FEM 4204
HUMAN CAPITAL DEVELOPMENT: OVERVIEW OF CONCEPTS

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TIMETABLE
• LECTURE:
  – TUESDAY (10-12)
  – THURSDAY (9-10)
• CONSULTATION
  – TUESDAY (2-4)
  – A2-16 (LECTURER’S ROOM)

COURSE CONTENT
• REFER COURSE OUTLINE

EVALUATION
• COURSEWORK  60%
  – ASSIGNMENT  30%
  – TEST  30%
• FINAL EXAMS  40%
• TOTAL  100%
OBJECTIVES

• To understand the focus of economic development
• To understand various relevant concepts related to human development and human capital development/investment

REFERENCES

• Human Development Report, UNDP
  http://hdr.undp.org/hd
• Human Development Report 1990, UNDP
• Nickols, S. Y (1985) Thinking Globally Acting Locally: The Balancing Act, Proceeding of a workshop sponsored by the Family Econ section of AHEA

REFERENCES

• Rahmah Ismail (1996) Modal Manusia dan Perolehan Buruh, Dewan Bahasa & Pustaka

OUTLINE

• What “development” means?
• The Wealth of a Nation
• Definition, Concepts of Measurement of
  – Human Development
  – Human Capital (Investment)
  – Human Resource Development
What “DEVELOPMENT” means?

• Definition:
  – “Development is a totality. It is an integrated cultural process comprehending values such as the natural environment, social relations, education, production, consumption and wellbeing. Development is endogenous, it can only come from within a society, which defines in total sovereignty, its vision and its strategy, and counts first and foremost on its internal strengths and cooperating with societies that share its problems and aspiration.”

From the definition:
  – Not necessarily referring to material development (e.g. consumption and production)
  – Inclusive of human aspects (e.g. social relations, education, sovereignty) that leads to human wellbeing
  – Take into account conservation of environment

Note:
  – Not all development that aims at bringing about changes or advancement can be carried out by individuals or communities ~ e.g. poverty eradication plan
  – Thus, the role of govt comes in ~ called “sponsored development”

Economic “DEVELOPMENT”

• When?
  – Occurs when the economy of the nation grows; activities in various sectors such as manufacturing, services, commerce and agriculture

• The indicators:
  – GNP, GDP, per capita income
Economic “DEVELOPMENT” ...

- Granovsky (1985)
  - “Process for improving the social and economic conditions of a population group”
  - Thus, countries are grouped according to their level of “development, based on economic indicators”
    - GNP, GDP, per capita income

- Gross Domestic Product
  - The market value of all final goods and services produced \textit{within} a country in a given period of time
  - \( GDP = C + I + G + (Exports - Imports) \)

- Gross National Product
  - Basic measures of society’s economic performance
  - Total market value of all final goods and services produced in the economy in one year

- Per capita income
  - GNP measures the size of total output, thus, it may conceal the std of living of individual household in the economy – e.g. GNP is rising significantly but the population is growing rapidly, so per capita std of living may be constant or even declining

Effect of development on people an on environment – may be both (+) and (-)

- GNP and environment
  - The undesirable “gross national by-products” – e.g. dirty air and water and other forms of environmental pollutions

Check this website:
- Gross domestic happiness:
  \[ \text{http://www.yaleeconomicreview.com/issues/summer2006/gdh.php} \]
Economic “DEVELOPMENT”...cont

- Group discussion:
  1. What are the criticisms of using GNP and GDP as an indicator of standard of living?
  2. GNP and GDP of various countries:
     1. Developed nations
     2. Developing nations
  3. Find out about their HD strategies and status. What is/are the relationship between HD and GDP/ GNP?

Social “DEVELOPMENT”

- Definitions:
  - Encompasses a commitment to individual wellbeing and volunteerism, and the opportunity for citizens to determine their own needs and to influence decision which affect them. Social development incorporates public concerns in developing social policy.

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- UN social development covers 4 main areas:
  1. Poverty eradication and employment
  2. Intergovernmental support service and implementations
  3. Socio-economic policy and development mgt
  4. Social integration

- The ultimate objective:
  - To bring about sustained improvement in the well-being of the individual, family, community and society at large

- The indicators of social progress:
  - Reduction or eradication of mass poverty, inequality and conditions of underdevelopment

- The dimension of social development:
  - Social welfare; health; education; housing; urban and rural development; and land reform
Social “DEVELOPMENT”

In short:

• The concept:
  – “investments and services provided by the govt that benefit populations in various areas — rural areas, urban areas, district, and the country as a whole with the aim of improving level of living of the masses”
  – An attempt to develop the citizen or community
  – Normally linked to the provision of public facilities or social infrastructure
  – E.g. electricity, roads etc.
  • Dependent upon economic growth

Human “DEVELOPMENT”

• Human is the “actor” in the development process and the beneficiaries of development.
  – Thus, without human (individual or community) involvement, it’s difficult to achieve the goal of development

• Definition:
  – “Development that started from the internal self of an individual or community, arose from the awareness of the “actors” to move forward and bring about changes in their lives”
  • Being aware and having the proper intention should go hand in hand because
  • Thus human development = attitude development

Human “DEVELOPMENT” ... cont

• Attitude development does not happen automatically. But, it requires self-confidence, effort and independence, cooperation among ourselves to achieve such advancement
• Things that won’t help”
  – Selfish, intolerance

THE WEALTH OF A NATION

• What is the main focus of economic development?
  • Income vs. people
THE WEALTH OF A NATION ...cont

How income obscure the primary aim?

