

CORRELATING HCOP PROJECT FINANCING WITH THE NEED FOR WORKFORCE QUALIFICATION IN ROMANIA

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Abstract:

After Romania's integration in the EU, many of the funds directed by the European Commission towards our country were meant to reduce the social and economic disparities between Romania and the developed western countries. The Human Capital Operational Program (HCOP) establishes the investment priorities, specific objectives and actions undertaken by Romania in the field of human resources, thus continuing the investments made through the European Social Fund in the period 2007-2013 and contributing, at the same time, to reduce the disparities in economic and social development between Romania and the EU Member States. This paper is a part of a PhD theoretical research aimed at determining the impact of the distribution of HCOP funds had in the development of workforce qualification in various regions of Romania. It makes correlations between the need for skilled workers in different economic fields, as stated in regional development plans, the actual distribution of HCOP funds via local and regional projects and the actual results the implementation of these projects had. The eight development regions of Romania, as created in 1998, had and have different needs for learning, social and economic development. This research studies the way the financing of the projects addressed these needs and the degree to which the implementation of the afore mentioned projects positively impacted the development of each region. It will show how the more funds are transferred to a region, the more its social and economic disparities are reduced, if these funds are directed towards the real needs of that region. It also presents how implementing projects aimed at qualifying and mobilizing workforce will reduce the unemployment rate, will increase the wages and it will also increase school participation. Basically, the research shows the direct relation between funding projects aimed at human resource development and the actual development of the region in which the funds are invested.

Keywords: *HCOP; workforce; projects; regional development; qualification*

JEL Classification: *D61; D69; H43; I24; I25; I30*

1.General considerations on HCOP implementation in Romania

Romania is facing a significant shortage of highly qualified workers. By 2030, it is estimated that over 600,000 people will be needed to fill highly qualified positions, while specialized universities annually train around 40,000 graduates. This imbalance between supply and demand can affect the economic competitiveness of less developed regions. To address these challenges, it is essential to implement

regional policies that support continuous professional training, stimulate investment in education and create favorable conditions for attracting and retaining talent in areas with low potential.

The Human Capital Operational Programme (HCOP) aimed to mobilize around €5 billion (of which €4.3 billion came from the EU budget) to support Romanians, including young people, in finding a job, increasing their level of education and skills, reducing poverty and social exclusion, and supporting social services and labour market institutions. Particular attention was paid to young people, Roma and rural populations.

The programme has had seven priorities with the following EU allocations:

- “Priorities 1 and 2 were dedicated to the implementation of the Youth Guarantee in Romania, with €211 million for Youth Employment Initiative eligible regions (Centre, South East and South Muntenian) and €362 million for the rest of the country. The measures were to be tailored to the profiles of young people not in employment, education, or training (NEETs). These could include counselling, orientation, training, help to set up companies and support for mobility, as well as incentives for employers to create jobs, apprenticeships programmes” (<https://smartintegration.ro/en/news/ce-adoptat-astazi-programele-operationale-capacitate-administrativa-si-capital-uman/>)
- Priority 3, “Jobs for all”, has had an EU allocation of €1.1 billion. It would support access to employment, with a focus on unemployed and inactive people, long term unemployed, older workers, disabled and persons with lower level of education. This will entail improving their skills, facilitating the recognition of their qualifications or work experience; supporting labour mobility between different regions of Romania and assisting the participants in finding a job or setting up micro companies and SMEs, among others (European Commission, 2023).
- “Priority 4, with €940 million, aimed to promote social inclusion and to fight poverty. Integrated measures would help disadvantaged people, including Roma, to access the labour market, by improving their skills and supporting entrepreneurship and social enterprises, among other actions. Several vulnerable groups would be supported, such as homeless, persons suffering from dependence, victims of domestic violence or trafficking, prisoners or ex-offenders, elderly and disabled people. Specific support would also be provided to social services, such as social assistance, health and care services”, including support the so-called “de-institutionalization” (<https://smartintegration.ro/en/news/ce-adoptat-astazi-programele-operationale-capacitate-administrativa-si-capital-uman/>).
- Priority 5, with €201 million, supported local development under the responsibilities of the communities. It covered urban areas (cities of over 20 000 inhabitants), with a focus on disadvantaged communities. Thus, it would complement the support for rural areas and smaller cities under the Rural Development Programme.
- Priority 6, Education and skills, would invest €1.2 billion to support second chance education for young NEETs, reduce early school leaving, improve access and quality of tertiary education, support apprenticeships,

traineeships and lifelong learning, improve teachers' skills, support entrepreneurship education, as well as vocational education and training in general, always aiming at increasing their relevance to the demands of the labour market. Particular attention was given to disadvantaged people, such as Roma or persons from rural areas or with low skills, for instance through scholarships.

