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Introduction to the Concept of Social Cohesion and its Implications for Macroeconomic Performance

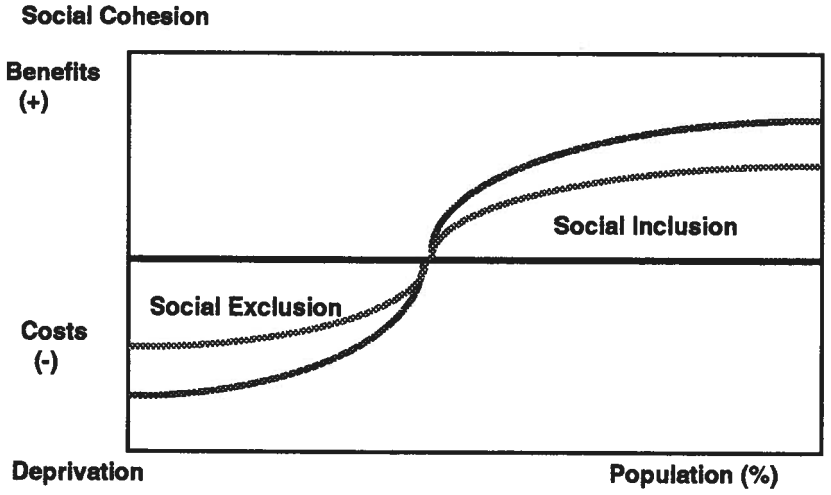
Economic Outlook Workshop

The National Arts Centre
Ottawa, Ontario
November 25, 1998

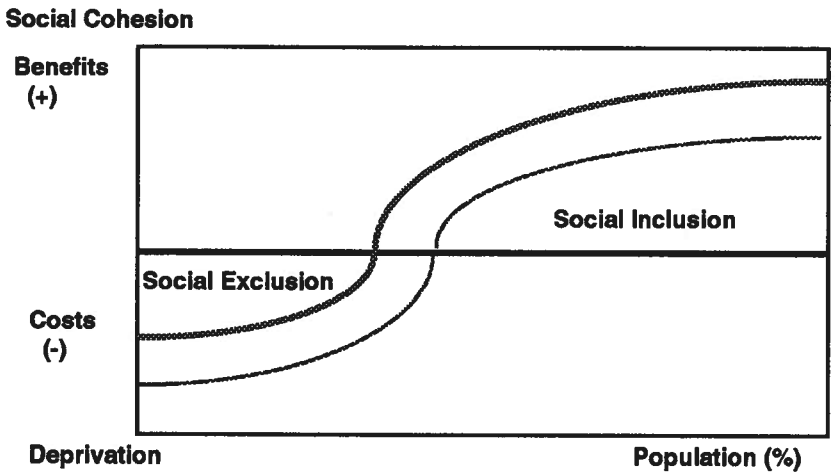
Social Notions

- Culture
- Trust
- Social Capital
- Social Cohesion
- Social Compact

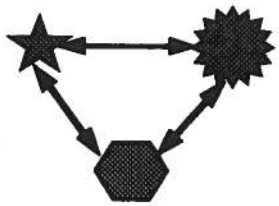
Social Exclusion and Cohesion



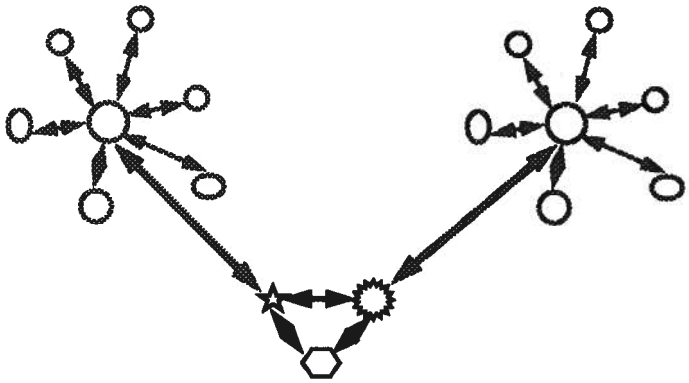
Progress



The Family Network



Workplace Networks



Time Use

Activity	Male FT, M 25-44	Female FT M 25-44
"Individual/family"		
Other Personal	12.2	12.5
HH Work	1.8	2.3
"Networking"		
Paid Work	7.1	6.8
Socializing	1.7	1.5
Active Leisure	0.8	0.5
Civic+Voluntary	0.2	0.2
Education	0.2	0.2

Network Memberships

- Family
- Workplace
- Professional organizations
- Social and sports clubs
- Religious Groups
- Political parties
- Telephone, Internet, Library
- Groups - SA, UI, CPP contributor, beneficiary
- Credit card "member"
- and many more

A Social Compact

- The obligations of members in society to each other
- Defines a society or culture
- A mix of explicit and implicit contracts
- Includes organizations - businesses, labour unions
- Governments, NGOs

Provisions of the Compact

- Companies would share benefits with Workers
- Stakeholder involvement and benefit
- Social Insurance
  - UI
  - Social security
  - Social assistance
  - Health care
- Access to a good education
- Regional redistribution

The Breaking of the Compact

- Down-sizing, declining real wages, loss of benefits, anti-union activities
- Polarization of wages
- Government cutbacks of all parts of social insurance package
- Government employment cutbacks
- Rising tuitions at tertiary institutions
- Abandonment of regional development
- Federal downloading on provinces
- Provincial downloading on municipalities

Why is this happening?

