

ROLE OF HUMAN CAPITAL IN AN ORGANISATION

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Abstract:

The role of Human Resources in an organization can never be over emphasized. Ever since the 20th century onwards, it has increased even more. Needless to say, of all the assets, humans are the most valuable and the most treasured. Knowledge, competencies, work experience, interpersonal and communication skills, habits and personal traits all play a crucial role in shaping up of human resources. Covid-19 affected badly human resource across the globe. In India, various schemes and programmes have come up to see to it that, human potential is tapped to the fullest potential.

Key words: human resources, potential, competencies.

INTRODUCTION

The success of the organisation depends on the quality of financial, physical and human resources. In turn the quality of financial and physical resources is affected by the quality of human resources. After the evolution of corporate business entities, human resources are being called as Human capital. As an intangible asset, human capital is the workforce a company employs.

In the 1950s, the main factors of production included land, labour, capital and Management (Mincer 1962, Becker 1993). However, during 1960-70 the existed economic theories and accounting principles were unable to analyse the economic growth of the United States of America with regard to these traditional factors of production. The gap was branded as ‘human Capital’ (Becker 1993). The fundamental principle underpinning Human Capital theory is the belief that peoples’ learning capacities are of comparable value to other resources involved in the Production of goods and services (Lucas 1988, 1990). Human capital is anything except material capital such as assests, equipment and fiscal capital. The contribution of human capital in the GDP has been increasing compared to that of physical capital for the last century. This increase in GDP gave rise to the concept of Knowledge economy. When the resources are well utilised, the outcome is profitable for the individual, organisation and society at large (Schultz 1961).

Becker (1993), 'I am going to talk about a different kind of capital. education, computer training course, expenditures on medical care, lectures on the intrinsic worth of punctuality and integrity are capital as well, in the logic that they improve health and strength, lift up earnings, or put in to a person's admiration of literature over much of his or her life time.'

Human capital development is the process of improving an organization's employee performance, capabilities and resources. It is crucial to the growth and productivity of the organization. The people that make an organization run are the assets to be invested in.

Human capital theory seeks to explain the fruits of education and training as a form of outlay in human resources (Aliaga 2001), and the main proposition is that people are measured as a form of wealth for development (Aliaga 2001). From the perspective, education and schooling are seen as conscious investments that train the labour force and increase efficiency of individuals and organisations, as well as encouraging growth and development at the global level. Knowledge and communication with customers have been gaining importance in the Modern world of trade. Hence, human capital has also been gaining more importance as it shows the volume of wisdom, skill, innovation and experience of the organisation. Therefore labour force is considered as productive assets and not costly assets (Hendricks, 2002)

Unlike the other kinds of capital, human capital is so complex, which can transform and moderate itself and other inputs. Hence the performance of other types of capital depends upon the quality of human capital. Thus the development of human capital means the inculcation of certain elements among the workforce of the organisation. Many authors including Mincer and Becker identified the following elements of Human capital:

Knowledge

As said in 'A Dictionary of Sociology' of Gordon Marshall, the most important factors in the development of human capital is knowledge and wisdom that are accumulated with education and qualification. However, knowledge is ineffective when an individual receives an education that includes inept teachers, obsolete materials and teaching systems that do not furnish to the requirements of the scholar. Scandinavian countries are contributing the great scholars to the world through its efficient and well planned education system. Knowledge can help an employee further increase his skills and competencies. When combined with compassion, knowledge can also help create goodwill, another intangible human capital.

Competencies:

The capability an individual has and ability to apply them in practical workfield can help him/her to create competitive advantage to the firm. The output of workforce is closely related to their skills and abilities. The organisations invest in physical resources to increase productivity, similarly they invest in education and skill development that increase the productivity of the employees. On the job, off the job trainings, personality development workshops, brainstorming, virtual based trainings and so on are conducted by the companies to achieve the maximum output of the workers. Management inventories are prepared to know the additional skills of the workforce. Particularly, the businesses that specialise in services, technology and innovation or intangible products where the creativity matters must be in tune with identification and development of value addition of the organisation. Besides formal education, economic growth depends on the competencies of workers through education and training (Becker).

Work Experience

The more the work experience of the individual, the more the value created to the firm. Similarly, an old employee of the organisation adds more value than a new one, as the earlier is accommodated with the firm's work system. When the rate of employee turnover is high in an organisation due to competition, layoff or retirement, it has to invest again in recruitment and training. A study of Harvard Business Review revealed that it takes 3-12 months for an employee to become productive. Hence the work experience of the employee is a form of intangible capital that generates revenue to the organisation.

Inter personal and Communication Skills

Effective social and communication skills of the employees contribute the firm in better understanding the change, align with it and work collaboratively towards the achievement of institutional goals. Bad inter personal relationships create biases, jealousy, fear, confusion and conflict among the personnel. No matter how much knowledge, experience and expertise the employees have, they are of little use to the firm in absence of effective work environment. In the business where the customer or clients service are important the brand image is affected by the relation among the employees and also between employees and clients.

