

## RECENT PERSPECTIVES CONCERNING EDUCATION AND TRAINING FUNDING IN ROMANIA. THE ROLE OF EUROPEAN STRUCTURAL AND INVESTMENT FUNDS

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**POP Teodora-Mădălina**

Babeş-Bolyai University, Faculty of Economics and Business Administration,  
Cluj-Napoca, Romania

Clermont-Auvergne University, LEO-UCA Laboratory,  
Clermont-Ferrand, France

[teodora.pop@econ.ubbcluj.ro](mailto:teodora.pop@econ.ubbcluj.ro)

*Abstract: In the European Union (EU), member countries organise and develop education and lifelong training systems. While this responsibility rests with individual states, the EU supports members' actions by supplementing their capacity through political cooperation and various funding instruments. Therefore, this paper assesses the impact of structural funds' (ESIFs) absorption in the general European framework, with a particular focus on Romania. More precisely, we are interested in observing the implementation of operational programmes intended to finance education and training in different programming periods. For the theoretical component, this research stresses the role of several social actions granted from non-reimbursable sources that contribute to achieving the objectives of the Cohesion Policy, i.e., maximising human capital performance according to the development needs of the citizens. Hence, this study presents the absorption degree of the most relevant ESIF interventions in Romania, following the specifics of the national education system. In the empirical plan, based on a comparative analysis of the main socioeconomic strategies oriented towards stimulating human capital accumulation, we analyse some key medium- and long-term outcomes from capitalising on the potential of qualitative education. By efficiently implementing these actions, we hope Romania may accomplish (or at least get closer to) the regional targets of high labour force competitiveness, social integration at European standards, and sustainable economic growth.*

*Keywords: education policy, European Union, structural funds, human capital, labour competitiveness, Romania*

### Introduction

The EU remains a crucial actor and decision-maker in the field of education, mainly due to globalisation and the continuous evolution of member states' national policies. Moreover, regional policymakers consider the constant progress of education and training profoundly important. Facilitating access to qualitative educational programmes represents an engine of economic growth, social cohesion, research and innovation. It implicitly contributes to expanding European citizens' range of personal development perspectives (Cankaya et al., 2015). In the light of adopting an efficient educational system oriented towards the acquirement of key competencies and based on the assumption that the first years of study are essential because they greatly influence people's perspectives regarding career, employment and further integration into society, high-quality services in this area remain a vital component for improving educational outcomes, especially for vulnerable households (Bachtler & Gorzelak, 2007).

Therefore, this paper addresses the importance of human capital competitiveness in education and training. On the one hand, several studies argue that a critical analysis of

existing research on competitiveness is needed (Fredriksson, 2003; Balkyte & Tvaronavičiene, 2010). According to the latter authors, there is an increasing demand to promote research initiatives whose scope is to expand the new concept of "sustainable competitiveness" in the context of globalisation and current trends focusing on competitiveness-sustainability interaction. At the Union level, the structuring of the national educational system is the responsibility of the member states, the role of the EU being to supplement their capacity through political cooperation and funding instruments. Thus, if we analyse the effect of these long-term socioeconomic implications, we see that it is in the interest of all members to make full use of every potential action devoted to education and culture as vital drivers for job creation, social inclusion and durable growth. First, the literature raises the issue of poor allocation of resources to sectors like education and R&D, stressing the need to grant special arrangements for the efficient management of financial tools. Empirical findings also suggest that some EU states demonstrate relatively high expertise in implementing their educational system (e.g. Hungary, Estonia and Slovenia), while others still face significant challenges (Aristovnik, 2012; Alexiadou & Lange, 2013).

In addition, according to the latest statistics, in 2019, total government spending on education amounted to 624 billion EUR, about 4.7% of the GDP. The highest shares as a percentage of GDP were recorded in Sweden (7.30%) and Denmark (6.90%), and the lowest in Romania (3.10%) (European Commission, 2020). From this perspective, the approached topic is very complex and provocative, the multidisciplinary character of this field being a challenge that requires a lot of research and dedication to achieve the proposed regional objectives: optimising national education systems by integrating the development needs of human resources. Second, suppose we refer to the financing possibilities of the educational sector offered at the EU level. In that case, this paper contributes to contemporary research by analysing particular indicators that measure the efficiency of educational policies among member states, focusing on Romania's case. Social funds allocation aimed at promoting economic and social cohesion and reducing disparities between regions have doubled in relative terms in recent years. Consequently, the regional development policies represent the second main objective of the actual European strategies (Ertl, 2006; Gillies & Mifsud, 2016).

