50% in the 2007-2013 period. Without EU funds, many investments would not have taken place at all. The areas of low-carbon economy, transport infrastructure, environment, active employment policy and R&D are the most dependent on cohesion policy funding.

Share of EU cohesion policy support in state budget capital expenditure

52 %	Low carbon economy (energy efficiency in buildings)
40,80 %	Transport infrastructure (roads, motorways, railways)
37,50 %	Environment (climate protection)
28,8 %/66 %	Active employment policy / without Antivirus programme
28 %	Research, development, innovation
18 %	Education

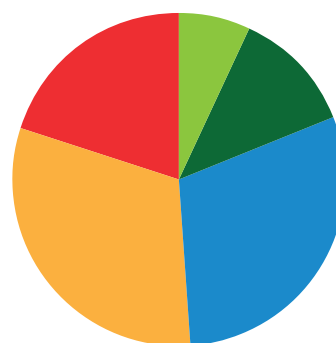
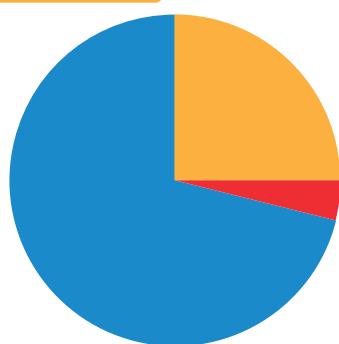
Source: Thematic evaluation of the Partnership Agreement 2014-2020, Ernst & Young, Naviga Advisory & Evaluation for the Ministry of Regional Development, 2023

Although Czechia already belongs to the category of middle-income countries in terms of living standards, in relation to the EU budget it concentrates mainly on funds intended for poorer regions.

Czechia mainly draws from the EU budget through cohesion policy - which has long accounted for two-thirds of EU budget revenue (compared to one-third in the EU). Czechia, together with Slovakia, have the highest share of cohesion revenue of all member countries. On the other hand, Czechia makes little use of directly managed programmes aimed at strengthening competitiveness (programme Horizon Europe for R&D support, Digital Europe, Connecting Europe Facility, etc.).

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Structure of revenues from the EU budget



CZ (2022)

- Cohesion Policy 71%
- Directly managed programmes 4%
- Common Agricultural Policy 25%

EU27 (2021-27)

- Directly managed programmes 20%
- Common Agricultural Policy 31%
- Cohesion Policy 30%
- others 12%
- EU administration 7%

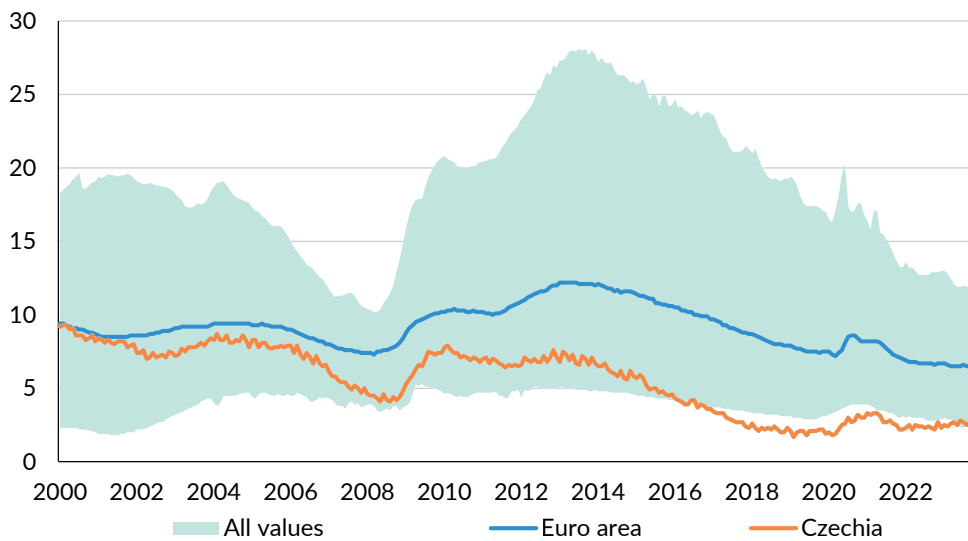
Source: Ministry of Finance, European Commission

Labour market and social area

Lowest unemployment rate in the EU.

Since joining the EU, the unemployment rate has fallen from 6% to below 3% and since 2016 it has even been the lowest in the EU (Malta and Poland will approach Czechia's level in 2023). While low unemployment contributes to the performance of the whole economy and saves public money on unemployment benefits, it is a drag on further growth and puts upward pressure on wages, which - if stronger than labour productivity growth - weakens competitiveness.

Unemployment rate (in %)

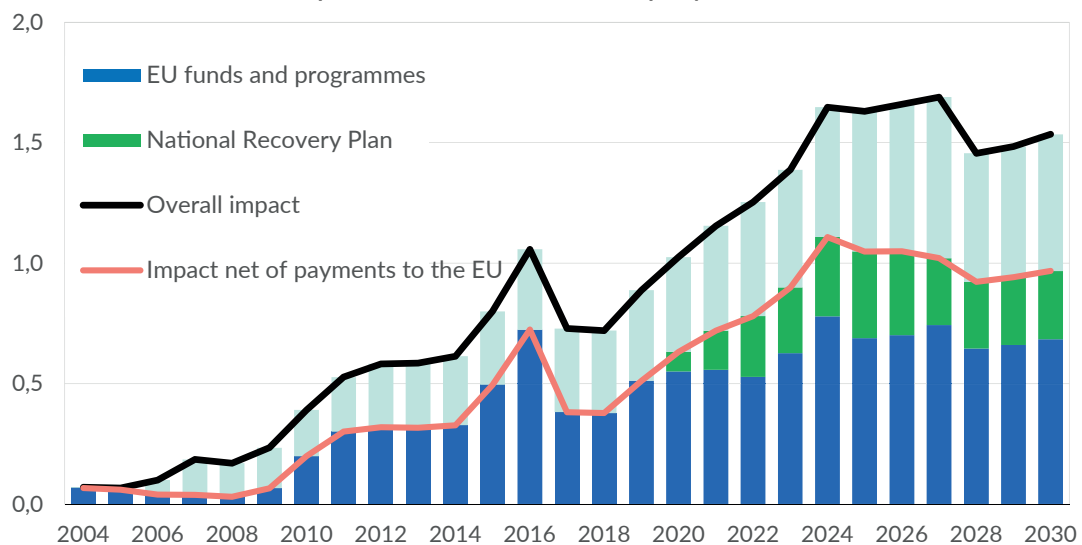


Source: Eurostat

EU funds contributed significantly to higher employment.