Habits and Personality Traits

Certain habits and traits of the employees contribute positive image to the firm. No doubt a Punctual, disciplined, target oriented and positive attitudinal employee is an asset to the institution.

He creates more value to the firm than the one who may have the same technical skills but lacks the good personal traits and habits.

Individual Fame and Brand Image

Brand image is what makes a business immediately identifiable to prospective customers. The fame and image of the individuals working in a firm definitely increases the goodwill of the organisation. The people like Steve Jobs of Apple, Dr Abdul Kalam to DRDO and ISRO etc., created image to the firm they work in. The image of certain people is often used by the firms to publicise and market the goods.

Hence, the firm with efficient human capital will have more competitive advantage than the other company with same physical and financial resources.

The Status of Global human capital:

The World Bank Human Capital Index (HCI) report depicts key components of human capital through out the world. The report of 2020, presented a comprehensive ranking of the 174 states on the basis of an Index that calculated the awareness of the nation's aptitude to contribute to economic growth and productivity. It depicts an in-depth picture of the current talent landscape in the world. A list in which the index measured the country's investment in developing talent across the lifecycle through crucial parameters like education and employment that form a key part of what boosts a country's human capital. Even with similar levels of strong educational investment, the study looked into how well secondary factors like on-the-job learning are being hit into as they are often critical in making sure that the preliminary investments in education are able to carry on as well as ensuring that people's skills grow and appreciate in value over time.

The report of 2020 revealed the pre-pandemic baseline on the medical and educational facilities to the children, with the biggest steps made in low income countries. The report explains that inspite of the progress in pre-pandemic, a child born in these countries could expect to achieve just 56% of their potential human capital. It also mentions that protecting and investing on people is vital to the nations to lay foundation for sustainable and inclusive recoveries and for future growth of the economy.

Impact of Pandemic on the global human capital:

- The pandemic COVID-19 placed the progress of the centuries in building human capital at risk including the improvements in health, survival rates, school enrollment, and reduced exploitation.

- The economic impact of the pandemic has been particularly profound for women and for the most underprivileged families, leaving many helpless to food insecurity and poverty.
- Due to the pandemic's impact, most children more than 1 billion have been out of school and could drop out. And on an average, half a year of education, in tune for learning, translating into considerable economic losses.
- The data also demonstrates significant distractions to necessary health services for women and children, with many children missing out on essential vaccination.
- The impact of COVID-19, on developing countries particularly has been hard and also there is a very limited social safety net and there is an estimation of a 12 percent crash in employment.
- In the words of Malpass, the president of the World Bank, "One is that developing nations are being left more behind. And within developing countries, the poor are being left further at the back. Our concern right now with the pandemic is the working out the challenges in creating human capital. All the Countries are reporting declines in essential health services. Eighty million children are loosing out on essential vaccinations. More than a billion children are out of school. It may lead to as much as much as USD 10 trillion in lifetime earnings due to the reduced learning, the school closing and the potential for dropping out of school and the disproportionate impact on girls". He said that the World Bank is seeking to work to resume the learning process, access to equipment, assisting in reopening of schools or with distance learning".

The state of human capital in India

India is one of the largest human talent groups that can efficiently add to the sustained economic growth. As per the estimations, India will be the highest youth populated country in the world by 2021 with 40% of its population consisting of 15-24 years of age. Added to this the people of the age between 24 to 60 also contribute human capital.

As per the World Bank Human Capital Index (HCI) report for 2020 India finds itself in the 116th position among the 174 countries against 115 out of 157 countries last year. The report analyses that India raised 'serious reservations' on the human capital index last year. The report appreciated India's efforts in prioritizing its support to human capital, which are significant for now due to Covid-19.

Conclusion:

Several studies revealed that 1/3rd of the working age group in low and middle income countries lack the minimum skills to get quality jobs and to become fully productive to the organisation. This affects the economic investment and growth. This challenge is further worsened by rapid changing global economy that requires innovative, flexible and adaptive workers. As per the world Banks estimations, more than 2 billion working group are not equipped with the essential literacy skills needed by the employers. Among the young adults under the age of 25, this figure comes to about 420 million globally. Low skilled workforce reduces labour productivity and make the capital less attractive, decreasing the transfer of technology and innovation. The facts are worse at our national level too. To overcome these, the government of India has brought several skill development programmes such as Pradhan Mantri Kaushal Vikas Yojana., SANKALP (Skills Acquisition and Knowledge Awareness for Livelihood Promotion), Standard Training Assessment and Reward Scheme (STAR) etc., But the question arises always is the potential implementation of the schemes for fruitful results. No effective execution of such schemes, besides the irrelevant education system in India making the educated youth worthless to the industry. Aiming to overcome these and to make Indian Youth to be productive and skill oriented the National Educational Policy Guidelines 2020 were released. Let us hope to build a skill and innovation based education system in India which sows the quality seeds for effective human capital.....

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