- Priority 7 included the remaining €258 million for technical assistance to implement the programme (www.smartintegration.ro, 2015).

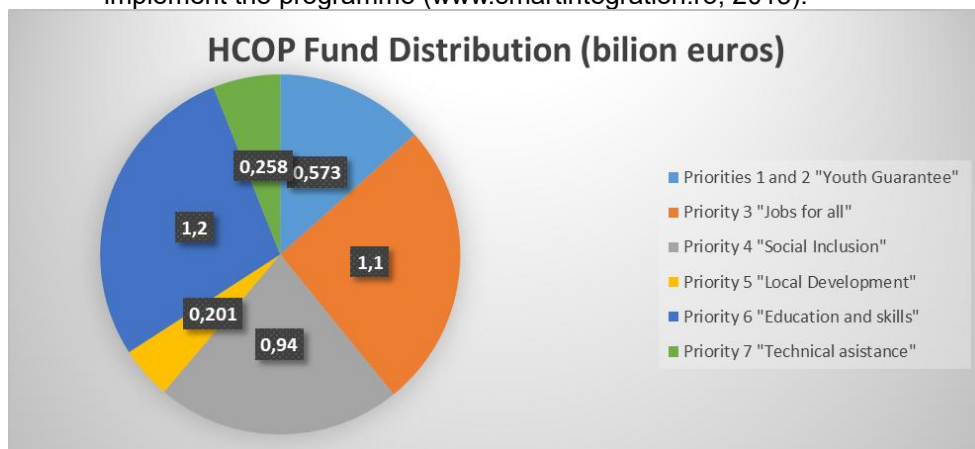


Figure 1 – The prioritized distribution of HCOP Funds in Romania

2. The main challenges addressed by the implementation of HCOP Funds

The main challenges addressed by the implementation of HCOP funds in Romania are: low employment rate, the continuous decrease of qualified (skilled) workforce and the high early school-leaving rate. The alteration of these indicators has a high impact on social inclusion and economic welfare. The need to face these impediments can be seen from the distribution of the majority of funds towards priorities 3 and 6 (jobs, education and skills).

The distribution of skilled labour in Romania's regions is influenced by factors such as the level of economic development, educational infrastructure, and dominant sector of activity. In general, regions with more developed economies and a greater concentration of activities in areas such as IT, financial services, and advanced industry tend to have a higher share of highly skilled employees. (Romanian Government, 2021)

In the year 2015, at the beginning of the implementation of the HCOP funds, the situation was displayed as follows: in the *Bucharest-Ilfov* region, the concentration of highly skilled workforce was of 81,4% out of the total employed workforce, the *Centre* and *West* regions had a concentration of 64,3% and 60,5 %, in the *North-West* region 62,2% of the total workforce was highly skilled, while in *South-West-Oltenia*, 63,3% of the total workforce was highly qualified. *South-Muntenian*'s workforce was 57,8 % highly qualified, whereas the *South-East Region* had 54,2% of its workforce following the same pattern. The least qualified workforce belonged

to the *North-East* region, where most of the job were in agriculture and public service, amounting to 45,1% highly skilled workforce. The displayed numbers refer to the workforce which had graduated at least high-school (12 years of formal education) (www.infrared.ro, 2016).

Another important factor that determined the distribution of highly skilled workforce in Romania was the polarization between the urban and rural area. The highly urbanized regions, such as Bucharest-Ilfov, Centre and West ranked highest in the percentage of highly skilled workforce, while the mostly rural regions like North-East and South-East, ranked lowest.



Figure 2 – The percentage of highly skilled workforce in the total employed regional workforce, in 2015

3. Tackling the most urgent issues

The most pressing issues that prevented Romania from reaching the economic and social status of the better developed countries in the EU were considered to be the high rate of unemployment amongst the young people and persons over 54 years old, who found it difficult to get a job once some of the industries lost their representation in the Romanian economy. Developing new skills was considered to be crucial, both for young persons who were about to enter the employed workforce, as for the older persons who possessed skills that no longer suited the structure of the Romanian economy (such as miners, workers in the extraction industry, workers in the heavy machinery industry etc.)

