



## Investments in education - an imperative objective for Europe

*Investițiile în educație – un imperativ pentru Europa*

*Professor Ion IONIȚĂ, Ph.D.*

The Bucharest Academy of Economic Studies, Romania  
e-mail: ion\_ionita@yahoo.com

*Mariana IATAGAN, Ph.D Student*

The Bucharest Academy of Economic Studies, Romania  
e-mail: iatagan.mariana@yahoo.com

### **Abstract**

*The increase of competitiveness through education-research-development, the demand for more, better jobs, the assurance of a sustainable development are the results of the investments made in education and development. However, we believe that the investments made in education can only get efficiently anchored in the European context, as the Communication of the Economic and Social Committee to the European Parliament, the Council, the Economic and Social European Committee, the Regions Committee regarding the fully promotion of the youth's participation in education provide. The stipulations of the communicational assent mention that the investment programmes must be aimed at the achieving of necessary reforms in key fields, such as curricular fields, quality assurance and qualification acknowledgement. Those who invest in education and training – the state, the local communities, the organizations and the people that are not aware of the European dimensions of the decisions they make, will have to deal with a low efficiency of their investment.*

**Keywords:** *education, finance, investment, reform, quality assurance*

### **Rezumat**

*Creșterea competitivității prin învățământ-cercetarea-dezvoltare, crearea de noi locuri de muncă, mai multe și mai bune, asigurarea unei dezvoltări sustenabile sunt rezultate specifice investițiilor alocate în educație și formare. Noi apreciem, însă, că investițiile făcute în educație pot deveni pe deplin eficiente numai dacă sunt ancorate în contextul european, așa cum se prevede în Comunicarea Comitetului Economic și Social European către Parlamentul European, Consiliu, Comitetul Economic și Social European și Comitetul Regiunilor privind promovarea participării depline a tinerilor în domeniul educației, al ocupării forței de muncă și în societate (CESE 76/2008). În prevederile avizului de comunicare se menționează că programele de investiții trebuie orientate spre realizarea reformelor necesare în domenii cheie, cum sunt cele curriculare, asigurarea*

*calității și recunoașterea calificărilor. Cei care investesc în educație și pregătire – statul, comunitățile locale, organizațiile sau persoanele care nu sunt conștienți de dimensiunea europeană a deciziilor luate se vor confrunta cu o eficiență redusă a investiției.*

**Cuvinte-cheie:** *învățământ, finanțare, investiții, reformă, asigurarea calității*

**JEL Classification:** I22

### **Present orientations regarding the improvement of education and of professional development**

Achieving the goals of Lisbon Strategy is possible only through highly qualified and adaptable manpower, able to make efficient use of knowledge and of the new available technologies. These goals can only be achieved through increasing participation in education throughout life, through increasing people’s educational level, through increasing the capacity of the educational system to provide the competence and the qualifications demanded by the labour market.

In order to support personal development, social inclusion and admittance to the labour market, the educational process has to focus on development in key fields, indispensable to active life in a society based on knowledge. Knowledge applied to production, as a result of the research activities, essentially depends on the competitiveness of human resources in that field.

Under such circumstances, we estimate that, between 2007-2013, the main strategic orientations in education and professional development in Romania would be:

- the adaptation of education and professional development to the demands of the society and of the labour market;
- the guarantee of educational quality and the compatibility between the national educational system and the European standards, through assuming the key competences promoted by the EU at a national level, but also through potentiating the valuable traditions of the Romanian education;
- the decentralization of the educational system and the increase of its autonomy;
- the reformation of early education;
- the guarantee of an equal access to education and professional development.

In what regards the finality of the educational and professional development process, a growth of work flexibility and security as well as an improvement of the access to the work field should be kept in view. The correlation between the educational supply and the labour market could be achieved by several means, such as: making education develop those competences, skills and abilities demanded on the labour market, grounding the schooling number on the premises of the existing demand in the labour market as well, making the social partners aware of the educational issues.

