# DOWNLOAD PDF WHAT IS HUMAN CAPITAL

## Chapter 1 : Human capital flight - Wikipedia

*Human capital is a quantification of the economic value of a worker's skill set. This measure builds on the basic production input of labor measure where all labor is thought to be equal. The.*

Contact What is human capital? Definition and meaning Human capital refers to the production factors, coming from human beings, we use to create goods and services. Our knowledge, skills, habits, and social and personality attributes all form part of the human capital that contributes to the creation of goods and services. Our creativity also contributes. Factors of production are the four inputs required for the production of goods and services. In other words, it is the collection of all our resources. It comprises all our knowledge, abilities, talents, skills, intelligence, training, judgment, and experience. It also includes our wisdom, individually, and collectively. In a national economy, the term refers to how its population contributes towards wealth creation. Capital refers to things made by humans that make other things, like machinery and equipment. Human capital, alongside structural capital and relational capital, make up knowledge capital. Alternatively, the term refers to things inserted into human beings to make them more productive. According to Encyclopaedia Britannica: In a public organization, human capital is available as a resource to provide for the public welfare. Human capital â€" our value throughout our career Human capital also refers to the value of a person for a company. Specifically their value regarding being able to produce goods or provide services during the time span of their career. Putting a monetary value directly on human capital is not possible. As we get older, our human value rises. It rises because over time we acquire more knowledge and skills. However, human capital value declines because we are closer to retirement as we get older. When people retire and give up any future employment, their human value drops to zero. This type of capital is our single most valuable asset. We should all protect it with disability income insurance and life insurance. Examples of human capital include a professional football US: Two kinds of human capital There are two kinds of human capital: Examples include expertise in accountancy, marketing, or personnel management. For example, John Doe Cranes Inc. Therefore, those with that training will only be of interest to John Doe Cranes Inc. Additionally, people with those skills will just be interested in crane companies. Human resource development, part of human resource management, involves training and developing employees. It is an important factor in maintaining competitiveness. Warren Buffett, an American business magnate, investor, and philanthropist, said the following: Anything that improves your own talents, nobody can tax it or take it away from you. You can have all kinds of things happen. They make these investments to improve productivity.

## Chapter 2 : What is Human Capital? definition and meaning

*Human capital is the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce.*

Explore our related content Human capital is the term for the collective capability, knowledge and skills of the people that are employed by an organisation. Measuring human capital provides a data-driven approach to identifying effective people management practices, which, if done well, can help ensure that value creation is long-term and sustainable. This factsheet explores the challenges surrounding the measurement of human capital and the three clear levels of data collection and analysis for human capital data. It introduces the different types of reporting suited to various stakeholders, including external reporting, narrative reporting and internal reporting. Log in to view more Log in to view more of this content. Please note that some of our resources are for members only. Understanding the context of data is key and as such there is no single measure, or set of measures, which can adequately convey its human capital value. Organisations need to decide which measures are relevant to them and will give them the information they need to effectively communicate the value and contribution of human capital both internally and externally. What is human capital? Human capital reporting aims to provide quantitative, as well as qualitative, data on a range of measures such as labour turnover or employee engagement levels to help identify which sort of HR or management practices will drive business performance. Our research The intangible workforce: Read our report Human capital theory: Human capital standards In the British Standards Institution, the business standards company, issued BS, the first national standard to recognise the importance of valuing people in organisations. Find out more in our HR and standards factsheet. Measuring human capital Given the complexity of organisations and the various approaches to managing human capital, measurement can be challenging. The context of the organisation is also a fundamental aspect of human capital measurement: Human capital data can be grouped according to the different aspects of HR they refer to. Some data groups are cross-cutting and can combine to create additional data groups, for example: Measures are categorised as Inputs, Activities, Outputs and Outcomes, which relates to their position in the business value creation cycle. Measurement challenges The contribution of people is difficult to isolate from other factors such as the economic situation, market forces and customer or social trends. The value of people is often expressed in qualitative rather than quantitative terms that make it difficult to represent in traditional accountancy models. HR data has traditionally been collected for administrative rather than evaluation purposes. HR practitioners do not always have the skills or resources to interpret or explain data to evaluate the contribution of people to business performance. Different levels of data collection There are three clear levels of data collection and analysis for human capital data: Operational data analysis - simple monitoring data with no analysis, for example, reporting absence and retention data. Basic insights - basic data is analysed and correlations are explored between types of data to draw simple human capital insights. Insights driving performance - human capital data is triangulated with other business data to identify performance drivers; and may be used to illustrate how organisations can leverage human capital to drive performance more effectively. The different levels of data collection that might take place, with their likely outcomes, are: Action Collect basic input measures such as absence data, turnover data. Identify useful data already available. Use this data to communicate essential information to managers. Design data collection for specific human capital needs. Look for correlations between data â€" for example, whether high levels of job satisfaction occur when certain HR practices are in place, such as performance management, career management or flexible working. Identify key performance indicators relating to the business strategy, and design data collection processes to measure against them. Communicate data in ways that are meaningful to differing audiences. Outcome Basic information for managers on headcount and make-up of the workforce. Information to help design the HR model most likely to contribute to performance. Communication to managers not just on how to implement processes, but with accompanying information on why they are important and what they can achieve. Identification of the drivers of business performance. Information that will enable better-informed decision-making internally and externally. To find out more on measuring human capital, and some of the important HR theories related to human capital, read our report Human capital analytics and reporting: Reporting human capital Different types of information will be of value to different stakeholder groups: Leaders are interested in understanding how effective employees are at creating value for the organisation, and whether people enable the organisation to be sustainable over the long term. Shareholders seek information on the employee attributes or behaviours that are likely to influence short- or long-term financial performance. Investors are interested in knowing how organisations value and grow their pools of talent, and whether long-term decision making takes place with people in mind. Customers wish to know if they will get good service and after-sales support. Employees want to know their jobs are secure and how they can develop themselves and their skills. Managers require information on which actions they can take to improve the performance of their business units. Regulators and policy makers are interested in understand whether organisations are operating within the correct ethical, moral, social and environmental governance boundaries. External reporting Reporting is typically done in one of four ways: Organisations are becoming more able to capture and report on data, and thus expectations from external stakeholders are that reporting will become standardised and may even become compulsory. Some examples of different types of reporting are: Develop a consistent framework which can be operational across sectors and countries and promote this at large scale through the inherent rewards and image gains. ISO standards, benchmark programmes. Voluntary for reward Explanation: Develop a consistent framework supported by rewarding mechanisms once it is introduced and approved at enterprise level. Identify disclosure on human capital as a public concern and prepare international regulations and standards. Green accounts Denmark Narrative reporting The Department for Business Innovation and Skills BIS has issued regulations for the future of narrative reporting which are a clear call for improved reporting on aspects of human capital: Human capital is seen to be one of six principal capitals contained within the integrated report, and which comprise the value of the firm, along with financial capital, manufactured capital, intellectual capital, social and relationship capital, and natural capital. As part of the Valuing your Talent project, we have explored the quality and type of data reported in external reports by FTSE organisations. Our report Reporting human capital: This means that more work needs to be done to improve the quality of human capital disclosures. Internal reporting Internal reporting is far more prevalent than external reporting, as this is important in the evaluation of the effectiveness of HR interventions and guiding future HR strategy, while also protecting business confidentiality where desired. It takes a number of forms. Generally any human capital data reported internally should: Managing people as assets. Academy of Management Review. Vol 37, No 3. Vol 24, No 2, second quarter. London Business School Review. Vol 26, No 3. Vol 13, No 3. Human Resource Management Journal. Vol 21, No 2. CIPD members can use our online journals to find articles from over journal titles relevant to HR. Members and People Management subscribers can see articles on the People Management website. He has a particular interest in the role of human capital in driving economic productivity, innovation and corporate social responsibility. Explore our related content.