### **Motivation, methodology and data**

This study covers a thematic area highlighting the role of sustainable development and investment in education and training, pursuing to illustrate the impact of accessing and implementing structural funds. The theoretical foundation of this paper is built based on recent ideas and concepts belonging to specialised authors in the domain of education and research, being treated and analysed, in particular, the financial strategies allocated to increase the performance of the educational system in Romania. As a result, several research methods were used to carry out this work. The first stage consisted of documenting, selecting and systematising bibliographic sources, which were mainly the basis for the conceptual elaboration of the study. The next step was represented by data analysis and evaluation of key indicators such as government spending on education, school dropout rates, and the degree of structural funds absorption dedicated to human capital accumulation.

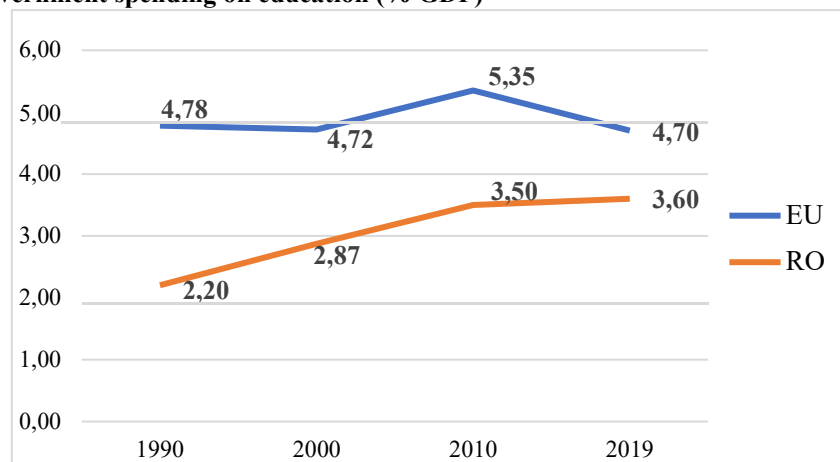
In this regard, we draw data from different sources and databases, including the European Commission (<https://ec.europa.eu/eurostat/data/database>), the World Bank (<https://data.worldbank.org/>), and the Ministry of European Projects and Investments of Romania-former Ministry of European Funds (<https://mfe.gov.ro/programe/>), among others.

Therefore, following the work of Walkenhorst (2008), we have developed the general framework of the EU's educational policy that has undergone significant transformations in terms of background and process in the past years. In short, there is a paradigmatic shift in policy objectives, revealing a new direction in the Union's education policy that reflects the necessity to stimulate human capital performance. To validate this hypothesis, we have studied the theories and models proposed by the European Commission regarding the distribution of early leavers from the training system at the member-state level. Statistics show that among early school leavers, a significant share is represented by those not employed or looking for a job; this proportion is higher among young men and almost twice among women (European Commission, 2020; Kuusipalo & Alastalo, 2020). In addition, in most countries, the share of young women not seeking a stable job was higher than the equivalent proportion of men (exceptions were recorded in Denmark, Cyprus, Finland, Belgium, Ireland and Lithuania).

### Comparative analysis of the main indicators for assessing the educational system effectiveness

Regarding the evaluation of some key educational indicators, we consider it appropriate to offer a realistic overview of different financing modalities by implementing results-oriented national management policies. In this regard, one of the leading financial instruments is the annual government expenditure on education as a share of GDP (Figure 1).

**Figure 1. Government spending on education (% GDP)**



Source: Own calculations using <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=RO>