All the states in the world, except for those with a planned economy, display a low correlation between the work demand and the work supply, both on a short and a long term, in respect of their educational systems. This situation can be noticed in our country as well, where, starting with 1990, the higher education experienced an important “quantitative boom”, determined by the lack of an appropriate legislative framework, able to support the

foundation of some new educational institutions. As a consequence of the establishment of a large number of private universities, the number of students has significantly increased, leading to an increase of didactic vacancies, concomitantly with the increase of study programmes, all these due to unjustified decisions and the lack of a research that would have permitted establishing the real demand of the market. This situation had also a negative impact on education, causing a serious decrease in the number of competent teachers correlated to the number of students. The phenomenon emerged in state universities as well, in which the number of public universities increased, too. As a consequence, between 1990-1996, the number of students recorded in the public system raised from 192,810 in 1990, to about 250,836, in 1996. This fact made possible the growth in the performance indexes from 831, in 1990, to 1819 in 1996. Obviously, the growth in the number of students is a positive aspect, but it hadn't been correlated to the appropriate growth of human resources, especially of specialized teachers, and thus the consequences could be noticed in the graduates' level of training..

### **The evolution of the public education financing systems in Romania**

Until 1990, the main financing source of the Romanian public higher education was represented by the budget allocation destined for such purpose. Due to the changes occurred at the level of the higher education system, during the period of time between 1990-1996, certain changes were brought also within its financing principles, which are similar to the changes at the level of the OECD countries, as follows:

- a system of budget funds allocation, corroborated with the increase of the universities' financial autonomy;
- the diversification of the financing sources by distributing the costs for education also to its beneficiaries and to the economic agents introducing for this purpose the schooling fees;
- a clearer distinction between the funds for education and those for research.

Even in such conditions, the budget allocations continue to represent the most important financing source for the Romanian public higher education.

An important stage in the reform process was represented by the replacement of the budget financing with the university global financing based on an institutional contract with the Ministry of Education and Research. This change represented a method to obtain better performances in education and in research by a better financial resources management. Thus, the level of financing a public university was mainly determined by performance and by efficiency criteria.

Starting with 1999, the forms for financing higher education were modified again, passing to a methodology of distributing the budget allocations based on a formula (*quantitative component*) in compliance with the fundamental principle „resources follow students”. Since 2002, the methodology is completed as well by a qualitative component, permanently updated during the period between 2003-2007.

The evolution of the basic financing - 1998-2007 is shown in the table 1.

## The evolution of the basic financing

Table 1

	1998	1999	2000	2001	2001	2003	2004	2005	2006	2007
Basic financing (mil. Euros)	137	106	133	145	149	164	205	263	327	439
GDP (mil. Euros)	37436	33388	40346	44904	44402	52613	60842	79551	97118	99993
Euro exchange rate (annual average value)	1,999	1,630	1,996	2,603	3,126	3,756	4,053	3,623	3,540	3,35

*acc. to CNFIS, June 2008*

Except the budget resources, the universities can mobilize supplementary income sources, according to the legal stipulations. The funds coming from the state budget represent approximately 50-70% of the total budget. The rest are funds coming from taxes, research contracts, services and other types of activities.

The comparative analysis with the main countries in the EU shows that in Romania a very low level of expenses for education is recorded, as a percentage of the Gross Domestic Product, even though the allocations increased significantly during 2006.

Another important component of the higher education financing system in Romania is represented by the complementary financing, meant to cover the complementary expenses for the direct expenses, determined by the didactic process, which are important both for sustaining the development in optimal conditions and for the development of education (such as: allocations for laboratories equipment, capital repairs, investments and research), as well as for performing other university objectives or services (research, micro-production, administrative services for students etc.). In this field as well, the income sources for the complementary activities are made up of public incomes (amounts allotted from the state budget) and own incomes (donations, sponsorships and taxes got, according to the law, from individual and legal entities, be Romanian or foreign ones, and from other sources), which can have a greater importance depending on the involvement of universities in activities generating income.

