

Social Capital and Public Policy

- summary -

This paper provides a short overview how and why social capital could be linked with public policy and what are the most important and critical issues.

The effects of social capital for public policy

Social capital is a concept that could form part of public policies but it is important to notice that it is not a 'cure-all'. It is a concept which can be transformed into a tool to achieve better outcomes of policies but in a complementary way.

Social capital is a concept that is difficult to define or measure.

"We will probably never be able to switch social capital on or off by itself and produce desired outcomes. Instead, we need to appreciate that it is only one element in a wider world of complex social processes. Steps could be taken to better integrate a social capital lens into the development and implementation of federal programs and policies. A social capital lens in policy and program development and implementation could start by raising awareness across government about its potential role in achieving, or possibly obstructing policy objectives."¹

Furthermore, social capital is not totally new or absolutely not existent in public policies. Elements of social capital are already incorporated, particularly, in social policies. In addition, the systematic analysis of social capital and application within policies can help that public policies are not undermining or deteriorating potential for existing social capital.²

Why should social capital considered at all for public policies? What are the features of social capital that make scientists, policy-makers and civil society so keen to know more about it? The answers to these questions lie mainly in the succeeding positive effects social capital could have for society and state.³

(a) Reduction of transaction costs: Through trust, norms and networks transactions could be reduced. Collective norms help to come to a common understanding, networks facilitate access to information and connections. Through that the search cost are lowering down and trust at the work place but also between different institutions and actors of society facilitate transactions.

¹ Frank, 2003, p. 5.

² Frank, 2003, pp. 3-6.

³ Productivity Commission, 2003, pp. 15-20.

(b) Facilitation of the dissemination of knowledge and innovations: The spread of knowledge and information could be easier inside a community but also society where individuals or organisations are widely linked and network together. Bonding, bridging and linking up are the important features for that.⁴ Knowledge management, as an innovative management tool, is a component that feeds into this aspect of social capital.

(c) Promotion of cooperative and / or socially-minded behaviour: The application of social capital ideas could soften the narrow self-interest of individuals and produce norms that support collective action.

(d) Benefits for individuals and social spill-over: The results from a range of studies suggest that well-connected individuals are more likely to be 'hired, housed, healthy and happy'⁵ than those with few social connections. Although these seem to be mostly for the benefit of the individuals it can also have social spill-over effects to society e.g. the health and welfare system could be relieved.

(e) Less capital intensive interventions: State budget is 'always' too small to cover all the costs and needs of the people. Therefore, the government has to decide where and how to allocate the resources and prioritize their policies. The integration of social capital could, particularly in terms of long term and sustainable application, lead to a more efficient allocation of the budget. It is a concept that does not necessarily imply more capital investment but more precise and effective use of existing resources. If a state adopts social capital into policies it supports existing networks, strengthens them and tear down negative social capital. To build trust, norms and networks is not capital intensive but it takes time and support. The state could provide frameworks and an enabling environment for social capital to flourish.⁶

(f) People centred perspective: Another important aspect of social capital for society is that the approach puts people in the centre. Social capital is all about relationships, co-operations, links and networks. Social capital is related to people, their lives and their surroundings. It transforms them to active citizens but in the same way it values the individual. Social capital should flow top-down and bottom up. It is important that the people are actively involved. Social capital does not work if it is implemented from the top only.⁷

The negative effects of social capital have also be considered in public policy making. As mentioned in many social capital definitions strong bonds inside a community or a

⁴ Especially that point could also raise negative effects, where there is a community with strong bonding but not bridging or linking up new information or innovation could be kept outside.

⁵ Woolcock, 2001, p. 68.

⁶ Productivity Commission, 2003, p. 56.

⁷ Glaeser, 2001, pp. 39-40.

certain group can create costs and negative effects for insiders as well as for outsiders. It could lead to social exclusion. These aspects are important to have in mind while integrating social capital into policy making. Policies should not strengthen these negative aspects.⁸

Integration of social capital into public policies

The literature provides various approaches how policies could be assessed considering social capital. The Productivity Commission summarizes them as (1) assessing policies to build or support social capital, (2) incorporating social capital considerations into other policy assessments and (3) redesigning policies to utilise existing stock of social capital.⁹

(1) Assessing policies to build or support social capital: A variety of proposals for policies creating or sustaining social capital are available. They refer to a wide range of activities, various policy fields and reflect different understandings of social capital.

It can be justified that government intervenes in social capital building and sustaining because it often generates positive externalities and there may be complementarities.

