

NZJER Special Issue: Human Capability

JANE BRYSON* and PAUL O'NEIL

Editorial

The genesis of this special issue lies in the conclusion of the editors' FoRST funded research 'Developing human capability: employment institutions, organisations and individuals', and in the tenth anniversary of the 'human capability framework' developed by the Department of Labour in 1999 to assist policy thinking on the labour market. Hence, this issue comprises six articles which utilise in different ways the concept of human capability and its development.

Dictionary definitions typically refer to capability as either 'ability and power' or as 'underdeveloped or unused faculty'. In relation to people, there is a sense in this definition of capability referring to human potentialities rather than actual human actions. In this sense, the concept of human capability and its development lends itself to a number of areas within the domain of employment relations, particularly with regard to workplace skills and skills development, an area which has been the focus of much recent effort from the macro- to the micro- level in developed states such as New Zealand.

At one level, therefore, human capability is perhaps indistinguishable from the notion of human capital, whereby human qualities, either innate or learned, have the potential to be employed in production in much the way that physical capital is. Human capability from this perspective becomes reduced to the utility people have in production. Similarly, capability development becomes reduced to the acquisition of skills and other human qualities that are of relevance and use to the workplace. Given the dominance of human capital theory in the disciplines informing employment relations, it is perhaps reasonable to ask what usefulness a new term – human capability – has for something that already has been 'named' and informs discourse and practice. The articles in this issue hope to address this question by encouraging the reader to think of human capital in more holistic terms by centring attention on the 'human' part in human capital. In doing so, emphasis is placed on people as social beings brought into existence for social reasons rather than for their use in production. It also acknowledges that individuals differ in their innate and learned qualities and motivations, including those that are useful to production.

Also, in this expanded view, sites of production become recognised as sites of social production as well as of commodity production and thus subject to societal tensions and contradictions as to what constitutes development. Similarly, a broad view of sites of production recognises that human capital and its development goes beyond bringing about economic development but also brings about social development. Most

* Jane Bryson & Paul O'Neil, Industrial Relations Centre, Victoria Management School, Victoria University of Wellington, Jane.Bryson@vuw.ac.nz

of the articles in this issue take this more expansive interpretation of human capital, and, principally drawing on the various works of A. K. Sen (the Nobel Laureate in Economics in 1998) and use the term human capability to capture this wider view.

Sen's work originated within the context of development economics. He critiqued dominant development thinking and practice which prioritised economic development based on a 'western model' and measured by increases in GDP per capita, noting its failure to raise the human condition for the masses in what constituted 'under-developed' nations. In *Poverty and Promise*, for example, Sen demonstrated that it was a lack of entitlements ('command over commodities') rather than insufficient food availability through development that resulted in death and suffering on a wide scale. His analysis of the famine in Bangladesh in the early 1970s illustrated that people started dying when food availability was at record levels. People died, not because of a lack of food but because many lost their jobs when the floods hit and consequently their entitlement to food. At issue was not a lack of economic development in terms of productive capacity but an issue of distribution (Sen, 1981).

Whilst a focus upon entitlements in development thinking moved towards putting people's well-being at the centre of analysis, Sen began to use the term 'capabilities' to break from the strong relationship entitlements have with command over commodities. To Sen, capabilities represent a "person's real opportunities to do and to be" (Pressman and Summerfield, 2002: 430), or simply the 'freedom to achieve various lifestyles' (Sen, 1985, 1993, 1999). This use expands on the human capital approach which focuses on a person's given skills and abilities.

Sen distinguishes between 'capabilities' and 'functionings' in his work. Functionings address the actual outcomes or achievements of what a person does or is. Capabilities, in contrast, represent those sets of functionings that a person could choose or alternatively, the availability of opportunities. From a policy or strategic perspective, capabilities are more important because they can more easily address the availability of opportunities such as the real capability of obtaining an education, being able to be mobile or having dignity and respect and in a liberal positive sense, open the space for agency in choosing to act for oneself to bring about change and to consider others in those decisions. In contrast, while some functionings are determined by social constraints, many are also related to preferences and inherent talents and thus, are beyond the influence of policy-makers.

Sen's approach to human capability is now migrating beyond informing progress in development thinking and practice in developing nations, to use as a philosophy and an analytic framework to address contemporary economic and social issues in developed nations. In Western Europe in particular, human capability has recently come to prominence in the debate over European Union (EU) social and economic policy as a result of its use in the Supiot report on the transformation of work and employment relations (Salais, 1999; Supiot, 1999). Here, the argument presented is for EU social and employment policies and institutions to be reconstructed to provide for "active security to cope with work transformation and economic uncertainty" (Salais and Villeneuve, 2005: 6) as a complement to the economic transformation strategy towards 'knowledge-based' economies as agreed to at the Lisbon summit in 2000. Thus, by recognising that economic transformation implies further moves away from standard employment relationships, social protections also need to shift away

from traditional forms of protection against economic risk towards proactive security for individuals in the labour market (Barnard, Deakin & Hobbs . 2001).

