

## Social Capital: The Crucial Link for Optimizing the Impact of Human Capital



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**ABSTRACT:** This is a qualitative case study that explores how social capital optimizes the power of human capital in enhancing government performance and realizing broader goals and objectives that benefit an entire country. Through the analysis of data pertaining to the Republic of Armenia, the study explores approaches to growing social capital to boost the power of human capital in the government. As such, the research reveals that several work dynamics contribute to growing social capital, among which reciprocal collaboration, idea exchanges, and socialization; shared values of mutual trust and respect among staff; enabling environment of learning, openness, and healthy competition; sense of ownership, teamwork, and team performance rewards; sense of belonging and regard for national goals across units of government; and elimination of political favoritisms among staff. Though many of these notions are discussed in separate works by social science theorists, this qualitative research bundles multiple strategies in a comprehensive discussion of building social capital within and among units of government that would measurably amplify human capacity and performance for the public good.

**KEYWORDS:** capacity; teamwork; group performance award; social capital; socialization; work dynamics;

### INTRODUCTION

A key challenge for transition economies is to achieve a level of productivity that will grow the economy while affording competitive advantage for sustainable development. In general, debates on economic growth and development have dealt with issues related to the need for improving the 'doing business' environment, as well as adopting institutional and policy reforms mostly aimed at encouraging foreign direct investments to boost local production and exports. More recently, however, some attention has shifted to consider the potential benefits of social capital to human capital, institutional capacity, and society to complement the material preconditions for production and incorporate it into state development agendas.

As a rule, growth is conditioned by a country's national capacity or strength primarily derived from its physical capital, natural resources, human capital and social capital. But countries with relatively less or scarce physical capital and natural resources, must recognize the lower impact those two components would have on the total state capacity and attach significant importance to focusing more intensely on the role of human and social capital to increase productivity and make better progress in development (Hjerpe, 2003).

A review of existing studies reveals that scholars perceive the role of human capital in different ways. While some (Arrow 1999; Krueger and Lindahl 1999) measure the "rates of return" of investments in human capital, others (Acemoglu 1996; Harberger 1998; Bosi et al. 2021) discuss the positive externalities derived from human capital growth. Several scholars argue that investment in knowledge, skills and competencies increases productivity and earnings, leading to prosperity. Some even go further explaining how knowledge, skills and competencies enhance individual productivity thereby enhancing societal wellbeing (Kenkel 1991; McMahon 2001; Wolfe and Haveman 2001). However, there is insufficient empirical evidence of the direct causation of social and human capital combined on economic growth or development.

Aside from or in relation to human capital, social capital has only recently captured attention in discussions of factors related to productivity and national advancement (Fukuyama 1995; Knack and Keefer 1997; Putnam et al. 1993; Whiteley 2000). Here too, considerations and perceptions of social capital vary significantly producing little evidence of its real impact on economic growth and community development. Recent works have focused on finding linkages among different forms of capital arguing that one form of capital alone cannot generate growth, let alone sustainable development (Iyer et al. 2005; Neira et al. 2009; Parts 2003; Putnam et al. 1993; Fukuyama 1997; Teachmen et al. 1997; Narayan and Pritchett 1997; Woolcock, M. 1998). This argument necessitates paying closer attention to the interplay among different types of capital, but especially between human and social capital, and the individual and collective capacities added or created through relationships and networks. The current research builds upon prior findings on the linkages between human capital and social capital hypothesizing that social capital creates fertile soil for human capital to flourish in a case study of the Republic of Armenia (RA).

