

# the **Lisbon** council

making Europe fit for the future

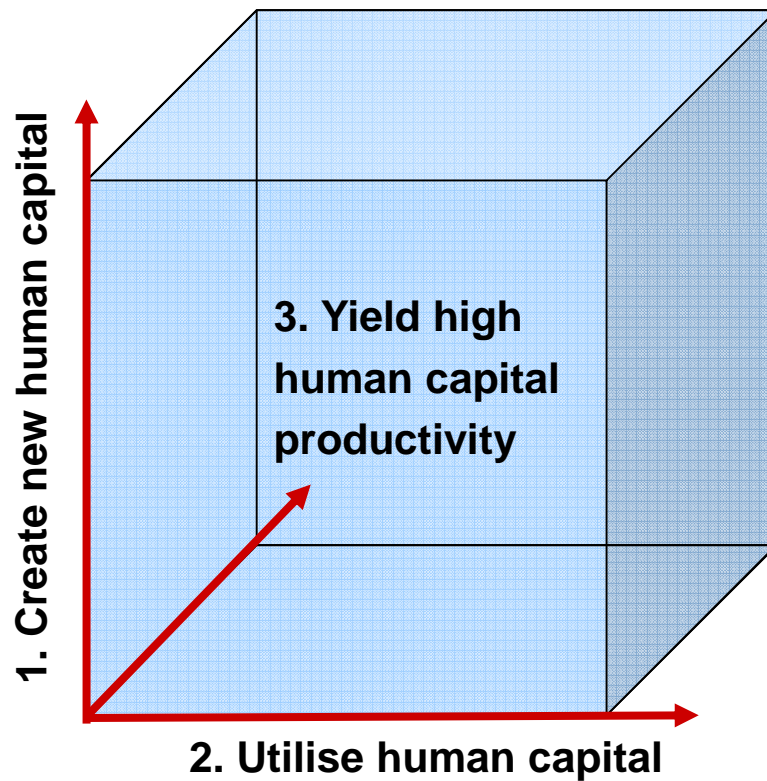
## Biographical pathways in human capital accounting

