Social capital, the social economy and community development

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Abstract Social capital is increasingly used in the field of community development and the social economy. This article describes some of the results to emerge from a three-year research project (CONSCISE Project), which looked at the contribution social capital can make to the social economy within local economic development. Following the definition of social capital, the article examines how it can be assessed and then goes on to list the main findings on the significance of social capital in the understanding of the social economy and community development. It concludes with a number of policy implications on how social capital can be used within the context of community development.

The term ‘social capital’ is becoming ubiquitous and there is hardly an article on the social economy and community development that does not use the term. But what is it? Can we measure it and, more importantly, is it useful to organizations and to individuals working in the social economy and in community development? In this article, I shall define social capital and show its importance in developing the social economy and the increasing role it plays in our understanding of community development.

CONSCISE project

Many of the thoughts and ideas contained in this article have resulted from the CONSCISE Project,¹ which was a three-year research exercise (2000–2003) looking at the ‘Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe’; www.conscise.info and www.conscise.mdx.ac.uk.

¹ CONSCISE Project: The Contribution of Social Capital in the Social Economy to Local Economic Development in Western Europe; www.conscise.info and www.conscise.mdx.ac.uk.
Local Economic Development in Western Europe. It was funded by the European Union under Framework V, and the Institute of Social Science Research (ISSR) at Middlesex University was the lead partner. There were other partners in Spain, Germany, Sweden and Scotland working at eight field locations.

CONSCISE project methodology
The research consisted of a number of stages. First, the project involved an extensive review of the literature, which culminated in stated definitions of the social economy, social enterprise and social capital, as well as indicators and measures for these three terms. Second, eight locations were identified that had an existing social economy and an identifiable and active social enterprise. Third, each research partner carried out a socioeconomic profile of the area using the same, agreed method, which included: a profile of existing data on population, unemployment, economy, crime, health, and so on; consultation with, and the participation of, a Soundings Group made up of local people and/or people that work for agencies in the area; a pilot social capital survey of some of the residents; and an in-depth survey of the social enterprises. Fourth, the research partners then worked closely with the active social enterprises on a social audit, which involved collecting quantitative and qualitative data over a twelve-month period and using that data to report on the performance of the organization against its agreed objectives and values. The social audit methodology included a scoping study and specified social capital objectives, which examined how the social enterprise has used and generated social capital. The methods used to measure social capital included questionnaires, interviews with stakeholders, bimonthly meetings with senior staff of the social enterprise, contact maps, and activity logs.

The results from each of the eight locations were brought together into reports on the overall findings and can be viewed on the website: www.conscise.info.

Social capital: the context
Defining social capital
There is a vast amount of academic literature on social capital reflecting the struggle that commentators have had in trying to define the concept and extract some useful and practical ideas.

The term ‘social capital’ was first used in 1961 by Jane Jacobs (1961), although the concept has been recognized by writers since the nineteenth century. More recently, thinking around social capital has been greatly influenced by James Coleman (1990), an American sociologist writing in the
1980s and Robert Putnam (1993) – also an American, and a political scientist writing in the 1990s; and to a lesser extent by Bourdieu (1986) and Hirschmann (New Economics Foundation, 2000).

It is impossible in this short article to detail the mountain of literature on social capital. However, in a nutshell, the following are of note.

- **Putnam** recognized that ‘good governance was closely related to civic engagement’ (New Economics Foundation, 2000) and that social cohesion in communities depends on social networks, norms and trust. He affirms that these components make up social capital in communities and that this is necessary for improving the quality of life and community development.

- **Coleman’s** wider definition of social capital was used to construct a social theory that stated that the ‘closure’ of social networks can produce closer connections between people and that this in itself can generate obligations and sanctions on communities.

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

- **Hirschman** uses the term ‘social energy’ and suggests that it is made up of three components: ‘friendship’ emphasizing 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.

More recently, a plethora of academics have entered the debate over social capital and how it can be used or, indeed misused, within the health, community development and regeneration sectors. Fine and Green (2000) argue that the ‘influence of economics across social sciences is going to increase, and that the concept of social capital may be an explicit channel for this influence’, thus reducing social capital to a fragment of economics at the expense of a true political economy. Others, notably Baron, Field and Schuller (2000), feel that the notion of social capital ‘will enable a new set of questions to be posed about the nature of economic production, its links to different forms of human sociality, and the consequence of these for different social groups’.

