



# HORIZONS

P O L I C Y R E S E A R C H I N I T I A T I V E

## Social Capital

### A Useful Tool for Public Policy?

Social capital is a concept with much promise, but an uncertain future. On the one hand, the basic intuition behind it makes sense: our social relations can be an important source of resources and supports. Public policy researchers and practitioners have been keenly interested in social capital precisely because of its promise to provide a means to better identify and understand just how these resources and supports are invested in and developed, how they are accessed, and what kind of benefits flow from them. If we can better understand this process we might, in turn, better harness its potential in realizing any number of public policy objectives.

On the other hand, though recent years have witnessed worldwide interest in social capital's public policy potential, its usefulness for policy and program development has yet to be fully realized. Much of the blame for the present inability to translate the concept into policy settings lies with the conceptual confusion

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## INTRODUCTION (CONTINUED)

in the literature, and the difficulties this has meant for attempts to operationalize social capital. Indeed, the sheer breadth of phenomena that have been labelled social capital, while accounting for some of the concept's popularity, has introduced a high degree of fuzziness into social capital research.

Earlier this year, the Policy Research Initiative launched a new horizontal project, Social Capital as a Public Policy Tool. This project aims to cut through the conceptual confusion, and explore how this concept might finally be brought to ground for public policy purposes in Canada. Its current efforts centre on the development and testing of an analytical framework that will allow for a clear and rigorous understanding of the phenomenon. The lead article by Jeff Frank, the director of this horizontal project, provides an overview of some of the thinking that lies behind efforts to develop this framework. Robert Judge, a research officer working with the social capital team, follows this with an exploration of the conceptual differences in the literature, and suggests a means for overcoming the confusion.

The remaining feature articles represent various attempts to apply the concept of social capital to issues of public policy concern. Peter King and Charles Waldegrave, from the Family Centre Social Policy Research Unit in New Zealand, present the theoretical basis for a pilot study that has been recently launched into connections between social capital and barriers to employment for single men and women in that country. David Gyarmati and Darrell Kyte of the Social Research and Demonstration Corporation offer an overview of the current state of the Community Employment Innovation Project, a large-scale research demonstration project in Cape Breton, and the ways in which this project integrates a network-based conceptualization of social capital. From the University of British Columbia, Ralph Matthews introduces the work of the Resilient Communities Project, which is exploring the relationship between social capital and community economic development in coastal British Columbia. Finally, Wendy Stone, Matthew Gray, and Jodey Hughes present results from a recent study by the Australian Institute of Family Studies into the connections between an individual's stock of social capital and success in the labour market.

Other non-theme articles in this issue include three pieces coming out of the PRI's North American Linkages project, and one from the Poverty and Exclusion project. The next issue of *Horizons*, due out in December 2003, will focus on the subject of sustainable development.

**Jean-Pierre Voyer**  
Executive Director

# Making Social Capital Work for Public Policy

**Jeff Frank**  
Policy Research Initiative

Can the concept of social capital offer a useful set of tools for the development of policies and programs? This question is at the core of one of the horizontal research projects launched by the Policy Research Initiative (PRI) earlier this year. Through consultations with policy departments and experts, the project on Social Capital as a Public Policy Tool is developing an analytical framework that will offer a consistent approach to social capital and its application to various policy issues.

Work in this area is not entirely new across federal departments. For a few years now, research on social cohesion has been exploring related issues, albeit through a broader lens that covers various forms of social and civic participation, as well as notions of identity and belonging. What is new is the focus on the tighter concept of social capital – understood roughly as networks of social relationships and the resources they embody. These networks can be invested in and drawn upon to facilitate action, and can be beneficial as a resource for individuals and communities. Even with this relatively lean approach to social capital, various dimensions can be drawn into the analysis, depending on the policy question at hand. This article reviews some of these dimensions and potential policy applications, after first exploring the rising interest in social capital within public policy circles.

## An idea with legs

Interest in social capital has been mounting in academic circles, in the policy shops of many national governments, and across several international agencies. Scholarly work on social capital in various disciplines has grown

dramatically over the past decade. Robert Putnam was already the most cited social scientist of the 1990s, and with 2000's *Bowling Alone: the Collapse and Revival of American Community*, he truly catapulted the idea of social capital into a wider public consciousness. In Canada, interest crystallized with an international symposium held in Québec City that same year. Co-organized by the Organization for Economic Cooperation and Development (OECD) and Human Resources Development Canada (HRDC), the symposium brought together leading thinkers and government officials to consider how human and social capital interact to influence sustained economic growth and well-being. The symposium report remains essential reading for anyone interested in social capital and public policy.<sup>1</sup> The articles contained in the Spring 2001 issue of *Isuma: Canadian Journal of Policy Research* also serve as an excellent primer on the subject.

