



GPS
Global Program
on Sustainability

7th World KLEMS Conference



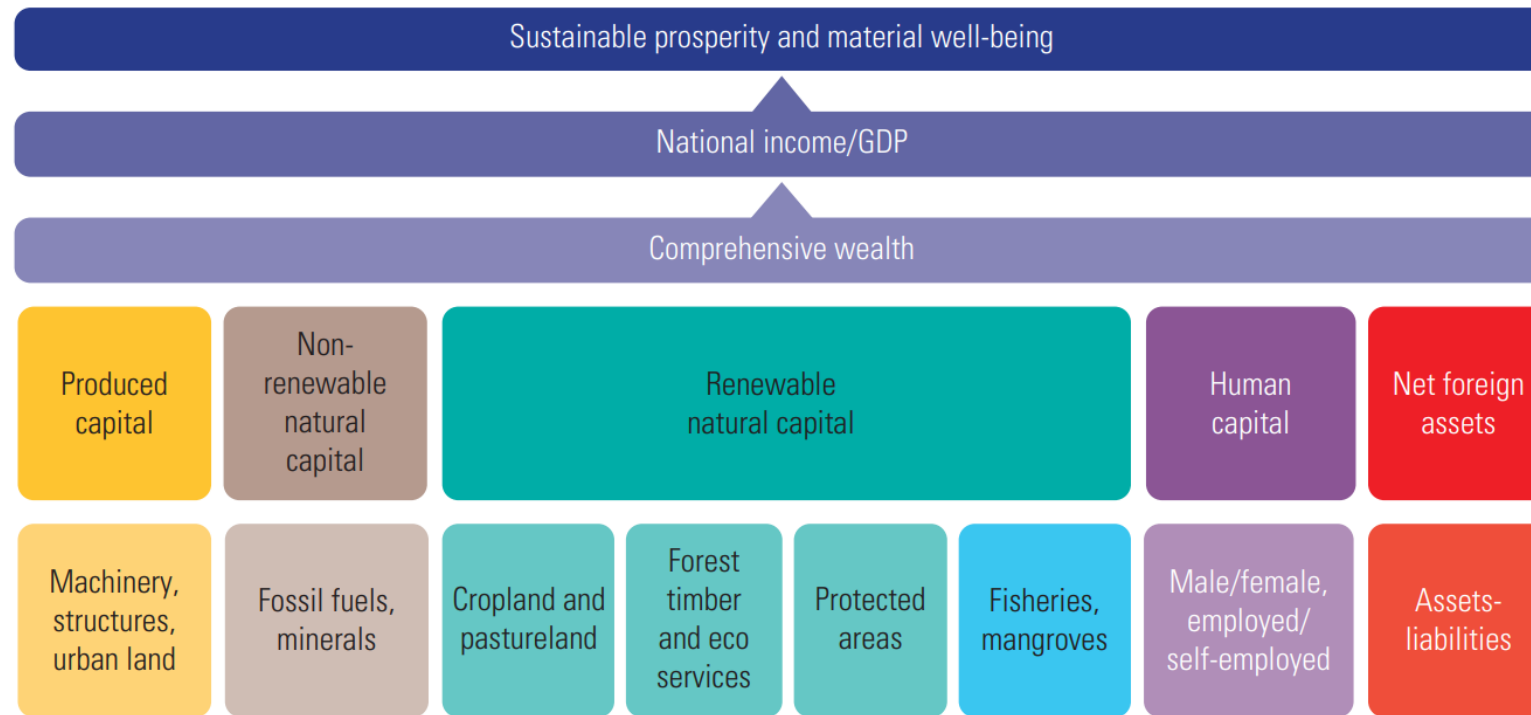


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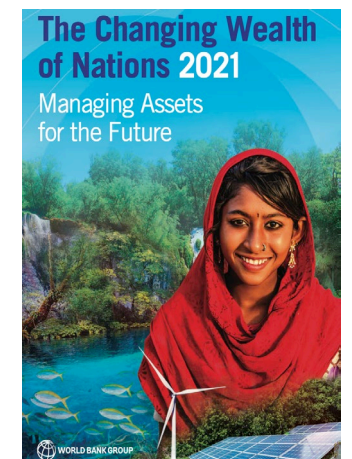
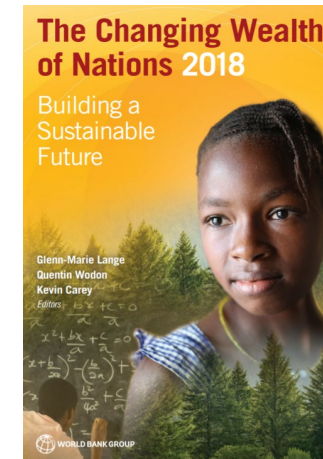
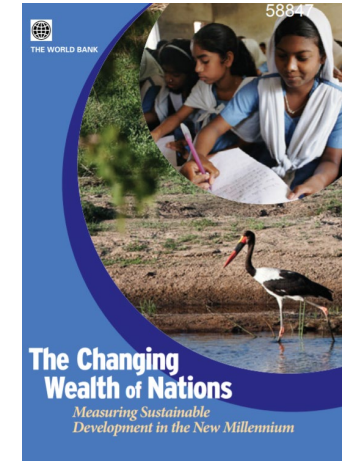
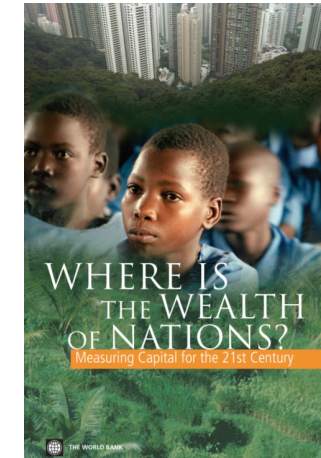
Motivation



