

WELLSO 2016 - III International Scientific Symposium on Lifelong Wellbeing in the World

## Corporate Investment in Human Capital Accumulation as a Condition for Social Well-Being

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### Abstract

<http://dx.doi.org/10.15405/epsbs.2017.01.67>

The modern idea of human well-being involves the combination of individual and social point of view. Substantially human well-being is a result of investment in different directions of life quality and material condition. However, for sustainability of well-being over time the multi-actors investments (private and social) in different types of capital (natural, economic, social and human) are equally important. Based on critical importance of corporate investments in human capital (in knowledge, competencies and skills) there is a conclusions about their impact on individual and social well-being. The article contains a list of general principles as well as specific methods of assessing and evaluating the impact of corporate investment in human capital on the dynamics of corporate financial indicators (economic value), development of innovative creativity and operative skills and establishment of public-private partnership (PPP) for individual and social well-being. The author suggests the economic evaluation of the effectiveness of corporate investment in human capital accumulation. The results can be down in a format of Balanced Scorecard (BSC). There is a description of goals for each section, recommended operations and implementation. This article represents the applications for financial indicators, which recommended for the analysis of economic efficiency and recoupment period of corporate investment in the human capital accumulation (taking into account the factor of time).

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**Keywords:** Well-being, human capital, investment, Balanced Scorecard, public-private partnership.

### 1. Introduction

For the modern scientific studies, well-being usually associated with the complex idea of full life and social successful. This concept includes subjective and objective ideas about health, the environment, involvement in civil society, work-life balance, home comfort, security, etc. (Andrews, 1983). Due to wide interpretation of human well-being, researchers have an opportunity to study it as a multifactorial construct, combining the social, economic, physical, psychological, cultural and spiritual



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determinants of not only for the individual, but also for social life. This concept combines the socio-economic, physical, psychological, cultural and spiritual determinants of individual and social life (Andriessen, & Tissen, 2000).

## **2. Problem statement**

The thought is consistent with basic postulates of human capital theory. Proponents of the theory consistently defend the idea that the personal, social and economic well-being mostly formed through investments in knowledge, skills and abilities, which embodied in people. At the same time, human capital accumulation is one of the major factors of socio-economic well-being for the modern society. According to current research that based on human capital theory, investment in education, industrial training, health, migration, search for information on the labor market, the birth and upbringing of children have a high efficiency. They are the source of future income and benefits for the individuals, households, companies and society (Nedospasova et al., 2015). Thus, the accumulation of human capital, assignment of the individual and society, the impact of the relevant investment is an important condition for the socio-economic well-being.

## **3. Research questions**

The benefits from human capital accumulation is important to consider in terms of the characteristics of their assignments. This distinguished on private (assigned to the individual and reflect the value of human capital for its direct support) and on social effects, which assigned by society as a whole. The diversity of private and public benefits from the human capital accumulation can be the basis for the approval about causal relationships between investments in human capital and well-being.

## **4. Purpose of the study**

The accumulation of human capital considered as 1) a multi-level process of increment of knowledge, skills, and abilities embodied in people, and as 2) a confirmation the economic benefits of investments which made by a different group of actors (government, firms, householders). The second approach considered the results of investment in a human capital accumulation in terms of their influence on individual and social well-being.

A system of interrelated indicators developed for the purpose of accurate evaluation of corporate investment in human capital as a condition for individual and social well-being. This system combines objective as well as subjective indicators.

## **5. Research methods**

In the essence of proposed methodology lays the recognition of unique place, which human capital holds among intangible assets of a business. Unlike most assets, human capital has the ability to “go home every night.” Therefore, the value of human capital under this methodology determined by its impact on the value of permanent company assets, which remain with the company after the employees leave, i.e. by the measure of changes in the structure of capital. Suggested methodology reflects the

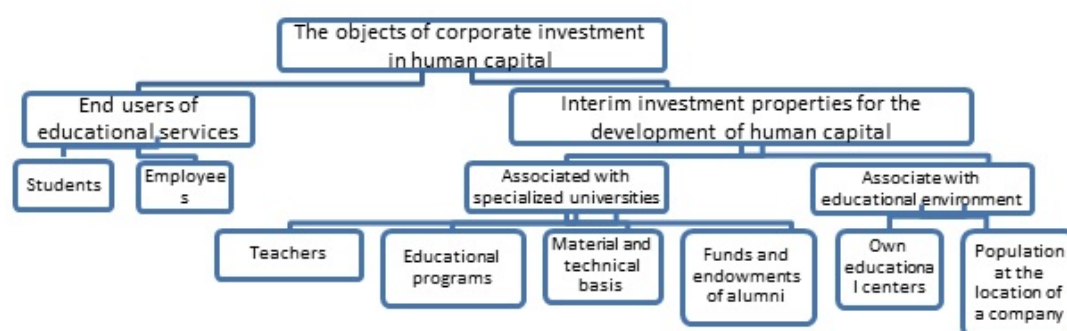
importance of interaction of multiple components of corporate intellectual capital (Kaplan, & Norton, 1992). Because of these interactions, the outcome of corporate investment in human capital leads to growth of intellectual capital of the entire organization and individual and social well-being.

