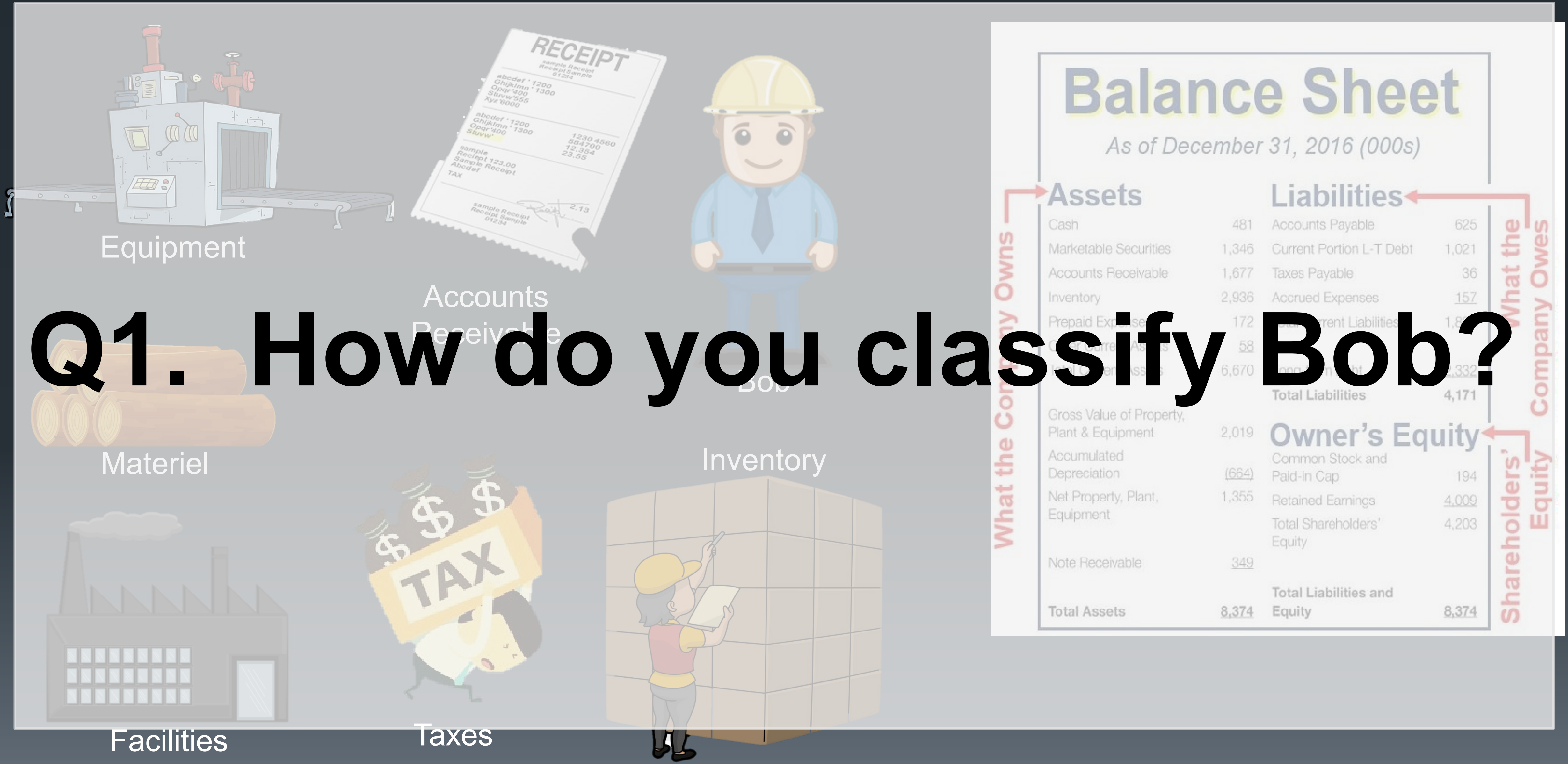
Intro to Human Capital

Why would you consider humans as capital?

Dr. Steve Ellis
AETC Det 62

Assets or Liabilities?

Q1. How do you classify Bob?