The World Bank has been producing comprehensive wealth estimates since 1990s

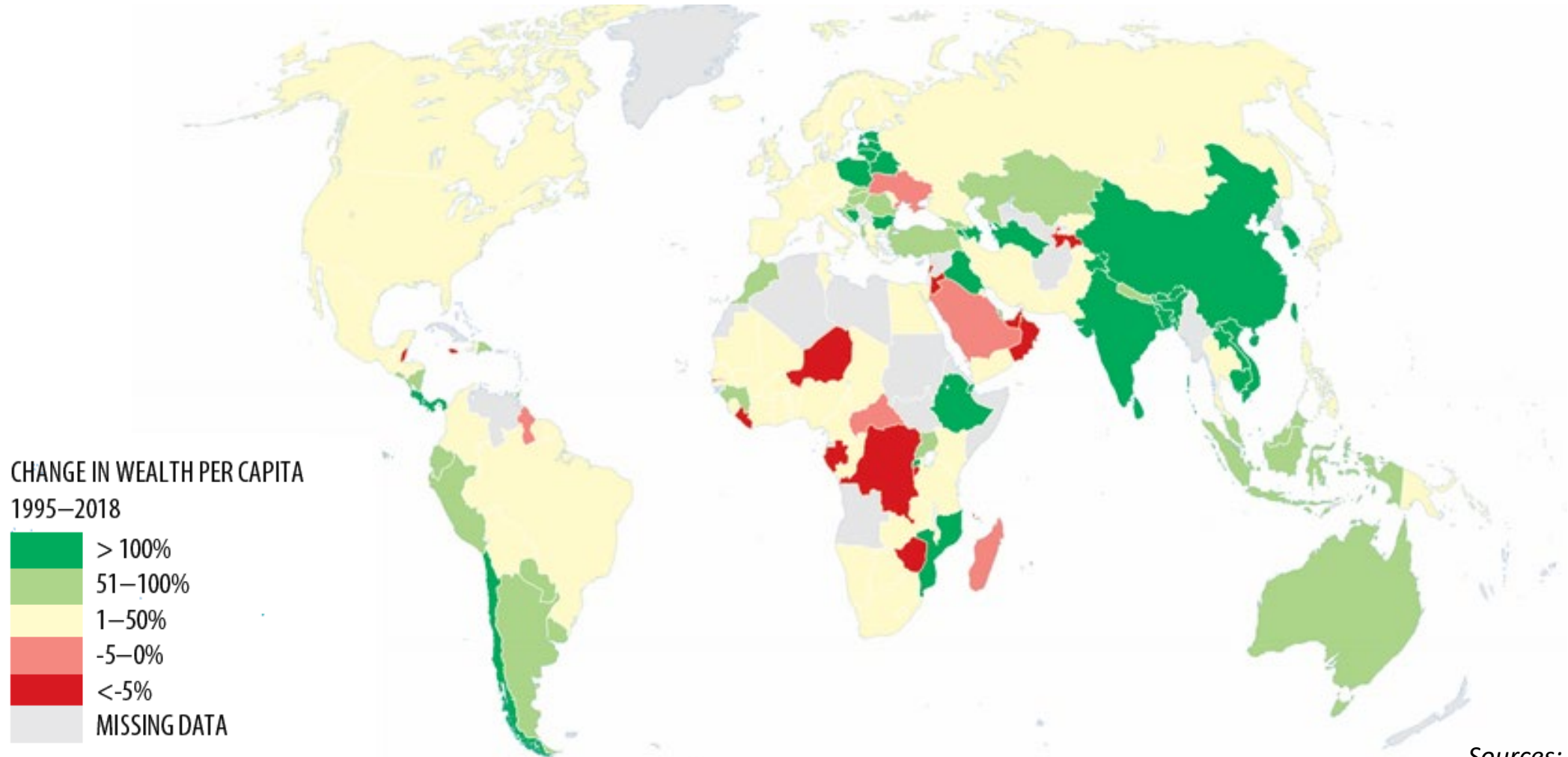


- A consistent global database for 146 countries 1995-2018 consistent with the SNA and SEEA



