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HUMAN AND SOCIAL CAPITAL IN CONDITIONS OF INTELLIGENT AND INCLUSIVE GROWTH

Abstract. Factors enabling the achievement of intelligent and inclusive growth in the European Union put emphasis on the relations between knowledge economics, education and knowledge and cohesive society. Economic and social development is predominantly achieved by means of knowledge factors, which implies the preference of solidary way to knowledge society. Our presumption is based on the fact that technical, technological, information and communication changes related to knowledge economics lead towards changes in the orientation of production, and subsequently to social changes. Social investments, mainly focused on the human resources development, are retroactively a significant source of long-term economic prosperity and of economic and civil society dynamism. Current research has raised new questions about how to set the respective policies in order to enable potential maximization in economic growth and social development.

Key words: knowledge economics; knowledge society; social cohesion; human capital; social capital.

JEL Classification: I24, I28, I30

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ЛЮДСЬКИЙ І СОЦІАЛЬНИЙ КАПІТАЛ В УМОВАХ ІНТЕЛЕКТУАЛЬНОГО ТА ІНКЛЮЗИВНОГО ЗРОСТАННЯ

Анотація. Фактори, які дозволяють досягти інтелектуального та інклюзивного зростання в Європейському Союзі, підкреслюють зв'язок між заснованою на знаннях економікою, освітою і згуртованістю суспільства. Нині економічний та соціальний розвиток досягається, насамперед, завдяки знанневим факторам, які акцентують перевагу солідарного шляху до суспільства знань. Наше припущення базується на тому факті, що технічні, технологічні, інформаційні та комунікаційні зміни, пов'язані з економікою знань, ведуть до переорієнтації виробництва, а отже, до соціальних перетворень. Соціальні інвестиції, сфокусовані головним чином на розвитку людських ресурсів, своєю чергою, є важливим джерелом довгострокового економічного процвітання і прискореного розвитку економіки й громадянського суспільства. Відтак сьогодні постає питання: як сформувати відповідну політику для того, щоб максимально використати потенціал економічного зростання і соціального розвитку.

Ключові слова: економіка знань, суспільство знань, соціальна згуртованість, людський капітал, соціальний капітал.

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ЧЕЛОВЕЧЕСКИЙ И СОЦИАЛЬНЫЙ КАПИТАЛ В УСЛОВИЯХ ИНТЕЛЛЕКТУАЛЬНОГО И ИНКЛЮЗИВНОГО РОСТА

Аннотация. Факторы, которые позволяют достичь интеллектуального и инклюзивного роста в Европейском Союзе, подчеркивают связь между основанной на знаниях экономикой, образованием и сплоченностью общества. Ныне экономическое и социальное развитие достигается, прежде всего, благодаря знаниевым факторам, которые отражают преимущество солідарного пути к обществу знаний. Наше предположение базируется на том факте, что технические, технологические, информационные и коммуникационные изменения, связанные с экономикой знаний, ведут к переориентации производства, а затем и к социальным преобразованиям. Социальные инвестиции, сфокусированные главным образом на развитии человеческих ресурсов, в свою очередь, являются важным источником долгосрочного экономического процветания и ускоренного развития экономики и гражданского общества. В этой связи сегодня возникает вопрос: как сформировать соответствующую политику, чтобы максимально использовать потенциал экономического роста и социального развития.

Ключевые слова: экономика знаний, общество знаний, социальная сплоченность, человеческий капитал, социальный капитал.

Received 31.05.2013

Introduction. Intelligent and inclusive growths are two strategic priorities of sustainable growth under the conditions of the European Union. Intelligent growth is based on knowledge economy and innovations, and inclusive growth represents a great level of employment and social and territorial cohesion. Knowledge and inclusive society represents a socially sustainable and supporting environment for knowledge economy. Constant renewal of such social environment is necessary. From the viewpoint of long-term development of different social models types, a great success rate of so called knowledge model has currently been recorded, where economic and social development is mainly achieved by means of knowledge factors, and solidary way to knowledge society is applied.

