



# What exactly is human capital?

And can it change your life?



# Introduction

Have you thought about what you'll do when you graduate?

- Get a job?
- Pursue a challenging career?
  - Further your education to prepare for the career?
- Go off to college?



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## Job vs. Career

- What is a job?
- What is a career?
- Are they the same thing?
- What exactly makes up a job?
  - A paid, regular position that requires work be done in exchange for payment
  - Provides income to meet basic needs



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## Job vs. Career

- Do most jobs entail a long-term sense of commitment?
- Do most jobs become a life's passion?
- Do most jobs provide a sense of personal satisfaction?



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# Job vs. Career

What makes an occupation a career?

- A profession or vocation pursued as one's life's work that usually provides income along with:
  - Personal satisfaction
  - Personal growth
  - Opportunity for advancement in the field
  - Opportunity to challenge and better one's self



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# Who Am I?

Please refer to the activity sheet.



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# Challenges to Finding Work

Can the economy be a challenge when trying to find work?

- How might prevailing labor market conditions help or hinder the search?
- When the supply of workers is greater than the number of available jobs...
  - Will employers be choosier about the skills they require?
  - Will the starting pay offered be higher or lower?
- What about when there are more jobs than qualified workers?



# Challenges to Finding Work

What challenges or obstacles might a young person looking for a job encounter?

- Lack of experience?
- Child labor laws?
  - Go to [www.youthrules.dol.gov/index.htm](http://www.youthrules.dol.gov/index.htm) and look under the Know the Rules tab for special rules for: youth under age 14; 14- and 15-year-olds; and 16- and 17-year olds.
  - How might these laws make it more difficult to find a job?





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# Challenges to Finding Work

What challenges or obstacles might a young person looking to start a career encounter?

- Lack of experience?
  - Might a young person be competing with older, more qualified and/or more experienced candidates?
- Legal restrictions?
  - Is there a license or other certification required to qualify for a position?
- Lack of skills or training?
  - Are there any required skills or training?



# What Is “Capital”?

- Capital can be any asset with value.
- Capital is any resource of value available for use.



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## What Is “Human Capital”?

- Human capital is the combined value of a person’s assets available for use to secure and succeed in a job, career or other endeavor.



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# Human Capital

- Also known as human resources, an individual's human capital is of great interest to an employer, both during an employment interview and after that individual is hired.
- The more human capital an individual possesses, the more attractive that individual will be to a prospective employer.



# Human Capital

An individual's human capital consists of his/her:

- Education
- Experience
- Proven skills
- Training



## Human Capital — Education

- Do you think the level of education an employment candidate or an existing employee has attained is a valuable asset under the human capital list?
- Look at the list of careers we identified earlier.
  - Do any of those careers require an advanced education level beyond high school? Some of them? Most of them? All?



# Human Capital — Education

- Do you think the level of education a person has affects the amount of money that person earns?

**Table 232. Mean Earnings by Highest Degree Earned: 2009**

[In dollars. For persons 18 years old and over with earnings. Persons as of March 2010. Based on Current Population Survey; see text, Section 1 and Appendix III. For definition of mean, see Guide to Tabular Presentation]

Characteristic	Total persons	Mean earnings by level of highest degree (dollars)							
		Not a high school graduate	High school graduate only	Some college, no degree	Associate's	Bachelor's	Master's	Professional	Doctorate
All persons <sup>1</sup> . . . . .	42,469	20,241	30,627	32,295	39,771	56,665	73,738	127,803	103,054

Source: U.S. Census Bureau.



# Human Capital — Education

- Some careers require a college degree (bachelor’s or higher). Is it any surprise these are higher paying career positions?
- On average, a person with a bachelor’s degree makes \$26,000 more per year than a person with only a high school diploma. If they both work for 20 years, how much more, total, will the college grad make than the high school grad?

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# Opportunity Costs

Every choice comes at a cost. If you have \$20 and are planning to visit your favorite restaurant but some friends invite you to join them for a movie, you have a choice to make.

- Choose the movie and you give up the dinner.
- Choose the dinner and you miss out on the movie.
- The opportunity cost of the movie is the dinner, and the opportunity cost of the dinner is the movie.



# Opportunity Costs

An opportunity cost is the value of the best alternative given up by making a choice.

- Can you think of other examples of opportunity costs?



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## Opportunity Costs

**Consider two friends, Susan and Jacob.** As sophomores, they started earning money by selling homemade cookies at school. Now, as seniors, they have expanded their business and also make cupcakes to sell at events.

