

Human Capital an Overview

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I. INTRODUCTION

Human capital means the economic value of an employee's skills, experience, and knowledge. It is an intangible asset that cannot be included in a company's balance sheet. Human capital includes the following things: Education, training, intelligence, skills, health, loyalty, punctuality. To increase human capital, more emphasis should be given to education and training. Investing in human capital increases a company's productivity and success. Investing in human capital benefits employers, employees, and customers alike. To invest in human capital, employers can do things like provide employee training, educational bonuses, benefits, family support, and college scholarships. Human capital management (HCM) helps organizations get the most out of their employees. Human capital management helps employees get the right jobs, increases workforce productivity, reduces costs, and promotes employee development.

II. CONCEPT OF HUMAN CAPITAL

The concept of human capital has been around since the 18th century, when Adam Smith discussed it in his book *An Inquiry into the Nature and Causes of the Wealth of Nations*. In the 1960s, economists Gary Becker and Theodore Schultz formalized the term to describe the value of human capacities. India has recognized the importance of human capital for financial development and economic growth. The Seventh Five Year Plan noted that improving human resources was a key part of development. The Indian government has implemented a number of policies and programs to improve human capital, including: Ayushman Bharat Yojana, National Education Policy, Atmanirbhar Bharat Yojana, Samagra Shiksha, and Urban Learning Internship Programme. The World Bank Group also supports India's human capital

development, focusing on improving the quality of services and access to key services.

III. THE OBJECTIVES OF HUMAN CAPITAL INCLUDE:

- Human capital formation aims to increase the productivity of a country's population.
- Human capital formation can lead to economic growth by increasing production levels and adding to GDP.
- Human capital management (HCM) aims to enable strategic growth by connecting people and workflows, and empowering employees.
- Human resource management (HRM) aims to align the workforce with the goals and objectives of the organization.
- Performance management is an ongoing process that aims to optimize employee performance by setting goals and expectations, and tracking progress.
- Compensation and benefits are designed to attract and retain talent while aligning with the organization's financial goals.
- Legal compliance aims to ensure adherence to labor laws, regulations, and ethical standards.

IV. RELATIONSHIP BETWEEN HUMAN CAPITAL AND THE ECONOMY:

Human capital allows an economy to grow. When human capital increases in areas such as science, education, and management, it leads to increases in innovation, social well-being, equality, increased productivity, and improved rates of participation, all of which contribute to economic growth. Increases in economic growth tend to improve the quality of life for a population.

V. CRITICISM OF HUMAN CAPITAL

THEORIES:

The theory of human capital has received a lot of criticism from many people who work in education and training. In the 1960s, the theory was attacked primarily because it legitimized bourgeois individualism, which was seen as selfish and exploitative. The bourgeois class of people included those of the middle class who were believed to exploit those of the working class. The theory was also believed to blame people for any defects that happened in the system and for making capitalists out of workers.

VI. TYPES OF HUMAN CAPITAL:

1. Communication:-

Effective communication within a company can help employees be more productive and are an excellent source of human capital. A company can provide resources to improve the human capital value of communication within the organization by providing procedures for communicating with others on staff and creating a company culture that encourages sharing information. Related: 4 Communication Styles

2. Creativity:-

Creativity within an organization can be extremely valuable as it allows staff members to identify new solutions to problems and new ways of completing existing tasks more efficiently. Companies that encourage staff to make creative decisions can raise their human capital and may create a culture where staff feels empowered to offer suggestions or to try alternative approaches, they think may be more effective.

3. Education:-

Educated staff members can apply their knowledge in a professional setting in order to achieve stronger production. This can make education an extremely valuable form of human capital. Many companies may opt to subsidize advanced education for some employees to help them enhance their education credentials, which they can apply to their work to be more effective.

4. Leadership:-

Employees with leadership abilities can help boost productivity levels for an organization, and companies often seek to encourage employee

leadership development in a variety of ways. Offering standout employees, the opportunity to lead on minor projects may help them develop their skills and prepare them for promotions in the future. Leadership or management courses can teach employees the skills and techniques that make a leader more effective, helping to build the human capital within the organization.

5. Mental health:-

The importance of mental health for employees has gained prominence in recent years, both as a matter of compassion and as a matter that is beneficial to both the employee and the company. When an employee is struggling with mental health challenges, it can affect their productivity and performance. By providing mental healthcare resources to staff, a company can improve the quality of life for their employees while also benefiting the company by increasing the capital provided by employees enhanced mental health.

6. On-the-job training:-

On-the-job training and experience can provide increased levels of human capital as it caters directly to the job the employee carries out every day. A company can raise its human capital value from on-the-job training by providing training and mentorship opportunities for employees to build skills and experience and creating incentives for employee retention. Keeping staff who have experience working for the company can help prevent a loss of on-the-job training capital when onboarding a new employee. Related: What Is On-the-Job Training?

7. People skills:-

Professionals with strong interpersonal skills are often more highly valued by employers. People skills allow a professional to relate to others, including both coworkers and potential customers, and employees may use their skills to improve morale or strengthen relationships with clients.

8. Physical health:-

The physical health and capabilities of employees are an important form of human capital within a company. Although physical health and capability become more important in certain positions, such as those with manual labor responsibilities, employees in all fields require basic levels of health and capability in order to perform their jobs. Providing resources to keep staff healthy can benefit both the employer and the employee, as healthy workers are

often more productive and provide more efficient human capital than unhealthy workers. Related: FAQ: Employee Insurance Benefits

9. Problem solving:-

An employee with strong problem-solving skills can identify an issue and assess any key information related to an issue in order to find a solution. Problem-solving within an organization is a valuable form of human capital as it helps to maintain high productivity levels at the company. An organization may facilitate problem-solving by providing staff with the resources they need to make assessments and to carry out solutions effectively.

10. Punctuality:-

Employees who are punctual provide value by being dependable and available for the entire workday. Companies often encourage employees to arrive on time or early in order to maintain efficient operations and smooth production.

VII. IMPORTANCE OF HUMAN CAPITAL:

1. Structural unemployment:-

Individuals whose human capital is inappropriate for modern employers may struggle to gain employment. A major issue in modern economies is that rapid deindustrialisation has left many manual workers, struggling to thrive in a very different labour market.

2. Quality of employment:-

In the modern economy there is increasing divergence between low-skilled, low-paid temporary jobs (gig economy). High-skilled and creative workers have increased opportunities for self-employment or good employment contracts.

3. Economic growth and productivity:-

Long-term economic growth depends increasingly on improvements in human capital. Better educated, innovative and creative workforce can help increase labour productivity and economic growth.

4. Human capital flight:-

An era of globalisation and greater movement of workers has enabled skilled workers to move from low-income countries to higher income countries. This can have adverse effects for developing economies who lose their best human capital.

5. Limited raw materials:-

Economic growth in countries with limited natural resources, e.g., Japan, Taiwan and South East Asia.

Rely on high-skilled, innovative workforce adding value to raw materials in the manufacturing process.

VIII. CONCLUSION

The conclusion of human capital is that it is a critical driver of economic growth and development. Human capital formation involves investing in education, healthcare, skills, and knowledge to enhance the workforce's capabilities and productivity.

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