

# The impact of Human Capital on the Public Services Performance



Ebrahim Farhan Mubarak Busenan

**Abstract:** *The goal of the study is to check the impact of human capital on the performance of public services in Bahrain. Through the literature reviewing showed that human capital is considered to be one main element which helps to the enhancing and improvement organizational performance especially public service performance. The lack of enough previous studies in the area of human capital and performance of public services in the public sector was the motivated to conduct this study. The number of questionnaires that distributed to citizens of Bahrain was 640 via systematic random sampling in the four governorates of Bahrain: Capital, Muharraq, Northern and Southern and 384 questionnaires were returned, with 368 responses found usable. The results of the study revealed that human capital has a significant and positive relation on the performance of public services.*

**Keywords :** *Human Capital, Performance of Public Services*

## I. INTRODUCTION

Economists have a consensus that natural resources in different countries do not guarantee economic growth, but shared with human resources that can be good economic outputs. Hence, human capital plays the main role in development (Afridi, 2016). The common knowledge of an organization is necessary at the present time for knowledge economy. In addition, in the modern era, organizational resources particularly intangible ones are most probably contributing in sustaining superior position to an organization (Kong & Thomson 2009).

Organizations increasingly rely on the basis of knowledge resources to successful operations. Hence, public administration cannot be isolated from the changes occurring in the global knowledge-based economy. Also, intangible values and knowledge are considered as the key sources of competitive advantage for public administration (Ramirez, 2010).

Accordingly, public administration is important as it is considered the major mechanism to sustainably enhance the conditions of the society through the provision of basic services. Hence, when public administration is weak, the community suffers (Kuye, 2014). Besides, it is difficult to attract industries or businesses to an area, if the provision of public services is poor. Thus, public services are considered as one of the crucial challenges in the world (Besley, & Ghatak, 2007).

## II. HUMAN CAPITAL

According to, Bergheim (2005) human capital is considered the main element to illustrate economic development, due to rise production via different channels where it leads to rise in the demand of labour and the productivity of labour. This leads to increase in output also this has a positive effect on incomes (Neeliah & Seetanah 2016). Moreover, human capital is considered as development in resources of human to raise staff competencies. As a matter of fact, this investment is for the future. Therefore, educational organizations invest in individuals because they consider human capital has different and valuable characteristics (Burund, & Tumolo, 2004). In addition, Hsiung and Wang (2012) concluded that the main aim of human capital is teaching staff and achieve intangible abilities, such as, skills, experience and knowledge, to add value for the organization, also to raise performance.

On the other hand, there are five characteristics of human capital as proposed by Laroche, Merette, and Ruggeri (1999), : first, human capital is non-negotiable because it includes humans, second, every younger employee cannot manage the way in which human capital is gained, third, human capital can be measured qualitatively and quantitatively, fourth: human capital can be classified, in general or specifically allocated to a certain department or corporation, fifth: human capital develops an external personality.

### 2.1 Human Capital Components

Human capital is considered as fundamental in organizations in order to gain competitive advantage. Though, achieving a degree of success depends on knowledge embodied of in the institution, which consists of skills, abilities and the knowledge that embedded of the staff of the institutions (Igbokwe-Ibeto, Chukwuemeka, & Okechukwu, 2014). Consequently, according to, Seleim and Khalil (2011) who explained that human capital include skills, experience, knowledge and innovation.

#### 2.1.1 The Component of Knowledge

Regarding to knowledge, the durability and strength of a structure is essentially dependent on its people, capital and material, also,

Manuscript published on November 30, 2019.

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Knowledge has an important and positive role to competitive environment, in addition, plays a vital role for knowledge (Mursaleen, Saqib, Roberts, & Asif, 2015). Moreover, knowledge is considered as the key component to achieving competitive advantage because knowledge is inimitable resource. In addition, there is a direct impact on efficiency through the accumulation of knowledge and human capital (Murray, & Peyrefitte, 2007).

