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## EDUCATION AS A TOOL TO ENHANCE ECONOMIC SECURITY

### Abstract

*This paper analyses the link between education and economic security and how education can influence the level of economic vulnerability of any country. Speaking about education as a tool to enhance economic security, we refer to “economic security” used in two senses: firstly, at the individual level, education is the main instrument in assuring economic security of each of us; secondly, at the national level, it is responsible for preparing a competitive high-skilled workforce. In the 21<sup>st</sup> century, when we can say that there is a new world, we have to ask ourselves what skills will be our competitive advantage. On the one hand, it is a truism that more money alone will not meet our educational challenges. On the other hand, our national competitiveness depends directly on education because it is a powerful driver of national economic growth. Education is one of the main instruments by which economic security is achieved by many countries. Education has to be managed in such a way so that it facilitates economic development. This will help countries to develop their national security strategy despite the challenges posed by globalization. Nowadays, there are numerous factors, both internal and external, that increase the vulnerability of a country. Unstable government, inequality, unskilled labour force, all these increase economic insecurity. Unless education sector manages these challenges, the nations will not have a clear future. The purpose of this paper is to determine the impact of education on individual development and on national economic development in order to assure the economic security of a country.*

**Keywords:** economic security, macroeconomic security, microeconomic security, education, globalization

### Introduction

Education is one of the main strengths on which the whole human life is based. Each nation's success and growth rests solidly on the strength of its labour force. It is the

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main “ingredient” in achieving a stronger economy with stable jobs and productivity (Brown 2010). That is why what President Lincoln said is true, that “education is the most important subject which we as a people can be engaged in”.

Many governments and policymakers believe in the efficiency of education as a tool for economic development and social reconstruction, since education brings independence and self-reliance.

In May 2010, in a speech before the Council on Foreign Relations, Education Secretary Arne Duncan spoke of the importance of a well-educated citizenry: “America’s success depends on the success of its individual citizens, just as the progress of humanity ultimately depends on the shared progress of nations. I believe that education has immeasurable power to promote growth and stability in the 21<sup>st</sup> century” (Shiplett et al. 2011: 83).

Referring to “Education as a glance”, Androulla Vassiliou, European Commissioner for Education, Culture, Multilingualism and Youth, said: “The report provides invaluable evidence and data for policymakers. Its findings underline the importance of our Europe 2020 targets to reduce early school leaving and boost university education, both in terms of increasing graduate numbers and quality. 35% of jobs in the EU will require high-level qualifications by 2020, so it is vital that we continue to invest properly in schools and universities. Education must remain a top priority for the EU, even in a tough economic climate” (Brown 2010).

The impact of a well-educated society is immense. It provides all forms of security – economic, social, health, etc. Speaking about education as a tool to enhance economic security, we refer to „economic security” used in two senses: firstly, at the individual level (Anglo-Saxon approach), education is the main instrument in assuring the economic security of each of us; secondly, at the national level (Asiatic approach), preparing a competitive high-skilled workforce.

## **1. Approaches to Economic Security Analysis**

### **1.1. Asiatic Approach (Macroeconomic)**

Economic security is often defined in general terms as “economic security of one or another system is meant “the sub-system status which provides the ability to achieve the purpose of the whole system” (Tambovtev 1995). However, this definition is a general one and underlines that economic security is seen from the perspective of the

production potential being the result of effectively promoted economic policies. This lowers the state's exposure to threats, though the accumulation of vulnerabilities may become a risk. In this context, for example the Soviet economist, a Ph.D. in Economic Sciences, V. Senceagov said: "the essence of economic security can be defined as a situation when state institutions ensure the safeguarding of national interests protection, development of social-oriented state and sufficient military potential" (Senciagov 2002).

## 1.2. Anglo-Saxon Approach (Microeconomic)

Given the changes on the international market and the transformations that have occurred domestically, economic security tends to accumulate new issues, important for the very existence of mankind. Thus, Mark Rupert (Rupert 2007) in his *International Relations Theory* defines the economic security of an individual as "stable incomes and other sources in order to maintain a standard of living in the present and in the foreseeable future, which means: continuous solvency, predictable cash-flow, efficient use of human capital". In the same context, International Labor Organization<sup>1</sup> in 2004 made the most complex report about individual economic security (ILO 2004). Thierry de Montbrial, (Montbrial 2012) specialist in economics and political science, in his *English Journal* focused his studies on the continuous development of an individual in a society: "I believe that progress – considered the collective – lies in strengthening the external conditions of fulfilment in the life of each individual. Therefore, the major focus of the progress is the individual's security".

## 2. Education in Numbers

As Ola (1998) and Omotor (2004) said: "If you see any economy that is not doing well, find out what is spent on education". Speaking about the EU's educational system in numbers, in 2011 EU-27 total general government expenditure amounted to 49.1% of GDP. Based on the latest available expenditure data by economic function for 2011, 5.3% of the EU's GDP was devoted to expenditure on education (Freysson et al. 2013) (Figure 1).

