

the **Lisbon** council

making Europe fit for the future

OECD

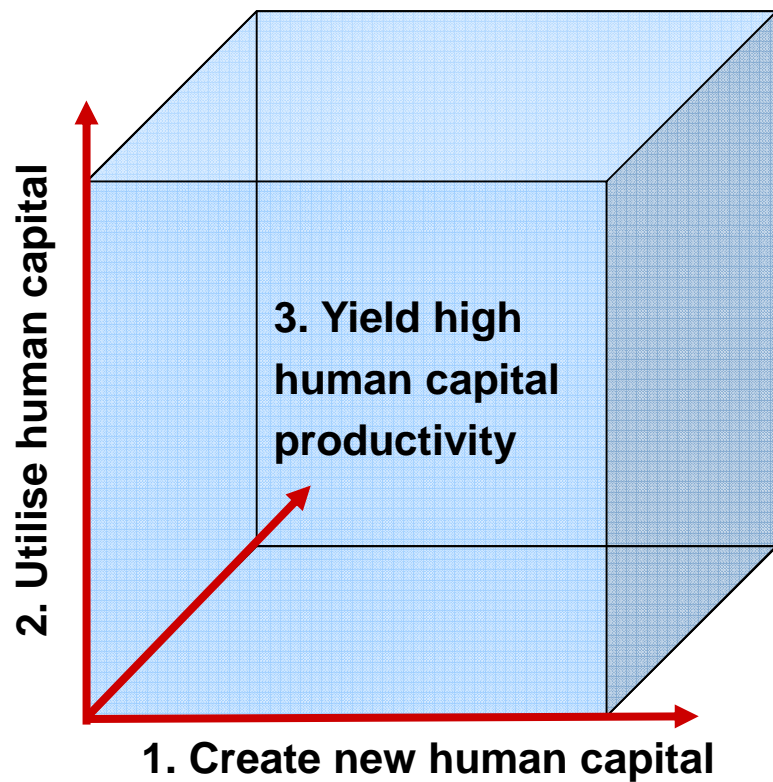
Workshop on the measurement of human capital

