

Consultation about an indicator based approach to human capital

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3. Do you agree with ONS taking forward an indicator-based approach to go alongside other areas of work in the ONS human capital workplan?

Evidence suggests that human capital is a coproduction process by many different institutions and that, thus, there are many concurrent factors in its constitution along people's lives. An indicator-based approach will help to capture these coproduction institutions and factors as well as the different economic and non-economic benefits of human capital. This will help for better public decision-making and will contribute to have a better empirical understanding of human capital.

For further evidence, please refer to:

Folbre (2012) *The political economy of human capital*, Review of radical political economy, 44(3), pp 281-292.

4. Would the proposed indicator approach be useful for the work you are planning to do?

Historic England is the public body that champions the historic environment for the enjoyment of the present and the future generations. Jointly with DMCS and the Arts Council England, Historic England is advocating for the development of a cultural and heritage capital approach. Cultural and heritage capital refers to the stock of goods with cultural and economic value that gives rise to a flow of services with cultural and economic value. As any other type of capital it requires investments and it depreciates throughout time (Throsby, 2001). The deployment of an indicator approach would be helpful for this project as cultural and human capitals are profoundly interlinked. Cultural and heritage assets foster the development of creative, innovative skills and critical thinking. While formal and informal education provides the skills to interpret and understand the symbolic meaning and content of cultural and heritage assets. An indicator approach would help to capture these both-ways links.

Moreover, I am planning to develop work that takes into account the relationship between human capital, cultural engagement and economic growth. The indicator based approach would be helpful in this respect.

For further evidence in relation to the response, please refer to :

Bucci,A. Sacco,P. Segre,G. (2014). *Smart endogenous growth: cultural capital and the creative use of skills*. International Journal of Manpower, 35(1/2), pp 33-55.

Bucci, A. Segre, B. (2011). *Culture and human capital in a two-sector endogenous growth model*. Research on Economics, 65(4), pp. 279-293.

5. Would you recommend any alternative approaches that would be useful for you and your work?

The output approach is also useful as it provides an aggregate measurement of human capital and it enables international and time comparisons. Both approaches would complement each other.

6. Do you agree with taking a lifetime acquisition approach to measuring human capital?

Human capital is permanently built and shaped. It depends on personal and environmental variables that go beyond formal education. For instance, there are many research papers that show that volunteering work, at any age, can contribute to the development of skills. Therefore, a lifetime acquisition approach would be better to measure human capital.

For further evidence, please see:

https://www.heritagefund.org.uk/sites/default/files/media/research/social_impact_volunteering_2011.pdf

<https://historicengland.org.uk/images-books/publications/wellbeing-and-the-historic-environment/wellbeing-and-historic-environment/>

Cebr (2019). The Heritage sector in England and its impact on the economy, (forthcoming publication by Historic England).

7. Do you agree with broadening our definition to include impacts on personal and social well-being (in addition to economic well-being)?

Solely the development of an economic approach is very limited. Human capital delivers a vast array of non-monetary benefits such as improved health conditions, greater social cohesion and higher social well-being. In relation to personal well-being, the literature is not so conclusive. There are studies which suggest a positive relationship. Nonetheless, there are others which argue that more education might lead to unfavourable comparisons and higher expectations, which might affect people's mental health (Clark and Jung, 2017). Given all these effects of human capital on personal and social well-being, it is relevant to broaden the definition of human capital and take them into account.

For further evidence, please refer to:

http://scholar.harvard.edu/files/jorgenson/files/gangliu_paper_human_capital_measurement_2014_0512.pdf%3Fm%3D1400469997

Frijters and Krekel (2019). *A Handbook for well-being policy-making in the UK: history, measurement, theory, implementation and examples* (forthcoming publication)

Clark and Jung (2017). *Does compulsory education really increase life satisfaction?* Inha University of Business and Economic Research Discussion paper .

8. Do you agree the Compulsory, further and higher education theme and its proposed mechanisms are complete and relevant?

I agree with the proposed themes. However, I would add education in arts and heritage during childhood as another direct mechanism. There is evidence that arts education and cultural and heritage engagement in an early stage in life contribute to the development of creative and innovative ways of thinking that spill-over to improve performance in other areas such as mathematics and science. They also help to improve children's social interaction, enhance their

abilities to cooperate and to work in groups. They also lay foundations for cultural and heritage engagement in a further stage in life. Culture and heritage require the interpretation of symbolic meanings. As children learn about them, they become more interested in them. Therefore, they are willing to learn more, which leads to positive feedback effects.

For further evidence on this topic, please see:

Bresler and Liora (2007). *International Handbook of research in arts education*, Springer International Handbook on Education, Berlin, Germany.

Throsby (2010). *The Economics of Cultural Policy*, Cambridge University Press, Cambridge.

9. Do you agree that the Independent learning theme and its proposed mechanisms are complete and relevant?

I agree with the proposed themes and its proposed mechanism as complete and relevant.

10. Do you agree that the Family and home theme and its proposed mechanisms are complete and relevant?

I agree with the Family and home theme and its proposed mechanism. Nevertheless, it would also be important to address how the inequalities in the distribution of caring work within families as well as the distribution between paid and unpaid work in the country impact on human capital. There is also evidence that women usually spend more time in caring activities than men, which can sometimes be detrimental for their professional careers, leading to the depreciation of their human capital. All these aspects should be considered as mechanisms that affect human capital formation.

Please, for further reference see:

Braunstein et al (2011). *Embedding care and unpaid work in macroeconomic modelling: A structuralist approach*. *Journal of Feminist Economics*, 17(4), pp. 5-31.

