

THE DEATH OF HUMAN CAPITAL?

ITS FAILED PROMISE AND
HOW TO RENEW IT IN AN AGE OF DISRUPTION



Death of Human Capital?

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After *Global Auction*

- ❖ Book on 'Human Capital' seem like a good idea
- ❖ We were convinced we needed a paradigm shift, but even more so today
 - ❖ (Kuhn's *The Structure of Scientific Revolutions*)
- ❖ But the more we **delved** into the literature/evidence the more **daunting** the task – Long historical development - Nobel Prizes Winners were awarded for its development - not easy to usurp;
- ❖ Paradigm shift involves both exposing what's wrong - 'critical anomalies' (learning isn't earning) and proposing new concepts/theories.

This daunting task involves three major steps

- ▶ Rise of Human Capital
- ▶ It's Failed Promise
- ▶ The New Human Capital Theory
 - ▶ to rethink supply, demand, rewards.

How to capture/communicate our alternative

- Breakthrough – distinction between orthodox 'labour scarcity' and 'job Scarcity' view
- Labour Scarcity - Focus on individual investment in education/skills that are valued by employers
- Job Scarcity - Focus on the economic incapacity problem to generate enough of the jobs for which people are educated to expect...
...'exacerbated' rather than 'alleviated' by new technologies...

Job Scarcity



1. Not an age of human capital (Becker)...No powershift to knowledge workers...capital continues to trump labour (regardless how qualified) - much of the productive benefit has gone to a few...
2. Labour scarcity is the exception rather than the rule, esp. in a context of mass higher education;
3. The under-utilisation of human talents is the norm and needs to find avenues for expression outside of waged work (as well as improving the quality of work);
4. 'Translation' problem between education and work reminds us people are not human capital...but they engage in the active process of 'capitalising' (more or less fairly and successfully);
5. Job scarcity points to an over-burdened labour market...unable to reconcile the policy rhetoric of learning = earning.

Three Grand Challenges

1. Educational Challenge - Human/Educational Purpose -putting the 'human' back into human capital... what kinds of people for what kind of world? [making a life as well as a living]
 2. Technological Challenge - AI and the Future of Work – Formidable challenge but Technology is not Fate...
 3. Distributional Challenge - Inequalities -
 - ▶ who learns what (and when) ,
 - ▶ who does what? (opportunity to capitalise),
 - ▶ who gets what? (shared prosperity)
- ▶ Time is running out...esp. for us!

Key Assumptions underlying HCT

1. Today's high tech revolution will see a rise in the demand for high skilled, high paid work. (Becker and Skill Bias Technical Change Theory).
2. Closely follows because formal education raises the productivity of workers through an extensive period of preparation now required to successfully fulfil occupational roles.
3. Employers, as rational actors, will hire the most able, irrespective of their social background. It is this assumption which is the key to the ideal of meritocracy.

Causal assumptions

- ▶ Say's Law: Supply will generate its own demand -a comfortable assumption in Neo-Liberal Societies.
- ▶ Supply and Demand -applied for example, by two dominant SBTC theorists Goldin and Katz, in which they argue that Technology is driving up demand but the supply of skilled labour is not keeping up, explaining income polarisation.

Failed Promise: Learning = earnings?

