

Example of what is
human capital and
how does it affect
labor productivity and
ec...

[Business](#), [Organization](#)



Human capital denotes the health and potential of the workforce in an organization. Productivity of the workforce is crucial to economic growth of organizations and the nation as a whole in the long run. Laborers working in business organizations learn by doing and continuously contribute to the development of the organization in addition to their own personal growth. Therefore, human capital is considered as an important factor in production like any other physical factor. With the workforce in organizations keen about improving their knowledge and skills toward contributing to quality and quantity production, human capital significantly influences the labor productivity and economic growth.

Human capital is the intangible and collective assets in the form of knowledge, special skills, experience, abilities intelligence and wisdom possessed by individuals working in an organization. The cumulative human capital of an organization is its unique wealth that helps the organization to achieve its goals. Human capital in organizations is continuously sharpened by exposing the employees to high level knowledge and skills as organizations grow. These improved workplace skills constantly drive firms and employees to implement more and more complex technologies toward innovation that plays a significant role in increasing the labor productivity and growth of the company. Efficient leadership in organizations ensures that the skills of the labor force always match their job requirement by suitably complementing technology and knowledge (Australian Workforce and Productivity Agency, 2015, p. 3). Organizations are keen on developing their human capital to improve productivity and economic growth by various methods. Apart from training and development, some other proven methods

to improve productivity of labors include rewarding, participating employees in decision making, mentoring and providing a flexible atmosphere that motivates employees to innovate and grow.

The combined knowledge and skills of the employees of an organization constitutes its human capital. Their productivity is highly dependent on the efficiency with which they accomplish tasks. Hence, investing substantially in the human capital to make it sharp in tune with the technological advancement and market demands is the key to ensure economic growth by increasing the labor productivity of organizations.

Reference:

Australian Workforce and Productivity Agency. (2013) Human capital and productivity Literature Review. Commonwealth of Australia.