



# Human Capital Index - Finally, welcome:

World Development Report 2019 launch in Tokyo

*26 February 2019*

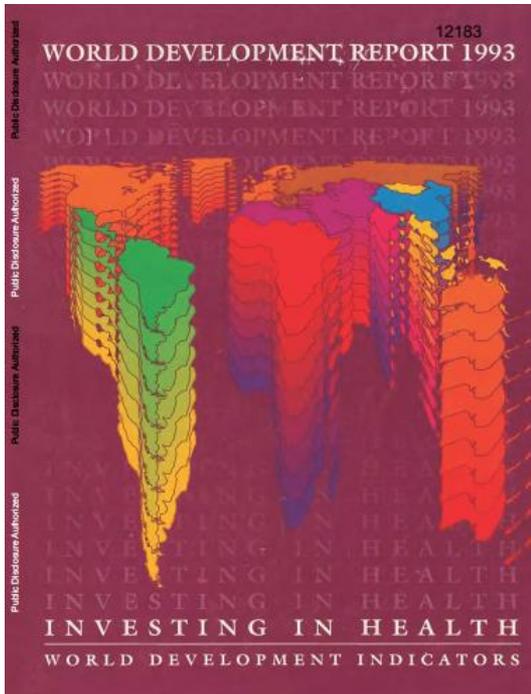
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# Finally, welcome HCI after a quarter-century

## History of WDR themes on investing in human capital

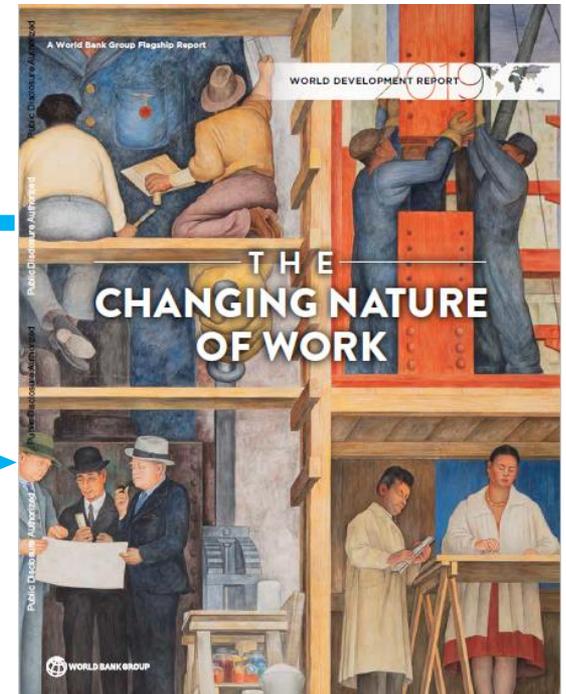


**WDR 1993:**  
Investing in health

Reminds me of...

26 years

Indexation  
(+ Education)



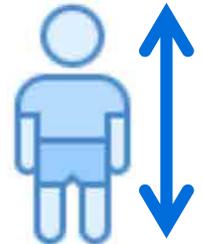
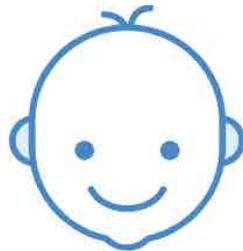
**WDR 2019:**  
The changing nature of work



# **#1: Is HCI an interval/ratio variable?**

**When using HCI as a variable for statistical analysis**

# Human Capital Index



$$\text{HCI} = p_1 \times p_2 \times p_3$$

**Human Capital Index (HCI)**

[min 0 – max 1]

**Probability of survival up to 5 years**

[min 0 – max 1]