## Chapter 3 : How 'Human Capital' Differs from 'Human Resources' | Merriam-Webster

*Human capital definition, the collective skills, knowledge, or other intangible assets of individuals that can be used to create economic value for the individuals, their employers, or their community: Education is an investment in human capital that pays off in terms of higher productivity.*

He believed human capital was like any other type of capital ; it could be invested in through education, training and enhanced benefits that lead to an improvement in the quality and level of production. An organization is often said to only be as good as its people. Human capital tends to migrate, especially in global economies. That is why you will see a shift of this type of capital from developing places or rural areas to more developed and urban areas. Some economists have dubbed this a " brain drain " â€” making poorer places poorer and richer places richer. Employers need to remain transparent. Work-life balance rates highly with employees. It is important for employers to foster a culture where the employees feel that their lives outside of the company are respected and valued. An organization that values open communication should consider establishing common areas where employees can congregate and share ideas. Employers need to have a clear career pathway in place for employees who are focused on career advancement. Employees are motivated by feeling recognized by the organization and their peers. This can be as simple as issuing an employee with an achievement award. Companies that utilize human capital initiatives outperform their peers. Calculating Human Capital Since human capital is based on investing in the skills and knowledge of employees through education, these investments in human capital can be easily calculated. The managers who oversee human capital i. Human Capital and Economic Growth There is a strong relationship between human capital and economic growth. Because people come with a diverse set of skills and knowledge, human capital can certainly give a boost to the economy. People who participate in the workforce who have a higher education will often have larger salaries, which means they will be able to spend more. Does Human Capital Depreciate? Like anything else, human capital is not immune to depreciation , which is often measured in wages or the ability to stay in the workforce. In this case, the most common ways that human capital can depreciate are unemployment , injury, mental decline or the inability to keep up with innovation. Because many employees have specialized skills that they bring into the workforce, long periods of unemployment may make then unable to keep these levels of specialization, because their skills may no longer be in demand when they are finally able to enter the workforce. Furthermore, the human capital of an employee who is unable or unwilling to adopt new technology or techniques may decrease or depreciate when compared to his more willing competitors. Criticism of Human Capital Theories The theory of human capital has received a lot of criticism from many people who work in education and training. In the s, the theory was attacked primarily because it legitimized bourgeois individualism, which was seen as selfish and exploitative. The bourgeois class of people, as labeled by Marx, were those of the middle class who were believed to exploit those of the working class or the proletariat. The human capital theory was also believed to blame people for any defects that happened in the system and of making capitalists out of workers.