Implementation of Europe 2020 programme as an EU development strategy by 2020 requires a social investment

strategy. Social investment is a complex response of post-industrial society to economic, demographic and social challenges. Economic and financial crisis resulted in the need of the European countries to adopt austerity measures, generally related to the lowering of public expenditure, also affecting the costs of education. However, these solutions are also a subject of considerations on whether they will bring expected results and if they will also be able to support growth. The need of using the benefits of social investment strategies, which should accompany the austerity measures, starts to be emphasized.

Brief Literature Overview. A specific approach to the issues of social investment under the conditions of the European welfare state was elaborated by *Delors* and *Dolle* (2009). The theory of human capital as an entire model of the human capital was elaborated by *Becker* (1993). Models of *Lucas* (1988) and *Romer* (1998) are among the most significant

theoretical approaches focused on the impact of education on economic growth. The impact of investments in human capital on the labour market is a subject of e.g. *Brunell's* research (2010). Non-economic benefits of the education and human capital were examined in many empirical studies, for e.g. *Feinstein* (2002), *Lochner* and *Moretti* (2004), *Oreopoulos* (2003) and *Psacharopoulos* (2007). Theoretical and empirical formations of the social capital concept were predominantly influenced by *Putnam* (1993), *Woolcock* (2000) and *Coleman* (1998) in Anglo-Saxon countries and *Bourdieu* (1964) in the Francophone environment. Evaluation of the impact of social capital on economic growth is dealt with, besides others, by *Knack* and *Keefer* (1997), or *Temple* (2001). Mutual relationships between the human and social capital are dealt with by *Schuller* (2001).

Purpose. The purpose of the article is theoretical characterisation of the human capital and social capital as two forms of social investment, enabling the connection of the objectives of intelligent economic growth, equal opportunities and social cohesion, and the formulation of their practical significance for economic and social development under the conditions of globalisation, demographic transformation, knowledge economy and knowledge society in Europe.

Results. Knowledge economy requires that the state disposes of at least minimum knowledge and information enabling the profitability of its social investments. Knowledge society represents a supply of the human capital for the functioning of this economy.

Europe is in the situation when resources are insufficient in a greater and greater extent in individual countries. The dispute on expenses includes social as well as economic priorities. There has been an increased pressure on governments to adopt measures with social impact in a long-term horizon. Persisting high unemployment levels, income polarisation and social exclusion growth increase the feeling of uncertainty in whole population. Liberal economic policies can generally be successful in supporting the economic growth; however social structure can be exposed to a great pressure under their impact.

Social investment state is a political and institutional form of new knowledge economy (and knowledge society), built upon the human capital, knowledge, information and thoughts as an immaterial form of capital. It is based on the logic of social inclusion.

Social investments, mainly focused on human resources development, are retroactively a significant source of long-term economic prosperity and of dynamizing the economic and civil societies. Human capital (through investment in education) and social capital represent forms of social investment as well as an interconnection between intelligent and inclusive growth.

According to the human capital theory (*Becker, 1993*) human capital is defined as a set of productive abilities which an individual acquires by the accumulation of general and specific knowledge and experience. Current approaches enable better understanding of all advantages education brings in a broader sphere of social, personal and cultural life. Human capital nowadays includes knowledge, qualifications and competences, which facilitate the achievement of personal, social and economic well-being.

It is implicitly presumed from the viewpoint of human capital perspective that investment in knowledge and abilities generates economic impact. However, human capital also brings non-economic benefits, e.g. health improvement (*Feinstein, 2002*), social well-being (*Oreopoulos, 2003*), civil and social cohesion (*Psacharopoulos, 2007*) and lower criminality risk (*Lochner & Moretti, 2004*). It plays a significant role in modern economic growth theory. A high level of human capital is necessary for a sophisticated production process of products and services as well as for the innovation of new products and processes. Long-term growth is driven by innovations. However, innovations require research and development, as well as skills.