Turin, November 4th, 2008

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

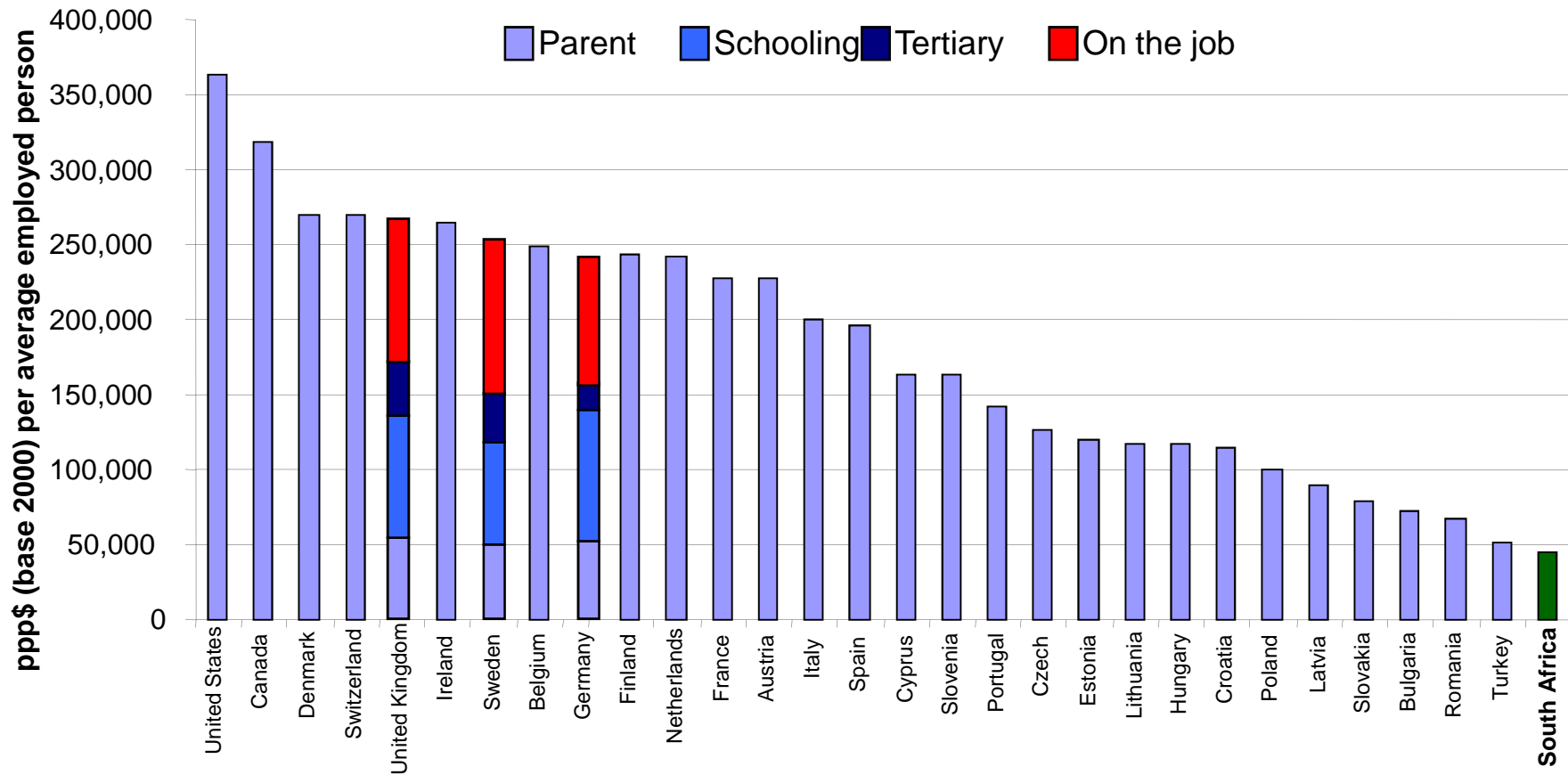


*„No one has worked out
the impact of knowledge
like this before.“*

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



