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SOCIAL CAPITAL, CULTURE, RELIGION AND PRODUCTIVITY: EVIDENCE FROM EUROPEAN REGIONS

Abstract:

Productivity is undoubtedly one of the most important determinants of economic growth and the welfare of people. Hence, it is worthwhile to study the possible determinants of productivity. When looking at the determinants of productivity at the aggregate (country) level, the literature has mainly focused on factors like human capital, R&D, innovations showing positive links between these factors, productivity and economic growth. However, these factors seem to be insufficient for explaining differences in the levels of productivity in different countries. Therefore, the research has to go beyond these standard factors of productivity and explore other possible (co-called intangible) factors, such as social capital (e.g. general and institutional trust, formal and informal networks, civic participation), culture (e.g. power distance, uncertainty avoidance, masculinity, individualism) and religion related factors (e.g. religiosity, the share of hierarchical religions). Although many authors have emphasised the importance of these factors for economic development, not much empirical research can be found about the relationships between these factors and productivity. Furthermore, it is reasonable to assume that there may also be significant within-country differences in the social and institutional environment that could influence productivity differences in different regions. However, most of the literature on productivity focuses on country analysis.

The aim of the current study is to explore the possible impact of social capital, culture and religion on the productivity levels of European countries at the regional level. More specifically, labour productivity as the most widely used measure of productivity is viewed as a dependent variable. In addition to the standard factors of productivity as control variables, here different indicators of social capital, culture and religion are considered. The data for calculating labour productivity indicators as well as the data for the control variables came from Eurostat. The data for intangible factors came from the European Values Study (EVS) and the European Social Survey (ESS). European regions at the NUTS1 level are analysed. In all, 86 regions in 26 European countries are covered. Factor analysis and structural equation modeling is used to examine the relationships between productivity and all different factors of productivity. Preliminary results indicate that beside the variables that could be expected to contribute for productivity, such as R&D, for example, regarding social capital, institutional trust and civic participation, regarding religion related indicators the share of hierarchical religion and regarding culture individualism seem to have the strongest impact on productivity levels.

Keywords:

productivity, social capital, culture, religion

JEL Classification: A14, O40, R19