

INVESTMENT IN HUMAN CAPITAL FOR ROMANIA IN CONTEXT OF EUROPEAN UNION INTEGRATION

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Abstract: The adhesion and integration of Romania into the European Union represents a challenge for the investment in human capital and implicitly in education. It is the human capital that is responsible for the competitiveness of the economy hence it has to reach a high level of qualification in order to cut down the unemployment rate to raise labor productivity and to provide a greater mobility of the labor force against the background of the integration into the European Union. The investment in human capital is full of benefits both for the individuals and for strengthening economic, social and territorial cohesion.

Keywords: investment in human capital, educational policy, public expenses

“A sustainable, balanced growth that respects the environment, a high degree of employment level of the labor force and social protection, a higher level and quality of life, a greater economic and social cohesion” strategic target of the EU- until 2010.

The competitiveness of human capital is directly influenced by education level. The educational policy and the respective investments in human capital in order to improve skills and qualifications affect directly both the possibilities of regional convergence and social cohesion. It must be provided an equal access to knowledge and learning throughout the EU in order to avoid both the differences between the learning and training systems and the economic disparities between regions.

Due to its past the European Union is facing some challenges with reference to investment in human capital:

- The delay of structural, labor market and education market reforms;
- Economic low performances compared to USA and Asian countries, for instance: a lower and fluctuating rate of economic growth, a lower adaptability to market dynamics, performance deficit referring to economic growth and the growth rate of productivity, noticeable and chronic processes of population aging, lower quality of education and training which drives a more difficult insertion into the labor market of those that are less qualified especially young people given the rigidities of the European labor markets;
- The requisites of building a knowledge based society and economy;
- The existent gaps between the countries;
- The continuation of the EU enlargement process together with real absorption issues and the ratification of the EU treaty by each of the member countries in the following years.

Among the benefits driven by a larger investment in human capital we can name:

1. At the individual level:
 - Employment level
 - Higher revenues
 - Lower unemployment
 - A better education for children
 - Active citizenship
1. At the macroeconomic level:
 - Higher productivity
 - Higher competitiveness
 - A higher quality of both human factor and products and services

- Higher budget revenues
- A greater social inclusion
- Strengthening of economic, social and territorial cohesion
- A higher vote participation

The investments in human capital complete and provide long run sustainability to the raise of productivity. Investments in human capital assume higher expenses in order to develop human resources with a high degree of training. A high qualified working force with a high level of education possessing the capacity to adapt to new technologies and markets need for change is a must for a dynamic and competitive economy.

As for Romania it needs this type of human resources in order to promote active market policies to increase the adaptability and flexibility of its workforce and must invest in services to develop the productive capacity of the first. The prerequisites of a competitive economy are to achieve a rate of participation in the labor market as high as possible and implicitly a rate of unemployment as low as possible. The education policy of each country is strongly linked to the investment in human capital and for this purpose the European Union has been making efforts since 2000 when Lisbon agenda was adopted. The knowledge sector depends on the possibilities of education and especially on the universities.

The impact of the stipulations of the Lisbon strategy on the policy of occupation of the workforce in Romania is on one hand favorable and on the other hand less favorable. Next using some indicators I will try to track the evolution of the investments and the way the latter is reflected in the economic activity.

One of these indicators is represented by the public expenses for education. With reference to the Romanian education system the expenses for education are covered by public funds, our country holds the smallest weight of the public expenses related to the GDP compared to the other member countries. The real value of the expenses for education has risen yet the Romanian government finds it difficult to reach the minimum level of 5% of the GDP. The expenses fluctuated around the value of 3-3.5% in 2000-2005 and in 2006 rose by 1%. With this value Romania almost reached the weight of education public expenses related to GDP of the European Union in 2005 the average being 5.1% of the GDP. It is forecasted for 2008-2013 that the public expenses for education should rise reaching the level of 6% of the GDP according to the Nation Plan for Education 2008. In Romania there is no private education system the latter measuring 1% of the total of students and therefore the funds for private education reach very low levels. One should bear in mind the option to develop a high quality education private system in the following years.

Public expenditure for education as %in GDP

2000	2001	2002	2003	2004	2005	2006
3.4	3.6	3.6	3.5	3.5	3.9	4.9

Source: Report of national sistem of education - 2006, Ministry of Education and Research

The cost per unit pupil/student is an important indicator that assesses the financial efforts made for supporting the education of each pupil or student that studies full time. The value of this indicator is different from one country to another and within each type of teaching. From the attached table it can be noticed that in Romania these costs rose in 2005 compared to 2001 which is a good thing since expenses for education rose but also a bad thing since the number of students decreased from 4539 thousand in 2001 to 4391 thousand in 2005.

Average costs per pupil in pre-university education (euro) 2001-2005 (euro)

2001	2002	2003	2004	2005
259.2	279.66	291.42	339.16	486

Source: Raport on the status of national education system - 2006. Ministry of Education and Research, Bucharest, 2007

Another indicator is represented by the rate of transition from gymnasium to high school and from high school to undergraduate school. As for the rate of transition from gymnasium to high school or professional school it has an up raising trend that is more noticeable in the case of transition to high school. The latter has reached the value of 92.5% in 2005 compared to 2004. The same trend can be identified when naming the transition from high school to undergraduate education. In 2000/2005 the rate mentioned above recorded values of 53.5% in the university year 2000/2001 and 66% in the university year 2004/2005. Thus one could estimate that in the last reference year two thirds of the students in the 12th grade continued their studies.