Investing in Assets

Capital improvements increase the value of assets and should result in a measurable ROI

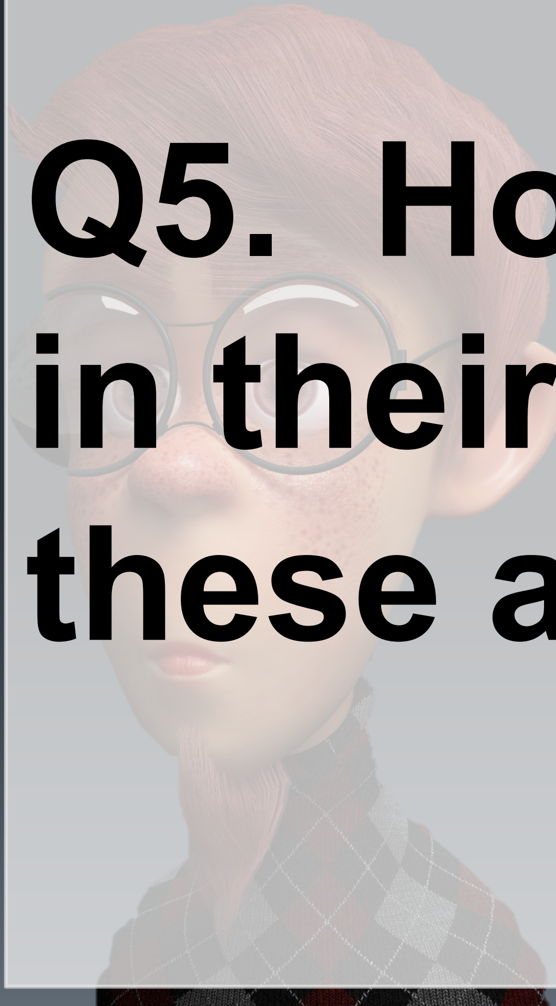
$$ROI = \frac{net\ profit}{cost\ of\ investment} \times 100$$

Q2. Can all investments be measured by ROI?

Human Capital

Q4. If you can measure the economic value, can you measure the economic value of improving these attributes of humans?

Human Capital Investment

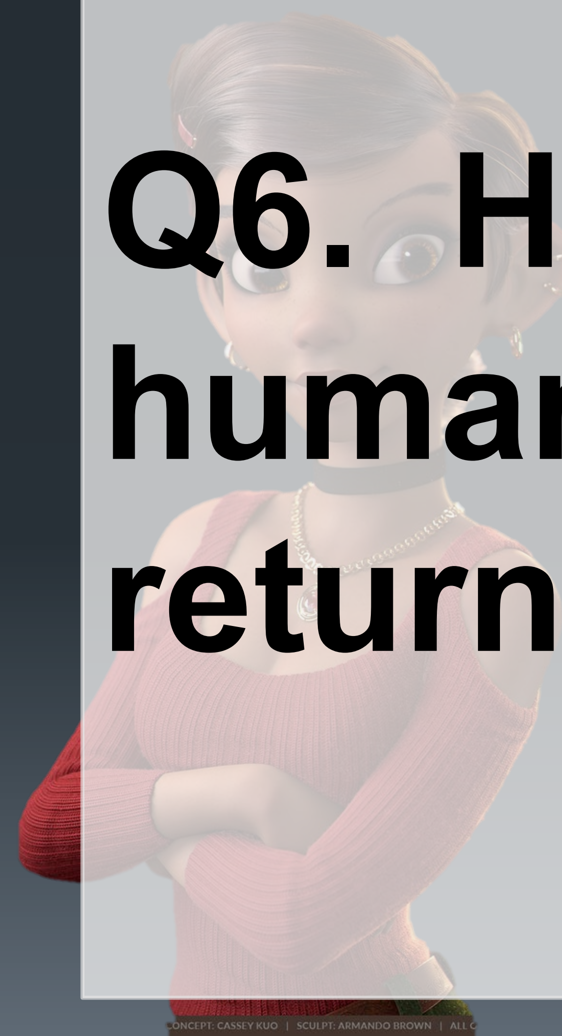


- Knowledge
  - General Education, Career Education, Professional Development
- Skills
  - Formal training & OJT
- Abilities
  - Health, Fitness, Intelligence
- Attitudes
  - Desire to remain, employee engagement, punctuality, attendance

Q5. How can employers invest in their employees to improve these areas of human capital?