Key data sources we utilized before

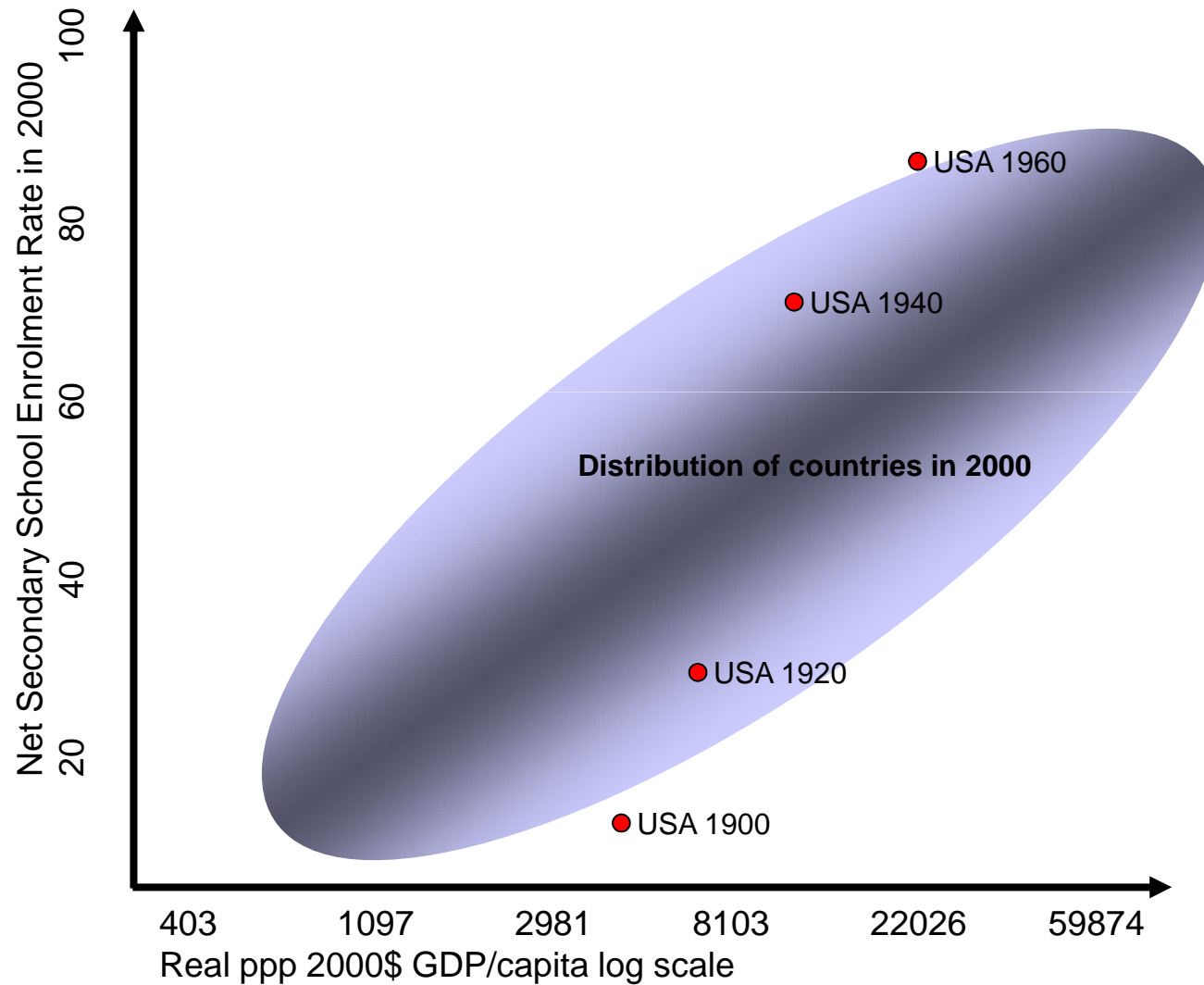
Main input data:

- 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?**

Education determines wealth creation



Education determines wealth creation – but how?