During EU membership, EU funds and programmes have increased labour demand by an average of 0.6% of employment per year. After adjusting for payments to the EU budget, the average effect of the funds is 0.4%. This represents around 761 thousand potentially additional employed persons between 2004 and 2024 (451 thousand net of EU budget payments).

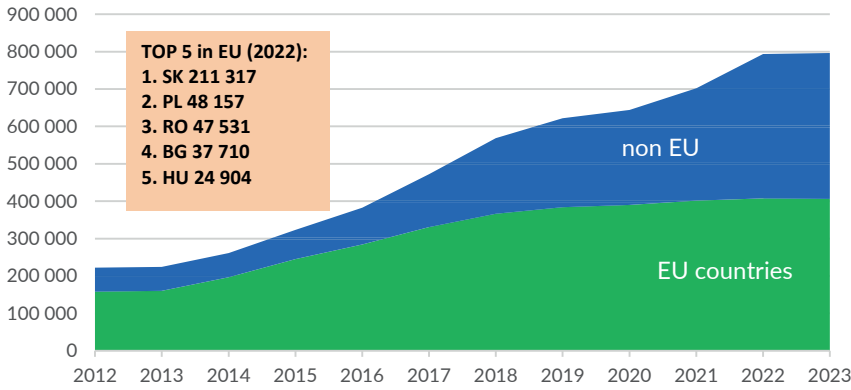
The impact of EU funds on employment (in %)



Source: Ministry of Finance, QUEST model

Free movement of persons has led to an influx of workers from EU countries, but Czechia is still below the EU average in terms of labour mobility

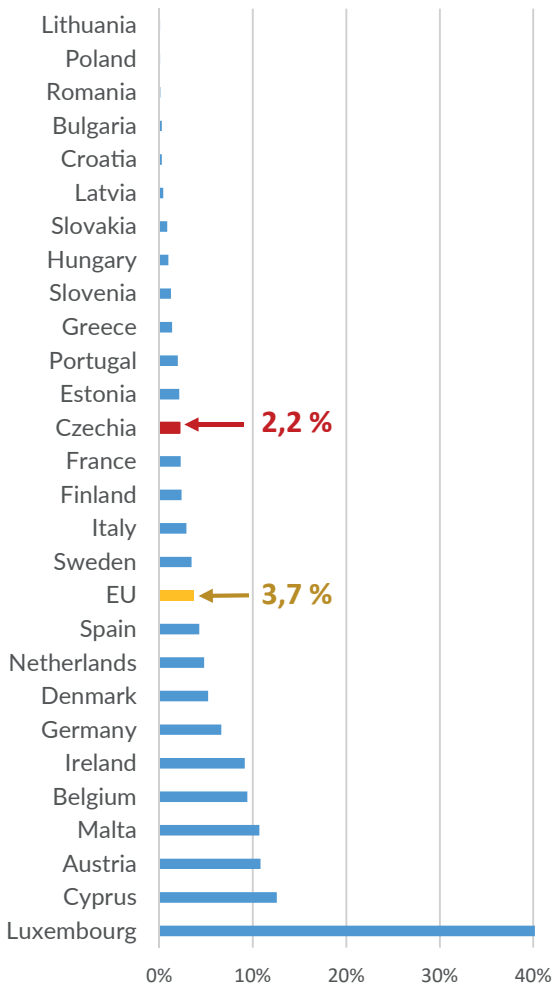
Foreign employment in Czechia



Comnt: data for 2023 is as of 30.6. 2023
Source: Ministry of Labour and Social Affairs

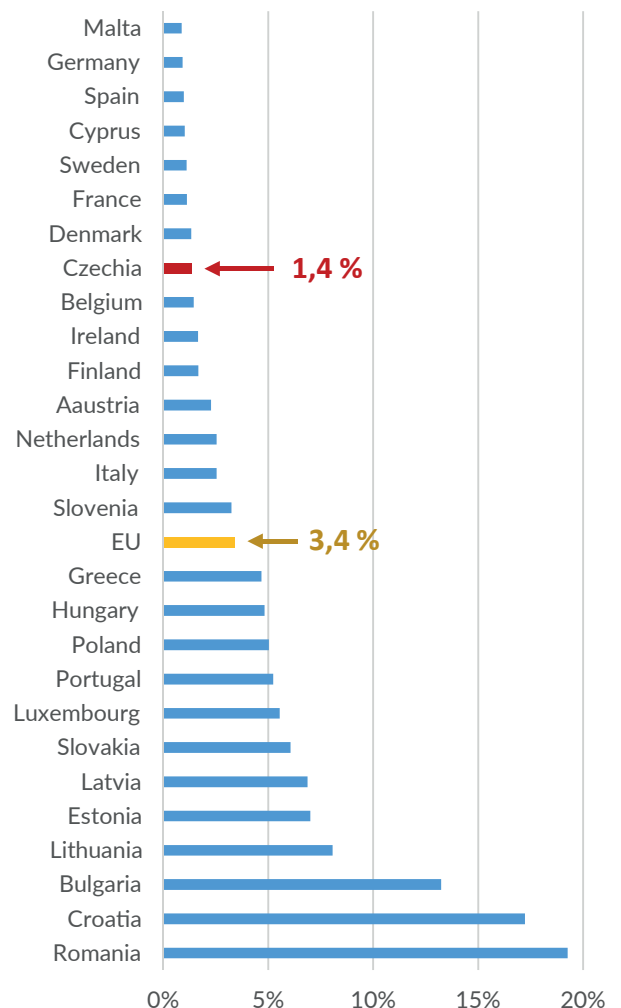
The increase in the number of EU workers has slowed down after 2018, and the inflow of non-EU workers started to dominate. While in 2012, EU citizens accounted for 71% of foreign employment, by 2023 it will be only 51%. Czechia is below the EU average both in terms of attractiveness for other EU citizens and even more so in terms of the outflow of Czechs to work in other EU countries. It is true that there are more EU citizens working in Czechia than the number of Czechs working abroad. Most Czechs go to Germany (about 50%), with another 11-12% going to Austria and Slovakia.