Furthermore, knowledge management for organizations is important

through their contribution to the provision of products and services, it is therefore the key to competitiveness of the organization as well as to improved organizational performance (Uit Beijerse, 2006).

## 2.1.2 The Component of Experience

Regarding to experience, it is considered as a very necessary human capital component, particularly for organizations which need specific knowledge or broad range regarding technology and functions used. Logically more experienced staff will provide ideas for new products or new strategies based on their experience compared to new staff (Mariz-Pérez, Teijeiro-Alvarez, & García-Alvarez, 2012).

## 2.1.3 The Component of Innovation

Regarding to innovation, in the delivery of services innovation indicates the openness of the organization to change and accept new ideas based on of skills, management systems, new technologies and resources (Johnston, & Clark, 2001). Currently, the public sector has realized that there is a need for innovation (Kumar, & Rose, 2012). Therefore, the ability to innovate means that the public sector is already producing useful or new ideas to enhance the public services provision or the creation of new products (Lee, & Choi, 2003). Moreover, in the public sector, innovation is considered as hugely necessary due to the increasing demands from the community because of globalization and dynamism in the world. These demands can only be met via innovations (Moore, & Hartley, 2008).

## 2.1.4 The Component of Skills

Regarding to skills, there is no doubt that an effective and skilled workforce is considered as one of the most necessary tools to achieve the goals of the organization as it plays a role in rising or declining the productivity of the organization (Emmanuel, Oluwayemisi, & Balogun, 2015). In addition skills mean the capacity and ability to learn how to implement a specific function, and the ways to communicate politely with others.

## 2.2 Definitions of Human Capital

Human capital is considered a strategic asset that can enhance values of organizational and also enhance the competitive advantage, meanwhile human capital is considered great value and scarce, and difficult to replace it and duplicate it (Verma & Dhar 2016). In Table 1 below shows the some of human capital definitions.

**Table 1 Human Capital Definition**

Author (Year)	Human Capital Definition
Manes Rossi, Citro, and Bisogno (2016)	Human capital is considered as knowledge, competences, abilities and aptitudes for civil servants through all aspects relating to the readiness in the achievement of aims of organizations.
Komnencic and Pokrajic (2012)	Human capital includes not only explicit and implicit knowledge of staff but staff's efficiency, capabilities and structuring through the implementing skills, and knowledge to activities.
Seleim and Khalil (2011)	Human capital refers to group of innovation, experiences, skills of the staffs and the knowledge.

## III. PUBLIC SERVICES PERFORMANCE

Public sector organizations are under increasing pressure to perform better, and at the same time, use effective measures of performance. The function of the public sector is concentrated in the production of a diverse and selected group within the budget. It is therefore important that public sector organizations have the capacity to transform financial inputs into services in the form of high quality outputs, all using efficient and effective processes (Jääskeläinen, & Lönnqvist, 2011).

The economists say that the public services delivery consists of activities with the purpose of enhancing public welfare, where public services are considered as a basic component of the social contract between citizens and state (Akinboade, Kinfaek, & Mokwena, 2012).

On the other hand, public services in any country in the world stand out as the basic mechanism for the government to formulate and implement policies. This is done via translating programs and plans of the government into services for the citizens. Hence, public services are designed to become the key driver of the social and economic development of a country (Oyedele, 2015).

### 3.1 Definitions of performance of public services

The public services are considered as a main factor that specified the quality of life that is not measured within the national income per capita (Besley & Ghatak 2007). The some of the definitions of public service performance is given below as shown in Table 2.

**Table 2 The Definition of Public Services Performance**

Author (Year)	Definition of Public Services Performance
Akinboade, Mokwena, and Kinfack, (2012)	Public services are certain procedural arrangements by the government to deliver the services and products to the public that represents the general activities, for example public health, policing, education, housing, rubbish collection, social care and medical care.
Agba, Ochimana, and Abubakar, (2013)	Public service is considered as activities of staff in the government organizations which aim to formulation and implementation of the government program for benefit to the people.
Handler, Koebel, Reiss, and Schratzenstaller, (2005)	Performance of Public sector illustrates the findings of an activity in a particular area or all findings from various or all areas of activity of a public organization measured either in terms of absolute value as an indicator or with regards to the findings achieved in prior time.

