

# Relationship between Education and Economy

Sibel Pekkolay

Kanuni Sultan Suleyman IHO, Bağlar, Diyarbakır, Turkey

**Abstract:** *Many developing countries attach great importance to education in order for their countries to reach a certain stage of development, both economically and socially. Today, the productivity of countries is greatly affected by the rate of the qualified labor force. The education of people in a society determines the growth potential of the economy, wage level, and unemployment rate in that society, and also contributes to social peace. The aim of education is to raise a healthy society with a high level of knowledge, both an individual and universal culture. Welfare and happiness of a country; It depends on the people of that country to receive a qualified and continuous education and the knowledge and skills they gain with it and the contribution they can make to economic growth. This imbalance between unlimited needs and limited resources has led to the existence of economics. Increasing the level of education in society increases the production capacity by increasing the quality of labor. An increase in the quality of labor can be achieved through investment in human capital. Therefore, there is a relationship between the increase in the education level of the workforce and economic growth.*

**Keywords:** Education, economy

## 1. Introduction

Many developing countries attach great importance to education in order for their countries to reach a certain stage of development, both economically and socially. The reason for this is that countries need new technologies and developments to keep up with the world market and competition at the economic level. Today, the productivity of countries is greatly affected by the rate of the qualified labor force. For this reason, in order to obtain a qualified workforce, the importance and investments given to education are increased. In this context, education is actually closely related to the field of the economy (Çetin, 2014). When Turkey's efforts to become a modern society are examined, it is seen that education constitutes the basis of the development movement. Within the westernization movements that have been going on for about a century and a half, educational institutions and teachers have had a special place and education has been accepted as a dynamic social force that changes the structure of the society and provides a better living level to the society (Çakmak, 2008).

### 1.1 Importance of education

Education is a tool that enables people to discover themselves. Education enables individuals to work in a job or profession they desire. In general, education is a compass that guides people to lead happy life. It is necessary to reach the goals more easily and healthily. Education helps individuals acquire knowledge and skills and improve themselves (Afsar, 2011). Education is a concept that can be analyzed from various aspects; Every individual who demands education in a society invests in increasing his/her human capital with the education he/she receives. This investment also creates an effect that increases the production capacity of the economy. Therefore, the education of people in a society determines the growth potential of the economy, wage level, and unemployment rate in that society, and also contributes to social peace. For this reason, making the necessary education investments in a country, providing high - quality education services and learning opportunities to all citizens, and ensuring social mobility and social justice through education are extremely

important issues (Gümüş and Şişman, 2012). Education, on the one hand, contributes to the development of the workforce, creative thinking, and advanced techniques suitable for the changing needs of the economy, on the other hand, it prepares the micro and macroeconomic foundations necessary for economic growth to be achieved and sustained. In this direction, whether a country is economically successful in the long run or not, in a sense, is limited and directly proportional to the qualities of its manpower resources (Yalçınkaya and Kaya, 2017). The aim of education is to raise a healthy society with a high level of knowledge, both an individual and universal culture. All innovation and development initiatives in education are in the field of interest of all segments of society. Since education is responsible for changes in society, it has to adapt to change before other systems. Welfare and happiness of a country; It depends on the people of that country to receive a qualified and continuous education and the knowledge and skills they gain with it and the contribution they can make to economic growth. For this reason, the most important driving force of socio - economic development and the most important element of productivity increase is the education level of the society (Çakmak, 2008).

### 1.2 Impact of the economy

The economy is; society's management of its resources. Because the resources available in society are relatively limited. However, the needs of a society are almost unlimited. Therefore, limited or scarce resources should be managed in the most necessary and best way and used in a way that will meet the greatest need. In the case of a country, the economic system undertakes the effort of a family head to meet the needs of his family members with his limited means. For this reason, it is "the science of managing the scarce resources of a society" and also a science of decision making (Gümüş & Şişman, 2012). The problem of "scarcity" constitutes the basis of economics. Scarcity, expressed in daily use, has a different meaning beyond the absence of goods and services, which are the subject of scarcity, in the market. Therefore, there are always alternatives to the use of resources that are less common in the face of human needs. In that case, goods and

