

Sarah Neary

Professor Ennis

Research Methodology

24 February 2012

What is Human Capital?

If an employee is offered an opportunity to be responsible for new and different tasks above and beyond their current duties, or even a promotion within their company without any extra monetary compensation, would the employee accept the offer? This is a question that many employees and managers are facing in today's challenging economy, but it has been the subject of many studies for much longer than the past few years. Dating back to the 1950s, researchers have found that a challenge to gain skills and experience outweigh material and monetary compensation for most employees. This form of creating more complex job descriptions and responsibilities can increase employee engagement, loyalty, and produce higher outputs, which have the potential to save and earn organizations substantial amounts of money ("Employee Motivation" 396-397). Organizations that offer this type of employee enhancement are investing in human capital much like they would invest in any other equipment, tools, or stocks to increase company profits. Human capital is best described as the culmination of an individual's education, experience, proficiencies, and aptitudes that result in the ability to measure one's degree of productivity (Martin 1013). Organizations can expect costs associated with investment in human capital, just as they would expect for any investments made in other types of capital that may benefit their business. It is important to note "however, unlike physical capital, human capital is not a guarantee and cannot be reposed in settlement of a debt". For this reason, the decision to invest in human capital is one that requires careful comparison of risks and gains that

the company might experience (“Human Capital” 452). Once employers make the decision to invest in human capital, how then can they maximize human capital in a challenging economy while maintaining practicality and economic feasibility?

Works Cited

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