

INFORMATION PAPER

Social Capital

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*CBS Network Services Limited
Princes House
5 Shandwick Place
Edinburgh
EH2 4RG*

*Tel: 0131 229 7257
Fax: 0131 221 9798
email: info@cbs-network.org.uk
website: www.cbs-network.org.uk*

1 The "Idea" of social capital....

Across Europe there has been an idea that "social capital" should be nurtured to encourage and enable inclusive forms of economic development. It has been suggested that what drives social capital within communities are people and non-profit organisations. It is they who develop initiatives which contribute to the creation of employment and strengthen social cohesion - using social capital as a key resource.

There are a number of unresolved problems related to this notion of social capital. These include: reaching agreement on what social capital is; figuring out how we can measure its growth or decline as a resource for development; understanding how it can be "built"; and, finally, how it can be used.

2 What is social capital....

The phrase "*social capital*" appears everywhere these days – in newspapers and in magazines as well as in weightier, academic articles and volumes. It is pressed into service by the left and right alike. But it is a vague term, a "woolly" expression, in danger of meaning all things to all people and therefore....nothing.

This elusive concept may be broken up into five concrete terms which make it easier for people to grasp the overall concept and see how it can be important and useful in the day-to-day work of social enterprises.

The concrete elements of social capital are:

Trust: having relations of trust with people and organisations so that you feel confident and comfortable working with them.

Reciprocity and mutuality: having the sort of relations with people and organisations which mean that you do something for them without expecting immediate payback; that you help each other out; that you are prepared to work together on schemes of common advantage.

Social networks: being in touch with a wide range of people and organisations so that you get to know them; to learn to trust them and work together; to give and get information.

Shared norms of behaviour: realising that you share ideas with others of how things should be done; that you can build a common vision; that you broadly agree on what is acceptable and what is not.

Sense of commitment and belonging: realising that sharing a commitment to an area or to a group can uncover a shared understanding of issues and lead to a common sense of purpose.

Social capital is all of these concrete elements and it evolves through relationships between people and organisations.

These relationships can strengthen the sense of identity and purpose of a community or of an interest group – that is often referred to as “*bonding*” social capital – the “glue” which binds a community together.

The relationships can also build links with other people and bodies external to the immediate community or interest group - that is often referred to as “*bridging*” social capital – the “grease” which helps to access other resources and get things done.

With strong social capital, a community organisation or group can more easily determine what it wants to do and how to set about getting the other forms of capital it will need: financial (access to money); physical (access to land, buildings, machinery); natural (access to raw materials, clean air and water); and human (skills, education and knowledge). Social capital cannot substitute for these, more tangible, forms of capital but it can help to pull them in.

Social capital grows with use – the more you use it the more you build it. The more you develop relationships of trust, give and take help, work with others, actively network formally and informally, understand where others are coming from and demonstrate your commitment to the area or to the programme in hand – the more you will find yourself using social capital to get things done. That is why it is important for social enterprises to be aware of social capital and to take steps to nurture and build it.

It is not really a new idea. What is new is giving the concept a “tag”, getting people to think about it – and realise how important and useful it is.

3 Thinking about social capital....

The vast amount of academic literature on social capital reflects the struggle which commentators have had in trying to define the concept and to extract some useful and practical ideas.

The term was first used explicitly by Jane Jacobs¹ in 1961, although the concept had been recognised by writers since the 19th Century. More recently, thinking about social capital has been greatly influenced by James Coleman², an American sociologist writing in the 1980s and Robert Putnam³ - also an American, and a political scientist writing in the 1990s; and to a lesser extent by Bourdieu⁴ and Hirschmann⁵.

It is impossible to detail the mountain of literature on social capital in this pamphlet. However, in a nutshell....

...**Putnam** recognised that "good governance was closely related to civic engagement" and that social cohesion in communities depends on social networks, recognised norms of behaviour and trust. He affirms that these

¹ Jacobs, J. (1961) *The Death and Life of Great American Cities*, New York: Random House

² Coleman, J (1990) *Foundation of Social Theory*, Cambridge: Harvard University Press

³ Putnam, R. (1993) "The Prosperous Community - Social Capital and Public Life"; *The American Prospect* 13

⁴ Bourdieu, P. (1986) "The Forms of Capital" in J. Richardson, (ed.), *Handbook of Theory and Research for the Sociology of Education*, Westport, CT: Greenwood Press

⁵ New Economics Foundation, *Prove It!: Measuring the Effect of Neighbourhood Renewal on Local People*; Groundwork, NEF

components make up social capital in communities and that this is necessary for improving the quality of life, civic engagement and community development....