- Things became too good - no external threat or shared adversity; loss of sense of mutual dependency
- International and domestic mobility of the skilled, talented or wealthy lead to less need to ensure a vibrant local economy
- Disconnect between employees and customers with international trade
- Risks not commonly shared - large disparities lead to sense that access to health, education, UI, SA are only for the "poor", not "my" class
- Detachment between classes - no buying power, no voting, no contact - all make the poor invisible

Channels of Influence - I

- Better policy
  - Credibility of government allows more effective policy application
  - More informed citizenry and accountable politicians and bureaucrats
- Reduced transaction & other costs
  - Fewer resources spent on protection & bribes
  - Fewer and simpler contracts; less litigation
- Lower social costs - health care, police
- Improved investment climate
  - Higher quality schools - more investment in human capital
  - Higher investment ratios
  - More innovation

Channels of Influence - II

- Production function of the firm
  - TFP higher
  - More employment
- Conflict resolution
  - Better tradeoff between inflation and unemployment
  - Achievement of equity and efficiency
- Coping with change
  - Smoother reallocation of resources
  - Less variance in growth and unemployment

Knack and Keefer

- Trust and civic cooperation are associated with stronger economic performance.
- Associational activity is not correlated with economic performance - contrary to Putnam
- Trust and norms of civic cooperation are stronger in countries with formal institutions that effectively protect property and contract rights, and that are less polarized along lines of class and ethnicity.
-

QJE, November 1997, 1251-1288.

Payoffs

- Modest increases in trust can lead to increases in the growth rate for GDP
- Increases in the investment ratio can improve productivity growth
- Less social tension
- More inclusive society

Do What?

- Focus on full employment
- Increase progressivity of income tax
- More resources into schools, daycare, health services
- Help workers organize
- Improve training in the workplace
- Increase involvement in politics of the weak
- Proactive strategies to encourage family-friendly workplaces
- Build better consensus institutions

Economic and Social Council

- Broad participation - provinces, business, labour, NGOs, federal government
- Finance and Bank of Canada at the table
- Consensus on social and economic goals
- Development of policy options
- Staff across disciplines

Science and Environmental Council

- Develop principles of science-based regulation and policy
- Public education role on what we know and don't know about specific topics (e.g., greenhouse gases, biotech safety, etc.)

Why Bother?

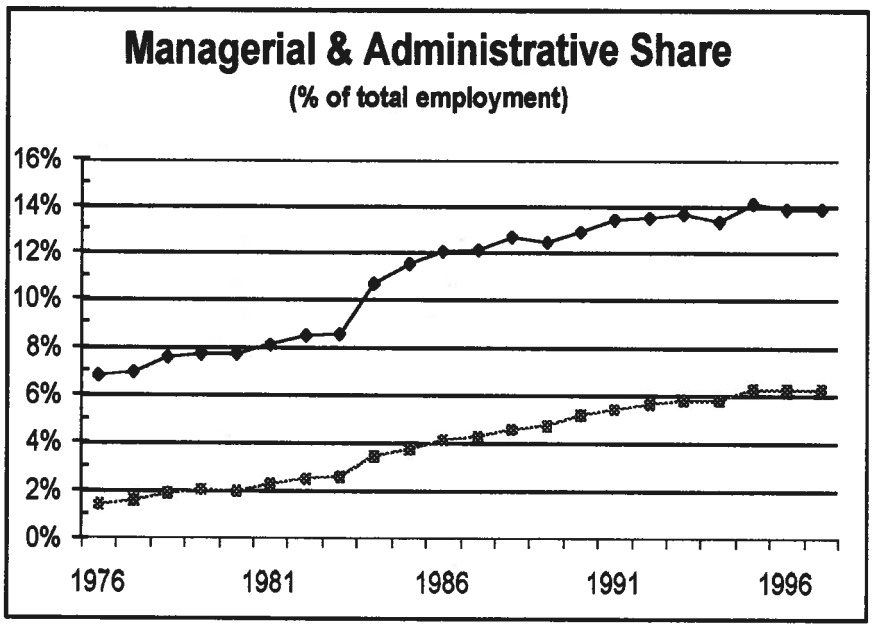
- Improve economic performance
- Broadened opportunity for all Canadians
- A better model for the world