Beijing, August 12th, 2009

Peer Ederer, PhD

Director, human capital project, Lisbon Council

## Three levers for medium / long term economic performance



return on  
+ financial capital = GDP

## Human capital index published in 2006 and 2007

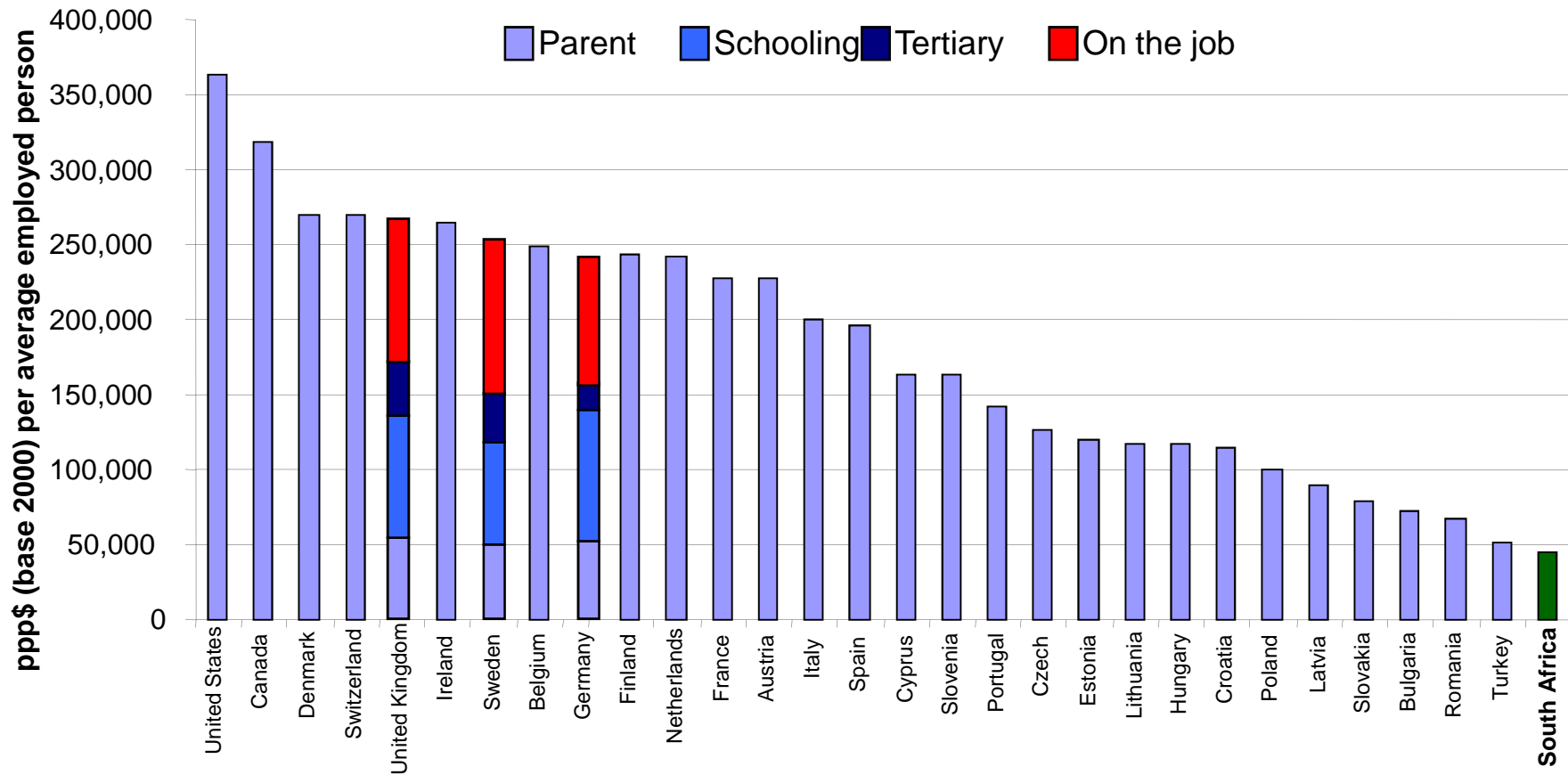


*„No one has worked out  