...**Coleman's** somewhat wider definition of social capital constructed a social theory which stated that the "closure" or "connectiveness" of social networks can produce closer connections between people and that this in itself can generate obligations and sanctions on the community...

...**Bourdieu** showed how social capital exists alongside economic and cultural capital and can be part of strategy for individuals and groups to reproduce more social capital and/or convert it into other forms of capital....and...

...**Hirschman** uses the term "social energy" and suggests that it is made up of three components - "friendship" emphasising the personal impact of social capital; "ideals" which may lead to a shared vision based on values; and "ideas" which enables groups and individuals to present new solutions to their problems.

Clearly, different approaches to social capital lead to varying hypotheses. But there is general consensus that it is "something" that exists *between* individuals and organisations. This "something" emerges from connections (relationships) and is further developed through growing trust, through mutual understanding and through reciprocal actions based on shared norms and values.

Most people can recognise social capital as being those connections and trusting contacts that people make while going about their daily business. These contacts may lead to mutual and reciprocal actions which further the development of a community.

Similar to other forms of capital, it is productive and exists as a "stock" or "fund" or "resource" that can be used - but in some communities it may not exist to any great extent. However, it differs from other forms of capital in that the more social capital is used, the more social capital is generated. The more organisations or individuals trust and develop relationships between themselves and others - the more those relationships, and thus social capital, are strengthened.

Two "dimensions" of social capital, "*bonding*" and "*bridging*" have been described. Some have sought to identify a third dimension: "*linking*" social capital which forms connections between different levels of power or social status. While such links are important, they are really no more than one set of relationships which may develop as part of "bridging" social capital.

4 Measuring Social Capital.....

Most people who study social capital and use the term agree that it is a very difficult concept to measure. Some people use proxy indicators - see the examples below - but these should be treated cautiously when used to "quantify" social capital.

Examples of proxy indicators

The proxy indicators used in the CONSCISE Project⁶ were in the form of statements with which local people were asked decide how much they agreed.

Here are some of the examples of the **statements on trust**:

- *When everything is taken into account, this locality is a safe place to live.*
- *If I were looking after a child and in an emergency I needed to go out for a while, I would trust my neighbours to look after the child*

Here are some of the examples of the **statements on reciprocity and mutuality**:

- *By helping other people you help yourself in the long run.*
- *If I see litter in the neighbourhood, I normally pick it up even if I have not dropped it there.*

The CONSCISE Project included Social Capital Objectives as part of a social accounting framework and sought to measure how an organisation uses and generates the components of social capital. A revised version of the Social Capital Objective is defined in the box below.

Social Capital Objective: To use and generate social capital in sustaining our social enterprise by.....

- using and generating relations of trust with social economy and other organisations and with relevant individuals
- engaging with social enterprises and other local organisations in order to receive help on a reciprocal and mutual basis
- receiving and contributing to the support from a strong local network of support
- using and generating a sense of shared commitment and belonging to the local area
- using and generating shared values and norms of behaviour in the local social economy

5 Taking stock of social capital....

Social capital relates to what social enterprises (and other organisations) do day-by-day. It is the daily round of contacts, meetings, chat and discussion which is the life-blood of social capital. Being aware of social capital helps people recognise what is needed to keep it building and when it is in short supply. The Social Capital Stock-take below is a simple checklist tool. It is designed to help organisations monitor the health of their social capital on a regular basis. You cannot take social capital for granted; you need to constantly work at it!

Instructions: Answer each question as truthfully as you can. Award one point for a “yes”; half a point for a “so-so” answer; and nil points for a “no”. The maximum you

⁶ The CONSCISE Project was a three-year action research project (2000 - 2003) funded by the EU with fieldwork at eight locations in four European countries. It examined social capital through carrying out socio-economic profiles of communities and conducting social accounting with social enterprises. This Information Paper is based on the findings of the CONSCISE Project. Reference: CONSCISE Project: The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe; unpublished; www.conscise.mdx.ac.uk

can score is 20, the lowest is zero. Some of the questions do not require a score but should be discussed and any consequent actions monitored.

