

## MANAGEMENT OF INVESTMENTS IN EDUCATION AND THE IMPACT ON SCHOOL PERFORMANCE

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**Abstract:** *This paper examines several aspects of education, school dropout, labor as an effect of investments in education, with the aim of determining the factors that put barriers in increasing the level of education. The aim of the paper is to show that the implementation of European programs in pre-university education leads to the development of human resources involved, but also to the development of economic society as a whole. Respecting the competence of Member States for their education and training systems to several EU strategies and initiatives, including the Europe 2020 Strategy. Thus, education and training should be strengthened and supported to improve access to quality learning for all, to avoid labor and social market segmentation and to enable mobility processes; social growth and convergence across Europe. It concludes that education funding policies should focus mainly on social assistance, social inclusion should be given priority to investment in lower levels of education, including pre-school, and the acquisition of general rather than occupational skills.*

**Key words:** *development, expenditure, investment, school performance*

**JEL CLASSIFICATION:** E24, J21, O15

### 1. Introduction

Investing in education and training is crucial to ensure that people have the skills and competences to find their place in society and in the labor market, which is why it is one of the priorities in the Investment Plan for Europe (Achmad et al., 2021).

The European Union supports national and regional authorities, organizations and institutions in society to increase investment in education and training (Sarbu et al., 2021). The money comes from various European programs and funds such as: Erasmus, the European Social Fund and the European Regional Development Fund.

The level of education and training of a country illustrates several characteristics, such as the level of wealth of that country, the ability of the government of that country to provide higher education for each of its inhabitants and last but not least the guarantee of the good future of the country. It is obvious that education has effects on income and productivity, differentiated effects, so that a dollar invested in higher education, specialized, generates significantly greater effects than a dollar invested in lower education (Androniceanu et al., 2017).

The efforts of the economy oriented towards the educational capital mean: the individual and social costs of education; competitive allocation of resources; adjusting the educational capital to the needs of the labor market; remuneration (economic recognition) of educational capital; educational capital recovery rates; private, public and community costs, etc, (Radulescu et al., 2020). The effects of educational capital on the economy concern the monetary and non-monetary

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effects; private (individual, family, organizational) and social; positive and negative externalities; productivity and pay; efficiency and convenience etc. (Bodislav et al., 2019).

The educational costs of education, investment in education (obviously, formal) are often not found in beneficial effects, according to educational purposes, socialized environment, in its various hypostases, influencing the quality of educational capital and often educational services provided by education (Krskova, 2017).

Restrictively, the investment in education is limited only to formal education (education) (Jianu et al., 2019), but, in its extension, education also requires investments in family, informal education (libraries, museums, clubs, etc.), conjunctural, informal, etc.

In my opinion, educational institutions, such as schools and universities, need to evolve and adapt to meet their main goal: educating students and pupils, to succeed in a complex and interconnected world that is frequently facing change.

A considerable amount of literature has investigated the positive economic and social results that learning can have for both individuals and society (Burlacu, 2010). Better educated people usually have better health, lower unemployment, more social connections and a greater commitment to civic and political life (Profiroiu et al., 2020).

Education is a key issue in research studies and in public debates on quality of life (Bran et al., 2020). In the early 2000s, education was on the strategy's priority list to support efforts to improve economic competitiveness and increase the quantity and quality of jobs (Androniceanu & Burlacu, 2017).

## **2. Early school leaving**

The benefits of education are innumerable, but there is still the problem of social exclusion, children from poor households, children with disabilities, children from rural areas, have always had the lowest chances at school, so early school leaving occurs (Adler, A., 2016).

Education and lifelong learning must be possible for all, regardless of education level or other considerations such as social status, thus being an important factor in reducing inequalities and preventing marginalization (Eurydice, 2017).

Early school leaving, formerly referred to as early school leaving, refers to a person aged between 18 and 24 who has completed, at most, lower secondary education and is no longer involved in other studies or additional training. Leaving school early is an obstacle to growth and employment. It impedes productivity and competitiveness and fuels poverty and social exclusion. The strategic framework for European cooperation in education and training has adopted a benchmark that needs to be reached, namely that the share of early school leavers in the EU should not exceed 10%.

