



A Human Capital Account

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Why is human capital (HK) not part of national accounting?

Like physical capital HK is capital:

- created by investment
- provides returns in the future

Unlike physical capital it is inalienable from its carrier

- it cannot be deposited, transferred, sold or bought
- there are labor markets but there are no markets for human capital

Consequences

- physical capital is valued by supply and demand, but human capital is not
- accounting standards have to imitate what otherwise market actors would do

Two main approaches in HK measurement:

- Income approach: value of HK is the present value of expected labor income through the remaining lifetime (Jorgenson and Fraumeni 1989)
- Cost approach: value of HK is the amount spent on its production (Kendrick 1976)
- Equivalents of the two approaches are established practices in the accounting of physical capital as well
- In principle, market mechanisms assure that the two approaches produce similar results

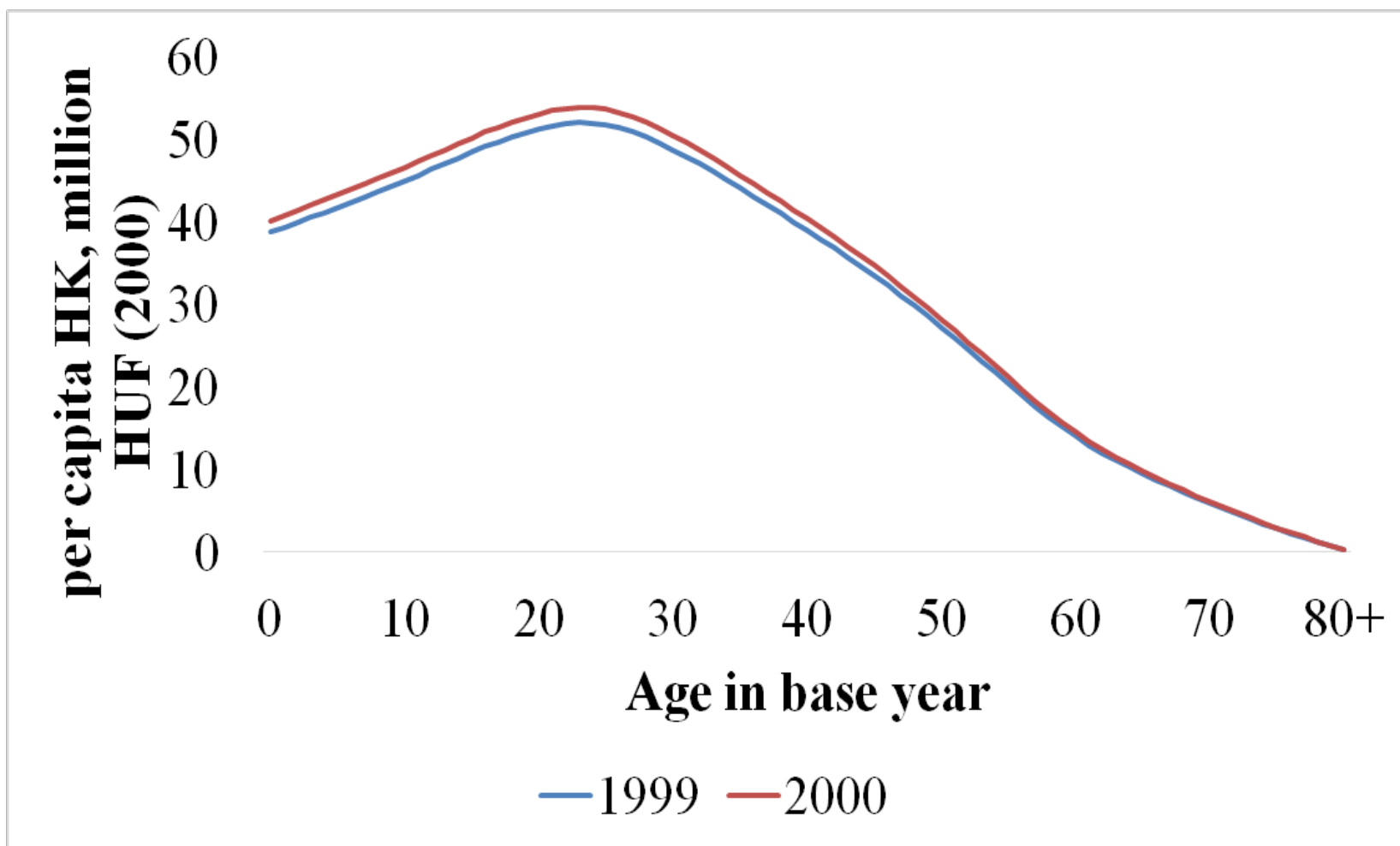
A scheme of the accounting period

	NA main categories		NTA categories	
t_0				t_1
	flow transactions	II.1 Generation of income and allocation of primary income	labour income, asset income	
		II.2 Secondary redistribution of income	public transfers	
		II.3 Redistribution of income in kind		
		<i>II.2b Tertiary redistribution of disposable income within and between households</i>	<i>private transfers</i>	
		<i>II.3b Redistribution of disposable income in kind within and between households</i>		
	II. 4 Use of disposable income		saving	
			consumption	
		<i>HK investment</i>		
wealth (K, HK)				wealth (K, HK)

