

SIM 2013

Debate on the multilevel model of the human capital measurement

Ioana Harpan^a, Anca Draghici^a *^a*Politehnica University of Timisoara, Department of Management, 14 Remus str., 300191 Timisoara, Romania*

Abstract

The concept of human capital (HC) is semantically a mixture of human and capital; HC is one of production factors that can generate added-values. It is well recognized by actual references that HC is defined by generic knowledge and skill, not specific to a task or a company, usually accumulated through working experiences and education. This approach take into consideration that the general HC embedded in an individual can be transferred to different industries or economic field thru the interaction of individuals (human resources) with organization. Though this paper there will be analyzed the actual model of HC measurement in the framework offer by the OECD model. The content of the paper started with an introduction, then the HC concept is presented and then there will be debated the main aspects of HC measurement methods and reporting. The critical aspects found during the research analysis (associated with the tendencies presented in the literature) conduct us to the motivation for a new HC measurement model development that will take into consideration monetary and non-monetary indicators, too.

© 2014 The Authors. Published by Elsevier Ltd. Open access under [CC BY-NC-ND license](#).

Selection and peer-review under responsibility of SIM 2013 / 12th International Symposium in Management.

Keywords: Human Capital Measurement, Economics Perspective, Management, Policy Makers.

1. Introduction

Actual Human Capital (HC) is an important subject of debate because of the tendency of natural resource diminishing. In this context organizations have re-oriented their strategy to gain competitive advantage to human resources management and more, to HC. In generally, HC concept refers and it's linked with the following issues and aspects:

1. The organizational (and business) success depends in large part, on the people with higher level of competencies and expertise. In response, the people are becoming valuable assets of modern organizations;

* Corresponding author. Tel.: +40-(0)256-403610; fax: +40-(0)256-403610.

E-mail address: adraghici@eng.upt.ro, ancadraghici2003@yahoo.fr

2. From the economics subject perspective, the capital (and HC also) refers to factors of production used to create goods or services;
3. The human is the subject to take charge of all economic activities such as production, consumption, and transaction. Thus, it can be recognized that HC means one of production elements which can generate added-values through inputting it.

The state-of-the-art in the field, recognized that there are two perspective of HC: the first one, is to utilize human as labor force related to economic added-value that is generated by the input of labor force as other production factors such as financial capital, land, machinery, and labor hours; the second one is related to human that can be viewed as the target of investment through education and training. HC expansively includes the meaning of human as creator who frames knowledge, skills, competencies, and experience originated by continuously connecting between individual and the environment where he/she acts.

The importance of HC as creator has been consider since 1950, when some economists discovered that the investment of HC was the primary element to raise individuals wages compared to other production factors such as land, financial capital, and labor force. Throughout HC investment, an individual acquired knowledge and skills can easily transfer certain goods and services with practical values (Romer, 1990). Furthermore, it is acceptable that the conceptual foundation of one's HC is based on processes and activities as knowledge and skills acquired by an individual (in association with the social and organizational environment context) learning activities. From this perspective, HC is very strong linked with knowledge as broad meaning.

HC importance arises from the concept impact upon multiple aspect and levels as:

- The growth of an individual wage, organization/company/firms productivity, and national economy (Shultz, 1961), (Ferreira & Hamilton, 2010) organization/company/firms core competences definition that is a determinant factor of improve the competitive advantage (Lepak & Snell, 1999);
- Human resources' productivity in the workplace (Lucas, 1988), (Rosen, 1999);
- To easily implement job-seeking activities with increasing the human capital (Vinokur, et al., (2000);
- To relatively receive high rewards in the internal/external labor market (Edwards, 1979);
- National economic growth (Romer, 1990).

From this perspectives based on relevance references, it has been developed methods and tools for the HC measurement in terms of evaluation, assessment. With perceiving about the importance of human capital, many nations have tried to effectively and efficiently measure their human capital to understand their current status. Thereafter, human capital measurement is an important source in terms of suggesting and implementing policies regarding human resources. The drawbacks of traditional measurement method will be explained by considering some relevant references.

First, (Wolf, 2002) suggests that some of indicators can be actually considered as incomplete indicator to measure the human capital (for example, proxies such as income and productivity).

Second, it is difficult that HC itself independently contributes to individual development and national economy growth.

According to (Ashton & Green, 1996), it is necessary that the link between HC and economic performance should be considered within a social and political context in order to precisely measure the HC, but most in order to manage it for business performance increasing. Furthermore, financial, human and social capital positively influences socio-psychological individual health (Blakey, et al. 2002), (Veenstra, 2001), (Veenstra, et al. (2005), (Wilson, et al. 2004).

In this context, the purpose of the article is to clarify some aspects related to HC measurement through the related literature review. Before doing this, this article presents some concepts and characteristics of HC. Furthermore, understanding of HC traditional measurement and its critical aspects there will be proposed a new approach of HC measurement.

2. Brief overview of the human capital concept

References have underlined some perspectives of that HC concept.

The first one is based on individual's aspects and characteristics (profile). Schultz (1961) recognized HC as *something akin to property* against the concept of labor force, in the classical perspective.

Download English Version:

<https://daneshyari.com/en/article/1114563>

Download Persian Version:

<https://daneshyari.com/article/1114563>

[Daneshyari.com](https://daneshyari.com)