

## PUBLIC EXPENDITURES FOR EDUCATION IN ROMANIA AND THE EUROPEAN UNION

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***Abstract:** The society we live in evolves and develops more and more. Along with this phenomenon, the needs of individuals diversify and grow. Some of these needs can be met at the private level, such as the need for food, clothing, but another part of these needs can be met at the public level, here we can mention: education, national defense, internal order. Public needs constitute one of the most important components of the social policy within a state, that is why the state allocates financial resources in order to satisfy these needs in order to increase the standard of living of the population. Public expenditures for education represent one of the main components of social-cultural expenditures, they occupy a leading place within the actions that the state finances. It is recognized the role that the education system has in the evolution and development of society, especially in the conditions of the scientific revolution, which leads to the need for modernization and continuous development of school institutions, as well as the granting of financial resources from the state budget for to finance education. From the desire to explore the state and necessary actions in the educational field, this paper aims to analyze the level of public expenditure for education in Romania and in the EU member countries.*

***Keywords:** education, public expenditures, financing education.*

***JEL Classification:** H, H5, H52.*

### **1. Public expenditure on education and how it is financed**

There is a close interdependence between the level of educational development and economic and social progress, which is why in most countries governments are aware of the need to improve education, which is an important prerequisite for future economic prosperity and the development of the population's standard of living.

The fact that most countries want to provide free or low-cost quality public education, or even support private education through subsidies, leads to increased public spending on education in both developed and developing countries.

The change in the size of this expenditure, and in particular its increase, is due to the action of certain factors, including: demographic factors: population growth, structural changes in the population by age group; economic factors: providing educational institutions with the technology and equipment needed to carry out their work; socio-political factors: aid granted to students and pupils, and school policies.

According to the functional structure, educational institutions are grouped as follows: pre-school, primary, secondary, university, postgraduate.

Within each of these institutions, expenditure is incurred, some of which is common to the others, while some is specific to only one stage of the education process.

In terms of economic content, expenditure on education and socio-cultural activities falls into two categories: investment or capital expenditure and current or operating expenditure.

In the first category we can mention the expenditure for the construction and maintenance of buildings necessary for the educational process, for the purchase of equipment, furniture, i.e. fixed assets that institutions need to function and carry out their activity in optimal conditions.

The second category refers to expenditure that is consumed in the current year and is also divided as follows:

- staff expenditure, from which the salaries of both permanent and auxiliary teachers are paid.
- expenditure on materials and services, incurred to purchase manuals, to carry out various repair works, transport.
- expenditure on school grants, under this category grants are awarded to educational institutions as well as scholarships.

Spending on education aims to ensure that the population is educated and prepared for the future in terms of a well-trained workforce.

The financing of education expenditure in Romania is provided by the state and local budgets, by extra-budgetary means, which are made up of tuition fees, by funds received from international financial bodies in the form of aid, credits received on the basis of programmes and by the expenditure of economic agents for professional training courses, donations and sponsorships made to various public educational institutions.

Education funding:

**a) State budget**

The state budget provides funding primarily for central specialist bodies. The Ministry of Education and Research, county school inspectorates, children's palaces, teachers' homes. The state budget also finances: the organisation of examinations, competitions, national olympiads, scholarships for pupils and students, reform projects financed by international financial bodies.

**b) Local budgets**

Financing of state pre-university educational institutions is provided from the budgets of municipalities, towns and communes. All schools that also have a primary cycle receive funding for the dairy and bakery programme from the budget of the county councils.

**c) Own income**

Most of the educational institutions' own revenue comes from tuition fees collected in accordance with the law. In addition, there is also income from rents, donations, production activities (school workshops), boarding school activities and canteens. The population contributes directly to the financing of education through school fees, but also incurs other expenses for the extra-curricular maintenance of pupils and students.

**d) External funds**

The Ministry of Education, Research and Youth has contracted numerous external funds to improve conditions for pupils and students.

## **2. Public expenditure on education as % of GDP**

Romania ranks second to last in the European Union in terms of the percentage of GDP allocated to education. According to a study published by Eurostat, based on 2019 data, it shows that Romania ranks 26th out of 27, ahead of Ireland, with an allocation of only 3.6% of GDP to education.

In 2023, Romanian education receives even less, only 2.1% of GDP, see table 1. Of all European countries, Iceland spends the most on education (7.1% of GDP), followed by Sweden (6.9%) and Denmark (6.3%), according to Eurostat. Belgium follows with 6.2% of GDP and Estonia with 6% of GDP.