Consequently, the issue of early school leaving draws attention to all the characteristics of the educational system that influence the quality and equity of educational trajectories up to secondary education (Stoica & Burlacu, 2017). Effective policies against early school leaving must be adopted at all levels of education and should include a combination of prevention, intervention and compensation policies (Costache et al., 2015).

As can be seen in Table 1, according to Eurostat, there are countries that are very far from the EU goal, that the dropout rate should not exceed 10%. Among the countries in a precarious situation is Spain, which in 2018 recorded a value of 17.9%, reaching in 2020 the value of 16% being well above the desired average.

Spain is followed by Romania which in 2018 registered a value of 16.4%, and in 2020 it was decreasing reaching a value of 15.6%. All this is due to the social exclusion that should be eliminated in order to ensure the well-being of human life in order to have a future. These countries are followed by: Bulgaria (12.8%), Hungary (12.1%), Germany (11%), which are above the average of 10%.

Unlike countries with above average early school leaving, there are also countries where there is very little early school leaving, namely: Croatia, which in 2020 had a value of 2.2% which shows that it is possible for a country to focus on investing in people and at the same time in education.

Among the social outcomes of learning are the following: a well-educated person can achieve social and economic progress on his own (Hanushek, E.A., 2017); richer people and higher living standards are positively correlated with better education, and poor children in good schools do better in life.

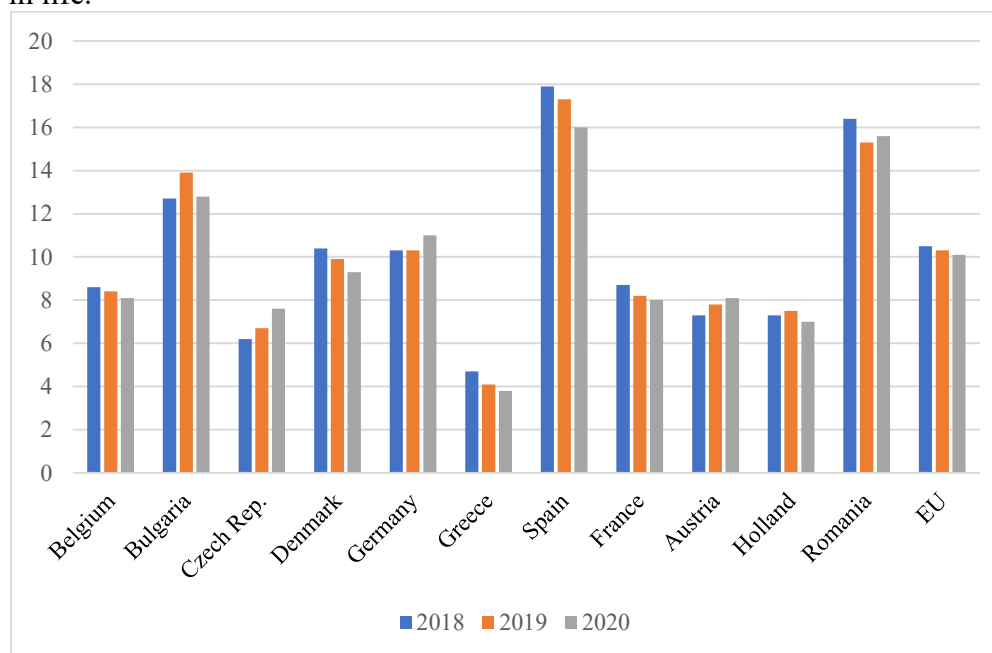


Figure 1. Early school leaving rate for ages 18-24  
Source: Eurostat

### 3. Investment management in education

First of all, ensuring a quality education and equal opportunities in terms of education are priority objectives, the Romanian education system being among the priorities (Burlacu, 2014).

Education is also a key to social inclusion, as it enables citizens to use existing opportunities for full involvement in social and political life as active citizens (Becker, 2006).