Susan has her heart set on being a pediatrician. She has a long road ahead of her with college followed by medical school and interning. Jacob, however, enjoys having money in his pocket. Instead of college, he wants to work full time to grow the business.

Susan is postponing making money for 10 years while borrowing money to pay for school. But this career is her dream, and once established, she will be earning a handsome sum as a pediatrician.

Jacob doesn't see the point. Why would anyone want to go into debt instead of putting money in their pocket?



# Opportunity Costs

So, Susan and Jacob have different views on the value of higher education and are on a path to making different decisions about what they'll do with their futures.

- Discuss the choices each student is making and determine the opportunity costs each will be paying.



# Opportunity Costs

Put some numbers on each student's choice. Use this table and a rough estimate of \$35,000 borrowed for each year of school. Where will each student be in:

- 5 years?
- 10 years?
- 15 years?
- 20 years?
- 25 years?

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# Opportunity Costs

Look closely at Susan's first 10 years.

- What would be the consequence if she were **not** to finish her goal of becoming a pediatrician?

Year	Jacob (Annual Salary: \$30,627)	Susan (Annual Salary: \$127,803)
5	\$153,135	- \$175,000
10	\$306,270	- \$350,000
15	\$459,405	\$289,015
20	\$612,540	\$928,030
25	\$765,675	\$1,567,045



# Opportunity Costs

If Susan and Jacob are both 18 when they graduate from high school and both work until age 65, in your opinion, who comes out ahead? Don't forget the definitions of job and career.

Year	Jacob (Annual Salary: \$30,627)	Susan (Annual Salary: \$127,803)
5	\$153,135	- \$175,000
10	\$306,270	- \$350,000
15	\$459,405	\$289,015
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25	\$765,675	\$1,567,045
...	...	...
47	\$1,439,469	\$4,378,711



# Opportunity Costs

Susan out earns Jacob by more than three times as much, even after postponing earning income for 10 years while she studies and after paying back \$350,000 in loans.

Year	Jacob (Annual Salary: \$30,627)	Susan (Annual Salary: \$127,803)
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...	...	...
47	\$1,439,469	\$4,378,711





# Opportunity Costs

What about:

- Job/career satisfaction?
- Personal growth?
- Opportunities for advancement in the field?
- Opportunities to challenge and better one's self?



# Experience, Proven Skills and Training

You may have heard what sounds like a paradox from a frustrated interviewee:

- “I was perfect for the job, but the interviewer said she was looking for someone with experience. I can’t get a job without experience, but I can’t get experience without a job!”

The truth is, somewhere there is an employer willing to take on a person without prior work experience if convinced the interviewee can handle the position.



## Experience, Proven Skills and Training

It is the interviewee's task to convince the interviewer that he/she is ready for the challenge and is willing and eager to learn.

- Bringing **human capital** into the interview can go a long way toward convincing the prospective employer of that. It is possible to show skills, preparation and training that can convince the interviewer to take a chance on a new employee.



# Maximizing Human Capital

- Is effective networking a useful way to grow your human capital?
- Do highly networked individuals have greater human capital?



# Maximizing Human Capital

- Participate! Network!
- Take part in student council.
- Join organizations while still in high school.
  - Future Business Leaders of America
  - DECA — Distributive Education Clubs of America
  - Rotary International



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## Maximizing Human Capital *(continued)*

- Taking **classes** at a community college or reputable trade school can be an excellent way to expand human capital.
  - Classes work best if they are specialized.
- Consider an **internship**, which can demonstrate interest in the field and result in experience in an actual work environment.
- **Part-time work** experience can also count as valuable human capital if it is related to your field of interest.
- **Volunteering** can help you network with people in your field of interest and help you acquire important career-related skills.



# Human Capital

Human capital is the combined value of a person's assets available for use to secure and succeed in a job, career or other endeavor.

- Invest in yourself.
- Visualize and prepare for your success.
- Make your success a choice, not mere chance.



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# Create Your Exit Ticket





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Imagine . . .



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You have your dream career.



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If you are a doctor,  
... you care for patients.

If you are a pilot,  
... you fly commercial aircraft.



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# Design Your Business Card

- How would you describe yourself?
- Design a business card that says who you are.
- Include your name and title.
- List up to five bullet points that describe your human capital accomplishments that got you to where you are.
- Don't be modest. You earned it!
- A sample follows



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*Sample*

# Tyler A. Taylor

## News Channel 2 Marketing Director

- University of Texas, MBA, 2012
- Oklahoma State University, Bachelor of Science, 2010
- Future Business Leaders of America, Chapter Treasurer, 2005–2006
- Student Advisory Board, 2004–2006