the impact of knowledge  
like this before.“*

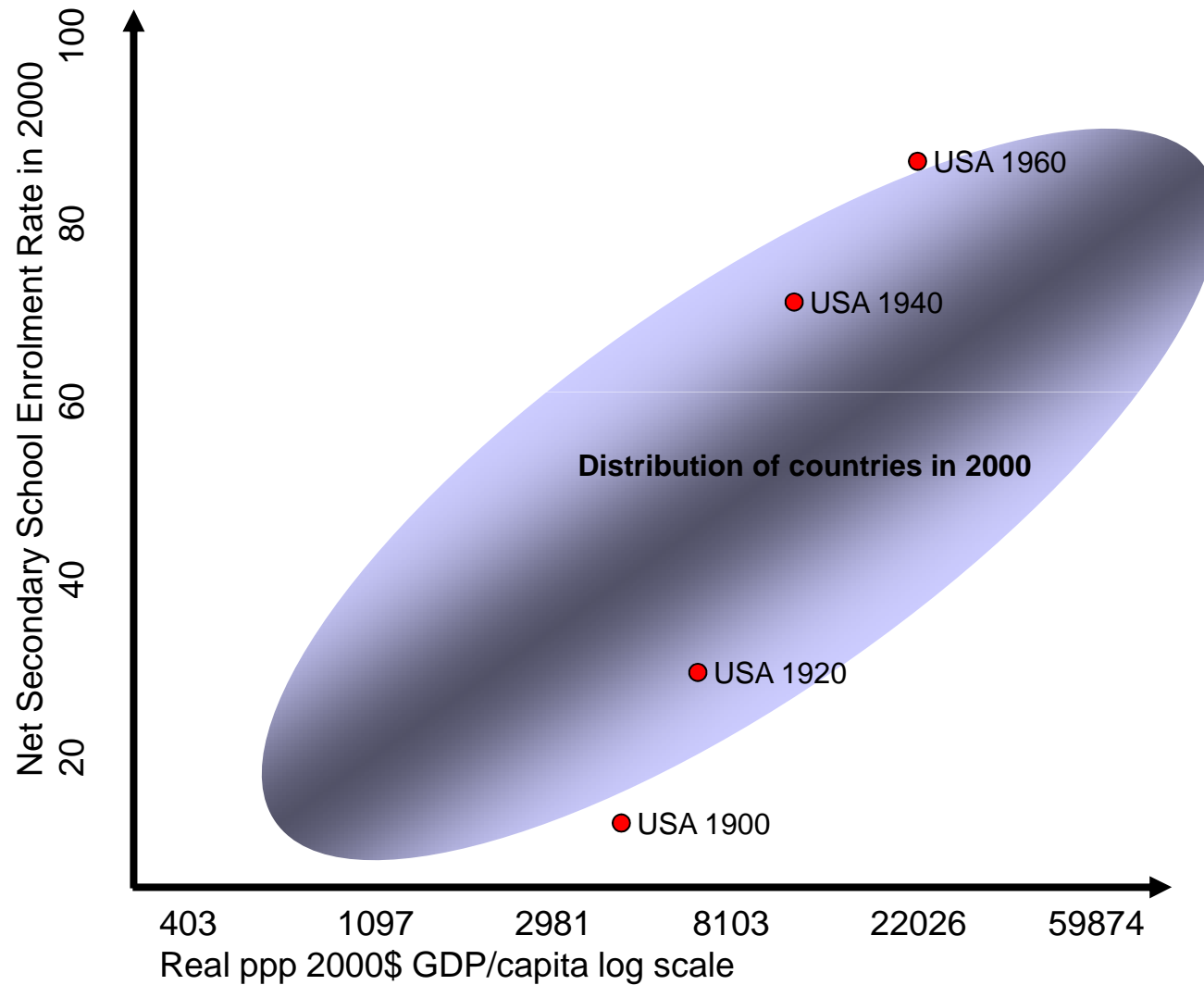
The Economist  
October 2006

*„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



## Education determines wealth creation



## Education determines wealth creation – but how?

### Average annual percentage change

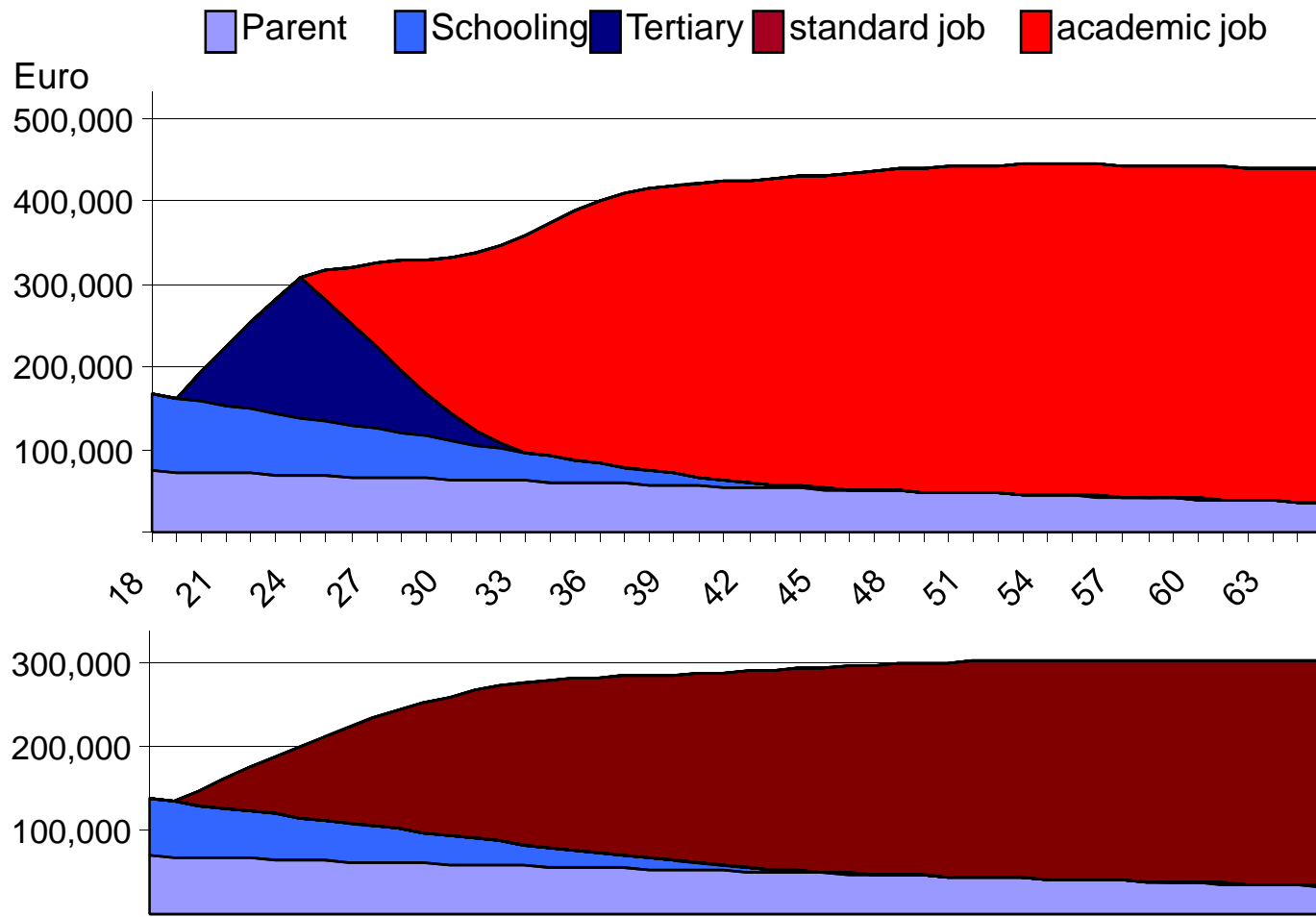