Clearly, there are different approaches to social capital leading to varying hypotheses. However, there is general consensus that it is something that exists between individuals and organizations. This ‘something’ emerges from connections between entities and is further developed through trust, through mutual understanding and through reciprocal actions based on shared norms and values.
Social capital has been defined in a number of different ways (Figure 1). The initial CONSCISE definition of social capital has tried to encapsulate the key parts of the previous definitions and is as follows (Evans, 2000):

Social capital consists of resources within communities which are created through the presence of high levels of:

- trust,
- reciprocity and mutuality,
- shared norms of behaviour,
- shared commitment and belonging,
- both formal and informal social networks, and
- effective information channels,

which may be used productively by individuals and groups to facilitate actions to benefit individuals, groups and the community more generally.

Therefore, social capital is that intangible ‘something’ that exists between individuals and organizations within a community. Most people can recognize social capital as being the connections and trusting contacts that people make while going about their daily business. These contacts can then be used on a mutual and reciprocal basis to 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 for community development – 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. That is, the more organizations or individuals trust and develop relationships between themselves and

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‘Social capital is defined by its function. It is not a single entity, like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence...Social capital is embodied in the relations among persons...(a) groups whose members manifest trustworthiness and place extensive trust in one another will be able to accomplish more than a comparable group lacking that trustworthiness and trust.’ (Coleman, 1990)

‘Social capital...refers to features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating co-ordinated actions.’ (Putnam, 1993)

‘...[social capital is] the sum of resources, actual and virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition.’ (Bourdieu, 1986)

‘Social Capital consists of features of social organizations such as networks, norms and social trust that facilitate co-ordination and co-operation for mutual benefit.’ (Evans, 2000)

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Figure 1  Some definitions of social capital
others – the more those relationships, and thus social capital, is strengthened.

The six elements of social capital as defined in the CONSCISE Project definition above are interlinked. It is very difficult to separate one element of social capital from another in real life and together they generate a sense of community, which is ‘a web of relationships defined by a significant level of mutual care and commitment’ (New Economics Foundation, 2000). An example might be that one person makes friendly contact with another, which leads to mutual trust developing between them, resulting, in turn, in mutual understanding and some reciprocal actions and that may lead on to further social contacts and so on.

From work on the CONSCISE Project it would seem that the six elements, included in the definition, fall into three categories:

- trust, social networks and reciprocity/mutuality are about relationships between individuals and organizations;
- shared norms of behaviour and shared commitment and belonging are about more than one individual and/or organization sharing values, sharing a way of thinking; and
- effective information channels permit individuals and organizations to access information from outside and within their community.

Measuring social capital

The measurement of social capital is not easy. This is because the definitions used remain rather ‘woolly’ and because each of the six elements is qualitative and open to subjective interpretation.

The CONSCISE Project made an attempt to measure the level of social capital in communities using a questionnaire with proxy indicators, which provided some insight into local peoples’ attitudes regarding trust, social networks, and so on (Figure 2). This experiment into measurement was inconclusive due to the small size of sample and other biases, but it did show that the measurement of social capital is not impossible.

Findings on social capital from the CONSCISE project

- There would appear to be a ‘hierarchy’ of the six elements with trust being the most important. For example, social contacts are made through networks; people then tend to work with others and organizations who share the same values (norms of behaviour and sense of belonging/commitment); this may then lead on to working together. But without trust none of this may develop and certainly not reciprocity. For the maintenance of social capital, trust is
therefore overriding importance. When it breaks down, social capital is noticeably depleted. But trust itself only comes about if people meet and talk, hence the crucial importance also of social networks. Trust, therefore, needs a context in which to develop and grow.