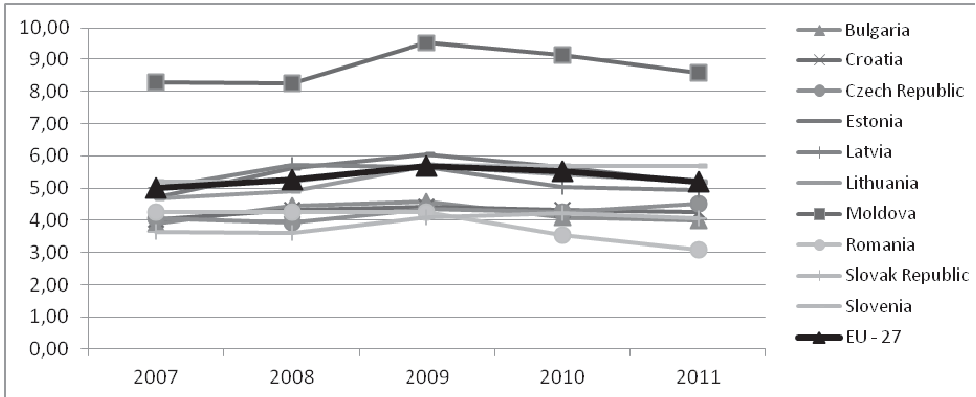
In the period of 2007–2011, the total proportion of GDP given to education in the EU-27 remained stable at around 5–5.5%. The Republic of Moldova is way out of the EU's median with an average of about 9% for the same period. From the first figure

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<sup>1</sup> ILO estimate Economic Security Index for 90 countries of the world for which complete data are available. The results we have seen in the report *Economic Security for a better world*.

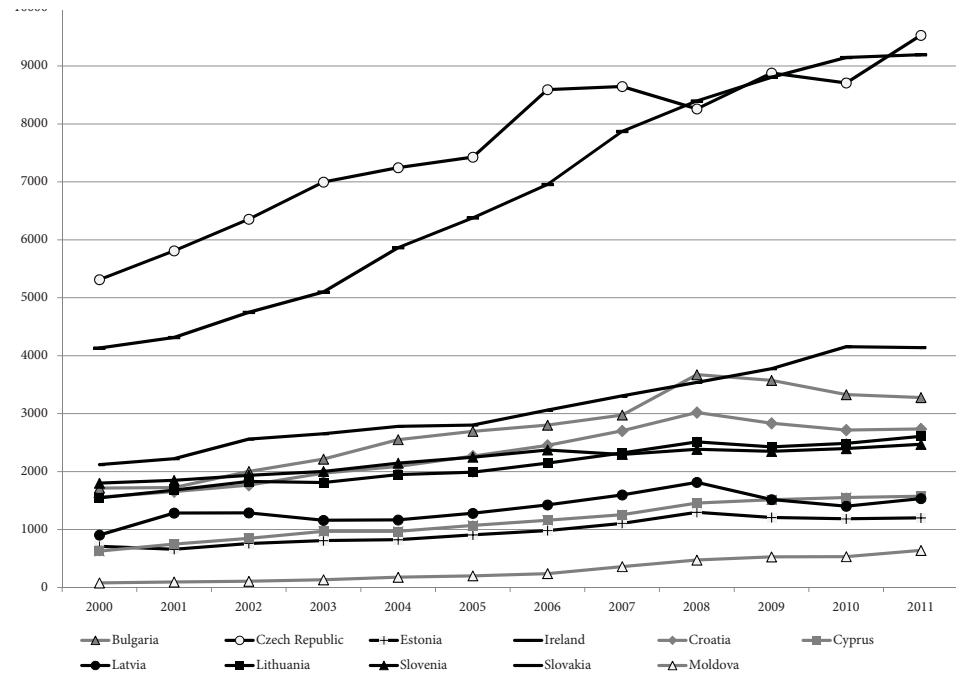
it is quite obvious that the Republic of Moldova is one of the leaders in the region in terms of education. But for sure it is not true. This sector in Moldova lacks financial support. It may be more obvious when we analyze the actual sum of money (Figure 2).

**Figure 1. Education Expenditure in Central-Eastern Europe, 2007–2011 (% GDP)**



Source: own work based on World Bank (2013).