**labor productivity**

**education expansion**

1915 – 1940	2.45	0.50
1940 – 1960	2.92	0.49
1960 – 1980	2.41	0.59
1980 – 2005	2.18	0.37
1915 – 2005	2.47	0.48

Something is missing !

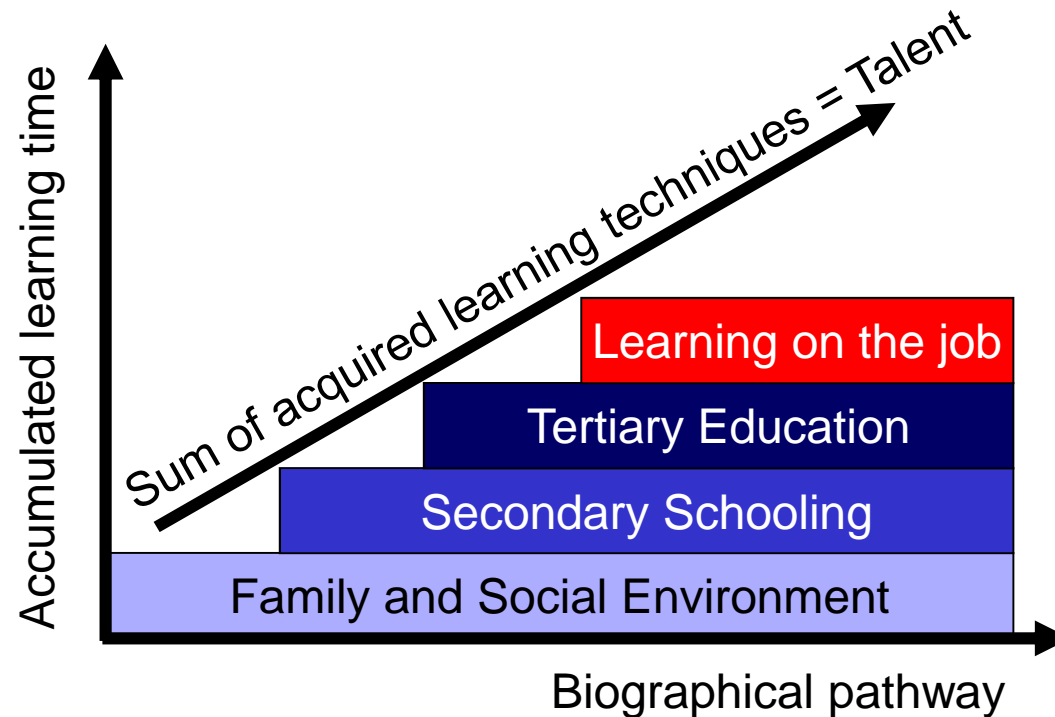
# Introducing: Learning on the job in human capital accounting