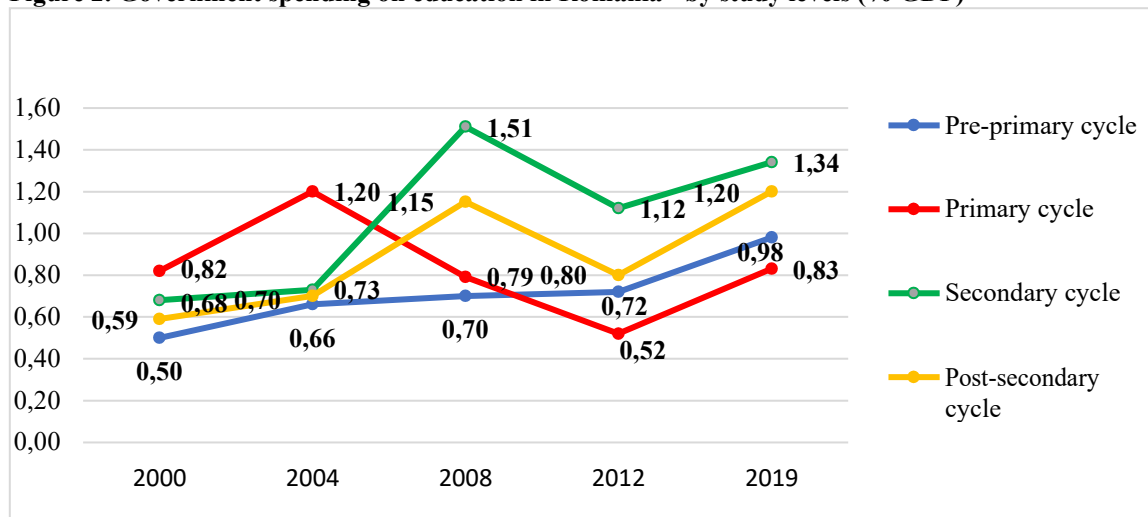
First, in 2019, the government spending on education in the EU amounted to 624 billion EUR, about 4.70% of GDP, marking a decrease compared to the baseline period. Of the total amount allocated, pre-primary and primary education levels accounted for 1.60% of GDP, while secondary education registered 1.70% (World Bank, version consulted on June

2020). Only 0.80% of GDP was reported for tertiary education in 2019. Moreover, the highest amounts were registered by Sweden (6.90%) and Denmark (6.40%), followed by Belgium (6.20%) and Latvia (5.80%). Education spending accounted for more than 15% of the total public expenditure for Estonia, Latvia, Iceland and Switzerland. The lowest shares were observed in Italy (8.20%), Greece (8.30%), France and Romania (9.10%).

In Romania, the share of government expenditure for the educational system increased between 1990 and 2019 from 2.20% to 3.20% (European Commission, 2021). However, the current situation is not satisfactory. Allocating only 3.20% of GDP to education, Romania ranks last at the European level, according to comparative data published by Eurostat.

On the other hand, as shown in Figure 2, public spending has increased for all study levels since the last decade. The highest amount is recorded by secondary education, given the increased number of students compared to the other levels. The pre-primary cycle had a relatively constant trajectory throughout 2000-2012, with an increase of 36.11% in the previous year. The primary cycle, marked by a significant decrease between 2004 and 2012, reached a second peak of 0.83% of GDP in 2019. Thus, the primary education level remains considerably underfunded in Romania compared to other high-performing education systems in Europe. From another point of view, the underfunding of the Romanian educational sector may trigger a rise in the number of unskilled workers in the total number of employees, which further leads to lower economic performance.

**Figure 2. Government spending on education in Romania - by study levels (% GDP)**

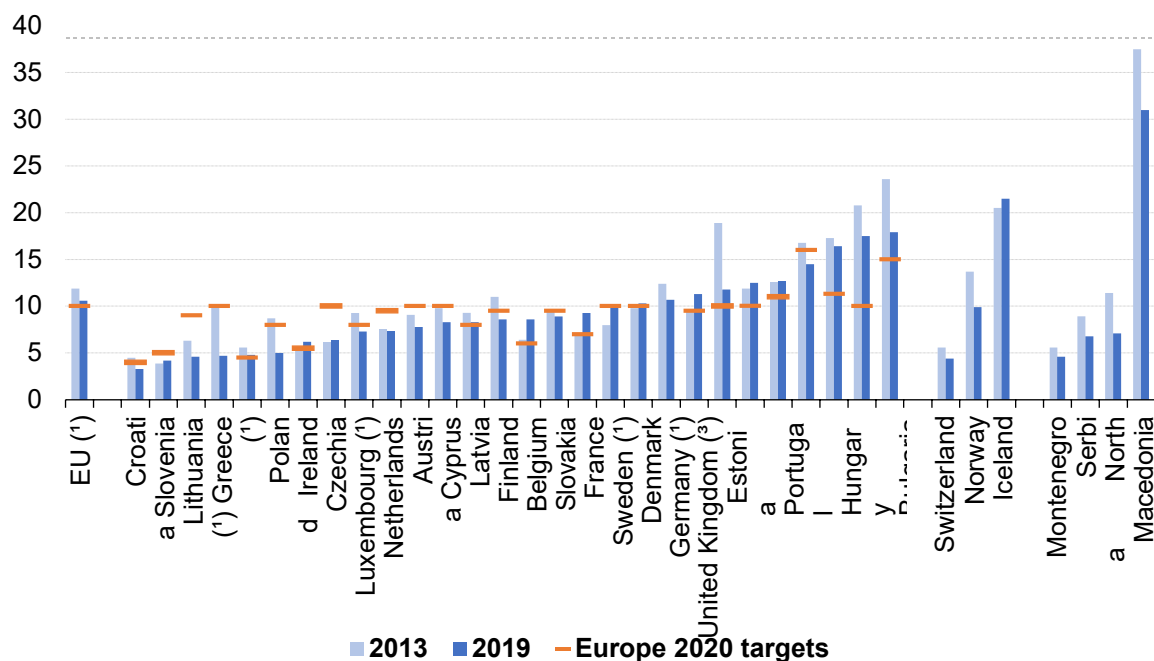


Source: Own calculations using <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