1. National Income figures do not reveal the composition of income or real beneficiaries.
2. Achievements that do not show up or not occur immediately in higher measured income or growth figures.
   - E.g better nutrition and health services, greater access to knowledge.
   - In other words - Income is not the sum total of human life.

Relevant quotes:

1. "Wealth is evidently not the good we are seeking, for it merely useful and for the sake of something else."
   (Aristotle ~ Philosopher)
2. "The difference between a good political arrangement and a bad one" (in terms of its success and failures in facilitating people's ability to lead "flourishing lives."
   (Aristotle ~ Philosopher)
3. "So act as to treat humanity, whether in their own person or that of any other, in every case as an end withal, never as means only."
   (Emmanuel Kant ~ Philosopher)

DEFINITIONS, CONCEPTS AND MEASUREMENTS

DeWalt (1985) on Development:

1. Must assure that basic human needs are met.
2. Should have goal of ecological balance.
3. Should avoid concentration and centralization.
4. Must attempt to reduce human avarice for competition over resources to lessen the chances of conflict and war.
5. Must adopt social justice as a goal.
6. Must operate with mankind-centered goal.

Important concepts:
- Human Development
- Human Resource Development
- Human Capital Development
- Human Capital Investment
Human Development

- The meaning:
  - “A process of enlarging people's choices” (UNDP, 1990) and enhancing their capabilities in leading their lives
  - To lead a long and healthy life
  - To acquire knowledge
  - To have access to resources for a decent std of living

- The term Human Development:
  - Implies that the main concern is the distribution of wealth and not its creation
  - Denotes both the process of widening people's choices and the level of their achieved well being
  - It helps to distinguish between two sides of human development ~ to avoid human frustration
    - The formation of human capabilities (e.g. improved health, knowledge and skill)
    - The use people make of their acquired capabilities for work or leisure

Human Development ... cont.

The measurement (HD indicators):
1. Longevity ~ Life expectancy
   - Why? Long life is valuable in itself and various benefit linked to longer life (adequate nutrition, good health etc)
2. Knowledge ~ Adult literacy
   - Why? Reflection of access to education necessary for productive life in modern society
3. Command over resources for decent living ~ the purchasing power

- Human Development
  - The core is enhancing human capabilities to function, and the achievement of people (in terms of long life or literacy) are valued as end in themselves
  - Income is only a means to achieve the above
  - If economic return of (say) literacy is zero, it'll still be carried out

- Human Resource Dev
  - Human being as resource — an input into production activities
  - The development of human resource is seen in terms of their contribution to income generation
    - A non investment, like any other, in enhancing the productive potentials (generation of income/output)
  - Considered worthwhile if Rate of return > Cost (similar to Human Capital Investment)
Human and FOP

- FOP
  - i.e. resources used in the production of goods and services in economic - Land (r), Labor (w), Capital (i).
- Capital
  - can be used in the production of other goods, man-made not used up immediately - e.g. machinery
- Land or natural resource
- Physical Capital vs Human Capital

Human Capital vs Human Resource

- Human resource is traditionally called labor, one of the FOP.
- But, modern analysis emphasized that human being are not predictable commodity "resources" with definitions totally controlled by contract, but are creative and social beings that make contributions beyond "labor" to a society and to civilizations.
- Thus, the broad term "human capital" has evolved to contain the complexities of this term.
- In macroeconomics, the term "firm specific human capital" has evolved to represent the original meaning of the term "human resources".

Human Capital

- a.k.a human wealth - non transferable
- Definition 1:
  - "Characteristics possessed by an employee that make him/her more productive" (Rahmah, 1996)
  - "Skills, experience, knowledge, personality, appearance, reputations, credentials"

Human Capital ...cont

- Definition 2:
  - "The stock of expertise accumulated by a worker. It is valued for its income-earning potential in the future" (Begg, Fischer and Dornbusch, 1987)
  - Note: Wage differentials reflect differences in the productivity of different workers
**Human Capital … cont.**

- In Macroeconomics:
  - Refers to ambiguous combination of the following:
    1. Social capital
    2. Instructional capital
    3. Individual capital

**Human Capital … cont.**

- In Macroeconomics:
  - Refers to ambiguous combination of the following:
    - Can be developed through investment in education, training etc
    - The current value of the human capital investment can be used to determine one’s level of human capital

**Human Resource Development**

- Human resource development is a process of upgrading human resources
- Definition:
  - “Is a planned, continuous effort by mgmt to improve employee competency levels and organizational performance through training and development program”
  - Development involves learning that looks beyond today and today’s job
    - i.e. It prepares employee to keep pace with the organization as it changes and grows
    - K-employee

**Human Capital Development??**

What **HUMAN CAPITAL DEVELOPMENT** is all about?

LET’S DISCUSS !!