

MEASURING HUMAN CAPITAL FOR AUSTRALIA: ISSUES AND ESTIMATES

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Abstract

In this paper I discuss measurement issues of human capital from a national accounting perspective and present experimental estimates of human capital stocks and flows in Australia. The measurement framework draws on the Jorgenson and Fraumeni approach (1989, 1992) with a few modifications. Based on the concept of human capital measured as lifetime labour incomes, investment in post-school education and working experience are measured by the additions to lifetime labour incomes accrued to those who have obtained additional post-school qualifications and those with additional years in the labour market. This measurement framework is used to quantify the contribution of post-school education to human capital growth and the impact of population ageing on human capital development in Australia. The experimental estimates for this study show that (1) there has been a significant increase in the stock of human capital in Australia during the period 1981-2001 and this increase is largely due to increased proportions of more educated workers; (2) Due to the population ageing, the existing human capital stock has also depreciated at a faster rate and hence the growth of net human capital formation has slowed down significantly.

Keywords: human capital, lifetime labour income, post-school education, population ageing