**Figure 2. Education Expenditure in Central-Eastern Europe, 2000–2011 (Million euro)**

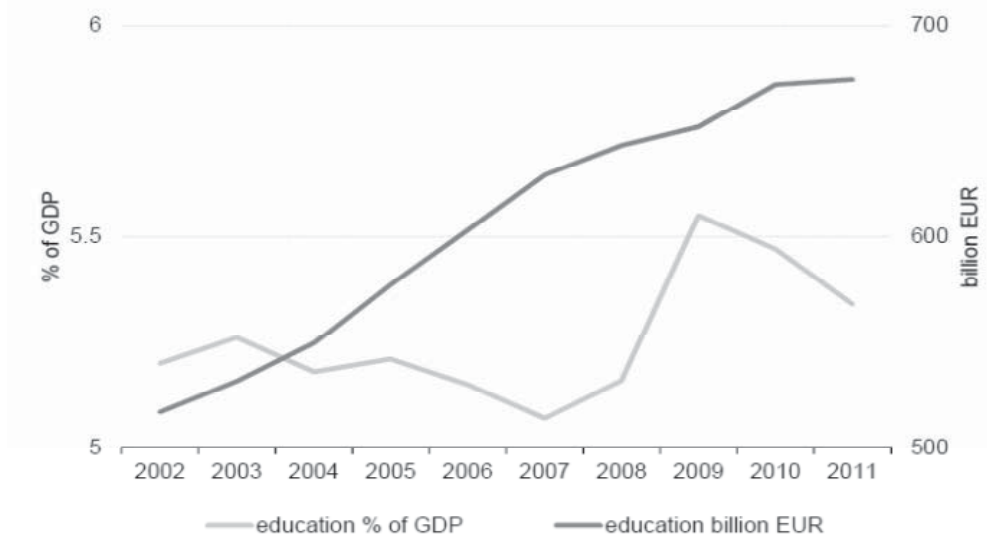


Source: own work based on Eurostat (2013).

This European stable average conceals the disparities between countries, some of which have witnessed significant changes. Analyzing the period of 2001–2011 in Bulgaria and Cyprus, the proportion of GDP allocated to education increased by over 20% between 2001 and 2008 and by over 30% in Malta and Ireland over the same period. A significant increase – more than 10% – was held in the United Kingdom.

It is crucial to analyze these two indicators in parallel, because it offers a better understanding of the evolution of government expenditure on education. Active measures to consolidate government expenditure, such as pay cuts in a number of Member States and decreasing public investment contributed to a decrease of 0.2 percentage points of government education expenditure in terms of GDP from 2009 to 2011. In absolute terms, education expenditure continued to grow, although the year-on-year growth was lower from 2010 to 2011 than in previous years. In ten Member States: Denmark, Ireland, Greece, Spain, Italy, Cyprus, Hungary, Portugal, Slovakia and the United Kingdom, a decrease in absolute expenditure on education (in local currency terms) was observed between 2010 and 2011 (Freysson 2013: 2).

**Figure 3. EU-27 General Government Expenditure on Education, 2002–2011**



Source: Eurostat.

In *Education as a glance* – one of the main comprehensive reports, is provided an ample overview of the crucial role that education and skills play in fostering social progress. Also it gathers statistical data on investment in education, student-teacher

ratios, teaching hours, graduate numbers and results, for some indicators the EU countries perform better on average than the OECD as a whole:

- early childhood education (3–4 years old): EU 76%, OECD 70%;
- pupils graduating from upper secondary education: EU 85%, OECD 82%;
- percentage of young people not in education and training, and not employed (“NEETs”): EU 6.4%, OECD 8.6%;
- class size and student-teacher ratios in schools (European Commission 2011).

Besides the fact that it is a top priority for the EU, there are still some indicators that OECD countries outperform EU member states:

- adults (25–64) who have graduated from higher education: EU 27%, OECD 30%;
- vocational education graduates at tertiary level: EU 8%, OECD 10%;
- expenditure per student at tertiary level: EU 13,000 USD, OECD 13,700 USD;
- private spending on tertiary education institutions: EU 0.2%, OECD 0.5% (European Commission 2011).

The whole world is recovering slowly from the economic crisis, its main instruments being productivity, innovation, investment and trade, not yet at full steam (OECD 2014). It became clear that not only economic growth, but also social progress is the key goal of the countries. This crisis had an impact on the labour force, with more than 46 million people out of work in the OECD countries and relative poverty affecting millions more. In many countries the gap between the richest and the poorest is widening, youth unemployment remains high and access to social services remains elusive for many.

### 3. The Impact of Education over the Economic Security Level

Increasingly, in the last period the level of economic security has been conditioned by the factors that determine the degree of development of human capital.

On the other hand, the Treaty of Rome, signed by more than half a century ago, gave birth to the European Economic Community. Therefore, the unification of the European continent, characterized mainly by the common European policies, is the only one able to provide conditions for a sustainable and consistent development. This process has brought prosperity for half a billion citizens of Europe, as well as substantial reforms in industrial networks, financial markets, economic civilization in general and, obviously, as a result in individual economic security. It is direct economic security, by default, realized not through protectionist measures, but through realistic, highly effective economic policies and strategies. The European security system holds

the constituents, interconnected and interdependent, which play a major role in the process of assuring individual economic security.