- It is also recognized that people tend to work best with those people and organizations who share the same values. Two individuals who share the same values are more likely to form a trusting relationship faster. Therefore, the shared values and norms can significantly speed up the establishment and development of social capital. Fieldwork in the CONSCISE Project extended this point recognizing that staff within a social enterprise were much more effective and efficient if they understood and shared the same values of the organization that employed them.
- Research within the CONSCISE Project has shown that social capital is strong between individuals but not always so evident between organizations. Put another way, the social capital between organizations may depend on individuals. Thus if a key person leaves an organization, social capital in relation to other organizations is likely to decline, but not necessarily disappear.
- Social capital itself is value free. It can be used to include, support, develop and create thus helping the development of a community and of society as a whole. Equally, it can be used to exclude, undermine, destroy and suppress. This is similar to other forms of capital, which can be used to benefit society or to subvert. We have examples of criminal organizations such as the Mafia
who have strong social capital but are intent on criminal and anti-social activity.

- It is generally held that there are two dimensions to social capital (Gittel and Vidal, 1998):
  
  – ‘Bonding’ social capital which develops within a group and binds individuals, groups and organizations together; and
  
  – ‘Bridging’ social capital, which allows a group to reach out, involve and network creatively with other individuals, groups and organizations.

Recent work has suggested that there may be a third dimension: ‘linking’ social capital. This forms connections between different levels of power or social status (Performance and Innovation Unit, 2002). This suggests that there may be valuable research to be carried out on the connections between social capital and that almost forgotten notion of social class.

- In understanding social capital ‘history’ is crucially important. The level of social capital within a community is often determined by the historical development of that community which has set the pattern of what is seen in that community to be normal. For example, the CONSCISE Project field work in Scotland showed that close communities in Fife, which originally were based on the mining industry, have developed a strong sense of mutual trust manifest in a robust trade union tradition and many social and sports clubs. Traces of this social capital are still evident despite the fact that the mines have all closed and the area has suffered economic and social decline.

- Social capital is linked to, and is affected by, the context in which it operates and the prevailing attitudes of local authorities and other powerful local influences. This is especially important as regards the development of the social economy. The political and statutory ‘climate’ may be more conducive to the development of the social economy in one area, while not so accommodating and understanding in another. Again, this point was reinforced by the CONSCISE Project.

- Social capital is sometimes defined as the ‘glue’ that binds a community together and enables collective action for the benefit of the community. It has also been referred to as the ‘grease’ that enables things to happen smoothly. It has been suggested that the ‘glue’ part of social capital works in the interests of community development; while the ‘grease’ part of social capital is emphasized more by the private sector.
Trust is fragile (New Economics Foundation, 2000) and can be destroyed in a moment while taking an age to develop and establish. This especially affects social enterprises and there are numerous examples where the mistrust between organizations and individuals has hampered cooperation and opportunities for mutual development or where the failure of one enterprise damages trust in the whole sector locally.

There has been considerable research into the links between people’s health and social capital (Kelly, 1999), which shows that a breakdown in social capital within communities has an adverse effect on the level of healthiness within the community. This suggests that working on ways to increase social capital by getting people to engage with each other – making contacts, building trust and so on can lead to improved health.

The CONSCISE Project revealed that social capital is not a precise concept but when people start talking about the component elements they quickly recognize its existence and its relevance to their day-to-day lives. However, there is a certain amount of confusion caused by the use of the word ‘capital’ in ‘social capital’ and particularly in its relationship to other forms of capital. Perhaps it is more useful to regard it as a resource.

Although social capital may be intangible, it illustrates an accepted way of working holistically together and this, arguably, is how people and communities have always functioned. In this sense social capital is no more than a modern academic tag put onto age-old processes that permit a healthy community to function. The question is whether or not social capital can be used to regenerate communities, does it have a significant role in developing the social economy and if so, how does it do this?

Role of social capital in community development and the social economy

Social capital is often most noticeable when it is absent from local communities. When there are few social networks, a lack of trust, little effective mutuality, no shared norms and no commitment to the area, community cohesiveness declines and social underdevelopment is likely to occur. That shows itself in an increase in crime, a desire to leave the area, mutual suspicion, lack of information, few social facilities, lower health standards, a degraded physical environment – in short all the hallmarks of a disadvantaged neighbourhood. By recognizing the existence of social capital, our understanding of the way communities operate and how they...
function is enhanced and directs community development strategies towards interventions that will help (re)build social capital.