SOCIAL CAPITAL STOCK-TAKE	Yes (1 pt)	So-so (.5 pt)	No (0 pt)	Comments or how to change towards the more positive
Trust				
Do we, in general, trust other organisations we work with?				
Do other organisations we work with trust us?				
What can we do where there is a lack of trust?				
To what extent is trust dependent on relations between individuals?				
What will happen to that trust if key people leave our organisation or other organisations?				
Do we use trust in getting things done?				
Reciprocity and Mutuality				
Do we help other similar organisations?				
In what ways?				
Do other similar organisations help us?				
In what ways?				
Are there projects or campaigns we (could) work on together?				
Networks and Information Channels				
Do we have a wide network of contacts?				
Do we nurture our contacts and go out and make new ones?				
Are we aware of all our stakeholders?				
Are we in regular contact with all our stakeholders?				
Are there other groups and people we should be in contact with more?				
Are we able to get good and useful information?				
Do we share information with other organisations?				
How?				
Shared Norms and Values				
Do we have a clear set of values?				
Do all our staff and Board understand our values?				
Do all our staff and Board share our values?				
Do we share these values with the organisations we work with?				
Do we tell others what our values are?				
Commitment and Sense of Belonging				
Do we have strong roots in the local community or amongst the people we serve?				
Are we truly accountable to our community?				
Do we involve our community in our work?				
Do we keep people informed about what we do?				
Other Comments, Discussion or Action Points				

6 Thinking about measuring social capital.....

- The examination of social capital has to be placed in context. For example, history can provide an understanding of past social capital and how it has been used and, maybe, lost. Context cannot be captured by survey research or using secondary data as proxy indicators.
- Research work itself - if it involves local people - can strengthen and build new local social capital as researchers and local people learn on the job just what social capital is and so raise awareness of it; use existing networks and instigate new ones.
- Finding quantitative indicators for social capital has proved elusive although there have been attempts to chart both the range of a social enterprise's contacts (ie. social networks) and the frequency, nature and extent of its dealings with other bodies (relationships).
- Once the concept of social capital is separated into its component elements people are able to relate to them and in face-to-face consultative situations answer questions, give examples and begin to discuss the concept and see how they both use it *and* create it. This can give rich qualitative information.
- Social capital is very closely entwined with the values, objectives and activities of a social enterprise. Attempting to look at social capital as an abstract, isolated entity is difficult and fruitless.
- Social accounting has been shown to be capable of looking at social capital in a uniform way across a number of social enterprises.

7 Some general findings on social capital.....

- Social capital exists and is a "graspable" concept. It is not easily definable or measurable however. It is best used as an *heuristic device*. (An *heuristic device* enables practitioners to discover things themselves in a practical, trial by error sort of way.)
- When the concept of social capital is understood by social economy practitioners, it can have a big effect on the way they plan their work. They see social capital as a valuable resource to use alongside other forms of capital.
- Local socio-economic profiling can be used to illuminate the context in which social enterprises and the social economy emerge and in which social capital builds.
- Social accounting can be used to measure social capital. Either a common social capital objective may be adopted by several social enterprises and reported on in their social accounts and comparisons made. Or the exploration of social capital may be integrated within an organisation's own objectives and evidenced through its day-to-day work.
- The social accounting process can be used to explore objectives common to a group of social enterprises in addition to their own, specific objectives. In this

way social accounting may be used to measure performance across a group of social enterprises and in relation to objectives set down by wider society.

8 Re-examining social capital....

- Social capital can best be understood by disaggregating it into five key elements, which paradoxically, allows people then to understand it as an integrated concept.
- The relationship between the elements of social capital can be expressed in different ways. Trust, social networks, reciprocity/mutuality are about relations *between* people and organisations (a "structural" analysis); while shared norms/values and commitment/belonging are about what people or organisations *believe* and *feel* (a "cognitive" analysis).
- Making a distinction between "*bonding*" (glue) and "*bridging*" (grease) social capital is useful for analysis and understanding. However "*linking*" social capital is no more than a form of "*bridging*" social capital, which draws attention to hierarchical relationships of power and powerlessness.
- The balance between "*bonding*" and "*bridging*" social capital is important. The consequences of too much of either may prove negative.
- "*Bonding*" social capital in urban settings is often associated with ethnic groups and special interest organisations and elsewhere in smaller more isolated communities. Such communities with high bonding social capital often have weak bridging social capital.
- Shared values and the extent to which key stakeholders adhere to them are important to the development of social enterprises, and central to building social capital.
- Trust is a key ingredient of social capital but trust between organisations often depends on relations of trust between individuals and not between the organisations as such.
- Social capital is a "neutral" resource; it can have positive or negative consequences depending on how it is used; it can be used to either exclude or include other individuals and groups.

9 Links between Social Capital and Social Enterprises....

- *Local* social capital influences the development of social enterprises in rural and more isolated communities especially. Social capital, in general, and as used by specific interest groups, can also influence the establishment of social enterprises in more urban areas.
- Isolation, social homogeneity and small population numbers appear to impact on the level of local social capital - particularly "*bonding*" social capital.
- Social capital cannot be a substitute for other forms of capital; although it may, in disadvantaged communities, compensate to some extent for low levels of human capital.