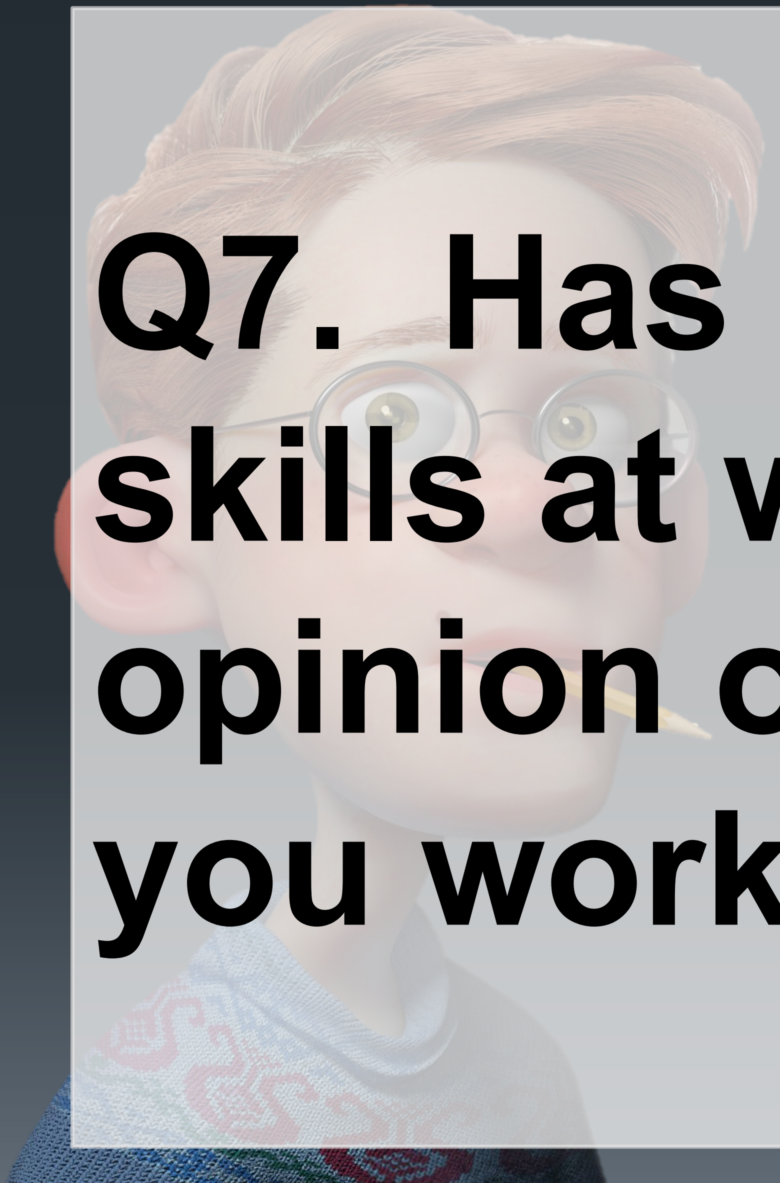
Human Capital Development

- Knowledge
  - After Gen Ed, leadership and management training is shown to have some of the greatest ROI
- Skills
  - Formal training & OJT improve productivity
- Abilities
  - Employee health and fitness programs have been shown to improve productivity and reduce absenteeism
- Attitudes
  - Employee engagement and belief in the mission of the organization reduces turnover and retraining costs



Q6. How does investing in human capital generate a return on investment?

