

## **THE RELATIONSHIP BETWEEN EDUCATION AND ECONOMIC DEVELOPMENT**

**Nicoleta ALBU<sup>1</sup>, Daniela DUCA<sup>1</sup>**

<sup>1</sup>*Department of Economy and Management, Group C-221, Faculty of Economic Engineering and Business, Technical University of Moldova, Chișinău, Republic of Moldova*

**Language advisor: Cebotari SVETLANA, Universitatea Tehnică a Moldovei**

**Summary.** *In this article, we would like to point out an ubiquitous topic about the direct relationship between education and productivity. Our goal is to highlight that education is obviously considered a pillar that contributes to the evolution of the workforce, authentic thinking, and advanced technical innovation.*

**Key-words:** *knowledge, growth, technology, improvement, resources, society*

### **Introduction**

Nowadays, a lot of countries look forward to establish a strong bond between education and economy, in order to achieve a certain stage of development, economical and social level.

Today, the percentage of the labor force that is qualified has a significant impact on a nation's productivity. Because of this, education is given more attention and money in order to produce a skilled workforce. In this perspective, education and the economy are truly intimately intertwined.

### **Vitality of education**

Education is an instrument that helps people find their own identities. People can work in the jobs or professions they want thanks to education. Every person who seeks education in a society invests in developing their human capital by pursuing that education. Also, this investment has the impact of raising the economy's productive capacity. In this view, a nation's long-term economic success or failure is constrained by and closely correlated with the quality of its human resource base.

The purpose of education is to create a knowledgeable, healthy society. For this reason, the degree of education in the population is the most significant factor in both socioeconomic development and productivity growth.

### **The effect of the economy on the society**

An important purpose that economy is searching for is the correct management of its resources. As there aren't many resources available in society, a society's needs are essentially limitless. Economics is a result of the imbalance between unending needs and finite resources. In a society where resources are limited, each person tries to maximize the use of the ones that are at their disposal. This search enables the discovery of alternative resource applications.

Investments in education should be prioritized since it increases income quickly and steadily, influences population qualifications, and improves lifestyle. Due to the rapid advancements in science and technology, traditional educational systems have lost much of their relevance, thus it is now up to individuals to learn new habits and adapt to their surroundings.

### **The relationship between education and economy**

By improving the caliber of labor, higher education levels in society boost production capacity. Investment in human capital can lead to an improvement in labor quality. As a result, there is a link between rising human capital's degree of education and economic expansion.

Humanity think that an individual contributes to the society in which he lives to the extent of the education he obtains and that there is a correlation between a rise in productivity and educational attainment. It is widely acknowledged that the quality of educational opportunities has an impact on the way a person's community develops on all fronts - economic, social, political, and cultural.

Human resources make a major contribution to social advancement, by extension, economic growth. Education is the cornerstone of economic progress, according to education economists. Meeting the demands and requirements of the nation and the people is the goal of education.

In a nation where education is encouraged to advance, there is room for mutual engagement. In other words, a person with a specific level of education has a higher standard of living because he earns more money. On the other hand, a person who has better living conditions makes contributions to society and influences the progress of his nation. People can engage in economic activity, boost productivity, support opportunities for production, and closely relate to social obligations. Individuals and society as a whole benefit economically from this condition in this context.

### **Economic growth today and education in the past century**

Parents and teachers who are educated will raise educated children, and communities that made educational investments a century ago continue tend to do so now. Also, there is a very strong contemporaneous correlation between education levels and levels of national income.

Perhaps wealthy nations deliberately choose to educate themselves, so that rather than the other way around, increased income leads to higher levels of education. Maybe richer and more educated nations also have better governments and other desirable characteristics.

According to interviewees, Germany's economic strength is largely a product of its applied research and education policies.

The educational system in Germany received high recognition. It conveys actual skills in addition to theory, knowledge, and ethical ideals. Also, it promotes acceptance of responsibility among young individuals. The dual training system is particularly admired. It helps place young people in jobs and is closely oriented to industry demands. It is regarded as outstanding all over the world.