- Social capital, especially "*bridging*" social capital, can provide access to other forms of capital essential to development and to the growth of the social economy.
- Using social capital to form links with the public sector is important in the development of social enterprises.
- Social enterprises tend to use more "*bonding*" social capital during their initial formation phase but need to use more "*bridging*" social capital when they become more established and wish to expand.
- Key individuals within communities can initiate the use of social capital to make things happen - but not in isolation. Effective community action requires a sense of collective endeavour and ownership.

10 Links between social capital and the social economy....

- Social enterprises are often required to compete with each other for limited resources and contracts. This competition acts against the growth of social capital between social economy organisations.
- The establishment of a social enterprise in a particular area can lead however to other social enterprises being created. In this way social capital generated by the development of an initial social enterprise can be used to develop other social enterprises.
- The reputation and trustworthiness of social enterprises is important - especially for how private and public sector institutions perceive the social economy.
- Social capital in the social economy can reduce transaction costs between organisations.
- Network relationships between social enterprises in the social economy can usefully be formalised through membership of associations.

11 Modelling social capital, the social economy and local development.....

- High levels of local social capital do not always give rise to social enterprises. In other words, local social capital itself is not always the stimulus for the creation of social enterprise.
- Social enterprises often emerge from the social capital of groups responding to socio-economic problems such as industrial decline, youth unemployment and rural isolation. Social capital is therefore a crucial resource where a social enterprise is formed to tackle such problems.
- Responding to crisis may be the stimulus for a community to begin to work together and, by doing so, to begin to create the social capital they need to help tackle the crisis.

- One way of seeing the relationship between social capital, social economy and local development is through a social capital cycle. A social capital cycle describes situations where trust, reciprocity/mutuality and networks encircle the heart of an organisation or community where there are shared norms/values and the sense of commitment/belonging. People and organisations can break into this cycle by building relations of trust, or by joining or creating networks, or by helping or working with others. Whatever the starting point, it will lead on to the other elements and serve to strengthen and use social capital to take action.

12 Some policy Implications...

...for building social capital

- Build the awareness of social capital which in turn reinforces the value of the *community development approach*: generating networks, supporting community groups to form and take action, fostering social interactions, etc.
- Encourage all forms of social networks at local community level, especially in areas of disadvantage where social capital may be observed to be low.
- Form networks which bring together the institutions of civil society at regional and national levels as they facilitate the "*bridging*" which is so important to small organisations at local, community level.
- Build community infrastructure which supports the further development of local social capital as it can compensate for low levels of human capital.
- Strive to ensure there is a balance of "*bonding*" and "*bridging*" social capital. Too much "*bonding*" may lead to exclusion whereas too much "*bridging*" may dilute cohesion.
- Do not rely on measurable proxy indicators of social capital to direct policy. Social capital is about the quality of relationships and what can be achieved by working in co-ordination.
- Do not mistake proxy indicators for social capital itself. Understand how social capital works on the ground and what its impacts are.
- Understand the historical and the contemporary context for the emergence of social capital.
- Stress the potential of "*sociability*", of networking for its own sake, of having the time to chat and to build social capital, recognising the value of such outcomes in preference to crude measurable outputs.
- Create places for interaction where such "*sociability*" may flourish: "safe" spaces and places where different people may meet and interact, talk and plan, share experiences and build up common approaches to tackling local issues; community meeting places, preferably under local community control.

...for building the Social Economy

- Promote opportunities for volunteering (both formal and informal) in local areas.

- Understand the values of the social economy and recognise that they are primarily social and distinct from the values of the private and public sectors.
- Support those social enterprises that especially generate social capital eg. LET Schemes, Time Banks, community-based Credit Unions and other such organisations which engage a critical mass of people.
- Support community activists to generate collective entrepreneurship thus enabling them to further the social and economic development needs of their local communities.
- Support educational and training programmes which facilitate collective entrepreneurship through an understanding of social enterprise and social capital.
- Value partnership as collaborative work based on shared vision or values which have to be made explicit.

...for building social enterprises

- Stress the importance of understanding and using social capital for social enterprises.
- Recommend that social enterprises regularly take stock of their social capital as part of the management process.
- Encourage local socio-economic profiling in order to understand the context of social capital in which social enterprises operate and may build the social economy.
- Encourage social enterprises to adopt social accounting methods which include a check on social capital as well as on their performance against values and objectives.
- Use social accounting to measure the performance of social enterprises meeting common objectives as well as individual objectives.

13 And finally....

Social capital is a valuable concept that can enable us to work effectively in the social economy. It is important to recognise it for what it is. This recognition can lead to actively using it and thus building it as a resource within communities.

For further information see the CONSCISE Project website: www.conscise.mdx.ac.uk and the CBS Network website: www.cbs-network.org.uk.

Alan Kay and John Pearce
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