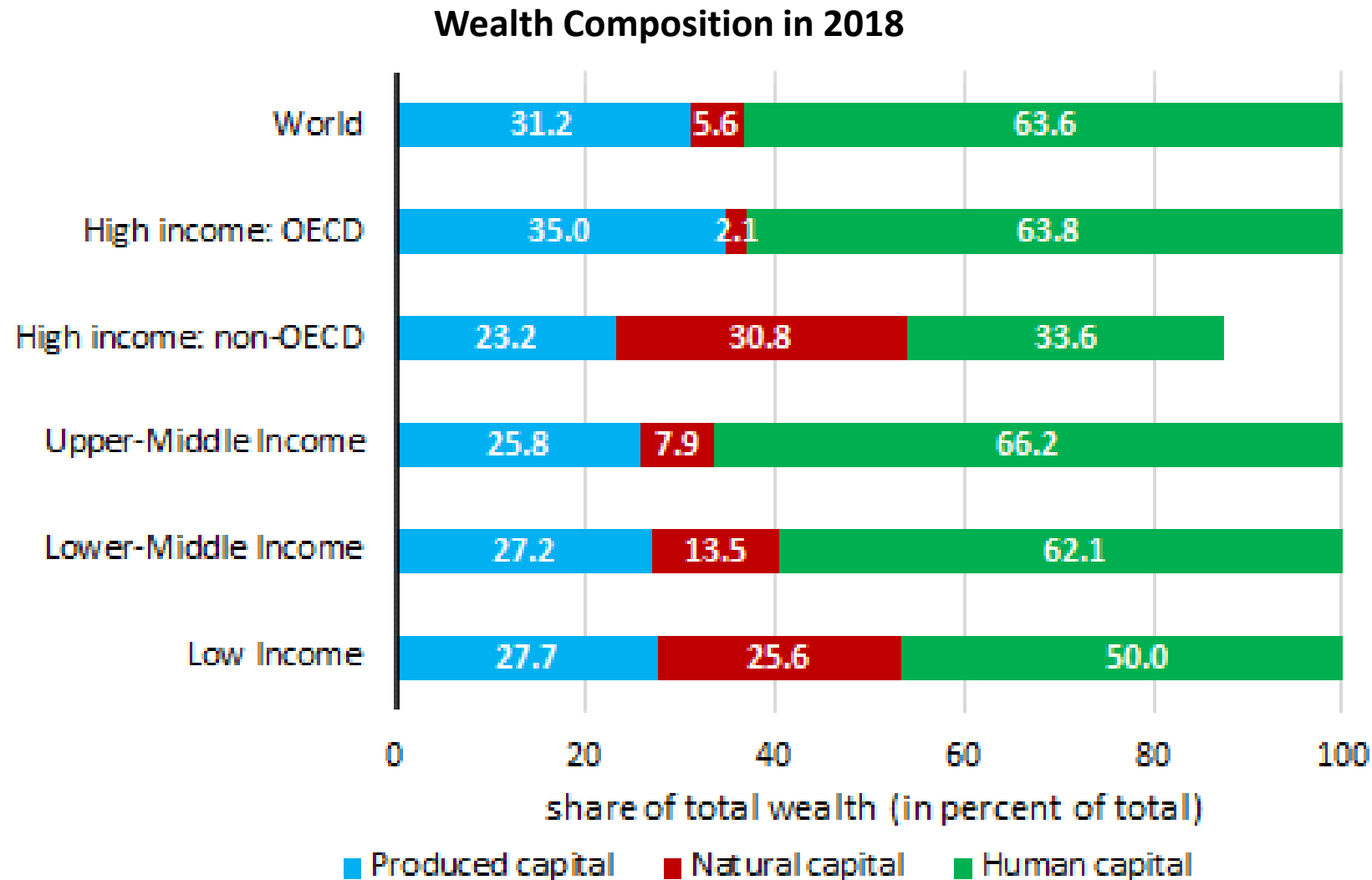
Downward trends in per capita wealth put sustainable prosperity at risk for some