There is no general consensus in current global professional literature regarding the social capital definition. Various approaches by different authors predominantly emphasize the

significance of social networks, social norms and social values. The most appropriate concept is one representing a broader vision of social capital and including not only social networks and norms implemented in them but also a broader political and social environment, which forms the social structure of society and enables the implementation of generally valid social norms. Social capital from our point of view is a set of social relationships, social networks, valid social norms and social institutions which enable the achievement of defined goals based on trust, solidarity and cohesion.

The term social capital differs from other forms of capital, i.e. human as well as physical capital, from several viewpoints. It repeats in relationships and is not in an exclusive ownership of a certain individual, it is created and shared in a group by means of investments in time and effort. It is a source able to generate a flow of impacts for society in the course of time. Integration of individuals in social networks, civil participation and values like trust has a positive impact on labour productivity in companies. Social capital is among the aspects of society able to affect the living standards increase and economic growth.

Sources and dimensions of social capital development include family, school, local communities, firms, civil society, and public sector, complementarity of men and women and ethnicity. Families create norms and social bonds and create a social network, which provides benefits to its members. Extent and density of relationships between groups can condition effectiveness, with which these synergies support well-being and economic growth.

Human capital and social capital represent complementary capital forms. Relations between human capital and social capital represent a significant impulse for examining of up to which point these capitals are interchangeable and how a growth of one of them influences the other (*Schuller, 2001*). Social capital includes relationships which form the application of human capital potential individually as well as collectively. It predominantly concerns relationships between various groups and relationships inside of groups. It is necessary to perceive them in a dynamic context, depicting relationships between economic and social policies and individual institutions.

The result of human capital impact is generally measured by income or productivity increase. The human capital also causes other significant effects – predominantly the social capital creation. Some of these results, e.g. social cohesion retention, indirectly contribute to economic performance enhancement. From the viewpoint of social capital, a direct impact of education can mainly be seen in networks strengthening and in information flows. The social capital can be connected with economic performance directly at various levels, e.g. at the level of whole economy, at regional level or in the environment of communities.

The human capital represents a linear model. It is an investment expressed in time or in a financial form, generating economic impact. It is significant for the possibility of methodological management of the human capital creation process. It enables analysts to use the existing tools in order to estimate investment profitability. The social capital has a much less linear approach and its impact can be difficult to define.

Conditions of economic and social development in the future will be more and more affected by many factors, predominantly demographic transformation (ageing of population and migration) and global competition development. Successful development requires adaptation to all challenges.

Globalisation is a framework of reference specifying the modern objective of the European Union. Fast transformation of Europe towards post-industrial knowledge economy and economy of services transforms the character of work and social classes division as well as conditions of access to economic opportunity and inequality. New social impacts, leading governments to radical modification of strategies in whole social and educational spheres, have mainly been reflected over the last two decades. Globalisation has enabled the freedom of movement of workers, capital and services. It affects the creation of new jobs, it eliminates boundaries between labour markets and

creates the global labour market. The level of qualification of employees plays a more and more significant role within such competition. Technical, technological, information and communication changes related to knowledge economy lead to changes in production orientation, and subsequently to social changes.

An important result of the implementation of information and communication technologies is a transformation of the nature of work and production organisation. Emphasis is put on flexibility, development of cooperation within an educational network, usage of partial agreements and team work development. Production of goods or services has to be focused on the client. Demand influences the production process. Changes require the development of not only cognitive but also social competences.

New technologies and new forms of work organisation often cause qualitative changes of demand for qualified employees. Companies nowadays need employees able to learn and adapt to innovations. Qualifications they have to acquire are not necessarily the highest but it is important that they can control them very fast and use them in production. Adaptation to new conditions in the EU states (knowledge economy) should be carried out by building the learning society as a society investing in knowledge, where each individual gradually develops their qualification and competences during their lives.