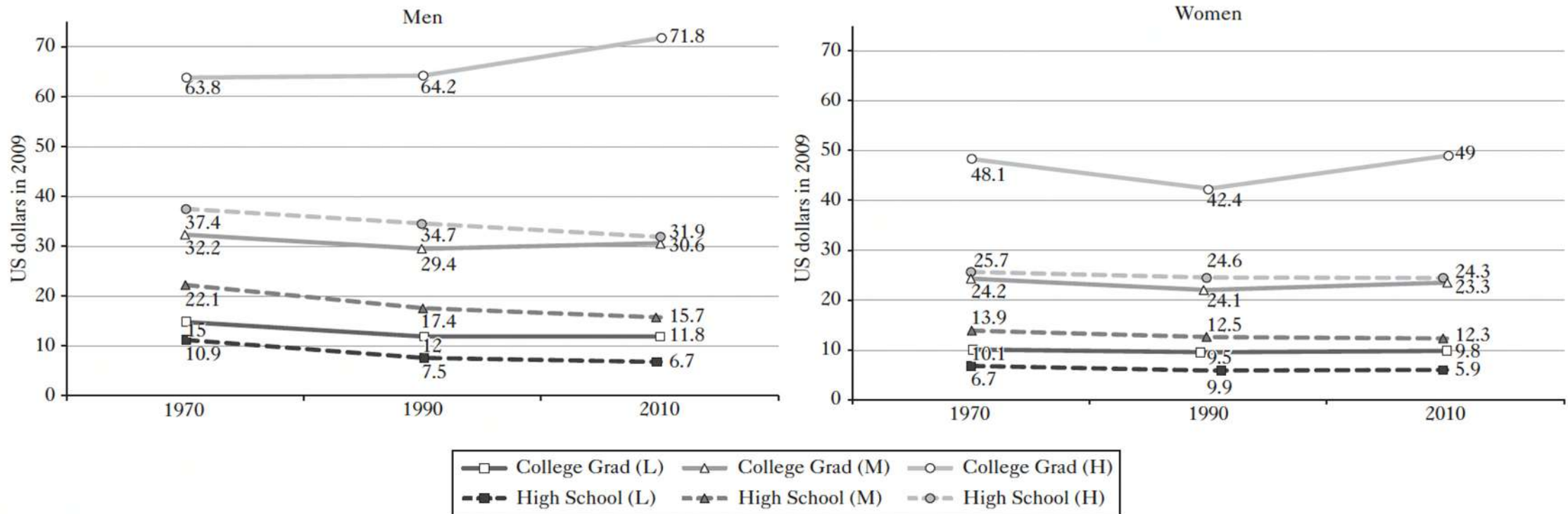


FIGURE 5.6 Hourly earnings (in 2009 USD) for US high school and four-year college male and female graduates, 1970, 1990, and 2010.

Source: IPUMS USA US Census 1970; 1990 1% metro sample; ACS 2010 (weighted), ages 18–64. Key: (L) = bottom decile (10%), (M) = median (50%), (H) = top decile (90%).

“Race” to the bottom?

