Social Capital in Low-Income Communities: Can It Reduce Poverty?

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The concept known as ‘social capital’ is currently the focus of an immense amount of interest in the field of community development. Social capital refers to the “social networks, informal structures, and norms that facilitate individual and collective action” (Halpern, 2005). There are, in actuality, many different definitions and measures that are attached to the concept of social capital. These definitions incorporate a variety of differing key words, ranging from community life, community spirit, civic virtue, community networks, social ozone, extended friendships, and good neighborliness. The increasing focus on social capital in community development is being driven by an enormous amount of evidence that social capital has positive effects on economic growth, health, crime, and the effectiveness of governments (Halpern, 2005).

Research continually correlates high social capital with desirable policy outcomes. Researchers have indicated and relied on three main approaches to social capital, which includes focusing on: 1) the elements of social structure and networks, 2) the norms and attitudes of the individuals in a community, and/or 3) local governance and political institutions (Prakash, 2002). Robert Putnam (2003:23) argued that social capital has “forceful, even quantifiable effects on many different aspects of our lives,” which includes lower crime rates, better health, better educational achievement, greater levels of income equality, and enhanced economic achievement through increased trust and lower transaction accounts (Fukuyama, 1995). This paper will explore social capital in relation to community development in low-income communities.

Low-income communities have specific characteristics regarding social capital that differs from middle-income to high-income communities. Many households in low-income neighborhoods often times do not have the resources to meet their everyday needs, and are often forced to seek help from others to meet these needs. Current research links neighborhood conditions to social capital (Brisson & Usher, 2005). A major element that influences social capital in a community is concentrated affluence. Low-income communities have low levels of concentrated affluence, which can prohibit strong social capital. This is also a primary barrier for women in regards to obtaining and building social capital, due to the fact that women tend to be less affluent than men in similar fields (Brisson & Usher, 2005).

Another characteristic is neighborhood density. Aside from rural communities, low-income communities tend to have a higher neighborhood density, which leads to an increased opportunity for interaction and relationship building. This characteristic of low-income communities allows for the possibility of building strong social capital within the neighborhood (Brisson & Usher, 2005). One other predictor of strong social capital in communities is homeownership. According to scholars, homeowners have an investment in the community in which they live, and therefore they have incentives (including financial incentives) to build relationships and make the neighborhood a better place (Brisson & Usher, 2005). In low-income communities, there are very few homeowners. The majority of individuals in these communities rent houses or apartments, and there is generally low stability of residents. Many residents in low-income communities leave the neighborhood as soon as they are financially able. Therefore, they do not have the investment in the community that would fuel the desire to make the community a better place (Brisson & Usher, 2005).

Along with neighborhood predictors, there are individual predictors that influence social capital. One such predictor is resident participation in civic activities. Researchers show that resident participation may be critical to the development of social capital (Fuchs, Shapiro, & Minnite). In low-income communities, resident participation may be fueled by an increase in resources, such as from the government or a program. Resident participation can also be increased as a response to a crisis in the community, such as deteriorating public health of the community, a natural disaster, or a crisis in the education system. This community participation can empower community groups to be self-reliant and build up the local government structures (Brisson & Usher, 2005). Individuals in low-income community tend to not participate highly in their community. This happens for various reasons. One such reason is the fact that many individuals in low-income communities tend to hold multiple jobs. Due to their low economic status, the individuals in these communities cannot afford to have only one job. Many of the jobs these individuals hold pay minimum wage, which makes is not a livable wage. Therefore, these individuals are forced to hold multiple jobs. Because of this, the individuals in low-income communities do not have the time to participate in community events. This can greatly diminish the capacity to build social capital.

Many of the individuals who live in low-income communities are minorities. The Office of the Assistant Secretary for Planning and Evaluation (ASPE), a sect of the U.S. Department of Health and Human Services, states that less than one-third of the population of the United States is African American or Hispanic, yet four out of every five of these individuals live in poor communities, particularly in metropolitan areas. Nearly forty percent of individuals living in areas of concentrated poverty are African American, and approximately twenty percent of African Americans are in the poverty population. Similarly, approximately twenty-three percent of Hispanics are in the poverty population, and forty percent are living in areas of concentrated poverty (ASPE).

There are various ways to build social capital. The government has an impact on the life chances of those in poor communities. This can be done through the building up of social capital. Many scholars argue that government responsiveness to the needs of those individuals in low-income communities is influenced by the level of political participation in the community, which is outlined above (Woolcock, 2002). This participation can include voting, contacting local politicians, and mobilization of residents around community issues (Fuchs, Shapiro, & Minnite). Researchers have concluded that one of the best ways to improve poor communities is by having strong political capital. This is because these poor communities can construct self-contained networks and achieve important improvements to their community, but they can never, according to researchers, produce sufficient social capital to bring about a systematic change. This can be offset by obtaining political capital (Fuchs, Shapiro, & Minnite).