In general, human capital refers to the stock of competences, skills and knowledge embodied in the workforce that can contribute to the increasing production and raising the competitiveness of national economy. This stock is the result of the processes of education, training and experience in the workplace. The European Union has proved to be a centre of excellence in teaching and learning around the world. The EU's educational system has top-quality degree programmes which enhance the visibility and attractiveness of European higher education.

In this context education has a major role in enhancing individual economic security, as inequality has risen to stunning levels. This social insecurity is reflected in the evolution of income distribution between 10% of the wealthiest and 10% of the poorest. It is the largest in the case of Latvia, where this difference is about 13 times higher (Table 1). In the case of the Republic of Moldova the shortfall is smaller and has a tendency to decrease. Regrettably, this reduction takes place more due to the shrinkage of the rich (from 28,52 in 2005 to 24,51 in 2011), and less on account of an increase in revenue share of the poor.

**Table 1. Income Distribution Between 10% of the Wealthiest and 10% of the Poorest. Case Study on Estonia, Latvia, Lithuania and Republic of Moldova**

	Venituri	2005	2006	2007	2008	2009	2010	2011
Estonia	10% of the wealthiest	26.21	26.88	24.05	24,95	24.46	24.32	24.81
	10% of the poorest	2.57	2.73	2.95	2.85	2.73	2.45	2.48
	<i>Discrepancy</i>	<b>10.20</b>	<b>9.8</b>	<b>8.2</b>	<b>8.8</b>	<b>9.00</b>	<b>9.90</b>	<b>10.00</b>
Latvia	10% of the wealthiest	..	26.66	..	27.44	..	26.29	27.41
	10% of the poorest	..	2.34	..	2.69	..	1.95	2.13
	<i>Discrepancy</i>		<b>11.4</b>		<b>10.20</b>		<b>13.50</b>	<b>12.9</b>
Lithuania	10% of the wealthiest	27.16	26.79	..	28.95	..	24.83	24.57
	10% of the poorest	2.18	2.33	..	2.70	..	2.18	2.55
	<i>Discrepancy</i>	<b>12.50</b>	<b>11.50</b>		<b>10.70</b>		<b>11.40</b>	<b>9.60</b>
R. of Moldova	10% of the wealthiest	28.52	27.38	26.78	27.12	25.03	25.43	24.51
	10% of the poorest	2.90	2.81	2.96	2.92	3.07	3.32	3.50
	<i>Discrepancy</i>	<b>9.80</b>	<b>9.70</b>	<b>9.00</b>	<b>9.30</b>	<b>8.20</b>	<b>7.70</b>	<b>7.00</b>

Source: own work based on World Bank.

To diminish this discrepancy, it is more critical than ever that all have the conditions they need to become a high-skilled workforce tomorrow. It is a well-known phrase: “The more you learn, the more you earn”. Expanding the opportunities for high-quality education directly addresses one of the major causes of increased inequality: technological changes that increasingly reward skilled workers. Once individual security is assured, macroeconomic security will increase.

One of the main steps in achieving openness, quality and competitiveness in the field of education in the EU was made in December 2003: Decision 2317/2003EC of the European Parliament and the Council on the establishment of the Erasmus Mundus programme aimed at improving the quality of higher education and development of cross-cultural understanding through cooperation with third countries.

The Republic of Moldova is actively involved in the EU Programmes and since 2014, 17 TEMPUS projects have been implemented and 15 ERASMUS MUNDUS projects, involving 163 scholarships in 11 higher education institutions. Since 2014, the Ministry of Education is part of the new EU Programme – Erasmus+ and higher institutions started the implementation of 4 Jean Monett Projects in the framework of Erasmus+.

Cooperation is being developed successfully through numerous programmes, which are aimed to strengthen the common economic and intellectual potential and widen the professional and personal contacts that improve mutual understanding between societies.

## Conclusions

1. Crises, chaos and challenges are characteristic of mankind. World change is a continuous and unpredictable process. Uncertainty is inevitable. Sure, humankind requires simplicity and certainty because in such conditions it is easier to face contemporary challenges. But the society is in an unclear and unstable environment.
2. It is more than clear that more funding alone will not meet the educational challenges that almost all Europe faces nowadays. But at the same time there is a clear perspective that there are a lot of funding gaps in the current educational system and additional money will bring benefits in certain areas.
3. Education is the best instrument to mitigate unemployment challenges.
4. People with third level education and those that possess competitive knowledge adapt more successfully to a rapidly changing environment.



5. The whole world is recovering slowly from the economic crisis, the main instruments being productivity, innovation, investment and trade not yet at full steam. It became clear that not only economic growth, but also social progress is the key goal of the countries.

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