Average annual percentage change

labor productivity

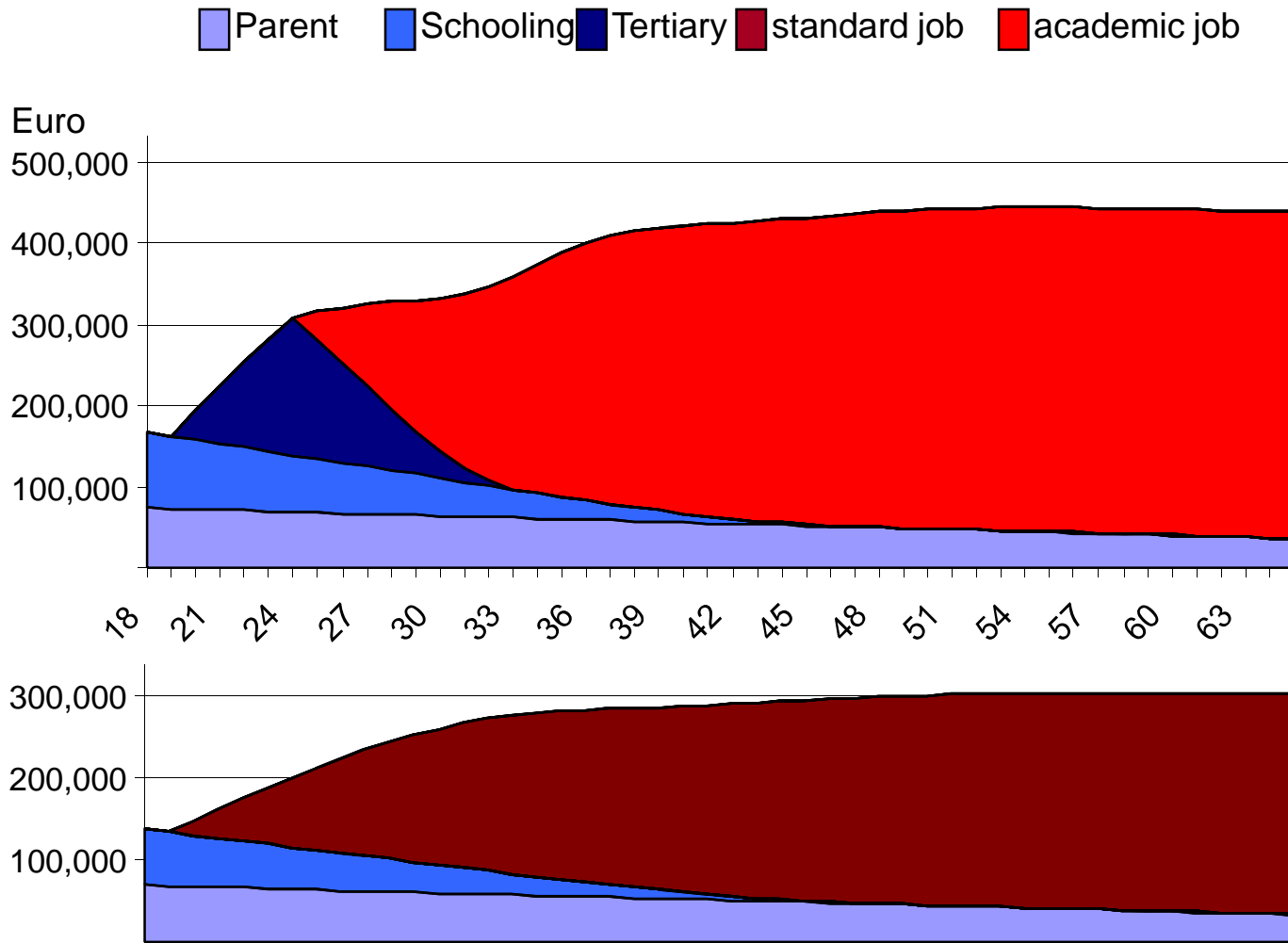
education expansion

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

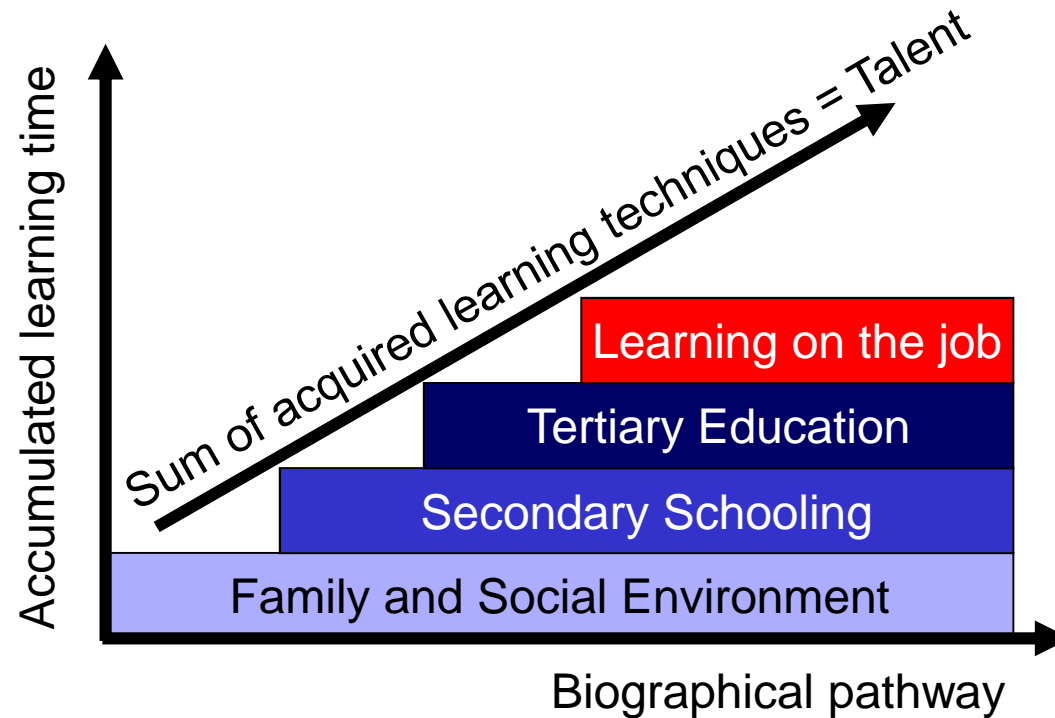