Inflow from the EU Share of non-EU nationals in working-age (15-64) population (2022)



Source: Eurostat

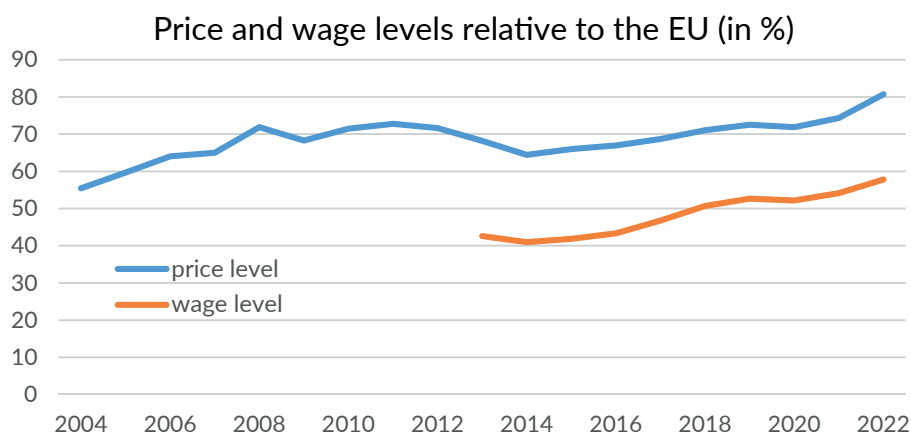
Outflow to the EU Share of citizens aged 15-64 in other EU countries (2022)



Source: Eurostat
Note.: Incomplete data for EL, FR, HR, CY, MT, PL

Price levels in Czechia have risen to 81% of the EU average since EU accession, wage convergence is much more gradual, but at the limit of what is possible.

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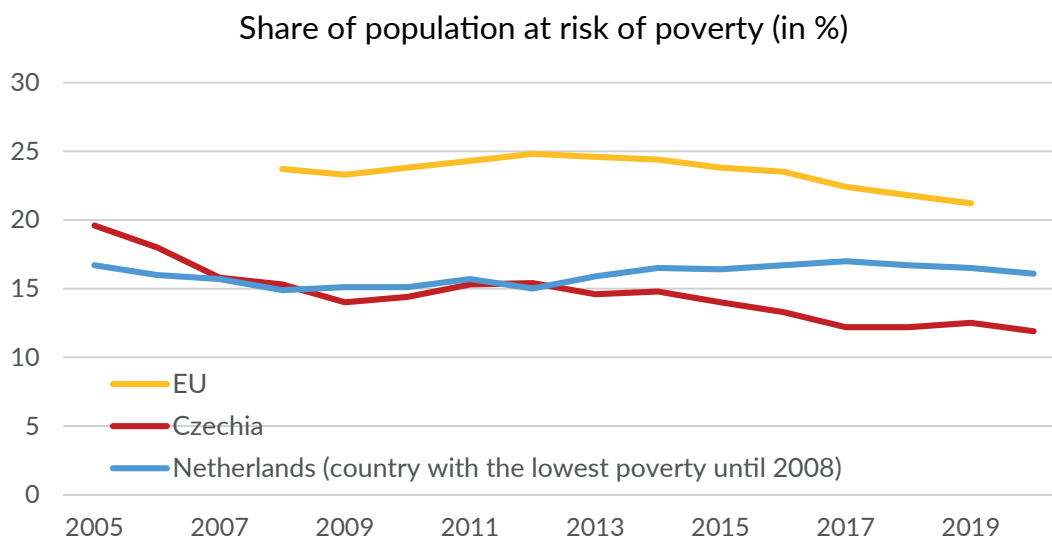


Due to rapid growth in recent years, the price level has risen from 55% to 81% of the EU average between 2004 and 2022. However, wage levels are still only at 60% of the EU average. This is despite relatively rapid nominal wage growth, which has been repeatedly, e.g. in the context of the European Semester- assessed as excessive (relative to labour productivity growth) and potentially harmful to competitiveness.

Source: Eurostat

After joining the EU, Czechia gradually became the country with the lowest poverty rate.

The poverty rate has fallen from 20% to around 11% since EU accession, affecting around 750 000 people. EU funds have demonstrably contributed to this positive development, in particular through projects aimed at coordinating work in socially excluded localities, supporting social entrepreneurship (people with disabilities) and increasing the capacity of services and social work.



Source: Eurostat

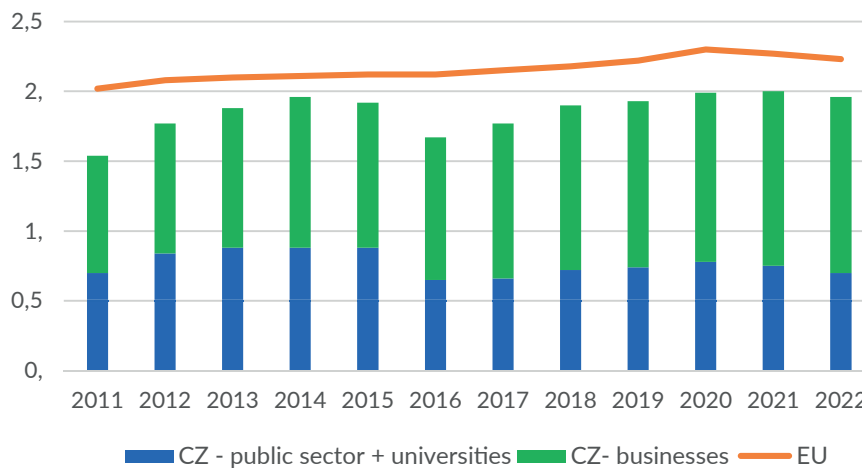
Research and development

Since joining the EU, R&D spending in Czechia has approached the EU level. However, the problem is low efficiency of R&D spending and dependency of public R&D on EU support.

Czechia ranks among the EU countries with a relatively higher share of R&D spending (10th position in 2022). R&D intensity is an important factor for the country's future knowledge prosperity and competitiveness. Robust interventions from cohesion policy funds have contributed significantly to this satisfactory position (in the period 2014-20, cohesion policy accounted for 28% of the state budget expenditure on R&D)*. However, weak efficiency of R&D spending, reflected in low and stagnant numbers of patents and cited publications, is a problem.

