Human Capital Index - Finally, welcome:

World Development Report 2019 launch in Tokyo

26 February 2019
JICA Research Institute, Tokyo, Japan

Dr. Hirotsugu Aiga
Senior Adviser on Health & Nutrition
Japan International Cooperation Agency
Finally, welcome HCI after a quarter-century

History of WDR themes on investing in human capital

WDR 1993: Investing in health

WDR 2019: The changing nature of work

Reminds me of...

26 years

Indexation (+ Education)
#1: Is HCI an interval/ratio variable?

When using HCI as a variable for statistical analysis
Human Capital Index

\[
HCI = p_1 \times p_2 \times p_3
\]

- Human Capital Index (HCI)
  - Minimum 0, Maximum 1

- Probability of survival up to 5 years
  - Minimum 0, Maximum 1

- Relative ratio of learning-adjusted years of schooling (Singapore = 1)
  - Minimum 0, Maximum 1

- Proportion of children under 5 not stunted
  - Minimum 0, Maximum 1
difference between HCl values

$P_1$: Probability of survival up to 5 yr

$0.960 = 0.960 \quad 0.990 = 0.990$

$P_2$: Relative ratio of learning-adjusted years of school

$0.430 = 0.430 \quad 0.880 = 0.880$

$P_3$: Proportion of children under 5 not stunted

$0.727 \quad 0.485 \quad 0.918 \quad 0.804$

$\text{Difference} = 0.242 \quad \text{Difference} = 0.114$
Interval between two HCl values

- HCl may be not an interval/ratio variable, but an ordinal variable.
- HCl may require some considerations, when using it as dependent/independent variable for a statistical analysis.
#2: How soon?
Prospective dynamic index
How soon can we expect return?

... A country with an HCI of 0.5 would in the long run have per capita income twice as high as the status quo\(^1\) ...

Further expectation towards/around HCI

Because that is less likely to obtain votes.

Politicians might be reluctant to make an investment not making an immediate effect

Embedding a time-related element into HCI would be desired. Alternatively, country-specific projection of productivity and economic growth could be provided.
#3: How can we work together?

Implementation implications
As of September 2018, 28 countries committed to developing a package of policies and interventions to accelerate human capital outcomes.

In October 2018, JICA and the Bank agreed to jointly work on: (i) advocacy; and (ii) country operation.
Thanks for your attention

For the details, please contact:

Hirotsugu Aiga, PhD, MPH

Senior Adviser on Health & Nutrition
Japan International Cooperation Agency (JICA)