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### CASE BACKGROUND

In pre-Soviet Armenia, the extended family and communal affiliations played an important role throughout the country, but especially in rural communities (Babajanian, 2008) where the family and village commune served as integral sources of social capital, albeit not deliberately intended or planned. After sovietization and the collectivization of agriculture, the authorities tried to emasculate the family network drawing away attention toward establishing and bolstering formal communist systems. However, even under such state-imposed social configurations akin to totalitarian regimes, informal networks endured and continued to play a crucial role in providing entry to otherwise inaccessible resources (Babajanian, 2008; Ledenova, 1998; Lomnits, 1988). Discussing formal networks in the USSR, Linz and Stepan (1996) claim that the Soviet totalitarian regime aligned with promoting mobilization of citizens through approved groups and organizations, such as trade unions, youth organizations, and other formal systems that were created primarily to promote official ideology and grow loyalty to the communist regime. Thus, the concept of social capital was aimed at fostering trust toward the regime rather than toward family and fellow workers.

Only after the demise of the Soviet Union did social networks take on new meaning in most of the newly independent states, some receiving the attention of international organizations that embraced community engagement and promoted building trust as integral strategies of their development interventions (Babajanian, 2008; World Bank, 2000). However, the central purpose of such sponsored projects was to establish and boost the concept of citizen participation (mostly in voicing opinion on policy issues and alternative options) often neglecting the important role social capital could play in advancing development. The natural progression of changes in this domain, although positive, has not fully transformed the Armenian society to take ownership of the country's development by way of devising or adopting mechanisms that foster the optimal and integrated use of human and social capital. At the government level, no visible efforts are apparent on policy-level programs that consider the weight and impact of social capital in growing collective human capacity. At the individual level, there is a growing tendency to advocate that "it is not just what you know, but who you know" that will make a difference in one's career advancement. The word "teamwork" is used nonchalantly by many without reflecting on its true meaning, applications, and merits.

Current trends in the Republic of Armenia show that endogenous growth theory — particularly in reference to investments in human capital, innovation, and knowledge — has been the dominant element in the state strategic development agenda and efforts related to boosting the economy, with little or no regard to the role of social capital.<sup>1</sup> While the concept of human capital is ubiquitous in most if not all development policies and state initiatives, at least in terms of the economic value of staff knowledge, skills, and experience, not much attention is paid to complementing it with social capital for growing government productivity or boosting the existing competitive advantage in sectors that have shown dominance or high-growth potential in local and international markets, though some positive changes in the use of social capital are noticeable in the high-tech industry, but mostly in the private sector.

### HUMAN CAPITAL

Development scholars and technocrats have long recognized the important role that people — the knowledge, skills, and abilities that people possess — play in advancement, economic growth and development, their collective capacity shaping the central basis for states to invest in education and training. The literature on human capital theory differentiates among different channels of knowledge acquisition: formal education in primary and secondary schools and at higher levels (Cohn and Geske, 1990); informal education at home and at work (Schultz, 1981); on-the-job training, internships and apprenticeships (Mincer, 1974); and specialized vocational education at secondary school and higher levels (Corazzini, 1967). Whatever channel is used for acquiring knowledge, information, and skills, the benefits are diverse and range from simply becoming more knowledgeable to possessing specialized competencies and occupational acumen. In turn, these contribute to increasing wellbeing and quality of life on a broader scale, but also affect the power of negotiation and participation in various global processes (Becker, 1993; Carneiro and Heckman, 2003).

The aphorism that the most enduring wealth of a state lies in its human capital, the composite of knowledge and skills that people possess, asserts that it produces tangible returns if utilized properly and somewhat compensates for gaps that exist elsewhere in the factors of production. This is especially true for countries with limited access to physical capital and natural resources. However, the intensity and impact of human capital extends beyond just schooling which alone has not guaranteed improved development and economic growth (Easterly, 2001; Pritchett, 2006).