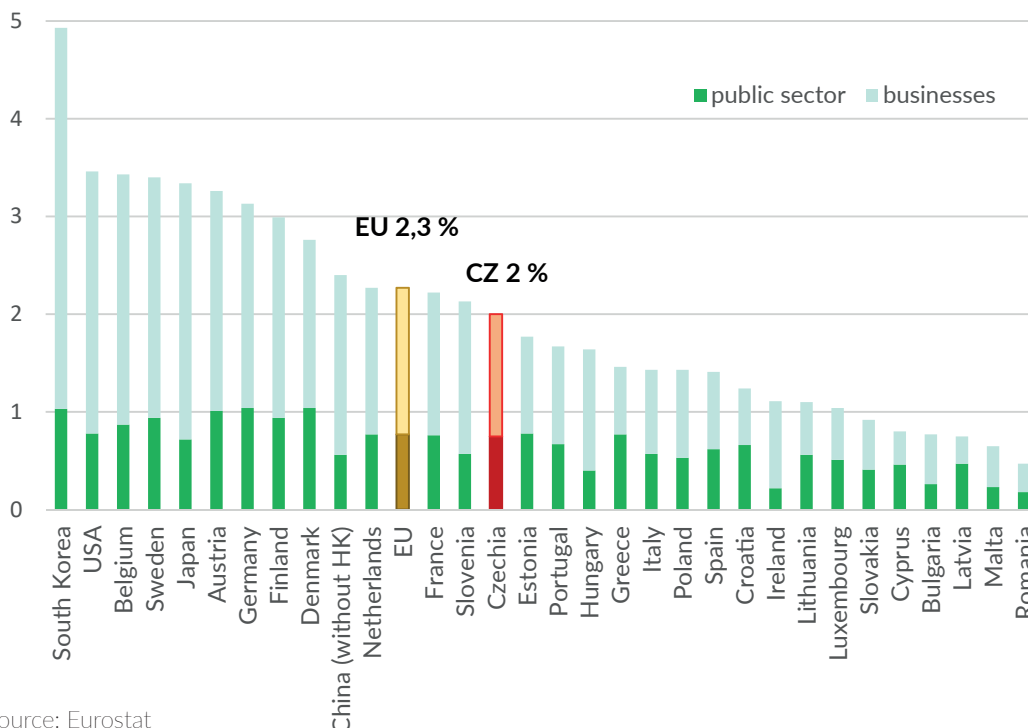
* Thematic evaluation of the Partnership Agreement 2014-2020, Ernst & Young, Naviga Advisory & Evaluation for the Ministry of Regional Development, 2023

R&D expenditure as % of GDP



Source: Eurostat

R&D expenditure as % of GDP (2021)



Source: Eurostat

Education

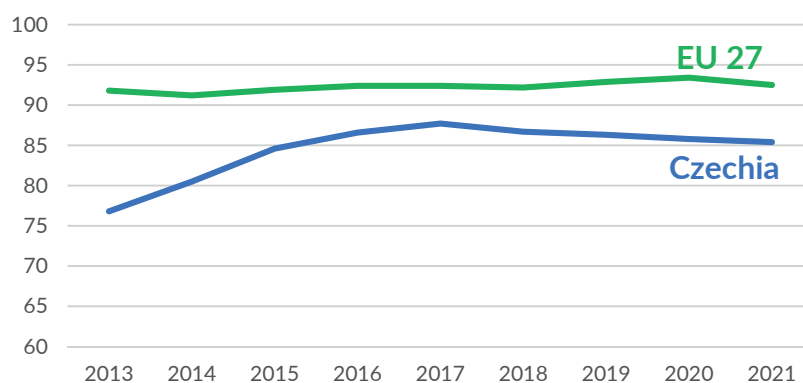
EU funds have enabled an increase in the proportion of children enrolled in pre-school education, yet Czechia still lags behind in this respect.

The share of 3-year-olds enrolled in pre-school increased from 76.6% in 2013 to 85.4% in 2021, as a direct result of EU investment in developing nursery and children's group capacity. Compared to other EU countries, this share remains the 3rd lowest. Moreover, the representation of children under 3 years of age is not increasing.*

* Thematic evaluation of the Partnership Agreement 2014-2020, Ernst & Young, Naviga Advisory & Evaluation for the Ministry of Regional Development, 2023.

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Share of children aged 3+ in pre-school (in %)

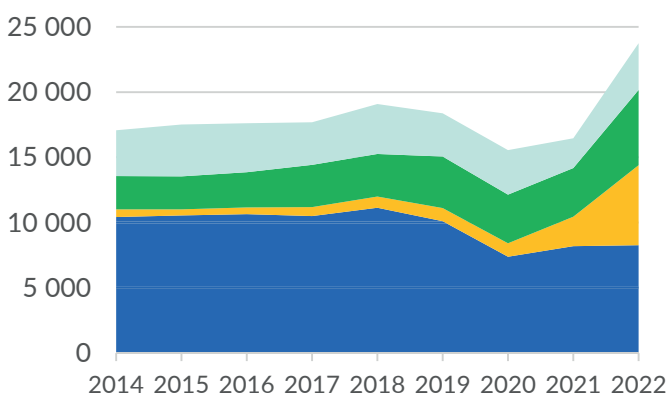


Source: Eurostat

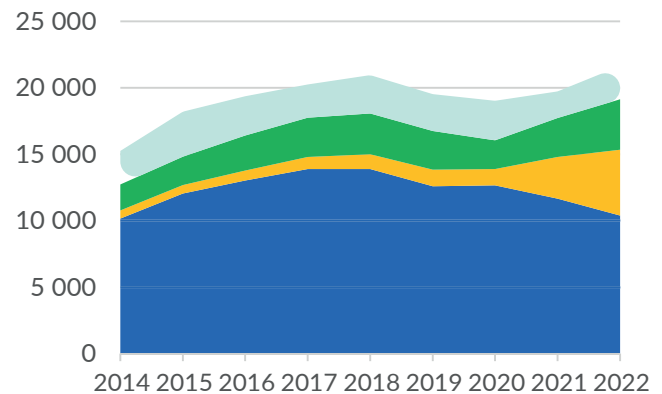
The Erasmus programme contributes to student mobility and interest in Erasmus continues to increase due to its positive impact on job opportunities.

Thanks to the Erasmus programme, 411,000 Czechs have been able to study or intern abroad since 1998, while around 450,000 people have visited Czechia. Interest has been growing across all sectors of the programme, which was reflected in an expanding budget.

