Chapter 6
Quality or Quantity?
The Role of Human Capital on Sustainable Growth

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ABSTRACT

This study examines the link between human capital and sustainable economic growth, highlighting the contradiction of rising university education without improved graduate employability in Turkiye from 2014 to 2023. It notes high unemployment among university graduates, indicating a disconnect between the skills provided by educational institutions and job market demands. The rapid growth in universities and graduates has not matched the increase in high-skilled job opportunities, leading to skill mismatches and underemployment, especially during economic downturns. The paper calls for a reassessment of educational strategies towards a quality-focused education that prioritizes practical skills and market needs, emphasizing university-industry collaborations to boost graduate employability and ensure higher education's role in fostering economic resilience and growth.

1. INTRODUCTION

In this study, while analyzing the relationship between human capital and sustainable economic growth, the subject will be evaluated for Turkey as an example of a country in the transition process to an innovation-oriented economy.

Sustainable development aims to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. To achieve sustainable development, three interconnected pillars must be addressed: economic, social, and environmental. (Armeanu et al., 2018). The 2030 Agenda for Sustainable

Development, adopted by all member states in 2015, provides a blueprint for prosperity for people and the planet. At its center are the 17 Sustainable Development Goals (SDGs), which call for action by all countries in a global partnership. They recognize that ending poverty and other deprivations must be paired with strategies that improve health, education, reduce inequality, and promote economic growth, while also addressing climate change and preserving the environment. Similar to this, goals of Europe 2020 strategy includes fighting poverty, increasing education, employment and rate of innovation (Armeanu et.al., 2018).

Goal eight in the 2030 Agenda focuses on promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all through diversification, technological upgrading, and innovation. In this regard, Hanushek and Woessmann (2021) mention that to reach the SDGs, countries need to ensure a high and strong rate of economic growth. One of the most important requirements to achieve this targeted economic growth rate is strong and productive human capital, as the skills of individuals are the source of economic growth.

Goal 4 of the 2030 Agenda emphasizes ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all. According to this goal, by 2030, countries should provide equal access to affordable technical, vocational, and tertiary education, including universities, for everyone. Hanushek and Woessmann (2021) argues that increasing the knowledge and skills of the population is a key element for achieving inclusive and sustainable development. Armenau et al. (2018) analyze the drivers of sustainable economic growth in EU-28 countries for the period 2002-2012 using panel data regression. Regarding higher education, the results indicate that expenditure per student in higher education is positively linked with sustainable economic growth. Expanded skills also enhance the nation's innovative capacity and productivity, making knowledge-led growth possible. The data indicate that countries with less skilled populations and lower knowledge capital will find it difficult to improve productivity. Consequently, these countries will experience lower economic growth rates (Hanushek and Woessmann, 2021).

According to Kopuk (2024), countries that frequently experience significant innovations must continually develop new ideas, products, production processes, and economic structures to sustain their development and maintain a competitive advantage. Innovation capacity is very crucial in gaining competitive advantage especially for high value added production.Therefore, investing in a human capital is a priority to learn and implement new ideas.

There appears to be broad agreement that education, as one of the main determinants of human capital, benefits society in numerous ways, including better health, reduced fertility, improved ability to cope with economic shocks, enhanced research and development (R&D) capacity, and adoption of new technologies. As a result, education increases labor productivity and contributes to sustainable eco-

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