Over the last few years social enterprise and the social economy have been highlighted as an alternative mode of production. The CONSCISE Project defined the social economy in relative terms using a diagram that showed the social economy to exist as part of the Third System (third sector) – the other two being the First System (private sector); and the Second System (public sector). Essentially, the social economy is made up of social enterprises and voluntary organizations that are actively trading.

Social enterprises are (Evans, 2000):

... not-for-profit organizations that ...

... seek to meet social aims by engaging in economic and trading activities and that ...

... have legal structures that ensure that all assets and accumulated wealth are not in the ownership of individuals but are held in trust and for the benefit of those persons and/or area that are the intended beneficiaries of the enterprise’s social aims, and that ...

... have organizational structures in which full participation of members is encouraged on a cooperative basis with equal rights accorded to all members.

Social enterprises are those organizations that use trade and business principles in the pursuit of social aims. Their numbers are rapidly growing and in parts of the UK they are being actively encouraged to provide an increasing range of services to local communities (McGregor, Glass and Clark, 2003).

The results from the CONSCISE Project would suggest that social enterprises generate social capital in their area, mostly by using social capital. Explicit, shared values create solidarity between like-minded social enterprises. Trust and reciprocity build up into cooperation and collaboration. Informal and formal social networks are actively built upon – bonding the social enterprises together and also bridging out to other social enterprise organizations outside the immediate group. It has been noticeable that where there has been an energetic cooperative or community enterprise development agency, a cluster of social enterprises is likely to develop.

However, there are limitations to what social capital can do. Social capital alone cannot build the social economy and develop communities. It has to be used in conjunction with the other forms of capital – financial, human, environmental and cultural. Adding to social capital and within a local area is not a substitute for other forms of capital and will not of itself grow the social economy.
Supporting organizations such as social enterprises and voluntary agencies that actively create, use and generate social capital can make an area a better place to live. It can help establish a more vibrant social economy where the welfare and the quality of life of residents is more important than a drive towards a more efficient capitalist economy. This reinforces the need to take a community development approach rather than a business development approach to supporting social enterprises.

**Local social capital**

Within a local community there are people, organizations and companies from all three economic systems operating alongside each other. Small businesses and corner shops (of the private sector) provide local services to the communities and employ local people; community councils and local authority offices (of the public sector) do the same. And voluntary and community organizations, (of the third sector) provide a web of social networks and also create paid and unpaid jobs. All this activity by the sectors and between the sectors adds to the overall development of the community and a better quality of life for residents. Together they generate and maintain local social capital. At a neighbourhood level the three sectors tend to be close and operate in a closely integrated way.

At this local level, social capital plays a significant role in the development of the local economy across the sectors. For example, it can reduce transaction costs such that there can be unwritten agreements and mutual understanding instead of the need for formal contracts. The role of social enterprises running managed workspaces and offering training and advice to the self-employed on behalf of a local authority is a good example of the three sectors working together and building local social capital for the benefit of the community. Similarly it is noticeable how much of the work in which social enterprises are engaged is work based on trust: childcare, domiciliary care, estate security, etc. The quality of this work is enhanced also by local knowledge and a sense of belonging to the community: local people doing local work.

This is not to suggest that social capital is not apparent at regional/district, national or global levels. It manifests itself wherever there are networks and relationships between individuals and organizations. Social capital currently thrives within the apparently close relationships between multinational companies and government ministers and officials just as much as it can enthusiastically be used by the manager of a social enterprise and the local shopkeeper and the local librarian. The importance is in the relationship and how that is used to develop trust, which may lead on to reciprocal assistance.
Cautionary remarks

Having established that social capital is more difficult to define than, for example, financial capital, it is also necessary to understand that it is open to different interpretations: ‘what looks like a strong sense of social solidarity from one perspective can be seen as atomization, divisiveness and stratification from another’ (Fukuyama, 1995).