Investments in education are not enough to ensure a better education, it is necessary to know whether all people have access to the same type of knowledge and the conditions of the educational process (Ionita & Burlacu, 2009). Quality education is that education in which as many students as possible have a successful school situation with very good results during the school year.

The vast research literature provides evidence of the value of investments in education for the development of human capital and its contribution to economic development and growth (Gemmell, 2009).

Education has a dual function, to contribute to employability and growth, on the one hand, and to respond to societal challenges (Kirchsteiger, 2010) in particular the promotion of social cohesion, on the other. In addition, the increasing effects of gradual increases in investment in education suggest a significant area for public policy. Public investment is a form of spending that can create long-term growth prospects (Ionita et al., 2009).

Due to the rising level of human capital, public investment in education and training is seen as the main source of long-term economic growth (Checchi D., 2008). Public investment in education has a positive effect on productivity and growth, especially in high-income countries.

Investment in education also supports economic growth by facilitating improvements and social development by reducing inequalities (Brătianu, C., 2015).

For more advanced economies, the more educated a country's population will be, the more beneficial it will be for economic growth with an increase in investment in education.

There is a consensus that education brings a number of returns (monetary and non-monetary) that benefit both the person who invests in education and the community in which they live.

### 3.1. Expenditure on Education in the European Union

As can be seen in Table 1, according to Eurostat, Denmark in 2018 recorded a value of education expenditure of 7.33% of GDP with the largest share of the countries analyzed, and in 2019 the Government reduced investment to 6,42% of GDP.

The main focus is on the issue of persistently high drop-out rates, refugee integration, and employment growth. The education system plays a key role in managing change in the process of digital transformation that the government is actively supporting (Kosunen et al. 2020).

It has been observed that an increase in spending on education leads to an increase in the propensity for young people to pursue education. Later in the life cycle, the human capital they have acquired equips these young people to take on jobs that are qualitatively different from those in which they would otherwise have become employees (Nastase et al., 2020). This means that more people are getting better jobs (Burlacu et al., 2021).

Table 1. Expenditure on education, as% of GDP

	Germany	Denmark	Italy	Austria	Spain	Holland	France	EU
2018	4,53	7,33	4,04	5,25	4,07	5,18	5,45	4,73
2019	4,59	6,42	4,26	5,11	4,03	5,36	5,41	4,95

Source: Eurostat

In Greece, Spain and Italy, investment in education and training is below the EU average according to Eurostat. Italy having a rate of 4.04% in 2018, Spain 4.07%, and Greece recorded the lowest rate in the countries presented of 3.41, while the average of the European Union in 2018 was 4.73 %.

There are a number of significant European funds that have the potential to support Member States in implementing education and training policies: the European Social Fund (ESF), the European Structural and Investment Funds, Erasmus + being consistent with the objectives of the EU 2020 Strategy.

Investments in education and training aim to improve access to high-quality education and reduce early school leaving, as well as improved and modernized education and training systems.

### 3.2. The impact of investment in education on the workforce among women

In general, people with higher levels of education have better job prospects, the difference is particularly marked between those who have attended upper secondary education and those who have not (Bernardi, 2014). Education increases the human capital of the labor force, which improves the increase of labor productivity and higher levels of economic growth.

Education often enhances women's well-being, giving them greater decision-making power to determine their living conditions and opportunities in the labor market. Investment in education must often be accompanied by investment in improving the favorable conditions in which schooling has the greatest benefit for women.