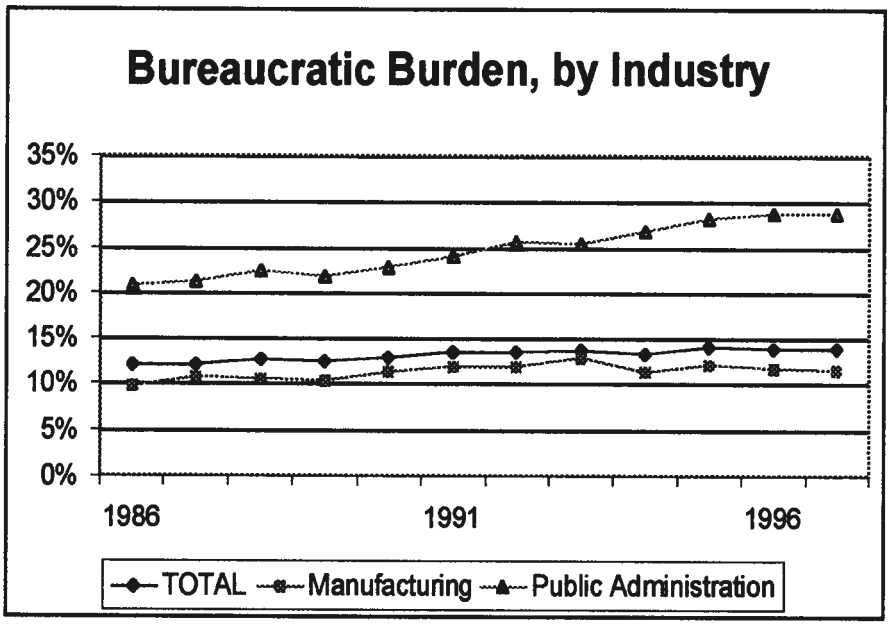
Measures of Social Cohesion

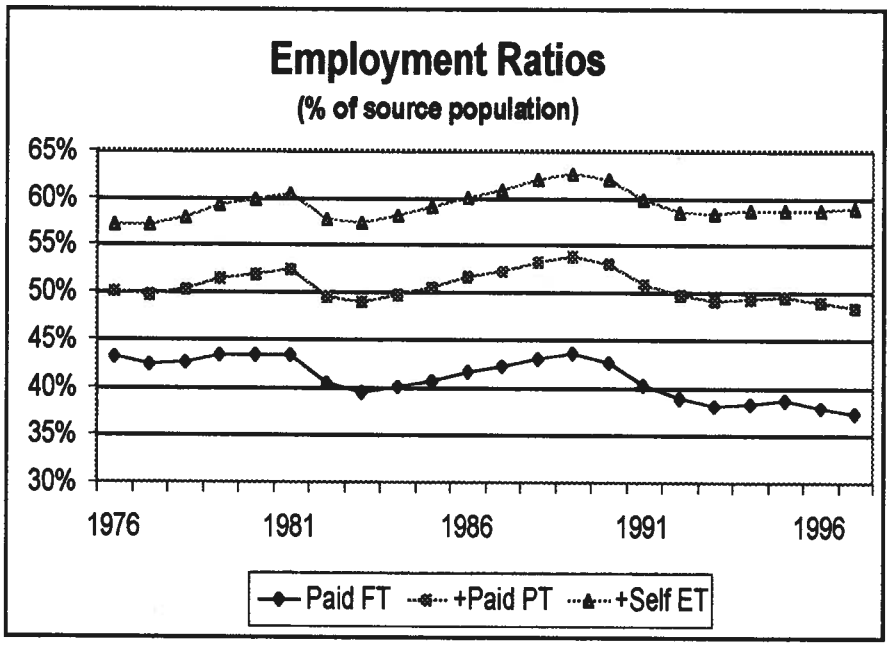
- Network Insiders and Outsiders
- Changes in Conflict Indicators
  - Strike/lockout
  - Divorce
  - Grievances
  - Demonstrations against governments
- Stress Indicators
  - Morbidity
  - Absenteeism
  - Sick leave
- Trust Indicators

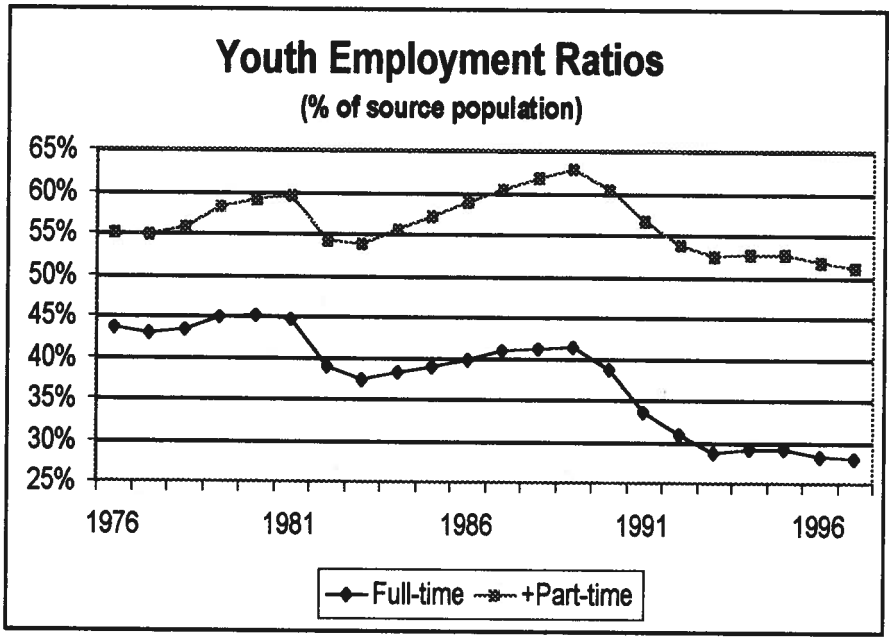
Measurement of "Trust"