Deep changes brought by globalisation, artificial intelligence and information and communication technologies also result in deep changes in society. The ageing process will only be one of the parts of the new population structure in future decades. Besides, the future of inhabitants of the European countries will be characterised by big migration flows to and from the EU (Brain Drain and Brain Gain). With regard to the present workforce structure, ageing of population will probably affect the overall job offer. Investment in the human capital is often considered to be the key policy of maintaining of the elderly on the job market and increasing their labour productivity. Education of this age group can also help in partial compensation of anticipated decrease of their relative salary caused by an increased offer of younger employees (*Brunella, 2010*). Emigration of highly qualified individuals, particularly young university graduates to the countries outside of the European Union for better working conditions and higher salaries represents a significant risk for the competitiveness of Europe.

The European strategy of education and professional preparation is supposed to focus on maintaining and enhancing the knowledge economy position, aiming at facing the competition. Less qualified workers, and predominantly those who left school without getting a grade, will hardly be competitive on global, highly qualified labour markets. The basis of highly qualified workforce is high-quality educational environment at early childhood, and it also includes detailed strategies of lifelong education. Sustainable funding mechanisms for all these steps are especially necessary. Increased mobility of workers and students within the EU can be decisive for maintaining and development of the European advantage in the provision of highly qualified workforce.

Education became the key motive force of the Lisbon strategy, and it is the same also in the post-Lisbon Europe 2020 strategy. It is a part of the knowledge triangle, employment regulations, economic growth regulations, it has an impact on innovation, competitiveness and sustainable development. The education system and lifelong education strategies have to adapt to the conditions of economic and social development, as they are a source of knowledge economy formation. The EU is facing a challenge to further form the Copenhagen Process, modernize university education systems and develop the Bologna Process.

Expected future decrease in the demand for unqualified workforce will further support the meaning of education with regard to the existing social inequalities. Education can be a basis for social integration and the best possible guarantee against exclusion, unemployment and discrimination. Knowledge economy needs to create appropriate conditions for the creation of new social cohesion bases. It is closely related to the

issue of regional cohesion, where the relationship of development of individual areas to knowledge and intense scientific and research activities appears to be a significant feature.

Examination of the social capital is a relatively new view of what ways can be used to invest in the social capital and use its benefits supplementing the other assets disposed of by citizens, communities, municipalities and regions. Awareness of potential benefits of the social capital can have a significant impact on public programmes and policies. Social capital of an individual can be a source which can generate considerable impact along with the human, physical and financial capital. Different types of social bonds can bring different benefits. Enhancement of close bonds is useful for those who need a great everyday support. More distant bonds enable an access to a broad source scale, which can potentially be used to create new opportunities.

Values, norms and patterns of social behaviour are significantly shifting at present. It is a part of natural development of the modern society towards a greater autonomy of individuals, lesser hierarchical control, lesser collective and cultural identity, and sometimes towards so called postmodern or individualistic goals. Creation of new values puts a greater emphasis on independence and loss of respect with several possible undesirable side effects. Potential consequences can include the erosion of social values, identity and social objectives, undermining of trust, decrease in civil engagement.

Examination of reasons for which social networks create a significant source of social capital can identify a new impulse for responsible creators and implementers of public policies. The group of potential benefits resulting from the social network of an individual or a group also includes material goods, services, information, psychological support, enhancement of positive approaches and services mediation. The awareness that support is at disposal if needed, even if it is not used, can create the feeling of foresee ability and safety. From the viewpoint of the meaning of social capital for public policies and regional development, the social capital fulfils a strategic task mainly in the following areas.

Community social capital is included in the dynamics of networks, which can be created by different local associations and governmental partners. The objective of these partnerships is an exchange of services or sources of different character. An objective of such partnership can also be the creation of a project or a certain form of help.