ERASMUS - Departures from Czechia
total: 165 330



ERASMUS - Arrivals in Czechia
total: 175 989



- Non-formal youth education
- Vocational education and training
- School education
- University education

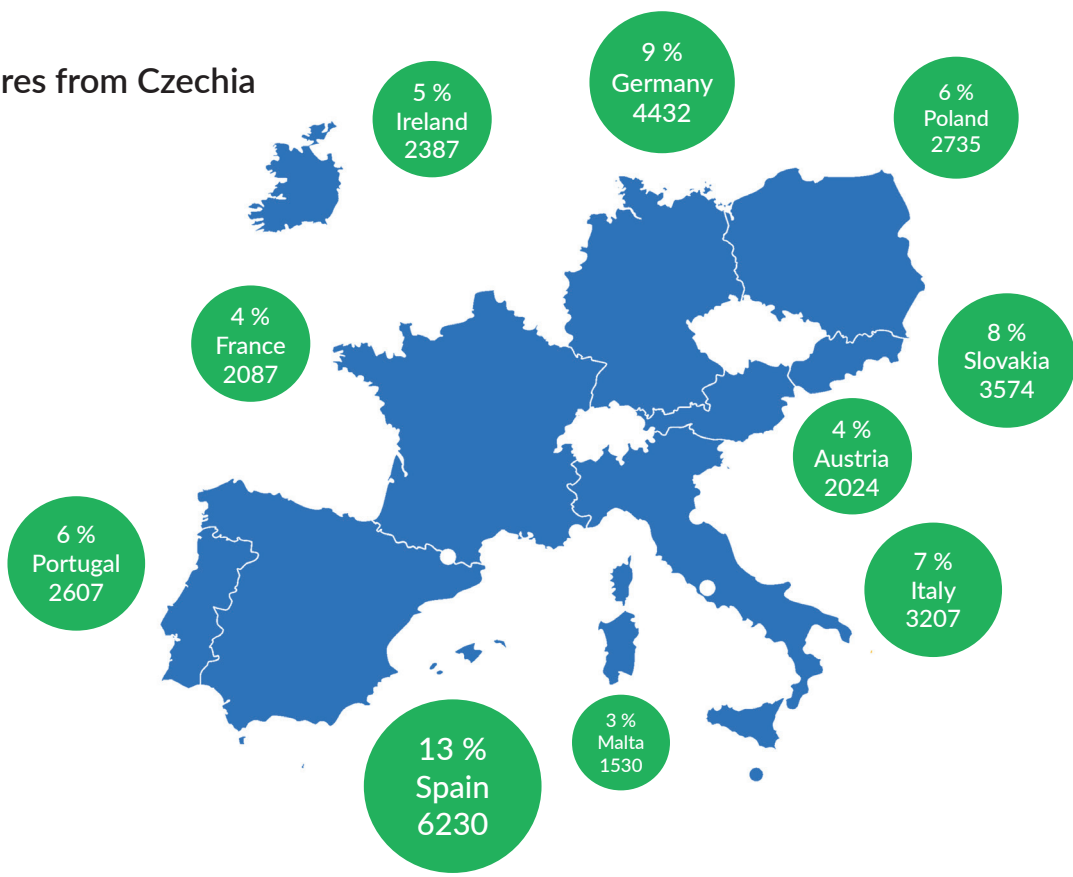
- Non-formal youth education
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Source: European Commission Dashboard

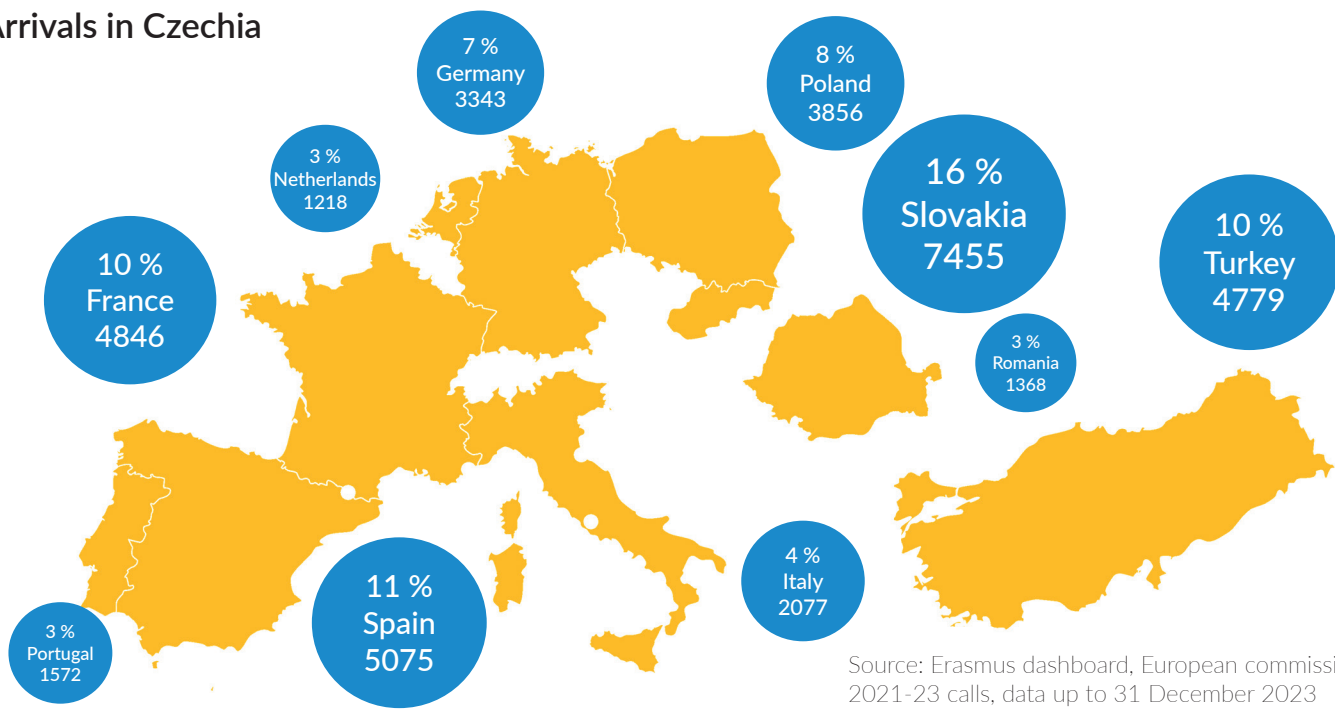
According to a 2022 STEM/MARK study, participation in Erasmus leads to greater life satisfaction (86%), greater confidence and belief that jobs are easy to find, and higher salaries.