Something is missing !

Introducing: Learning on the job in human capital accounting



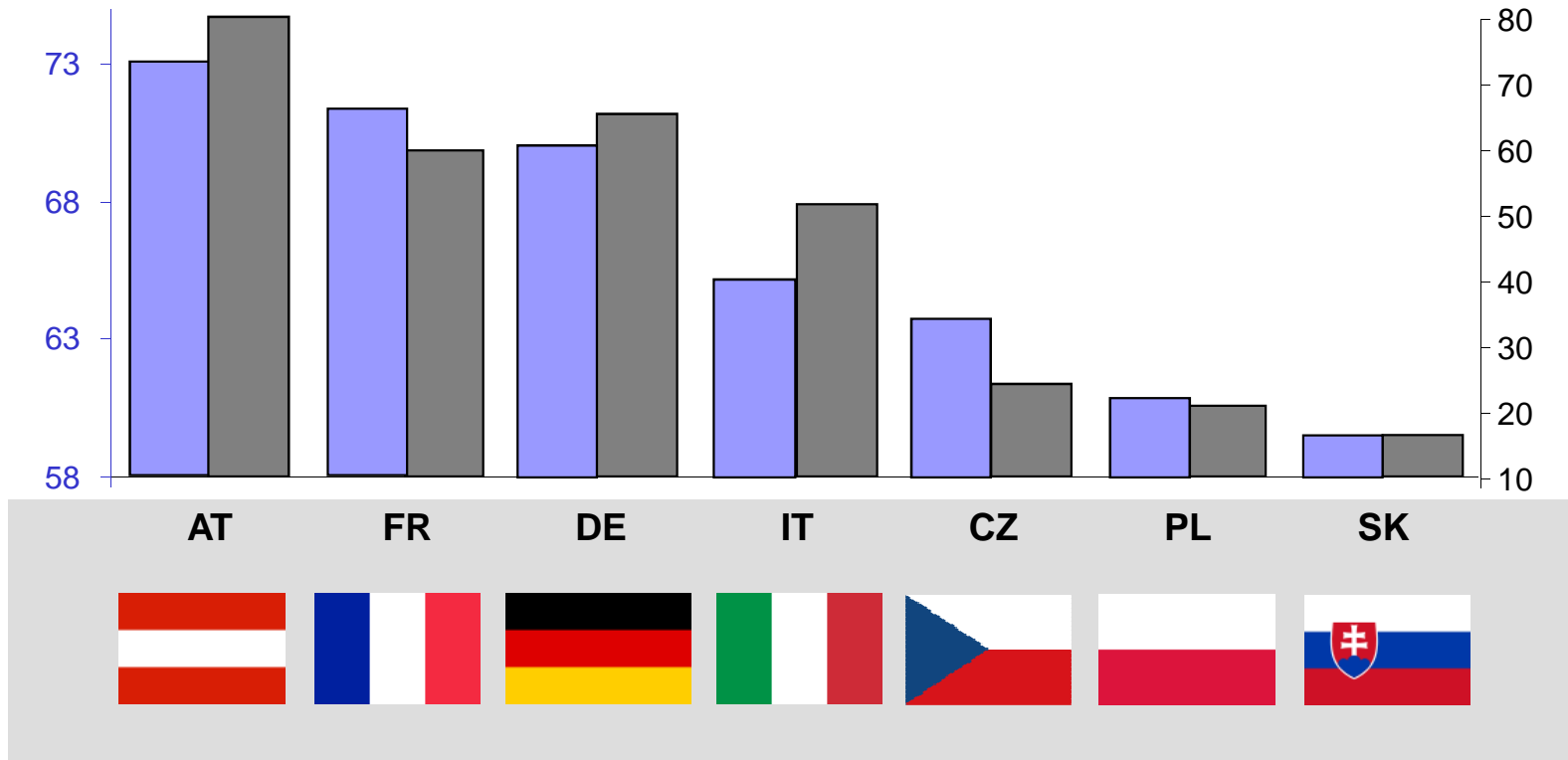
Introducing: Talent = a measure of learning to learn capacity