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## Chapter 4 : Human capital | economics | racedaydvl.com

*Definition of human capital: The set of skills which an employee acquires on the job, through training and experience, and which increase that.*

Types[ edit ] There are several types of human capital flight: The flight of talented, creative, and highly qualified employees from large corporations that occurs when employees perceive the direction and leadership of the company to be unstable or stagnant, and thus, unable to keep up with their personal and professional ambitions. The flight of highly trained individuals and college graduates from their area of residence. The movement of traditionally skilled workers from one sector of an industry to another. As with other human migration , the social environment is often considered to be a key reason for this population shift. In source countries, lack of opportunities, political instability or oppression, economic depression, health risks and more contribute to human capital flight, whereas host countries usually offer rich opportunities, political stability and freedom, a developed economy and better living conditions that attract talent. At the individual level, family influences relatives living overseas, for example , as well as personal preferences, career ambitions and other motivating factors, can be considered. Origins and uses[ edit ] The term "brain drain" was coined by the Royal Society to describe the emigration of " scientists and technologists" to North America from post-war Europe. Impact[ edit ] The positive effects of human capital flight are sometimes referred to as "brain gain" whereas the negative effects are sometimes referred to as "brain drain". The notion of the "brain drain" is largely unsupported in the academic literature. According to economist Michael Clemens , it has not been shown that restrictions on high-skill emigration reduce shortages in the countries of origin. Remittances are a large share of GDP in many developing countries, [40] [40] [41] and have been shown to increase the wellbeing of receiving families. The size of these effects increases with the ethnic diversity of the local population, the geographic distance to the origin country, and the ethno-linguistic fractionalization of the origin country. A survey of the existing literature on emigration finds that a 10 percent emigrant supply shock would increase wages in the sending country by 2â€”5. One study finds that sending countries benefit indirectly in the long-run on the emigration of skilled workers because those skilled workers are able to innovate more in developed countries, which the sending countries are able to benefit on as a positive externality. After the peace treaty between the Persian and the Byzantine empires in guaranteed their personal security, some members of this group found sanctuary in the Pagan stronghold of Harran , near Edessa. One of the last leading figures of this group was Simplicius , a pupil of Damascius , the last head of the Athenian school. The students of an academy-in-exile may have survived into the ninth century, long enough to facilitate the Arabic revival of the Neoplatonist commentary tradition in Baghdad. Jews were expelled from the country in  As they dominated financial services in the country, their expulsion was instrumental in causing future economic problems, for example the need for foreign bankers such as the Fugger family and others from Genoa. Before that, the Queen had also expelled them from the Kingdom of Andalusia. Despite being a minority group, they were a key part of the farming sector and trained artisans. Their departure contributed to economic decline in some regions of Spain. This way, the conservative aristocracy increased its power over economically developed provinces. After this, many Huguenots estimates range from , to 1,, [99] fled to surrounding Protestant countries: England , the Netherlands , Switzerland , Norway , Denmark and Prussia â€”whose Calvinist great elector, Frederick William , welcomed them to help rebuild his war-ravaged and under-populated country. Many went to the Dutch colony at the Cape South Africa , where they were instrumental in establishing a wine industry. Many Huguenots and their descendants prospered. Henri Basnage de Beauval fled France and settled in the Netherlands, where he became an influential writer and historian. Abel Boyer , another noted writer, settled in London and became a tutor to the British royal family. Henry Fourdrinier , the descendant of Huguenot settlers in England, founded the modern paper industry. Augustin Courtauld fled to England, settling in Essex and established a dynasty that founded the British silk industry. The exodus of Huguenots from France created a brain drain, as Huguenots accounted for a disproportionate number of entrepreneurial , artisan , and technical occupations in the country. The loss of this technical expertise was a blow from which the kingdom did not fully recover for many years. The Jewish minority experienced strong discrimination in the Russian Empire during this period, which reached its maximum in the pogrom waves of the s. During the s, the mass exodus of more than two million Russian Jews began. Already before, a migration stream of Jewish people started which was characterized by highly skilled individuals. This pronounced selectivity was not caused by economic incentives, but by political persecution. Albert Einstein emigrated permanently to the United States in Sigmund Freud finally decided to emigrate permanently with his wife and daughter to London, England, in , two months after the Anschluss Enrico Fermi ; though he was not Jewish himself, his wife, Laura, was Niels Bohr ; his mother was Jewish John von Neumann Besides Jews, Nazi persecution extended to liberals and socialists in Germany, further contributing to emigration. The Bauhaus , perhaps the most important arts and design school of the 20th century, was forced to close down during the Nazi regime because of their liberal and socialist leanings, which the Nazis considered degenerate. They introduced the European Modern movement to the American public and fostered the international style in architecture and design,[ citation needed ] helping to transform design education at American universities and influencing later architects. The Martians scientists "The Martians" were a group of prominent Hungarian scientists of Jewish descent mostly, but not exclusively, physicists and mathematicians who emigrated to the United States during and after World War II due to Nazism or Communism. Several were from Budapest, and were instrumental in American scientific progress e. Eastern Europe under Eastern Bloc[ edit ] Main articles: Eastern Bloc emigration and defection and Eastern Bloc By , the Soviet Union had issued restrictions making emigration of its citizens to other countries almost impossible. How could it drown us? It could have overflowed the banks of the Soviet riverbed and formed a tidal wave which would have washed away all the barriers and retaining walls of our society. This is the highest rate of worker emigration since reunification , and was equal to the rate in the aftermath of World War II. The country has lost  Lithuania , for example, has lost about , citizens since , many of them young and well-educated, to emigration to Ireland in particular. A similar phenomenon occurred in Poland after its entry into the European Union. In the first year of its EU membership, , Poles registered to work in England , joining an estimated , residents of Polish descent. The exodus is likely to continue, however. In , people started emigrating to the closest countries, Italy and Greece, and with the passing of years began going farther, to the United Kingdom, Canada and the United States. In the last 10 years, educated people and professionals have been leaving the country and going to other countries where they feel they can have better possibilities for better and secure lives. This is a concern for Albania as well, as it is losing its skilled-workers and professionals. This emigration wave is believed to have been triggered by political instability, including the military coup. In later decades, into the s, many Turkish professionals emigrated, and students studying overseas chose to remain abroad, mainly due to better economic opportunities. This human capital flight was given national media attention, and in , the government formed a task force to investigate the "brain drain" problem. Nigeria , Kenya , and Ethiopia are believed to be the most affected. African human capital flight has begun to reverse itself due to rapid growth and development in many African nations, and the emergence of an African middle class. This, together with increased development, introduction of technologies such as fast Internet and mobile phones, a better-educated population, and the environment for business driven by new tech start-up companies, has resulted in many expatriates from Africa returning to their home countries, and more Africans staying at home to work. Ghana currently has about 3, doctorsâ€”one for every 6, inhabitants. This compares with one doctor per people in the United States. The benefit to destination countries is huge: This was catalysed by the global financial crisis of and perceptions of a higher quality of life in South Africa relative to the countries to which they had first emigrated. Yerida Israel has experienced varying levels of emigration throughout its history, with the majority of Israeli expatriates moving to the United States. Currently, some , native-born Israelis including , Israeli Jews are estimated to be living abroad, while the number of immigrants to Israel who later left is unclear. Many Israelis with degrees in scientific or engineering fields have emigrated abroad, largely due to lack of job opportunities. In addition, the majority of Israelis who emigrate eventually return after extended periods abroad. In , the Israeli government began a programme to encourage Israelis living abroad to return; since then, the number of returning Israelis has doubled, and in , Israeli expatriates, including academics, researchers, technical professionals, and business managers, began returning in record numbers. Israel launched additional programmes to open new opportunities in scientific fields to encourage Israeli scientists and researchers living abroad to return home. These programmes have since succeeded in luring many Israeli scientists back home. The reasons for this included attraction to opportunities in technical and scientific fields in the West and an absence of job opportunities in the Arab world, as well as wars and political turmoil that have plagued many Arab nations. In particular, many young professionals are becoming entrepreneurs and starting their own businesses rather than going abroad to work for companies in Western countries. This was partially a result of the Arab Spring , after which many Arab countries began viewing science as the driving force for development, and as a result stepped up their science programmes. Another reason may be the ongoing global recession. You may improve this article , discuss the issue on the talk page , or create a new article , as appropriate. May Malaysia[ edit ] There has been high rates of human capital flight from Malaysia. As of , Bernama has reported that there are a million talented Malaysians working overseas.