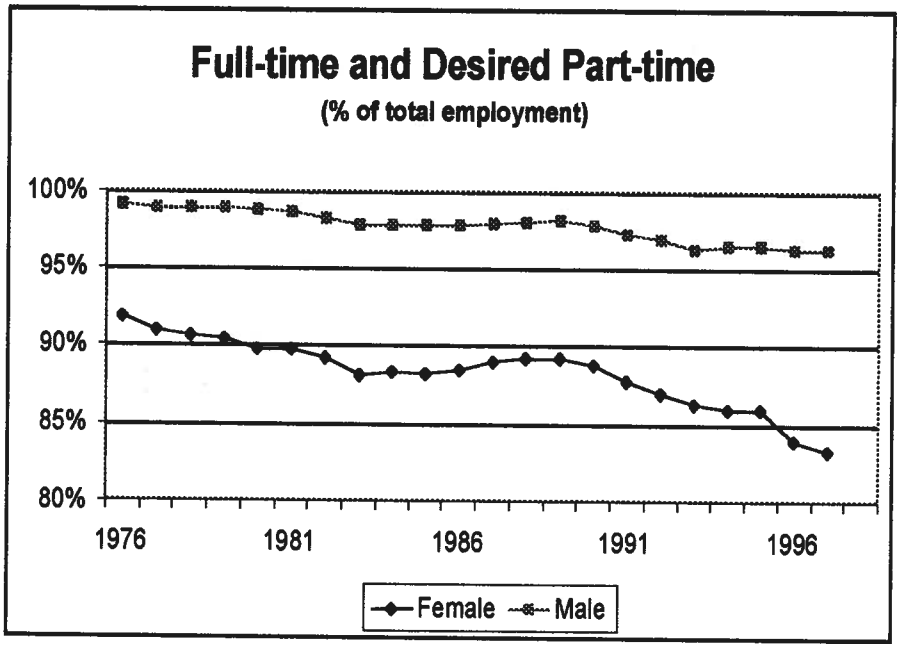
- Social polarization (-)
  - Income inequality
  - Ethnic homogeneity
- Institutions restraining arbitrary behavior by governments
- Voting Patterns, media openness
- Literacy, education
- Religious variant (+,-)
- Number of lawyers (-)