The *human capital investment revolution* that emerged after WWII with the seminal works by Schultz (1960) and Denison (1962) launched the course of viewing people differently. Earlier development theories had regarded people in terms of labor measured by the *quantity* of labor, a key factor of production, without tackling the need for cultivating the *quality* of labor for enhanced economic growth. Other proponents of endogenous growth models (Barro, 1991; Nelson and Phelps, 1966; Romer, 1990) also regarded human capital as a primary contributor to development, some measuring rates of return on human capital investment (Duraisamy, 2002; Nalla-Gounden, 1967; Psacharopoulos, 1973) and others emphasizing the positive externalities of human capital

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<sup>1</sup> A few international organizations have paid attention to integrating into locally implemented projects elements of social capital although perceivably not in conjunction with human capital.

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(Becker et al., 1990; Denison, 1962; Lucas, 1988; Svennilson, 1964; Tilak, 2003). This raises the important question of how social capital would or could influence the quantity and quality of labor.

### SOCIAL CAPITAL

According to Putnam, social capital is the trust that characterizes the culture of a society and, as such, it refers to the “*networks, norms and trust that facilitate action and cooperation for mutual benefit*” (1993: 35). Moving forward from this rather narrow definition, scholars offer a more comprehensive perspective, which expands the earlier definition to include the role of formal organizations, combined with individual dexterities and empowerments that shape the social, political, and business environment and patterns of development (Parts, 2003; Gannon & Roberts, 2020). Along those lines, social capital should be viewed as “*the institutions, relationships, and norms that shape the quality and quantity of a society’s social interactions. ... Social capital is not just the sum of the institutions which underpin a society; it is the glue that holds them together*” (World Bank 1999). Congruent with this line of thinking, Krishna (2002) and Putnam (1995) observe that social capital may incorporate elements that include networks, norms and trust. In that context,

*“Social capital can raise total factor productivity because the quantity and quality of social capital affect managerial capability in both the private sector and the public sector. Managerial capability improves when social capital reduces information costs, transaction costs and risks, and helps to avoid moral hazard and adverse selection problems. Social capital also influences the quality and the rate of accumulation of other types of capital”* (Daut, 2006: 8).

Scholars argue that social capital amplifies the power of human capital, innovation and knowledge through improved information sharing, negotiation and governance. This amplification of human capital occurs by way of increasing the quality and quantity of social relationships through which people access more resources that become available from other people or groups (Glanville & Bienenstock, 2009; Gannon and Roberts, 2018; Sawhill, 2020). In that process, the quantity and quality of labor is enhanced and would positively influence productivity. Studies and reports by international organizations have shown that the lack of social capital, in spite of the existence of strong human capital, could be the reason for slow economic growth in many post-Soviet states. These earlier arguments lend themselves to questions on productivity and sustainable development specifically as it relates to the integration of both factors of production, human and social capital.

Even though little importance was attached to social networks and community connections in developing countries before the 1990s, there is consensus in development studies on the importance of social connections (Woolcock and Narayan, 2000; World Bank, 2011). Especially after the demise of the Soviet Union, development agencies have been supporting *community driven development* projects that emphasize the importance of cultivating social capital to speed development (Babajanian, 2008). Scholars also underline the importance of social capital for various other outcomes. As explained by Singh and Koiri (2016: 276), social capital “*involves trust, mutual understanding, shared values and behavior that bind together the members of a community and make potential cooperative action. In both formal and informal interactions, social links and the norms and values associated with them play an important role.*”

Beyond trust, however, social capital theory states that relationships and interactions among individuals or social networks impact the process of knowledge sharing and learning (Nahapiet and Goshal, 1998). Scholars argue that the way people behave in government, business and society is a direct product of their social milieu. Through social interactions and experiences, individuals learn to add depth, breadth, and efficacy into the process of sharing information and knowledge, whether in an educational setting, business interaction or policy deliberations (Bandura, 1989; Lane and Lubatkin, 1998). Moreover, social capital enables collaboration and mutual rewards made possible by “*the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit*” (Putnam 1995: 243).

