

Chapter 60

Human Capital in Business: The Case of Overgas

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ABSTRACT

Employees are rated as the most valuable asset of an organization. Therefore, the care, development, and maintenance of strong staff motivation are essential to achieve the core business goals. In the early 90s human capital had completely different value in the post-socialist countries. Unlike East Germany, in Bulgaria private property and entrepreneurship did not exist during the Soviet period. The education of an entrepreneurship spirit in free people had to start from scratch. The first part of the chapter examines the most important theoretical contributions and basis of the human capital and human capital resource theories. The second part is dedicated to the practical implications of these concepts in a newborn Bulgarian company which has a vision to transform the society it operates in. In addition, the chapter analyzes how these concepts reflect on a broader business audience, thus becoming a role model for multiplication of other companies from the responsible business circle in Bulgaria.

INTRODUCTION

According to the latest report from the International Economic Forum in Davos, “the development of previously unrelated areas such as artificial intelligence, robotics, nanotechnology, 3D printing, genetics and biotechnology complement” grow each year. Current trends can lead on the one hand, a total loss of up to 7.1 million jobs and, on the other hand, to 2 million newly created jobs in computer, mathematical, design and engineering specialties. In the Fourth Industrial Revolution, creativity is becoming one of the first three most needed soft skills for workers to work, with a steady stream of new products, technologies, and approaches to make them more creative to take full advantage of these changes.

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HUMAN CAPITAL THEORY REVIEW

In his lectures in Labor economics Acemoglu (2016) accepts the presumption that all pay differences are related to skills (even if these skills are unobserved to the economists in the standard data sets) is not a bad place to start when we want to impose a conceptual structure on empirical wage distributions, but there are many notable exceptions, some of which will be discussed later. Here it is useful to mention the compensating differentials, the labor market imperfections, and the taste-based discrimination

A possible classification can be made as follows:

1. **The Becker View:** Human capital is directly useful in the production process. More explicitly, human capital increases a worker's productivity in all tasks, though possibly differentially in different tasks, organizations, and situations.
2. **The Gardener View:** According to this view, we should not think of human capital as unidimensional, since there are many dimensions or types of skills. A simple version of this approach would emphasize mental vs. physical abilities as different skills.
3. **The Schultz/Nelson-Phelps View:** Human capital is viewed mostly as the capacity to adapt. According to this approach, human capital is especially useful in dealing with "disequilibrium" situations, or more generally, with situations in which there is a changing environment, and workers have to adapt to this.
4. **The Bowles-Gintis View:** "Human capital" is the capacity to work in organizations, obey orders, in short, adapt to life in a hierarchical/capitalist society. According to this view, the main role of schools is to instill in individuals the "correct" ideology and approach towards life.
5. **The Spence View:** Observable measures of human capital are more a signal of ability than characteristics independently useful in the production process.

Acemoglu (2016) summarize four main sources of human capital differences:

- **Innate Ability:** Workers may possess various amounts of skills/human capital because of innate differences. There is likely to be heterogeneity in human capital even when individuals have access to the same investment opportunities and the same economic constraints;
- **Schooling:** Is relatively small, suggesting that schooling differences account for a relatively small fraction of the differences in earnings.
- **Non-Schooling Investments:** That come from the selection of different schools or the selection of various subjects in school.
- **Training:** This is the component of human capital that workers acquire after schooling, often associated with some set of skills useful for a particular industry, or useful with a particular set of technologies. The role of the firm is even greater once we take into account that training has a significant "matching" component in the sense that it is most useful for the worker to invest in a set of specific technologies that the firm will be using in the future.

The understanding of "human capital" is a multidisciplinary category important for several sciences, including sociology, psychology, politics and economics. Since the end of XIX century is becoming the "human factor" is becoming a center in the development of macro- and microeconomics and management.

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