No one is an island. How we develop, from childhood to adulthood, is linked to our relations with our families and societies. Equally, the full range of our human capital – from the state of our health to the level of our learning – affects, and is affected by, our relations to wider society.
By way of introduction...

The sizzling summer of 2003 broke records in Europe. Crowds flocked to the beaches to soak up the sun as temperatures climbed into the high 30s centigrade and beyond. In cities, people who couldn’t get away from their jobs sweated through those long, hot days. And behind closed doors, old people died. In Italy more than 4 000 elderly were struck down by the heat; in France as many as 15 000.

The deaths were shocking enough, but what really struck home was that so many of the elderly died alone. In some cases they lay dead for days or even weeks before being discovered. How could such a thing happen in modern, well-organised societies?

In some respects, it’s the very nature of those societies, with their anonymous ways and declining sense of community, that contributed to the deaths of the elderly. We live in communities where we move in and out of city apartments without ever finding out who our neighbours are; we seal ourselves away on the daily commute behind the white earphones of iPods. Wealth has brought us much – longer lives, higher living standards, foreign holidays – but along the way we may be losing some of the things, like community spirit, that make us happiest.

Significantly, those relationships can potentially affect our lives in other ways, too, including how well we’re able to develop our human capital. That affects not only our educational development but even things like health. Adults who live alone, for instance, may be more at risk of heart disease than people who live with someone else.

So far, this book has tended to speak of human capital largely in terms of learning. But human capital can include other elements, including the state of our health. This chapter examines some of these broader issues connected with human capital, beginning with a look at the links to health. It then goes on to look at the possible links between human capital and social relationships, a subject that’s producing some intriguing and at times controversial insights.
Is there more to human capital than learning?

Education may be a key – if not the key – component of human capital, but health is also part of the mix. The relationship between the two isn’t straightforward. For instance, good health helps people to develop their human capital – healthy children are better able to learn. But it’s also one of the fruits of human capital – people with higher levels of education tend to be healthier.

“One of the clearest benefits of education is better health. Individuals with higher educational attainment have healthier habits and lifestyles.”

The Well-being of Nations

Not only that, but health is itself a distinct ingredient within human capital (even though people don’t always consciously “invest” in their health in the same way they do in their education). A worker whose human capital includes strong health is more productive in the workplace and so tends to earn more. That increased productivity is good for the wider economy. Raising the health of the overall population helps an economy to grow. According to one estimate, a country that sees an improvement in life expectancy of five years – a reflection of rising health levels – will see its economy grow up to 0.5% faster than one where life expectancies are static.

Health and poverty

The impact of health on economic growth is even clearer in developing nations, and was recognised in the Millennium Development Goals, a set of targets laid down by the United Nations at the turn of the century for the eradication of extreme poverty. Of the eight goals, three refer to health issues – reducing child mortality, improving the health of mothers and combating illnesses like HIV/AIDS and malaria.

Particularly in developing countries, the relationship between poverty and health runs both ways. Poverty means there isn’t enough money to pay for vaccines and cheap medicines so diseases that could be easily prevented or treated are left largely unchecked. Those who fall ill become a burden on their families and are unable to make a contribution to the economy, which means in turn that there’s less money around to pay for medical care. There is thus a vicious circle in which poor health is both a cause of and a result of poverty.
What to do? One thing the world could do is allocate medical resources more effectively. It’s estimated that about 90% of the world’s burden of disease and illness receives only 10% of global spending on medical research. Most research is instead focused on treating illnesses that are more prevalent in the developed world. In part, that’s because much government-funded research happens in developed countries. Similarly, pharmaceutical companies know they can make greater profits from selling drugs for illnesses that are common in the wealthy world, like obesity and heart disease, and not those of the developing world, like malaria and river blindness.

Expanding waistlines

Even in the developed world, health is an economic factor and, once again, the link between poor health and low income flows both ways. Take weight. Across the developed world, more and more people are overweight or obese, which carries serious medical risks – notably heart and lung diseases, diabetes, arthritis, some forms of cancer and gallbladder problems.

