

HUMAN CAPITAL AND HIGHER EDUCATION IN ROMANIA IN THE LAST YEARS

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ABSTRACT: *The paper underlines and analyses the role of human capital, as well as some issues related to higher education and research in Romania, both in figures and from a humanistic perspective of regarding them as fundamental investments in the future of nations, preservers of the supreme values of the humanity.*

KEY WORDS: *human capital; economic growth; higher education; research; market economy; knowledge-based society.*

JEL CLASSIFICATION: *I21, I23, I25, J60.*

1. THE ROLE OF HUMAN CAPITAL

The importance of education and health for the economic growth and development is due to the returns from investments in the two variables. These are two forms of human capital, the improvement of which should enhance worker's productivity. Several studies show that better health, special early in life, is associated with higher educational attainment. Conti et al. (2010) argue that more educated individuals, in turn, have better health later in life and better market prospects. According to the authors, education has an important causal effect in explaining differences in many adult outcomes and health behaviours (Conti, Heckman and Urzua: 2010). (Carlei, et al., 2011, pp. 174)

An improvement of living conditions of an individual, and therefore an increase in the level of health, has effects both at a microeconomic level, thereby improving his welfare and that of the communities in which he lives, and also at a macroeconomic level, allowing a further development of a country. The micro-level evidences are those that support the contribution of health on economic outcomes, like as wages and earnings, amount of hours worked, labour force participation and so on, analyzing for example the link between nutrition and productivity. Fogel (1997), in his

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analysis on distribution of the height and weight and on food supply and calorie intake across the population in Great Britain and France, estimates that improvements in health and nutrition contribute to about one-third of income growth in Great Britain between 1790 and 1980. (Carlei, et al., 2011, pp. 174-175)

The macro evidences concern the effect of population health on economic growth. However, the effects are different and they depend on the initial level of income. For example, Bhargava et al. (2001) believe that a better health is more important for wages, economic indicator of workers' productivity, in low-income countries than in high income ones. Indeed, in low and middle income countries a 1% increase in survival rate in adulthood is positively associated with the increase of 0.05% in the rate of economic growth, while above a certain income the adult survival rate has a negligible effect and in some cases a negative growth rate. Also Weil (2007) suggests that the positive effect of health on GDP is stronger among poor countries. (Carlei, et al., 2011, p.175)

Economic growth during the transition period had a particular pattern in CEEC. Capital has provided a certain positive contribution to growth, while labour had a small or even negative contribution (IMF, 2006). In this respect, CEEC stand out among other emerging countries, where labour input has typically contributed substantially to growth. Most of the growth during the transition period was actually accounted by the increase in total factor productivity (TFP). Even though the classical source of TFP growth is technical progress and innovation, growth during transition was mostly explained by efficiency improvements in the use of capital and labour (Havrylyshyn, 2001). (Jude & Pop Silaghi, 2011, p.72)

Starting in the late nineties, CEEC experienced a return to the classical factors determining growth, with an increase importance for innovation and technical progress. Once the transition period completed, the growth process in CEEC should be sustained by factors like capital intensity, innovation, human capital and competition (OECD, 2003). (Jude & Pop Silaghi, 2011, p.72)

Adam Smith – in his famous work “The Wealth of Nations” - observes that human capital is not just a form of capital, but also the most important of these; it represents the acquired or useful capacities of the members of the society, capacities which are in both the property of an individual, and in the welfare of the society he belongs to. *„The perfected skill of a worker may be considered as a tool which improves labour and which, even if it is costly, requires a certain expense, yet returns this expense as a revenue for him and the community he belongs to”* (Smith in Ciobanu, 2003, p.15).

Practically, *the human capital* is composed of *the educational capital*, represented by the skills acquired by individuals during and outside the education process, and *the biological capital*, represented by the individuals' physical skills, the most often synthesized by their health state. Human capital has developed itself as a concept in economy, where it is mainly regarded as “estimation of a person's ability to produce income by labour” (Cismas & Popovici, 2009, p.57).

Education in a knowledge society will have a strong social goal. The new educational system must be an open one, conceived to assure equal chances of education for all the members of the society. The capable ones must have free

access to studies, so that their social growth is allowed, irrespective of the origin, revenues and prior education. In a knowledge society, it is necessary that all educated persons systematically return to school; it is particularly the case of those with higher education. The continuous formation will become “an industry”, which might register a strong progress in the future. The educational title, the studies diploma will facilitate the access to the best work places and to the most promising professional carriers, only if it is given based on competence criteria, of capability and talent, and not on the criterion of welfare, being, in such case, a symbol of the social class.

Practically, this last key – requirement imposes that “the product” of education be an educated, efficient and cultivated person, irrespective of her social condition.

An important motivation of individuals to invest in education is based on the idea according to which accumulated knowledge and competencies tend to lead to a growth in productivity and, implicitly, of the potential earnings. Another important reason for accumulating a high level of education is getting a higher stability on the labour market, which implicitly reduces the risk of unemployment. Educated workers have a higher rate of participation on the labour market, and the length of their active life is generally higher than in the case of the persons with a lower level of education (Popovici, 2011, p.477).

