

MPF 1353 Economics & Education

# Education and Human Capital

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# What is human capital?

- The skills, knowledge, and experience possessed by an individual or population, viewed in terms of their value or cost to an organization or country.
- Human capital consists of:
  - Knowledge
  - Skills
  - Abilities
  - Integrity

# What is education?

- **The process of receiving or giving systematic instruction, especially at a school or university - a new system of public education**
  - **The theory and practice of teaching - colleges of education**
  - **A body of knowledge acquired while being educated**
  - **Information about or training in a particular field or subject**
  - **A particular stage in the process of being educated**
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# Importance of Human Capital

- **Human Capital is very significant to growth or development**
  - **New Generation is the source for human capital**
  - **Various types of capital**
  - **Human capital = Labour force;  
Labour force  $\neq$  Human capital**
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# Human capital model

- **Human capital - an individual's productive capacity.**
- **Human capital may be increased by investments in:**
  - **Education,**
  - **Training, and**
  - **Health care.**
- **Individuals with more human capital receive higher pay (since they are more productive).**

# Factors influencing human capital investment

- **Interest rates**
  - **The age of the individual**
  - **The costs of education**
  - **The wage differential between high school and college graduates.**
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# Principal Statistics of Labour Force, Malaysia, July 2013



Jabatan Perangkaan  
MALAYSIA  
PRODUCER OF NATIONAL STATISTICS

## Labour market in Malaysia, July 2013

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September 2013

Indicator	Previous month			Same month of the previous year	
	July 2013	June 2013	Change (%)	July 2012	Change (%)
Labour force ('000)	13,919.4	13,860.5	0.4	13,162.6	5.7
Employed ('000)	13,498.2	13,467.8	0.2	12,760.4	5.8
Unemployed ('000)	421.2	392.7	7.3	402.3	4.7
Outside labour force ('000)	6,505.5	6,578.8	-1.1	6,725.5	-3.3
Labour force participation rate (LFPR) (%)	68.1	67.8	0.3	66.2	1.9
Unemployment rate (%)	3.0	2.8	0.2	3.1	-0.1
Seasonally adjusted					
Unemployment rate (%)	3.0	2.7	0.3	3.2	-0.2

Source: <http://www.statistics.gov.my>

# Unemployment in Malaysia

- **More than 50 per cent of the unemployment total are young population or new generation (age group 15-29)**