Just over 30% of Americans are reckoned to be obese, or abnormally overweight, double the number in 1980. The problem isn’t unique to the United States. Despite the success of books like *French Women Don’t Get Fat*, almost 1 in 10 French people is now obese, up from just over 1 in 20 in the early 1990s. Even the developing world is not immune: waistlines are also bulging in China and other parts of Asia as people adopt Western lifestyles and give up traditional diets.

Many researchers believe that low income is directly linked to obesity and, in turn, that obesity and its associated health problems cut people’s incomes. A hundred years ago, a cartoonist wanting to depict a scene in a factory might have shown the wealthy boss as a fat man and his poor employee as skinny. Today, those depictions would probably be reversed.
Paying for health

Improving medical care means that people with chronic illnesses like obesity will enjoy a reasonable quality of life for longer. That’s good news, but it does raise a question: who will pay for their treatment? As many governments are finding, maintaining the health human capital of a nation is a little like throwing money into a bottomless pit. No amount of cash will ever satisfy demands for health care, and making decisions on what to treat and what not to treat can be a political minefield.

In the years to come, cost is likely to become an even bigger issue for OECD countries as populations age and the price of medical technologies goes on rising. At present, public spending on health and long-term care accounts for some 7% of GDP across the OECD area. By the middle of this century, that could almost double to 13%. In response, there’s a trend among governments to look at ways of making people more responsible for their own health care.

“Rising demand is forcing governments to explore ways of transferring more responsibility to individuals.”

David Bloom, *The Creative Society of the 21st Century*

Source: *Health at a Glance 2005.*
In part that means asking people to cover more of their medical bills by paying for their own insurance, but it also involves trying to educate people on ways to look after themselves better. That has already yielded some impressive results. Look, for example, at the fall in smoking in developed countries since the 1970s, which has been helped along by media coverage, punitive taxes on cigarettes, and public education campaigns.

Such campaigns clearly cost money, but as countries attempt to maintain and even develop their stocks of health human capital, they may find that prevention costs rather less than the cure.

**Wider benefits**

The benefits of human capital go beyond increased income and improved health. For communities, there can be wider spill-over benefits from the presence of individuals with high human capital. Some studies have shown that their presence raises incomes in communities as a whole. In effect, factories and offices with some highly educated employees are more productive, and the benefit of this is felt by all the workers in an enterprise regardless of their education levels.

Raising human capital is also sometimes cited as a way of reducing crime. The research is far from conclusive, although one American study showed that if 1% more men completed high-school education it would save the United States $1.4 billion a year by cutting the cost of crime to victims and society as a whole. Crime and violence are costly everywhere. The World Health Organization estimates that the annual cost of injuries from violence worldwide is $500 billion.

Education seems to bring broader social benefits than just cutting crime, however. Studies show that citizens with higher levels of education also have higher levels of civic and social engagement – they’re more involved in their communities and take practical steps to help the welfare of the societies in which they live. To understand why, let’s look at another form of capital – social capital.

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Some studies show “the social benefits of education are large – possibly larger than the direct labour market and macroeconomic effects.” *The Well-being of Nations*
The next time you’re whiling away an hour in a hospital waiting room, try asking yourself this question: where did all these doctors and nurses come from? If you’re in a large English-speaking country it’s likely that many come from countries where good hospitals are scarce.

Around a quarter of doctors in Australia, Canada, the United Kingdom and the United States were trained overseas, according to one American study. Between 40% and 75% of those doctors come from poorer countries, mainly India, the Philippines and Pakistan.

Working overseas holds big attractions for doctors and nurses from poorer countries. They can earn more money, develop their skills and learn about state-of-the-art medical equipment and treatments that may not exist back home. That experience can be valuable if they go back to practise in their own country. But they don’t need to go home to make a contribution. Remittances from doctors and nurses working overseas, like those of other workers, contribute to the economies of countries like the Philippines and Mexico. That money pays for new homes, starts up businesses and funds education for the next generation.