**IV. THE IMPORTANCE OF HUMAN CAPITAL TO PUBLIC SERVICES PERFORMANCE**

During the previous decade, developed country governments have been made more efforts to enhance and improve the quality and efficiency of the delivered of services to the people, whereas decreasing the costs (Foley, 2008). In Bahrain there are efforts as in other countries to improve the efficiency and effectiveness of government performance. The government's program for the years 2015-2018 indicates the strategic priority to improve the efficiency and effectiveness of government performance. In addition, the program aims to develop and improve the ability to provide services in the public sector which are efficient, effective and speedy, as well as improve and simplify procedures (Bahrain News Agency, 2015).

In addition, public service are considered as the major tool for governments to implement the different policies of national development and service delivery in the field of health, community development, education and transport as well as maintenance of law. An effective public service depends on the best link between the leadership of administrative and political to ensure the policy is properly implemented and formulated (Dzimbiri, 2016).

Therefore, effectiveness and quality of public sector are affected by various factors, such as experience and information of staff (Wiig, 2002). Hence, human capital shows special features in the public sector (Ramirez 2010). Moreover, human capital is considered as the stock of competencies, knowledge and skills which are gained from experience and education, besides personal characteristics that reflect the ability to do the work to produce economic value (Chikwe, Ogidi, & Nwachukwu, 2015).

**V. LITERATURE REVIEW**

Human capital in several previous studies found has significant and positive relations on organizational performance in various countries and sectors such as: Rahim, Atan and Kamaluddin (2017) study in Malaysian technology industry that found human capital has significant and positive relationship with performance of firms. Ali and Sharif Chaudhry (2017) study in the services sector of Pakistan and Afrah, (2016) study in the University sector of Somalia shows human capital has significant and positive relationship with organizational performance.

In a like manner, Prajogo and Oke (2016) study in Australian service firms that show human capital has significant and positive relationship with business performance. Michael and Zaid (2014) study in banking sector of Nigeria that reveal human capital has significant and positive relationship with organizational performance. In contrast, there are few studies that conducted in public sector, for example, Du Plessis (2016) study on human capital in local government municipalities in South Africa, demonstrated that human capital has significant and positive relationship with organizational performance. Similarly, Jacobson and Sowa (2015) study on strategic human capital in Colorado and North Carolina Municipalities in the USA proved that human capital has significant and positive relationship with organizational performance.

**VI. RESEARCH HYPOTHESIS**

Based on the above discussions, we hypothesize that:  
H1: Human capital has significant and positive relationship with performance of public services.

**VII. METHODOLOGY**

Bahrain consists of four Governorates: Capital, Muharraq, Northern and Southern, each governorate consists of a number of residential blocks. The total of Bahraini people is 664,707 (Bahrain News Agency, 2015). The population of this study is the citizens of Bahrain. A total number of copies of questionnaires that distributed were 640 copies, distributed to citizens according to the population. In this study systematic random sampling technique was used for the purpose to give every element in the population in proportion to its size. According to the total of population the suitable questionnaires should be 384 distributed to the selected citizens (Krejcie & Morgan 1970).

The period for collecting data was from 21 May 2017 until 21 August 2017. Since 384 responses were returned by rate of 60% from the total of distributed questionnaires. 368 of questionnaires found Usable by rate of 60%. As well as 16 questionnaires were found incomplete in some of parts and were excluded. Also, in this study the version 23 of Statistical Package for Social Science (SPSS) for the purpose of data analysis was used. Also, the Likert scale which contains of five points was used. The fifteen (15) items that measuring human capital adapted from Seleim and Khalil (2011) and the six (6) items that measuring public services performance adapted from Morgeson and Petrescu (2011).



