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## **Social capital, social cohesion and social security**

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# **Social capital, social cohesion and social security**

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## **Introduction**

This paper is set against the backdrop of increasing recognition of new patterns and types of poverty in Australia, resulting primarily from changes in the labour market, and the government response to this 'new poverty' in the form of 'welfare reform', currently being undertaken.

'Social capital' features within the public policy framework within which the welfare reform process is being undertaken, though its role remains somewhat untested. The overall aim of this paper is to examine *how* the social capital concept features in current public policy and to provide a hypothesis about *how well* it might meet policy expectations of it, and what role it might best play.

The paper does not provide definitive answers to the questions it raises. Instead, it points to gaps in our knowledge of the way social capital might best be integrated into public policy, which are the ongoing focus of the *Families, Social Capital and Citizenship* project being conducted by the Australian Institute of Family Studies.

## **The context: Australian welfare reform**

A year ago this month the Australian government announced its intention to 'reform' the Australian welfare system. A discussion paper released at the time by the Minister for Family and Community Services, Senator Jocelyn Newman, outlined the motivations and purpose of the review, the principles to be incorporated in a new system of welfare, and the relevance of changes to welfare for key income support groups (Newman 1999).

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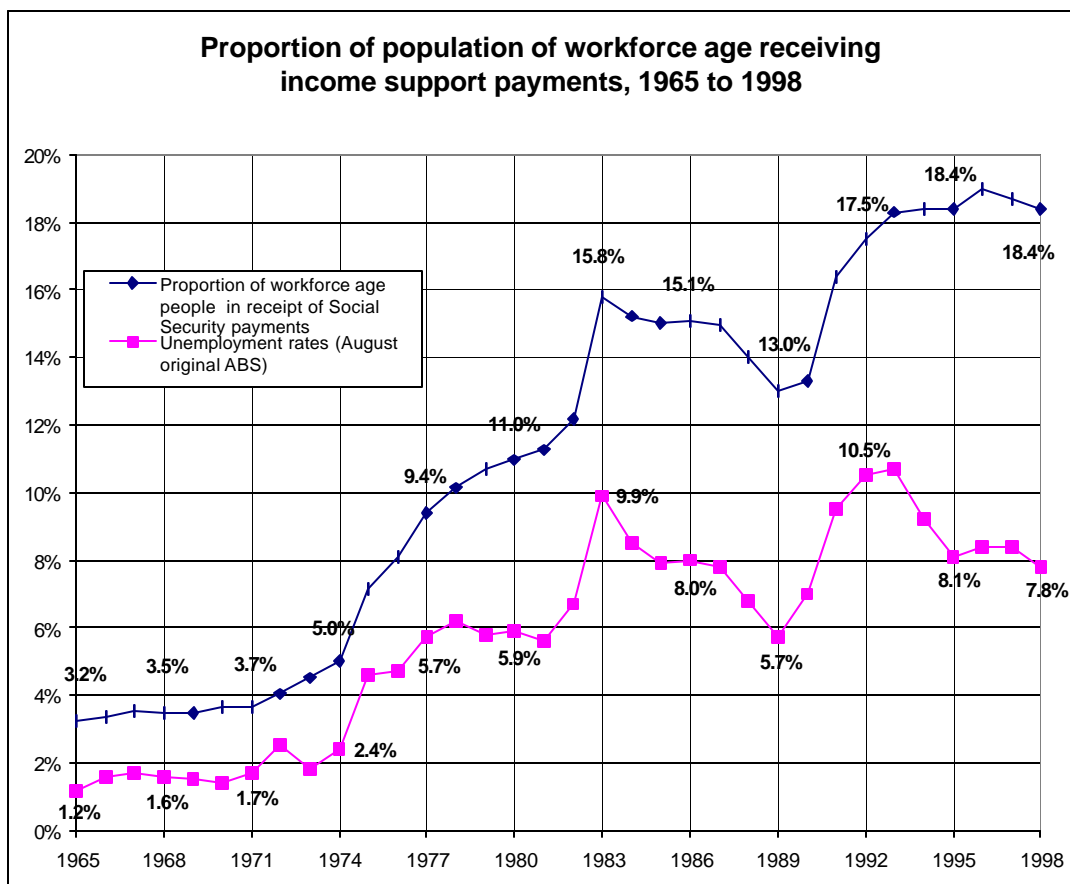
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The discussion paper was the first step in the review and reform process. Shortly after its release an expert Reference Group on Welfare Reform committee was established. The task of the Reference Group was to advise the government of welfare options via a consultation process and public report (recently released). The next step will be a response to the Final Report of the Reference Group in the form of a government Green Paper to be released later this year, leading to legislative enactment of welfare changes.