But there are downsides. The departure of highly trained medical staff eats into the human capital of developing nations. That means they have fewer resources to tackle diseases like HIV/AIDS and also means that their taxpayers are effectively subsidising the medical systems of far wealthier countries. And it can distort the way that medicals in the developing world are trained. Spurred on by their student’s travelling plans, medical schools may neglect to train them in treating illnesses found locally, focusing instead on diseases that are more prevalent in developed countries.

One OECD member, the United Kingdom, has responded with an ethical code that bars active recruiting of doctors in parts of the developing world, although doctors and nurses from such countries can still go and work in the United Kingdom. Any further steps by OECD countries will need to be carefully balanced to ensure that developing countries – and their medical graduates – maximise the benefits and minimise the drawbacks of globalisation’s travelling medicine show.
What is social capital?

The concept of social capital became fashionable only relatively recently, but the term has been in use for almost a century while the ideas behind it go back further still. “Social capital” may first have appeared in a book published in 1916 in the United States that discussed how neighbours could work together to oversee schools. Author Lyda Hanifan referred to social capital as “those tangible assets [that] count for most in the daily lives of people: namely goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit”.

That gives some sense of what’s meant by social capital, although today it would be hard to come up with a single definition that satisfied everyone. For the sake of simplicity, however, we can think of social capital as the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together.

In recent years, the term entered the popular imagination with the publication in 2000 of Robert Putnam’s bestseller, *Bowling Alone: The Collapse and Revival of American Community*. Putnam argued that while Americans have become wealthier their sense of community has withered. Cities and traditional suburbs have given way to “edge cities” and “exurbs” – vast, anonymous places where people sleep and work and do little else. As people spend more and more time in the office, commuting to work and watching TV alone, there’s less time for joining community groups and voluntary organisations, and socialising with neighbours, friends and even family.

To demonstrate this decline, Putnam looked at the way Americans play 10-pin bowling, a sport with a big following in the United States. He found that although bowling has never been bigger, Americans are no longer competing against each other in the once-popular local leagues. Instead, they are – literally – bowling alone. Putnam argued that the decline of the community networks that once led Americans to bowl together represents a loss of social capital.
Varieties of social capital...
There’s much debate over the various forms that social capital takes, but one fairly straightforward approach divides it into three main categories:

- **Bonds**: Links to people based on a sense of common identity (“people like us”) – such as family, close friends and people who share our culture or ethnicity.
- **Bridges**: Links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates.
- **Linkages**: Links to people or groups further up or lower down the social ladder.

The potential benefits of social capital can be seen by looking at social bonds. Friends and families can help us in lots of ways – emotionally, socially and economically. In the United Kingdom, for example, a government survey found that more people secure jobs through personal contacts than through advertisements. Such support can be even more important in countries where the rule of law

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**Social capital** is defined by the OECD as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”. In this definition, we can think of networks as real-world links between groups or individuals. Think of networks of friends, family networks, networks of former colleagues, and so on. Our shared norms, values and understandings are less concrete than our social networks. Sociologists sometimes speak of norms as society's unspoken and largely unquestioned rules. Norms and understandings may not become apparent until they're broken. If adults attack a child, for example, they breach the norms that protect children from harm. Values may be more open to question; indeed societies often debate whether their values are changing. And yet values – such as respect for people’s safety and security – are an essential linchpin in every social group. Put together, these networks and understandings engender trust and so enable people to work together.
is weak or where the state offers few social services: clans can fund the education of relatives and find them work, and look after orphans and the elderly.

“… Access to information and influence through social networks also confers private benefits on individuals and in some cases can be used by individuals or groups to exclude others and reinforce dominance or privilege.”

*The Well-being of Nations*

But bonds can hinder people, too. Almost by definition, tightly knit communities, such as some immigrant groups, have strong social bonds, with individuals relying heavily for support on relatives or people who share their ethnicity. Simultaneously, their lack of social bridges can turn them into eternal outsiders from wider society, sometimes hindering their economic progress. Of course, social exclusion works both ways: tightly knit groups may exclude themselves, but they may also be excluded by the wider community.