Even though there is no clear evidence of direct linkage between those two forms of capital, at the minimum it is assumed that the reinforcement of human capital through social capital would augment the human potential. One of the early proponents of this interrelation, Coleman (1988) argues that people’s actions are shaped by the social context in which they occur; this suggests that social capital drives the likelihood of positive outcomes from investments in human and other forms of capital. Moreover, Schuller (2000) posits that the effectiveness of human capital performance heavily depends on the norms, expectations, and the social context where they are shaped and delivered. “*Social capital brings to the force the social networks and values through which skill portfolios generally are built, deployed and rewarded*” (Schuller, 2000: 18). Accordingly, dominant norms, networks, and relations among community members enable realization of human potential.

This raises further questions related to the potential influence of social capital on human capital. Grootaert (1998) distinguishes among three major channels of influence. Firstly, knowledge and information sharing are regarded as more optimal in a socially constructive and supportive environment where positive attitudes and low uncertainty prevail. Secondly, the activities of community members (or members of a collective) become more coordinated thereby reducing opportunistic behavior. Thirdly, strong social capital entails collective decision-making that enables people to enact collectively supportive agreements. Thus, an environment of coordination and mutual support diminishes the possibility of failures decreasing the transaction costs related to human interactions, acting as a significant *value-added* complement to human capital.

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### RESEARCH OBJECTIVE, DESIGN AND METHODOLOGY

This is a case study of the Republic of Armenia. The impact of social capital is investigated solely in the context of government efforts in raising the social capacity of state agencies for improved outcomes from state-led development programs. The first part of the study is a portrayal of current institutional and other forms of group relationships that aim at creating or have created social capital. This identifies and describes the knowledge and information-sharing channels (outside of political and party-driven connections) that are evident in state projects or policies that link human and social capital to boost individual and group capacity and productivity. The second contribution is relative to policy and program components that influence the quality and the rate of accumulation of human capital by way of increasing collective action (from issue identification to decision making and implementation) within state programs and development strategies.

Data was collected in March through November 2022. The data collection instruments were devised intently to explore and describe ways in which human capital and social capital are or can be integrated for greater impact on development. As such, the research question was tackled from different perspectives through the collection of data from multiple sources. In the first phase, expert interviews were conducted with five experts, primarily to fine tune the interview questions drafted from the review of prior research in this field or relevant academic literature. In the next phase, 14 in-depth interviews were conducted, 7 with representatives of international and local development agencies engaged in development projects in Armenia, and 7 representatives of key national government agencies and/or leaders of rural municipalities where there are development projects being implemented. Maximum variation sampling was used for selecting the interviewees to ensure coverage of diverse positions of responsibility and experience in governance, management of development interventions and/or projects at the level of national or local government. Subsequently, two small focus groups of 9 participants in each were organized with different segments of society to ensure inclusion of people with different educational backgrounds, age and occupation. The focus groups aimed at only validating the findings from the interviews.

A sequential design was used in this study, affording the review of various academic arguments to help devise and sharpen the interview questions and subsequent to the interviews confirm and/or validate the findings through triangulation with data from focus groups. The interviews conducted with experts first helped refine the interview questions for more astute interrogation (and probing if necessary) in the next phase of interviews. Additionally, the focus groups that followed the in-depth interviews were used to substantiate the views, explanations, and suggestions from the earlier phase with respect to integrating social capital and human capital for greater productivity.

### DATA COLLECTION, ANALYSIS, AND FINDINGS

Five expert interviews were conducted to establish a shared understanding of the concept and pinpoint the most influential program and policy components that could create or strengthen social capital, notwithstanding the different forms of social capital. The most prevalent opinion among the experts was that social capital is the network or status (beyond financial) of a person, or a mixture of both. As one expert stated, “*Social capital is the sum of one’s personal social attributes and potential, combined with the power, prestige, and influence of the people one has access to.*” Assuming that this definition establishes the common thread in the meaning of social capital, the experts interviewed emphasized the factor of complementarity between human and social capital especially from the standpoint of enabling institutional arrangements that influence and increase individual and collective work productivity and impact on society. Most importantly, they proposed the most significant building blocks of social capital to be trust, empathy, reciprocity, and shared responsibility that extend beyond personal likes, affinities, and political affiliations.