The impetus for the review, as described in the discussion paper, is threefold, comprising economic, social and demographic change, increasing welfare dependency and the costs/sustainability of welfare dependency.

Economic, social and demographic changes identified in the report amount to recognition of the collapse of the male wage earner model in Australia, upon which our social support system has been based. This model assumed that the common family was a couple with children, the principal wage earner was a male, who worked full-time, full-year. The model also assumed that if unemployment did strike it was generally short-lived. In contrast with this model, the discussion paper summarises some recent key Australian trends, including labour market change, shifting gender roles and increasing female participation in the labour market, family change and other demographic shifts affecting the way Australians engage in work (Newman 2000: 3-4).

Next the paper highlighted the increasing take up of income support by an increasing proportion of the population in recent decades – from around 10 per cent of the workforce age population in 1978 to 18 per cent in 1998:



Source: Newman 2000: 5.

As discussed in the paper, this graph shows that unemployed people make up about a third of people on income support, and that although the overall take up rate has increased over time, the total unemployment rate in Australia has actually declined in the last few years. The remainder of people included in the graph receive Disability Support Pension (21 per cent), Parenting Payment (23 per cent) and various other allowances.

The cost of the overall increase in the number of people receiving income support is the third reason the report identifies as prompting welfare reform. The costs of welfare dependency identified in the discussion paper are primarily social rather than fiscal. Focusing upon long-term dependency in particular, the paper links long-term dependency to major social and economic consequences such as:

- The erosion of work skills
- Low income
- Poor health
- Risk of isolation from the community

- Flow on effects to children: early school leaving; teen parenthood; increased risk of unemployment and welfare dependency (even by ages 16-18)
- Decreased participation in society leading to decreased national productivity

In light of these trends, the purpose of the reform process, as set out in the discussion paper (Newman 2000: 9), is to:

- Address ways in which welfare arrangements can help prevent the problems that result in people needing assistance in the first place; and
- Identify how the government can best help welfare recipients improve their capacity for self-reliance so that they can move off welfare more quickly.

In response to the discussion paper, the Final Report of the Reference Group on Welfare Reform, entitled 'Participation Support for a More Equitable Society' (also known as the McClure Report) calls for fundamental change to the Australian welfare system, and the principles underlying it. The five principles of welfare reform which were set out by the government (Newman 2000) and which underpin the McClure Report are:

- A move to individualised service delivery
- A simple and responsive income support structure
- Changes to incentives and financial assistance
- Mutual obligations
- Social partnerships – building community capacity

Combined these principles act to encourage 'community' or collectivism while at the same time emphasising individual responsibility.

While each of these principles signals a significant change to the current welfare system, it is this last principle which is most relevant to discussion of social capital.

'Community capacity building' is defined in the McClure Report as 'the process of accumulation of human, financial and social capital within disadvantaged communities' (McClure 2000: 45).

Notably, the McClure Report argues that in order to build or achieve 'community capacity' there is a role for both government and for other social partners (business and the community). Hand in hand with the role of government, the report stipulates that as social partners, business and community have a complementary role to play in community capacity building, and can engage in community economic development, community-business partnerships, social entrepreneurship and the fostering of micro-businesses, to this end.

