The Lisbon Council Human Capital Center

Peer Ederer, PhD
Director, human capital center, The Lisbon Council

Paul Hofheinz
President, The Lisbon Council

World Bank, Washington DC
14 January 2008
Three levers for achieving medium- and long-term economic performance

1. Create new human capital
2. Utilize human capital
3. Yield high human capital productivity

return on
+ financial capital = GDP
Human capital consists of five kinds of learning

Dollars adjusted for purchasing power parity (base 2000) per average employed person

- Parental
- Schooling
- Tertiary
- Adult
- On the job

United Kingdom
Sweden
Germany
The human capital biography of a German professional

Parental  Schooling  Tertiary  Adult  On the job

500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000

18  21  24  27  30  33  36  39  42  45  48  51  54  57  60  63
Human capital biography of a university educated non-professional
Human capital biography of a medium-skilled worker
Key data sources

Main input data:

- Time spent with children
- Quality of schooling
- Participation in tertiary education
- Time spent on informal education
- Structure of labor- market participation
- Net and gross earnings per hour
- Forgetting curves
- Obsoletion experiences
- ppp values
Human capital index for EU-15 member states

'No one has worked out the impact of knowledge like this before.'

The Economist
October 2006
Human capital Index for Central and Eastern Europe

'The study should be mandatory reading for the stubborn, complacent and squabbling politicians of Eastern Europe.'

The Economist
October 2007
All ministerial portfolios need to contribute to creating and deploying human capital in an economy.

- **Value-oriented industrial policy**
- **Labor-market participation incentives and lifelong learning enforcement**
- **Massive technology investment**
- **Skills-oriented immigration policies**
- **Educational systems upgrades**
Audiences in 2007

US State Department, Intelligence and Research Bureau

Federal Government of Canada, Policy Research Initiative

Centre d'analyse stratégique of the French Prime Minister’s Office

Korea Research Institute for Vocational Education and Training

European Union, Interreg IVb North Sea Region Programme

B7 Baltic Islands Network Cooperation

OECD Education Department and their INES B expert network from 28 countries

Economic Policy Committee of the European Finance Ministers
**Human capital makes most of the difference**

<table>
<thead>
<tr>
<th></th>
<th>Russia</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP 1990</td>
<td>$90 billion</td>
<td>$28 billion</td>
</tr>
<tr>
<td>GDP 2004</td>
<td>$764 billion</td>
<td>$99 billion</td>
</tr>
<tr>
<td>Population 2004 (1990)</td>
<td>144 m (148)</td>
<td>137 m (93)</td>
</tr>
<tr>
<td>Exports</td>
<td>60% oil+minerals=$160 billion</td>
<td>95% oil+minerals=$50 b</td>
</tr>
<tr>
<td>Politics</td>
<td>nominal democracy</td>
<td>nominal democracy</td>
</tr>
<tr>
<td>Business Climate</td>
<td>entrenched corruption</td>
<td>entrenched corruption</td>
</tr>
<tr>
<td></td>
<td>open market economy</td>
<td>open market economy</td>
</tr>
<tr>
<td>Economic Freedom Index</td>
<td>120</td>
<td>131</td>
</tr>
<tr>
<td>Literacy 2003 (1990)</td>
<td>99% (99)</td>
<td>68% (48)</td>
</tr>
<tr>
<td>Tertiary Edu Enrolment</td>
<td>53%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Thank you

Peer Ederer, PhD

Director, human capital center, Lisbon Council

+49 171 55 164 99
www.lisboncouncil.net