Percent Change in Wealth Per Capita 1995 -2018



Sources: CWON 2021

Human capital is the largest asset across all income groups

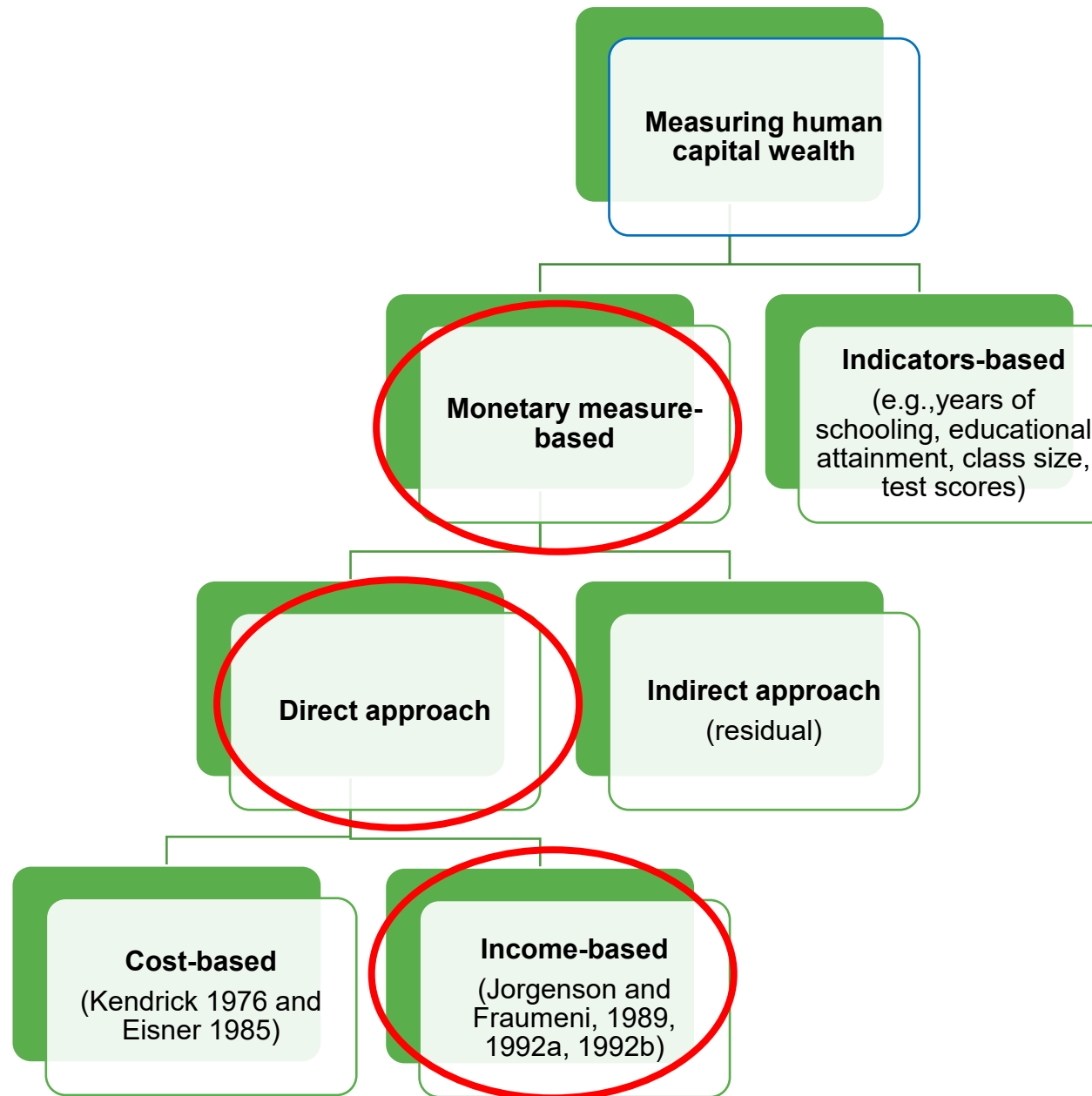




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Methods in the literature





Methodology for Calculating Human Capital Wealth

Step 1: Estimating the earnings regressions. Use the standard Mincer equation for making estimates of private returns per year of schooling and construct matrix of expected earnings by age, gender, and education level

Step 2: Scaling up earnings (to account for additional benefits) **and estimating labor earnings of the self-employed.**

Step 3: Filling the data gaps.

Step 4: Scaling up the employment and population.

Step 5: Calculating survival rates for each country.

Methodology for Calculating Human Capital Wealth

Step 6: Calculating the lifetime income using the Jorgenson-Fraumeni approach. Compute lifetime income of a representative individual (aged 15-65) consisting of

- Current labor income (adjusted by probability of being employed or self-employed)
- Lifetime income (adjusted by discount factor and survival rates)
- For those aged 15-24 include possibility to (i) hold the same education level and continue to work, or (ii) take one more year of education and earn income after completing the education

Step 7: Generating the lifetime income for all people in an economy.

Sum up the stocks of human capital across all classified categories (age, gender and education) to generate the estimate of the aggregate value of the human capital stock for each country