2. SOME FIGURES RELATED TO HIGHER EDUCATION IN ROMANIA IN THE LAST YEARS

Professional insertion of young people has lately become, both in Romania and in the European Union, a difficult process, which requires an increasing period of time from the moment of finalizing the last form of education, until the moment of finding a work place.

Today, it exist in the world about a billion young people with the age ranging between 15 and 24 years old, 85% of them living in developing countries. The participation rate on the labour market among young people has decreased at a world level from 59.3% to 54.4% during 2004-2010, mainly because of the prolonging of studies among young people. In the European Union currently live about 62 million young people, which represent 12.7% of the total population.

According to the data supplied by the National Institute of Statistics, there is a decreasing trend with regard to the evolution of young population until 2025. This evolution may be explained by the decrease in the birth rate, the increase of the period and level of education, the social mobility, women’s emancipation. Regarding young people’s unemployment rate in Romania, it was of 22.1% in 2010, a little higher than the average unemployment rate in the European Union (Table 1, Source: Eurostat, 2011).

Table 1. Unemployment Rate among Young People less than 25 Years Old (in %)

| Country \ Year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| UE 27 | 18.7 | 17.4 | 15.6 | 15.7 | 20 | 20.9 |
| Belgium | 21.5 | 20.5 | 18.8 | 18 | 21.9 | 22.4 |
| Bulgaria | 22.3 | 19.5 | 15.1 | 12.7 | 16.2 | 23.2 |
| The Czech Republic | 19.2 | 17.5 | 10.7 | 9.9 | 16.6 | 18.3 |
| Denmark | 8.6 | 7.7 | 7.9 | 7.6 | 11.2 | 13.8 |
| Germany | 15.5 | 13.8 | 11.9 | 10.6 | 11.2 | 9.9 |
| Estonia | 15.9 | 12 | 10 | 12 | 27.5 | 32.9 |
| Ireland | 8.6 | 8.6 | 8.9 | 13.3 | 24.4 | 27.8 |
| Greece | 26 | 25.2 | 22.9 | 22.1 | 25.8 | 32.9 |
| Spain | 19.7 | 17.9 | 18.2 | 24.6 | 37.8 | 41.6 |
| France | 21.1 | 22.1 | 19.6 | 19.1 | 23.5 | 23.3 |
| Italy | 24 | 21.6 | 20.3 | 21.3 | 25.4 | 27.8 |
| Cyprus | 13 | 10.5 | 10.1 | 8.8 | 14 | 17.8 |
| Latvia | 13.6 | 12.2 | 10.7 | 13.1 | 33.6 | 34.5 |
| Lithuania | 15.7 | 9.8 | 8.2 | 13.4 | 29.2 | 35.1 |
| Luxembourg | 14.3 | 15.8 | 15.6 | 17.3 | 16.5 | 16.1 |
| Hungary | 19.4 | 19.1 | 18 | 19.9 | 26.5 | 26.6 |
| Malta | 16.2 | 16.5 | 13.8 | 11.8 | 14.4 | 12.9 |
| Holland | 9.4 | 7.5 | 7 | 6.3 | 7.7 | 8.7 |
| Austria | 10.3 | 9.1 | 8.7 | 8 | 10 | 8.8 |
| Poland | 36.9 | 29.8 | 21.7 | 17.3 | 20.6 | 23.7 |
| Portugal | 16.1 | 16.3 | 16.6 | 16.4 | 20 | 22.4 |
| Romania | 20.2 | 21.4 | 20.1 | 18.6 | 20.8 | 22.1 |
| Slovenia | 15.9 | 13.9 | 10.1 | 10.4 | 13.6 | 14.7 |
| Slovakia | 30.1 | 26.6 | 20.3 | 19 | 27.3 | 33.6 |
| Finland | 20.1 | 18.7 | 16.5 | 16.5 | 21.5 | 21.4 |
| Sweden | 22.6 | 21.5 | 19.2 | 20.2 | 25 | 25.2 |
| Great Britain | 12.8 | 14 | 14.3 | 15 | 19.1 | 19.6 |

Source: Eurostat, 2011

This situation can be explained, on one hand, by the inexistence of a correspondence between the educational (too much theoretical) level and the requirements of the labour market, and, on the other hand, by the companies' desire to employ qualified labour force. The lower unemployment rate among young people with higher education, in comparison with other categories, as well as the fact that the smaller the necessary period for finding a work place, the higher the educational level is, brings an increasing importance to the diploma at the beginning of the career.

Spain registered in 2010 the highest unemployment rate, with a percentage of 41.6%, and Holland the lowest one.

Employment rate among young people (15-24 years old) is much lower than that of the total population, because many young people are still included in the educational system and don't have a work place. On the other hand, the decrease in young people employment can also be determined by their migration abroad, the decrease in the birth rate and the black economy.