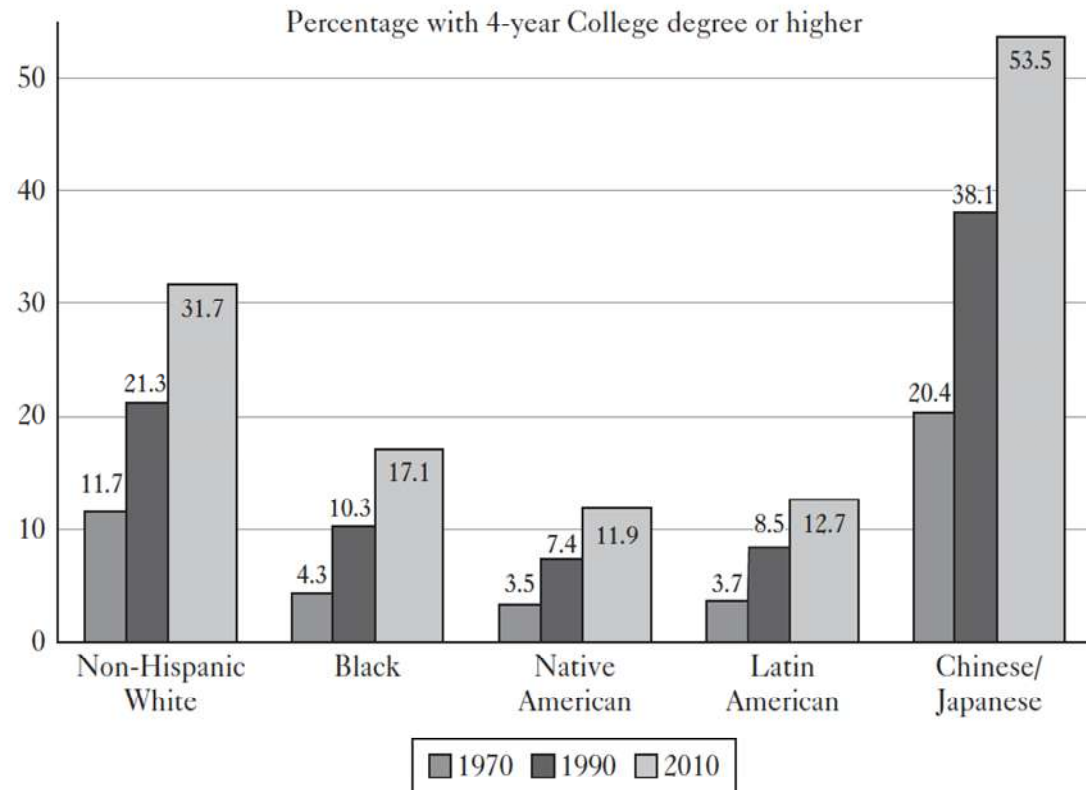


FIGURE 5.9 Percentage obtaining US Four-year college degrees or higher degrees by race in 1970, 1990, and 2010.

Source: IPUMS USA US Census 1970; 1990 1% metro sample; ACS 2010 (weighted), ages 18–64.

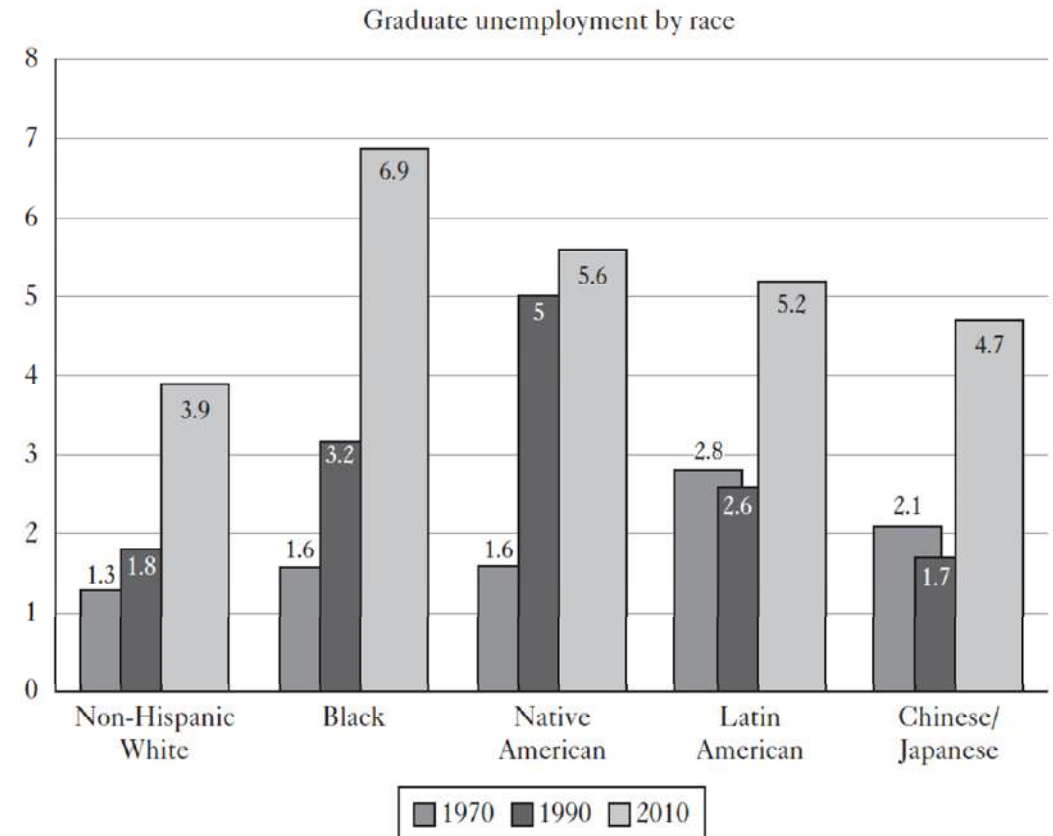


FIGURE 5.10 Percentage unemployed of US Graduate by race in 1970, 1990, and 2010.

