Assessing the process of human capital and skills formation in European cities

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Human capital index for European Union

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

The Economist
October 2006
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 b$</td>
<td>28 b$</td>
</tr>
<tr>
<td>GDP 2004</td>
<td>764 b$</td>
<td>99 b$</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 b$</td>
<td>95% oil+minerals=50 b$</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>
Three levers for achieving economic success

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

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

Dollars adjusted for purchasing power parity (base 2000) per average employed person
The human capital biography of a German professional
Human capital biography of a medium-skilled worker

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

Human capital 2006 in 1000 ppp Dollar

Age:
18 21 24 27 30 33 36 39 42 45 48 51 54 57 60 63

Human capital in 1000 ppp Dollar:
Human Capital endowment per average citizen varies significantly by city.

<table>
<thead>
<tr>
<th>City</th>
<th>Human Capital (in 1000 PPP Dollar)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>200</td>
</tr>
<tr>
<td>Manchester</td>
<td>170</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>180</td>
</tr>
<tr>
<td>Rotterdam</td>
<td>180</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>190</td>
</tr>
<tr>
<td>Köln</td>
<td>180</td>
</tr>
<tr>
<td>Milano</td>
<td>160</td>
</tr>
<tr>
<td>Torino</td>
<td>150</td>
</tr>
</tbody>
</table>
Three levers for achieving economic success

1. Create new human capital
   • Connectivity
   • Accessibility
   • Amenity
   • Security
   • Transparency

2. Utilize human capital
   • Connectivity

3. Yield high human capital productivity!
Innovation-driven economies enable the synthesis of efficiency and utilisation of human capital resources.
All governmental portfolios need to contribute to creating and deploying human capital in an economy.

- Value-oriented industrial policy
- Labour-market participation incentives and lifelong learning enforcement
- Massive technology investment
- Skills-oriented immigration policies
- Educational systems upgrades
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 invested in Eastern Europe compared to West Europe

The graph shows the investment in human capital per average employed person in various countries, categorized by type of investment: Parent, Schooling, Tertiary, Adult, and On the job. The investment is measured in PPP$ (base 2000) and includes United States, Canada, Denmark, Switzerland, United Kingdom, Ireland, Sweden, Belgium, Germany, Finland, Netherlands, France, Austria, Italy, Spain, Cyprus, Slovenia, Portugal, Czech, Estonia, Lithuania, Hungary, Croatia, Poland, Latvia, Slovakia, Bulgaria, Romania, and Turkey. The investment figures range from 0 to 400,000 PPP$ per average employed person.
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

World Bank Chief Economist Speaker Series
Thank you

Peer Ederer, PhD

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