Second, to illustrate another significant problem among pupils worldwide, we studied the consequences of early school dropout in several European countries (Figure 3). At first glance, we observe that there is a reduction in the share of the population dropping out of school between 2013 and 2019, given the implementation of various EU strategies in the area of education and training (European Commission, 2020). Among EU members, the proportion of early leavers in 2019 ranged from 3.30% in Croatia to 17.90% in Spain. The countries with the lowest number of school dropouts in the analysed sample are Croatia (3.20%), Slovenia (4.20%) and Lithuania (4.60%), while at the end of the ranking are states

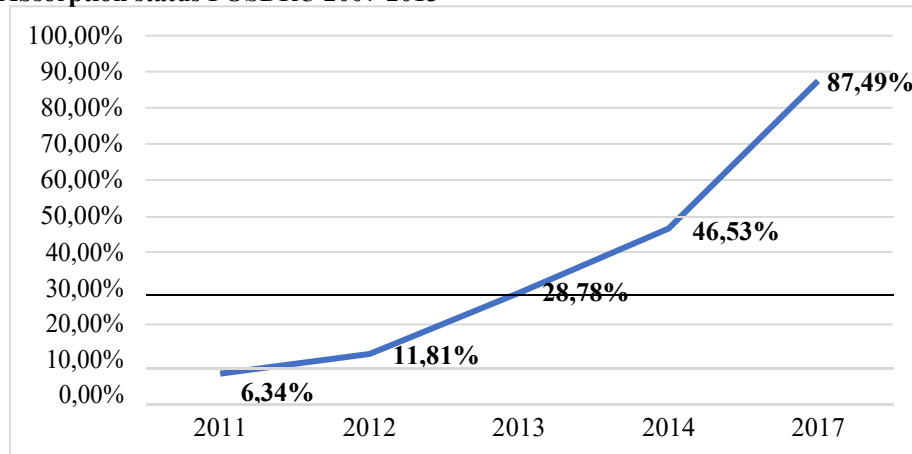
such as Romania (16.40%), Malta (17.50%) and Spain (17.90%). A significant improvement was recorded by Portugal, from 18.90% in 2013 to 11.80% in 2019, but also by Spain and Greece, both reporting a decrease of 5% throughout the period. As part of the Europe 2020 Strategy, almost all EU states have adopted national targets for this indicator (European Commission, 2010). By 2019, the proportion of early leavers was already below the national target in 13 economies but remained above the national target for 14 of them. It is worth noting that the difference between the latest rate for early school leavers and the national 2020 target was particularly pronounced in Romania (where the 2019 rate was five percentage points higher than the target) and peaked in Malta, where the difference was above seven percentage points.

**Figure 3. Early leavers from education and training (% of the population aged 10-24)**



Source: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Early\\_leavers\\_from\\_education\\_and\\_training\\_statistics\\_ET2019](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Early_leavers_from_education_and_training_statistics_ET2019)

Implementation of programs oriented towards promoting human capital competitiveness. The financing opportunities addressing higher human capital competitiveness and adaptability at different socioeconomic risks implemented through EU's programs in Romania have made their impact felt starting with the 2007-2013 programming period. On the one hand, the most essential instrument of the European Social Fund (ESF) intervention in Romania was represented by the Sectoral Operational Program for Human Resources Development (POS DRU) carried out from 2007 to 2013. The scope of this program was to enhance human capital performance by connecting lifelong learning with labour market requirements and ensuring participation in a modern, flexible and inclusive working environment for more than one million individuals (Romanian Ministry of European Funds, 2007).