Data from the last 10 years show that although the actual amount is higher this year, the percentage of GDP is the lowest since 2011, when the current education law was passed which provides 6% for Education. Unfortunately, we are still in a system with many problems: underfunded schools, poorly paid teachers and we cannot expect to have an increase in the quality of education, to have better and better education, when the state invests less and less in education.

**Table 1**

Anul	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pondereea cheltuielilor publice pentru invatamant % PIB	2.8	3.0	3.1	3.3	2.8	2.24	2.92	2.90	2.39	2.28	2.1

Source: <https://www.edupedu.ro/breaking-bugetul-ministerului-educatiei-va-fi-de-21-din-pib-in-2023-proiect-ar-fi-cel-mai-mic-buget-din-istoria-recenta/amp/>

### 3. The role of public funding for education

The education and personal and professional training of young people play a very important role in the development and evolution of society, the economy, the standard of living and the degree of civilisation. That is why it is of paramount importance to make public expenditure in this regard.

The role that public spending plays in developing and maintaining the education system is major. Whereas the full education of young people requires institutions that provide them with all the opportunities they need, i.e. furniture, equipment, laboratories, qualified teachers, all this is provided by public money.

It follows that without state support there can be no prosperous and efficient education system. The results of these investments in human capital are not immediately visible; it takes time for them to achieve their objective. Spending on education is necessary both to create a skilled workforce and to create an internationally competitive economy.

This public expenditure on education is also important because education plays a significant role in overcoming economic crises, periods of economic decline, increases the skills of employees, employment, life satisfaction, and the development and training of critical thinking. Some studies show that the level of education leads to increased life expectancy, reduced obesity, increased resistance to vices.

### 4. Cost-benefit analysis

In order to determine the efficiency of actions in the field of education, special attention is paid to a method called "cost-benefit analysis", also known as "cost-benefit analysis".

This analysis is based on the idea that any action we want to take requires effort, but also costs, and in the end these costs must be translated into the results we want to achieve.

In the case of actions undertaken in the field of education, the aim is to identify the cost and effort on the one hand and, on the other, the results, the effects, the so-called benefits resulting from the actions financed.

In principle, it is necessary to make a comparison between several alternatives for carrying out the actions, and each of these alternatives must have different costs and advantages, and in the end the most advantageous option must be chosen in terms of the ratio between these variables.

We can understand that an objective can be achieved in different ways using different means, using different costs, and using different advantages.

As far as education expenditure is concerned, most of the cost elements are measurable and make it possible to compare them in order to choose the most appropriate option.

Expenditure in this case appears as cost items, which are common in other areas as well, such as staff costs, expenditure incurred as a result of wear and tear on equipment, while benefit items are the result of income earned either at individual or institutional level, either directly or indirectly through participation in the growth of gross domestic product, through the use of labour capacity, as well as the productivity of employees in the school. In this cost-benefit analysis of expenditure on education, particular attention is paid to the relationship between the age of the persons attending school and the earnings they obtain. It is considered and is certain that as the level of education increases, so does the income obtained by the graduate.

So, we can say that the "advantage" gained by those who choose to attend the courses materialises in the extra money they get from the extra training. Whereas the cost analysis takes into account expenditure from public funds as well as from private sources or family income. The application of this method in education is based on the idea that the expenditure made is an investment that will generate future income for both the individual and society. As a result, the state and individuals should pay particular attention to the vocational training of young people, so that the costs are kept low and the benefits obtained ensure a balance between the supply and demand for labour.

## 5. Conclusions

In carrying out this project we have identified how important and vital the education system is for the development of society and the economy.

In this respect, it has been found that in order to provide the market with a qualified workforce adapted to its requirements, a continuously developing and modernising education system is needed.

But to achieve such a system requires financial investment in this area. What we need to understand is that these investments are expenditures made in the present, but which will generate benefits in the future.

At present, it has been found that the amount of expenditure on education in Romania is at a low level, even among the lowest in the European Union, this is an effect of the economic crisis we are going through, but also of the reduction of the public budget.

Education not only produces economic benefits, it also contributes to the development of society, to the development of technology and technology, and to the maintenance of health.

Analysing all these benefits, we can say that in the context of the current crisis, one solution to overcome it is to increase the level of public spending on education.

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