College (median) graduates vs. High School (90th) leavers Returns to HC investment worst for Black, Native and Latin American, only Chinese/Japanese graduates saw wage growth

College Graduate Median and High School 90th percentile 1970, 1990 and 2010

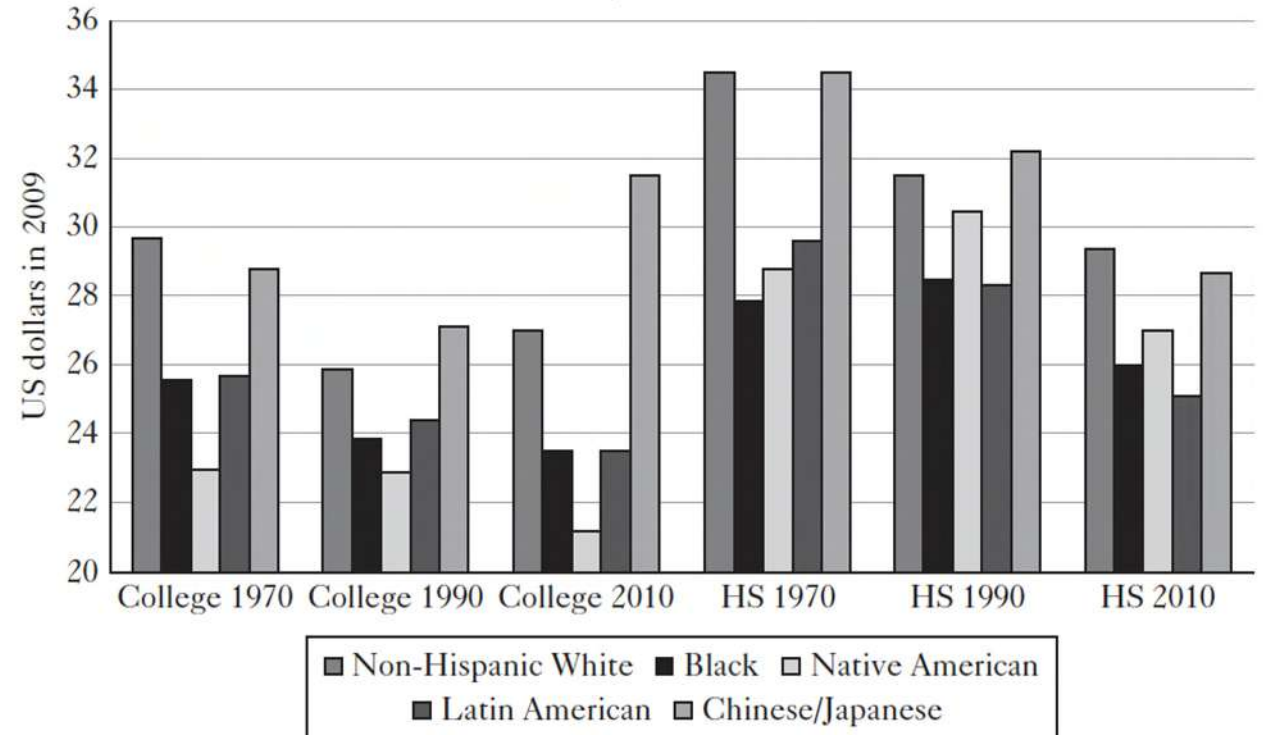


FIGURE 5.12 Hourly earnings (in 2009 USD), median college graduates and 90th percentile high school leavers.

Source: IPUMS USA US Census 1970; 1990 1% metro sample; ACS 2010 (weighted), ages 18–64.

