Index of Potential Human Capacity Utilization: Theoretical and Empirical Considerations

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Statistical indicators are considered the most important data on which the decision maker relies in determining the policies needed to reach any goal. Policies based on precise indicators reflecting reality and taking into account the nature and characteristics of states are definitely the most successful. One of the most important macroeconomic indicators and the mostly common is gross domestic product (GDP) and rates of productivity of a society. Many economists assert that the system of national accounts does not cover many of the hidden economies, including home production, which has always been vague in less developed counties due to the difficulty in estimating that. As a result, a precise estimation of the societies` productivity rate fails to be achieved. The "new" theory of consumption argues that, even in developed countries, production at home is no less important than market production. This paper addresses the hypothesis that says that estimating the productivity average of a certain society based upon gross domestic product, according to current SNA standards, and the number of employees provides a misleading indicator to the decision-maker in relation to investing in the existing human potentials in his society. Nonetheless, this paper suggests a new approach to calculate the real average productivity of societies, depending upon the calculation of GDP, including home production and the number of economically active individuals. Simply, this new approach can provide decision-makers with real indicators on the extent to which they may utilize the human potentials in their society. To prove it, we used some simple mathematical tools and applications on real numbers. To estimate home production, we have applied some common approximate methods. The proposed method shows that the productivity average declines as the unemployment rate increases and the labor force participation rate declines. An index is then derived on the extent to which human potentials are actually invested in a society. Results show that the real gap between countries is based upon the participation rate, unemployment rate and the time allocated between paid work, leisure and unpaid work.