services that can only be obtained by paying a price are defined as scarce and these are called economic goods and services. Automobile, milk, shoes, and similar products are of this type. Resources that are abundant in nature such as air and sunlight are goods and services that are used without paying a price and are defined as free goods. Since people can only meet some of their needs, they prefer to use the limited resources available for their needs that maximize their benefits. This is where economics comes in. This imbalance between unlimited needs and limited resources has led to the existence of economics. In a world where scarce resources exist, every individual seeks to get the most out of their available resources. This search allows identifying alternative uses of resources. This reveals the need to choose or make a choice among alternatives (Gümüş, 2012). Since education leads to a rapid and continuous increase in income and affects the qualifications and lifestyle of the population, investment priority should be allocated to education. Traditional education systems lose their value with rapid developments in science and technology, socio - economic globalization and computer use, the transformation of society, and the change of age. This is the responsibility of individuals to acquire new behaviors so that they can adapt to the changes occurring in their environment. It is only possible for the education system to fulfill this obligation by reaching a quality that can keep up with rapidly changing information and technology (Çakmak, 2008).

It is very difficult or even impossible for every individual in the economy to produce all the goods and services necessary to meet their needs. Each individual undertakes the production of the goods and services with the highest efficiency, depending on his own talent, knowledge, and capacity, and exchanges other goods and services from others. In this way, he becomes an expert, division of labor takes place in the society, and the level of social welfare increases with exchange (mutual exchange) (Gümüş & Şişman, 2012).

### 1.3 Education economy axis

The relationship between education and economy consists of the basic concepts and subjects of economics such as goods and services, needs, benefits, production, consumption, employment, welfare, income, expenditure, and distribution. The economy will decide which goods and services will be produced by whom, for whom and how much these goods and services will be produced in a country (Gümüş, 2012). Increasing the level of education in society increases the production capacity by increasing the quality of labor. An increase in the quality of labor can be achieved through investment in human capital. Therefore, there is a relationship between the increase in the education level of human power and economic growth (Erdoğan, 2006). The contribution of education to economic growth, studies conducted with the growth calculation method in the early 1960s revealed that a significant part of the increase in economic growth was due to the increase in the level of education in the workforce has put it. Studies conducted in various countries have revealed that education has a significant contribution to economic growth, although the rates vary. E. g; This rate reaches 7% in England, 14% in

Belgium, 15% in the USA, 16% in Argentina, and 25% in Canada (OECD, 2005).

### 1.4 Economic welfare and education

Societies establish a link between the increase in the level of education and productivity and believe that the individual contributes to the society in which he lives, to the extent of the education he receives. It is accepted that the quality level of educational activities affects the quality of the economic, social, political, and cultural development of the society in which the individual lives. Scientific research has revealed that there are linear relationships between education level and economic growth, political and social development, which are the elements of development. The contribution of human resources to social improvement and, accordingly, to economic development is quite large. According to education economists, the basic point of economic development is education. The purpose of education is to meet all kinds of requests and needs of both the country and the people (Çakmak, 2008). Mutual interaction is possible in a country that allows educated individuals to grow. In other words, the individual who has reached a certain level of education reaches a better standard of living because he has a better income. An individual with better living conditions, on the other hand, contributes to society and affects the development of his country. Individuals can be economically active, increase productivity, contribute to production opportunities and be closely related to social responsibilities. In this context, both individuals and society as a whole have mutual economic interaction from this situation (Çetin, 2014).

**In conclusion** the relationship between education and economy can be summarized as follows (Korkmaz, 2006):

- 1) Education raises the manpower needed by the economy (contribution to production).
- 2) There is a certain cost to run and benefit from the education service (training cost).
- 3) There is a relationship in terms of education - financing.
- 4) Education has an income generation effect at the individual (micro) and societal (macro) levels.
- 5) Education supply has a relationship with the economy.
- 6) The demand for education has a relationship with the economy.
- 7) Education has a relationship with productivity.
- 8) Education service has the property of being a commodity.

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