We need an estimation for the value of the HK stock as well as the value of HK investment:

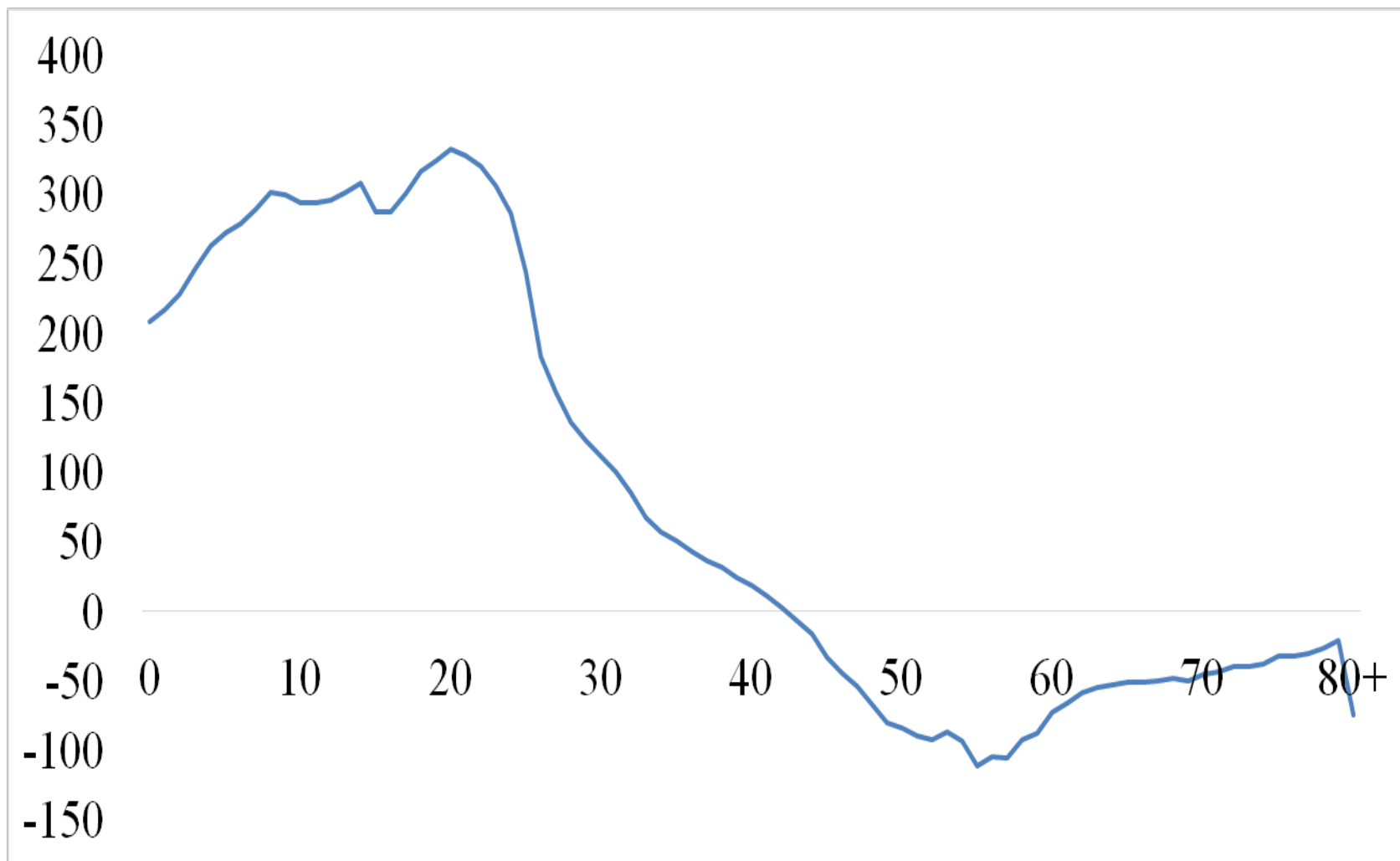
- HK stock is measured by the prospective (income) method
- HK investment is measured by the retrospective (cost) method

Per capita HK by age, Hungary



Source: Authors' calculation

Changes in per capita HK by age 1999-2000, Hungary



Source: Authors' calculation

How to distinguish between consumption and HK investment

Gu and Wong (2010):

- consumption if the benefits of the expenditure are realized in the same accounting period as the spending occurred
- HK investment if the benefits are realized in the future

What is HK investment?

Modified Kendrick-list:

- total consumption by children (raising a child as building a factory)
- the value of the time of children

Thank you!

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