



The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19

Originally published: World Bank (2021)

Introduction

Human capital consists of the knowledge, skills, and health that people accumulate over their lives. People's health and education have undeniable intrinsic value, and human capital also enables people to realize their potential as productive members of society. This report accompanies the release of 2020 data on the Human Capital Index. In addition to describing HCI data and methodology, this report documents the evolution of human capital over the last decade. The HCI can be a useful tool to guide policies. Because the index is based on robust markers for key stages of human capital accumulation in the growth trajectory of a child.



Key Highlights

- As per the report, before the pandemic struck, a child was expected to attain an average of 56% of her potential productivity as a future worker.
- Education accounts for roughly 90% of the difference between high and low performers in the high-income economies whereas the gap is only 60% within the group of low-income economies.
- Globally, the average HCI is slightly higher for girls (0.59) than for boys (0.56).
- On average, the HCI increased by 2.6 HCI points (or 0.026) between 2010 and 2020. The last decade shows that both girls and boys have made strides in improving human capital.
- As noted by the report, those who lose a job during a mass layoff event are likely to experience large and persistent earning losses, roughly equivalent to 1.7 years of their earnings before dismissal.
- The report notes an average decrease in the life expectancy for the workers with the job loss of 1.0 to 1.5 years, likely due to increased chronic stress.
- With the Human Capital Index losses due to the COVID-19, the HCI of the workforce in 20 years' time in the typical economy would be lower by almost 1 HCI point (0.01) than what it is supposed to be.
- Globally, only 50% of women participate in the paid labor force, whereas 80% of men do.
- Most developing countries suffer from high rates of mismatch between the level of education required for a job and the education of the people doing it.
- It has to be noted that while calculating better employment, it is more based on the way the work is organised, rather than whether the job is formal or informal. However, the above trend is not good.
- Furthermore, while calculating the extent of utilization of the human capital of a country, the potential of the people should be directly linked to it. For example: A doctor doing agricultural labour means underutilization whereas the same work done by a worker with no education is a positive sign.
- Utilization rate of the Human Capital of the economies is mostly determined by the human capital that is still there to utilize. The highest-income economies have about 70 percent of the working-age population in better employment, which drives the high utilization rate. For low-income economies, only about 10 percent of the working-age population is in better employment.

Read more: <https://openknowledge.worldbank.org/bitstream/handle/10986/34432/9781464815522.pdf?sequence=4&isAllowed=y>

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