



Economic  
and Social  
Research Council

# Human Capital: Discussion

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# Human Capital: General

- More than 30 years since Dale and Barbara developed their seminal work on measuring human capital
- Since then this method has been employed by many NSIs and International Institutions, as well as individual scholars
- Here we have two examples of using the method to gain insights on human capital across the world and the impact of health on investment in human capital
- And a third paper that uses a different methodology but in the spirit of JF
- The advantage of these exercises is that they can trace impacts on aggregate economies or regions

# Human Capital: Complexity of measures

- The JF and IWR frameworks combine many facets of human capital investments and stocks
  - Enrolment in different levels of education
  - Earnings once employed
  - Employment probabilities
  - Survival probabilities
  - Real income growth
  - Discount rates
- The calculations can provide insights on changes across time, differences across regions, gender, health status etc.
- Complexity requires clever use of decompositions and/or counterfactuals to highlight messages, and all three papers are great examples of this

# Highlights: Regional

- Both WB and IWR papers focus on disparities in human capital across the world
- Massive research effort
- Both show higher growth in HC in less developed countries than in advanced economies
- WB highlights vastly greater per capital HC in advanced countries, but lower growth, mainly due to levels and trends in labour income
- IWR focuses more on growth in education, decomposing into impacts from education effects, educated populations and HC compensation
- There appear to be some disparities in the messages by region, e.g, lowest income regions

# Highlights: Gender

- All three papers consider gender aspects of HC
- WB focuses on large discrepancies between male and female HC per capita and useful counterfactual on how much aggregate HC would increase if there was parity between the genders
  - Mainly negative story
- IWR highlights the catch-up and overtaking in some regions of female EYS relative to males
  - More positive story
- Health paper has both positive and negative elements, larger gains for men pre pandemic from declining mortality rates but female negative impacts lower during the pandemic

# Human Capital and Gender

- It would be useful to combine the insights from the papers to tell a more complete gender story, combining levels and growth
- E.g. Women live longer so higher health HC, and are becoming better educated than men but their labour market experience is a dampening factor
- Maybe more counterfactuals – how much the HCS would change if women and men earned the same wages, worked the same hours, had equal life expectancy etc.
- How do these vary by region?

# Highlights: Health

- The paper focuses on mortality changes, and has some interesting results, especially for the Covid period.
- But the impacts of declining mortality rates are small, especially relative to health expenditures
- However, the calculations are for ages up to 75 and most health expenditures relate to populations older than this
- Extending to morbidity will be useful but my research with Lea Samek suggests these are also very small for the working population, although much larger for the 'younger' inactive
- There is a need to relate to the work of Cutler and others

# Human Capital: Conclusions

- The papers highlight the importance of this asset's share of wealth
- In the past 30 years we have discovered much about differences in HC across the world and by types of people
- But much more work needed, especially in understanding inequalities,
  - within countries/regions, intergenerational inequalities etc.