

Commentary

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This symposium provides an excellent opportunity for the OECD to take forward its own discussion on human and social capital particularly in the framework of the current work on the “Growth Study” which Thorvald Moe described earlier in the conference. The OECD’s main, but not only, clients are the governments which make up its membership. As I see it, the OECD has three fundamental roles to play. It has to inform the process of public policy-making; bring new issues to the attention of governments; and add to the stock of knowledge in many areas in which it is involved. This symposium will serve to address all three aims, but most importantly from the, perhaps narrow, standpoint of the OECD, the policy perspective. Hopefully, our discussions will enable us to come to an understanding on the concept of social capital that will respond to policy-making needs and measurement issues. The key question is – can we reach a consensus on how to define and observe the phenomenon of social capital in ways that clarify the issues, identify policy options and evaluate progress? To help us in that quest there are four excellent papers and presentations by Robert Barro, Gunnar Eliasson, Michael Woolcock and Tom Schuller.

Clearly, the very intimate relationship between social and human capital and their circularity – the continuous process of mutual reinforcement between these two capitals – means that there are messages from the way in which human capital theory has developed that are relevant for social capital. I will return to the question of human capital later.

In terms of definitions of social capital, we are confronted with a myriad, but both Woolcock and Schuller have in their papers refined the various concepts. As many have pointed out, the underlying idea has existed in many forms for considerable time, but what is new is the growing interest that the concept

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is receiving outside the realm of the sociologists, especially from the economists. Michael Woolcock has eloquently brought together the various concepts in his paper to argue for a definition which states that “social capital refers to the norms and networks that facilitate collective action.” In his terms, the focus should lie on the sources of social capital rather than its consequences. Woolcock also argues that the value of social capital is in its capacity to facilitate dialogue and cooperation between different disciplines and sectors of policy-making.

For Tom Schuller it is the heuristic quality of the concept of social capital that is its primary advantage. He views the potential utility of the social capital concept as its ability to provide a framework for addressing a series of other policy areas. But what Schuller describes as the “almost limitless versatility” of the concept, though intellectually interesting, brings with it risks of diffusion and imprecision. He, like others, also draws close links between social capital and the debate on social cohesion – a discussion taken further by Jo Ritzen in his paper in session IV. For both Woolcock and Schuller social capital resides in relationships, in contrast to human capital which resides in individuals.

The “mean and lean” definition by Woolcock is persuasive and provides a good starting point for observing the phenomenon of social capital. I was, however, much less convinced by his identification of the policy issues. It is in terms of policy-relevance that more reflection will be needed to identify where public policy can impact upon the creation and accumulation of social capital.

It is probably worth recalling here that the term “human capital” is relatively new, entering the lexicon some four decades ago. Despite the wealth of literature, it has to be recognized that the term is less than clearcut. It can be defined in a number of ways and according to a number of perspectives.

For its part, the OECD, in a report to Ministers in 1998 on Human Capital, focussed on the “knowledge, skills, competences and other attributes embodied in individuals that are relevant to economic activity” (p. 9). This approach was a response to the policy interests of Education and Employment Ministers as well as Economic and Finance Ministers concerned about the need to examine the linkages between education, training and adult learning in improving economic performance.

It is true that growth, employment and productivity are not the only benefits we can measure, or speak of, in the definition of human capital. There are many other types of benefits that flow from investment in education and learning, such as improved health status, social cohesion etc., that have potentially important feedback into productivity and economic growth.

The OECD report also identified some of the difficulties over the measurement of human capital and the gaps in the potential data set. None of us would claim to be satisfied with the measurement of human capital, and there is wide agreement on the need to find ways to reflect the quality of learning outcomes. The use of levels of educational attainment as proxies for capturing the quality of human capital is less than satisfactory. The important paper by Robert Barro raises a series of issues related to data. It also raises a number of problems in the approach that has been taken – at least from the point of view of OECD policy-makers. A strong plea is made in the paper for using a wide cross-section of countries on the grounds that more variability can be picked up for different variables while holding income constant. This assumes a uniform underlying structure and relationship over all countries. But for an OECD policy-maker, while not underestimating the interest in looking at developing countries to understand the wide variation in underlying values like political stability, income level, basic education etc., if the data for OECD countries or the wider set of “rich countries” show no significant impact over a twenty-year period, it is difficult to avoid drawing conclusions on future policy options, given that most industrial societies have attained relatively high levels of literacy, income and institutional stability. What would be helpful would be more refined analysis within “OECD-type” countries to shed more light on which types or qualities of human capital investment, as well as other “policy instruments”, are effective in boosting long-term growth.

