"Human capital" is a common business buzzword, but not many agree on what it means. It seems related to an old business bromide: "People are our most important asset." Both expressions could use some definition and meaningful measurement. Safety and health professionals help protect human "assets" but seldom calculate or give real meaning to the term in the way that other corporate assets are measured and managed.

The Human Capital Investment
I would like to explore the idea of human capital here using an example to define human assets in a measurable way. Over a 30 year career, the cost of a typical employee who earns $50,000 per year in salary would total $1.5 million. Another $20,000 per year in benefits, such as insurance and paid vacation time, would add $600,000. Discounting for present value at 6 percent would result in a value of $960,000. A company of 1,000 employees would thus have $960 million in human assets with a $70 million annual cost. Strictly speaking, of course, people are not owned by a company, so it may be more accurate to consider people as leased rather than owned assets. Benefit costs might be considered operating expenses rather than asset values, but for now let us treat them as assets.
Treating people as human assets may seem insensitive, but the exercise has a purpose. Think of how a company would approach the care of a $960,000 machine tool. Anyone who consistently abused, misapplied, or carelessly overused the machine tool shortening its useful life or causing it to break down would be considered negatively. The same should be true for human assets that get misused, misapplied, or overused to the point of breakdown. A dull drill bit in an automated machine tool is quickly replaced so the operation can work at optimal efficiency. We should be just as quick to replace a dull bit in a hand drill to maintain efficiency and reduce stress to the human asset.

Investing in a Smoothly Running Workforce
Creating a financial model for human capital may put into better perspective investments in ergonomic improvements that can extend the life or improve the function of human assets. Installation, ramp-up, maintenance and retooling costs of physical assets are often built into accounting models. For human assets perhaps we could do a better job of planning and scheduling for training and development activities and other functions that are essential to maintaining a smoothly running employee population.

Quantifying the Investment
There are multiple methods of financial treatment for physical assets, and human capital can be valued in different ways as well. The above simple calculation of accumulated wages and benefits as the human asset value produces a number that is similar to an accounting book value. However, buildings or machines may have production values, market values, or replacement values that are greater or lesser than book values. For humans, the ability of employees to produce value from their abilities and intellect is often considered as human capital. It is not as easy to quantify this aspect of human capital. One way to look at this on an individual basis may be to imagine the most productive and highly motivated worker, one with tremendous initiative and customer focus. Now imagine the least productive worker. The productivity of an organization made up of employees who
were all like the most productive worker would be much greater than that of an organization made up of employees like the least productive worker.

**Increasing the Value of Human Capital**

Although difficult to quantify, this definition of human capital is appealing. It implies an opportunity to increase the value of human capital by managing the potential difference between highly motivated, effective people and others who are not motivated or effective. An organization should design policies, work environments, and support systems to move people along the value continuum toward the highly productive state. Safety and ergonomics have a role in this process, along with various human resources functions, including employee selection, placement, training and development, communication, morale, compensation and benefits.

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Thomas Slavin, CIH, CSP, CSHM, is manager, safety and health, International Truck and Engine Corp.; (312) 836-3929; tom.slavin@nav-international.com