

# Human Capital Index: Notes for UPSC Exam

The Human Capital Index is a part of the Human Capital Project launched to explore strategies to augment human resource development across the world. The Human Capital Index ranks 157 countries based on outcomes in education and health indicators and the impact they have on future productivity.

The three key areas being measured are:

1. Mortality rates of children under 5 years
2. Expected years of Quality-Adjusted Schooling
3. Health Environment as indicated by
4. Rate of stunting in children under 5 years
5. Adult survival rates

In this article, we will discuss the Human Capital Index, its significance for India and compare it with the Human Development Index used by UNESCO.

These facts would come in handy while preparing Current Affairs for UPSC Prelims as well as the General Studies Paper-II and Paper III.

## Objectives of the Human Capital Index and HCI's Significance for India

The World Development Report, of which both the Human Capital Project and Human Capital Index are parts of, aims to measure the development levels of various countries using standardised parameters. The Human Capital Index has the following aims as stated by the World Bank:

1. Measurement and research on development to inform policy actions
2. Create a political incentive for investment in human capital.
3. Support programmes for strategies to accelerate investment in human capital by country.

The HCI is a number between 0 and 1 indicating the expected productivity of a child born now after they attain 18 years of age under the present conditions. India has ranked 115 out of 157 countries ranked in HCI with the HCI value at 0.44. Singapore has topped the list with an HCI of 0.88. The following are the key findings of the HCI Report for India:

- Human Capital Index: Children born in India now would be 44 per cent productive when they grow up as compared to children of the same age who enjoy complete education and full health.

- Mortality rates of children under 5 years: 96% of children born in India survive up to the age of 5 years
- Expected years of Quality-Adjusted Schooling: A child who starts school at age 4 can expect to get 10.2 years of school by their 18<sup>th</sup> birthday.
- Harmonized Test Scores: Indian students score 355 out of 625 where 625 is advanced attainment and 300 is minimum attainment.
- Learning Adjusted Years of School: Factoring in learning outcomes, children in India get effective schooling of 5.8 years on an average.
- Adult Survival Rate: 83 percent of 15-year-olds are expected to survive beyond 60 years of age in India
- Healthy Growth: 62 per cent of children under 5 years of age in India have a healthy growth rate.

India ranks lower than expected for HCI for its income level according to the World Bank. What this means for India is that the country needs to focus more on education at the primary and secondary level as well as improve access to sanitation and healthcare facilities for at-risk groups of the population. However, the Human Capital Index is not completely accurate. The following are the reasons given by the Government of India for not accepting the HCI Ranking:

- The HCI measures outcomes instead of processes. As development is an ongoing process, measuring outcomes would be ineffective as the indicators are by nature very slow-moving, creating little incentive for countries to improve their HCI ranking.
- Test data for standardised test scores are a decade old with the last internationally harmonized test scores used for India are from 2009, and taken from a small sample of the population.
- The qualitative aspects of improved governance are overlooked by the HCI and focus on quantitative aspects. This may prove counterproductive as countries might develop techniques to improve their HCI rankings without showing actual development. Such techniques may include developing an education system that is geared towards test-taking than developing useful skills, or limiting access of survey professionals to privileged groups so that the actual level of development is not reported.
- The HCI does not take into account per capita income levels into account while measuring development, which is a key indicator in all other indices quantifying development.

The Government of India has stated in its response to the announcement of the HCI rankings that it will ignore the HCI due to the gaps in data collection and analysis as well as flaws in the analysis methodology. It will continue to focus on its primary developmental goals and programmes such as Samagra Shiksha Abhiyan, Swachh Bharat Abhiyan etc.

## **HCI vs HDI**

The United Nations Human Development Index is the benchmark which is the most widely used statistical measure of development across the world. Here are a few key differences between the two indices:

<b>Human Development Index</b>	<b>Human Capital Index</b>
Uses Life Expectancy at birth as a measure of health	Uses Survival and stunting rates at or below 5 years of age as a measure of health
Uses number of years of schooling to measure of education	Uses quality-adjusted learning to measure education
Includes per capita income to measure development	Does not use per capita income to measure development

From the above table, we can see why the Government of India is sceptical of the findings of HCI, as it does not take into account factors like the total size of the population in relation to GDP and over-reliance on parameters related to education as measured by standardised tests. Similar indices are also published by the World Economic Forum and the Lancet Magazine.

To know more about the United Nations in Detail visit the linked article.

Concepts like the HCI and HDI are part of the UPSC Syllabus related to developmental activities and questions related to this can be asked in multiple topics like Governance, Economy and Current Affairs in both IAS Prelims and Mains. Candidates should follow the developments in the domestic and international economy to be successful in the IAS exam.