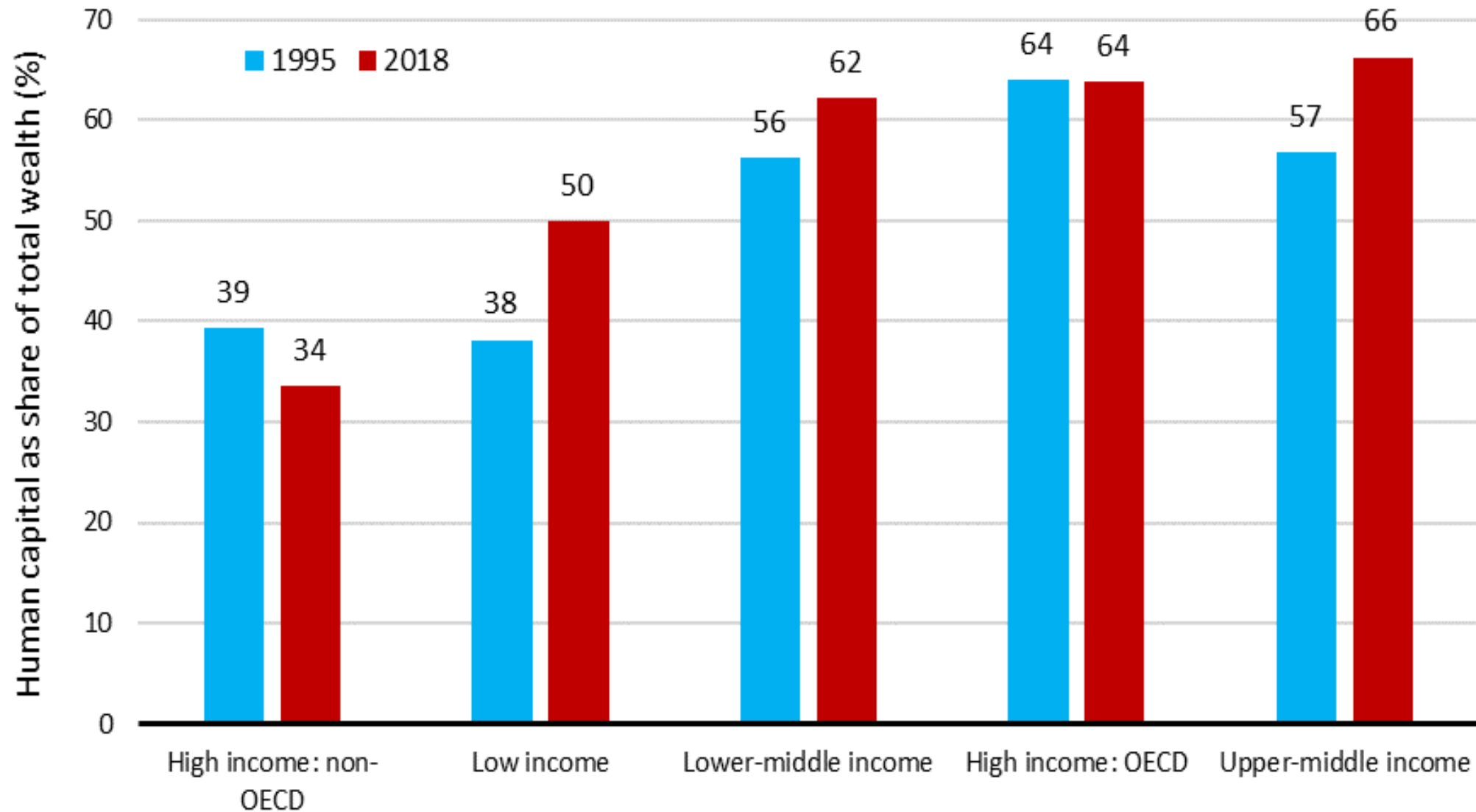
Database

- Primary database: International Income Distribution Database (I2D2)
- IHME Global Burden of Disease study data
- ILO employment data
- PWT compensation data
- UN SNA and Population databases