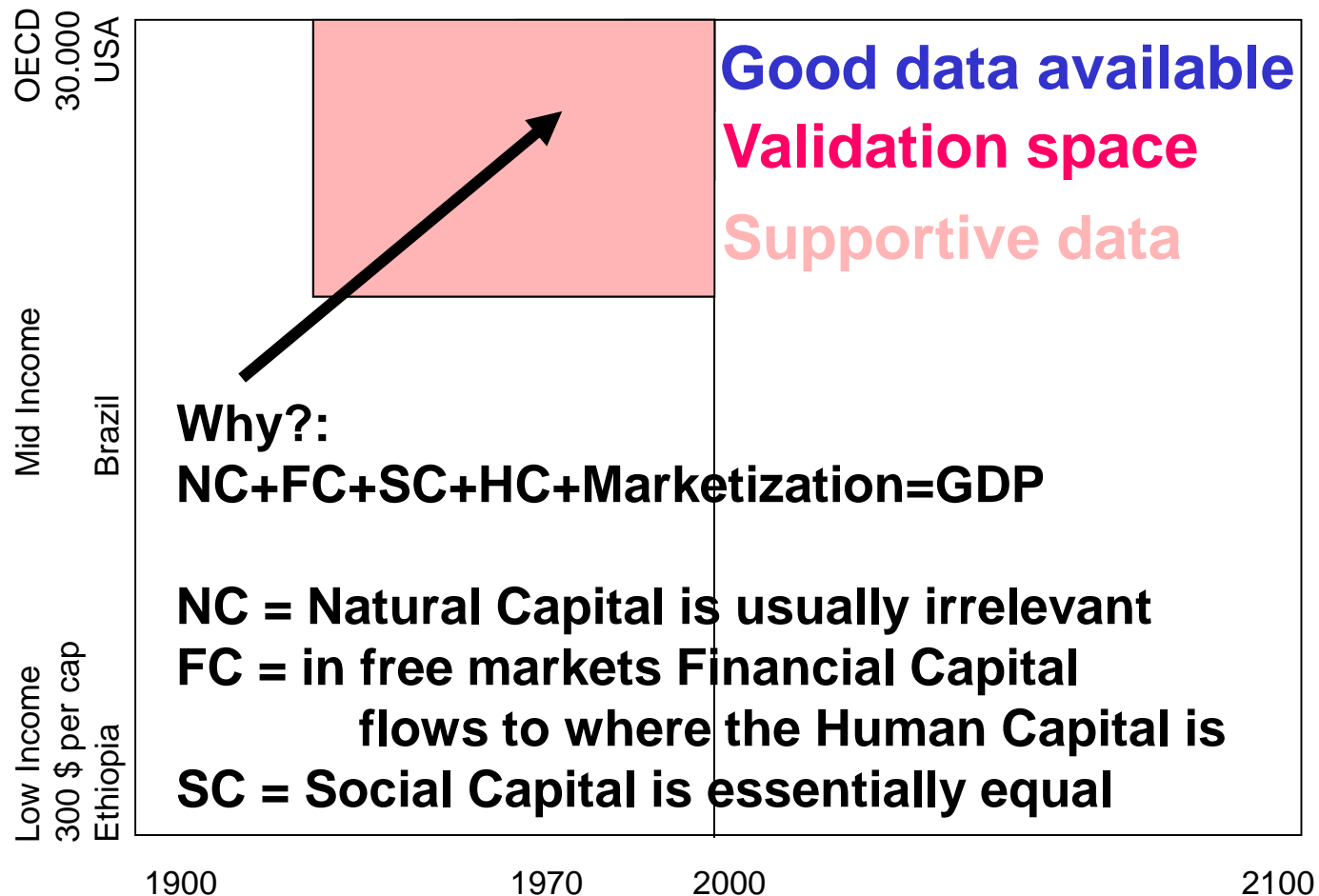
Introducing:

Talent = a measure of „learning to learn“ capacity



## Current effort: establishing robustness for methodology

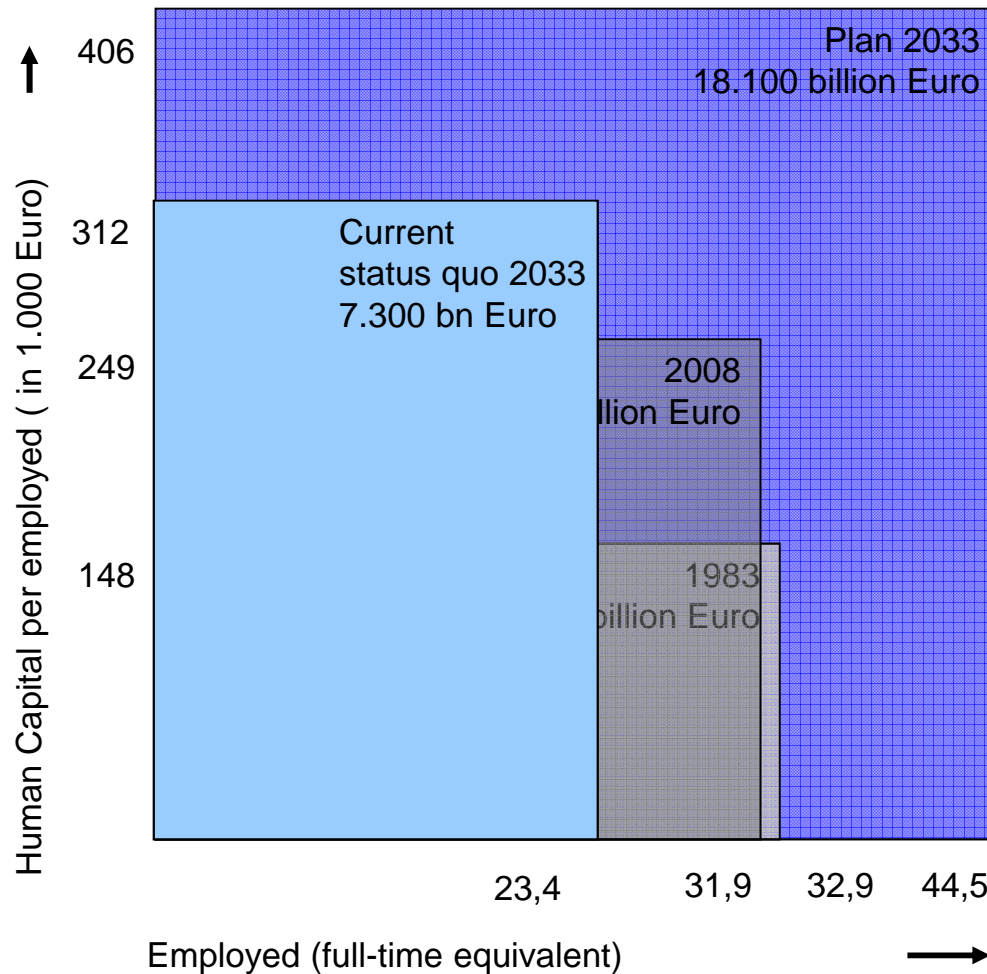
The total sample pool of empirical evidence for economic growth



## A business plan for Germany



## Massive amounts of human capital investments required in Germany



## Our current methodological challenges

### Close to resolution:

- **Identifying cross-national and cross-temporal markers that allow us to map demographic, economic and educational status onto representative individuals of society (12 biographical pathways)**
- **Monetization – which discount rates to use?**
- **Germany as our primary case study**

### Open Challenges

- **Depreciation periods < more empirical insights needed**
- **Immigration < national statistics are lousy**
- **Marketization < creating comparable baskets of services consumed, similar to the ppp-accounting**

## 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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## 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
- Obsolescence experiences
- ppp values



