



Investing in building human capital crucial

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The World Bank, in its recent Fall 2018 meeting held in Bali, Indonesia, released the much-awaited report on Human Capital Index (HCI). It was appreciated by some and criticised by several others. While one can have different opinions on this, it is indeed a major shift in the thinking of the World Bank to move away from its usual narrative of looking at human development from a mere economic perspective.

What exactly does this report capture and what does it bode for human development? Does the index truly capture the real impact of human capital vis-à-vis the progress of nations? To know this, one must understand what 'human capital' truly means.

The World Bank sees it as 'the potential of individuals' and now talks about it being the long term investment that any country can make for its people's future prosperity and quality of life. It sees the HCI as an instrument that combines indicators of health and education into a measure of the human capital that a child born today can expect to obtain by her 18th birthday, given the risks of poor education and health that prevail in the

country where she lives.

The HCI is measured in units of productivity relative to a benchmark of complete education and full health, and ranges from 0 to 1. The value of N on the HCI indicates that a child born today can expect to be only N x100% as productive as a future worker as she would be if she enjoyed complete education and full health.

While having HCI is indeed a good beginning to urge nations and governments to start focusing on health and education programmes, one needs to bear in mind that health and education investments by themselves will not be able to guarantee or ensure sustainable human development. A more comprehensive and eco-system approach needs to be thought about.

Understanding human capital: though it appears that the term 'human capital' has come into usage in the recent past, it has been in use in several different disciplines for a reasonably long period of time. The Oxford dictionary defines human capital as the skills, knowledge and experience possessed by an individual or population, viewed in terms of their value or cost to an organisation or country.



While economists viewed it from a 'production' perspective, scholar Amartya Sen defined it primarily in terms of indirect value: human qualities that can be employed as "capital" in production in the way physical capital is. Sociologists viewed it from the perspective of a 'different way of acting' and see human capital as being created by changes in persons that bring about skills and capabilities that make them able to act in new ways.

Development psychologists saw it primarily as changes in behaviour and defined

it as the acquisition of knowledge, skills and abilities necessary to produce peak performance outcomes, traditionally connected singularly to 'task performance'. Political scientists define it as the set of skills and knowledge that can be drawn upon to produce 'outputs of value'.

Business managers view it as the knowledge and skills of professionals that can be used to produce professional services. Geography experts have an urban and regional focus and see it as the skills, education and experience an individual has because of his/her past and present geographic setting and/or spatial environment. Anthropologists saw human capital being acquired through cultural background of a person and defined it as the values, beliefs or experiences an individual acquires through their cultural background that can lead to culturally valued benefits, interactions and enhancements.

Human capital for sustainable development: considering that there are so many different ways in which human capital is viewed and defined based on one's expertise, it is indeed difficult to arrive at a globally usable and universal definition that can truly capture it in its entirety. It is in this scenario

that we need to ask ourselves whether the index be limited merely to the capacity of a human being to acquire enough information to meaningfully participate and contribute to the 'economy'?

Or is it something more than that? What about all the other human capacities that allow him to function freely, responsibly and with dignity? What about the qualities of compassion, humanism, spirit of enquiry, humour, mindful existence, positive thinking and the intent to be good and do good? Shouldn't an individual strive to acquire the capabilities that can distinguish him from a mere animal existence and allow him to function as a part of a larger global network?

And only when human capital is built and nurtured with this understanding can development be sustainable, equitable, fair, just and inclusive. To ensure this, we need a more comprehensive appreciation of 'human capital' and it needs to have the capability approach to development as its foundational premise.

Human capital needs to be defined as the physical, cognitive, emotional and spiritual capabilities that a person has in order to give her the agency to lead and sustain her

life. If seen from this perspective, the index released recently should be seen as work in progress and a good beginning. It bodes well as the discourse around development gets shifted from GDP and income growth to a more comprehensive approach of building the potential of humans. This is important for India which seem to be basking in the glory of the GDP growing at 8.3% while ignoring the fact that millions of people are completely excluded and have no capabilities to either participate in or benefit from the prevailing economic growth model.

Irrespective of the definition that the Niti Aayog or the Government of India wants to follow, it cannot escape the reality that we are still lagging behind nations like Egypt and Bangladesh in the HCI and public expenditures on building even the narrower understanding of human capital is still inadequate. Our policy planners need to come to terms with this truth and begin making investments in building human capital from a holistic perspective instead of arguing whether the HCI is indeed a good instrument to measure India's development.

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