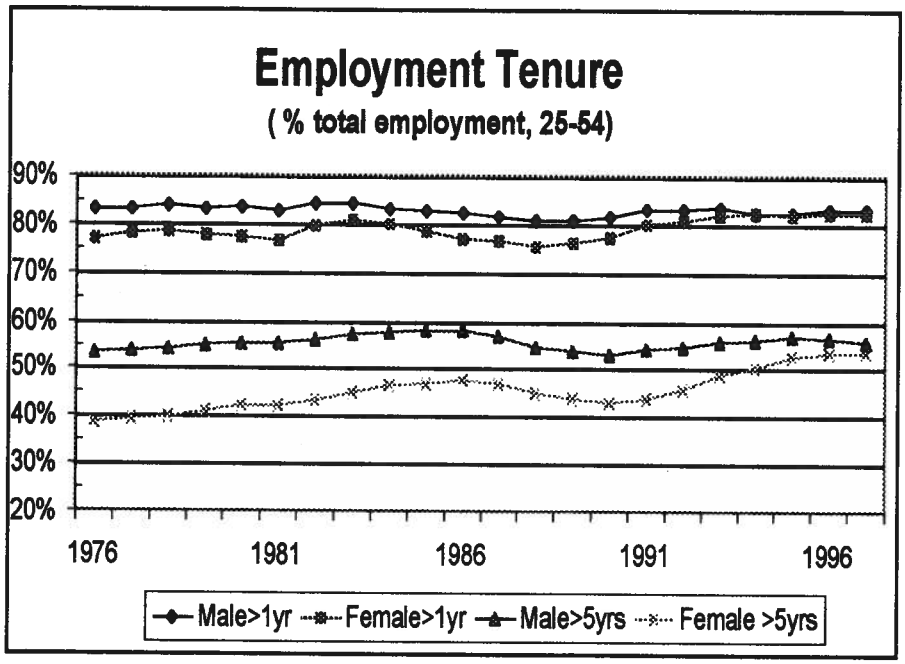


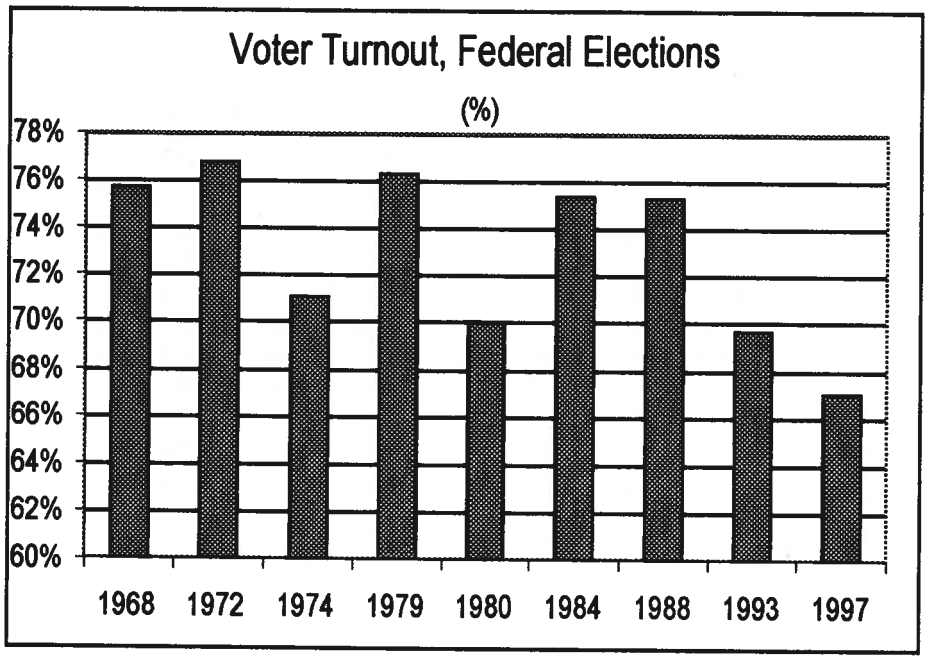

Bureaucratic Burden, by Industry
35%
30%
25%
20%
15%
10%
5%
0%
1986
1991
1996
TOTAL
Manufacturing
Public Administration

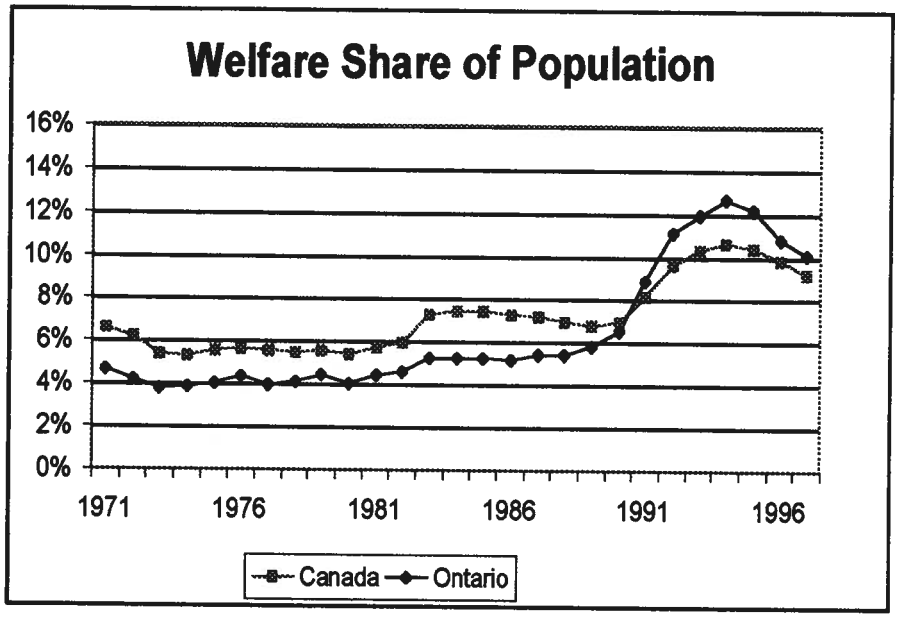

Employment Ratios
(% of source population)
65%
60%
55%
50%
45%
40%
35%
30%
1976
1981
1986
1991
1996
Paid FT
+Paid PT
+Self ET

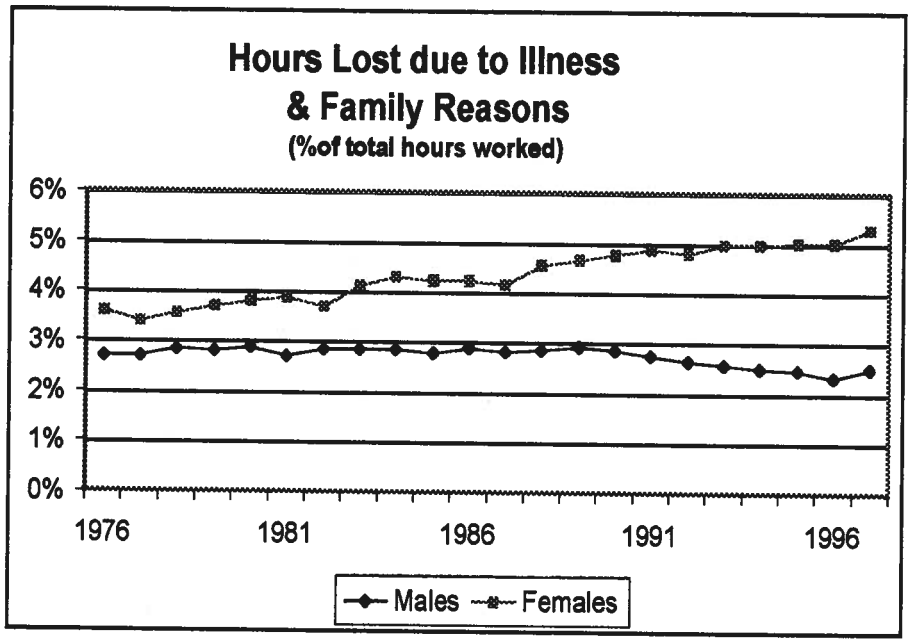

Youth Employment Ratios
(% of source population)
65%
60%
55%
50%
45%
40%
35%
30%
25%
1976
1981
1986
1991
1996
Full-time
+Part-time