Top 10 sending and receiving countries under Erasmus

Departures from Czechia



Arrivals in Czechia

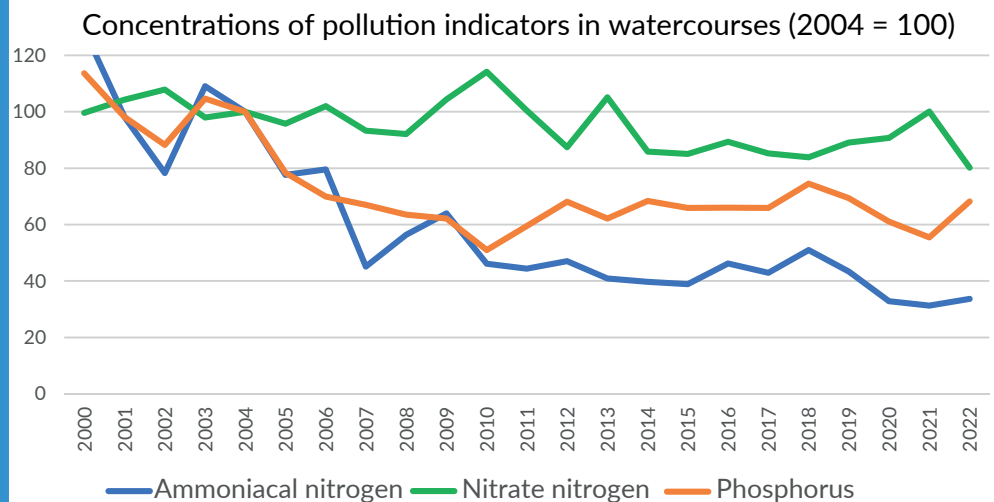


Source: Erasmus dashboard, European commission, 2021-23 calls, data up to 31 December 2023

Environment

Since joining the EU, water quality has improved significantly thanks to stricter regulations and investment from EU funds in wastewater treatment capacity and increasing proportion of citizens connected to water infrastructure.

Between 2004 and 2022, the concentration of ammonia nitrogen in surface water decreased by 66%, mainly due to more efficient wastewater treatment. Sewage treatment plants and phosphate-free detergents have led to a 32% reduction in phosphorus. The contribution of EU funds has been evident in the construction of wastewater treatment plants: 87% of the population is connected to wastewater treatment plants. 96% of the population is connected to public water supply.



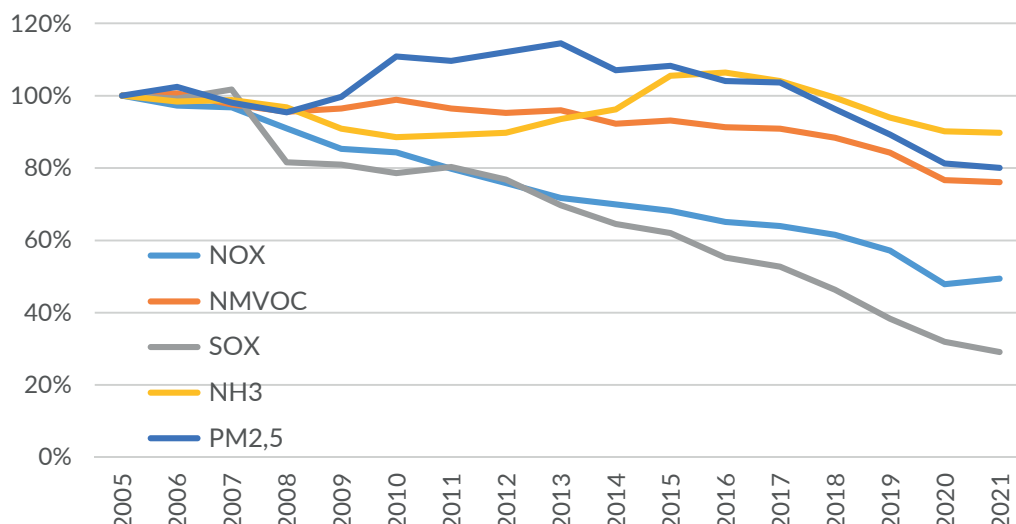
Source: ČHMÚ

There has also been a substantial reduction in suspended particulate matter concentrations in the air, partly due to EU funds and partly due to the tightening of emission limits for industrial polluters.

Emissions of sulphur dioxide SO₂ have fallen by 70%, nitrogen oxide NO_x by 47% and fine particulate matter PM₁₀ and PM_{2.5} by 20% since Czechia joined the EU. The share of the population living in areas exceeding the PM_{2.5} emission limit has fallen from 26.5% in 2014-2015 to 1.4% in 2019-2021, also thanks to the so-called "boiler subsidies". Almost 90,000 households have benefited from support to replace their solid fuel boilers.* Current emission trends suggest that Czechia will meet the Directive's emission reduction commitments by 2025.

* Thematic evaluation of the Partnership Agreement 2014-2020, Ernst & Young, Naviga Advisory & Evaluation for the Ministry of Regional Development, 2023

Emissions of selected pollutants (2005 = 100)



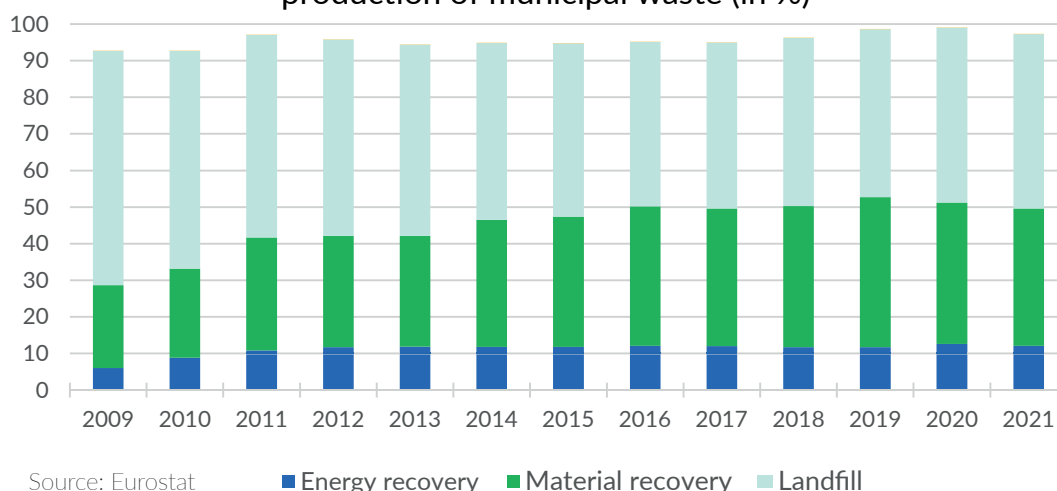
Source: CENIA

Thanks to EU funds, Czechs have learned to sort municipal waste and compost well, but the recycling rate is still below the EU average and we are failing to reduce landfilling.

The recycling rate of municipal waste has risen from 23% in 2009 to 38% in 2021. EU funds have clearly contributed to the increase in the material recovery rate of municipal waste and increased sorting. The impact is most evident in composting, where 70% of the increase between 2015 and 2021 is the direct effect of cohesion policy investments.* However, the recycling rate remains below the EU average (49%) and has stagnated since 2015. This is due to the overall increase in municipal waste (2nd highest in the EU in the period 2006-2021) and insufficient capacity to recycle sorted waste (Czechs sort a record 78% of PET bottles, but only 40% are recycled). This is why the share of municipal waste going to landfill has been increasing in recent years (48% in 2021, compared to the EU average of 18%), in contrast to EU trends.

