



By: *Emre Alkin*

# Why growth quality matters more than growth rates?



The **World Bank's** report published on February 12, titled "Building Human Capital Where It Matters: Homes, Neighborhoods and Workplaces" and spanning approximately 140 pages, is not merely a technical development document; it serves as a serious warning for developing countries.

The **report** examines 129 low- and middle-income countries and presents a striking conclusion: due to existing gaps in health, education, and skills, these countries risk losing, on average, 51 per cent of their future labour income potential. For Turkey, the estimated loss stands at 42 per cent.

It would be a major mistake to interpret many of today's structural problems as uniquely Turkish. One of the most notable aspects of this report is precisely the global prevalence and persistence of issues that are often debated domestically.

Similar vulnerabilities are observed across a wide geography, from Latin America to South Asia and from Sub-Saharan Africa to the Middle East.

## Human capital losses amid uneven global progress

In Sub-Saharan African countries such as Niger, Chad, and South Sudan, early childhood malnutrition rates remain high.

This directly affects children's cognitive development and leads to permanently lower labour productivity when they enter the workforce.

In Asia, particularly in Pakistan and Bangladesh, access to basic education has improved, yet the quality of learning outcomes remains a significant challenge.

In Latin America, middle-income countries like Brazil and Mexico have experienced income growth, but local inequalities and disparities in education quality continue to limit future earning potential.

In the Middle East and North Africa, high youth unemployment rates and low female labour force participation further deepen human capital losses.

## Local inequalities and digital skills gaps remain ongoing risk factors

In countries such as Egypt and Jordan, despite having relatively well-educated young populations, there are serious mismatches between the skills demanded by labour markets and those provided by education systems.

There are positive examples as well. Vietnam has achieved steady improvements in both learning outcomes and workforce skills over the past 15 years.

Some Central and Eastern European countries, including Poland and Romania, have managed to raise education quality and accelerate skills transformation through European Union funds and reform programmes.

Indonesia has made progress in reducing learning losses by expanding investments in early childhood education.

Yet even in these countries, local inequalities and digital skills gaps remain ongoing risk factors.

## Growth without human capital gains

According to the report, between 2010 and 2025, at least one of the areas – nutrition, learning, or workplace skills – deteriorated in 86 out of the 129 countries examined.

In other words, income growth and reductions in poverty have not automatically translated into improvements in human capital. This finding signals a significant shift in development thinking.

Another key point emphasised in the report is

the “neighbourhood effect.” Children from families with similar incomes and education levels experience widening income gaps later in life, depending on the neighbourhoods in which they grow up.

Infrastructure, safety, environmental quality, and social networks directly shape equality of opportunity. This phenomenon is clearly visible in major metropolitan areas from Rio de Janeiro in Brazil to Mumbai in India.

A similar pattern appears in labour markets. In low- and middle-income countries, approximately 70 per cent of workers are employed in small-scale agriculture, microenterprises, or low-quality self-employment.

**Limited access to healthy nutrition among the young population and persistent skill mismatches in the labour market continue to weigh on long-term productivity**

These jobs typically offer limited formal training and minimal on-the-job learning opportunities. Experience increases, but incomes do not rise at the same pace. Self-employed workers earn roughly half as much per additional year of experience compared to wage employees.

Low female labour force participation further exacerbates the problem. In many countries, nearly half of women remain outside the labour market.

Around 20 per cent of young people are neither in education nor in employment. These figures point to structural challenges across many developing countries, including Turkey.

Turning to Turkey, the 64-point improvement in student test scores over the past 15 years is a significant achievement.

However, the projected 42 per cent potential income loss suggests that school performance alone cannot solve the issue. Nutrition quality,

neighbourhood conditions, and the capacity for skill development in the workplace must be addressed together.

In particular, limited access to healthy nutrition among the young population and persistent skill mismatches in the labour market continue to weigh on long-term productivity.

## Why growth quality matters more than growth rates

At this point, the role of businesses and institutions becomes critical. Human capital does not improve solely through public investment.

Unless companies provide systematic training, reskilling, and digital competency programmes to their employees, productivity gains will remain limited.



*Development is no longer just about investment and production; it is about improving the quality of people - Emre Alkin*

Offering internships, mentorships, and structured workplace training opportunities is essential to bridging the gap between education and employment.

Flexible working models and corporate practices that support female labour force participation can also unlock untapped potential.

Ultimately, for developing countries, the core

issue is not the growth rate itself, but the quality of growth.

Income increases alone are not sufficient. Human capital development begins at home, is shaped in neighbourhoods, and matures in the workplace. If any link in this chain remains weak, future income potential will inevitably fall short.

Development is no longer just about investment and production; it is about improving the quality of people.

Countries that succeed in doing so can escape the middle-income trap. Those that fail may continue to grow, but they will not truly prosper.