In December 2001, the closing plenary of the PRI's National Policy Research Conference, *Bringing Communities Together*, centred on a riveting presentation by Robert Putnam on the implications of his approach to social capital for public policy – more than 30 deputy ministers and heads of agencies were in attendance. More recently, John Helliwell's *Globalization and Well-Being* won the 2002-2003 Donner Prize for best book on Canadian public policy and has gained considerable attention. In it, he includes social capital as a key factor in explaining the persistence of localized economies in the face of globalization, and presents evidence that social capital is more important than income as a determinant of subjective well-being.

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Jeff Frank,  
Project Director,  
is the project lead for  
the PRI's Social Capital  
as a Public Policy Tool project.

Because of the seeming versatility of the concept, critics fear that social capital runs the risk of being rendered meaningless by becoming everything to everyone. Nevertheless, an increasingly impressive body of research demands an assessment of the potential of social capital to contribute to the development of sound public policy. We clearly need to examine, therefore, its potential for Canadian public policy both thoroughly and critically, and to make recommendations for its use in future policy development. These are the objectives of the PRI-led, interdepartmental project, Social Capital as a Public Policy Tool.

### **A multifaceted concept**

Michael Woolcock (2001) notes that the concept of social capital has been criticized in certain quarters for being weak on substance, owing its popularity simply to good marketing. Nevertheless, he rejects this argument, suggesting that the study of social capital would have long since collapsed under its own weight if there were not a sufficiently rigorous empirical foundation supporting it. The downside of the successful marketing of the concept has been that some people have attempted to latch onto the popularity of the term by employing it haphazardly in their own work, even when they have only a vague understanding of how the term has been developed by specialists. Still, Woolcock contends that a coherent and rigorous core of research is emerging.

One major step forward in social capital research has been the identification of three forms of social capital – bonding, bridging and linking – which have proven to be especially helpful in understanding the sources and

outcomes of social capital. Putnam emphasizes the distinction between bonding and bridging. Bonding social capital refers to the relations within homogeneous groups, such as within fraternal organizations, among ethnic enclaves or in fashionable country clubs. Putnam likens the strong ties formed within dense homogeneous networks as a sociological super glue, and suggests they are best suited for providing the social and psychological supports its members need for getting by in their day-to-day activities (Putnam, 2000). This strong in-group loyalty, however, can be prone to a number of negative outcomes as identified by Portes, including the potential exclusion of outsiders or a stifling of the freedoms of network members (Portes, 1998).

Bridging social capital, in contrast, is much more heterogeneous cutting across diverse social cleavages. Putnam suggests that this form of social capital is useful in connecting to external assets and for information diffusion. This conception draws on the importance of weak ties first identified by Mark Granovetter in the 1970s. Such weak ties to diverse sources may actually prove to be more valuable to individuals seeking to get ahead than stronger ties to relatives and close friends, depending on the context (as in a job hunt). Putnam is careful to point out, however, that bonding and bridging should not be understood as either-or categories, but rather as more-or-less dimensions along which different networks might be compared.

A number of scholars have found the category of linking social capital to be helpful as well. While this linking might be considered by some as a

form of bridging, Woolcock argues that bridging social capital has been largely treated as a horizontal category of interrelations, whereas linking better captures an important vertical dimension of social capital. Thus, linking social capital refers to ties between different strata of wealth and status. Woolcock suggests that such networks are key to leveraging resources, ideas, and information from formal institutions beyond the community, which is particularly important for economic development.

While these distinctions have proven useful to many, they should not be taken to represent an exhaustive typology. Other categorizations of social capital may prove useful for analysis depending on the context. For example, Adler and Kwon (2002) stress the importance of distinguishing between social networks based in market relations, those based in hierarchical relations, and those based on social relations. Given the variety of forms that different networks may take, analysts have only begun to explore the potential analytic uses of various categorizations.