**(MOHR, 2010)**



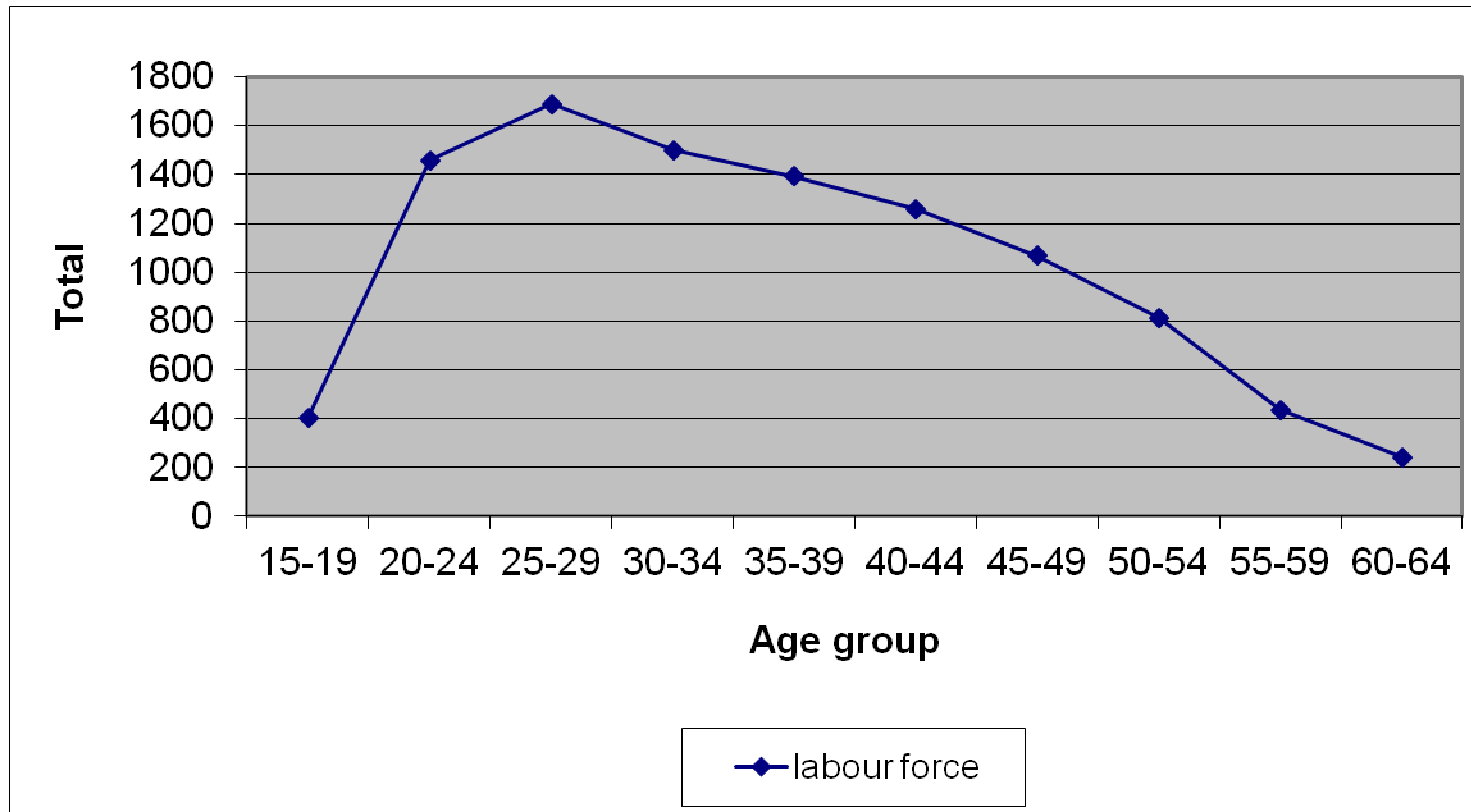


# Malaysia: Selected Employment Statistics 2010

<b>Population</b>	27.2 million
0-14	32.3 %
15-64	63.4 %
65 and above	4.3 %
<b>Employment</b>	
Labour force	67 %
Annual growth	2.6 %
Unemployed	3.1 %
New jobs created	1.6 million
Inflation	2.9 %



