

Financial  
Capital

Human &  
Intellectual  
Capital

Manufactured  
Capital

Natural  
Capital

Social  
Capital

*“...between 10 and 30 per cent of per capita gross domestic product (GDP) differences is attributable to cross-country differences in human capital” (The Human Capital Project, The World Bank), 2018*

### • What is Human & Intellectual Capital?

*Human and Intellectual capitals* are the stocks of skills, knowledge and experience of an individual or population, which can productively be applied in the economy and is a key driver of economic growth by delivering productivity. *Human Capital* describes the physical and psychological capacity of individuals to undertake employment and pursue wider aspirations. For an organisation it is the economic value of their employees in terms of their ability to work productively and improve their own livelihoods. *Intellectual Capital* describes the store of knowledge orchestrating the production of economic goods and services, driving innovation and furthering the development of humanity. For an organisation it is the economic value of the knowledge and expertise embedded within the business.

### • Why measure Human & Intellectual Capital?

Organisations regularly state that “our people are our greatest asset,” yet this essential asset and the factors that affect its performance are rarely measured or valued. Measuring and valuing human and intellectual capital factors, allow organisations to better prepare and manage the risks and opportunities associated with employee wellbeing, innovation, productivity, and knowledge decay.

### • How do we measure the value of the Human & Intellectual Capital?

In the same way that a balance sheet reports financial or manufactured assets and liabilities, Route2’s Human & Intellectual Capital Assessment and Evaluation follow the same broad principles. It is measured in terms of number of employees, their salaries, average tenure and educational attainment. With additional data on factors such as diversity, health, occupation type etc., the resolution of the calculation can be enhanced. Route2’s approach adapts the OECD economic valuation methodology for Human Capital.

### • How do you measure changes in the value of Human & Intellectual Capital?

In the same way that a profit and loss account captures the gains and losses over an operating period, Route2’s approach follows the same broad principles. Economic values are assigned to positive and negative indicators and translated into benefits and costs. This process provides organisations with valuable intelligence as to how and why its Human & Intellectual Capital Stock is being enhanced or impaired over an operating period. **Positive indicator (benefits) examples include:** investment in wellbeing programmes (Human), employee volunteer schemes (Human), apprenticeships (Human), training and development (Intellectual), public information goods (Intellectual), or R&D expenditure (Intellectual). **Negative indicator (costs) examples include:** sickness / absence (Human), injuries & fatalities (Human), gender equal opportunity and pay (Human), or knowledge decay (Intellectual).

### • Route2 Examples and Application

Route2 performed the first corporate Human & Intellectual Capital Assessment and Evaluation for Interface; Human & Intellectual Capital is a core part of Route2’s Value2Society offering. Case examples include our work with SGS, The Crown Estate and Yorkshire Water.