Social capital and social security

Lessons from research

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‘Social capital’ now occupies a central position in key policies affecting the welfare of Australian families. In light of this, this paper draws on available national and international research to comment on what we know about the relationship between social capital and social security. In doing so, it presents three valuable lessons from previous research, and acts as a reminder of the ongoing importance of the role of government in ensuring the welfare of Australian families.

What is social capital?

To understand how social capital features in public policy, we must understand what ‘social capital’ means. This is particularly so given significant confusion in the social capital literature about how to conceptualise social capital – let alone how to apply the concept empirically.

Conceptual confusion stems from the fact that three key theorists of social capital appear to use the concept to mean different things. Putnam (1993; 1995) for example is concerned with cooperative relationships leading to democracy and with membership in civic groups; Coleman (1988) focuses upon the structure of social relationships particularly as they relate to the acquisition of human capital; and Bourdieu (1993) is concerned with the ability of social capital to generate economic resources.

Recently Winter (2000) has provided a point of consensus among these various views, however, by noting that each of these authors conceptualises social capital as networks of quality relations which operate as a resource to collective action, though each applies the concept to understanding social phenomena at different social scales (for example, at the level of individuals, communities and nation states).

Following this line of logic, social capital can be understood quite simply as networks of social relations characterised by norms of trust and reciprocity. Understood in this way, social capital is a stock, or resource to collective action, which may lead to a broad range of outcomes, of varying social scale.

How does social capital feature in current public policy?

Social capital has recently been linked directly in public policy to the social and economic wellbeing of Australians, the communities in which they live, and the ability of those individuals and communities to achieve ‘capacity building’ and ‘self-reliance’. Most notably, social capital, and the related concept ‘partnership’, feature centrally and explicitly within proposed changes to the Australian social security system and in the public policy context in which these reforms are taking place.

Role of social capital in a new model of welfare

In late 1999 the government signalled its intention to change the social security system via a process of ‘welfare reform’ (still ongoing). A discussion paper released soon afterwards by the then Minister for Family and Community Services, Senator Jocelyn Newman (2000), outlined the purpose of the reform process. It was to: address ways in which welfare arrangements can help prevent the problems that result in people needing assistance in the first place; and it was to identify how the government can best help welfare recipients improve their capacity for self-reliance so that they can move off welfare more quickly.

Following the release of the discussion paper, an expert Reference Group on Welfare Reform was established to report to the government on reform options. 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. In line with the purposes of the review, the five principles of welfare reform which underpin the proposed changes 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.

While each of these principles signals a significant change to the current welfare system, it is the last principle which is most relevant to discussion of social capital. The emphasis upon social partnership and coalition reflects a perceived lack of community–business partnership in some communities, and is an attempt to strengthen weak communities, such that communities can accommodate their citizens, including via the provision of labour market opportunities and a general sense of cooperation in community life.

‘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.

**Social capital in the broader public policy context**

‘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 is set out in the ‘Stronger Families and Communities Strategy’. The Strategy emphasises notions of social coalition and community–business partnership to facilitate stronger families and communities, which it presents as the key to prevention and early intervention (for a range of problems’, including welfare dependency).

The partnerships and capacity building approach emphasised within the Strategy are also argued to lead to ‘self-reliance’. Quite simply, the Strategy states that strong communities will assist weak families; and strong families will assist weak communities: ‘Strong 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.’ (Howard and 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.

**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 (the proposed welfare reforms and the broader policy context) 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 some tension, however, in the emphasis placed on social capital within these two policy frameworks. The McClure Report emphasises recognition of the lack of community and the need to bolster community ties and the informal social structure i.e. ‘low levels’ of social capital are seen as part of the problem. The Stronger Families and Communities Strategy on the other hand while recognising the need for capacity building also looks to the community and to informal ties as a possible means to achieving self-reliance – that is, a ‘high level’ of social capital is seen as part of the solution.

Overall, then, these policies aim to create an environment based on social partnerships in which government acts as a facilitator, sharing the role and responsibility of providing, regulating and delivering services and welfare. Within this context, business and the community are encouraged to take a more active role, and individuals and families are encouraged to be self-reliant.

**What do we know about social capital and social security?**

Given the central position of social capital in these two key policies affecting the welfare of Australian families, examination of what we know about the relationship of social capital to social security is warranted. This section of the paper draws on available national and international research to comment on what we know about the relationship between social capital and social security.

Despite limitations with our empirical understanding of social capital to date (for discussion see Paxton 1999; Stone and Hughes 2000), it does so by examining evidence grouped around three hypotheses about the role of social capital. These hypotheses relate directly to the vision for social capital currently set out in public policy and the welfare reform agenda, which revolve around enhancing community and individual self-reliance.

The first hypothesis is that social capital can translate into economic capital, by facilitating cooperation and economic growth. The correlation between social capital and economic disadvantage at a broad, macro level relates to the policy expectation that social capital ‘rich’ partnerships will foster capacity building (the accumulation of economic, social and human capital) at a community level.

The second hypothesis is placed at the level of individuals and families and asserts that social capital has a ‘bridging’ capacity which can assist individuals and their families to ‘get by’ (Woolcock 1998). This hypothesis relates to the capacity of individuals and families to meet their day to day needs without significant or prolonged uptake of income support or, restated in policy terms, the ability of individuals to work towards self-reliance, by increasing their skills, resources and capabilities.