'Capacity building' relates directly to the broader public policy framework within which the process of welfare reform in Australia is being undertaken, which reiterates the social partnership approach but which also emphasises family and individual responsibility to be self reliant. The overarching vision of social policy held by the current federal government was set out earlier this year via its Stronger Families and Communities Strategy.

The Stronger Families and Communities Strategy emphasises notions of social coalition and community-business partnership to facilitate stronger families and communities, which are the key to prevention and early intervention (of a range of 'problems', including welfare dependency) and self-reliance.

Quite simply, the Strategy sets forth that strong communities will assist weak families; and strong families will assist weak communities:

'[S]trong family and community networks nurture children, care for those in need, and help people take up opportunities and find work. It's about neighbours and families helping each other in times of crisis. It also involves the commitment of local volunteers who provide much-needed community services and who work on community projects. It's about community leaders pulling their communities together in times of change.' (Newman 2000: 2)

The strategy emphasises a 'social capital rich' approach. In addition to emphasis on informal networks, it stresses, for example, local solutions to local problems, the need for strong communities to have strong leaders, and the need for a solid core of volunteers. Within this framework, social capital is thus seen as an aspect of strong communities, which the government is setting out to foster.

#### *The role of social capital in public policy and welfare reform*

Hence social capital facilitation is seen as part of the capacity building process, and integrally part of strong communities, via emphasis upon informal networks; volunteering; local solutions to local problems; and a bottom up approach from government.

The policies described above also see social capital as quite explicitly linked to the development of individual, family and community self reliance and ultimately therefore to the ability of those receiving income support to engage in social and/or economic participation.

There is also some tension, however, in the treatment of social networks within these two policies. The Stronger Families and Communities Strategy emphasises

recognition of the lack of community and the need to bolster community ties and the informal social structure ie 'low levels' of social capital as part of the problem. The welfare model on the other hand also recognises the need for capacity building, though, on the other hand, looks to the community and to informal ties as a possible means to achieving self reliance ie social capital as part of the solution.

### *Aims and structure of the paper*

The questions this paper addresses are threefold. The first explores the notions of community capacity and strong communities and asks to what extent Australia is a cohesive society? The second builds upon the first and asks what is the likely role and importance and effect of social capital in social security? The third question the paper addresses is what, then, are the implications for the way social capital features within the Australian welfare system, currently under review?

The paper is structured around each of the three main questions. To address the first question the paper draws upon previously published data to comment on the degree of social cohesion in Australia. To address the second question the paper draws upon findings from previous social capital research as well as work being undertaken by the *Families, Social Capital and Citizenship* project (a research project being undertaken at the Australian Institute of Family Studies). The implications for social security are then discussed, with particular regard to the 'welfare reform agenda' currently being implemented in Australia, described above.

### **Section 1: Social cohesion, community capacity and strong communities**

Examining the extent of economic and labour market disadvantage among individuals, families and communities provides us with greater understanding of the 'problem' the welfare reform agenda and Stronger Families and Communities Strategy aim to address.

It provides an indication of: the extent to which strong families and communities exist within Australia; the extent to which there is need for community capacity building, as defined above; and ultimately the extent to which Australia is a socially cohesive society. Identifying the extent and nature of economic disadvantage also provides us with an idea of the context in which social capital is proposed to play a public policy role.

The focus of this paper is upon economic and labour market disadvantage, hence the paper draws upon indicators of social cohesion directly related to these issues. However, strong families, communities and social cohesion can be measured using a range of indicators depending upon the focus and aim of any research or policy. We know for example that economic inequality and disadvantaged is correlated with criminological measures such as crime, victimisation, imprisonment rates and deaths in custody; public health measures such as mortality and morbidity rates; and psychological measures such as child development.

We also know that social cohesion and strong communities are often undermined by the 'flip-side' of the very same things that can be used as indicators of them. For example we might use low crime rates within a community as a measure of social cohesion and neighbourhood solidarity, and high levels of crime as a measure of social fragmentation, alienation or as related, and therefore indicative of, inequality. Employment may indicate social cohesion and prosperity, unemployment may indicate fragmentation or marginalisation.

