

# Human Capital Theory in Respect to Cultural, Digital Implications and Integrated Communication

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## Abstract

*This article highlights from a different perspective of comprehending the implications which scholars relates HCT besides the known linear development of individual development in respect to education – labor market – workplace. The alternative perspective highlights closely towards a sociological perspective regarding not only the limits of HCT that appear during researches, but also in respect to new trends of development, such as the process of digitalization, which prepares not only the next industrial revolution, but creates also the environment for individuals to adapt towards either virtual, or augmented reality. This article begins with a briefly description of HCT mentioned by various authors, followed by a detailed perception of individuals within the society, and concluding with alternative methods of understanding de development of individuals, and our society as well.*

**Key words:** Human Capital Theory, digitalization, culture, integrated communication

**J.E.L. classification:** E24, J24, O14

## 1. Introduction

Human Capital Theory (HCT) receives further interests among academicians who want to uncover the complex jigsaw that links education – labor market – workplace in respect to the ongoing development of the society. In this regard, HCT does have a heavy burden to properly, thus clearly, explain the importance of the line which individuals follow starting from education towards their workplace. However, this aspect remains debatable, due to the fact that the HCT gains multiple critics from each domain especially when it comes to “educators, economists, sociologists, and philosophers” (Tan 2014:1). Moreover, the mentioned critics are not necessarily solid in terms of research, but rather as author Tan mentioned, multiple yet fragmented critics among peculiar domains. Which is indeed expected, due to the implication of multiple spheres which need to be segmented, explained, and comprehended.

## 2. Literature review

A short description of the ongoing development of HCT was pointed out by authors Fredrick Muya Nafukho, Nancy R. Hairston and Kit Brooks (2004:544-545), which they gathered various concepts and explained diverse perspectives, in addition to broad perceiving of peculiar authors which researched the domain of HCT. In this regard, the authors point out that the HCT developed since 1950’ regarding the examination of peculiar domains of production, such as physical capital, labor, land, and management mentioned by authors Mincer (1962), as well as Becker (1993). However, starting with the early 1960’, authors (Denison 1962; Krueger 1968; Schultz 1961) engaged in challenging research to highlight and explain the link of economic growth among the four mentioned domains (physical capital, labor, land and management). Furthermore, they also point out that “the gap” will consequently lead towards the “residual factor”, hence approaching towards the notion of “human capital” (Schultz 1961). However, even if the

authors argue about the fact that the concept “capital” is commonly used within economic, financial, or other similar domains, the authors also point out the fact that:

*“The fundamental principle underpinning Human Capital Theory is the belief that peoples’ learning capacities are of comparable value to other resources involved in the production of goods and services (Lucas 1988, 1990).”*

The concept “capital”, in relation with HCT, will gain a peculiar and significantly sophisticated process of elucidating and highlighting complex and relatively unique mindset of understanding individuals’ behaviors, especially within their life-cycle choices within the society, hence the close relation between education - labor market – workplace of a given individual.

Starting from this point of view, HCT limitations could also be comprehended yet from an alternative sphere, which represents the cultural sphere, as well as the globalization trend due to the ongoing and rapidly development of digitalization. The first aspect which need to be highlighted, remains the fact that peculiar cultural implications molds not only the behaviors of individuals, but also the interrelation of individuals within the society. However, the intention is not to uncover a new theory for the definition of culture in general, but rather understand the concept of culture as a significant factor/barrier of change. As author Birukou (2009:3-5) points out that:

*“Culture is a slippery and ubiquitous concept. [...] culture is learned, it is associated with groups of people and its content includes a wide range of phenomena including norms, values, shared meanings, and patterned ways of behaving”*

Moreover, author Birukou also indicates that together with the implication of globalization and digitalization, there will be eventually a new trend of culture. However, now will arise the question: why should culture be a possible indicator for future analysis and further research? A possible answer represents the fact that the means of production will be reshaped, due to the fact that the next industrial revolution could take place besides the existing reality, but also within the virtual reality. For instance, as author Min Xu (2018:91) pointed out:

*“Now a Fourth Industrial Revolution is building on the Third, the digital revolution that has been occurring since the middle of the last century. It is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres.”*

Moreover, to make this aspect further possible, human capital becomes significantly more valuable in terms of future development. In addition, besides the ongoing need of energy sustainability in order to maintain the virtual/digital world, the need of involved individuals within digital, as well as the augmented reality, increases even further. It is indeed indubitably true the fact that HCT receives also critics when it comes to clearly highlight the link between education – workplace – production within the labor market. One possible answer could also mean that, as the labor market changes in time, similar to the industrial revolutions, in the same manner will also the definition of production within that specific era will change, hence reshape. In this regard, a peculiar perspective in affiliation with the education of an individual was pointed out by authors Aliaga (2001), Becker (1993), Benhabib and Spiegel (1994), Engelbrecht (2003) and Hendricks (2002) arguing about an important aspect of HCT which investigates and clarifies the significant process of gathering knowledge, or education, as well as the preparation and training as a “form of investment” in human resources. The authors summarize the fact that:

*“[...] education and schooling are seen as deliberate investments that prepare the labor force and increase productivity of individuals and organizations, as well as encouraging growth and development at the international level” (Fredrick Muya Nafukho et al. 2004).*