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## Chapter 5 : What is Human Capital? (with pictures)

*Human Capital is a measure of the skills, education, capacity and attributes of labour which influence their productive capacity and earning potential. According to the OECD, human capital is defined as: "the knowledge, skills, competencies and other attributes embodied in individuals or groups of.*

Support Aeon Donate now Chicago,  Inside the Economics Building at the University of Chicago, two academics are engaged in a private, intense conversation. Although Friedman was of diminutive stature, measuring only 1. Richard Nixon said he wanted to hear the Chilean economy scream. As the two men faced each other in that dark, oak-panelled office, they had a big problem on their hands. University economists were being recast in a new light by US state authorities; no longer bumbling professors sporting a pipe and tweed jacket but the creators of ideational weapons, just as important as the intercontinental ballistic missiles being readied at Vandenberg airbase in California. Members of the Chicago school were confident they could make a significant contribution in the struggle. Schultz shifts nervously in his leather-bound chair. Economic growth has to be the answer, he avers. Friedman nods in agreement, but quietly frowns as Schultz makes his case. Friedman is stony silent â€" a rarity that Schultz seizes upon to extend his point. Yes, he intones, the question of economic growth is vital. But public spending is not the way forward. The Soviet enemy instead needs to be confronted on strictly US terms, where individual freedom and capitalist enterprise come to the fore. Government is the problem, not the solution. He often cited a joke from the vaudeville humourist Will Rogers to cut down his government-friendly critics: While exiled in London back in the s, Hayek had written the rabid anti-communist tract, The Road to Serfdom. The two academics pause to gather their thoughts. Then the concept of human capital is broached. Possibly by Schultz since it might help to find some common ground with his tiny counterpart. Adam Smith had pointed out long before how the skills and abilities acquired by workers eg, training, education, etc can add economic value to an enterprise. But Schultz had only recently become intrigued by the idea. He actively encouraged new faculty and PhD students to build a more robust and formalistic theory of human capital. Legend has it that Schultz suddenly grasped its importance after visiting an impoverished farm. He asked the threadbare owners why they were so content. It would guarantee a secure income for the family long into the future. Friedman too was fascinated by the notion of human capital, but from a different angle. Unlike money or equipment, this type of capital cannot conceptually be separated from the individual who owns it. Therefore, who exactly ought to have the responsibility of investing in it or the enjoyment of its benefits? But therein lay the tension between the two economists. As expected, he stressed the importance of national investment in human capital and its correlation with economic growth. Towards the end of the talk, Schultz mentions that a colleague has asked for clarification on a crucial detail: However, Schultz begins to hesitate on this point. He seems to recognise that the intellectual ground has shifted and soon seems a bit confused: The policy issues implicit in this question run deep and are full of perplexities pertaining to both resource allocation and to welfare. Physical capital that is formed by public investment is not transferred as a rule to particular individuals as a gift. It would greatly simplify the allocative processes if public investment in human capital were placed on the same footing. We learn in a footnote to the published version of the address who the bothersome colleague was. Friedman cheerfully summed up human capital theory in a pithy catchphrase: First, returns on human capital derived from public investment eg, taxes ought to remain in public hands. The problem here is that this would be socialism. So that leaves only the second conclusion. In short, this is no handout. The Schultz camp was fighting a losing battle. Detractors construed it as creeping welfare or worse. The underlying message of human capital theory turns out to be simple, and Friedman cheerfully summed it up in a pithy catchphrase during the s: Friedman had discovered in human capital theory more than just a means for boosting economic growth. The very way it conceptualised human beings was an ideological weapon too, especially when it came to counteracting the labour-centric discourse of communism, both outside and inside the US. If each person is already his own means of production, then the presumed conflict at the heart of the capitalist labour process logically dissolves. Schultz too was starting to see the light, and agreed that workers might actually be de facto capitalists: It was an ingenious ploy for spreading pro-capitalist sympathies throughout the US, particularly among the working classes who were starting to suspect that their current employer might be the real enemy. Now capitalists were speaking a different language: What followed in the UK, the US and other countries could best be described as a massive decollectivisation movement. Society no longer existed. Only individuals and their families did. Hayek in particular was a major revelation for the Iron Lady, who endlessly praised him. Homo economicus qua human capital was instead somehow external to the firm, pursuing his interests alone and investing in his abilities to leverage the best deal. He longed for the day when the workers would own the means of production. What some have called the Uberisation of the workforce functions by reclassifying workers as independent business owners, thereby shifting all employment costs to the employee: What we got in reality was a pay cut, reduced holiday or sick leave, a chronic skills deficit, credit-card debt and endless hours of pointless work. If anything, the story of human capital theory in Western economies has been about divesting in people, not the opposite. It should therefore be approached as such, a rather eccentric and largely unrealistic relic of the Cold War. Only in that highly unusual milieu could mavericks such as Hayek and Friedman ever be taken seriously and listened to. These loners are driven only by the ethos of self-serving competitiveness. Blindly attached to money. His latest book is The Death of Homo Economicus forthcoming,

## Chapter 6 : What is human capital and how is it used? | Investopedia

*Human capital, intangible collective resources possessed by individuals and groups within a given population. These resources include all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively, the cumulative total.*