Germany's highly educated workforce is its most valuable economic resource due to a lack of natural resources; as a result, education and vocational training enjoy high prestige as well as financial and administrative support. More than 12 million students are taught in 52,400 schools by Germany's 780,000 instructors. 10.5% of all public spending in Germany goes on education.

Even if you are from Asia, Africa, or anywhere else, Germany is one of the few places in Europe where you can study for free. The widespread consensus among Germans is that education should not be viewed as a commodity and that free access to higher education promotes economic development and general wellbeing. Education may boost human capital in the labor force, which boosts labor productivity and results in a greater level of output for an economy. Germany places a lot of emphasis on this since education makes it easier for people to transfer the knowledge they need to digest new information and implement new technology.

The higher education progress positive coefficient is 0.411, which means that for every 1 percentage point rise in higher education progress, economic growth will be greatly boosted by 0.411 percentage points.

Once more, the level of education is crucial, serving as both a relevant explanation for economic growth and a transition variable.

### **Productivity and Education of Workers**

Many variables, such as the workforce's education and skill level, have an impact on worker productivity. Since they increase a worker's capacity to complete a task or utilize productive technologies, education and skills are crucial. Workers with more education are typically better able to adjust to new tasks or changes in their current tasks. Furthermore, because education boosts workers' ability to interact with and understand their co-workers, it may prepare people to work in teams more efficiently.

While trends in worker productivity at the federal level can be connected to shifts in schooling at the federal level, gains in worker productivity at the national level take place as economic conditions, including those related to education, alter to increase the productivity of individual workers.

Higher education completion rates are associated with better economic outcomes for students as seen by employment status and wage levels. Yet achievement is only one indicator of a student's educational experience and how well they are being prepared for the workforce. Pupils within wide attainment groups may differ greatly in their knowledge's breadth and depth as well as their capacity for thought, learning, and communication.

Even after controlling for attainment, this information and these abilities are likely to have an impact on a student's capacity to eventually succeed in the labor market. Students' capacity for success is influenced not just by the degrees they obtain and the length of time spent in school, but also by the knowledge they acquire. Test results serve as markers of academic achievement since it is conceivable that success in an academic setting reflects abilities and knowledge.

### **Investing in Education**

Knowledge, competencies, and other human abilities are considered capital under the "human capital" hypothesis. Education and workforce development fees are investments that go into creating this capital. Simply said, only trained personnel can operate more complicated machinery.

This theory's proponents believed that educated workers produce more effective work. This suggests that the rising expense of schooling has increased national wealth. Leading economists claim that investments in education now account for approximately a third of the growth in the gross domestic product of the developed nations. To see a return on your educational investment, you need to be persistent and patient. In truth, the benefits of highly educated teachers, efficient technology use, improved management of educational systems, and motivated and prepared students are only fully understood by the younger generation. In nations where growth and prosperity have been accelerating, there is one trend. They take investing in education and making the necessary financial investments seriously.

High school students must graduate with more than just academic skills if they are to prosper in the job market of the twenty-first century. To tackle the difficulties of a changing world, they require the knowledge, self-assurance, and creativity. Their accomplishments serve as an example of how a high school education may promote economic growth by enabling kids from all backgrounds to graduate prepared for college and the workforce.

### **Conclusion**

To sum up, there is a strong connection between education and economy, because both the micro and macro levels of society are affected by education in terms of generating money. We agree with the fact, that education has a big impact on raising social convenience and people's standard of living based on qualified people. The current investment in education, will bring long-term results in the future. It is not focused only on the internal growth of the economy but it is a way of increasing the entire market economy.

### **References**

1. „EDUCATION AND THE ECONOMY: An Indicators Report”, Paul T. Decker Jennifer King Rice Mary T. Moore Mathematica Policy Research, Inc. Mary R. Rollefson Project Officer National Center for Education Statistics, 1997
2. <https://xqsuperschool.org/rethinktogether/how-important-is-education-for-economic-growth/>
3. <https://www.ijsr.net/archive/v10i9/SR21915013223.pdf>
4. <https://www.giz.de/en/worldwide/63779.html>