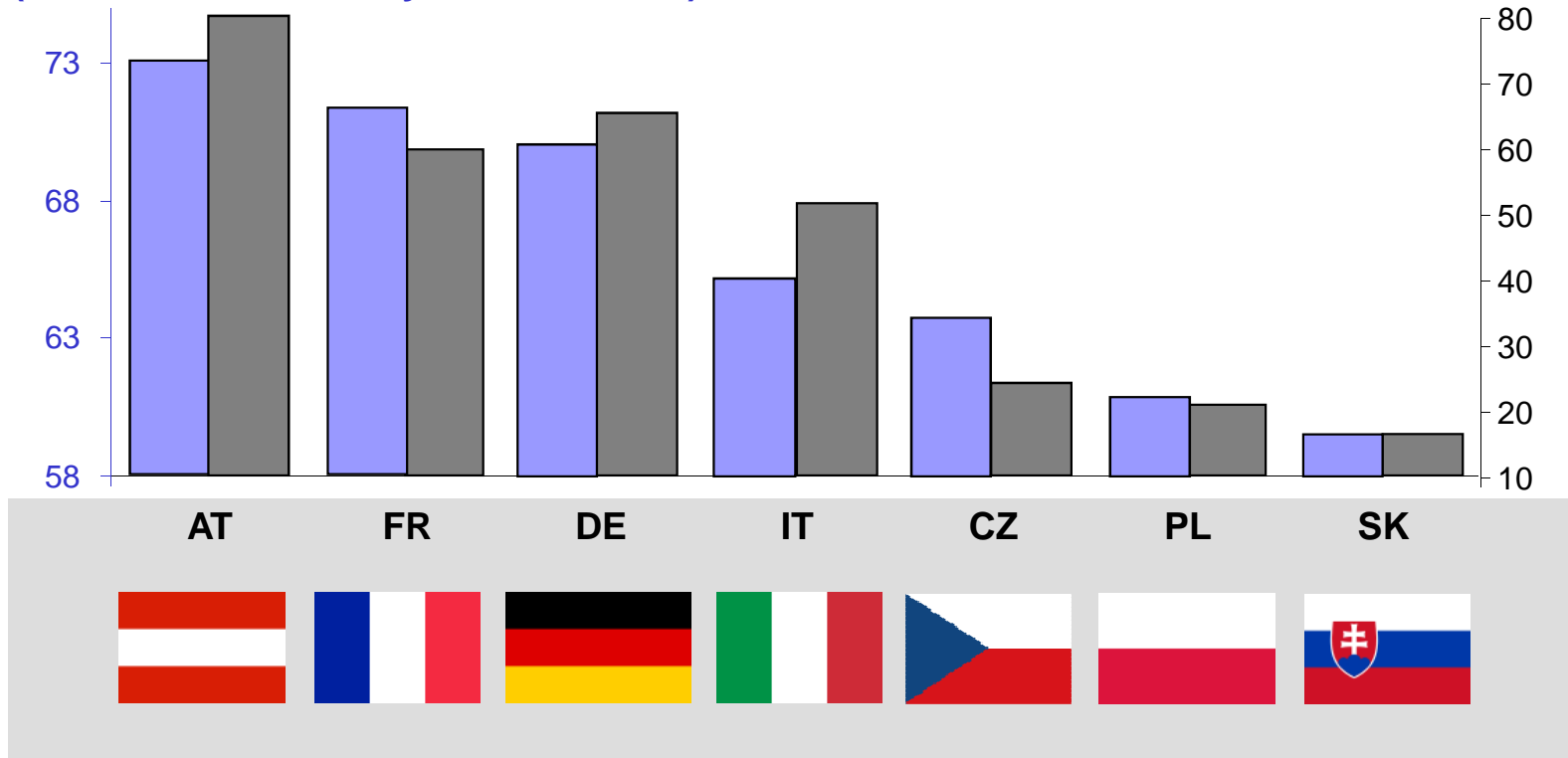
## Several issues

- **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?**

## Learning capacity of employees in the European car industry ( $r^2 = 0.92$ )

Learning capacity per employee  
(index score, 100=40y old academic)

Value added per employee



## Cross company comparison of human capital productivity 2002 – 2006 (Sales in \$/HC endowment)