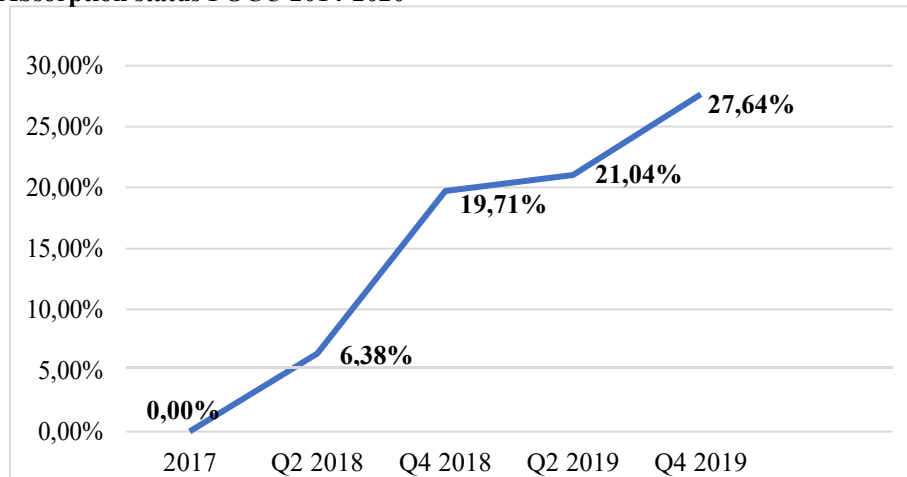
**Figure 4. Absorption status POSDRU 2007-2013**

Source: Own calculations using <https://www.fonduri-ue.ro/posdru-2007#prezentare>

In this regard, Romania benefited from public spending of approximately 19 billion EUR during the analysed period, of which 3.20 billion EUR were allocated to POSDRU. Figure 4 shows that the evolution of funds' absorption rate remained below 50% between 2011 and 2014. However, in 2017, in the last notification sent to the European Commission regarding the final balance of the program, the effective absorption rate was estimated at 87.49%. According to the Romanian Ministry of European Funds (2017), the success rate, defined as the ratio between the total number of approved and submitted projects, was 31.78%. On the other hand, conceived and developed as a continuation of the action of human capital valorisation, the Human Capital Operational Program (POCU) 2014-2020 comes to support the community by broadening the scope of funding opportunities granted to applicants. The POCU strategy goal was to stimulate economic growth and social cohesion by capitalising on the workforce's potential and creating a smoother insertion into the labour market (Romanian Ministry of European Funds, 2017). The Romanian economy faces major workforce participation problems due to persistent technological progress and an ageing population, especially in certain economic branches or geographical areas (i.e. Southern and Eastern regions). Therefore, the challenges addressed by the program involved considerable investment in developing employees' skills, considering that their integration into a modern and compact technological framework is essential.

As regards the budget allocation for this initiative, it amounted to 4326.84 million EUR out of the 33 billion EUR granted to Romania in the 2014-2020 financial period (Romanian Ministry of European Funds, 2014), the largest proportion being destined to Priority Axis 6 "Education and skills" (27%), responsible for carrying out innovative activities, especially for children coming from rural areas or disadvantaged communities, but also for stimulating several priority sectors with growth potential. According to Figure 5, the POCU absorption rate has patterned an upward trend since mid-2018, registering a threshold of 6.38%, although a worrying rate of 0% marked its onset. This phenomenon was mainly caused by firms' failure to submit projects in the launched calls or to complete the contracting process of the approved financing applications. Compared to the starting point, the end of 2019 marked an absorption rate of only 27.64% despite the significant funding opportunities offered by this program.

**Figure 1. Absorption status POCU 2014-2020**



Source: Own calculations using <http://mfe.gov.ro/stadiul-absorbtiei-fondurilor-ue/>

### Conclusions

In line with the objectives of the Europe 2020 Strategy for the educational sector, Romania has assumed through the National Reform Plan as national objectives until 2020 a rate of 11.30% of early school dropout, a rate of 26.70% of the population with tertiary education and a rate of 10% of participation in lifelong learning activities for the population aged 25-64 (Romanian Ministry of Foreign Affairs, 2020). However, Romania's performance in education remains unsatisfactory, with outcomes below European averages in compulsory study cycles, high rates of early school leavers, particularly among vulnerable groups, and low participation in tertiary education. The poor performance of the educational system includes many causes, such as modest financial resources allocated to this area, less investment in infrastructure, inappropriate teaching, learning, and assessment methods for a better adaptation to social life, etc. Consequently, the central distortions of the educational sector remain the significant deficiencies in correlating young graduates with the actual demands of the labour market and discontinuities in the implementation of internal reforms; this cumulation leads to deepening disparities at national and regional levels.

In conclusion, policymakers should orientate to optimising the entire training process through different initiatives and projects, like investing in advanced technologies to improve class learning activities. Also, another financial proposal available to both public and private applicants is represented by the ESIFs that continuously support citizens' personal and professional development according to prevailing European standards.

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