Building from the definition, factors of influence and practices of social capital proposed by the experts, 14 representatives of international development organizations, government agencies, and non-governmental organizations or associations were interviewed. Having assured the anonymity of respondents, the interviewees candidly expressed their opinions, articulating diverse approaches and interpretations for increasing social capital to best complement human capital. There is no question, most interviewees argued, that participation in various learning processes, whether on-the-job learning or participation in internal and external training, are critical for organizations to maintain competitiveness and grow the combined capacity of staff. As one interviewee from an international organization implementing projects in Armenia emphasized, “*in the process of working toward our shared project objectives, we place significant focus on creating learning components that enable and encourage collaboration within and among organizations. This has been a critical factor in our projects and a cross-cutting objective for augmenting resources and increasing productivity*” (I-8).<sup>2</sup>

Moreover, elaborated another respondent, strong connections among different units and divisions of government necessitate reciprocity of collaboration and exchange of ideas — ingredients essential to building social capital (I-2). Working relationships and multi-level access to colleagues and others help with looking at things in different ways and getting answers to more complex questions. “*Through healthy collaboration arrangements, individuals get support, assurance, as well as new insights that noticeably change their work ethic and approach to dealing with more complex assignments, tackling bigger issues, or*

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<sup>2</sup> Interviewee numbering protocol used in this research.



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performing routine tasks,” (I-7) added a representative from a government agency, underscoring the benefits of exchanging knowledge and values through social interactions. She even went further discussing the importance of organizing social events or activities that spur new relationships.

“*Social capital is the glue that holds our community together,*” asserted a farmers’ association leader and elected councilman in a local government. He went on explaining how the villagers share knowledge and experiences that help develop new skills among many more in the community and “*help solve the multitude of problems they encounter working their land*” (I-5). Along similar lines, a mayor articulated how in their town social bonds among members of the community have helped design and realize major projects and also enabled reaching out to neighboring villages. “*Social capital is our way of life and helps us in many ways to develop shared values — trust, respect, belief in one another, commitment to community, and ethical conduct. Through strong relationships we advance common interests and come together to solve problems for everyone and bridge our communities. ... though I must point out that the strength of our relationships and belief in the common purpose have somewhat eroded due to the growing political divide in the recent years*” (I-3). The negative effects on social capital ensuing from the sharp political division(s) prevalent in Armenia were also mentioned by four other interviewees.<sup>3</sup>

“*The real challenge lies in the process of creating social capital in an increasingly fragmented society,* argued an interviewee from a local development NGO. “*The extreme politicization we are currently experiencing has further polarized our people, broken relationships, increased clientelism, deteriorated social morality and decreased voluntary activity leaving many out of touch and even uninterested, let alone being united around shared values and goals*” (I-1). Social capital develops from interest and engagement, from believing in what one is expected to accomplish and not from dissociation and distancing ourselves from other governmental or non-governmental programs, she elaborated, emphasizing “*particularly when one is working in a development project with clear outputs and outcomes that can only be achieved through collaboration.*” Along a similar line of thought, an international expert raised the question of “*potentially banning or penalizing noticeable political influences or favoritisms among state employees. Civil servants deserve equal treatment and support, regardless of their political or family affiliations. Governments should not become political playgrounds*” (I-11).