Social networks of practice exchange, which are based on information and communication technologies, represent localised socialised structures. These networks presuppose a certain trust between members. ICT can substitute contacts, generate trust and lead to the creation of virtual networks of practice exchange. Such networks are currently becoming a central feature in social communication and knowledge exchange, and they are also used in public projects.

The social capital has an impact on the financial situation of individuals. It concerns the spheres of employability and career growth. Significant are also types of networks enabling the individual to get out of the condition of poverty, and to accelerate the social mobility. Mechanisms of the creation and mobilisation of social capital are inseparably connected to the other capital forms – human, financial and cultural in the creation of sources supplies. It is therefore possible that public policies create added value through the impact of social capital in helping to disadvantaged persons.

The social capital is a source of good ageing. Two sub-systems of social networks for old people are substantial in this sphere – the networks of support and the networks of care. The networks of support, creating sufficiently strong relationships provide everyday services to old people. In case they have to deal with health problems or suffer from functional abilities decrease in a long-term, they will probably be dependent on mutual support provided by a limited and close network of care. These networks should support dignified ageing and public policies should support their development under the conditions of communities by means of different programmes and services.

The social capital has an impact on school attendance of

ethnic communities, which often also represent socially excluded communities. It can also help in lowering of deficits in the sphere of participation of the youth in community life.

Many policies and programmes contribute to social capital consolidation and social abilities in general, particularly those supporting the participation in civil life and labour market. It also includes the development of children at preschool age. Programmes of the struggle against poverty have a significant meaning. These social programmes are measures of social safety for those in a situation of temporary or long-term social vulnerability. They also enable individual development by their internal economic and social adaptability.

Conclusions

1. Technological innovations and human capital are very important for economic prosperity; however they cannot be taken into consideration outside of their context, respecting social relationships. Satisfying with only a growth of the overall amount of human capital in any company guarantees neither a social progress nor economic growth. Quality of relationships of any cell of a society determines the viability of this society.

2. A balanced approach including social investment and reasonable financial management is important for the future development in Europe. So called knowledge model, which is successful in economic and social development, is considered to be a successful way. The strategy of quality should focus on investments in education and quality employment. It is connected to the need of public investments in research and human capital, and development of new services. With the purpose of such direction in development, it is necessary to develop mainly education, knowledge, research, innovations and information and communication technologies. The development of competitiveness and employment under the conditions of globalisation is related to the protection of European social model in the European Union. The human capital as well as the social capital not only contributes to economic growth but also to social well-being.

3. Public resources determined for education system are insufficient also with regard to current economic development. We therefore need to focus on how education system can effectively use the existing financial and human resources, and in relation to the priority of intelligent growth - support growth objectives, competitiveness and innovation, quality in education, excellence of universities, which have the most significant connection to globalisation (connected to the process of university modernisation and Bologna Process), and on the other hand to the priority of inclusive growth - support justice, social cohesion, updating of knowledge and skills. From the viewpoint of economic and social policies, better understanding and usage of relationships between the human capital, social potential and economic growth is a challenge. It is necessary to use the human capital forms, most extensively contributing to the engagement in social infrastructure supporting labour productivity and economic growth. Another open question is the usage of social initiatives which can motivate the human capital development in required quality and context of economic growth in the greatest extent.

4. The social capital generally represents an effective tool which can complement other tools of public policies (e.g. investments in the human and financial capital), as these can

be insufficient themselves to solve complex problems of the modern world of social capital as a political concept. It is a source which fills gaps in social policies. The social capital contributes to the achievement of a balance under the existence of restricted and inefficient political concepts and tools, which are in contrast to the complexity and mutual relationships in the modern society. It complements the tools of economic and social policies analyses, as it includes social infrastructure. It puts emphasis on benefits, and supports social cohesion. It is necessary to evaluate all policies carefully, aiming at the prevention of unaware weakening of social potential by public administration. It is appropriate to include the long-term perspective of social capital development among the goals of economic and social policies. The social capital implements a certain moral dimension in policies formulation. Economy should also regard the social context.

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