Another way to improve social capital is by working with the youth of the community. Effective outreach to these marginalized youth relies on locally grounded understandings of who is a part of this population and how to best reach out to them (Erbstein, 2013). This involves building on local knowledge of and connections to vulnerable populations. Engaging with adult allies is vital in engaging with the youth in these communities. These youths need to have role models and appropriate leadership from adults in their communities. This can foster relationships between the youth and adults, as well as the organizations the adults are members of. These adult allies bring a deep commitment and support to the young individuals in the community and advocate for the youth to challenge and change the conditions that are undermining their own, and their community’s, well-being (Erbstein, 2013). As well, programs that focus on community development at the youth level focus on building needed skills in these individuals. Such skills include public speaking, writing, project planning, and academic literacy. This not only builds the confidence of the youth, but also allows them to have the needed skills to make real changes in their communities. These youths build their skills as they age, which makes them valuable members of their community (Erbstein, 2013). All of these skills foster cooperation between individuals and organizations, which leads to increased social capital in the community. Due to this increased social capital, and the skills the individuals have obtained, they are able to understand the needs their community faces and are able to successfully work to overcome these needs and make their community a better place.

Social capital in rural communities, specifically, is a newly emerging topic in the field of community development. Many of these rural communities do not provide the needed external networks to overcome the collective risks and deprivation in the community. The poor, especially in rural conditions, are essentially excluded from these external networks, in a term called ‘social exclusion’ (Prakash, 2002). Boding ties have been shown to be essentially the only kind of social capital that is available in poor communities. Bridging ties, particularly in rural communities, are almost impossible to obtain. Rural communities, particularly in the South, usually do not have the material or social resources to form this social capital (Prakash, 2002). Rural communities tend to have the least amount of social capital because they have the least resources to obtain it. The rural communities tend to have more low socioeconomically privileged individuals, and have low neighborhood density. Most of the families tend to be dispersed and not close together. This makes resident participation nearly impossible, which leads to lower social capital in the community.

Social capital has come into the spotlight in the field of economics only recently. Though social capital generally refers to a set of norms, organizations, and networks though which individuals in a community obtain access to resources and power, economists have argued that there is an addition to this. Economists have argued that there is also a focus to the contribution of social capital to economic growth (Grootaert, 1998). On a microeconomic level, this can be seen by the ways that social capital improves the functioning of community markets. On a macroeconomic level, change can be seen on the institutional level, through legal frameworks, and in the government through it’s role in the organization of production. Robert Putnam views social capital as a set of “horizontal associations” between people (Putnam, 1993). These connections, or social networks, have an effect on the productivity of the community.

There are two empirical presumptions that underlie this concept: 1) networks and norms are empirically associated, and 2) these associations have important economic consequences (Grootaert, 1998). This is because social capital through associations and institutions provide a framework for the organization of information sharing, the coordination of activities, and for collective decision-making. Bardham (1995) argues that this situation works due to the community’s beliefs in peer monitoring, having a common set of norms, and having local-level sanctions. This can be seen in the case study of the Grameen Bank in Bangladesh (Bardham, 1995). Bardham (1995) argues that what a community needs is a balanced view of the role of the central, state, and local institutions and governments.

An important aspect of creating social capital is implementing information sharing among the community. Many times, decisions made by economic agents within a community are inefficient because the information given to these individuals is inaccurate or lacking. Such inaccuracies can be a root cause of market failures, and social capital can work to alleviate such market failures (Grootaert, 1998). By creating relationships and sharing knowledge, or creating mutual knowledge, the likelihood of such inaccuracies decreases drastically, which decreases the chance of a market failure. Many scholars argue that the information-sharing role of social capital is a vital aspect in the alleviation of poverty (Grootaert, 1998). By giving access to information to individuals in low-income communities, a place where this information might not be readily available, community developers are assisting individuals in making informed decisions.