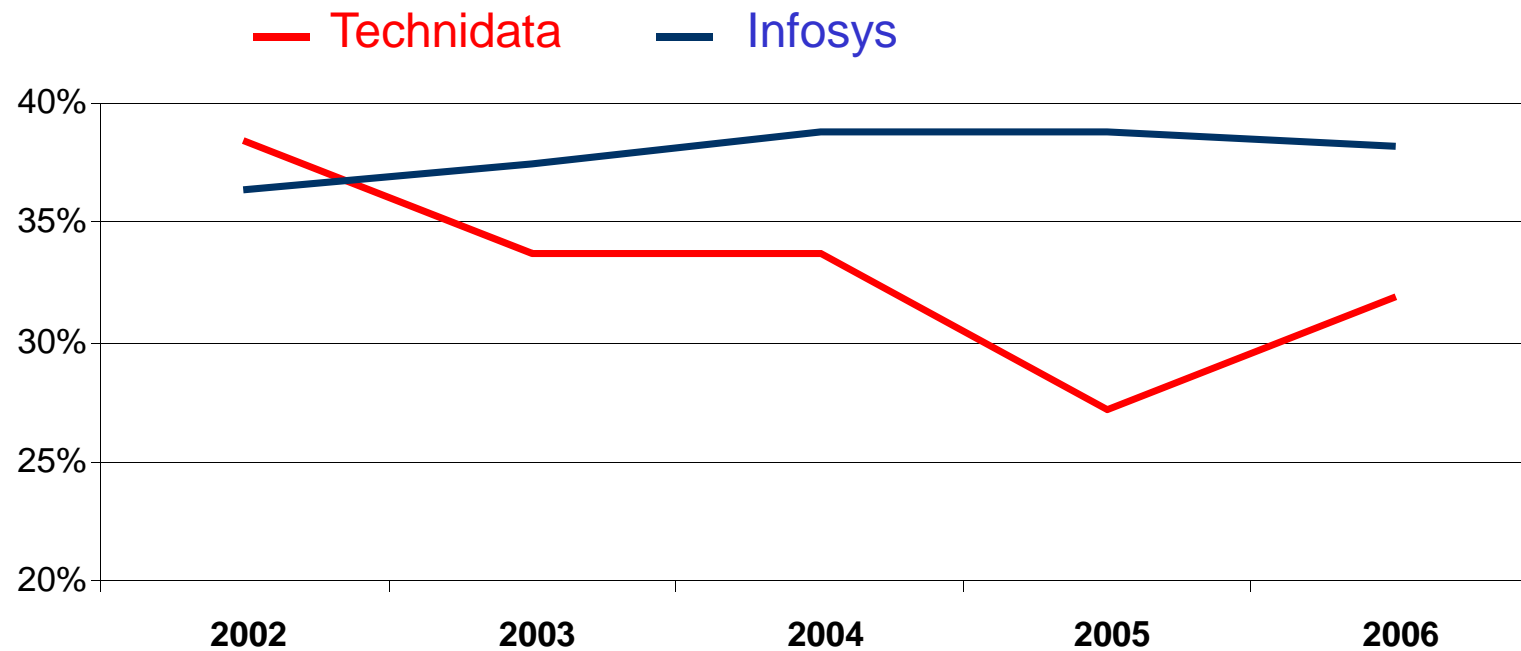
Learning capacity of employees in the European car industry ($r^2 = 0.92$)

