OECD
Workshop on the measurement of human capital

Turin, November 4th, 2008

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Three levers for medium / long term economic performance

1. Create new human capital

2. Utilise human capital

3. Yield high human capital productivity

return on
financial capital = GDP
Human capital index published in 2006 and 2007

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

The Economist
October 2006
"Your contribution is the highlight of our meeting here – you have helped our understanding where we should place our priorities"

Samuel BA Isaacs – CEO South African Qualifications Authority
Key data sources we utilized before

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
Several issues

• Data are inconsistent
• Data are survey based and therefore unreliable
• Data are not comparable across countries or not existant
• Data have too much closed-loop causality
• Early invests pay back during which period in the work life?
• How to explain rising incomes long after education is finished?
• How to explain different earnings profiles?
Education determines wealth creation

Net Secondary School Enrolment Rate in 2000

Source: The Race between education and technology, Goldin and Katz 2008
Education determines wealth creation – but how?

Average annual percentage change
labor productivity  education expansion

<table>
<thead>
<tr>
<th>Period</th>
<th>Labor Productivity</th>
<th>Education Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1915 – 1940</td>
<td>2.45</td>
<td>0.50</td>
</tr>
<tr>
<td>1940 – 1960</td>
<td>2.92</td>
<td>0.49</td>
</tr>
<tr>
<td>1960 – 1980</td>
<td>2.41</td>
<td>0.59</td>
</tr>
<tr>
<td>1980 – 2005</td>
<td>2.18</td>
<td>0.37</td>
</tr>
<tr>
<td>1915 – 2005</td>
<td>2.47</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Source: The Race between education and technology, Goldin and Katz 2008
Introducing: Learning on the job in human capital accounting

Source: The Human Capital Center Lisbon Council and Deutschland Denken! eV
Introducing: Talent = a measure of learning to learn capacity

Source: The Human Capital Center Lisbon Council and Deutschland Denken! eV
Learning capacity of employees in the European car industry ($r^2 = 0.92$)

Source: Deutschland Denken! eV
Cross company comparison of human capital productivity 2002 – 2006 (Sales in $/HC endowment)

Source: Master Thesis at the Asian Institute of Technology under supervision of Ederer
A business plan for Germany
Source: Deutschland Denken! eV
Massive amounts of human capital investments required in Germany

Source: Deutschland Denken! eV
University Systems Ranking due in November 2008
Some Audiences

Economic Policy Committee of the European Finance Ministers

World Bank, Chief Economist Series

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

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

South African Qualification Authority

City of Madrid
Thank you

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