HUMAN CAPITAL: THEORY AND PRACTICE

by

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Presented to the OECD and Fondazione Giovanni Agnelli

Workshop on the Measurement of Human Capital
Turin, Italy ~ November 3, 2008

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HUMAN CAPITAL: THEORY AND PRACTICE

The Concept of Human Capital

Is Human Capital Important?

Measuring Human Capital

Investment in Human Capital

Human Capital and Nonmarket Accounting
THE CONCEPT OF HUMAN CAPITAL

Investment in Physical Capital vs. Investment in Human Beings

Human Wealth vs. Nonhuman Wealth

Market and Nonmarket Labor Incomes

Lifetime Labor Incomes and Asset Values
IS HUMAN CAPITAL IMPORTANT?

Nonmarket Compensation Includes Leisure Time, Household Production, Investment in Education and Investment in Child-Rearing

Nonmarket Labor Compensation is Four Times the Value of Market Compensation

The Value of Human Investment Is Four Times the Value of Nonhuman Investment

Human Wealth is Ten Times the Value of Nonhuman Wealth

Source: Jorgenson and Fraumeni (1989, 1992)
RELATIONSHIPS TO THE LITERATURE

Measuring Capital: Schreyer (2008) and Canberra II.


Investment in Health: Cutler and Richardson (1997), Cutler, Rosen, and Vijan (2006)

Investment in Intangibles: Corrado, Hulten, and Sichel (2005)

The Pioneers: Machlup (1962), Nordhaus and Tobin (1972), Schultz (1961), and Kendrick (1976)
A New Architecture for the U.S. National Accounts

Edited by Dale W. Jorgenson, J. Steven Landefeld, and William D. Nordhaus
MEASURING HUMAN CAPITAL

The Starting Point: Population

Market Labor Data Base: Employment, Hours, and Market Compensation

Nonmarket Labor Data Base: Population, Hours, and Imputed Compensation

Time Use Surveys

Separation into Quantity (Hours) and Price (Wages Plus Fringe Payments) Components
Productivity

Information Technology and the American Growth Resurgence

Dale W. Jorgenson, Mun S. Ho, and Kevin J. Stiroh
LIFETIME LABOR INCOMES

Three Stages of Life:

Working and out of School

Working and in School

Not Working and in School
LIFETIME LABOR INCOMES FOR WORKERS NOT IN SCHOOL

Expected Incomes in the Future

Growth of Real Incomes

Survival Probabilities

Discount Rates
LIFETIME LABOR INCOMES FOR WORKERS IN SCHOOL

Investment in Education:
Increment in Lifetime Income for an Additional Year of Education

Example: An Individual with Sixteen Years of Education

Total Labor Compensation:
Time Spent in Formal School Plus Labor Compensation for Market and Nonmarket Labor Time
LIFETIME LABOR INCOMES FOR STUDENTS IN SCHOOL

Value of Labor Compensation: Increment in Lifetime Incomes

Individuals Not Enrolled in School Have Lifetime Incomes But No Labor Compensation

Human Wealth Is the Value of Lifetime Incomes for the Population

This Can Be Separated Into Quantity (Number of Individuals) and Price (Lifetime Income) Components
INVESTMENT IN HUMAN CAPITAL

Lifetime Incomes for All Individuals Born in That Year Plus:

Lifetime Incomes for All Immigrants Plus:

Labor Compensation for Formal Schooling (Investment in Education)

Each of These Can Be Separated Into Quantity (Number of Individuals) and Price Components
HUMAN CAPITAL AND NONMARKET ACCOUNTING

Why Nonmarket?


The Value of Additions to the Population: Newborns and Immigrants.

The Value of Investment in Formal Schooling