

Innovation at Work – How Human Capital Creates Innovativeness

The ability of a society to develop, master and make use of innovation for generating economic growth and prosperity depends largely on the widespread endowment and utilization of the human capital of its citizens. The case of Ebay is a suitable illustration of this dependency. It requires highly skilled scientists and engineers to develop the myriad of hard- and software technologies that altogether make up the internet platform required for something like Ebay to come into existence. But it then also requires widespread commercial knowledge and entrepreneurial spirit for millions of small scale traders to operate on the ebay platform to buy and sell products. Without those traders, ebay would not be the attractive service that it is. And finally, it requires the hundreds of millions of customers who are literate and knowledgeable enough to buy and sell on ebay for their private purposes – being able to read and write, having learned how to access and manipulate computers, how to operate online payment systems, etc.

The ebay example illustrates that human capital is far more than just the education and vocational skills one acquires in schools and universities. Human capital also comprises of the cultural skills and societal norms that the child learns at home, the informal education which adults acquire voluntarily during their lifetime, as well as the constant learning that accompanies change in the job environment.

Thus to understand the potential for general innovativeness in society – and the economic growth that can result from this innovativeness – it is necessary to assess each of these five components of human capital: parental, schooling, vocational/university, adult and job education. The assessment needs to include how much total human capital there exists per country, as well as how much of it is employed in the labor market, and how productive it is. In a new study undertaken by the German think tank Deutschland Denken! and published by the Brussels based Lisbon Council asbl such an assessment was undertaken.

The main result from this assessment is that human capital performance is widespread across the European Union. Sweden is endowed with an average 175.000 Euro of human capital per employed person, while Portugese possess only 73.000 Euro. Netherlands utilizes 64% of all its human capital, while Italy employs only 52%. In Sweden, UK and Finland, the human capital productivity trend is stable, whereas in all other countries it is declining, in the Mediterranean countries by up to 1,5% per year.

The key implication for policy makers is to view the connection between human capital and innovativeness in a much broader sense than merely as education received in schools and universities, or the amount of R&D spent in exclusive high tech facilities. A human capital offensive to enhance Europe's competitiveness on the basis of knowledge, requires broad mobilisation of private and public resources in all aspects of the human learning cycle: from parental education to lifelong learning. The widespread performance in the assessment among the various nations illustrates that there is large room for improvement even within the European context and its value systems.

For more information visit www.lisboncouncil.net; www.deutschland-denken.info

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