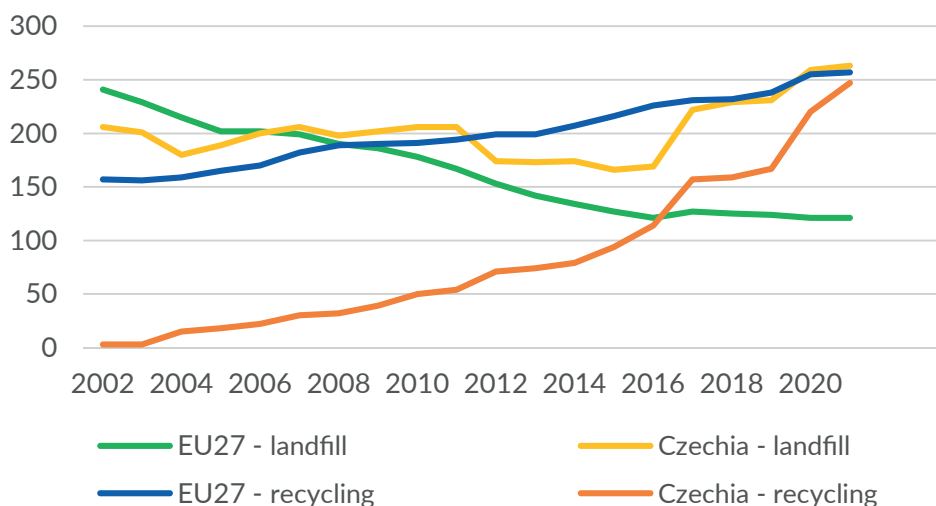
* Thematic evaluation of the Partnership Agreement 2014-2020, Ernst & Young, Naviga Advisory & Evaluation for the Ministry of Regional Development, 2023

Share of selected methods of municipal waste management in the total production of municipal waste (in %)



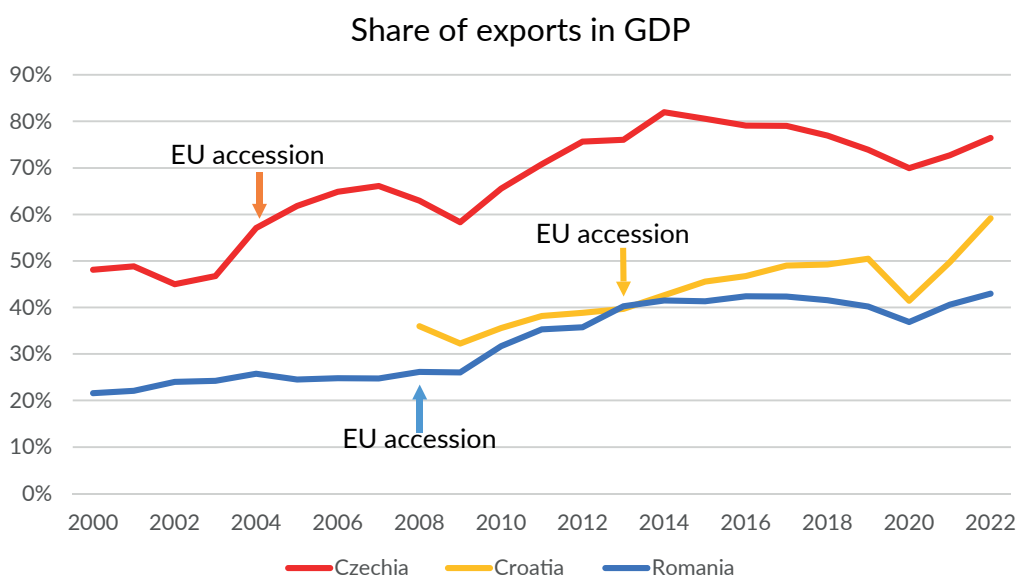
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Waste management (in kg per resident)



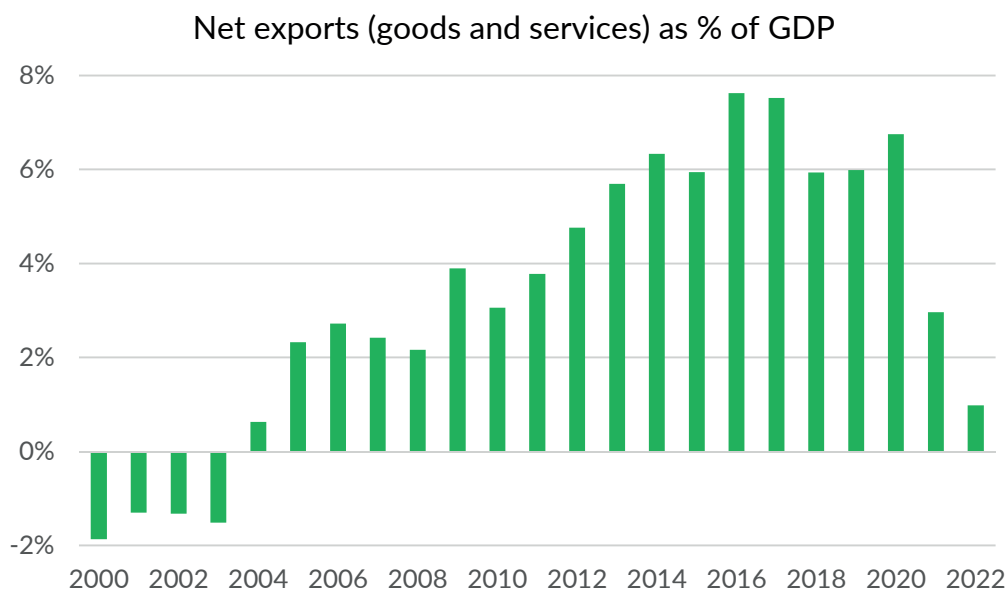
Foreign trade and balance of payments

Accession to the EU was a major boost for foreign trade both in the case of Czechia and other countries that joined the EU later.



While exports of goods and services accounted for 45-50% of GDP before EU accession, they expanded to around 80% of GDP after joining the EU internal market. A similar effect can be observed, for example, in Romania, which joined the EU in 2007, or Croatia (accession 2013).

