

THE RELATIONSHIP BETWEEN YOUTH UNEMPLOYMENT AND INVESTMENTS IN EDUCATION IN THE REPUBLIC OF MOLDOVA

RELAȚIA DINTRE ȘOMAJUL ÎN RÂNDUL TINERILOR ȘI INVESTIȚIILE ÎN EDUCAȚIE ÎN REPUBLICA MOLDOVA

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Abstract: Șomajul în rândul tinerilor este o problemă majoră în Republica Moldova, având un impact negativ asupra dezvoltării economice și coeziunii sociale. Actualitatea acestui studiu rezidă în necesitatea identificării unor soluții eficiente pentru reducerea șomajului prin investiții strategice în educație. Scopul cercetării este de a analiza relația dintre investițiile în educație și rata șomajului în rândul tinerilor, evaluând impactul politicilor educaționale asupra integrării acestora pe piața muncii. Metodologia utilizată combină analiza statistică a datelor privind șomajul și cheltuielile guvernamentale pentru educație în perioada 2019-2023, precum și revizuirea literaturii de specialitate și a politicilor publice relevante. Studiul identifică modele de corelare între finanțarea educației și evoluția șomajului, evidențiind importanța formării profesionale și a competențelor digitale în creșterea angajabilității tinerilor. Principalele rezultate arată că, deși investițiile în educație au avut o tendință fluctuantă, impactul acestora asupra șomajului depinde în mare măsură de alinierea programelor educaționale la cerințele pieței muncii. Creșterea cheltuielilor pentru educație, combinată cu dezvoltarea programelor de formare practică și antreprenorială, poate contribui la reducerea șomajului în rândul tinerilor și la o integrare mai eficientă a acestora în economie.

Cuvinte cheie: șomaj, investiții, politici educaționale, piața muncii, formare profesională,

JEL CLASSIFICATION: J21, J64, J82.

INTRODUCTION

Youth unemployment is one of the most pressing challenges facing the Republic of Moldova, with significant implications for economic development and social cohesion. A high youth unemployment rate not only limits individual opportunities but also hampers overall economic progress by underutilizing the workforce and losing the creative potential of the younger generation. In this context, investments in education play an important role in facilitating young people's access to the labor market by equipping them with the necessary skills to meet the demands of an ever-evolving economic environment (UNDP Moldova, 2017).

In the Republic of Moldova, the transition from the education system to the labor market is often challenging, influenced by factors such as the gap between the skills acquired in educational institutions and those required by employers, the lack of job opportunities in emerging sectors, and economic migration. Educational policies can play a decisive role in reducing youth unemployment by aligning educational programs with labor market demands, supporting vocational training initiatives, and promoting entrepreneurship among graduates (UNDP Moldova, 2018).

This article examines the relationship between the level of investment in education and the youth unemployment rate in the Republic of Moldova, showing how educational policies influence the integration of young people into the workforce.

The aim of this study is to analyze the relationship between investments in education and the youth unemployment rate in the Republic of Moldova. Specifically, the study seeks to evaluate how educational policies, funding for education, and skill development initiatives impact the ability of young people to integrate into the labor market. The research also aims to identify key areas where

improvements in the education system could lead to lower youth unemployment and better career opportunities for graduates.

Methodology. This study employs a mixed-method approach, combining both qualitative and quantitative research methods. As per quantitative analysis we examine the statistical data on education investments and youth unemployment rates in the Republic of Moldova. Also we search to identify patterns between education funding and employment outcomes. As per quantitative analysis the study is reviewing the existing literature on the role of education in employment, but also making an analysis of government policies and programs designed to improve youth employability.

THE MAIN FINDINGS

To start to study youth unemployment, we will examine the national statistics about this phenomenon. The following table presents data on Moldova's youth unemployment rate from 2019 to 2023, highlighting the annual percentage and its deviation from the previous year.

Table 1 Moldova's youth unemployment rate

| Year | Youth unemployment rate (%) | Deviation from the previous year (%) |
|------|-----------------------------|--------------------------------------|
| 2019 | 19.8 | - |
| 2020 | 13.2 | -6.6 |
| 2021 | 10.6 | -2.6 |
| 2022 | 10.2 | -0.4 |
| 2023 | 14.5 | +4.3 |

Source: Elaborated based on the source (Biroul National de Statistica, 2019-2023)

In 2019, the youth unemployment rate stood at 19.8%, marking the highest level in the observed period. A significant improvement was recorded in 2020, as the rate dropped to 13.2%, reflecting a 6.6 percentage point decrease. This sharp decline may be attributed to temporary labor market adjustments, government employment initiatives, or external migration (Biroul National de Statistica, 2019-2023)

The downward trend continued in 2021, when the unemployment rate fell further to 10.6%, showing a 2.6 percentage point decrease from the previous year. In 2022, the reduction slowed, with the rate reaching 10.2%, decreasing by only 0.4 percentage points. This minimal decline suggests that while the job market remained relatively stable, further improvements in youth employment faced challenges, possibly due to structural economic factors or a lack of new job opportunities.

