Human Capital Around the World

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Human capital is the foundation for any country’s current and future economic growth and sustainability. This presentation will describe a World Bank initiative and results from it, if available. This initiative, as part of the World Bank’s Changing Wealth of Nations (CWON) effort, proposes to measure Jorgenson-Fraumeni human capital for some 150 countries. A number of human capital indicators exist, perhaps most widely known is the Barro-Lee data set on educational attainment for about the same number of countries. The proposed CWON measures differ from and improve upon earlier human capital measures such as Barro-Lee in that the future impact of educated individuals is captured with a monetary lifetime income measure. The CWON measure depends on an internal World Bank data set: the International Income Distribution Database (I2D2), and Mincer equation estimates of the impact of education on income by Montenegro and Patrinos. Jorgenson-Fraumeni human capital measures depend on estimation of lifetime income, cross-classified by gender, educational attainment, and age. Educational attainment of individuals differ widely across the world. In addition, in many countries educational attainment of younger workers is significantly greater than the educational attainment of older workers. Jorgenson-Fraumeni methodology recognizes the contribution of younger (and all) workers during their lifetime, rather than just to current economic growth. With the resulting Jorgenson-Fraumeni human capital estimates, comparisons can be made across regions, high, moderate, and low income countries, and emerging or transition economies versus developed countries, such as OECD countries.

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