Similarly, the articles in this issue attempt to extend Sen's capability approach to examination of social and employment issues in a developed nation, such as New Zealand. Policy-makers and other agents in New Zealand have grasped, in recent times, the need for transition towards more knowledge-based economic activity as a means for sustainable development. There are, however, ongoing arguments and a lack of consensus as to the appropriate institutional arrangements, both in and surrounding the workplace, to support this transition. An aim of this issue is to provide a fresh perspective on this debate in New Zealand.

One aspect of the debate over appropriate institutional arrangements for economic transformation in New Zealand concerns the continuing dominance of neo-liberal thought, which prioritises institutions that promote freedom of contract and minimal interference by the state in redistributing resources. In this view, collective bargaining and social rights embedded in the welfare state upset the spontaneous order of the market and act as a fetter on economic development. The article by Deakin, whilst placed in an English and EU context, challenges this conception on its own grounds by utilising the capability approach to argue for the market-creating function of the rules of social law. Deakin develops this argument from a historical perspective by tracing the development of the welfare state and contemporary employment policies from early ideas associated with the duty to work as captured in the English poor laws. Whilst he acknowledges that some developments in EU statute and case law help support the idea of social rights promoting labour market participation, other institutional arrangements, such as the EU open method of coordination of social security are held by Deakin to limit the spread and learning from institutional innovations that occur in some member states (i.e. the Nordic states).

The article by Anderson provides a commentary from a New Zealand perspective on the article by Deakin. Anderson focuses on the relevance to New Zealand of Deakin's argument that a capability approach provides a framework to shape labour and social policy to maintain social security in the face of labour market insecurity. Anderson argues that the current ability and prospects for labour law in New Zealand to maintain social security is somewhat light compared to the EU. Anderson points out that unlike continental Europe, there is a strong ideological belief among New Zealand's legal community that common law is 'real law' and that statutory law interferes with 'fundamental common law rights'. This preference for common law limits capability approach thinking to labour law where for instance, the common law has never recognised that an employee might have 'protectable rights in the continuity of their employment'. Nevertheless, despite this, the modern contract of employment in New Zealand has to be seen as an integrated structure of common law and statute in which a range of protections exist from the minimum wage to protection against unjustified dismissal.

Such protections are somewhat different from what Deakin and Supiot have in mind in a reformed Welfare State, reflecting measures to protect individuals against economic insecurity rather than maintaining economic security in the face of risks. Nevertheless, New Zealand retains a relatively strong social welfare system, elements of which, such as the combination of social insurance and universal superannuation,

do provide a relatively strong degree of economic security for those unable to work because of accident or age. Anderson, thus, does not see much short-term influence of the capability approach on employment and social welfare law, but has prospects for it as a theoretical support for progressive reform of such structures.

The article by Barker, Cowey and McLoughlin considers how the human capability concept has been used by policy practitioners in New Zealand – principally in the Department of Labour (DoL). In contrast to Sen, the concept was developed in late 1999 and used early in the new millennium by the DoL as a ‘conceptual framework for understanding the dynamics and forces at work within the labour market’. In this human capability framework, the labour market is viewed as comprising three core elements: capacity (people’s skills, knowledge and attitudes), opportunities (places where people can utilise their capacity to generate income and other rewards) and matching (the process of matching capacity with opportunities).

As the authors note, naming this framework as ‘human capability’ is really a reworking of the mainstream economics understanding of how labour markets work, thus it is old wine in a new bottle. Nevertheless, as the authors discuss, such a reworking had significant utility as a guide for policy-makers, who were adjusting to the more social democratic regime of a Labour-led government and out of more than ten years of extreme neo-liberal-informed governance and associated reforms. The framework, thus, provided the concepts and language to re-insert society into labour market issues and to help frame the political emphasis on employment issues at the time ‘from a social welfare mentality to one of social development’. Additionally, the framework assisted the DoL in the competition with other Government agencies for influence with ministers. Within the DoL, the framework proved useful in the development of key policy initiatives such as the Government’s Employment Strategy in 2000 and its subsequent Inter-agency Skills Action Plan.

Barker et al. note that the framework largely fell into disuse after 2004. Whilst conceptually, the framework serves to identify the interdependence between ‘supply’ and ‘demand’ sides of the labour market, politicians and policy-makers find it easier to intervene on the supply side and are reluctant to intervene in the demand-side. Prior to 2004, supply-side policy initiatives, such as those mentioned above fitted with the policy emphasis on increasing labour market participation. After 2004, the policy emphasis began to shift towards increasing New Zealand’s low productivity relative to other OECD nations. The authors acknowledge that whilst still a valuable tool for labour market policy thinking, the framework needs to be supplemented ‘by greater depth in understanding [of] the underlying dynamics within the framework’.