History[ edit ] Arthur Lewis is said to have begun the field of development economics and consequently the idea of human capital when he wrote in "Economic Development with Unlimited Supplies of Labour. There is such a thing as investment in human capital as well as investment in material capital. So soon as this is recognised, the distinction between economy in consumption and economy in investment becomes blurred. For, up to a point, consumption is investment in personal productive capacity. This is especially important in connection with children: Even for adults, after we have descended a certain distance along the scale of wealth, so that we are beyond the region of luxuries and "unnecessary" comforts, a check to personal consumption is also a check to investment. The best-known application of the idea of "human capital" in economics is that of Mincer and Gary Becker of the "Chicago School" of economics. In this view, human capital is similar to " physical means of production ", e. Thus, human capital is a means of production , into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labor, or fixed capital. Some contemporary growth theories see human capital as an important economic growth factor. The four types were: Smith defined human capital as follows: Fourthly, of the acquired and useful abilities of all the inhabitants or members of the society. The acquisition of such talents, by the maintenance of the acquirer during his education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in his person. Those talents, as they make a part of his fortune, so do they likewise that of the society to which he belongs. The improved dexterity of a workman may be considered in the same light as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit. The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is any where directed, or applied, seem to have been the effects of the division of labour. There is a complex relationship between the division of labor and human capital. Background[ edit ] Human capital is a collection of traits â€” all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof. Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training. Michael Spence offers signaling theory as an alternative to human capital. It was assumed in early economic theories, reflecting the context â€” i. Just as land became recognized as natural capital and an asset in itself, human factors of production were raised from this simple mechanistic analysis to human capital. In modern technical financial analysis, the term "balanced growth" refers to the goal of equal growth of both aggregate human capabilities and physical assets that produce goods and services. The assumption that labour or workforces could be easily modelled in aggregate began to be challenged in s when the tertiary sector , which demanded creativity, begun to produce more than the secondary sector was producing at the time in the most developed countries in the world. The role of leadership , talent , even celebrity was explored. Today, most theories attempt to break down human capital into one or more components for analysis [15] [16] [17] â€” usually called " intangibles ". Most commonly, social capital , the sum of social bonds and relationships, has come to be recognized, along with many synonyms such as goodwill or brand value or social cohesion or social resilience and related concepts like celebrity or fame , as distinct from the talent that an individual such as an athlete has uniquely has developed that cannot be passed on to others regardless of effort, and those aspects that can be transferred or taught: In general these analyses acknowledge that individual trained bodies, teachable ideas or skills, and social influence or persuasion power, are different. Management accounting is often concerned with questions of how to model human beings as a capital asset. Studies of structural unemployment have increasingly focused on a mismatch between the stock of job-specific human capital and the needs of employers. Recent work has attempted to improve the linkages between education and the needs of the labor market by linking labor market data to education loan pricing. But long before Mincer or Becker wrote, Marx pointed to "two disagreeably frustrating facts" with theories that equate wages or salaries with the interest on human capital. The worker must actually work, exert his or her mind and body, to earn this "interest. A free worker cannot sell his human capital in one go; it is far from being a liquid asset, even more illiquid than shares and land. He does not sell his skills, but contracts to utilize those skills, in the same way that an industrialist sells his produce, not his machinery. The exception here are slaves, whose human capital can be sold, though the slave does not earn an income himself. An employer must be receiving a profit from his operations, so that workers must be producing what Marx under the labor theory of value perceived as surplus-value , i. These countries are naturally endowed with more of labour due to high birth rate under the given climatic conditions. The surplus labour in these countries is the human resource available in more abundance than the tangible capital resource. This human resource can be transformed into human capital with effective inputs of education, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation. The problem of scarcity of tangible capital in the labour surplus countries can be resolved by accelerating the rate of human capital formation with both private and public investment in education and health sectors of their national economies. The tangible financial capital is an effective instrument of promoting economic growth of the nation. The intangible human capital, on the other hand, is an instrument of promoting comprehensive development of the nation because human capital is directly related to human development, and when there is human development, the qualitative and quantitative progress of the nation is inevitable. The United Nations publishes the Human Development Report [26] on human development in different nations with the objective of evaluating the rate of human capital formation in these nations. The life expectancy index reveals the standard of health of the population in the country; the education index reveals the educational standard and the literacy ratio of the population; and the income index reveals the standard of living of the population. If all these indices have a rising trend over a long period of time, it is reflected in a rising trend in HDI. Human capital is measured by health, education and quality of standard of living. HDI is indicator of positive