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## VIII. TEST OF THE RELIABILITY

In this study the Cronbach's alpha were used to evaluate the measurements of the reliability. According to Hair, Black, Babin, and Anderson, (2010), the acceptable minimum level of Cronbach's alpha is 0.60. The findings of the reliability test of human capital and public services performance as shown in Table 3.

**Table 3 Analysis of Reliability**

Variables	items	Cronbach's alpha
Human capital	15	.919
Public services performance	6	.854

## IX. DESCRIPTIVE STATISTICS OF THE VARIABLES

In this study descriptive analysis focuses on the independent variable (Human capital) and dependent variable (public services performance), as illustrates in Table 4.

**Table 4 Variables Descriptive Statistics**

Variables	M	S. Deviation	Minimum	Maximum
Human capital	2.91	.69	1.00	4.73
Public services performance	2.85	.79	1.00	5.00

## X. ANALYSIS OF RESULT

To examine the hypothesis (H1) for the purpose to access the relationship between human capital and public services performance, Pearson correlation analysis was conducted as illustrates in Table 5.

**Table 5 Pearson Correlation Analysis results on the Relationship between Public Services Performance and Human capital**

Variable	Public Services Performance	Human Capital
Public Services Performance	1	.537**
Human Capital	.537**	1

The results above proved a significant and positive relationship with  $r = .537$  at  $p < 0.01$ . Therefore, the hypothesis was supported as illustrates below in Table 6.

**Table 6 The Results of Hypotheses examining on the Relationship between Human capital and Public Services Performance**

Hypothesis	Description	Results
H1	Between Human Capital and Public Services Performance there is a significant and positive relationship	Supported

For the purpose of analyse the relationship between Human Capital and Public Services performance Regression analysis was conducted as illustrates in Table 7.

**Table 7 The results of the Regression Analysis between Human Capital and Performance of Public Services.**

Independent Variable	Dependent Variable (Public Services Performance)	Sign
Human Capital	.537***	.000
F Value	147.925	
R <sup>2</sup>	.288	

Adjusted R <sup>2</sup>	.286	
Durbin Watson	1.848	

Note: \*Significant level is  $p < .05$ , \*\* Significant level is  $p < .01$ , \*\*\* Significant level is  $p < .001$

Based on the table above the results demonstrated that  $\beta = .537$ ,  $R^2 = .288$ , Adjusted  $R^2 = .286$ ,  $F = 147.925$  with  $p < .000$ . This finding demonstrated that coefficient correlation was .537, which refers to positive and significant relationship effect for human capital on public services performance. For the measurement of human capital and public services performance, human capital illustrates 28.8% of variance on public services performance. This refers that 71.2% of the public services performance through the other factors not factored and accounted in the analysis.

## XI. CONCLUSION

Through the public sector in Bahrain this study empirically have test the relationship between human capital and its impact on public service performance. The findings concluded a significant and positive relationship between human capital and public services performance. Besides, the results have supported and confirmed the hypothesis. The findings showed mean value of human capital was 2.91 which are within moderate limits. It means that in the public sector of Bahrain the human capital not high level of efficiency and not strong, which affects the negative on the performance of public service. Moreover, the effectiveness and efficiency of human capital lead to get better performance of public services. Meanwhile, in this study the results reveal the importance of role of human capital as it has significant and direct affects on the public services performance. Furthermore, through the findings achieved, the importance of human capital and its impact on public services performance is confirmed. It also confirms that the positive and significant relationship can develop the effectiveness and efficiency of performance of public services. By reviewing the consists of human capital, it can be said that it is not consist of explicit and implicit knowledge of staff only, but involves staff efficiency, capabilities, skills and knowledge which are needed for implementing new strategies and innovation.

## RECOMMENDATIONS

The policy makers in Bahrain should be focus the significant role of human capital on public services performance achieves through several aspects such as: raising the level of training, experience, skill, knowledge and selection of competencies from human capital to put them in the right place as well as together with increased financial incentives and rewards.

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