Regarding the topic related to equipment and investments, the proposals of the National Authority for Scientific Research (ANCS) take into account the distinction between investments such as constructions, consolidations and the independent equipment, but also the necessity of financing with priority the construction of educational and social premises. Regarding the distribution per universities of the funds approved for capital repairs for buildings and constructions, the real technical condition of the buildings and constructions for which are required funds for capital repairs is kept in mind.

The university scientific research represents another field for the higher education financing, and the distribution per universities of such funds is performed on competitive bases, by means of evaluation, monitoring and financing procedures issued by CNFIS through which the budget allocations were increased for the research grants which fit in the strategic directions on a European level and in the priority domains on a national level for research, development and innovation programs.

In order to render more effective the use of the complementary financing, CNFIS intends that the complementary financing for the scientific research be performed also for sustaining the universities, to increase the visibility of the research activity and of its results (financing for establishing famous publishing houses/publications; the elaboration of annals, scientific publications, conferences organized in the country, publications subscriptions, access to on-line databases and scientific articles etc.). Also, a complementary financing fund was initiated in order to support students, aiming at the financial support for students’ mobility (Erasmus complementary), financing programs for master’s degree, doctor’s degree and post-doctoral degree.

The education financing systems are in a continuous improvement. In this sense, we consider that an effective solution for the financing problems related to education in Romania is the financing of study programs and not of equivalent students. The State will compare the costs of a study program running at various universities (which propose such programs) and it will then establish an average cost/program/student. The State will cover then from the public budget only this average cost, and the public universities shall then be forced to ask for study fees at the level of their own costs for a smaller number of students, in order to cover partially the costs of a greater number. The universities which will have real costs under the average cost shall have an advantage, receiving the amounts according to the average costs and not to the number of students or to their own costs. Another improving directions of financing the education and the professional training, which must have the attention of the Ministry of Education and Research and that of the universities are: diversification of the public financing funds for sustaining the differentiation of the system and the focusing of the resources according to quality; multi-annual financing, per cycles of study; encouragement of universities to get funds for research from private companies; introduction of a correct system of evaluation of the universities’ responsibilities in managing public funds, so that the autonomy increase associates strictly with the increase of public responsibility.

### **The experience of developed countries in financing the human resources development**

The analysis of the present situation and of the trends shows that the European Union suffers from an insufficient investment in the development of human resources. In average, the European Union member states spend a little more than 5% of the GDP for education and training (financed from public funds), but with substantial differences from one country to another. According to the information provided by the Ministry of Education and Research, in the Report concerning the state of the national education system for 2006, the average recorded by the European Union member states in 2002 was of 5.2%. As indicated in table no. 3, at present, the percentage of the GDP allotted for education is very high as compared to the European Union average, precisely in the countries with a higher quality of life level.

**Public expenses for education (% of GDP)**

**Table 2**

	2003	2004	2005	2006	2007
Denmark	8,33	8,43	8,28	8,3	8,4
Norway	7,54	7,47	7,02	7,9	7,8
Great Britain	5,34	5,25	5,45	6,0	6,2
Germany	4,7	4,59	4,53	5,2	5,2
France	5,88	5,79	5,65	5,6	6,3

*acc. To Eurostat*

From this perspective, the convergence of the Romanian education with those of the main countries belonging to the European Union can only be assured on a long term, requiring investments for the development of the two great categories of infrastructures, of physical and human type. The granting of a percentage of 6% from the GDP for education might make available such resources.

The consolidation of a development pattern on these two directions, under the terms of insuring the coherence and complementarities with the already existent strategic-programmatic instruments (The National Plan for Development 2007-2013, the National Program for Reforms 2007-2010, The National Strategic Reference Frame 2007-2013, The Durable Development Strategy 2025, the Governing Programme 2004-2008, the Convergence Program 2007-2010, the National Strategic Report on the Social Welfare and Social Inclusion 2006 - 2008) reflect the strategic hierarchization of Romania's development objectives, the priority being imposed by the limited character of the available resources.