In parallel, the program manager of a non-governmental organization (NGO) responsible for a large development project in rural Armenia raised the relevance and importance of ‘shared identity’ in our interview with her. Elaborating on her thoughts about social capital, she explained: “*The most important success factor is for employees to have a shared identity, which I view as the essence of social capital. That is what will grow our sense of belonging, the sense of being a part of something bigger and more important than ourselves, working toward a vision higher than our personal objectives, and achieving success for everyone*” (I-1). And, an international agency official working on a project with the RA government used a comparison of several government programs and development initiatives to explain how some projects have produced measurable outcomes, and others have not, mostly resulting from the effective use of three tools: communication within and across organizations, ownership of projects, and teamwork in pursuit of common goals and objectives. “*It is possible and also preferable to develop relationships that contribute to shared objectives without regard to political likes and dislikes,*” he emphasized (I-10). “*The institutional and work arrangements must be geared toward creating such an environment where all employees, regardless of their political views, feel that they belong and have a role to play in reaching the finish line of each development project.*”

Along a similar line of thought, a government official turned attention to how he views relationships among agency staff at all levels of his organization (peers, subordinates, and supervisors): “*I regard the benefits of interrelationships from the degree to which they actually commit to and promote shared values, advance a common understanding of our goals, create healthy competition parallel to supporting individual efforts beyond the expected congeniality and professional demeanor. In that process, the collective intellectual and performance capacity can grow bigger and produce better results toward mission accomplishment*” (I-6). Another civil servant similarly asserted: “*Social relationships are the intangible resources you can tap on to augment your own capacity thereby increasing the economic value of your output and the impact you can have on the whole country, through your unit’s enhanced productivity*” (I-4).

Adding a slightly different twist to promoting competition among employees, an international agency project manager shared her experience working with different state organizations: “*Though we have witnessed a difference in the self-promoting work style of civil servants, which potentially occurs in other countries too, the adoption of group performance rewards or bonuses may significantly contribute to the quality and productivity of teams. Real teamwork goes far beyond simply working together on the same project. It’s about sharing information and knowledge openly, being interdependent, believing in the collective capacity of teams, not personal aggrandizement*” (I-9). Sharing the rewards of exceptional performance and work results requires selfless dedication, which is hard to achieve in government or the public sector, in general, where individual business profits are not at stake, explained an interviewee from a foreign development organization (I-14).

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<sup>3</sup> Though these comments were unsolicited, these interviewees did raise concern about the existing political divide that disrupts relationships and works against social capital.

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“Many international development programs are increasingly paying close attention to creating the social capital, [meaning] the enabling environment that builds human capacity and advances intended objectives and/or programs,” explained the country director of a major international development organization” (I-12). “As such, human capacity building depends on the institutional and social capacity to provide a conducive environment for learning and performing. Ministries with organizational structures and practices that do not promote such a learning and sharing environment of support are unlikely to achieve a highly productive and motivated work environment,” added a consultant working in the same organization (I-13). Thus, local governments and donor organizations need to work in tandem to create an enabling environment supportive of capacity building and effective use of knowledge.

Below is a tabular depiction of the ten most dominant elements of social capital brought up by at least half of the individuals interviewed and particularly addressing the question of growing state capacity and productivity by way of increasing social capital. Some of these are enabling drivers of social capital, while others are derivatives of what social capital produces to positively impact human capital. A discussion of these elements will follow the tabular depiction of findings.

These same components were subsequently presented to two focus groups for validation and are depicted in the next column of the table below with their respective degree of agreement with the ten concepts. No additional time was allotted in the focus groups for developing new ideas or further discussion of each notion participants were asked to grade.<sup>4</sup>

Components Related to Social Capital	Number of Interviewees mentioning the concept (n = 14)	Percent of focus group participants in agreement with the concept (n = 18)
Reciprocal collaboration and idea exchanges	12	89%
Developing shared values of mutual trust and respect	11	89%
Creating an enabling environment of learning	11	83%
Nurturing sense of ownership and teamwork	10	78%
Encouraging and rewarding team performance	9	78%
Growing a sense of belonging and regard for national goals	9	83%
Promoting healthy competition	8	72%
Organizing social events/activities at work	7	56%
Fostering an environment of openness and support	7	56%
Eliminating political favoritisms of state employees	7	72%

