

HUMAN DEVELOPMENT: HUMAN CAPITAL

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Abstract: Human Capital is sum total of labour's capabilities, including skills, working capacity, education, health, and intelligence. Human Development is described as the process of enhancing human potential in terms of skills and rights.

Keywords: Human capital, Development, Organization, Intelligence, Motivation.

Introduction. The term human capital refers to the economic value of a worker's experience and skills. Human capital includes assets like education, training, intelligence, skills, health, and other things employers value such as loyalty and punctuality. As such, it is an intangible asset or quality that isn't (and can't be) listed on a company's balance sheet. Human capital is perceived to increase productivity and thus profitability. The more investment a company makes in its employees, the chances of its productivity and success become higher.

The idea of human capital can be traced back to the 18th century. Adam Smith referred to the concept in his book *An Inquiry into the Nature and Causes of the Wealth of Nations*, in which he explored the wealth, knowledge, training, talents, and experiences of a nation. Adams suggested that improving human capital through training and education leads to a more profitable enterprise, which adds to the collective wealth of society. According to Smith, that makes it a win for everyone.

In more recent times, the term was used to describe the labor required to produce manufactured goods. But the most modern theory was used by several different economists including Gary Becker and Theodore Schultz, who invented the term in the 1960s to reflect the value of human capacities.

An organization is often said to only be as good as its people from the top down, which is why human capital is so important to a company. It is typically managed by an organization's human resources (HR) department, which oversees workforce acquisition, management, and optimization. Its other directives include workforce planning and strategy, recruitment, employee training and development, and reporting and analytics. The concept of human capital recognizes that not all labor is equal. But employers can improve the quality of that capital by investing in employees. This can be done through the education, experience, and abilities of employees. All of this has great economic value for employers and for the economy as a whole. Since human capital is based on the investment of employee skills and knowledge through education, these investments in human capital can be easily calculated. HR managers can calculate the total profits before and after any investments are made. Any return on investment (ROI) of human capital can be calculated by dividing the company's total profits by its overall investments in human capital.

There is a strong relationship between human capital and economic growth, which is why it can help boost the economy. That's because people come with a diverse set of skills and knowledge. This relationship can be measured by how much investment goes into people's education. Some governments recognize that this relationship between human capital and the economy exists, and so they provide higher

education at little or no cost. People who participate in the workforce with higher education will often have larger salaries, which means they can spend more.

People can choose among many different things, but having a long and healthy life, receiving an education, and having access to the resources required for a decent standard of living, such as political rights, guaranteed human rights, and individual self-respect, are all regarded as essential elements of human development.

Difference between Human Capital and Human Development

Basis	Human Capital	Human Development
Meaning	Human Capital is sum total of labour’s capabilities, including skills, working capacity, education, health, and intelligence.	Human Development is described as the process of enhancing human potential in terms of skills and rights.
Concept	It is a comparably narrow concept.	It is a comparably broader concept.
Central Theme	It believes that the best way to increase labour force productivity is through good health.	It believes that good health and education are important for an individual’s total development because they enable them to make decisions that will result in a happy and secure lifestyle.
Increase	The rise in human capital leads to human development.	The rise in human development does not necessarily produce human capital.
Welfare	Health and education are useless in terms of human capital if they don’t increase productivity.	Even if they do not increase production, human development believes that having good health and a decent education increases human welfare.
Economic /Social Concept	Human Capital is an economic concept.	Human Development is a social concept.
Economic Value	Skills and expertise together add economic value.	It is the process of enhancing people’s lives without taking economic value into account.

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