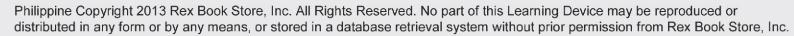


HUMAN CAPITAL Chapter 16







HUMAN CAPITAL AS A CONCEPT

- Adam Smith referred to human capital as the acquired and useful abilities of all inhabitants or members of the society.
- Acquisition of talents, their maintenance during their education, study or apprenticeship costs a real expense.
 - Talents become a part of their fortune likewise become a part of society to which they belong.





Mincer and Gary Becker Definition of Human Capital

- Human capital is similar to "physical means of production," such as factories and machines.
- One can invest in human capital (via education, training, medical treatment) and one's outputs depend partly on the rate of return on the human capital one owns.
- Thus, human capital is a means of production into which additional investment yields additional output.





HUMAN CAPITAL DEFINITIONS

- Human Capital refers to the stock of skills and knowledge embodied in the ability to perform labor so as to produce economic value.
- It is the health, strength, education, training, and skills that people bring to their jobs.
 - It is the stock of knowledge and skill, embodied in an individual as a result of education, training, and experience that makes him or her more productive.





HUMAN CAPITAL CONCEPT AS IT IMPACTS WORKERS TODAY

- The advent of the information age and knowledge economy makes human capital ownership and control more compelling
- Workers today as human capital investors bring their mental powers to their jobs in the organizations.
 - Knowledge workers are growing in numbers.

As investors of their personal resources and talents, they demand a better return of their investments.





COMPONENTS OF HUMAN CAPITAL

ABILITY + BEHAVIOR × EFFORT × TIME

= HUMAN CAPITAL INVESTMENT





Ability

- The proficiency in a set of activities or forms of work.
- It comprises three subcomponents:
 - Knowledge command of a body of facts required to do a job.
 - Skills facility with the means and methods of accomplishing a particular task.
 - Talent inborn faculty for performing a specific task.





Behavior

 Observable ways of acting that contribute to the accomplishment of a task.

Effort

 Conscious application of mental and physical resources toward a particular end.

Time

Refers to the chronological element of human capital investment: hours per day, years in a career, or any unit in between.





Return on Investment (ROI)

Career growth

- Opportunity to acquire more competencies through training and development
- Opportunity to promotion

Recognition

- Promotion is one form of recognition
- Other myriad ways of recognition for a job well done
- Recognition enhances motivation; motivation guarantee's higher performance

Happiness in the job

 Feeling of selfsatisfaction or selfactualization that the job provides

Pay and benefits

 Still the greatest single motivating factor for human capital investment





FINDING THE PROPER INVESTOR

- How to find the right investor with the necessary attributes of ability, behavior, effort and willingness
- The answer is in the hiring process
- Attracting people with critical human capital is a condition sine quanon for strategic success in the organization
- Individual competencies are defined as the applied skills, knowledge, behaviors and personal attributes of the organization's workers that are critical to its success.





RETAINING THE PROPER INVESTOR

- To attract proper investors could be easy the hardest part is to retain and motivate them.
- Two elements necessary for retention and motivation:
 - Commitment to the organization
 - Engagement in the job