correlation between human capital formation and economic development. If HDI increases, there is a higher rate of human capital formation in response to a higher standard of education and health. Similarly, if HDI increases, per capita income of the nation also increases. Implicitly, HDI reveals that the higher is human capital formation due to good levels of health and education, the higher is the per capita income of the nation. This process of human development is the strong foundation of a continuous process of economic development of the nation for a long period of time. This significance of the concept of human capital in generating long-term economic development of the nation cannot be neglected. It is expected that the macroeconomic policies of all the nations are focused towards promotion of human development and subsequently economic development. Human capital is the backbone of human development and economic development in every nation. Mahroum suggested that at the macro-level, human capital management is about three key capacities: Cumulative growth[ edit ] Human capital is distinctly different from the tangible monetary capital due to the extraordinary characteristic of human capital to grow cumulatively over a long period of time. During the period of prosperity, monetary capital grows at relatively higher rate while during the period of recession and depression, there is deceleration of monetary capital. On the other hand, human capital has uniformly rising rate of growth over a long period of time because the foundation of this human capital is laid down by the educational and health inputs. Therefore, the educational and health inputs create more productive impacts upon the future generation and the future generation becomes superior to the current generation. In other words, the productive capacity of future generation increases more than that of current generation. Therefore, rate of human capital formation in the future generation happens to be more than the rate of human capital formation in the current generation. This is the cumulative growth of human capital formation generated by superior quality of manpower in the succeeding generation as compared to the preceding generation. India[ edit ] In India, rate of human capital formation has consistently increased after Independence due to qualitative improvement in each generation. This third generation is qualitatively the most superior human resource in India. The rapid growth of the Indian economy in response to improvement in the service sector is evidence of cumulative growth of human capital in India. Criticism[ edit ] Some labor economists have criticized the Chicago-school theory, claiming that it tries to explain all differences in wages and salaries in terms of human capital. One of the leading alternatives, advanced by Michael Spence and Joseph Stiglitz , is "signaling theory". According to signaling theory, education does not lead to increased human capital, but rather acts as a mechanism by which workers with superior innate abilities can signal those abilities to prospective employers and so gain above average wages. This theory has had a significant share of study in the field proving that wages can be higher for employees on aspects other than human capital. Some variables that have been identified in the literature of the past few decades include, gender and nativity wage differentials, discrimination in the work place, and socioeconomic status. The prestige of a credential may be as important as the knowledge gained in determining the value of an education. This points to the existence of market imperfections such as non-competing groups and labor-market segmentation. In segmented labor markets, the "return on human capital" differs between comparably skilled labor-market groups or segments. An example of this is discrimination against minority or female employees. Following Becker, the human capital literature often distinguishes between "specific" and "general" human capital. Specific human capital refers to skills or knowledge that is useful only to a single employer or industry, whereas general human capital such as literacy is useful to all employers. Economists view firm-specific human capital as risky, since firm closure or industry decline leads to skills that cannot be transferred the evidence on the quantitative importance of firm specific capital is unresolved. Human capital is central to debates about welfare , education , health care , and retirement.. In , "human capital" German: Humankapital was named the German Un-Word of the Year by a jury of linguistic scholars, who considered the term inappropriate and inhumane, as individuals would be degraded and their abilities classified according to economically relevant quantities. These theories are concerned with human beings as inputs to increasing production". Specifically, individuals arrive at 9am and leave at 5pm in the conventional office model taking most of their knowledge and relationships with them. Human capital when viewed from a time perspective consumes time in one of these key activities: Despite the lack of formal ownership, firms can and do gain from high levels of training, in part because it creates a corporate culture or vocabulary teams use to create cohesion. In recent economic writings the concept of firm-specific human capital , which includes those social relationships, individual instincts, and instructional details that are of value within one firm but not in general , appears by way of explaining some labour mobility issues and such phenomena as golden handcuffs. Workers can be more valuable where they are simply for having acquired this knowledge, these skills and these instincts. Accordingly, the firm gains for their unwillingness to leave and market talents elsewhere. Risk[ edit ] When human capital is assessed by activity based costing via time allocations it becomes possible to assess human capital risk. Human capital risks can be identified if HR processes in organizations are studied in detail. Human capital risk occurs when the organization operates below attainable operational excellence levels. For example, if a firm could reasonably reduce errors and rework the Process component of human capital from 10, hours per annum to 2, hours with attainable technology, the difference of 8, hours is human capital risk. When wage costs are applied to this difference the 8, hours it becomes possible to financially value human capital risk within an organizational perspective. Risk accumulates in four primary categories: Absence activities activities related to employees not showing up for work such as sick leave, industrial action, etc.