Unemployment, one of the key indicators of labour market wellbeing, has generally been declining in Australia since the mid 1990s. However, a look behind these figures indicates a different picture, at least for some Australian families and communities. Fagan and Webber (1994) drew early attention in the 1990s to the uneven distribution of the social and geographic impacts of globalisation. Following on from a long tradition of the study of poverty and disadvantage stemming from the 1970s, more recent Australian work suggests:

Changes to the labour market including –

- occupational change – the collapse of trade based industries and the growth of the service sector (Fagan and Webber 1994)
- occupational changes relating to geographical distribution of employment opportunities (Fagan and Webber 1994)
- the establishment of precarious employment as a feature of the labour market (Burgess and Campbell 1998);

Changes to the way work is experienced by people including –

- increasing numbers of working women, though many in part-time rather than full-time work (ACIRRT 1999)

- significant changes to male employment patterns including trends towards non-permanent, precarious work and short-term work, as well as high levels of early/involuntary retirement (ACIRRT 1999)
- those who experience unemployment increasing defined by those who experience 'job churning' and an increasing number of people who experience long term unemployment and for longer periods of time, despite overall decline in unemployment rate over time;
- an increasing polarisation of 'work rich' and 'work poor' Australian households clustered geographically (Hunter and Gregory 1996);
- a geographic clustering of disadvantage, including among work rich and work poor households (Hunter and Gregory 1996; Fincher and Wulff 1998);
- apparent growth in the number of 'working poor' (Eardley 1998).

Links between labour market attachment and other aspects of social life, such as health and housing, are also becoming increasingly well documented.

Combined, the changes described here illustrate two significant trends: an increasing polarisation of Australian society based around relationship to the labour market; and an increasing uncertainty or 'risk' in relation to paid work, particularly for those at the 'bottom end of town'.

In sum, Australian society has significant pockets of disadvantage, which affect different types of families in systematic ways, and with increasing hardship. These phenomena are at odds with the notion of social cohesion, and are part of the problem which public policy is looking to social capital to address.

## **Section 2: The role and effect of social capital**

In light of the patterns of disadvantage identified above, this section of the paper draws upon available literature to examine what we can predict the likely role and effect of social capital might be for people and communities experiencing economic disadvantage in Australia.

Social capital can be understood quite simply as networks of social relations characterised by norms of trust and reciprocity. The essence of social capital is quality social relations. It is the quality of relationships, understood through the use of the concept 'social capital', which affects the capacity of people to come together to collectively resolve problems they face in common (Stewart-Weeks

and Richardson 1998: 2), and achieve outcomes of mutual benefit (Lochner et al 1999).

Thus, social capital can be understood as a resource to collective action, which may lead to a broad range of outcomes, of varying social scale. Contemporary sociology has hypothesised (and tested to some extent) that it is social capital which enables individuals, families and/or communities to 'get by' or 'get ahead' (Woolcock 1998).

Theoretical understandings of social capital and its potential benefits have, however, raced ahead of much needed empirical work. The lag between social capital theory and research is such that – despite developments achieved in recent research – a gulf exists between theoretical understandings of social capital and the ways it has been measured and 'put into practice' in much research and policy to date (Paxton 1999; Stone 2000). The benefits of conceptualising everyday connections in terms of social capital – the ability to analyse the accumulation, transmission and reproduction of social capital – are lost in this gulf.

In a recent review, Stone (2000) identifies four key problems that have led to confusion about the meaning, measurement, outcomes and relevance of social capital. These are: first, that social capital measurement and 'practice' is rarely theoretically informed; second, that empirical work rarely understands social capital properly as a resource to collective action; third, that there is a general failure in empirical work to recognise social capital as a multidimensional concept; and finally, that there is a general failure to recognise that social capital will vary by network type and social scale.