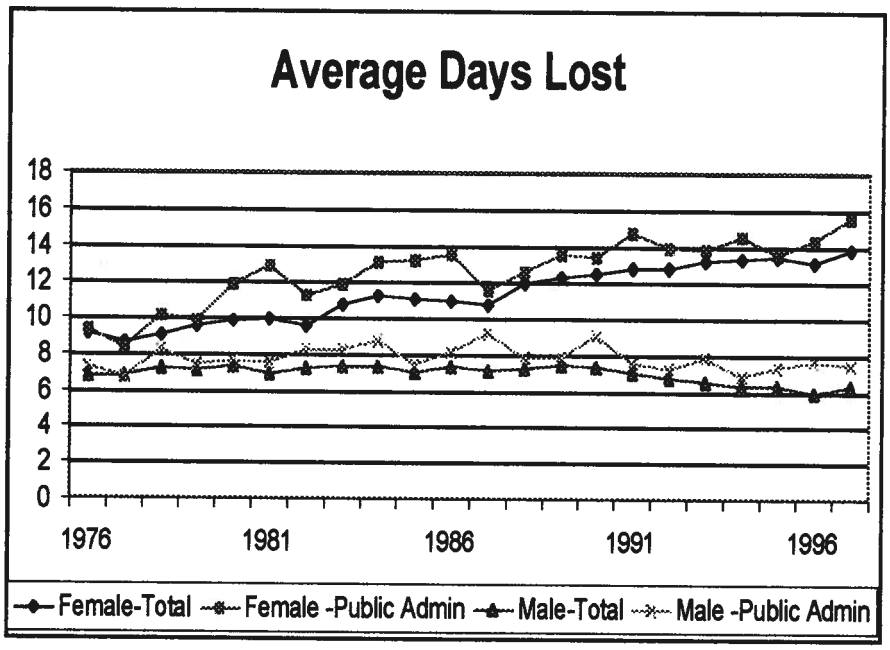

Full-time and Desired Part-time
(% of total employment)
100%
95%
90%
85%
80%
1976
1981
1986
1991
1996
Female
Male

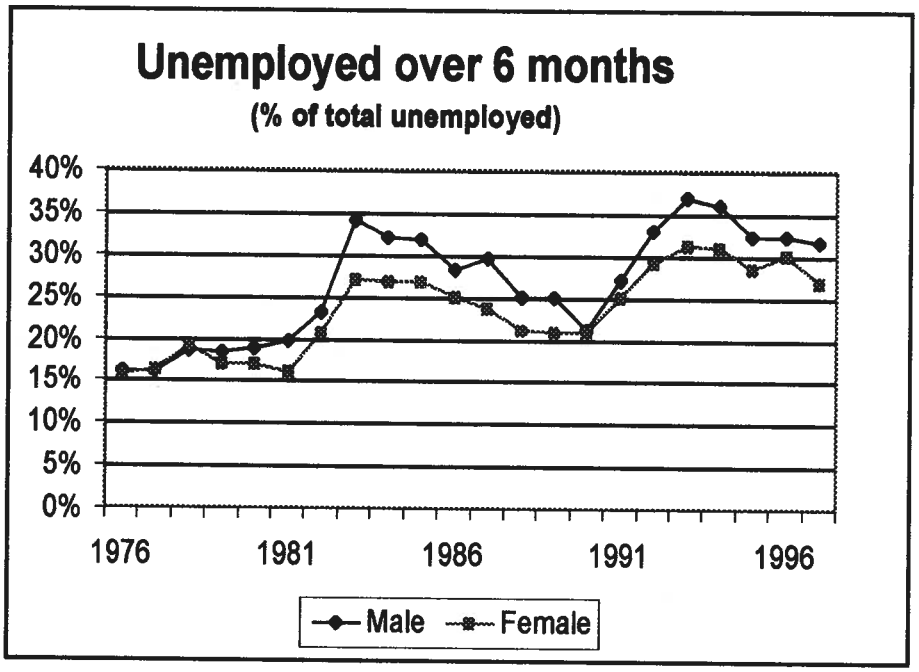

Employment Tenure
(% total employment, 25-54)
90%
80%
70%
60%
50%
40%
30%
20%
1976
1981
1986
1991
1996
Male>1yr
Female>1yr
Male>5yrs
Female >5yrs