“First, the accumulation and use of social capital often generates *positive externalities*. Among other things, high levels of generalised trust and adherence to pro-social norms reduce transactions costs for all community members. They also facilitate the provision of public goods, and can provide social spin-offs in the forms of reduced crime and welfare dependence, lower health care expenditures, higher taxation receipts and so on. Second, there may be *complementarities* in investments in social capital. For example, the returns to individuals from becoming a member of a network are likely to be greater if other people also make the effort to join the group, as the number of contacts that group membership provides will be higher.”¹⁰

Out of the arguments for providing and building social capital through government interventions does not automatically follow that governments should attempt to build or support social capital. An array of factors has to be considered if such action is warranted.

Furthermore, the Productivity Commission points out five features that might create difficulties for policy analysts in terms of social capital:¹¹

1. the ambiguity and uncertainty that surrounds the social capital concept
2. the requirement of multiple and mutually reinforcing policies to constitute and improve policies in terms of social capital e.g. funding media campaigns to encourage people to volunteer etc.

⁸ Productivity Commission, 2003, p. 63.

⁹ Productivity Commission, 2003, pp. 53-54.

¹⁰ Productivity Commission, 2003, p. 57.

¹¹ Productivity Commission, 2003, pp. 58-60.

3. social capital policies often require localised solutions in terms of context and social issues. 'One-size-fits-all' approached may be inappropriate.
4. the possible perverse effects of social capital have to be considered.
5. the measurements of social capital is still problematic - but possible.

"These features make it difficult to assess whether current policies or new policies can contribute positively to the building of social capital. The current lack of certainty, together with the risks that some government actions in this area could actually erode social capital, suggest that there may be merit in the short term in tending towards small-scale policy experimentation. This would provide experience and data on different policies aimed at supporting or enhancing social capital. Similarly, there would be merit in regular policy evaluations to assess the effects of such policies and to suggest appropriate design adjustments."¹²

(2) incorporating social capital considerations into other policy assessments:

Social capital can impact on other policies that were in the first place not particularly designed to address social capital. Many policies have 'social capital side effects'. These effects vary in terms of significance and importance. In addition, government policies can also have negative effects for social capital. Policies that are not designed through a 'social capital lens' may harm or deteriorate social capital.

Additionally, existing strategies or policies could be linked with social capital. For example building human capital through better accessibility of education institutions, improving the quality and quantity of education are mainly strategies to build human capital. The involvement of parents and local citizens and the linkages to other role players in societies make schools more effective.¹³

Cox and Caldwell suggest the following list of questions to analyse policies and programmes to investigate social capital in policies.¹⁴

- Does the policy increase people's skills to engage in social activities with people they do not know — their sociability?
- Does the policy target some groups at the expense of others, or create feelings of scapegoating or exclusion?
- Does the proposed form of service delivery allow the building of informal relationships and trust with all stakeholders?
- Does the project help extend networks, confidence and optimism among participants?
- Do participants increase their capacity to deal with conflict and diversity?

¹² Productivity Commission, 2003, p. 60.

¹³ www1.worldbank.org/prem/poverty/scapital/whatsc.htm, viewed 09.05.2005.

¹⁴ Cox and Caldwell, 2000, p. 70.

- Does the program evaluation include the social as well as financial and individual aspects of outputs and outcomes?
- Does the auspice [the body or mechanism delivering the program] itself affect the way people see the program?
- What messages does the program offer to people about their own values and roles?
- What impact does the program have on attitudes to formal institutions of governance?

These questions are useful to analyse existing policies and for the design of new policies with social capital.

(3) redesigning policies to utilise existing stock of social capital: The stock of social capital and the historical background play a central role in the application of social capital. It is important to assess the existing stock of social capital in society in order to integrate social capital in public policies or to design new policies.

The stock of social capital could be measured with different methods. It is important to narrow down and specify which stock of social capital should be assessed. Moreover, pure numbers and statistics about the use of public services and/or networks will never provide the full picture about the social capital stock. It is important to collect data and explore which are the existing networks, whom do the people trust concerning different issues and what are the norms that lead to collective action etc. In addition, the historical and social context could be crucial to understand the existing stock of social capital and has to be considered.

From the results according to the stock of social capital policy makers could make decisions how to support existing social capital, where to build social capital and where to reformulate policies. In addition, the budget could be allocated and redistributed according to those findings.¹⁵ Furthermore, the assessment of the stock of social capital could help to identify areas where social capital has negative (side-)effects such as social exclusion.¹⁶

Political preconditions for the implementation of policies including social capital¹⁷

¹⁵ Productivity Commission, 2003, p. 65.