Results

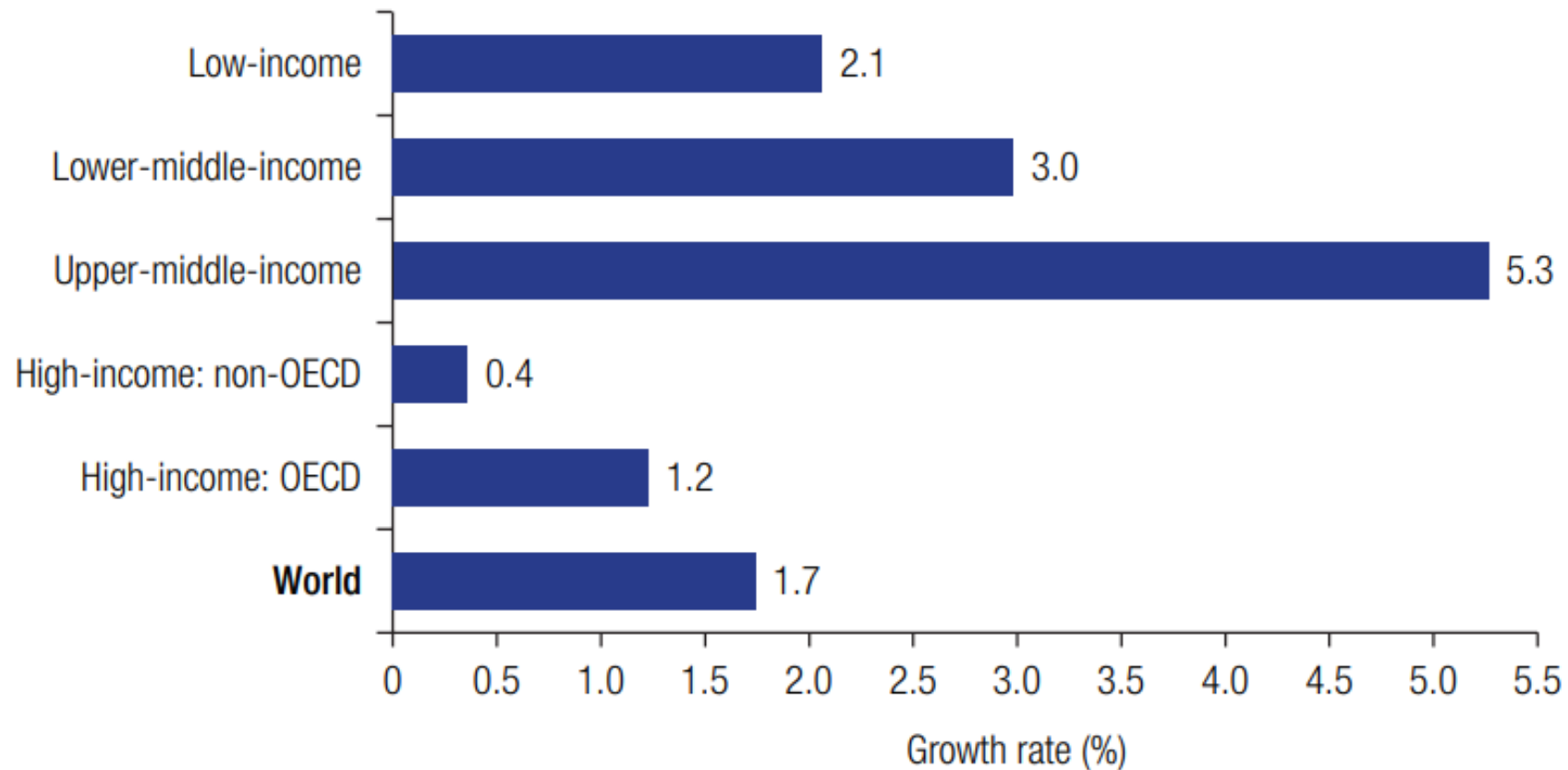


Human Capital Wealth by Income Group

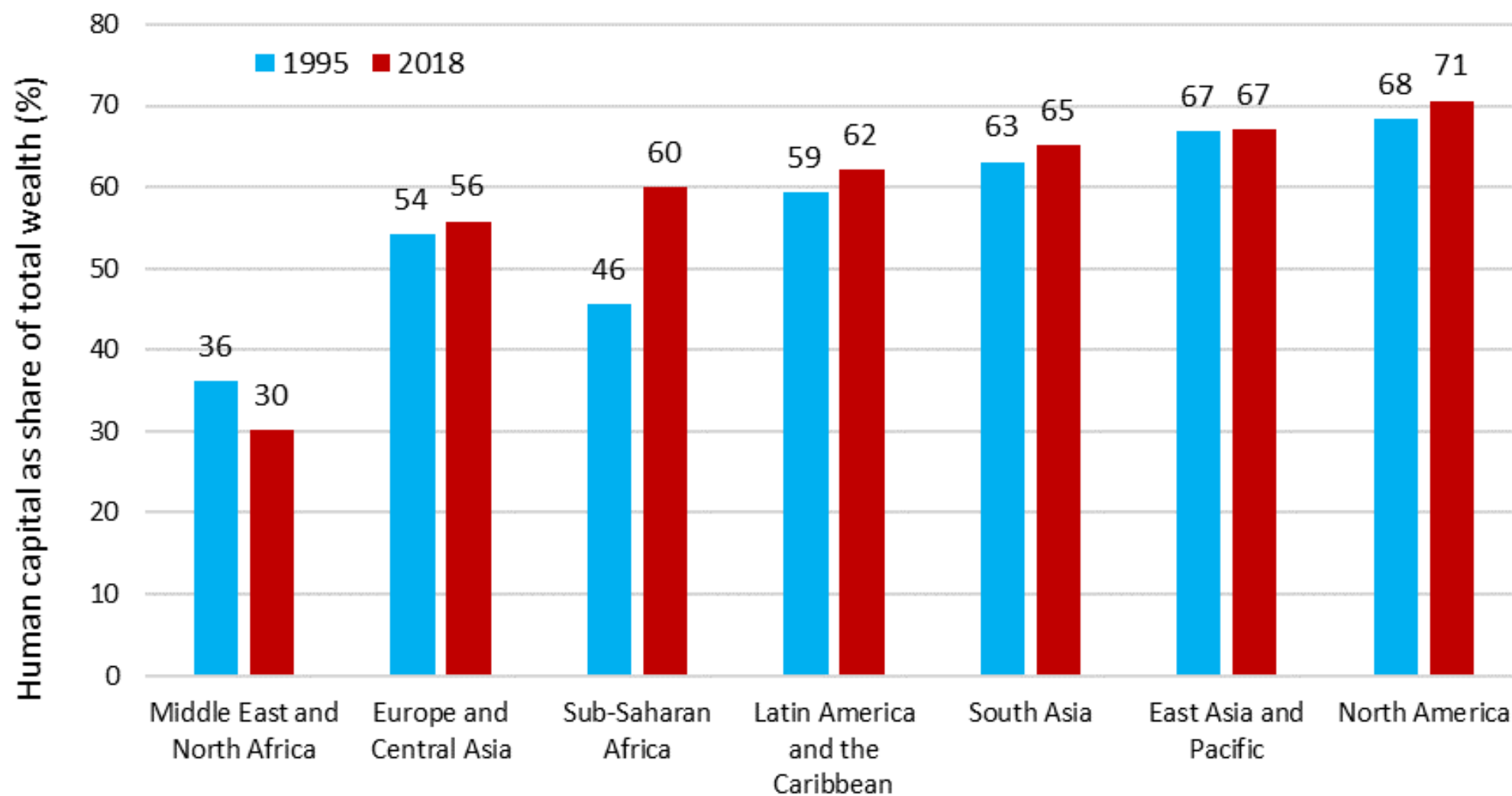