The third hypothesis, also about individuals and their families, asserts that social capital also has a ‘bridging’ capacity which can assist individuals and their families to ‘get ahead’ (Woolcock 1998). Analysis of evidence relating to this hypothesis informs our understanding of the extent to which social capital might assist families and individuals, particularly those reliant upon income support, to achieve self-reliance, by leaving welfare.

**Social capital and economic growth**

Regarding the first hypothesis, three key studies inform current understandings of the relationship between social capital and economic growth and/or prosperity at a macro or community level. These studies have treated social capital as an independent, dependent and mediating variable respectively, and link social capital to economic development and to income inequality at an aggregate 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 concerns about its
apparent 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.

In an analysis of social capital and economic payoff, Knack and Keefer (1997) present some contradictory evidence about the way memberships and associations interact 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 they show that social and economic polarisation undermine the development of cooperative norms and trust, which in turn hinders economic growth.

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 United States General Social Survey (GSS), which included four indicators of social capital (membership of groups and associations; perceived fairness; social trust; and perceived helpfulness), Kawachi et al. found that: these indicators were highly correlated with one another; there was a strong inverse relationship between income inequality and per capita group membership; there was a strong negative association between income inequality and 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.

In sum, the evidence from overseas research raises doubts about the capacity of social capital and partnership to facilitate economic growth or prosperity in areas experiencing significant income inequality and/or poverty. These findings suggest that inequality may act to undermine the social capital capacity of a given community, and that this may have a host of flow-on effects such as the public health outcomes discussed here.

**The bonding capacity of social capital**

Research evidence from Australia and overseas around the second hypothesis provides some indication of the likely relationship between economic hardship or inequality and social capital. Specifically it informs us about the ‘stocks’ of social capital available to people and communities who are disadvantaged according to measures of labour market position and socio-economic status, in order to help with the task of ‘getting by’.

Summarised briefly according to key indicators, research to date indicates that, first, 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).

Second, these findings show 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 Ilogan and Owen (2000) have linked paid employment to heightened levels of trust, and institutional trust in particular.

Third, home ownership and residential stability, indicators of relative wealth and stability, have also been shown to increase civic engagement, and may also relate to higher than average levels of neighbourhood cooperation and cohesion (Sampson et al. 1997; Lochner et al. 1999).

Fourth, in Australia Hughes et al. (2000) report that with regard to the effect of socio-economic status of area, people living in wealthier areas are far more trusting than people in low socio-economic status areas.

As well, Wuthnow (1997) has examined evidence of civic decline in the US, showing 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 according to wealth, that it has become more unequally distributed over time, and that its role may be one of exclusion rather than inclusion (i.e. that the closeness of relationship ties among some groups will marginalise non-group members).

In sum, these research findings generally provide support for the relationship between social capital and economic wellbeing at a macro level described above. That is, 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. At the individual and family level, factors which might hinder the development of social capital, and hence the ability of families to work toward self-reliance, include: education, employment, home ownership and socio-economic status of area.

**The bridging capacity of social capital**

Evidence around the third hypothesis informs the capacity of families to ‘get ahead’, and to achieve self-reliance. One of the more obvious ways to test this hypothesis 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 be proxies 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 the 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 suggest the following.
First, it is the social status of a person’s networks that matters more to the process of getting ahead than does the number of connections a person has. Next, Barbieri found that social capital proves itself to be a useful resource for finding employment in open and flexible labour markets. The study also showed 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 act to exacerbate rather than lessen existing inequalities.

The study shows that the role and importance of social capital are affected by two institutional factors. These are 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 – that is, regulation of the labour market.

The overall picture painted by these findings is that social capital can be influential in facilitating pathways out of welfare. Important though are the qualifications to this finding, which suggest that differences in the use and availability of social capital in finding employment may actually result in 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.

Lessons and implications

The social capital and partnership rich approach to the delivery of social policy and social security laid out in current policy has been welcomed by all sides of politics as well as community organisations and lobby groups. Clearly social capital has a role to play in the social and economic wellbeing of all Australians, as does a community-business partnership approach to building capacity within communities.

The examination of social capital research conducted to date provides three important lessons, however, about the relationship between social capital and social security.

First, the paper raises a significant concern about the ability of social capital to assist communities which are most disadvantaged – at least without some other kind of assistance. The reviewed previous research raises doubts about the ability of social capital and social partnerships to foster economic development in depressed communities and in those in which there is a high level of economic inequality.

Second, the paper has highlighted findings from Australian and overseas research which demonstrate an inverse relationship between social capital and the ability of individuals and families to develop or attain resources which would assist them to ‘get by’, and to work toward self-reliance and independence from state support.

Third, in relation to the ability of social capital to assist individuals and families ‘get ahead’, findings from previous research suggest that economic disadvantage and inequality hinder 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).

Each of these findings questions the ability of social capital to achieve the policy expectations held for it at either a community or individual level, where significant levels of poverty and/or inequality exist.

Each finding also serves as a reminder of the ongoing and central role that government has to play in ensuring the wellbeing of individuals and their families with regards to social security. ‘Left to its own devices’, social capital may act to exacerbate rather than lessen 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 job matching.

This paper also highlights the need for Australian research which can provide a greater understanding of how social capital interacts with social security in the lives of Australian families and communities.

References


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