Another important aspect of social capital is the coordination of activities. Uncoordinated (or opportunistic) behavior can also be a cause of market failure. This can be caused, in part, by the inaccurate or lacking information, as noted above. One way to combat opportunistic and uncoordinated behavior is through associations. By creating repeated interactions between individuals, trust can be built and strengthened, which decreases the risks for such negative behaviors. Another influence on social capital is collective decision-making. Grootaert (1993) argues that this is a necessary quality for the provision of public goods, as well as the management of externalities to the market process. Low-income communities tend to lack in this area because their governments are not always creating policies that are in their best interests. An important aspect of why this is, is equity. Low-income communities tend to have less equity than high-income communities, so the governments make policies that positively affect those communities that have equity (Grootaert, 1998).

Various case studies have been analyzed to show that social capital is an important tool in combating poverty. In Brazil, the government supports a political instrument known as ‘Comunidade Solidária’ (Darcy de Oliveira, 2002). This tool is used to promote citizen participation within the community and to forge new alliances between the State and civil society as a way of fighting poverty within the country. Comunidade Solidária involves a large set of partners, including the government, NGOs, universities, churches, etc. The government, these organizations, and the community work together to create and promote goals for social programs to help those individuals in low-income communities. Comunidade Solidária was in effect for five years when researchers described the various effects this tool had in the communities (Darcy de Oliveira, 2002). Comunidade Solidária created high resource mobilization and an investment in social capital, as well as creating an accumulation of a wealth of knowledge and experience that is use to help those poor individuals within the communities. This has been conceptualized into a new frame of reference for governmental action as a way of creating social solidarity, social capital, and sustainable development. Darcy de Oliveria (2002) argued that the way to fight poverty is through the strengthening of the capacity of the people in these low-income communities and the communities themselves in order to satisfy their needs, solve their problems, and improve their quality of life.

In a study of Italy, Robert Putnam proposes that membership in civic groups or voluntary associations, similar to that of bridging ties at the micro level, have “spillover” effects. These effects can lead to better state-society relations through the mediating level of civil society (Putnam 1993). In this case study, Putnam (1993) also argues that the higher density of voluntary associations among citizens in the northern region of Italy actually explains the region’s economic success. This is compared to the southern region of Italy, where these voluntary associations are far less frequent. In the 1970’s, Italy’s government began setting up twenty new regional governments. While these twenty governments were identical in form, they varied in their social, economic, political, and cultural contexts in which they were based. Some of these governments proved to be failures, while others were successful. The governments that proved to be failures were those that became corrupt, inefficient, and lethargic (Putnam, 1993). Those governments that were successful, however, promoted economic development, promoted social capital, and worked to satisfy their citizens. One major result of this case study was the realization that strong traditions of civic engagement are hallmarks of a successful community. Communities with strong civic engagement are also those communities that have strong levels of social capital (Putnam, 1993).

Those successful regions of Italy were those that had many community resources and community organizations. This revelation has led community developers to implement community programs and organizations in low-income communities as a way of building social capital and creating trust within the community. By doing so, community developers can begin to facilitate communication and cooperation within the community and, in doing so, strengthen the community’s social capital. In turn, this can lead to increased economic development and can assist in moving those individuals in low-income communities above the poverty line.

The role of social capital is vital in combating poverty. While social capital does not eliminate poverty directly, they facilitate larger investments in human capital and financial resources. Individuals in low-income communities tend to rely on outside sources to assist them with everyday living expenses. Such individuals include family members, church members, etc. Researchers have identified three levels of social capital: within communities, across communities, and through ties with financial and public institutions (Warren, Thompson, & Saegert). Strengthening bonding capital within communities can assist in providing a solid foundation for developing social capital at the other two levels. Social capital, particularly bridging capital, can be used to bring needed resources into a community, as well as opportunities that might have been previously unavailable to those members of a low-income community (Warren, Thompson, & Saegert). This bridging can occur within communities, such as building relationships between organizations, or between different geographically located communities. It is important to build relationships and form social capital between different low-income communities, but it is also equally important to form these relationships between low-income communities and high-income communities. The high-income communities can bring with them new resources, connections, networks, etc., that other low-income communities will not have access to (Warren, Thompson, & Saegert).

The majority of researchers cite social capital as a vital part of community development. Recently, some researchers have concluded that social capital formation is an excellent tool for the reduction of poverty. It has become a guiding framework for intervention in low-income communities. Various researchers have established neighborhood characteristics that either facilitate or prevent social capital. This paper looked at neighborhood and individual characteristics that influence levels of social capital, as well as the roles that governments can play in building social capital in a community. This paper also analyzed two case studies to determine if social capital is an integral part in community development. While it has been shown that social capital cannot eliminate poverty directly, it can have a significant influence on the factors that do work directly to move individuals in low-income communities above the poverty line. I believe that social capital is an important aspect of community building and advise community developers to focus on building social capital and relationships within communities as a part of their work.

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