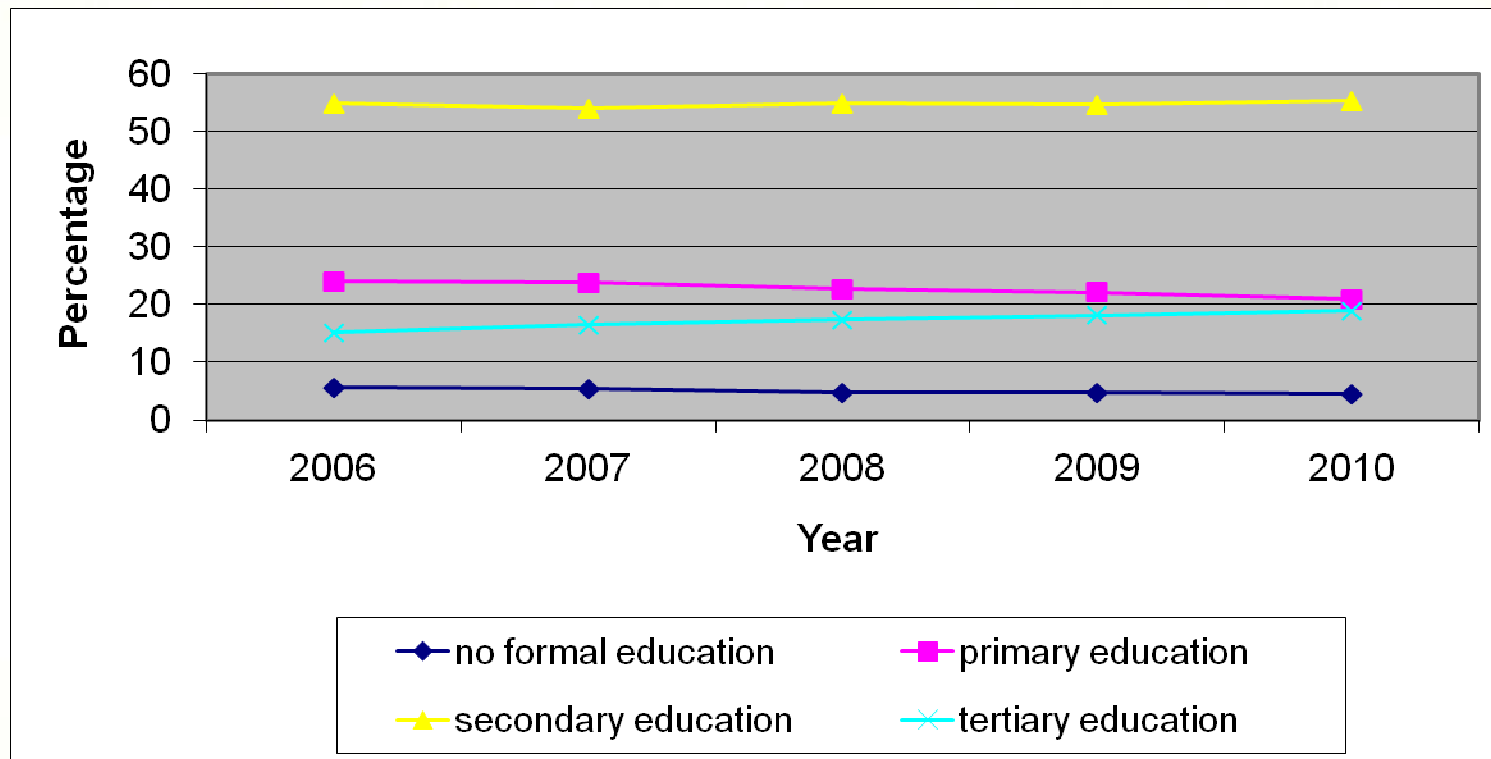
# Labour Force Participation 2010



# Quality, Quantity, and Productivity

- Quality and quantity are important for productivity
  - Quality of human capital refers to education level, formal and informal education, worldwide marketability
  - Quantity of human capital refers to market size, consumer spending
  - Productivity refers to output per person, Total Factor Productivity (TFP),
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# Education and Human Capital



Education levels and totals 2006-2010  
 Increase/decrease; = effect on human capital



# Labour Market inequality

- **In-demand skills and talents**
  - **From 'B' grade workers to 'A' grade workers**
  - **Service on-demand**
  - **Competitiveness**
  - **Human capital flight**
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# Personal and Economic Requirements

- **Personal**
  - Self development
  - Financial independence
  - Social adaptation
- **Economic**
  - Leadership development
  - Strategic investment
  - Profitability
  - Productivity