The rate of leaving school keeps going down despite the fact that records pretty high values. The main issue is the rate of leaving professional schools that recorded 5.9% in 2005. One of the main causes of the high rate of leaving school but also for the large amount of uneducated students is represented by the low revenues of the families the students belong to. Throughout the program “Money for high school” during the university year 2006-2007, were supported 105.046 students attending full time classes of a high school or vocational school that comply with the eligibility criteria. They are supposed to be awarded a monthly financial aid of 180 RON. In order to reduce the early school abandon, the government initiated the program of early education. The goal of the project is represented by the rehabilitation and equipping kindergartens according to the standards of disadvantaged communities, building new kindergartens, training courses for managers, teachers and parents. The low level of education and the early abandon of school are thought to be factors that increase the risk of becoming unemployed and reach long term unemployment.

Introducing the pre-class before entering primary school and reducing the age for starting the compulsory education from 7 to 6 led to real opportunities for all the children to form the educational skills and in this way setting the path for the development of the child’s personality. The reforms for early education (3-6 years and 0-3 years) according to the European targets of personal development and acquirement of new learning skills and an active life at early age together with the development of the social inclusion system are the target of some actions started to be carried on in 2006. the curriculum for early education will be integrated into the policies and programs of the Ministry of Education in the following period.

Another variable that participates to the creation of human resources with a high degree of qualification is represented by the faculty staff. The qualification, the deficit of qualified faculty are very important since they may influence in a negative way the quality and capacity of reaction to the market of the educational system and professional and technical education especially in the case of new professions. In order to counteract these negative effects was designed the program “Continuous training of faculty staff” that wants to become closer to the school environment. The support provided by the European Social Fund within POS DRU 2007-2013 for the improvement of the initial training of teachers will be completed with the development of a flexible offer of continuous training for teachers; the training will include both pedagogical/method of the subject and training in the major. Due to the Multianual Phare Program for economic and social cohesion 2004-2009 there took place an assessment of the need for professional training for the faculty in high schools and were reviewed the professional standards for teachers, managers and inspectors according to the European standards.

The noticeable differences between rural and urban education were tried to be diminished by different programs that pursue the convergence of rural education to urban education and the elimination of the existent gaps due to the low qualification of the faculty staff but also to bad conditions. Such program is the Project for financing rural education carried on in 2003-2009 (60% World Bank, 30% Romanian Government and 1% local communities). Among the results we can name: professional training for 4000 teachers from the rural region, achievement of 4500 investment goals, equipping 8000 schools grades I-IV, 4000 schools grades V-VIII from 33 counties (www.rural.edu.ro).

Permanent education is one of the objectives of the Lisbon Strategy, records the lowest performances, the gap compared to the average of EU 27 concerning the participation of grown up population to education and training is of 1 to 7.3, bigger for women.

Adults participation on education and training

	2000	2004	2005	2006
EU – 27	7.1	9.3	9.7	9.6
Romania	0.9	1.4	1.6	1.3

Source: EUROSTAT YEARBOOK 2006-2007

Promoting education for research, development and innovation is a contemporary prerequisite of the contemporary education in all the countries bearing in mind that contemporary scientific and technological progress, unseen growth of the direct contribution of intangible assets and intellectual capital are essential factors of competitiveness, sustainable development of the economy and social prosperity.

Public expenditure for RDI (% GDP) in Romania comparing with EU 2000 - 2004

	2000	2001	2002	2003	2004
Romania	0.11	0.15	0.15	0.22	0.21
EU – 10	0.58	0.62	0.66	0.6	0.58
EU – 15	0.56	0.65	0.66	0.65	0.58
EU – 25	0.66	0.67	0.68	0.69	0.47

Source: European Innovation Scoreboard, 2005-2006; Statistical Yearbook for Romania, 2005

In the above table it is easy to see that the weight of the public expenses with research-development-innovation (RDI) was several folds lower than EU average that signals a greater gap of Romania compared to these countries and the fact that this sector has a low potential. It's as clear as possible the fact that this segment needs a boost possible with the help of National Plan of Development, National Plan of Research Development and Innovation, National Strategic Reference Framework, programs for social economic development. In order to boost this sector of RDI within the universities there were set some targets for this indicator for 2007-2013: 0,75% in 2008; 0,90% in 2009; 1% in 2010. in 2006 the sources for these funds were: enterprises 15.6 mil LEI (about 5.6% of the expenses), public funds 232.2 mil lei (about 83.78%), units of higher education 8.9 mil lei (about 3.2%), foreign investment 19.9 mil lei (around 7.2%).

In 2002-2006 the expenses related to RDI reached high levels following a convergent trend in order to achieve the goal set throughout the Lisbon strategy that is 3% of GDP by 2010 of which 1% from public funds and 2% from economic agents. According to official estimation in Romania the 3% target will be achieved in 2013-2015 and that of 1% of public expenses by 2010. this assumes that the public expenses for RDI will multiply by more than 2 in 2007-2010 as in 2007 they weighted 0.38% of the GDP.

Conclusions

Achieving the targets of the Lisbon Strategy casts light upon the importance of permanent education reiterated by the European Council by highlighting the role of the latter in maintaining and raising medium and long run economic competitiveness and as a factor of social cohesion. The last reports related to employment reiterated the importance of education. Joint Employment Reports for 2006/2007 underlines the importance of the investment in human capital throughout education and professional training by achieving new knowledge and competences, by raising the importance of permanent education within the national programs of reform. It is a must to reduce the occurrence of school abandon, to reduce disparities and to focus education on long term policies and to promote the culture of evaluation as a way of increasing the quality of education. Nowadays education equals preparation for employment mobility and performance and excellence in activity. Therefore the school should be dynamic and anticipate and promote the supply corresponding to the tomorrow demand. The education market will be the next engine for sustaining economic growth and social progress.

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