Drawing on previous research, Stone and Hughes (2000) have demonstrated how each of these four key problems impedes our understandings of social capital and family life, community vitality, business and market economies and policy making and governance.

Bearing these limitations in mind, a review of international and Australian social capital research conducted to date suggests previous research can inform upon our understanding of the social cohesion (as defined above) – social capital dynamic in three ways. Previous findings inform our understanding of: the correlation between social capital and economic disadvantage at a broad, macro level; the bonding capacity of social capital in relation to economic disadvantage (the extent to which social capital facilitates economically disadvantaged people and communities to 'get by'); and the bridging capacity of social capital in relation to economic disadvantage (the extent to which social capital facilitates economically disadvantaged people and communities to 'get ahead').

## 1. The correlation between social capital and economic disadvantage

Research exploring the relationship between social capital and economic prosperity or disadvantage treats social capital as either an independent, dependent or mediating variable. Given the lack of longitudinal work in this area, causal relationships between social capital and economic disadvantage (particularly at macro and aggregated levels) are difficult to determine. The following findings come from the key studies which inform what we know about the correlation and possible relationship between elements of social capital, and indicators and aspects of economic disadvantage and associated variables at a broad or macro level.

The most notable study of this type, conducted by Putnam (1993, has reignited interest in the potential of social capital (his subsequent work raising fears about its decline). From an extensive longitudinal study of Italian regions, Putnam provides evidence regarding the causal link between social capital and economic factors. Analysing data from the nineteenth century to the 1980s, Putnam found that level of civic engagement at around the turn of the century predicted subsequent levels of economic development up to 60 and 70 years later. The study indicated that interpersonal trust leads to democracy which shapes economic life and vice versa.

Knack and Keefer (1997) in an analysis of social capital and economic payoff present some contradictory evidence about the way groups associations interacts with trust and civic norms. However, in their analysis of World Values Survey data these authors also show there is a relationship between social capital and economic growth, specifically that low levels of social and economic polarisation are associated with the development of cooperative norms and trust.

Kawachi et al (1997) set out to test the relationship between social capital, state variations in income inequality and, from a public-health perspective, state variations in total cause-specific mortality. Using data from the US General Social Survey (GSS), which included four indicators of social capital (membership of groups and associations; perceived fairness; social trust; and perceived helpfulness, the key findings were:

- that these indicators were highly correlated with one another;
- a strong inverse relationship between income inequality and per capita group membership;
- a strong association between income inequality and lack of social trust; and
- that states with high levels of social capital had lower total mortality rates when poverty was controlled for.

The overall finding of this study was again that income inequality is powerfully and negatively related to social capital, which in turn affects mortality.

## 2. The bonding capacity of social capital

Numerous studies have used similar types of indicators, though applied them in their research at a different level of analysis. For example previous research into the interaction of elements of social capital (even if measured in a fairly crude way in some cases) and labour market and economic indicators has measured this dynamic at the level of communities, families and individuals. These research findings provide us with some indication of the likely effect or relationship between economic hardship or inequality and the 'stocks' of social capital available to people and communities who are disadvantaged according to measures of labour market position and socio-economic status.

Summarised briefly according to key indicators, research to date indicates that:

- education is the most significant correlate of social capital, particularly with regard to social trust and institutional trust. Numerous studies indicate that there is a strong positive relationship between levels of education and levels or stocks of social capital at individual and community levels (Putnam 1995; Knack and Keefer 1997; Onyx and Bullen 2000; Hughes et al 2000);
- employment is also strongly and positively related to social capital (and its correlates such as engagement in civic life). Putnam (1996) for example has shown that employed people are more likely to belong to groups and associations and to participate in civic life in the US than people who are not in paid work. In Australia Hogan and Owen (2000) have linked paid employment to heightened levels of trust, and institutional trust in particular;
- home ownership and residential stability, indicators of relative wealth and stability, have also been shown to increase civic engagement at least, and may also relate to higher than average levels of neighbourhood cooperation and cohesion (Sampson et al 1997; Lochner et al 1999);
- in Australia Hughes et al (2000) report that with regard to the effect of socio-economic status of area, people in high SES urban areas are far more trusting than people in most rural areas – particularly with regard to trust in local people;