The need to urgently address these two problems can be seen from the distribution of the HCOP funds, according to the prioritization, as Priority 3 – “Jobs for all” and Priority 6 – “Education and Skills” received the largest amount of financing (1.1 and 1.2 billion euros) (Ministry of Investments and European Projects, 2019).

The actual implementation of the afore mentioned two priorities stands as such: Corresponding to Priority 3 – “Jobs for all”, 651 projects out of a total of 2944 (approximately 22%) were implemented or being implemented at the 31st of January 2023. The total amount distributed across these projects was approximately 7.044 billion LEI, amounting for an average of 10820074,42 LEI per/contract. Out of these

contracts, 12 of them amounting for 42419415,72 LEI were terminated before implementation, leaving a total of 639 contracts implemented or in implementation, amounting for 7001449029,86 LEI at an average rate of 10956884,24 LEI / contract. Corresponding to Priority 6 – “Education and skills”, 1013 projects out of a total of 2944 (approximately 34%) were implemented or being implemented at the 31st of January 2023. The total amount distributed across these projects was approximately 5.53 billion LEI, amounting for an average of 5454055,75 LEI per/contract. Out of these contracts, 17 of them amounting for 69916000,66 LEI were terminated before implementation, leaving a total of 996 contracts implemented or in implementation, amounting for 5455042475,06 LEI at an average rate of 5476950,276 LEI / contract (Ministry of Investments and European Projects, 2023).

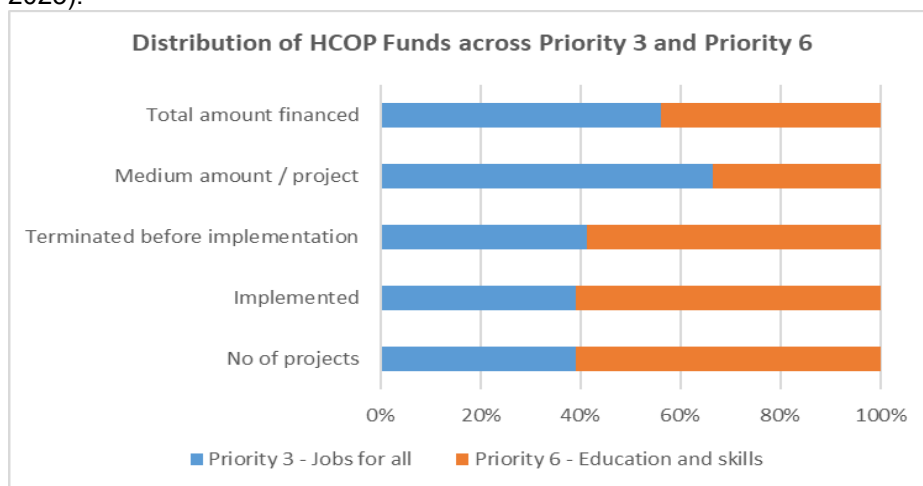


Figure 3 – The distribution of HCOP Funds across Priority 3 and Priority 6

As it stands out, the projects aimed at creating jobs and improving skills for people already trained (Priority 3) had a double value per/project than those targeted at NEETs (young people between 16 and 24 years old, not employed or in education or training), financed for Priority 6. We cannot make considerations on the distribution of funds across the eight Romanian regions, as most of the projects were transregionally implemented.

4. Implementation results

In the authors' point of view, the most important results of the implementation of the HCOP projects to be taken into consideration are those related to the creation of jobs for disadvantaged labourers (Priority 3) and to giving a second choice at education and training to young people not employed or in education or training NEETs (Priority 6). We shall take into account the 8-year span between the beginning and the end of the Human Capital Operational Programme, from 2015 to 2023.

Regarding the opportunity to provide good skilled jobs for every labourer, be it through increasing their skills, acquiring new ones or providing new job opportunities for disadvantaged workforce, the 2023 situation (according to the National Institute of Statistics) is as follows:

In what regards the regional considerations, we can state that in the *Bucharest-Ilfov* region there is a significant concentration of highly qualified employees (87 % of the total employed workforce), due to the presence of top educational institutions, multinational companies and a well-developed IT sector, in the *Centre* and *West* regions there is balanced economic development, with diversified industrial and service sectors, which contributes to a higher share of qualified employees (74 % of the total employed workforce), the *North-West* region has a significant share of highly qualified employees, supported by important university centers and investments in areas such as IT and industry (66,3% of the total employed workforce), the *North-East* and *South-Muntenian* regions face challenges in terms of forced migration and dependence on traditional sectors, which can negatively influence the share of qualified employees (52,25% of the total employed workforce) and, finally, the *South-West Oltenia* and *South-East* regions also display low shares of highly qualified employees, reflecting a higher concentration of activities in agriculture and low value-added sectors (55,45 % of the total employed workforce) (Romanian National institute of statistics, 2023).