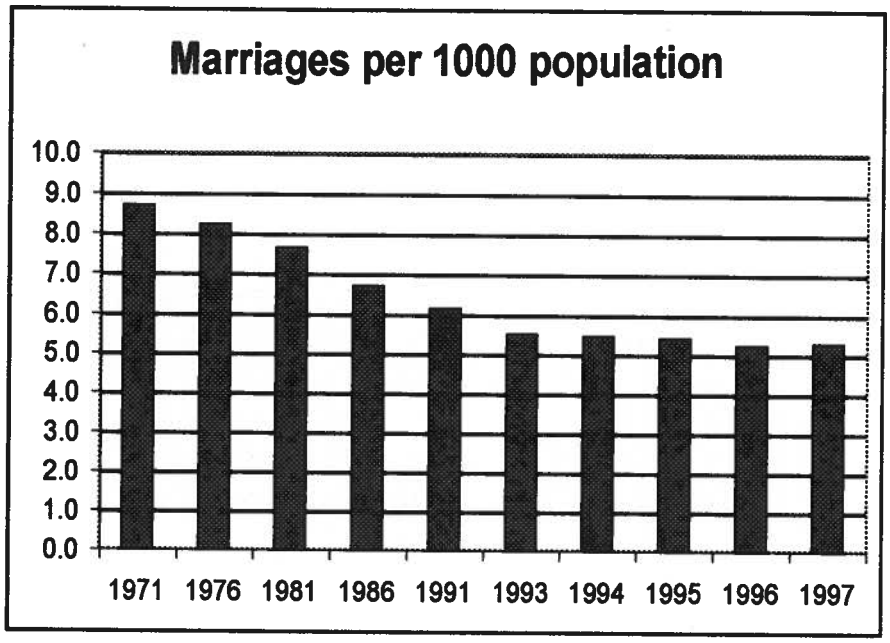

Voter Turnout, Federal Elections
(%)
78%
76%
74%
72%
70%
68%
66%
64%
62%
60%
1968
1972
1974
1979
1980
1984
1988
1993
1997

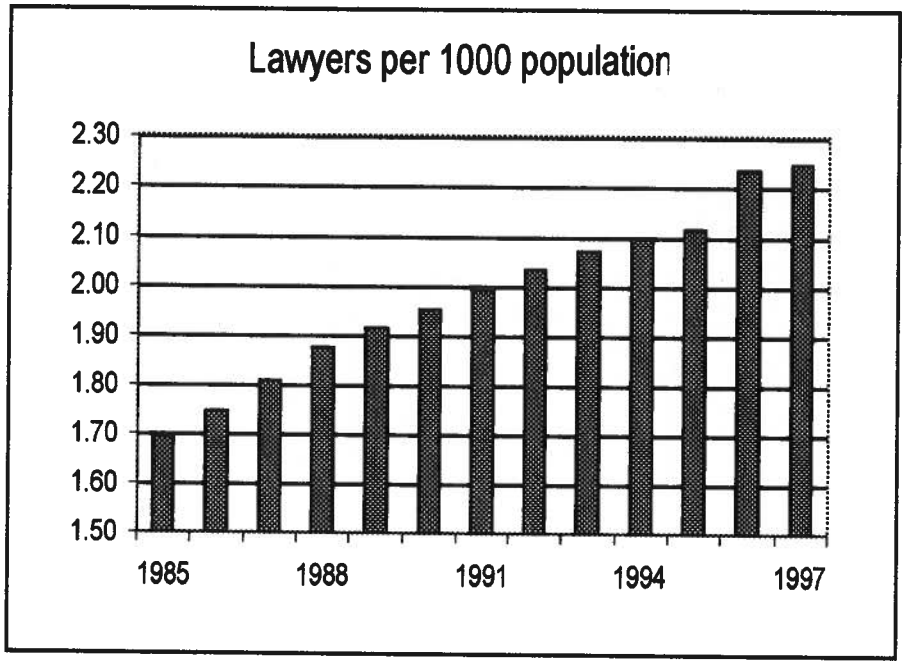

Welfare Share of Population
16%
14%
12%
10%
8%
6%
4%
2%
0%
1971
1976
1981
1986
1991
1996
Canada
Ontario

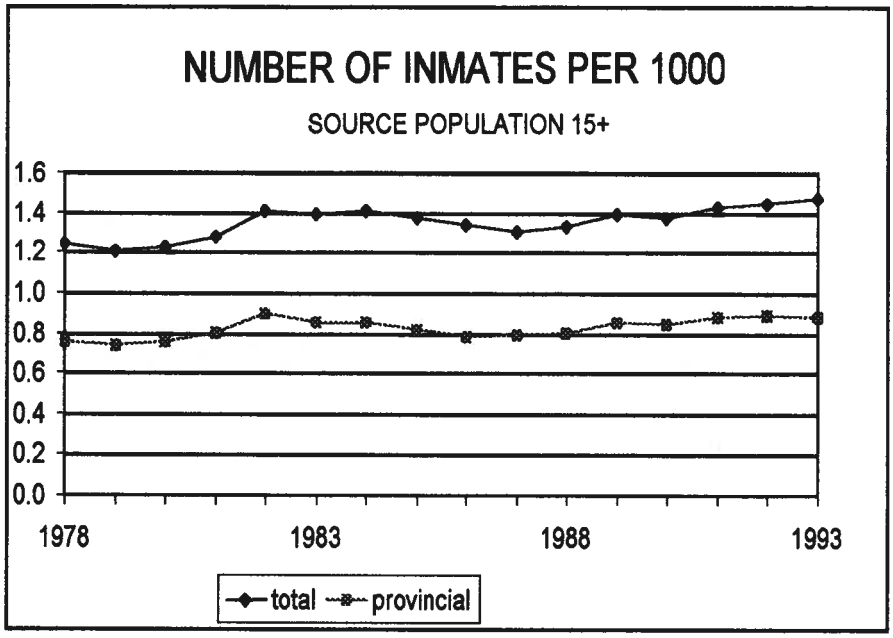

Hours Lost due to Illness
& Family Reasons
(%of total hours worked)
6%
5%
4%
3%
2%
1%
0%
1976
1981
1986
1991
1996
Males
Females