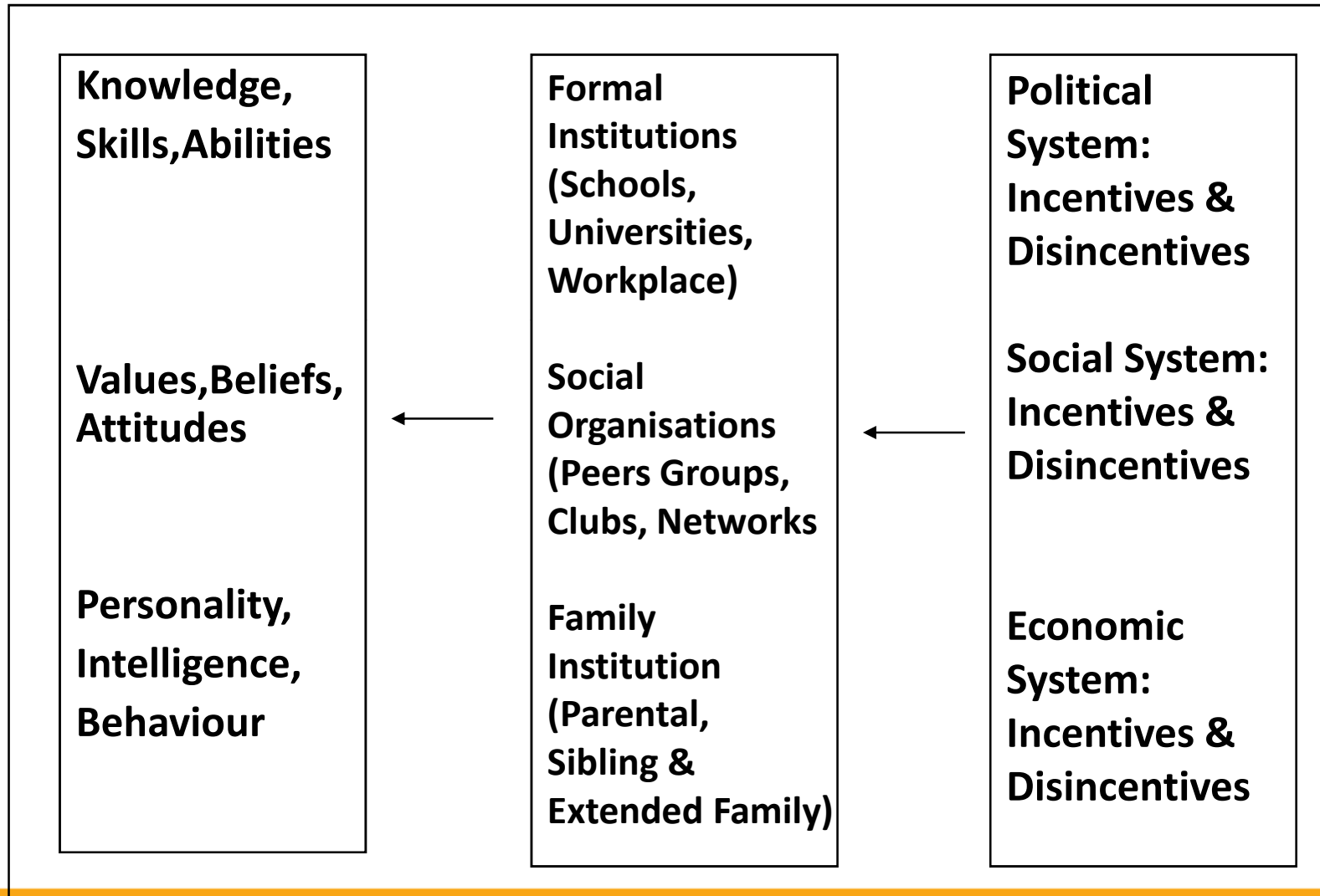
# Policy Issues

- **Youth development policy**
  - Poor coordination among policies and sectors that affect youth and limited accountability for youth outcomes
  - Weak voice of young people in monitoring and providing feedback on the quality of policy and service delivery
  - The lack of proven successes

- **Developing a consistent framework and integrating with national policy**
  - **A consistent national framework for youth**
  - **Integration with national policy planning and implementation mechanisms**
  - **Building capacity**
  - **Role of the education system**



# Developing Human Capital



- **Issues and challenges are dynamic for every generation but need to be met for sustainable economic growth**
- **The race for human capital will intensify, strategic planning of this resource is essential**
- **Development period for return on human capital investment may be longer than other investments, hence appropriate measures need to be taken promptly**
- **Human capital and new generation: develop it or lose it!**

# World class human capital

- **As the young people of the 21st century, we should always be high-minded and have a clear vision of the effort to uphold religion, country and nation**
- **Application of moral values into the youth; leadership qualities, competitiveness, courageousness, high-mindedness and prudence**
- **Building up self-esteem, personality, mental health and knowledge**
- **Young Malaysians should realize the importance of our role towards the future of the country**

# Conclusion

- **Re-evaluation of political, social and economic systems' incentives (rewards) and disincentives (punishments)**
  - **Strengthen formal institutions, social organizations and family institutions**
  - **These are the requirements for the development of human capital of the new generation**
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# Thank you

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