Bottom Line of HCD

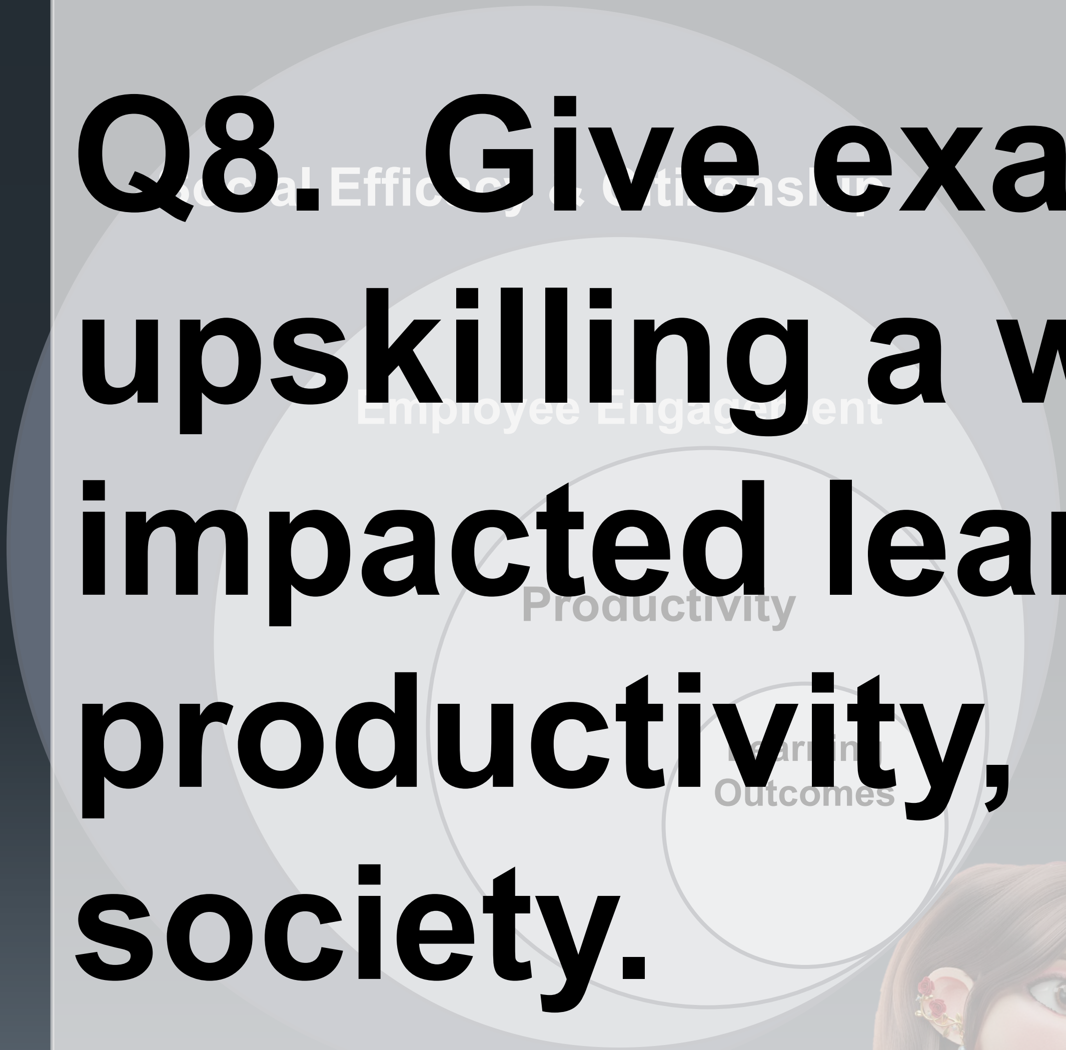


Q7. Has gaining additional skills at work changed your opinion of the organization you worked for?

- Organizational climate correlates to employee satisfaction (*r*=.67)
- Employee satisfaction correlates to productivity (*r*=.42)
- Knowledge and expertise gained through workplace education & training accounts for [illegible] of [illegible] in lifetime earnings
- The knowledge-based economy depends less on expertise and more on “Flexpertise”

The Impact of Human Capital Investment

Q8. Give examples where upskilling a workforce impacted learning, productivity, engagement, or society.



- Education and Training leaders measure learning outcomes
- Work leaders look for productivity gains
- Business leaders look for employee engagement
- World leaders look for societal growth (Human Capital Index)

Business Management Vs. Human Capital Philosophies

- People are a commodity (Labor)
- Spending on people programs is an avoidable expense
- Hire the workforce you need
- Training benefits the individual
- Training is a reward for the employee
- If we invest in people they will leave with our investment

- People are an asset (Capital)
- Spending on people programs is an investment in the organization
- Grow the workforce you need
- Training benefits the organization
- Training is essential to the growth of the organization
- If we invest in people they will provide a return on investment

Q9. Is workforce education and training an expense or an investment?

Questions