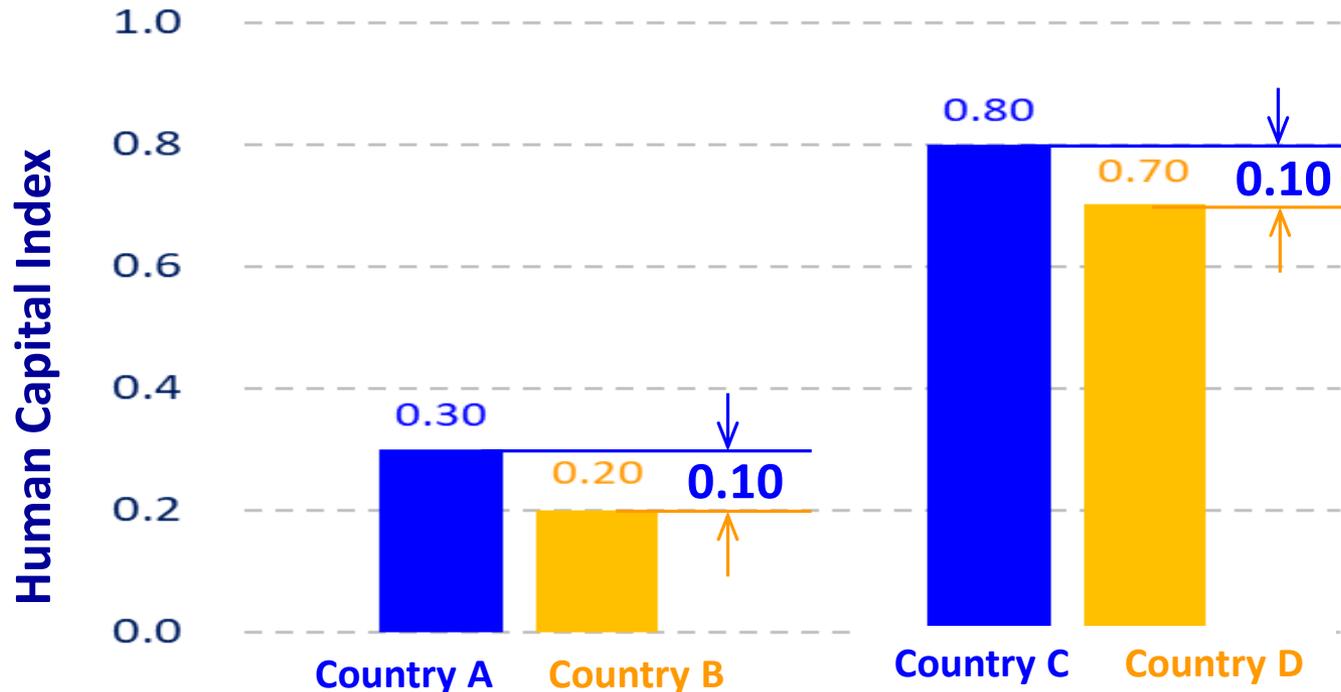
**Relative ratio of learning-adjusted years of schooling**  
(Singapore =1)

[min 0 – max 1]

**Proportion of children under 5 not stunted**

[min 0 – max 1]