The number of a state faculty graduates increased from 80,000 in 2004 to 140,000 in 2007, but decreased in 2008 (Table 2, Source: The Statistical Annuary of Romania, 2005-2010). The biggest increase was registered in 2007, when the number of graduates increased by 50,000 persons compared with 2006. In 2008, the number of a state faculty graduates decreased at both the state faculties, and the private ones, but in a higher proportion in the first compared to the latter ones (Popovici, 2011, pp. 476-478).

Table 2. The Evolution of the Graduates Number (persons)

| University year | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Faculties graduates | | | | | |
| Private faculties graduates | 25736 | 26336 | 33839 | 88028 | 91803 |
| State faculties graduates | 82739 | 85908 | 91660 | 144857 | 123023 |

Source: The Statistical Annuary of Romania, 2005-2010

3. HIGHER EDUCATION AND RESEARCH ISSUES IN ROMANIA

Romania signed the Bologna Declaration (2000), which aimed to form until 2010 a unique European space in the higher education and research field. Despite these assumed engagements - and partly because of such reforms - we could still notice a continuous process of degradation of the Romanian higher education.

Therefore new (foreign) focus replaced our old European thinking, built on long term thinking, on investment, including the investment in intellect: the Anglo-Saxon way of thinking is focussed on goals (targets), mostly on short run goals. Such a (re)orientation on short term can lead, at least in our case, to the loss of causality. Moreover, it could lead to a narrow, purely economic or hedonistic, rationality of Anglo-Saxon type. And we should not generalize the performance of the Anglo-Saxon thinking (and teaching) system: *we are not less valuable* and, then, we should keep our

analytical (causal) style, quite because this one is appropriate to us and we own it. We should not change it with a foreign one, which is inappropriate for us: it is exactly the reverse of our own thinking system.

Education and formation are *fundamental investment* for the future of nations. This feature was forgotten in Romania, by too many reforming transformations, despite the absence of a coherent, agreed by all the forces of the country, strategy – we do not have a coherent strategy (Jivan, et al., 2010, p. 220).

Usually, in the functional market economies, the best people are the best paid. Having bigger financial power than the public institutions, based on the funds collected from the tax payers, and providing good wages, private teaching institutions gain the best teachers and have the most performing teaching tools. Image and fame of teaching institutions is consistent with this same hierarchy – in the favour of the private ones.

In Romania, wages differences between private and state teaching institutions were not so big after 1989: they could not counteract the image; and this is plainly in the favour of those having tradition – the state ones. After 1989, private teaching institutes are too seldom big businesses. Most of them are organized at a university level, addressing to clients having already their own incomes – and less to those sustained by their parents. Those clients, businessmen themselves, thinking practically, materialistically, like in business, if they pay, they want to buy something “concrete” (material): such individuals (honest buyers on the market) cannot imagine to give money for watching some theoretical considerations of some “philosophers” university professors; but they want to get a diploma, by their money: they do not think philosophically or at elevate intellectual principles level (that is what they are interested in, not knowledge itself). This is our market: market works with priority to any supposed principles or imposed regulations: everything is sold and everything can be bought (Jivan, et al., 2010, pp.222-223).

The university research tends to diminish its level: grants are given for services and activities at the usual level of the industrial manufacturing enterprises; but the high level research is not appreciated enough anymore: the recent market system and the system of gaining grants are not rewarding enough such projects, but rather some not that profound (the short run most directly applicative ones are preferred). *The highest level* ones remain unpaid and, as a result, their number is diminishing and the best specialists are *diminishing* their *qualification levels* or they are *living Romania*, trying to valorise themselves elsewhere.

After 1990, the former very performing educational Romanian system became a problem, because of the diminishing standards and loosing position in international classifications. Its performance was not keeping with our doubtful economy; therefore market mechanisms won and they strongly entered in the Romanian educational system, diminishing its quality. It looks like, in the poorest countries, the economy is not ‘suitable’ for education and instruction.

These are some *long run* effects of the propensity to the most free (deregulated) market laws in the profound destruction (perverting, degrading, abasing, in the Aristotelian value meaning) *of the human being* (in the most human features this kind of being can have); just like the effects concerning the *planet destructions*, it is

another price paid for some short run private enrichments (the papacy declared conscientious polluting to be a sin, blameable): but they appeared just after some hundreds of years ... The economic and social returns of the high level human quality and of high moral behaviour (of principle, regulated behaviour) are diminishing: the returns of ethical and intellectual efforts in the market system are usually not as big as the returns of the money capital are (Talpos & Jivan & Popovici, 2010, pp.274-275).

4. CONCLUSIONS

I have showed the very important role that human capital and its education play, both in general, and in the case of the Central and Eastern European countries, Romania being among them.

I have also tried to portray certain of the most important higher education and research-related issues during the last years in Romania, in the context of the market economy.

We need the market economy, but not only to the interest of business and profit, but one based on knowledge. In the case of education, the limitation to the market level would be even more harmful, because, as sender of the supreme values, education in general, and education in Romania, in particular, has not only the duty to contribute to the economic growth and social development of a country, but to continue to create values and bring further these supreme values.

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