Zdroj: Eurostat



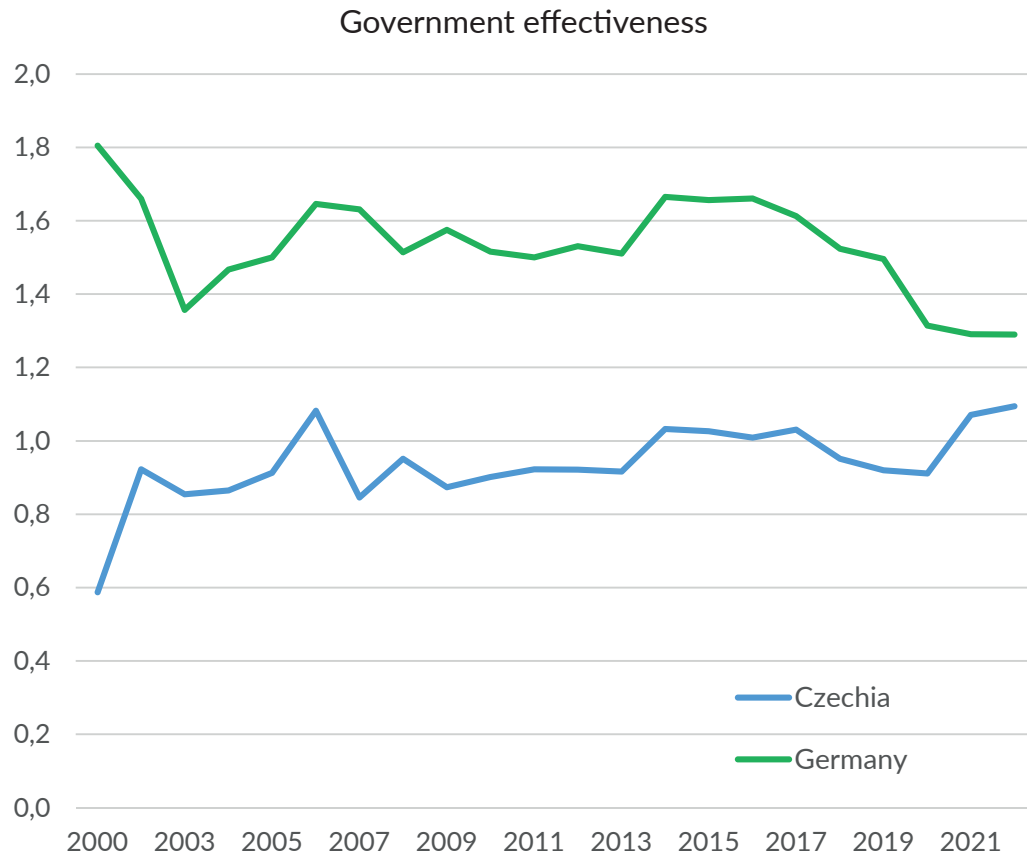
Source: European Commission (AMECO)

Over the last 20 years, net exports of goods and services have made a significant contribution to GDP growth. The contribution of net exports to GDP growth over this period averaged 0.5 percentage points (0.3 percentage points higher than in the EU). Between 2021 and 2022, net exports deteriorated significantly due to high oil and gas import prices, a declining electricity trade surplus and slowing demand from Germany.

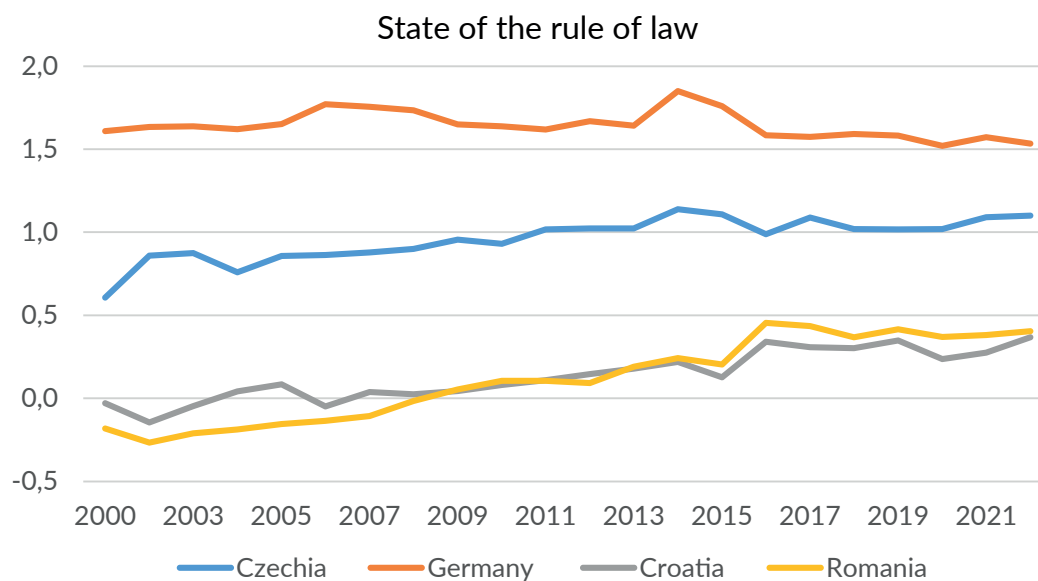
Accession to the EU has contributed substantially to Czechia's positive trade balance, and foreign trade has become a strong pillar of the Czech economy.

Quality of governance

Government effectiveness and rule of law in Czechia improved dramatically before EU accession, thanks to reforms that were a prerequisite for EU membership. Rule of law has continued to improve over time, and the positive impact of EU accession is evident also in other member countries.



Source: World Bank, World Governance Indicator

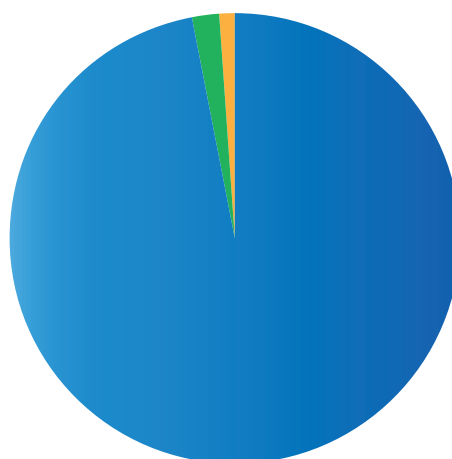
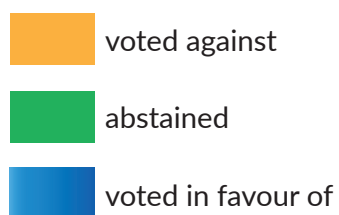


Source: World Bank, World Governance Indicator

Czechia takes part in decisions that affect the whole EU.

In the 2009-2022 EU Council vote, Czechia voted overwhelmingly (97%) in favour of the legislative proposal under co-decision procedure, abstained in 2% and voted against in 1%.

Position of Czechia in the Council of EU decision making 2009-2022



Source: VoteWatchEurope



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