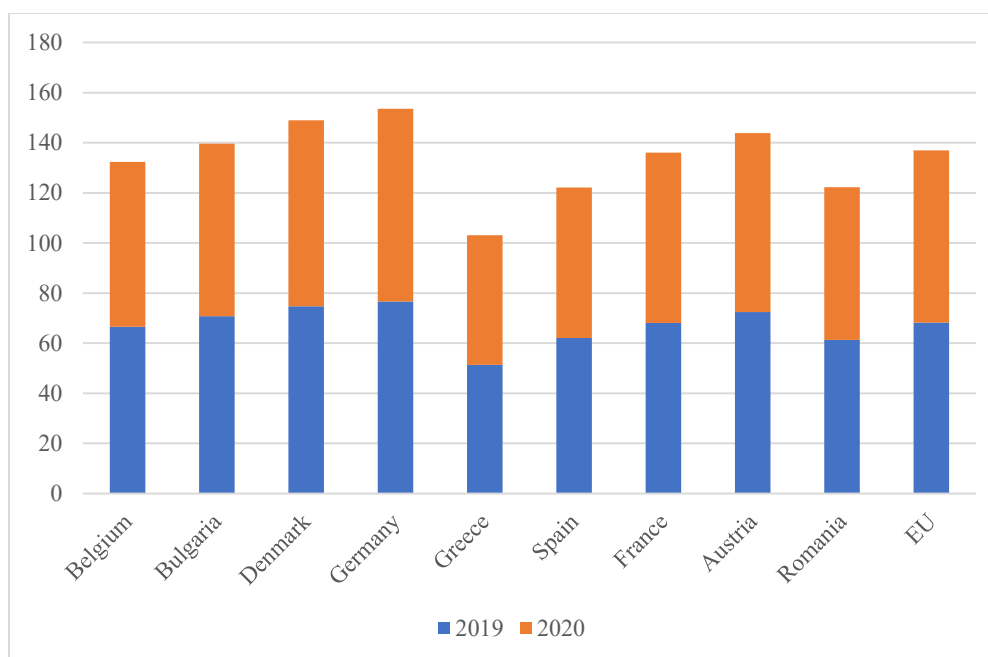


Figure 2. Labor force, effect of investments in education  
Source: Eurostat

The reduced risk of poverty for the population with higher education is associated with the easier possibility of finding work, higher incomes, lower association with discouragement and voluntary exclusion from the labor market (Negescu Oancea, et al., 2020)..

Greece is the country with the lowest labor force among women, with a value of 48% in 2017, which is also reflected in the percentage of expenditure, which in 2017 was well below the European Union average of 3,41% of GDP. However, it can be seen that during the three years this value has been constantly growing, reaching in 2020 a value of 51.8% approaching the European Union average. There is a positive link between the quality of education systems and the level of economic development of countries. Developed countries have better education systems and vice versa (Profiroiu et al., 2020).

It has practically become an axiom that, to the extent that the education system is more advanced, the economy develops better, unemployment decreases and life expectancy increases (Bodislav et al., 2020). In addition, a good education positively influences the quality of government and the social sphere (Burlacu et al., 2019).

Today, education is essential for any economy because, on the one hand, through education, the relationship between man and society is becoming much more diverse and, on the other hand, today's society needs a well-educated workforce in the context of globalization (Bran et al., 2018).

In a world like ours, constantly subject to change, stagnation in terms of education is a harmful and even dangerous behavior (Alpopi et al., 2018). The correlation between education and the labor force is neither independent of labor market conditions, nor limited only to the level of education of people. The differences appear from the aspects of human labor. Individuals decide how much and intense to work. The environment affects their behavior, including the stimuli they face (Rădulescu et al., 2018).

The relationship between education and the workforce is reflected in a growing supply of well-educated people who support economic development. Education and learning policies need to increase efficiency by increasing the level of skills in order to ensure better synchronization between existing skills in the market and labor needs, thus leading to both increased employability and productivity (Androniceanu & Burlacu, 2017).

#### 4. Conclusion

The issue of investment in education and training has gained increasing attention at EU level in recent years. Education and, in particular, vocational training are increasingly seen as a recipe against current labor market challenges, such as the integration of disadvantaged groups into the labor market, a better matching of skills with business needs or meeting the needs of skills of older workers.

This study shows that there is a growing need for EU funding for education and training to provide sustainability, support and be more accessible for use by the social partners. EU funds are key contributions to education and training systems and could be more available for wider societal and geographical needs.

Evidence indicates that people who have attended school longer or have obtained higher educational qualifications are more likely to report greater subjective well-being, enjoy better health, and participate more actively in society.

The positive effects of education on the lives of individuals as well as on communities and societies are many and varied. Better educated people usually have better health, lower unemployment, more social connections, and a greater commitment to civic and political life.

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