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Social capital in non-profit organizations: A multi-disciplinary perspective

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Abstract

This paper evaluates human resources of executive managers in Portuguese non-profit organizations (NPOs), blending two theories of human resources: the human capital model and the social capital model, based on a questionnaire distributed in Portugal in 2003. We conclude that NPO managers' earnings are a function of both theories. Policy implications are derived.

JEL classification: L31; D71; D73; O15

Keywords: Non-profit organizations; Portugal; Human and social capital

1. Introduction

Human resources are a principal factor in the management of non-profit organizations (NPOs). However, there is a notable absence of research examining human resources in such organizations. Recent exceptions are Barros and Gomes Santos (2003).

Related to the present research we observe several themes, such as the contribution of social capital to the quality of life in the workplace (Requena, 2003). The contribution of social capital to the performance of organizations has been analyzed by Abeysekera (2006). The contribution of organizational innovations for performance (Mazzanti et al., 2006) and the role of human capital in poor social contexts (Purkayastha, 2006).

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In the present paper, the contribution of human and social capital to the earnings of NPO managers is analyzed.

Recently, the theory of human capital has been confronted with the social capital theory in attempting to explain the earnings of specific types of educated individuals. In this paper, we test these two theories to explain the earnings of NPO managers. The social capital theory asserts that the market compensates an individual's social ties and networks (Coleman, 1988, 1990; Bourdieu, 1986 and Bourdieu and Wacquant, 1992). Social capital arises because of dense interactions between social actors who create an intricate web of relational networks around themselves. Such interactions facilitate the exchange of information and the creation of obligations or expectations, in addition to the imposition of sanctions on those who fail to meet their obligations. Because of dense interactions, individuals tend to possess two types of information, one being common information that enables its validation, thereby possibly enhancing its reliability, the other being imperfect information, which enables the individual to obtain a competitive advantage. Since information acquisition and dissemination are time-consuming and costly, it provides significant social capital. This theory has recently come to prominence and is gaining more credence (Sparrowed et al., 2000) than the human capital theory, which asserted that the market rewards productivity (Mincer, 1974). The sources of productivity are education, experience and ability. If the latter theory is correct, individuals should invest in education, whereas if the social capital theory is right, individuals should place greater value on constructing and expanding social ties and networks. Almost certainly, both theories explain a part of the reality, but which one is the more determinant? Since the acquisition of both human and social capital is costly, which should be the more favoured route upon which to embark by individuals who want to succeed in their careers? This paper endeavors to provide an answer to this question.

The social capital theory is analyzed and compared with the human capital theory, using data from a questionnaire distributed in Portugal in 2003. The paper contributes to the literature which analyses social capital, focusing on NPO managers as a case study.

The paper is organized as follows: Section 2 presents a literature review; Section 3 explains the theoretical framework; Section 4 presents the contextual setting; Section 5 develops the empirical study; Section 6 discusses the results; Section 7 presents the contributions, limitations and possible extensions; and finally, Section 8 concludes.

2. Literature review

Since we are analyzing both the human and social capital theories, the literature survey must address both of these competing theories. We follow an historic line of exposition, starting with the older theory (human capital) and moving on to the more recent theory of social capital.

2.1. Human capital theory

According to Mincer (1974), the classic specification of the human capital theory for the determination of earnings is

$$\log W_i = \alpha_0 + \alpha_1 S_i + \alpha_2\,\mathrm{EXP}_i + \alpha_3\,\mathrm{EXP}_i^2 + \varepsilon_i \qquad (1)$$

where $\log W_i$ is the log of earnings of individual i, S_i a measure of his/her schooling, EXP the years of experience, ε_i the statistical error term, and α are parameters to be estimated, with the parameter α_1 being the return on schooling. Because W is measured in logarithms, the parameter