## 6. Findings

Benefits from investments in various components of human well-being belong not only to individuals. Most of them belong to society as a whole, as well as to organization in which person works. Therefore, responsibility (including financial aspects) for the development of each human well-being areas is advisable to allocate between of macro-, meso- and microeconomic actors. Joint analysis of all parts of BSC demonstrates stable cause-and-effect relationship between corporate investment in human capital accumulation and individual and social well-being.

Objective variables are monetarily measurable results of corporate investment in the development of human capital. Subjective variables reflect the prospect increase in competitiveness of a company. All variables satisfy the requirements of relevancy, availability, adequacy and sufficiency.

Efficiency appraisal of human capital investment is the basis for justification of corporate investment decisions in the area of professional education. For that purpose, there is a typology of corporate investment in professional education, which seen on figure 1.



**Fig.1.**Typology of corporate investment in human capital accumulation

Financial and non-financial indicators on each sections of BSC designed to create opportunities for the strategic initiatives of a company in each of the designated areas (finance, innovative initiatives, core competency skills and development of public-private relationship (PPP) in the area of human capital accumulation). Strategic objectives for each section of the BSC shown on table 1.

**Table 1.** Strategic objectives for each section of the BSC

Section of BSC	Strategic objectives
Finance	Substantiation and quantification of economic benefits of a company in connection with investments in human capital accumulation
Innovative Activity	Forming of causal links between the prospects of innovative development of the company and its investment in human capital accumulation
Core Competencies	The formation and development of the unique competitive advantages of a company, which manifest themselves in the professional activities of its employees and causally linked to

	investments in human capital
Public-Private Partnership	The transformation of professional education into an area, which can be economically attractive for corporate investment, provided an acceptable level of risk for specific forms of investments

The application of proposed methodology substantiates the necessity, opportunity and economic feasibility of integrating the subjects of corporate economic sector into the system of multi-agency investment in human capital. In this system, the role of core forming factor for public-private partnership (PPP) in the area of human capital advancement given to corporate investment in current and future employees – the generator of innovative company development, increase in competitiveness of the economy as a whole and business globalization in the world marketplace and improve individual and social well-being.

## 7. Conclusions

Evaluating the effectiveness of corporate investment in human well-being by special indicators provides a stable basis for investment decisions, specific forms of corporate investment in human well-being, which corresponding with long-term development of economic actors. Proposed methodology based on recognition of the utmost importance of corporate investment in knowledge, competence and habits of its employees in order to promote innovative development of corporate economic sector and as a condition for individual and social well-being (Rath, & Harter, 2010).

Methodology contains a list of general principles as well as specific methods of assessing and evaluating the impact of corporate investment in human capital on the dynamics of financial indicators (economic value), development of innovative creativity and operative skills and establishment of public-private partnership (PPP) in professional education. The economic significance and target values of the proposed indicators presented in Table 2. So corporative investment in human capital accumulation oriented on building individual and collective attributes which necessary for individual and social well-being.

**Table 2.** Recommended values for indicators of the financial section of the BSC

Indicators	Recommended applications
Cost factor of corporate human capital (CFCHC)	On the level of best practices in an industry (region)
Equivalent of full-time employment (FTE)	Determined in accordance with the strategic corporate priorities
Corporate value added by human capital (CVAHC)	Value >0, on the level of best practices in an industry (region)
Accumulated corporate value added by human capital (Accumulated CVAHC)	Depends on the discount rate R and the scope of consideration. Value $\geq 0$ . Optimal value – on the level of best practices in an industry (region). The rate of growth must surpass similar dynamics for accumulated ACIHC <sub>t</sub>
Average corporate investments in human capital (ACIHC <sub>t</sub> )	Value > 0, on the level of best practices in an industry (region)
Accumulated average corporate investments in human capital (Accumulated ACIHC <sub>t</sub> )	Depends on the discount rate R and the scope of consideration. Value $\geq 0$ . Optimal value – on the level of best practices in an industry (region). The rate of growth must surpass similar dynamics for accumulated CVAHC <sub>t</sub>
Profitability Index (PI <sub>CIHC</sub> )	Minimal Value-1. Optimal value – on the level of best practices in an industry (region)
Discounted period if return on corporate investment in human capital (PB <sub>CIHC</sub> )	Shall not exceed the scope of consideration. Depends on chosen discount rates R and r on the level of best practices in an industry (region).

## Acknowledgements

This work performed by the author in collaboration with Tomsk Polytechnic University within the project in Evaluation and enhancement of social, economic and emotional wellbeing of older adults under the Agreement No.14.Z50.31.0029

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