¹⁶ Productivity Commission, 2003, pp. 53-54.

¹⁷ The content of this chapter is based on an expert interview with Ms. Virginia Petersen, Head of the Department of Social Services and Poverty Alleviation of the Western Cape Province. Additional, literature source, where applied, will be indicated.

The integration of social capital into public policies considers not only how social capital can be included into policies. Some external factors also play a major role.

The political ideology is quite important for the successful implementation of policies. The accomplishment of implementation of social capital in public policies depends also on latter. The political ideology for social capital has to comprise several elements: (1) Participatory governance, meaning the inclusion of civil society and the community into the process of policy making, (2) Trust, norms and networks for collective action between and in government structures have to be built up to create an enabling environment for social capital.

In South Africa, for example the inclusion of civil society and the population into the policy process was a new approach after the end of the Apartheid era. A general mistrust towards government institutions were the norm because of the particular history of South Africa. In the new South African Constitution, the aspect of political participation and participatory consultation was emphasised to support that people gain trust in government - their word and voice was considered as important.

“Moreover, policies supposed to enhance social capital should not necessarily be aimed at supporting various voluntary organizations or informal networks (cf. Henderson, 2002). Instead, if governments want to invest in social capital, it is the quality of political institutions that must be increased, not least those that are responsible for the direct implementation of policies.”¹⁸

Another important issue is the inclusion of the bureaucratic structure into the process of social capital. Social capital has to become a vision to policy and the involved bureaucrats have to ‘buy the concept’. If the bureaucrats inside the political system are not ready for change, if they are not well prepared for the whole process of including social capital into public policies the process might be unsuccessful. To build on and with social capital the internal social capital of institutions and organisations have to be build at the same time. The people should receive training to understand the social capital concept and to be able to shift their working attitude. The process itself has to be participatory and inclusive. The concept of social capital is multidimensional. It is important to prepare the staff to apply social capital as a working tool. Social capital has to be internalized before it becomes a real tool for public administration. The staff has to be prepared for the change, to move and to modify their attitudes and habits, to work together with new people probably from other departments and other

¹⁸ Kumlin et al., 2005, p. 362.

administrative institutions. They have to accept that social capital will take place bottom up AND top down.

To build trust among governments, civil society and other actors in society in the process of policy design transparency and accessibility of the government has to be warranted. As mentioned, policies including social capital will not only lead to changes in programmes and projects but also to changes in the process of policy making. Government has to become a partner to different actors in society. Transparent and accessible governance is one way to support this process. Civic trust and civic engagement could be (re)build. Especially improved accessibility could make public services more customer friendly.¹⁹

The National Economic and Social Forum of Ireland published a report in 2003, namely 'The Policy Implications of Social Capital'. The following arguments could be used as starting points how to improve the external political environment for social capital in the public policy process:²⁰

- keep an appropriate balance between “bottom-up” and “top-down”
- practise and foster mutual respect in public policy delivery for the individual and his/her rights
- facilitate active citizenship based on principles of mutual help and responsibility
- support partnerships of citizens, communities, intermediary agencies and government
- recognise community voluntary effort and reward achievement
- recognise the importance of the local and locality in addressing complex and cross-agency issues

The consideration of external conditions embeds social capital into a framework of reality.

Conclusions

To relate social capital with public policies it is important to understand which the possible positive and negative outcomes for society are. Concluding, it can be said that social capital is a concept with a lot of potential especially for developing countries. Policies affect directly the life of people in areas as health, education, employment, housing, living conditions, access to basic services etc. The assessment of public policies in terms of social capital would support the idea of a more efficient service

¹⁹ The National Economic and Social Forum, 2003, p. 72.

²⁰ The National Economic and Social Forum, 2003, p. 75.

provision and targeted policy making. The assessment of policies in terms of social capital would also show which are the supportive networks established by families, communities and in society. Public policies considering social capital could become a tool that is not exclusively designed by the state but involves citizens actively. However, social capital has its downsides and the constructive discussion about the concept has to continue. Social capital, as any other concept, has to be implemented with caution and in an appropriate manner.

In sum, the inclusion of social capital into policies would address many aspects which the development world demanded for for a long time as stronger participation, inclusion of the poor and assessment of their own assets in form of networks, trust and norms.

“A society that welcomes diversity, inclusion and equality of opportunity is one that is investing in its own connecting fabric – the networks, shared understandings and common goals alongside cultural and other differences. Future sustainability of communities and society at large is predicated on the trust, social ties and shared ideals and values of all its citizens.”²¹

²¹ The National Economic and Social Forum, 2003, p. 118.

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