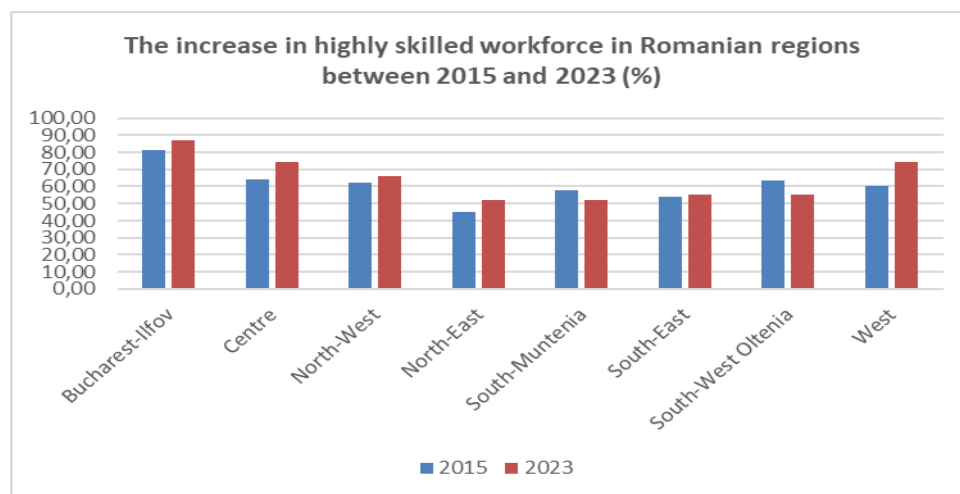


Figure 4 – The increase in highly skilled workforce in Romanian regions (% of the total workforce) at the end of the HCOP programme

In what regards the projects aimed at giving a second choice at education and training to young people not employed or in education or training NEETs (Priority 6), we have the following situation, at the beginning and at the end of the programme: In 2013, the school dropout rate in Romania was 17.3%, according to Eurostat data. This represented the percentage of young people aged 18 to 24 who had completed

no more than the eighth grade and had not followed any form of education or vocational training (Eurostat, 2013).

The distribution of this phenomenon by region was as follows: North-East: 23.6%, South-East: 22.4%, Centre: 21.1%, South-Muntenian: 18.8%, South-West Oltenia: 17.6%, North-West: 16.3%, West: 11.3%, Bucharest-Ilfov: 5.5%.

In 2023, at the end of the programme, the school dropout rate in Romania was 16.6%, significantly above the European Union average of 9.5% and above the EU target of below 9% for 2030. Available data indicate significant variations in the school dropout rate between the regions of Romania: Bucharest-Ilfov: approximately 7.9%, West: approximately 11.4%, North-West: approximately 11%, South-Muntenian: approximately 13%, South-West Oltenia: approximately 14%, South-East: approximately 23%, Center: approximately 23%, North-East: approximately 29.5% (www.monitorsocial, 2023).

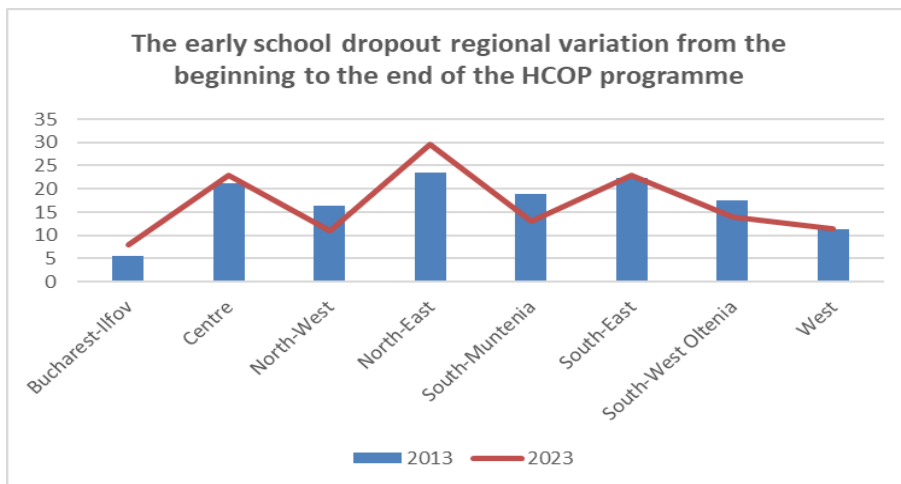


Figure 5 – The early school dropout regional variation from the beginning to the end of the HCOP programme

Taking into comparison the results of provided by the National Institute of Statistics for the 2013 and 2023 years, we can determine that there wasn't a great decrease in the early school dropout rate at the end of the programme implementation, it being only of about 0,7 percentage points. The regions with the largest decrease were North-West, South-Muntenian and South-West Oltenia. There was, however, a massive surge in early school dropout in the region of North-East, of approximately 6 percentage points, reaching almost 29.5 %.