Key: HS = High School -

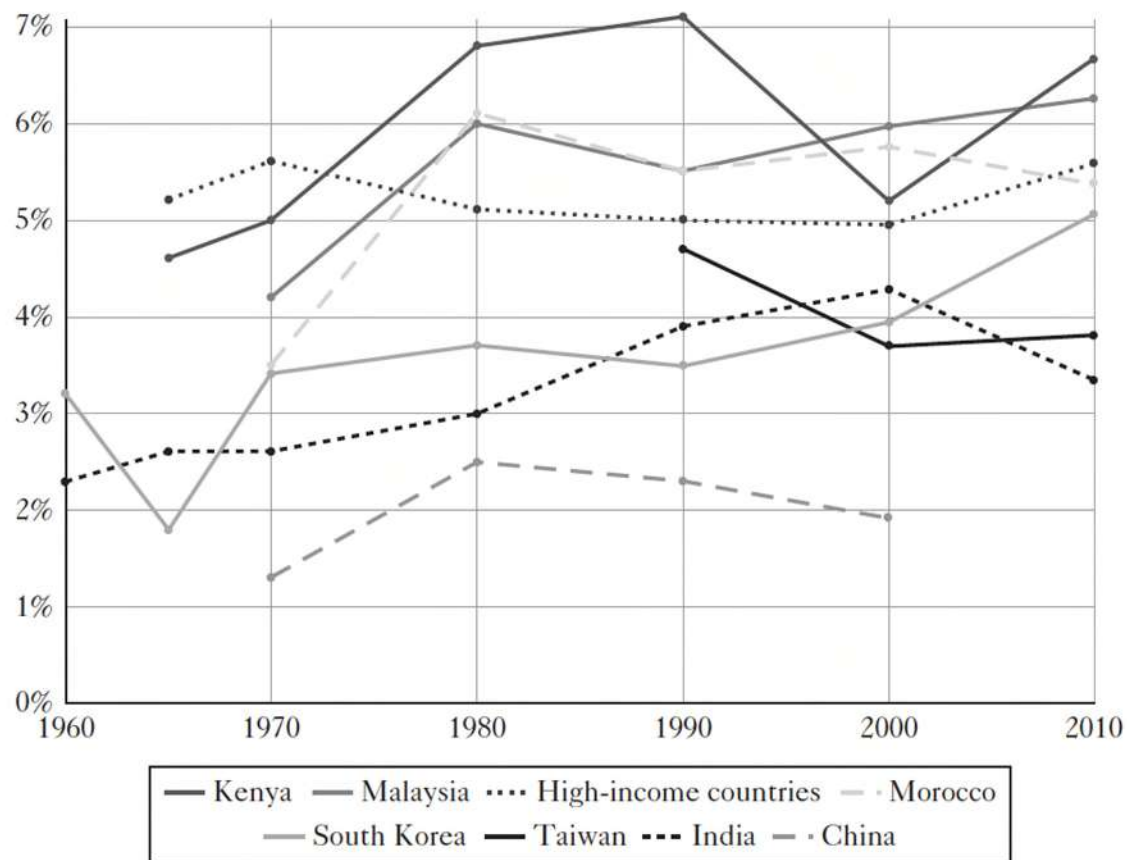


FIGURE 7.1 Government expenditure on education as share of GDP for selected low- and middle- income countries (plus average expenditure of high-income countries).

Source: Max Roser and Esteban Ortiz-Ospina, "Financing Education," *Our World in Data*, 2019, <https://ourworldindata.org/financing-education>.

Failed promise of development:

National Investment in education = economic growth?

Brain drain and human arbitrage

A Socialist Alternative to Human Capital?

- ▶ Education should be about a broad background to enable living in the 21st Century.
- ▶ Education is not responsible for the creation of good jobs. Therefore metrics which judge universities by their employment success should be dismissed as economically illiterate.
- ▶ Higher and Further Education should be inclusive, that is free and not subject to discrimination.