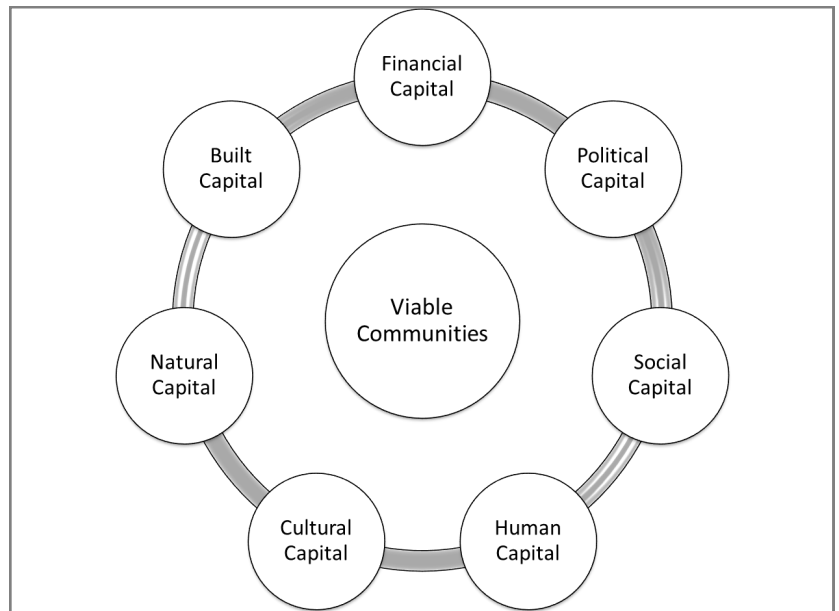


The Floras' Community Capitals: Human Capital

One of the fundamental problems with a systems thinking approach to community economic development is the difficulty in being able to “get one’s head around the whole thing”. Thinking holistically by viewing the community as a system may result in one too many balls in the air increasing the odds of one being dropped. To help community scholars and practitioners better understand the puzzle comprising the community system Jan and Nel Flora and their colleagues offered the “Community Capitals” framework. There are seven capitals, or pieces to the puzzle: **human**, social, political, financial, built, natural and cultural capitals.

Human capital reflects the skills and abilities of people, as well as the ability to access outside resources and bodies of knowledge in order to increase understanding and to identify promising practices. Human capital also addresses leadership’s ability to “lead across differences,” to focus on assets, to be inclusive and participatory, and to be proactive in shaping the future of the community or group. From an economist’s perspective, human capital is one of the most fundamental resources at the disposal of the community. Economic growth and development comes from what people do and human capital frames the ability of people to not only perform tasks but to innovate. From an economist’s perspective this innovation drives economic growth and development. But innovation could also be in the realm of community organizing, leadership and political effectiveness.

Human capital theory, rooted in the works of Nobel winning economists Schultz and Becker, builds on the neoclassical model of perfectly competitive labor markets and argues that human capital investments influence future monetary and psychic income by increasing the productive capacity of individuals. Examples of human capital investments include schooling, on-the-job training and medical care amongst others. Such investment makes a worker more



productive by augmenting her skills, knowledge, health, or other productive attributes. The improvements in human capital can improve the profitability of a variety of firms or are firm specific and have applications only to the particular enterprises involved.

According to human capital theory, workers bring to the job skills and knowledge acquired through schooling, training, and work experience. In a perfectly competitive world no worker will be paid more than the value of her marginal product because a replacement worker is willing to work at a wage rate equaling the value of marginal productivity. Likewise, an employee paid less than the value of her marginal product will seek a job with a wage rate reflecting her productivity. Workers that are working at jobs that are below the inherent value of their human capital are said to be underemployed. Human capital theory describes how an individual chooses the "correct" amount and type of human capital investment.

Today it is recognized that an individual's abilities and levels of schooling are significantly shaped by important family characteristics. This is the focus of research on status attainment which contends that a family's social economic status (SES) plays a substantial role in shaping a person's success in school and in influencing her early occupational choices. SES conditions the environment of support for aspirations and achievement, and individuals from higher SES families are often more socialized to place a high value on educational achievement. This view can also be used to help understand the cycle of poverty.

Some argue is that educational institutions perform a socialization function which may be as, or even more important, than the cognitive skills portion. For lower level occupations to which unqualified school leavers are largely condemned, they are the behavioral traits of punctuality, persistence, concentration, docility, compliance and the ability to work with others. For the higher occupational levels (university graduates) a different set of personality traits are called for such as self-esteem, self-reliance, versatility, and the capacity to assume leadership roles. But even at the level of professional studies, the cognitive knowledge frequently consists of perfectly general communication skills and problem solving abilities rather than occupation specific competency. This implies a combination of particular personality traits and certain cognitive achievements.

While human capital provides an excellent starting point, it places too much reliance upon the rational person understanding his/her investment return options as well as having control over his/her life and having equal access to job opportunities. People are subject to family and psychic ties as well as institutional constraints (e.g., discrimination) preventing equal access. These shortcomings of the human capital theory have stimulated the creation of alternative explanations.

But human capital, as envisioned by the Community Capitals framework, is broader than the narrow economist's perspective of labor markets. While entrepreneurial traits, problem solving, team work and conflict management skills are all required within business, these same skills are needed within the public aspect of the community. The challenge is the transition of these private market skills to the public setting.