Like almost any form of capital, social capital can also be put to ends that harm other people. The links and trust that allow drug cartels and criminal gangs to operate are a form of social capital, albeit one that the rest of us could do without. Companies and organisations can also suffer if they have the wrong sort of social capital – relationships between colleagues that are too inward-looking and fail to take account of what’s going on in the wider world. Conversely, social capital can also help businesses. In *Bowling Alone*, Putnam attributes a large part of the success of Silicon Valley in the United States to formal and informal co-operation between start-up companies in the area.

“… Social capital provides the glue which facilitates co-operation, exchange and innovation.”

*The New Economy: Beyond the Hype*

**… and criticisms**

The concept of social capital has its critics. One argument that’s made is that Putnam got it wrong when he said social engagement is eroding. Instead, it may just be evolving. Rather than joining groups in our neighbourhoods, like bowling leagues, we’re now joining groups made up of people who share our beliefs – fighting for envi-
ronmental protection or gay rights, for instance – rather than our locality. These groups – such as a branch of Greenpeace or Amnesty International – can exist in the “real” world. But they may also exist only virtually on the Internet, which is arguably creating whole new “communities” of people who may never physically meet but who share common values and interests. Not everyone, however, is convinced that these new forms of community have the same value as more traditional forms.

“In many countries there would seem merely to have been a shift from support of traditional organisations and institutions … to newer forms of voluntary association…”
Barrie Stevens et al. in The Creative Society of the 21st Century

Critics also argue that the term “social capital” is vague, hard to measure, poorly defined and perhaps not even a form of capital at all. (Economists often argue that capital involves making some form of sacrifice in the present – like studying in school to raise your human capital when you could be playing outside – to produce gains in the future.) Despite the debate, social capital is a concept that’s attracting interest among politicians and policy makers. One reason for this is the increasing concern over marginalisation in our societies.

As we’ve seen repeatedly, the knowledge economy puts a premium on human capital and can worsen the job prospects of people with limited education, who are also often the least well off in our societies. Some analysts speak of the emergence of an “underclass” in developed countries, a group that is outside the mainstream of society and has little chance of re-entering it, both because of a lack of human capital and, arguably, the “right” sort of social capital. Indeed, that twin absence may not be a coincidence. A case can be made that human capital and social capital are inextricably linked.

Are human and social capital linked?

Human and social capital don’t exist in isolation from each other. The two are linked in complex ways and, to some extent, feed into each other. In other words, social capital promotes the development
of human capital and human capital promotes the development of social capital, although the mechanics of the process are complex.

**How social capital forms human capital**

**Education:** school children all know that one of the greatest obstacles to taking an unofficial day off from class is the nosey neighbour. What they probably don’t know is that their fear of being spotted playing truant represents social capital (the relationship between the child’s family and its neighbours) helping to develop human capital (education).

“Communities with high levels of social capital tend to achieve better school outcomes than communities which face social fragmentation and isolation.”

*The New Economy: Beyond the Hype*

The evidence for such links goes beyond the anecdotal tales of school children. The American sociologist James Coleman examined data on dropout rates from high schools in the 1960s to see if they were linked to levels of social capital within the children’s families and communities. Measuring factors such as the amount of attention parents paid to their children and the relationship of the family to a wider community, he found that where there was more social capital children were more likely to stay on in school.

Paradoxically, social capital can hinder learning. Tightly knit communities who see little value in education may hold back children and adults who want to pursue learning.

**Health:** illness can be socially isolating, but the reverse is true, too. By damaging the mental well-being of people living on the edge of society, social isolation can itself cause illness, both physical and mental.

This idea isn’t a new one: As long ago as the late 19th century, the French sociologist Emile Durkheim broke away from the conventional wisdom that suicide was the act of a single troubled individual and instead placed it in the context of the individual’s relationship to wider society. He reasoned that people with weaker social ties are more likely to kill themselves.

