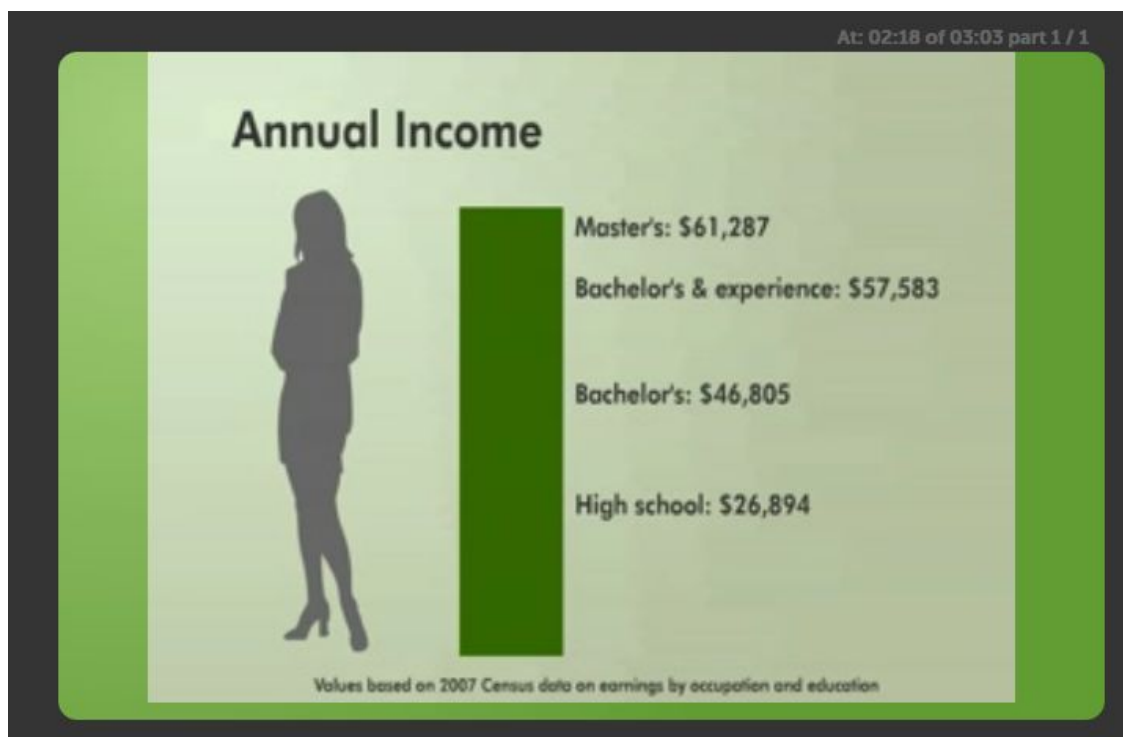


Human Capital

<http://www.econedlink.org/tool/230/>

Human capital is a term used to describe the combination of a person's education, knowledge, experience, health, habits, training, talents, and attitudes. Acquiring human capital is investing in yourself. Just as a firm might spend money on new factory equipment to increase production, a person may spend time or money learning new skills or improving his or her existing skills. The outcome is the same in both cases. The investment in capital results in increased productivity. When a person is more productive or has rare skills that are in high demand, his or her value to an employer goes up. That means an employer is willing to pay more for that person's labor.

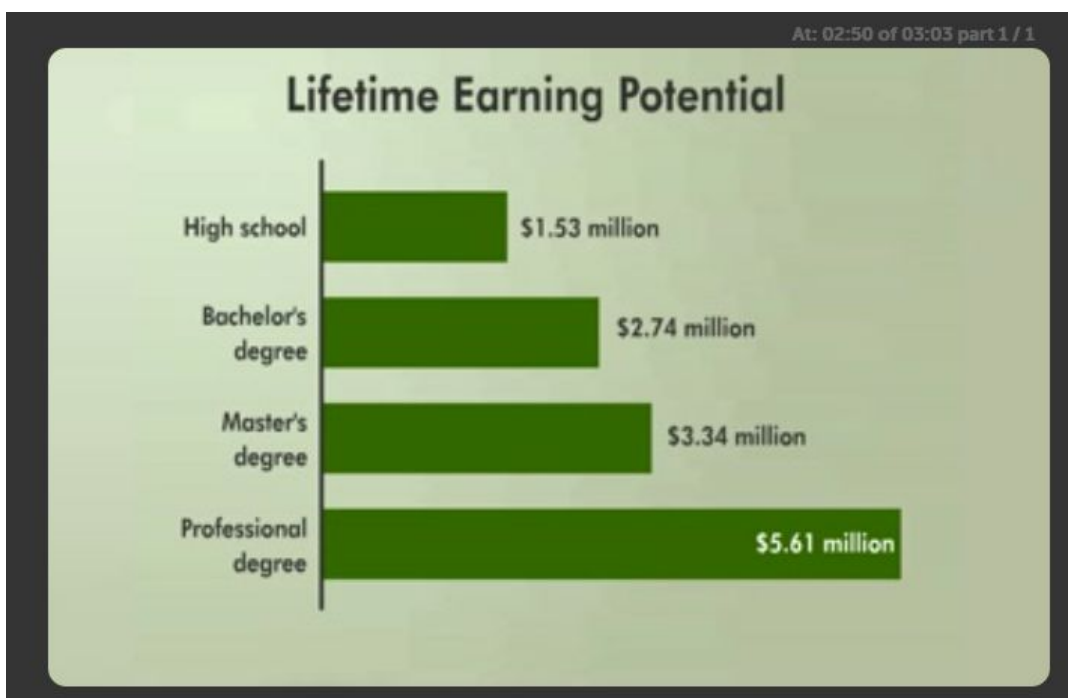
People improve their human capital by investing in themselves in thousands of ways. One of the most common and important ways is through education. Studies show that workers who have made a greater investment in their education earn higher incomes throughout their careers. Let's look at how different types of human capital can affect a worker's earning potential as she moves through her career.



Laura graduated from high school without many marketable skills. There were several jobs she could have pursued but few of them would have allowed her to see substantial increases in her income as she got older. Instead of taking a job, Laura decided to pursue her Bachelor's degree at a four-year university. After completing her degree, Laura was able to get a job making

significantly more than she could have right out of high school. While working for a firm, Laura got better and better at her job through both experience and on-the-job training provided by her employer. The knowledge and experience that she gained made Laura more valuable to her employer.

After seven years of working, Laura has moved up in the company and is interested in continuing to move up to a management position. To gain skills that would help her do that, Laura decides to go back to school for a Master's in Business Administration. People with the skills and knowledge that Laura now has are relatively rare in the workforce and businesses are willing to pay more for a worker with those skills. Laura made many choices about the type of investments that she made in herself.



Just like any other choice, achieving a higher degree of education has its costs, some obvious and some not so obvious. First, a formal education costs money. College tuition, fees, and books can be quite expensive. Another cost of education is the money that you didn't earn working because you were going to school. While the costs of education can be high, studies show that those who have the ability to do well in higher education will find it well worth their sacrifice of time and money. Data from the latest census show us just how much of a difference education can make over the course of a lifetime.