## Chapter 7 : Human capital | Define Human capital at racedaydvl.com

*Human Capital Management is defined as the process of acquiring, training, managing, retaining employees for them to contribute effectively in the processes of the organization. In simpler words, upgrading the existing skills of an employee and extracting the best out of him/her refers to human capital management.*

A particular application of marginalist analysis a refinement of marginal-productivity theory became known as human-capital theory. It has since become a dominant means of understanding how wages are determined. This model can be applied on a broad scale where investments in human capital are viewed as affecting national and global economic performance or, more narrowly, where investments in people are viewed as crucial to organization performance. That differs from a more traditional and instrumental approach where human resources are primarily seen as a cost to be contained beyond immediate and short-term needs. This short-term view often addresses change or poor performance by seeking government intervention to offset competition and by using cutback methods for keeping wages down, contracting out, and automating jobs. A human-resource capitalism model argues that the principal source of productive capacity, whether in an economy or organization, rests in the capacity of people. Therefore, strategies need to be developed to capitalize on the potential of this resource by developing learning systems that will cause the capacity of human capital to grow into the future. For a national economy, this may entail reforming educational institutions to ensure the provision of a quality workforce that fits the needs of industry for high economic productivity and the maintenance or improvement of the national quality of life. For an organization, this model suggests that high productivity and performance depend on developing learning systems that reflect the commitment of an organization to its human resources. As a result, ongoing investments in training, skill development, and job enrichment versus expansion engender a reciprocal commitment among members to organizational goals and objectives. This represents a shift in thinking away from the notion that human resources are to be consumed, as are other, nonhuman resources, and that members of an organization need to be controlled to ensure compliance with organization norms. Instead, human resources are to be nurtured to arrive at a mutual commitment where tangible investments by the organization are favoured and then reciprocated by its members with higher levels of performance. Human-resource capitalism recognizes that the key factors of performance depend on having an adequate supply of high-quality human resources, management strategies that emphasize quality and productivity, and patterns of work organization that foster both of these goals. The emphasis on human capitalism in an organization goes beyond recruiting and compensating the highest-qualified people possible by investing in their development heavily, managing them wisely, and, ultimately, retaining them for the long term. Managing human capital The management of human capital is diffused throughout an organization. All management decisions and actions that affect the nature of the relationship between the organization and its employees are seen as important. As a result, all management actions can positively or negatively affect the potential of human capital to influence organization performance. In this view, although the organization may contribute to the development of human capital, its ownership rests with each individual. Collectively, all the knowledge, skills, and abilities within an organization and available at any given time constitute a human capital pool. Although this talent is available to achieve positive performance, the totality of management practices needs to consistently tap this human capital pool in such ways as to influence individual and group attitudes and behaviour toward the desired organizational goals. Human capital and performance Reciprocal commitment in an organization suggests that a relationship exists between certain management practices and performance. At a point where the total effort of human capital coalesces into a critical mass, high organizational performance seems possible. Here, human capital, fully developed and tapped appropriately, can influence organization-level outcomes. Empirical research in the private sector appears to identify specific management practices as universally superior to others in achieving firm-level outcomes such as market share and profitability. Empirical research in the public sector establishing such a relationship is sparse. This may be the result of difficulties in measuring government-level outcomes and being able to clearly establish this connection, because outcomes are often influenced by a myriad of variables outside the control of public management. Even so, the same superior management practices thought to favourably influence human capital in private enterprise have been often adopted in public administration reforms. Practices thought to result in a high-quality, committed, and flexible workforce in private enterprise are also seen as important contributors to productivity and performance in the public sector. High levels of expenditures in training and development, empowering workers with decentralized decision-making authority, and encouraging participation, pay for performance, the use of self-managed work teams, and flexible job designs, among others, are commonly associated with improved performance in public agencies. Theories of motivation support such management practices where the first priority is to ensure that workers have the skills and ability to perform training and development and where the second priority is to afford them the opportunity to test their problem-solving skills decentralized decision authority. The belief is that investing heavily in improving worker skills and abilities leads to a higher-quality workforce. This combined with valued rewards and a role in problem solving can result in greater effort, commitment, and motivation within a workforce that is more flexible and innovative. This combination then, it is thought, results in higher organization performance.