### **Context matters**

One of the key messages to emerge from an interdepartmental consultation held last June was that policy questions should drive the way we operationalize a theoretically informed approach to studying social capital. Those aspects of social capital we wish to study and measure cannot be determined in the abstract, but will depend on the policy questions of interest. We need to ensure, therefore, that government efforts to research and operationalize social capital are connected to the specific contexts of

federal policy and program objectives. The policy areas that were identified as most ripe for the application of a social capital approach included immigrant integration and diversity, health, economic participation, and social inclusion.

It is worth reinforcing the notion that context matters when it comes to social capital and policy. Social capital networks are dynamic, not static. Indeed, they can be quite episodic and context-specific. Particular manifestations of social capital may be highly useful in achieving certain outcomes, while of limited value or even counterproductive in achieving others. For example, bonding social capital (homogeneous ties inside a group of belonging) is crucial for new immigrants in getting by on a day-to-day basis, but may later be less useful than bridging social capital (linkages to groups and institutions outside of the ethnic community) for getting ahead. Similarly, different dimensions of social capital (e.g., levels of trust within the network or the gender of the network members) may be critical for determining outcomes in one area, but of only marginal importance in others.

The potential impact of social capital on various outcomes will vary depending on the ways in which its effects are enhanced or diminished by the wider social, political, economic, and cultural environment. One need only think of the differences in both the potential sources and the potential uses of social capital open to women in 1950s Canada as opposed to Canadian women today. Similarly, organizations and institutions may play an important and varied role in facilitating or hindering the development and

operation of social capital, and this could prove to be an additional path of worthwhile investigation. Although the importance of context may seem an obvious observation, many approaches to the study of social capital nevertheless fail to recognize that we should not expect to find that prevalent patterns and forms of social capital in one location are to be consistently observed across time and space.

At the same time, distinctions must be made between social capital's core components, its determinants, and its outcomes. It is the mixing up of these components that is the source of much of the confusion in the literature and in policy discussions about social capital. We may indeed wish to end up talking about any or all of these depending on the policy question and specific context, but they should be kept analytically distinct. This will help us better understand the actual mechanism of social capital formation.

### Insights for policy

So how do we apply all this information to the development of solutions to specific policy problems? Even at this early stage, it seems clear that social capital's greatest potential is as a means to an end, rather than as an end in itself. We should probably not be thinking, therefore, about a national strategy to build social capital or any sort of blanket policy statement aimed at increasing the social capital of Canadians for its own sake. Instead, social capital might be best understood as a means or process for accessing various forms of resources or support through networks of social relations. The idea is to emphasize the potential

role of social capital, as a resource and a process, in facilitating the achievement of broader policy objectives, such as immigrant integration, economic participation, or improved education and health outcomes.

Social capital is not a cure-all. More social capital will not necessarily always lead to better outcomes. Nevertheless, while social capital alone may not be enough to achieve objectives, it may prove a useful complement or reinforcement for other policy tools and resources in achieving policy and program objectives. For example, it is particularly relevant in the area of immigrant integration where it can complement other integration tools such as language training.

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.

While many policies and programs are already incorporating elements of social capital (e.g., community partnership initiatives), there could be more systematic tracking of social capital's role in achieving program outcomes. To this end, we could become more active in developing and refining measurement tools and indicators to register the presence of

social capital and assess its impacts on program outcomes. Identifying the effects of social capital on existing program outcomes could facilitate their replication in other program areas. We must ensure that programs and policies across government do not work at cross-purposes in the ways in which they incorporate or affect social capital. Seemingly unrelated government interventions (e.g., in areas of transportation, housing, etc.) might actually undermine the very social capital resources that other programs are counting on to achieve their objectives. And using social capital as a policy tool will inevitably raise some jurisdictional issues and, depending on the policy area in question, coordination across levels of government will often be important.

### The way ahead

We already have some understanding of the possible determinants and consequences of social capital. How can this knowledge be translated into action? Discussions with departments indicate a need to find out more about “what works” in creating or facilitating social capital in specific policy contexts. But so far, little has been done to integrate social capital into policy-making. A clear and conceptually rigorous framework for defining and analyzing social capital could potentially spawn a new set of tools for developing evidence-based policy. By

proposing, testing, and refining such a framework, the PRI project, Social Capital as a Public Policy Tool, seeks to achieve just that. Through discussions with policy departments, and with national and international experts, what we learn will be incorporated into a comprehensive set of recommendations for measurement, for testing new approaches, and for policy action. Policy groups across departments could then add these social capital tools to their repertoire, and apply them in innovative new ways to a diverse set of problems.

