What is human capital?

stock of knowledge, skills and other personal characteristics (health) that makes people productive

• Investment in human capital:
  o Formal education
    (early childhood, formal school system, adult training programmes)
  o Informal and lifelong learning
  o Work experience
1. Human capital widely acknowledged to be crucial for economic growth

2. Frequent OECD recommendation
   Share of reform priorities in 2019 Going for Growth publication by policy area (OECD countries)

Quantifying the effect of education policies on human capital and productivity

- Educational policies
- HC core drivers (e.g. life expectancy)
- Spending on education
- Spending effectiveness
- Human capital
- Employment
- Capital
- MF productivity
- Income per capita
Educational policy drivers of human capital: value for money approach

Value for money increase

Value for money decrease

Spending pressure

Spending on education

Educational policy drivers of human capital: value for money approach

Value for money increase

Value for money decrease

Spending pressure

Spending on education
Educational policies: long-term impact on GDP per capita

- Long-run impact of educational reforms on GDP per capita (% change): Reform impact is estimated in a simulation in which the selected country aligns its policy with that of the top three OECD performers in the area. This is conditional on increasing education spending by one standard deviation of the OECD sample. For more details see Égert, Botev and Turner (2019).

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Quantifying the direct effect of education policies on human capital and productivity

- Educational policies:
  - Increasing attendance of pre-primary, % change in GDP per capita
  - Decreasing the student-teacher ratio, % change in GDP per capita
  - Increasing the share of fully qualified teachers, % change in GDP per capita
  - Increasing age of streaming, % change in GDP per capita
  - Increasing school autonomy, % change in GDP per capita
  - Increasing university autonomy, % change in GDP per capita

- Human capital:
- Educational policies
- Educational policies (e.g. product market regulation, rule of law, etc.)
- Employment
- Capital
- MF productivity
- Income per capita
Direct effects of education policies on human capital can be large.

They can be compared to the effects of other policies such as product market regulations.

But their effects materialise with long lags.

An illustrative example is pre-primary education with considerable effects on the stock of human capital and productivity.

References


THANK YOU