In the countries where the individuals contribute significantly to the financing of their own education, the governments offer them a considerable support by providing the financial subvention granted for students. These countries have at their disposal various financing schemes for the higher education, either through directly financing the education, or through indirect financing, by supporting students living costs or schooling expenses, or by combining both systems. The public authorities from the Czech Republic, Greece, Spain, France, Poland, Portugal and Switzerland grant more than 90% of the total public expenses for higher education directly to the education institutions.

The transition from the education system to the labour market is an important factor in evaluating the human resources quality. The long term unemployment, the professional declassification are factors that lead to the depreciation of knowledge, abilities and capacities acquired during the schooling period, namely to the depreciation of the human capital. Romania has, at present, an unemployment rate quite low (5.3%) comparatively to the other European Union member states (9.2%), but also an increased part of the population involved in agriculture (27.41% as compared to 5% in the EU) and industry – namely the fields of activity where the level of qualification required is also reduced. The lack of educational and professional training or its reduced level will render quite difficult for the future the integration of high performance technologies necessary, for increasing productivity.

### **Conclusion**

In our study, we have tried to underline the idea that investment in education, and especially in higher education, is a profitable investment which guarantees positive long-term effects, both upon the individual as well as upon the social-economic progress of the entire society.

The financing of public universities in Romania has started to improve since 2006. However, in order to reach the “Lisbon goals” by Romania (established by the European Committee, having the deadline 2010), which dovetail with the deadline for the foundation of the European Framework for Higher Education (EC document “*A Coherent framework of indicators and benchmarks for monitoring progress towards the Lisbon objectives in*

*education and Training”- Brussels, February 21<sup>st</sup>, 2007*), we should have our government financing us with at least 2% of the GDP by 2010 in point of higher education only.

But, at present, the financial level in Romania is even much lower. Between 1999-2005, it represented 0,45%-0,46% of GDP for public outlay (besides research and repayable loans), 0,69% - 0,78% for total outlay in point of higher education. Thus, as experts state, investment in education would be one of a best efficiency. It is true that once the level of education has increased, the income would also raise much above the average. The advantages are more obvious as regards the developed countries. Let's take into consideration the USA, for instance – the difference in average income between university graduates and high school graduates was between 40-50% at the beginning of the '60's and has continuously grown since then.

The economic analysis can underline the reason why in the course of the history there were countries which experienced an extended and continuous growth of the income per individual. Thus, countries such is the USA and Japan have experienced a continuous growth in individual income for over 100 years or even longer than that period. The explanation relies in the expansion of the scientific and technical knowledge, which helps production and labour productivity grow.

The systematic application of scientific knowledge in the production of goods has enormously increased the value of education, especially of the technical one. It is obvious that there is a positive relationship between investment in education and technological progress, the latest having a great influence upon all the fields of the social-economic life.

As a conclusion, one can finally say that education, information and knowledge actually stand for power.

### Bibliography

- Comission of the European Communities, Communication from the Commission (2003) - *The Role of the Universities in the Europe of Knowledge*, Brussels
- Dincă, Gh. & Damian, R. (1997). *Financing of Higher Education in Romania*
- European Commission Report (2006). *Lifelong Learning*. Education and Training Policies, Analyses, Statistics and Indicators, Detailed Analysis of Progress towards the Lisbon Objectives in Education and Training
- “Learning through acting” by Dijon College of Business Studies (the educational institutions become responsible for the probationers) ([www.halde.fr/repertoire-bonnes-pratiques-initiatives-86/consulter-90/bonne-pratique-91/action-ecole-9207.html](http://www.halde.fr/repertoire-bonnes-pratiques-initiatives-86/consulter-90/bonne-pratique-91/action-ecole-9207.html)).
- Marinescu, C. (2004) *Education: Economic Perspective*, Economic Publishing House, Bucharest
- Suciu, Christina (2000). *Investment in Education*, Economic Publishing House, Bucharest,
- Ministry of Education, Research and Youth (November 2006). *Report on the Educational National System*
- National Conference on Scientific Research in Higher Education (CNCSIS Report)
- National Plan of Development 2007-2013
- Post-Adherence Strategy of Romania, for the Period of 2007 – 2013, Sectorial Operational Programme, Human Resources Development between 2007-2013 (MMSSF)