From a policy perspective our own article, Bryson and O’Neil potentially provides a useful follow-on from Barker et al. We report on a recent FoRST-funded research project which utilised Sen’s notion of human capability to examine how New Zealand institutions, organisations and individuals associated with workplaces both drive and constrain the development of human capability. The study has a largely micro-focus within organisations.

Surveying the literatures on learning organisations, human resource development, human resource management, workplace learning and adult education, the authors find two separate strands on human capability. The dominant strand is one in which

an implicitly instrumental view of human capability as serving the achievement of organisational goals is taken. The dominance of this strand is, in no small part, due to the popular uptake of human capital theory and resource-based views of the firm, which provide an appealing logic for organisations to behave in a short-term, self-interested manner. A contrasting critical strand points to the limits of human capital thinking on HRM practices towards organisational learning – its commodification of learning, ignoring of power relations, inability to deal with the general problem of underutilisation of investment in learning, and its failure to recognise the factors in workplaces that are supportive of learning. In the light of the narrow conceptions of the role of workers, managers and organisations in human capability development, we were drawn to the work of Sen's capability approach as an alternative starting point to provide a more integrated way of considering organisational ends, individual needs and societal outcomes. More particularly, this lens helped to ask: what are the social arrangements that lead to the ability of people in workplaces to do or be something they value and have reason to value.

Based on extensive field research, we developed a framework identifying drivers and barriers to the development of human capability in New Zealand organisations. We believe that such a framework has relevance for policy-makers attempting to construct policy interventions that go within private production in order to facilitate increase in productivity as well as for managers and others within firms attempting to do the same. For instance, as with the EU initiatives discussed in the Deakin article, the framework expands the scope for policy measures which enable individuals to manage uncertainty in the face of organisational restructuring – as opposed to merely providing income security such as the unemployment benefit. Similarly, within organisations, the organisational practices that make a difference to human capability are not dissimilar to forms of good human resource management practice that underpin high performance in organisations.

The multi-dimensional nature of capabilities and functionings in Sen's approach, whilst adding complexity, lends the approach to applications evaluating the outcomes of policy and strategic initiatives. Two papers in this issue illustrate the utility of Sen's approach for evaluation purposes. In the first of these papers, Kesting and Harris utilise Sen's thinking on capability as freedom to lead one type of life or another with a feminist approach to the gendered notion of care to critically examine whether actual work-life balance initiatives fit with what is implied in the term – 'a wider range of life opportunities and a process to attain and guarantee [them]'. Two cases illustrate this approach. They find this approach offers a framework for developing a more open and less biased evaluation of work-life balance social policy and workforce initiatives.

Schischka, in his paper, evaluates the usefulness of Sen's capability approach to empower communities and to guide development appraisal mechanisms. The context of this paper is a development setting of pre-school education in Vanuatu in which Volunteer Services Abroad (VSA) is a development partner. Schischka argues that, in such settings, evaluation is dominated by mainstream economics thinking whose reductionist approach 'miss[es] much and misleads' the extent to which different aid programmes have been able to contribute to social progress and improved standards of living. He develops and reports on a capability approach inspired appraisal

methodology which seeks to capture more of the realities of the participants in development programmes.

Collectively, the articles in this special issue provide an illustration of the applicability of the capability approach to an alternative analysis of the human lot in work and society. They also remind us of the ongoing challenges for researchers, policy makers and organisational actors (from managers to workers and trade union organisers) to remain innovative, humane and holistic in our employment relations thinking.

References

Barnard, C., Deakin, S., and Hobbs, R. (2001). Capabilities and rights: An emerging agenda for social policy?. *Industrial Relations Journal* 32(5) pp 464-479.

Pressman, S. and Summerfield, G. (2002). Sen and Capabilities. *Review of Political Economy*. 14(4): 429 – 434

Salais, R. (1999). Liberté du travail et capacités: une perspective pour la construction européenne? (Freedom of Work and Capabilities: A European Framework Perspective). *Droit Social*. 5 : 467-471

Salais, R. and Villeneuve, R. (2005). (eds). *Europe and the Politics of Capabilities*. Cambridge: Cambridge University Press

Sen, A.K. (1985). Well-being, agency and freedom: the Dewey lectures, 1984. *Journal of Philosophy*. 82(4): 169 – 221

Sen, A.K (1993) Capability and well being. In M. Nussbaum and A K. Sen (Eds). pp.30-53. Oxford: Oxford University Press)

Sen, A.K. (1999). *Development as Freedom*. Oxford: Oxford University Press

Supiot, A. (1999). (ed) *Au-delà de l'emploi. Transformations du travail et devenir du droit du travail en Europe (Beyond Employment. Transformation of work and work reform in Europe)*, Paris: Flammarion