I would draw attention to the paper by de la Fuente and Domenech, which gives grounds for thinking that there is an underlying problem of quality of data used in the Barro paper. Contrary to the Barro analysis, the improved estimates of attainment in the adult population in the de la Fuente and Domenech paper suggest that initial education does have a significant positive impact in OECD countries.

New developments in capturing the quality of education probably provide the most promising directions for future research. For example, the International Adult Literacy Survey (IALS) which will shortly be reporting data for 20 countries (10 of them reporting in the mid-1990s and the rest in 1998), may provide useful benchmarks for the quality of human capital in the adult population. We have already seen from the data already published that educational attainment defined in years of schooling or level of initial qualifications may not be an effective predictor of human capital. An early finding of this survey was that literacy is dynamic and could easily become obsolescent if not constantly challenged and developed.

Equally important is the emphasis that has been placed on broadening the concept of human capital to include skills and competences acquired outside formal learning settings as well as across curricular domains – Cross Curricular Competencies (CCC) – in schools. In particular, the OECD has been conscious from the early days of its education indicator work of a major lacuna in the indicator set. The Programme for International Student Assessment (PISA) is a major response to that gap. The first cycle of PISA will run across all OECD countries and some developing countries during the course of 2000, testing 15-year-olds in reading literacy as the principal theme, with mathematics and science as minor themes. The second and third cycles in 2003 and 2006 will address the other two themes in turn as the major domains of the programme. PISA will provide assessments of key competences that go beyond the confines of the curriculum and will yield a new set of policy-oriented indicators that will help monitor the knowledge and skills of 15-year-old pupils. This new set of international test data, together with the literacy data becoming available, will offer greater insights into questions about the quality of learning.

With a rather longer time frame, the OECD has also launched an international effort under the leadership of the Swiss to establish a theoretical framework for the definition and selection of competences (DeSeCo). This will support further work in PISA as well as provide the scientific underpinning for possible future developments on a new survey of adult competence.

Gunnar Eliasson drew our attention in his paper to the need to look at another area where measurement capacities are limited and where the issues might be even more – the intermediate levels

between individuals, society and the economy. Somewhere “in between” in the black box of companies, organisations and other entities, complex competence (his competence bloc) is harnessed, rewarded, organised and integrated into collective practices and relationships. Gunnar Eliasson has provided important insights into managing these competence blocs.

I should now like to return to my opening proposition on the relevance of the concepts of human and social capital for public policy-making. It is debatable just how meaningful for policy-makers the distinction between human and social capital is. Indeed much of the contribution to this symposium dwells on the intimate and mutually reinforcing relationship between social and human capital. I would argue that an equally valid conceptual framework for analysis would be to take the idea of the “learning society” as the conceptual framework and to view norms, networks and engagement as growing out of that learning society, where education and learning are but one input. The idea that human capital begets social capital begets human capital and so on, strengthens the arguments in favour of lifelong learning. I confess to some surprise that lifelong learning has attracted so little attention in the documentation for this conference. Tom Schuller is right when he says that lifelong learning raises issues for initial education. It raises issues for a wide range of policies in ways that are not yet entirely understood. For example, if lifelong learning were to be perceived as a reality, we would be able to adjust the very heavily front-loaded curriculum of initial education and focus on some of the problems of motivation in school that Schuller raises.

If we were to focus on the contribution that public policy can make to investment in the acquisition of human capital throughout the life cycle through early childhood, compulsory and tertiary education, adult learning, research and the promotion of learning-on-the-job, we could strengthen the bonds of civil society, reap the benefits of social capital and contribute to sustained economic and social progress and inclusive societies.

Reference

De la Fuente, Angel, and Rafael Domenech (2000) “Human Capital in Growth Regressions: How Much Difference Does Data Quality Make?” Discussion Paper 2466, May, CEPR.