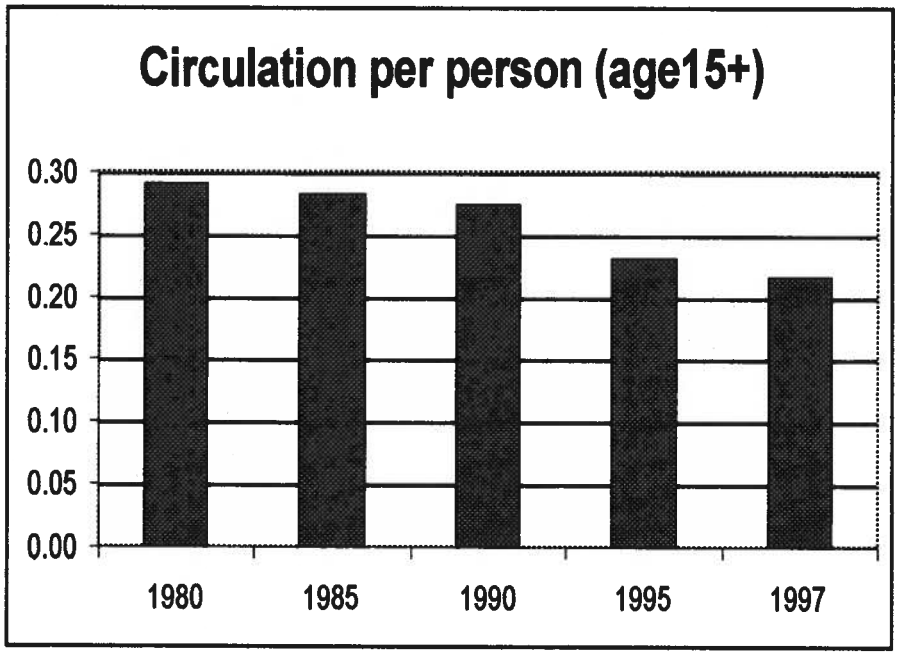

Average Days Lost
18
16
14
12
10
8
6
4
2
0
1976
1981
1986
1991
1996
Female-Total
Female -Public Admin
Male-Total
Male -Public Admin

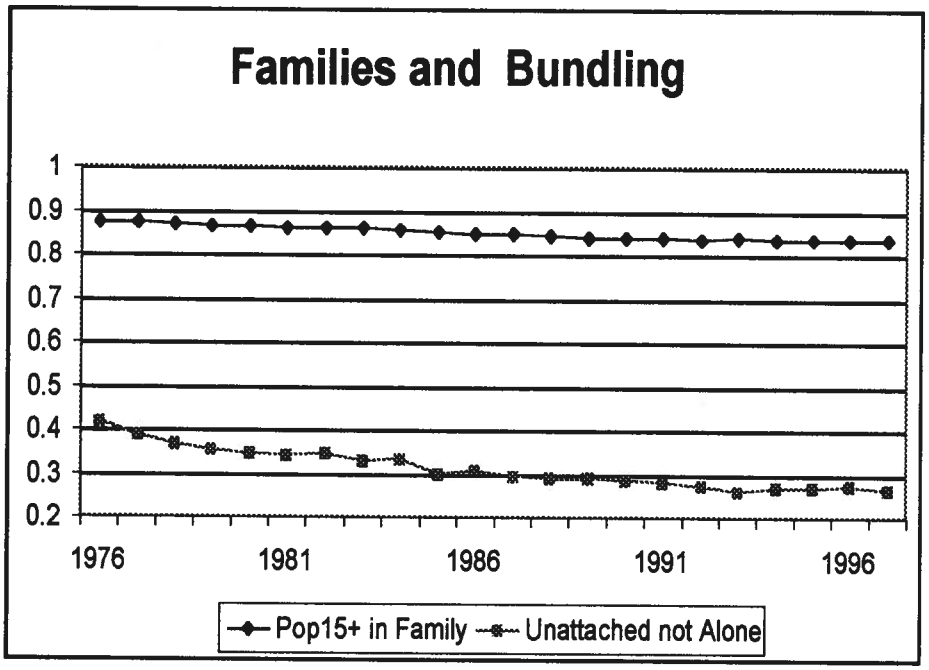

Unemployed over 6 months
(% of total unemployed)
40%
35%
30%
25%
20%
15%
10%
5%
0%
1976
1981
1986
1991
1996
Male
Female


Marriages per 1000 population
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
1971
1976
1981
1986
1991
1993
1994
1995
1996
1997


Lawyers per 1000 population
2.30
2.20
2.10
2.00
1.90
1.80
1.70
1.60
1.50
1985
1988
1991
1994
1997


NUMBER OF INMATES PER 1000
SOURCE POPULATION 15+
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
1978
1983
1988
1993
total
provincial


Circulation per person (age15+)
0.30
0.25
0.20
0.15
0.10
0.05
0.00
1980
1985
1990
1995
1997



So What?

- **Threatens the social stability and moral authority of nation**
- **Threatens economic growth**
- **Withdrawal of support for free trade, capital mobility, open immigration, deregulation**
- **Threatens the unity of the state**