However, in 2023, the youth unemployment rate surged to 14.5%, marking a 4.3 percentage point increase compared to the previous year. This rise may indicate economic disruptions, changes in labor demand, or difficulties in integrating young job seekers into the workforce.

Overall, the data reflects a fluctuating trend in youth unemployment, with initial improvements followed by a resurgence of challenges. This highlights the need for sustained efforts in education, vocational training, and labor market policies to ensure long-term employment opportunities for young people in Moldova.

Youth unemployment is a critical issue that affects both individual livelihoods and national economic stability. In the Republic of Moldova, as in many other countries, high levels of youth unemployment have significant social and economic consequences, including lower productivity, increased social assistance costs, and a higher risk of emigration among young people. One of the key factors influencing youth employment is the level and effectiveness of governmental expenditures, particularly in areas such as education, vocational training, entrepreneurship support, and labor market policies.

Table 2 Government's spending on education in the Republic of Moldova from 2019 to 2023

| Year | Share of government spending on education (%) | Deviation from the previous year (%) |
|------|---|--------------------------------------|
| 2019 | 6.2 | - |
| 2020 | 6.5 | +0.3 |
| 2021 | 6.3 | -0.2 |
| 2022 | 6.7 | +0.4 |
| 2023 | 6.4 | -0.3 |

Source: Elaborated based on the (Guvernul Republicii Moldova, 2023)

The Table 2 presents the evolution of the government's spending on education in the Republic of Moldova from 2019 to 2023, expressed as a percentage of total government expenditures. In 2019, the share was 6.2%, and it increased to 6.5% in 2020, reflecting a 0.3 percentage point rise. In 2021, the share decreased slightly to 6.3%, followed by an increase to 6.7% in 2022, marking a 0.4 percentage point increase. However, in 2023, the share dropped back to 6.4%, representing a decrease of 0.3 percentage points compared to the previous year. This fluctuation indicates ongoing adjustments in government priorities and resource allocation for education over the period.

The relationship between the youth unemployment rate and government spending on education in the Republic of Moldova can be seen as a cause-and-effect dynamic. On one hand, an increase in government investments in education can directly influence the employability of young people, potentially leading to a reduction in youth unemployment. Education spending, especially when directed toward improving the quality and relevance of curricula, vocational training, and job-ready skills, equips young people with the competencies needed to enter the workforce. When government spending on education rises, as seen in the slight increases in 2020 and 2022, we could expect that the labor market would gradually absorb more young people, reducing the unemployment rate.

However, the effect of these investments is not always immediate or straightforward. If the government's spending on education is not effectively aligned with labor market demands, even significant investments can fail to reduce youth unemployment. For instance, an education system that emphasizes theoretical knowledge without providing the practical skills demanded by employers may lead to a situation where young people, despite having received education, struggle to find jobs. In this case, the unemployment rate remains high, as the education system fails to prepare young people adequately for the job market.

Additionally, the impact of educational investments may not be immediate. While increased government spending on education can lay the groundwork for long-term reductions in youth unemployment, it often takes several years for the full benefits of these investments to materialize. For example, Moldova's fluctuations in education spending, such as the increase in 2020 and 2022, may not show immediate effects on the youth unemployment rate. However, over time, these investments can help create a more skilled workforce, contributing to lower unemployment in the future.

CONCLUSIONS

The connection between youth unemployment and government spending on education in the Republic of Moldova is central to the nation's long-term economic development and social stability. While government spending on education is undeniably crucial for reducing youth unemployment, its effectiveness hinges on the strategic allocation and implementation of resources in alignment with labor market demands. The fluctuation in the share of government spending on education over recent years underscores the importance of continuously adapting education policies to meet the evolving needs of both students and employers.

Increased investment in education is essential for equipping young people with the necessary skills to thrive in the workforce. However, for these investments to be truly effective, educational programs must focus on practical, job-oriented training, such as vocational education, digital skills,

and specialized fields that align with market trends. Without such a focus, even significant educational spending may fail to reduce youth unemployment, as young people may be inadequately prepared for the types of jobs available in the economy.

Additionally, the economic context plays a significant role in determining the success of education spending in reducing unemployment. During periods of economic instability or recession, even with high government expenditure on education, youth unemployment may remain high due to a lack of job opportunities or a stagnating economy.

Moreover, addressing youth unemployment requires a comprehensive approach that extends beyond education spending. Policies aimed at improving labor market conditions, such as incentives for employers to hire young workers, fostering entrepreneurship, and improving access to financing for youth-led businesses, are essential components of a broader strategy.

A long-term strategy for reducing youth unemployment should also include measures to support economic growth and job creation across various sectors, particularly those that have the potential to absorb young workers. In Moldova, sectors such as agriculture, technology, and tourism may offer significant opportunities for youth employment, provided that the necessary investments are made in skills development and infrastructure.

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