Folbre (2012) *The political economy of human capital*, *Review of radical political economy*, 44(3), pp 281-292.

11. Do you agree that the Health, including ageing theme and its proposed mechanisms are complete and relevant?

I agree with the Health theme and its proposed mechanism are complete and relevant. Addressing health as a mechanism is very important as it determines individuals' learning abilities as well as her/his job market performance.

For further references, please refer to:

http://scholar.harvard.edu/files/jorgenson/files/gangliu_paper_human_capital_measurement_2014_0512.pdf%3Fm%3D1400469997

12. Do you agree that the Work theme and its proposed mechanisms are complete and relevant?

I agree with the work theme. Nonetheless, I would add volunteering work as a direct mechanism since it contributes to people's development of their skills, knowledge and professional network. These activities empower people and aid at increasing their life satisfaction.

For further evidence, please refer to:

https://www.heritagefund.org.uk/sites/default/files/media/research/social_impact_volunteering_2011.pdf

<https://historicengland.org.uk/images-books/publications/wellbeing-and-the-historic-environment/wellbeing-and-historic-environment/>

Cebr (2019). The Heritage sector in England and its impact on the economy, (forthcoming publication by Historic England).

13. Do you agree that the Crime theme and its proposed mechanisms are complete and relevant?

I agree with the crime theme and its proposed mechanisms are complete and relevant.

14. Do you agree that the Personality traits theme and its proposed mechanisms are complete and relevant?

I do not agree with the personality traits theme as people's attitudes and motivations are socially shaped. Moreover, I think that including this theme is dangerous as it might lead to making people responsible for their own fate and underestimating the role of social factors.

15. Are there any other themes that should be included?

I think that an immigration theme is missing and should be included. Highly-skilled immigrants represent an addition to the human capital stock of a country and lead to many economic and non-economic benefits. Hence, it is also important addressing as mechanisms those pull-factors that attract them to the country. This could be working opportunities, but also cultural amenities and heritage (just to mention some of them).

Please, for further evidence please refer to:

Florida, R (2003) Cities and the Creative Class. City and Community, 2(1) :

<https://creativeclass.com/rfcgdb/articles/4%20Cities%20and%20the%20Creative%20Class.pdf>

Backmann, M. and Nilsson, P. (2018). The Role of Cultural Heritage in Attracting Skilled individuals.

Journal of Cultural Economics, 42 (1), pp.111-138. Available at:

<https://link.springer.com/article/10.1007/s10824-016-9289-2>

Heritage and the Economy (2019)-forthcoming publication by Historic England.

16. Do you agree with the approach of having input indicators?

I think that the development of an input indicators would help to understand how different factors impact on human capital. In policy terms, it would contribute to better grasp how specific interventions make possible to achieve a desirable outcome.

17. Do you agree with the approach of having outcome indicators?

I agree with the approach of having outcome indicators to evaluate the varied impacts of changing different educational inputs. I would also suggest introducing cultural participation during adulthood as an outcome indicator. Both formal and informal education contributes to constitute people's cultural values from an early age and influence their cultural engagement in a later stage of life.

For further evidence, please refer to :

Throsby (2010). *The Economics of Cultural Policy*, Cambridge University Press, Cambridge.

Champarnaud & Ginsburgh & Michel (2008). *Can public arts education replace arts subsidization?*, *Journal of Cultural Economics*, 32(2), pp. 109-126.

Bucci, A. Sacco, P. Segre, G. (2014). *Smart endogenous growth: cultural capital and the creative use of skills*. *International Journal of Manpower*, 35(1/2), pp 33-55.

Bucci, A. Segre, B. (2011). *Culture and human capital in a two-sector endogenous growth model*. *Research on Economics*, 65(4), pp. 279-293.

18. Do you agree with the approach of having enabling factor indicators?

I agree with developing enabling factor indicators since there are many environmental elements that do not directly contribute to human capital accumulation, but that facilitate its accumulation. For instance, the intensity with which people are exposed to tangible heritage in a region contributes to creative and critical thinking. Research shows that in England, 26% of all creative industries are located in conservation areas. Moreover, heritage contributes to people's education and knowledge about their country's history and to their interpretation of symbolic meanings. Therefore, I would suggest including the presence of heritage as an enabling factor.

For further evidence in relation to this our response, please refer to:

<https://historicengland.org.uk/content/docs/research/creative-industries-case-studies/>

Throsby (2010). *The Economics of Cultural Policy*, Cambridge University Press, Cambridge.

Cerisola(2019). A new perspective on the cultural heritage-development nexus: the role of creativity. *Journal of Cultural Economics*, 43 (1), pp. 21-56. Available at:
https://ideas.repec.org/a/kap/jculte/v43y2019i1d10.1007_s10824-018-9328-2.html

19. Is there another approach or type of indicator which would be useful (not input, enabler or outcome)?

A human capital satellite account could also be a useful approach as it would help to link human capital estimates with the System of National Accounts, providing consistency and enabling comparisons both at a national and at an international level.

20. Which anticipated data gaps are you more interested in us filling and why?

We are more interested in filling data gaps about mechanisms that contribute to increase people's creative thinking and innovative capabilities as well as their cultural and heritage engagement. We are interested in filling data gaps about formal and informal education in arts, culture and heritage.

21. Would you prefer ONS to prioritise filling data gaps or to create proxy indicators?

In those cases in which it is difficult to fill the data gap, proxies are suitable.