The impact of social capital on health goes beyond suicide, and holds true for both young and old. Studies have shown that child
<table>
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<th>VIEWPOINT</th>
<th>Robert Putnam</th>
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In this edited extract from an interview with the OECD Observer, Robert Putnam discusses his response to the question, “How might the idea of social capital apply to education?”

A few ideas spring to mind, though, I stress, these do not apply just to education, but to policy levers across a wide spectrum.

Let’s start with human capital and social capital. These are clearly linked in a kind of virtuous circle, with education tending to increase social capital and at the same time social capital tending to increase educational performance. The decline in social capital in the US might have been even sharper had it not been for the quality and strength of our higher education. Still, more is needed. Civics courses, community service requirements and even extracurricular activities like sports and music, have been shown to have long-term effects on the civic engagement of those students who have been exposed to them.

Social capital formation also requires careful thought about space. Schools, but also offices, housing developments and entire cities need to be designed with an eye toward how architecture (in the large and the small) can encourage easy, casual connections among people who might otherwise find themselves in isolated niches.

Another lever relates to scale. Most research suggests that “smaller is better” from a social capital point of view, with smaller towns, smaller firms and smaller classrooms....

The trouble is that government policies can inadvertently “destroy” social capital. Think of the closing of post offices in small towns and rural areas. In the US, some have experimented with the notion of “social capital impact assessment” for major policy initiatives, so that, for instance, when putting in a major new expressway system, one at least considers how the result will affect social networks.

Governments should understand that investing in social capital requires time. As our labour markets develop – especially as more women go out to work – and as technology expands, greater flexibility on the part of employers can allow employees to better reconcile professional demands with the needs of family and community.
abuse is lower in areas where neighbours know one another. At the other end of the age scale, dementia and Alzheimer’s are more prevalent among old people who are socially isolated. The effect shows up at other stages of our lives, too. One US study showed that lonely people in their 50s and 60s had higher blood-pressure readings than people who had good social contacts, while a Danish study showed that living alone left middle-aged people at almost twice the risk of suffering heart disease.

“Perhaps the most convincing evidence of the positive impact of social ties lies in the area of personal health.”

_The Well-being of Nations_

Quite why social isolation should have such a significant impact on health is unclear, but it’s probably the result of a number of factors. One is that social networks form a real support, supplying people with assistance and care that can reduce both mental and physical stress. Also, the enjoyment we get from being with friends and family may trigger physical reactions in our bodies that help us combat stress and stimulate our immune systems. Whatever the reasons, the results seem clear: if you want to stay healthy, get a friend.

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**LAST RESORT**

Suicide rates for men and women

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<thead>
<tr>
<th>Country</th>
<th>Men</th>
<th>Women</th>
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<tbody>
<tr>
<td>OECD</td>
<td>19.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Greece</td>
<td>19.2</td>
<td>0.9</td>
</tr>
<tr>
<td>Australia</td>
<td>28.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Korea</td>
<td>39.9</td>
<td>9.3</td>
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<td>Hungary</td>
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Suicide claimed more than 130 000 lives in the OECD area in 2002. At least three times more men than women kill themselves, although the gender gap is narrower for attempted suicides.

StatLink: http://dx.doi.org/10.1787/724846780077
Can human capital form social capital?

Human capital is widely seen as contributing to social capital. At its most basic level, that’s simply a reflection of the fact that education can help children and young people to recognise their responsibilities as members of society. On another level, there’s evidence to show that, broadly speaking, the more time individuals spend in education the higher their levels of civic and social engagement.

Which brings us to an interesting paradox. We know that people in developed countries are spending more time in school. We also know that in those very same countries there’s concern over an apparent decline in social engagement. (One symptom that’s often pointed to is the long-term fall in voting levels.) How can we reconcile these apparent contradictions?

The idea that education helps boost civic and social engagement has been shown to be true in several studies, but just how that relationship works is still not fully understood. To explore it, it’s necessary to go beyond simply looking at the length of time people spend in education – just going to school doesn’t automatically make people more socially committed.