However, and from a speculative perspective, if we take money as unit of production, and education as a direct factor, then this causal effect could be true. Undoubtedly, education could amplify the probability to receive abilities to increase monetary power, however, it also depends on what type of education are we referring to. If we refer to formal education, such as schools or universities, it is a clear possibility but not a guarantee that scholars will gain a place within the workforce. In addition, there is also the informal aspect of education, an education similar with the experience gained through their lifetime, without receiving any formal education. Even so, informal education could prepare the individual to gain monetary power within the community, or society in which he continues to live. In this regard, as many academicians criticizes HCT due to the fact that even if its relatively vague in terms of a clear explanation regarding the link between

education – labor market – workplace, the theory still exists. In this respect, HCT does have a high potential, but lacks when it comes to highlight all possible factors which an individual deal with in terms of comprehending their own development. For instance, the process of human development, as also author Nee (1998) considers that:

*“From the vantage point strict methodological holism, the relationship between individuals and society can be metaphorically compared to that between leaves and the tree. Leaves come and go accordingly to the seasons, but it is the tree’s branches and trunk that over the years shape their pattern and distribution. In this view, individual action is likened to the fluttering of leaves in a breeze” (Nee 1998:4).*

### 3. Findings

To further develop authors Nee (1998) point of view, there are peculiar limits regarding the analyzes of HCT, such as comprehending each leaf in tree as individuals, respectively foresee or predict each leaf’s behavior or movement, thus predicting each individual’s behavior. The peculiar example which author Nee pointed out, it is not necessarily difficult to understand, but rather to choose the desired method of understanding each leaf without over-inspecting it. For instance, the first step of changing the perspective of analysis, starts from what type of behavior of research is needed, hence each type of tree or forests behave differently, such as the comparison between pine tree and oak tree. Meaning, that each leaf on the tree represents an individual, however, the individuals are not characterized as extrinsic aspects based on races, country, or body dimensions, but rather on their intrinsic behaviors, such as how they behave at school, workplace, home, virtual reality, etc. The next step follows the analysis of the tree itself, which is a similar analysis of the leaf’s but at the tree level, which is the dimension itself. For instance, the tree represents not the company, but the organizational culture within the company, or the entire globe of behavior within the family sphere, academic sphere, and so on.

This kind of cultural analysis will become even more essential, when it comes to comprehend not the practical aspects of the human capital development, but rather the intrinsic aspects that the individual deal with, forming it and developing adequately towards the status-quo of today technological development. Furthermore, the curious aspects that scholars, or academicians, have been allured by the theory consists mainly in respect to a peculiar liaison between education and (marginal) productivity of labor which attend towards an increase of earnings. This idea was argued by author Simon Marginson (2019) pointing out the fact that “the value of investment in education is defined by the lifetime earnings of education labor”, as well as the fact that the “education, work, productivity and earnings are seen in linear continuum” (Marginson 2019:287). However, it lacks the intrinsic aspects, or rather the external factors which molded intrinsic behavior. For instance, if the individual is academically prepared in terms of philosophy, could he use the acquired knowledge to survive in the wilderness? Theoretically, the chances are slim, hence the important fact to understand is that achieving knowledge does not necessarily mean the increase of earnings, but rather broadening their perspectives in terms of comprehending alternative or new methods of efficiency in respect to already existing products from society itself. Moreover, if by discovering new methods of efficiency in what they exceed could increase their earning, does solidifies and proves that education could increase monetary power. But on the other hand, it is not necessary true, due to the fact that many academicians comprehend this causal effect closely to an engineering causal effect perspective, and not from a sociological perspective. Indeed it is more efficient and simpler to highlight a causal effect of an individual in respect to the linear development between education – labor market – workplace, but it lacks entirely to cover intrinsic aspects that could offer further clues in terms of understanding one individuals intentions. However, this situation is not jointly possible due to the fact that each individual is a complex being, hence if analyzing one individual is difficult, does this mean that analyzing the entire society is impossible? Yet again, both aspects are not entire vague due to the complexity of research, but rather there are similarities which cannot be eliminated.

Returning to the comparison between the pine and oak trees, both of them have different types of leaf’s, thus when the wind blows, the probability that pine leaf’s remain attached to the tree is higher, compared to the oak tree. However, on the other hand, the oak tree could persist in high

temperatures significantly better, compared to pine trees, resulting to a better survivability. This example highlights foremost the fact that each illustrated interaction behaves in peculiar conditions, hence the digitalization will eventually, if not already, create a new culture which individuals behave differently compared to other spheres within the society. The possible called ‘digital cultures’ among involved individuals, could eventually lead toward forming new digital products which serve our society in order to gain not only monetary power, but to make our ways of living significantly efficient. One example, represents the creation of online platforms, which consequently lead to the construction of “Uber-platform”, hence a new created digital product in respect to taxi services. This platform, is mostly available for people who are already connected to the digital, or virtual, world, offering an alternative and significantly more efficient in terms of creating connections between demand and offer, as well as simplifying the payment possibilities as an alternative to physical money. Moreover, due to new societal products, individuals within a given society will develop besides specific cultural behavior, alternative beliefs as well, which eventually lead towards adopting also alternative lifestyles in close concordance with digitalization and globalization as well.

#### 4. Conclusions

HCT researchers need to take into consideration the fact, that starting at the individual level, human capital development it is not limited just to be educated and consequently to produce in order to gain earning. Thus, individual development depends mostly on aspects which are complex to analyze yet needed in order to gain new paths of comprehending HCT. It is undoubtedly, that with each digital progress, or milestones, there will be a new process of forming a new culture within the virtual reality. An essential component in order to clearly understand not only towards what we are tending to, but also to embrace alternative paths to construct the first bedrocks for the next industrial revolution, regardless if its within the existing reality, virtual reality, or both.

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