Learning capacity per employee

Value added per employee

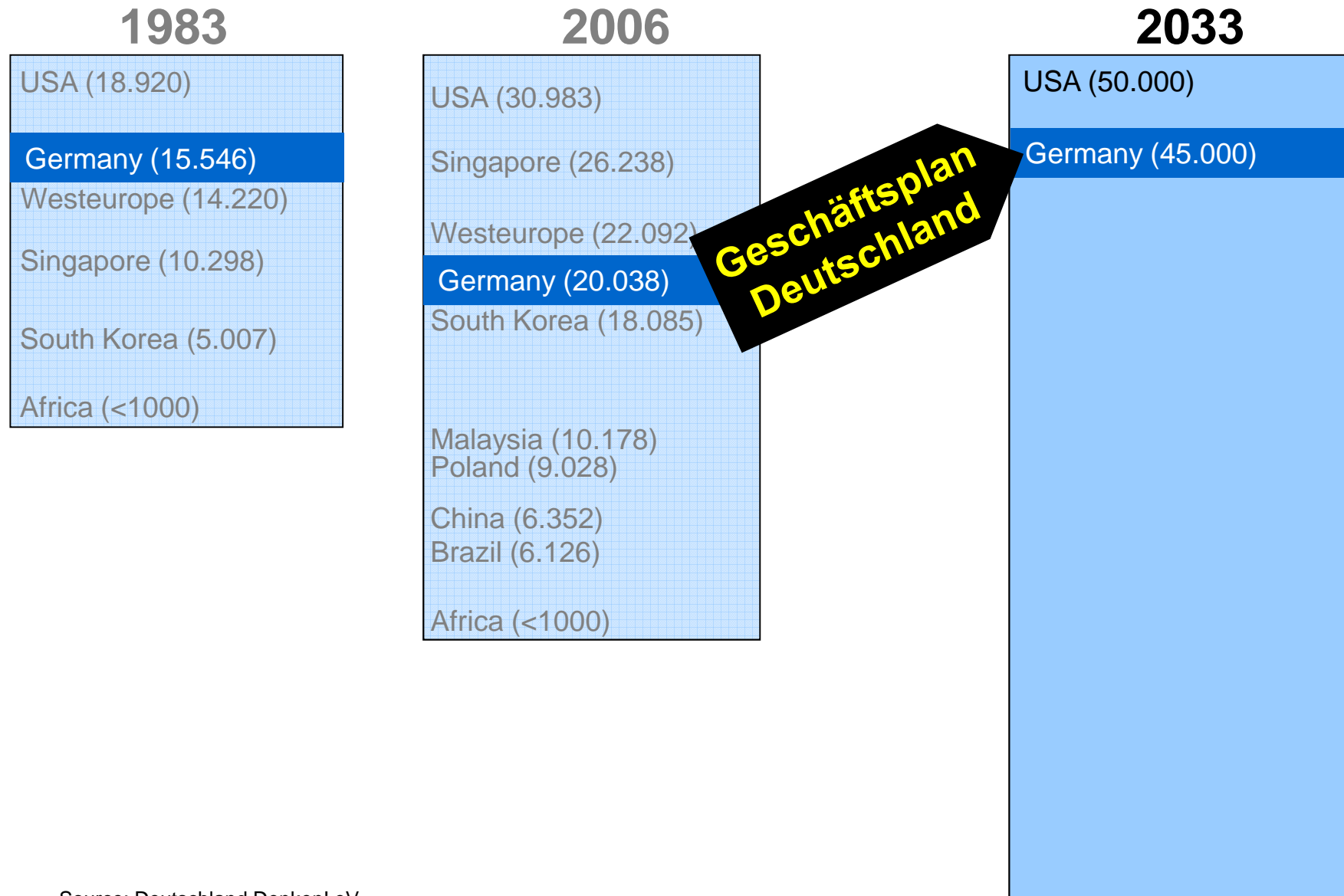


Cross company comparison of human capital productivity 2002 – 2006 (Sales in \$/HC endowment)

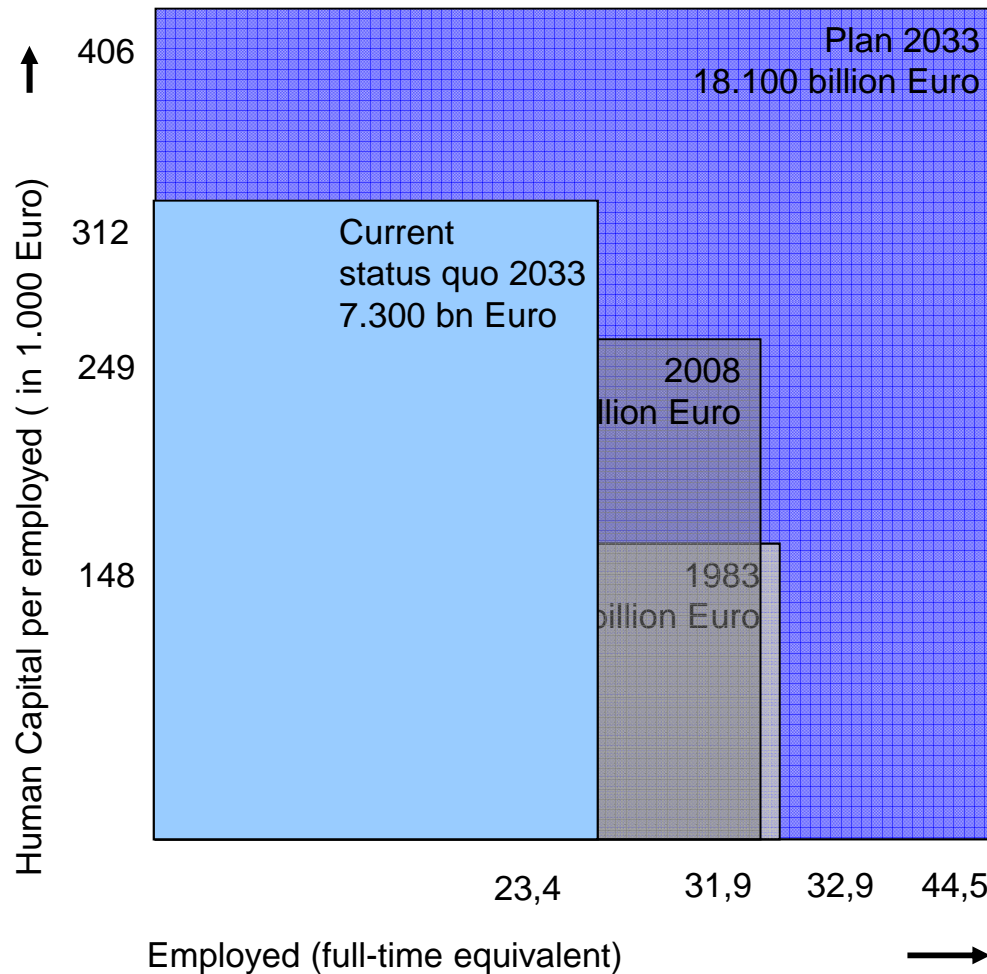


A business plan for Germany





Massive amounts of human capital investments required in Germany



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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