

## **The Effect of Social Capital on Workforce Productivity**

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**Abstract:** *One of the underlying issues that managers face it, is improving workforce performance and thus increases the productivity of the organizations. The main purpose of this study was to introduce the concept of social capital and workforce productivity and the relationship between them, and tries to answer these questions, what kind of relationship exists between these two categories? What is the impact of social capital on workforce productivity? This is an applied research with descriptive and causal method which was done in Iran during the years 1358 to 1392 and the main gathered results are: workforce productivity in terms of referred social capital variables are not like each other, In addition, the results indicated that, there is a significant relationship between social capital and productivity of the workforce.*

**Keywords:** *social capital, productivity of production factors, workforce productivity*

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### **I. Introduction**

Social capital is a new concept which was considered in many social and economical investigations in the modern societies. Different definitions were offered for social capital. This new concept for the first time was considered by some French and American sociologists in 1990 (Tocqueville, Bourdieu, Coleman, and ...). Nowadays, social capital has more important role than physical and human capitals in the society and social networks create cohesion between human and work environment. In the absence of social capital, other capitals lose their effectiveness and plying the cultural and economical development roads are rough and tough (Alvani&Shirvani, 1383, p.16).

One of the effects of social capital is increasing the productivity of workforce. In the business environments, social capital is an important source of productivity. The benefits of using social capital can be investigated from two aspects: (1) the economical dimension 2-general dimension, economical task of social capital is the reduction of transaction costs which are relevant to coordination mechanisms like contracts, hierarchies, bureaucratic rules and other similar cases. In the business environments, bureaucracy is organized in a centralized manner, and many inefficiencies arise, including: delays in decision-making and distorted information. But in these business environments, when flatter management structures replace bureaucratic structures and more authority delegate among people, these problems will be less. In fact, here, social capital is used and it will increase the productivity of workforce and people's production.

Public interest in the use of social capital is one of the unique characteristics of this type of capital that has distinguished it from other capitals. Among these characteristics, practical untransferability can be noted. Untransferability of social capital means that, these funds can be used, but the transaction will not be easy. In fact, capital is not a private property that can be easily interchanged, but it's a shared resource that can be exploited with regard to the quality of relationships between people (Alvani&Shirvani, 1383, pp. 18-19).

The most important measures that can be taken by governments to strengthen social capital include: Encouragement and strengthening of civil society, strengthen and enrichment of public education and creating social security of citizens for their voluntarily presence in social institutions, avoiding from outsourcing in different parts of economical, social and cultural sectors and the assignment of related activities to public institutions for their participation in activities and promoting the creation and strengthening of social institutions and networks of trust between different sections of people.

One of the important issues in this area, is the increment of social capital and development of exploitation, because societies which try to improve and increase their social capital, need to evaluate their actions and this will be possible only if they can estimate the trend of ascension or decrease of exploitation in their economy.

Without promotion of social capital and productivity growth, economical investment won't have any significant result, promotion of social capital is necessary but not sufficient condition for fruitful investment and effectiveness of economical policies.

### **II. Theoretical Foundations**

#### **2-1-The history of social capital:**

The term social capital before 1916, was discussed in an article by Hanifan from West Virginia University. For the first time it was used in the classic work of Jane Jacob titled 'Death and Life of Great

American Cities’, in which he explained that intensive social networks within the old suburban and mixed urban parts, constitute a form of social capital. In relation to maintaining cleanliness, avoiding street crimes and other decisions about improving the quality of life, they have more responsibilities compared with the official institutional agents such as protection forces of police.

Economist, Glenn Loury, used the term social capital in 1970, to describe the problem of economical development in cities. In 1980, this term was welcomed in broader terms by sociologist, James Coleman. Political sciences researcher, Robert Putnam was the second person who raised a strong and passionate debate regarding social capital and civil societies, both in Italy and in the United States.

Bullen and Onyx believe that first time in 1980, this term was used by Bourdieu and Coleman.

**2-2- Effective factors on social capital:**

About effective factors it should be said that social capital affects these factors and vice versa, but we won’t discuss all factors and among them three factors will be discussed, namely: The flow of information, communications and culture:

**1. Flow of information**

The lifeblood of a business is its communication network and its blood is the information, and the importance of communication for an organization is as the importance of the human body’s blood vessels, and disruption in them may be cause to disruption in the performance of organization or their activities may be stopped completely. Communication in organizations also play the same role, and one of the roles of leaderships in organizations is giving effective, timely and adequate information to staffs. Those leaders who are reluctant to share information with other people, never enter their staff into partnership to the successful management of the organization and they never won’t have a strong organization.

Employee’s participation and sharing information with them, results to the establishment of trust, intimacy and accountability in the organization.

**2. Labor communications in the organization**

Managers, because of the lack of time, whenever communicate with their staff, don’t have enough time to investigate messages, give feedback or managing communications from high to low. In these situations, creating an environment based on trust between manager and staff, can facilitate communications, and managers who can be successful in this regard, increase their credit and their messages will be understood better.

Tendency towards group work in staffs, is going to increase because of the existence of multi-skill methods of working and replacement of hierarchy structure instead of traditional structures of the organization.

**3. Making culture among staff**

Organizational culture, is a unique model of hypothesis, values and common rules that forms socialization activities, models and organizational activities of the staff. The role of organizational culture in relation to social capital is very important. Here some questions will be asked: which values and beliefs have basic position in organizational culture? What’s the value of organizational culture? Is the organization highly cultured or weakly uncultured? And many other cases like these. All these cases, can affect the amount of social capital, and also this social capital has effect on organizational culture.

**III. Research Hypothesis**

- 1-Social capital has a positive effect on workforce productivity.
- 2- Structural, capitaland communicational dimensions of social capital has a positive effect on workforce productivity.

**IV. Hypothesis Analysis**

According to the results, regarding the significance of estimated coefficients, it can be summarized by the following statements:

**Table 1:**

| Variable               | Explanatory variable | Type of relationship                  |
|------------------------|----------------------|---------------------------------------|
| Social capital factors | Social participation | Positive and significant relationship |
|                        | Capital stock        | Positive and significant relationship |
|                        | Health index         | Positive and significant relationship |
|                        | Education            | Positive and significant relationship |
|                        | Freedom              | Positive and significant relationship |

As can be seen from table, all the considered indices have a positive and significant effect on workforce productivity.

## V. Conclusion and Recommendations

Social capital plays an important role than human and physical capitals in organizations. Without social capital, other capitals lose their effectiveness and plying organizational development path will be uneven and difficult.

The results of testing research hypothesis showed that, there is a positive and significant relationship between social capital, its dimensions and workforce productivity. Because of the weakness of statistical and informational regulations regarding the researches which were done in past or the existing ones about social capital and workforce productivity, the author can't access to the literature of similar researches.

A brief review to the work of different researchers who considered the concept of social capital and workforce productivity from different aspects and levels showed that, they analyzed these two categories and researched about their role in the society. It shows that in each research, some factors and elements were considered. So in this regard it was suggested that managers and researchers of the university, should take actions for collecting elements which form social capital and workforce productivity by clear-sighted people, to access different aspects of this complicated and extensive subject. Some researchers consider social capital as a cultural topic and they believe that the amount of social capital in societies has a close relationship with the culture of that society. It seems that, one of the good subjects which can be investigated in the future by researchers is the relationship between culture and the amount of social capital. So the measurement of this relationship is suggested for future works.

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