- Wuthnow (1997, and in Paxton 1999) has examined the evidence of civic decline in the US, and has found that over time the decline in group memberships and associations occurred disproportionately among parts of the population who poor. His analysis suggests that social capital is distributed unevenly, that it has become more unequally distributed over time, and that its role may be one of exclusion rather than inclusion.

In sum, despite numerous methodological concerns about the way social capital is operationalised in some of the studies reported here, these research findings generally provide support for the relationship between social capital and economic wellbeing at a macro level described above. There is much to suggest that social capital operates well and is easily facilitated and maintained in areas and circumstances of relative prosperity, but that social capital is hindered by economic disadvantage, poverty and inequality.

### 3. The bridging capacity of social capital

One of the more obvious ways to test the ability of social capital to facilitate those who are experiencing poverty and/or labour market precarity to 'get ahead' is to examine the impact of social capital on one of the key pathways out of poverty: finding a paid job. Very little research, however, has yet been conducted around this issue. While numerous studies have been undertaken over the years on the relationship between networks and job attainment (see for example Granovetter 1973), these have not typically been undertaken using a social capital framework, nor even measures which might equate for them.

Barbieri (2000) represents the most informative study of this kind. Using the European Community Household Panel (ECHP) to explore differences in the effects of what the author calls 'network based social capital', on one hand (the number of connections household members have) and 'status social capital' (the education and employment of household members relating to the key respondent), on the other, the results of this study suggests the following:

- that it the quality of social relations which matters more than their quantity as a robust measure of social capital. Hence that the social status of a person's networks matters more to the process of getting ahead, than does the number of connections a person has;
- that social capital proves itself to be a useful resource for finding employment in open and flexible labour markets;

- that the state and social networks substitute for one another with respect to regulating the process of getting work. Hence, 'the weaker the role of the state in allocating people to jobs, the more personal social capital becomes the regulatory institution' (Barbieri 2000: 217). Where inequalities exist in areas of low government intervention social capital can thus act to exacerbate rather than mediate existing inequalities.

Importantly then, the study also shows that the role and importance of social capital are affected by two institutional factors:

- the extent of government involvement in facilitating economic growth and employment opportunities; and
- the extent of government involvement in the matching process between job vacancies and the unemployed ie regulation of the labour market.

As in many studies of social capital, the measures used by Barbieri (2000) in this study are somewhat limited. For example the socio-economic status of a person's network is limited to those in the household and could thus be described as an aggregate measure of household based socio-economic status rather than social capital *per se*. However, it is nonetheless difficult to reject these findings out of hand on this basis.

The overall picture these findings illustrate is significant enough to warrant further investigation. The picture suggested is one of exacerbated inequality in cases where government withdraws from the roles of facilitating employment growth and from the provision, intervention into or regulation of the job matching process in a given country.

## **Discussion and implications**

This paper is about social capital and welfare. It has therefore deliberately focused upon the relationship between social capital, social cohesion, and the outcomes of getting by and getting ahead, for those individuals, families and communities who are disadvantaged according to indicators relating to labour market position and socio-economic status.

The picture this paper has painted about the potential of social capital in the everyday lives of Australians, and in relation to its role in public policy is therefore biased. There is mounting evidence which has not been included in this paper of the relationship between social capital and a range of outcomes for families including positive child development, good neighbourliness,

engagement in informal and formal civil life including volunteering, among others. There is also mounting evidence of the ability of social capital to facilitate the workings of both the community and business sectors, as well as promoting partnerships between these different sectors, together with government, at both local and national levels (for discussion see Winter 2000).

Bearing this in mind, the paper has raised the following key points in relation to the process of welfare reform currently being undertaken within Australia, and the role of social capital within it.