Growth of Human Capital Wealth by Income Group

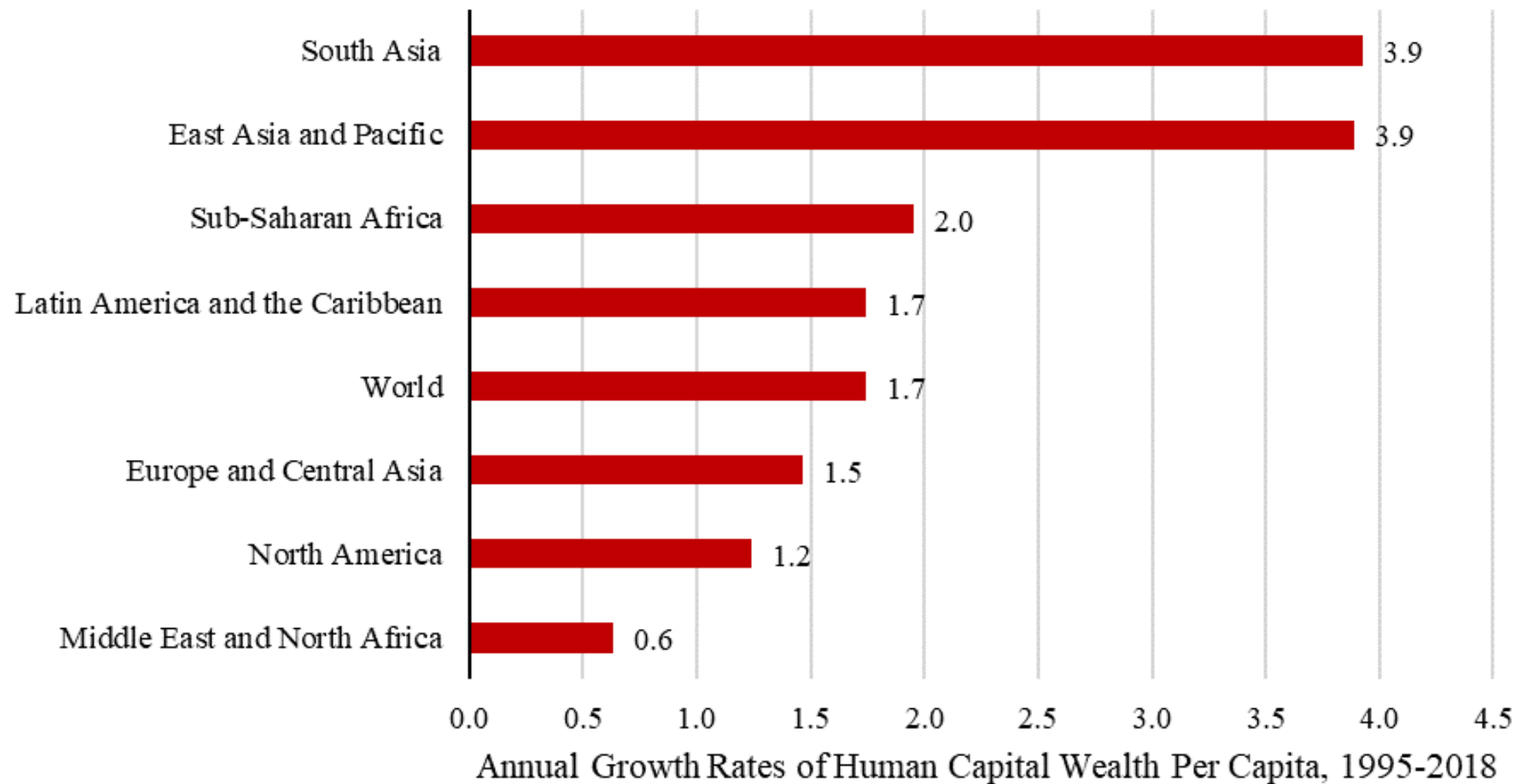
Annual Growth Rate of Human Capital per Capita, 1995–2018