5. Conclusions

The Human Capital Operational Programme was meant to reduce disparities both between Romania and the developed western EU countries as to reduce disparities between the eight regions of Romania, in terms of education, highly skilled workforce, employment and access to social utilities, as well as to increase the socio-economic status of the vulnerable population.

In what regards the priorities, out of the seven taken into consideration, the largest amount of financing was attributed to priorities 3 – Jobs for all and priority 6 – Education and skills, 2.3 billion euros out of a total of approximately 5 billion were directed towards the aforementioned priorities.

The results of financing Priority 3 are quite visible in all the development regions of Romania. At the end of the programme implementation the percentage of the highly skilled workforce in Romania raised with approximately 4.5 point, from 61.1% to 64.59 %. However, there are regions which highly benefitted from the programme financing, such as West, North-East and Centre (which raised their percentage of highly skilled workforce with 13.5, 7.5 and 9.70 points, respectively) and there are regions in which the implementation of the programme was not very successful, dropping losing part of their qualified workforce, such as South-Muntenian and South-West Oltenia, regions that dropped 5.55 and 7.85 points in the percentage of qualified workforce.

This can be traced to two major reasons. The first reason is that the great majority of the 639 financed contracts were transregional, but most of the beneficiary NGOs were based in either Bucharest-Ilfov, West or Centre. Thus, the target groups of the projects were mainly set in those areas, providing most of their support to the workforce there. The second reason is the migration of the workforce. Most of the investments in new factories or facilities which required highly skilled workforce were made in the previously mentioned three regions and thus, the highly skilled workforce that might have been trained in the regions which dropped their percentage (such as South-Muntenian and South-West Oltenia) found jobs mostly in the West and Bucharest-Ilfov area.

Regarding the results of financing Priority 6 – Education and skills, those could be found as little in correspondence to the large amount of money invested. Although almost 1.2 billion euros were invested in 996 financed contracts, the percentage of early school dropout was reduced by only 0.7 points in 10 years, still remaining at about double the medium of the European Union (16.6% in Romania, 9.5% the medium of the European Union).

The reasons can be different. One is that most of the projects implemented via Priority 6 received half of financing of that of those implemented via Priority 3 – the medium contract for a Priority 3 project is almost 2.1 million euros, while the medium contract for a Priority 6 project is approximately 1.1 million euros. Having a larger number of approved projects for approximately the same amount of money (639 financed projects for Priority 3 as opposed to 996 financed projects for priority 6) turned out to actually reduce the results.

Early school dropout is commonly known as termination of the formal education prior to the completion of mandatory schooling, i.e trade school or high-school, in the case of Romania. Many of the projects financed via Priority 6 targeted groups with very low level of schooling (none whatsoever or primary school, at the most). Although the results were visible and high, they could not be taken into account, as those groups, even at the termination of the projects and after transitioning from no schooling to primary schooling could still be marked as early school dropouts. Not only that, but as the projects were extended over a period of 3 years and as the common period to finalize mandatory schooling in Romania is 4 years, at the end of

the project, the persons in the target groups still remained to graduate either trade school or high school.

The last and most important reason is that some of the objectives from the two mentioned priorities were quite opposite. Rapidly qualifying workforce and inserting it in the labour market via priority 3 prevented target groups from the projects accessed via priority 6 to continue their schooling, as most of the persons targeted were low-income and in dire need to get employed and have a steady income. Thus, being made to choose between a rapid insertion into the labour market or finishing mandatory schooling, many of the social and economic disadvantaged persons chose the former.

To sum up, the implementation of the Human Capital Operational Programme was a success in terms of having a higher skilled workforce and a higher rate of employment. It remains that the state continues the measures taken in what regards giving a second choice at education and qualification for early school drop outs. This should be done via public policies, as it could be seen that in this respect macro projects had higher impact than regional micro managing the problem.

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