#### 1. Social capital as part of the problem or part of the solution?

The welfare reform process Australia is currently undertaking sees Australia looking internationally to 'best practice' models of social security to inform our own. The findings reported above raise (though do not answer) the question of whether social capital and the informal social structure of connections and social ties should be seen as part of the solution to labour market and related inequalities, or as part of the potential problem.

While this is a 'glass half empty or glass half full' question, the way the answer to this question is conceptualised has significant implications for public policy and social security provision.

The 'social exclusion' model understands poverty as a process stemming from labour market disadvantage which can result in the accumulation of material and relational deprivation resulting ultimately in relational poverty and full-scale social disaffiliation (Paugam 1995). Australian conceptions of poverty, on the other hand, were historically influenced by the British model, yet have followed the work of Ronald Henderson in recent decades, and are based primarily upon material standards of living. Increasingly, though, poverty in Australia is understood as comprising both material and social elements.

The social exclusion model and multidimensional conception of poverty operating in Australia clearly have elements in common. However, the way these elements are understood to operate together in the respective frameworks clearly also has implications for the responses to poverty by the community, nation and welfare system within each system.

Whereas European welfare models based on a social exclusion framework see individual capabilities, culture and social relationships or networks as potentially part of the problem (through notions such as relational poverty - Paugam 1996), the Australian response to current rethink of the welfare state is to see these as part of the solution (as one of the routes to capacity building and self reliance).

Weighing up the benefits and costs of each approach in the Australian context can only be done once research provides greater understanding of how the dimensions of poverty operate for Australian people experiencing labour market precarity and disadvantage. In particular, answering this type of question requires a greater understanding of the interaction between the formal and informal 'social structures' within which people live, including analysis of their stocks of social capital.

## 2. The relationship between social capital and social cohesion

Leaving aside this overarching question, the paper raises a significant concern about the ability of social capital to assist individuals, families and communities who are most disadvantaged – at least without some other kind of assistance.

The findings presented above from previous social capital research suggest overwhelmingly that economic disadvantage and inequality hinders the growth and maintenance of social capital; and that where inequalities are entrenched social capital may actually act to exacerbate inequalities rather than alleviate them (Barbieri 2000).

The overwhelming implication of these findings is that there is an ongoing role for government in the provision of welfare and social security.

## 3. The role of government

That left to 'it's own devices', social capital may act to exacerbate rather than mediate existing inequalities, suggests there is clearly an ongoing and critical role for government in the provision of welfare. Specifically, the above findings emphasise the importance of government intervention in the ongoing process of employment and jobs creation, and in the process of vacancy-job matching.

The first part of this equation at least is recognised explicitly in the McClure Report. While emphasising the importance of partnership, the McClure Report also appears to recognise an overarching role of government, which needs to be complemented by rather than replaced by social partnerships in particularly disadvantaged communities:

[A] major social obligation of government is to optimise the conditions for economic growth and sustainability of employment. While government accepts this responsibility at the macro economic level, we have also argued that much social and economic disadvantage is clustered in particular communities. (McClure 2000: 45)

#### 4. Understanding more about social capital

Clearly, as well, through the Stronger Families and Communities Strategy the government sees for itself a role in the facilitation of social capital at the local level. In order to understand how best to achieve this, we must first learn more about: how social capital is generated; how it is distributed among individuals, families and communities in different circumstances; and how it operates in relation to a range of both social and economic outcomes.

Understanding these processes is the ongoing aim of the Families, Social Capital and Citizenship project being undertaken at the Australian Institute of Family Studies.

Clearly social capital has a role to play in public policy. Rather than arguing against this notion, the implications of evidence presented in this paper simply suggests that there is an urgent need for us to determine how social capital does operate, and how it might best be integrated into public policy. The findings above also require that investigation of how social capital operates takes into account how it works at different levels, and for different people according to a range of expectations and outcomes, be they social or economic.

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