### CONCLUSIVE REMARKS AND RECOMMENDATIONS FOR FURTHER STUDY

The above summary table shows that reciprocal collaboration and idea exchanges have scored the highest with 12/14 interviewees maintaining that social capital stimulates collaboration and idea exchanges within and among units of the government, which augments human capital and, therefore, productivity. Simply by way of open discussion of issues and collective decision making of optimal policy responses or procedural solutions result in achieving higher efficacy of operations and reducing wasteful use of human resources — more quality for an equal quantity of labor. But, reaching such an operative environment of highly productive group effort or teamwork requires designing or promoting social structures whereby people working in government tap on others’ knowhow or viewpoints without hesitation, second thought, or fear from political tendencies. By and large, this postulates that focused attention must be paid to building social capital within and across the institutions of government, but without crossing the boundaries that enable the checks and balances among the branches.

A close second was the notion of developing shared values of mutual trust and respect with all but one of the respondents from above explaining that these values are imperative for productive collaboration and idea exchanges. “Why would one seek others’ advice, viewpoint or suggestion in the absence of trust and respect for them,” posited the majority, claiming that trust and respect are the pillars of collaboration without which hardly any work relationship produces positive influences that may boost individual or collective productivity. Moreover, some respondents indicate, building trust (considered as the essence of social capital) within the government apparatus and establishing behavioral norms that add value to the collective capacity of state institutions is rather challenging, particularly when politics comes in the way of relationships. Absent the needed level of social trust among state agencies and intrinsic value embedded in reciprocal trust among civil servants, institutions weaken, democracy suffers, and development dwindles.

This notion of trust is closely tied to the third element receiving attention with 11/14 respondents underscoring that social capital helps create an enabling environment of learning on the job outside of formal training aimed at increasing one’s knowledge

<sup>4</sup> Focus group participants were presented each notion, provided with a brief explanation to ensure common understanding of each concept, and asked to grade within five minutes from the articulation of each using a scale of 1-10 expressing the degree to which they agree with the concept, with 1 being the least agreement and 10 the highest. The average of scores was then converted to a percentage of agreement.

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and skills. Among these, there were five among these respondents who also discussed how political divisiveness among state employees causes diminishing returns as workers become more enclosed and isolated from their colleagues solely because of having contrary political beliefs or outlooks. The resultant decline in the stock of social capital weakens the power of human capital productivity particularly affecting the reach and value of public goods.

Among the interviewees, there were 10/14 put forth the importance of nurturing a sense of ownership and teamwork, with 9/14 emphasizing that encouraging and rewarding team performance (as opposed to individual) could help increase the combined productivity, along with the positive impact on performance of growing a strong sense of belonging and regard for achieving national goals among employees. As depicted in the table, a slight disagreement is noticeable between the interviewees and focus groups (50% vs. 72%) with respect to the assertion that political favoritisms must be eliminated from state institutions before social capital can be built to complement human capacity for greater productivity.

There were a few respondents who again claimed that the growing political divide in the country, as exhibited in the striking partiality of appointments to top government positions, promotions, together with unsubstantiated employee performance rewards and bonuses have further deteriorated social capital and contributed to the dysfunctionality of government. The design and structure of performance incentives, such as group awards, could positively impact social capital and increase the quality of labor (against a constant quantity of labor) providing fertile soil for human capital to flourish regardless of political currents.

The lessons learned from this qualitative analysis will help place new emphasis on investing in programs intended to boost knowledge, skills and competencies by intently fostering the growth of social capital in government agencies. Such focused attention to building social capital would enhance the capacity and productivity of the government of Armenia and could also apply to other countries facing similar challenges. Further analysis of the layers and nuances in the linkages between social capital, human capital, and government productivity could add on the findings from the current study and help devise structures, policies and strategies that grow strength and tenacity among civil servants and units of government to circumvent individual political differences for the common good.

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