## Chapter 8 : Human capital - Wikipedia

*Human capital is the economic value that an employee provides to an employer. The assessment of this value is related to the body of skill, knowledge, and experience that the employee possesses.*

Personality â€" hard working, harmonious in an office Habits and personality traits Creativity. Fame and brand image of an individual. Geography â€" Social peer pressure of local environment can affect expectations and attitudes. Human capital in primary and secondary sector In agriculture and manufacturing, human capital was easier to measure. The human capital of an assembly line worker could be measured in simple terms of productivity â€" e. In mining, human capital may be strongly related to physical strength and quantity of coal produced per day. These skills and qualities are often more difficult to measure regarding output. For example, the human capital of a teacher, cannot be measured by university degree and A-Levels. The best academics may lack some teaching skills â€" like empathy, the ability to inspire and command a class. In a job, such as management, important characteristics will be factors such as interpersonal skills, ability to work in a team and the creativity to problem solve. In other words, as the economy has developed the concept of human capital has also broadened to include a greater variety of skills and traits of capital. How to increase human capital Specialisation and division of labour. Specialisation allows workers to concentrate on specific tasks and increased specialisation of skills. Though specialisation can also lead to boring, repetitive jobs and limited skill development of workers. Basic education to improve literacy and numeracy has an important implication for a basis of human capital. Direct training for skills related to jobs, electrician, plumbing nursing. A skilled profession requires particular vocational training. A climate of creativity. The infrastructure of an economy will influence human capital. Good transport, communication, availability of mobile phones and the internet are very important for the development of human capital in developing economies. An economy dominated by state monopolies is likely to curtail individual creativity and entrepreneurs. An environment which encourages self-employment and the creation of business enables greater use of potential human capital in an economy. Importance of human capital Structural unemployment. Individuals whose human capital is inappropriate for modern employers may struggle to gain employment. A major issue in modern economies is that rapid deindustrialisation has left many manual workers, struggling to thrive in a very different labour market. In the modern economy, there is increasing divergence between low-skilled, low-paid temporary jobs gig economy. High-skilled and creative workers have increased opportunities for self-employment or good employment contracts. Economic growth and productivity. Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth. An era of globalisation and greater movement of workers has enabled skilled workers to move from low-income countries to higher income countries. This can have adverse effects for developing economies who lose their best human capital. Economic growth in countries with limited natural resources, e. Japan, Taiwan and South East Asia. Rely on high-skilled, innovative workforce adding value to raw materials in the manufacturing process. Increased human capital explains the differential of income for graduates. Human capital is also important for influencing rates of economic growth. Howard Gardener â€" different types of human capital. Gardener emphasised the different types of human capital. One could increase education, but be a poor manager. A successful entrepreneur may have no education. Human capital is not unidimensional. Human capital should be looked at from the ability to adapt. Can workers adapt to a changing labour market? A labour market which is shifting from full-time manual work in manufacturing to flexible work in the service sector. Spence View â€" Observable signs of human capital like education are essentially a signalling function. Evaluation of human capital Social upbringing. A sociologist like Pierre Bourdieu argues that human capital is strongly related to social upbringing. This influences cultural, social and symbolic forms of capital. For example, UK society dominated by Old Etonians and Oxbridge graduates who gain confidence and social capital from having the right social networks. For example, gaining a degree from Oxbridge improves status in the workforce and enables a higher salary for the graduate. Differences in wages and job opportunities are not necessarily due to differences in human capital, but the result of discrimination, labour market imperfections or non-monetary benefits of jobs.

## Chapter 9 : What is Human Capital Management (HCM)? Webopedia Definition

*They are called human capital because people cannot be separated from their knowledge, skills, health, or values in the way they can be separated from their financial and physical assets. Education, training, and health are the most important investments in human capital.*

Some terms take on meanings that are figurative, and are therefore no longer self-explanatory, like laundry list. Others could never be derived from their constituent parts, like dude ranch. And some have hovered in a gray area for centuries, like human capital. Human capital is a bit different. The Oxford English Dictionary first records its use in relation to the high mortality rate due to alcoholism of young adults in 18th-century Russia: In order to simplify in numbers the loss sustained by the country in its human-capital through the means of this pernicious liquor, let us admit, that the mortality, from the fifteenth to the twentieth year, observes the same proportion which holds good in general from birth to the fifteenth year. This seems to be how the term was used into the 19th century, as seen in this harsh assessment of the Mexican War: I believe that this war is a national blunder, a great calamity, the full effects of which, upon the peace and happiness of the country, no human sagacity can foresee. Is there no loss in this, to say nothing of the loss of that invaluable, living, human capital, which cannot be restored? The active rich, if they would conceive their position aright, must rise above the purely private point of view, and must regard themselves as discharging a true public functionâ€”that of conservators and administrators of human capital. He meets with emigrants or slave-traders moving on to Texas with their human capital, to turn them to greater account. The sum of human capital destroyed has been calculated as follows by Colonel Pierron: Germany armyâ€”killed, 18,; died of wounds, 11,; died from sickness, 12,; disappeared, 4,; wounded who survived, , Unless they took considerations of that kind into account they would not understand what was really meant by a standard of decent living. Human life was of even more importance than human capital. Indeed, it can be argued that the U. It used to be jail or the service. Now most of these kids are high school graduates. Ricks, The Atlantic, January The reason is that upward mobility requires what sociologists describe as the twin pillars of success: His book on the subject was titled, appropriately enough, Human Capital. Both the broad and narrow uses of human capital are in use today. More Words At Play.