Local social capital that concentrates too much in binding the community into a cohesive unit can make a community more isolated and less tolerant of strangers and outsiders. Both bonding and bridging social capital are required to ensure there is a healthy balance within the local community.

In its publication, Prove It, the New Economics Foundation (NEF, 2000) noted that ‘many of the elements of human and social capital are beneficial up to a point, but harmful beyond it. Self-esteem can turn into vanity, sanctions into oppression and close-kindness into corruption.’

Social capital is not always ‘a Good Thing’. The development of social capital can, for example, have an adverse affect on equal opportunities when jobs are filled through networking or on the grapevine rather than through public advertisement. Networks and connections are usually formed and trusting relationships developed between people who share the same values. This can actively exclude others and not allow new and different people to become part of a network – this cannot be healthy or desirable. However, we all have the potential to be exclusive and by recognizing social capital as a real concept we can begin to counter some of its negative aspects and at the same time use the more positive elements for the development of our local communities.

Social capital has always existed. It flourished and still does in the ‘old boy’ networks; the wearing of the old school ties to interviews; the way you shake hands; dressing in a particular way to reflect internally held values; the connections made in clubs; the social networks developed through meeting people at parties, Rotary Clubs and Round Tables; membership of secret societies. Throughout the ages people have used social capital to further their own personal ends. In the social economy, because of the values, social capital is more likely to be used to generate public good.

In many ways ‘social capital’ is no more than a new ‘tag’ for something that has always been around and instinctively understood and there may be a danger in encouraging it among the most disadvantaged in order to justify its use by the powerful to sustain their positions.

The concept of social capital can also be used also to legitimize the apparently unfocused work of the community development worker, who attends meetings, makes friends and builds networks as a substitute for actually doing something tangible in the community.
So, social capital is not a new concept. But there is value in articulating and analysing it so that it may be recognized and thus help in the diagnosis of what may be wrong in certain communities. Once the absence of social capital in dysfunctional communities is recognized, strategies can be put in place to encourage the development of social capital.

**Implications for social economy policy**

The recognition and understanding of social capital has clear implications for governments and local authorities who wish to create policies to strengthen the social economy.

At a local level, policies could be developed that encourage local people to get together and form social networks. The formation of voluntary organizations along with Local Exchange Trading (LET) schemes, mentoring, volunteering, and so on will contribute directly to the building of local social capital. Institutions and programmes that foster a sense of community and help articulate shared values can be encouraged. Strengthening the community ownership of public assets such as village halls and community centres is a practical way of promoting growth in local social capital (Performance and Innovation Unit, 2002).

The public sector might try to build local social capital with new approaches to urban planning which brings people together. For example: restricting vehicle access to small neighbourhoods and building cul-de-sacs thus encouraging residents and resident’s children to interact more on the street; as well as the creation of semi-public space where people can meet and form relationships.

At regional or national level support to third sector organizations and the encouragement of joint working through coalitions and forums would serve also to strengthen social capital. There should perhaps be further research into new structures that support the development of social capital like Time Banks, and other third sector organizations. This research has to be closely followed by support for national organizations that put organizations in touch with each other and encourage networking and exchange internationally as well as nationally.

Although the third sector is a distinctive entity, it is somewhat fragmented. Awareness of social capital could help unify it. First, there has to be clarity and agreement on the specific values attributed to the sector. These values can connect and thus link the smallest neighbourhood enterprise to the largest mutual organization. Second, providing support to national forums and networking organizations will improve networking and help build trust such that organizations, which at present emphasize their differences, can start to see the common ground that unites them.
Once trust develops, then mutual help and working together will follow. Third, further research is required to look at ways in which social capital may be measured, perhaps through an extension of social accounting and audit. Finally, the levels of social capital within society generally need to be monitored. If it begins to reduce or if it is used to exclude, steps must to be taken to counter this, to ensure that social capital is used to create a healthy, balanced and equitable society. A high level of social capital will of itself achieve nothing. It has to be used, by people working through their organizations and structures, in short through civil society.

Undoubtedly, social capital is – and always has been – an important concept. As our understanding of how things work and do not work within communities becomes clearer, we recognize that society is made up of connections just as much as it is made up of money, materials resources and human resources.

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