Instead, we need to look at what people actually do during all those years in the classroom. For example, a study of 28 countries in the late 1990s showed that allowing students to debate political and social issues in the classroom makes them more politically aware and more likely to want to become actively involved in civic affairs.

Also, to understand how education affects human behaviour – which is what we’re essentially talking about here – we need to look not just at how much education each individual has but at how much they have compared with each other and at how much a society has in total. These differing levels appear to influence the way in which people become involved in society – whether it’s voting, volunteering, joining a political party or organising a community festival, or any combination of these.

To see those relationships in action, consider the case of someone with a much higher level of education than others in their community. Some sociologists argue that the high social status of such a person may encourage them to become politically involved as they will be confident of getting close to the levers of power with relatively little trouble. Someone with lower levels of education may conclude
precisely the opposite and so shy away from political engagement, preferring instead to focus on community involvement.

**The future for social capital**

Sociologists and educators are still some way from fully understanding these complex relationships, and from finding ways to use education to develop social and civic engagement. Indeed, social capital is a concept that raises almost as many questions as it answers, and in the eyes of some it still has to prove its worth. At its most basic level, its value may lie mainly in offering a fresh perspective on how economic development affects, and is affected by, our societies. Or it may represent a substantial breakthrough in our understanding of key social relationships that underlie everything from growth to personal happiness.

“Research on social capital is at an early stage of development and cannot yet tell us with any degree of confidence whether any given programme or policy will fail or succeed in realising its social capital objectives.” *The Well-being of Nations*

So, is it too early for governments to try to find ways to boost social capital? Some governments seem to think not. In Ireland, for example, the government established a special task force to encourage people to become more involved in their communities through volunteering and joining local groups. The move was prompted in part by widespread concern that the outstanding economic growth of recent years has damaged traditionally strong community ties. Other governments, especially in the English-speaking world, are pursuing similar ideas.

The results of such initiatives – and their impact on society – remains to be seen. But one thing is clear: with the rapid pace of economic development set to continue, it will become ever more important for us to understand how human and social capital can potentially help equip individuals and societies to cope with the changes that lie ahead.
## Further Reading from the OECD

<table>
<thead>
<tr>
<th>Topic</th>
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<tr>
<td>Health at a Glance (annual)</td>
<td>Standards of health have risen across OECD countries. The price? Spending on health care has never been higher. Faced with rising health costs, governments in many countries are seeking ways to slow health spending and to secure better value for money. <em>Health at a Glance</em> provides the latest comparable data and trends on different aspects of the performance of health systems in OECD countries. It provides striking evidence of large variations in indicators of health status and health risks, and in the costs, allocation of resources and outputs of health systems.</td>
</tr>
<tr>
<td>The Well-being of Nations (2001)</td>
<td>In a rapidly changing world, the success of nations, communities and individuals may be linked, more than ever before, to how they adapt to change, learn and share knowledge. <em>The Well-being of Nations</em> helps clarify the concepts of human and social capital and evaluates their impact on economic growth and well-being. The evidence suggests that human and social capital can be of key importance in contributing to a wide range of positive outcomes, including higher income, life satisfaction and social cohesion. While there is limited scope for public policy to change the quality, stock and distribution of human and social capital in the short-term, the report looks at a number of areas in which public, private and voluntary actors may leverage long-term improvements in both human and social capital.</td>
</tr>
<tr>
<td>Poverty and Health (DAC Guidelines and Reference Series) (2003)</td>
<td>Concern for the health of the poor is a central development issue. In addition to the intrinsic value of health for individuals, investment in health is an important and previously underestimated means of economic development. <em>Poverty and Health</em>, jointly published by the OECD and the World Health Organisation sets out the essential components of a pro-poor health approach. It provides a framework for action within the health system – and beyond it, through policies in other sectors and through global initiatives. Aimed at development agency staff working in policy and operations, the recommendations are also relevant for policy makers and planners in partner countries.</td>
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Also mentioned in this chapter:
- OECD Factbook 2006: Economic, Environmental and Social Statistics
- The Creative Society of the 21st Century
- The New Economy: Beyond the Hype: The OECD Growth Project (2001)