

# “NOT MARKETING” PRESENTATION ABOUT MEASURING HUMAN CAPITAL IN AN ORGANIZATION

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# What is Human Capital?

- Company A

- Company B



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- Same office, same finance... does it mean they perform the same?

# Why do we need to measure Human Capital?

Because if we do so, we would know the real value of our employees, and how to turn it in the most efficient way for the good of the company!

We need to keep in mind that HC is arguably the most important asset in every organization. And it's the asset that makes things work!

**Example Company  
Balance Sheet  
December 31, 2015**

**ASSETS**

Current assets  
Investments  
Property, plant, and equipment  
Intangible assets  
Other assets  
Total assets

**LIABILITIES & OWNER'S EQUITY**

Current Liabilities  
Long-term liabilities  
Total liabilities  
  
Owner's equity  
Total liabilities & owner's equity

People should be regarded as assets rather than variable cost, in other words, treated as human capital (Beer 1984)

# Human Capital Measurement models

- Input model (Cost based model)
- Output model (Income based model)
- Comparison value model (Integration model)
- KPI model (Indicator model)

Also

- Conventional
- New

# Input Model

- Measures accumulated values of all expenditures
- Historical costs
- Costs are tangible and intangible
  
- Limitations:
  - No necessary relationship between investment and quality of the output
  - Not easy to divide costs of consumption and cost of investment

# Output Model

- Measures all discounted values of future earnings through lifetime
- It values HC at market prices
- Dynamic economy is more interested
  
- Weak points
- Model assumes that differences in wages can perfectly reflect differences in productivity
- What kind of expenditure should be classified as maintenance
- In developing countries is not easy to find data

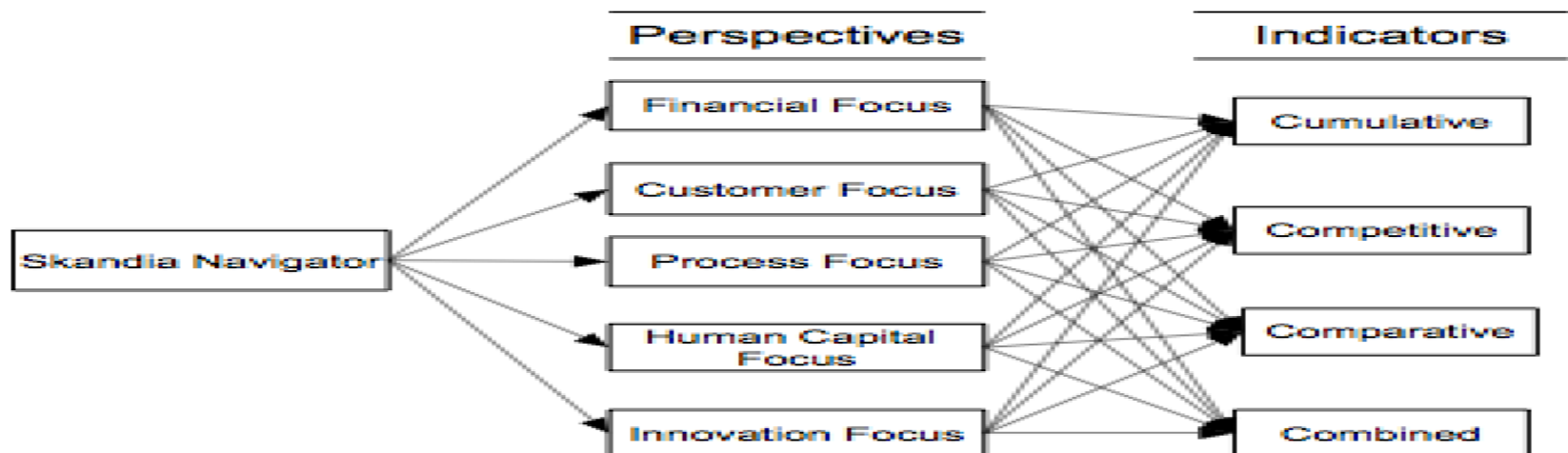
# Comparison

- It is the combination of above two models (Input and output), as investment in human capital determine the stock of human capital (input model), which in turn determine the individual earnings (output model). (Tao & Stinson)
- Limitation
- The categorization of rearing costs
- The ability of graduates with SAT scores



# Indicator Model

- The estimation of human capital from the point of view of the investments in education, without allocating any monetary values to the human capital. The most frequently use indicators are literacy rates, school enrollment rates and average years of education.
- In this model the Skandia navigator can be named.



# Conventional & New measurement

- Conventional measurement OECD
  - 1. Investment in human capital
  - 2. Quality adjustment in human capital investments
  - 3. Results of education
- New measurement
  - HDI Measures a country's human development and well-being
  - The structure of HDI is constituted with health, Knowledge and standard living

Is it so complicated?



# Input Model : Cost



# Output model: Price



# Comparison: Margin %



# Indicator: Off-road performance





# Indicator: Energy efficiency



# Why is it so complicated?

- Because every model gives different results. For example.....



**STEVE  
JOBS**  

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**1955 - 2011**



- Literature:

- The 3rd OECD World Forum on “Statistics, Knowledge and Policy” Charting Progress, Building Visions, Improving Life Busan, Korea - 27-30 October 200
- Approaches for Human Capital Measurement with an Empirical Application for Growth Policy Rewat Thamma-Apiroam1 1 Department of Economics, Faculty of Economics, Kasetsart University, Bangkok, Thailand
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- The scientific journal of human studies - <http://eds.a.ebscohost.com/>
- International journal of economics, commerce and management - <http://ijecm.co.uk/>
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