# difference between HCI values



$P_1$ : Probability of survival up to 5 yr

0.960 = 0.960

0.990 = 0.990

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

0.430 = 0.430

0.880 = 0.880

$P_3$ : Proportion of children under 5 not stunted

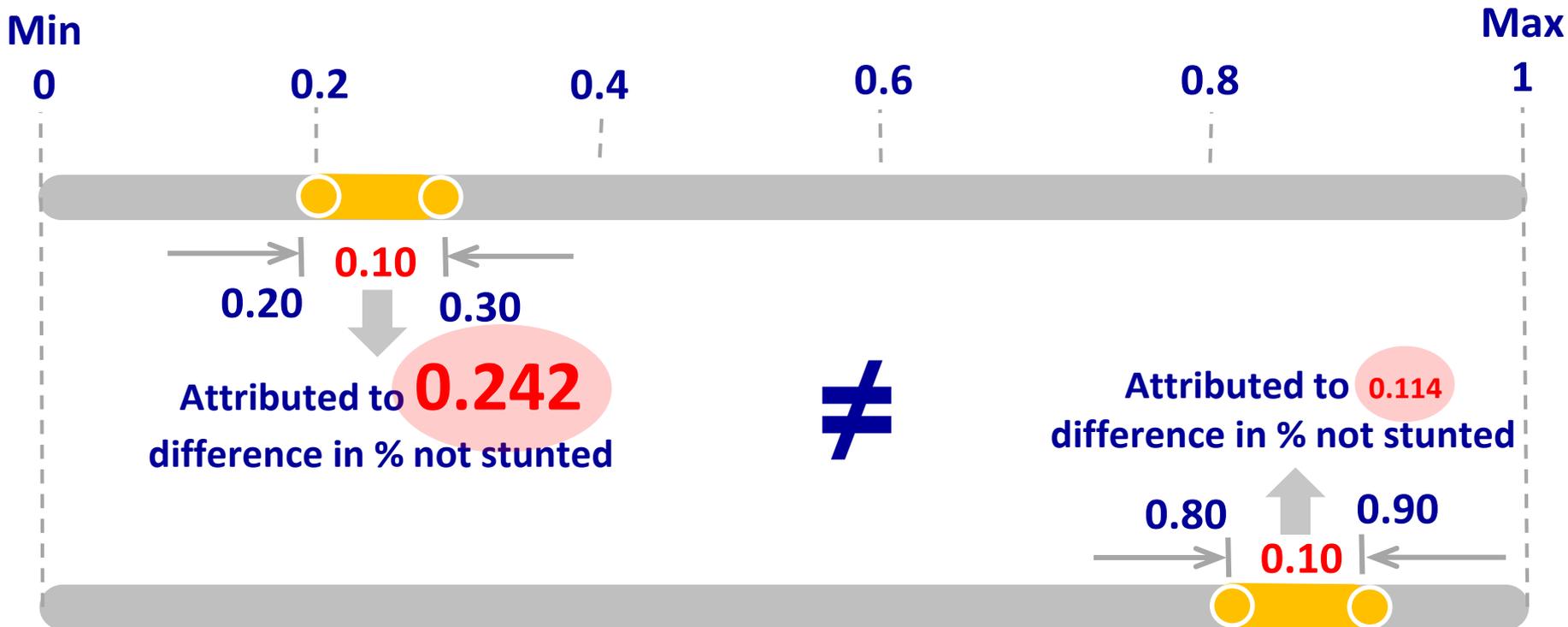
0.727 0.485

0.918 0.804

Difference = 0.242

Difference = 0.114

# Interval between two HCI values



- HCI may be not an interval/ratio variable, but an ordinal variable.
- HCI may require some considerations, when using it as dependent/independent variable for a statistical analysis.



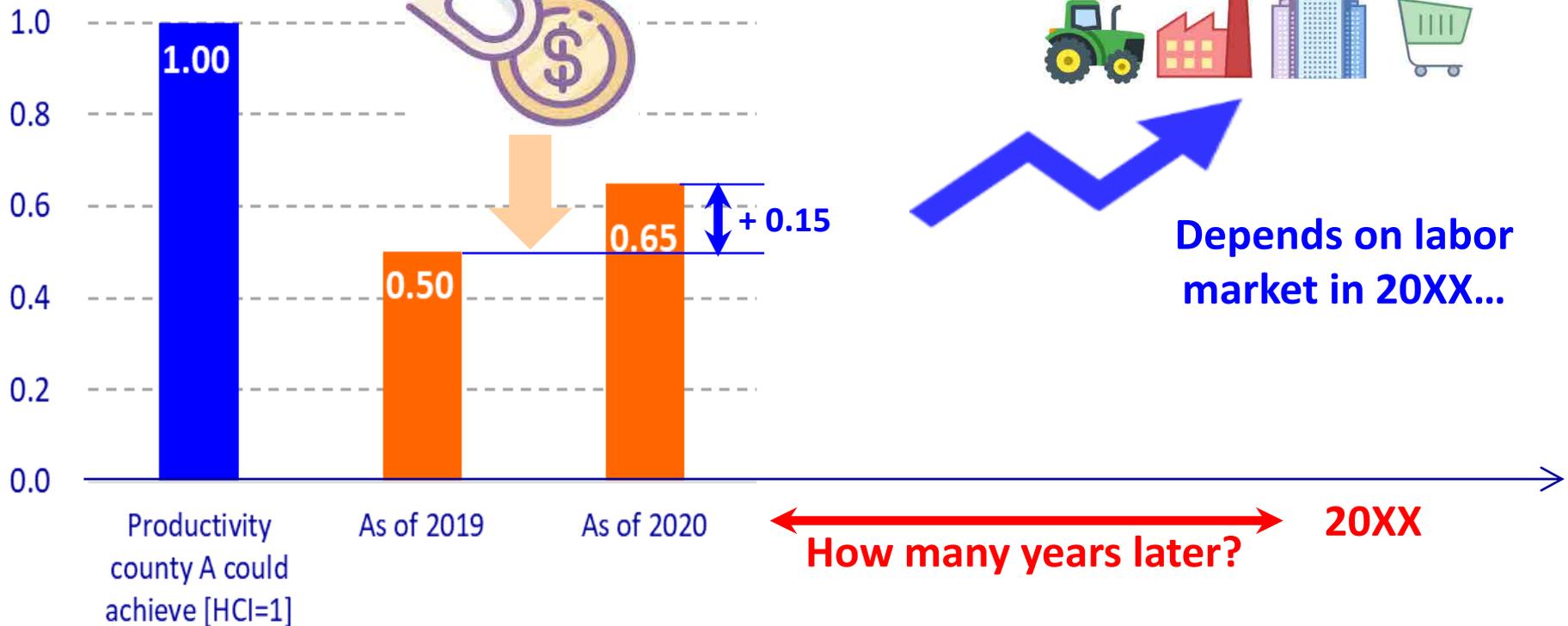
# **#2: How soon?**

**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<sup>1</sup> ...

Gov't invests



Depends on labor market in 20XX...

How many years later? 20XX

<sup>1</sup> World Bank (2019) World Development Report 2019. Washington DC: World Bank, pp-59-60

# 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**

# Further expectation towards/around HCI



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:**

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