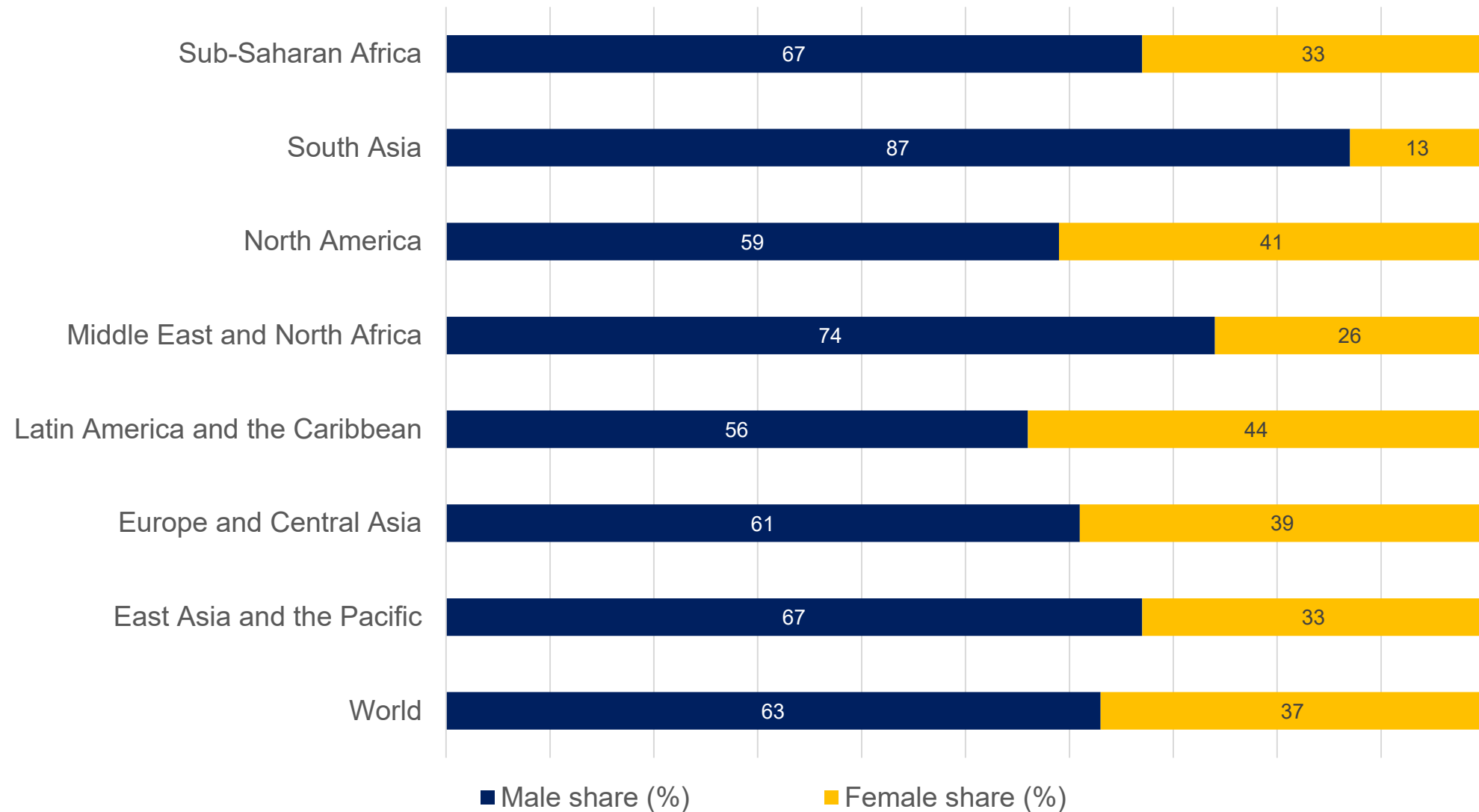
Human Capital Wealth by Region



Growth of Human Capital Wealth by Region



Shares of Human Capital by Gender, 2018



Conclusions



Summary

- Human capital is the largest component of global wealth, and building human capital is a key driver of economic development.
- Human capital is the largest asset across all income groups, constituting 64 percent of total wealth in 2018, slightly higher than in 1995.
 - Due to differences in annual wage and GDP growth rates, as well as labor force participation and aging.
- Significant disparity between male and female human capital persists across most regions and income groups, with great variation among regions
 - Due to differences in wages, barriers to economic opportunities and labor force participation

A vibrant, circular collage of various colorful shapes, patterns, and symbols. The design is dense and eclectic, featuring a mix of geometric forms like squares, circles, and triangles in bright colors such as red, yellow, green, and blue. Interspersed among these are nature-inspired motifs, including stylized leaves, a fish, and a sun-like symbol. Abstract elements like a black starburst, a red arrow pointing upwards, and a blue grid pattern with a red plus sign are also present. The overall composition suggests a diverse and inclusive community, with each element representing a different aspect of human culture and experience.