### Note

- 1 Available online at [http://www.hrhc-drhc.gc.ca/sp-ps/arb-dgra/publications/books/oecd/en/oecd\\_e.shtml](http://www.hrhc-drhc.gc.ca/sp-ps/arb-dgra/publications/books/oecd/en/oecd_e.shtml). See also the Spring 2001 issue of *Isuma*: *Canadian Journal of Policy Research* at [http://isuma.net/v02n01/index\\_e.shtml](http://isuma.net/v02n01/index_e.shtml). Both URLs accessed October 14, 2003.

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## Policy Challenges

At present though, it can be difficult for policy analysts to know the extent to which a particular policy may provide beneficial increases in social capital. This reflects the conceptual ambiguities and measurement difficulties that surround the concept, and the fact that, in some instances, social capital can have perverse effects. Even where there is reasonable certainty about what constitutes a beneficial increase in social capital, multiple and mutually reinforcing policies may be required to bring it about – complications which could test the competence and coordination of government, or which may have other impacts that would need to be considered. The need for localized solutions in some cases can also complicate policy analysis. This suggests that further research may be warranted to deepen understanding of the sources of social capital and how they operate, to better conceptualise social capital itself, and to improve on current measures and measurement methodologies. In the short term, there may be merit in small-scale policy experimentation to gather experience and data on different policies aimed at supporting and enhancing social capital.

Commonwealth of Australia, Productivity Commission. July 2003. *Social Capital: Reviewing the Concept and its Policy Implications*. Canberra: AusInfo. This research paper can be found at <http://www.pc.gov.au/research/commres/socialcapital/socialcapital.pdf>. Accessed October 28, 2003.

# Social Capital Building a Foundation for Research and Policy Development

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In recent years the concept of social capital has excited much attention and come to worldwide prominence within academic and government circles alike. But will it prove to be a robust concept for research and policy development over the longer term? The answer may well depend on some key choices we make today about what we fundamentally understand by social capital.

The current range and ambiguity in the meanings attached to the concept of social capital do not help in making a case for its practical value for policy and program development. Indeed, as Portes (1998) has warned, we may be approaching a point where the term has been applied in so many different contexts and to such a range of events as to mean everything and nothing.

In part, this current wide variation in understandings of social capital is arguably a natural reflection of a concept in an early stage of development. While the idea that the nature and quality of social relations have important implications for the well-being of individuals, communities, and societies has a long history, viewing them as a potentially productive resource for particular outcomes is of more recent vintage. Given the rapid spread and popularization of this concept following, in particular, the seminal work of Pierre Bourdieu, James Coleman, and Robert Putnam in the late 1980s and early 1990s, it should not be surprising that some have conveniently latched on to the high-profile label to advance their own particular projects with little concern for theoretical precision. One might hope that with time the rigorous and substantive core of research will prevail and a clearer understanding will emerge.

Yet even if we focus on this substantive core, we can find a significant division in how the concept is envisioned. On the one hand, some

researchers see social capital primarily in terms of particular structures (social networks) and the resources they convey. On the other hand, many prefer a functional definition of social capital whereby it consists of those social resources that enable cooperation and collective action. In practice, the two approaches have much in common. Those who focus on social networks frequently do so precisely because of their potential to encourage cooperative behaviour, and those who take a functional approach to social capital often identify social networks as a key mechanism for pursuing common objectives.

Nevertheless, the differences between the two approaches are not mere semantics. This article attempts to outline some of the ways in which this basic difference in conceptualization matters to how we operationalize the term and the research agendas we might choose in studying the productive potential of this capital resource. At the same time, it attempts to propose a basis for developing a framework for analyzing social capital that draws on the strengths of both approaches.

## The Parallel to Human Capital

To evaluate the comparative advantages of the two basic approaches to social capital, it may be helpful to begin by thinking through what would make it a form of capital generally, and how it might compare to human capital in particular (see, for

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example, Lin, 2001, ch. 2). In general, capital is a resource in which one might invest and develop, and which may be then employed to generate a future flow of benefits. In economics, capital has classically referred to various physical assets, both private and public, that may be developed and used to produce goods and services, including such things as machinery, buildings, transportation networks and the like.

Some 40 years ago, the notion of human capital was introduced in the work of Theodore Schultz and Gary Becker. Schultz famously made a case for the adoption of the concept of human capital in his widely cited 1960 presidential address to the American Economic Association (Schultz, 1961). His central thesis was that human knowledge and skills formed a capital asset, and the “failure to treat human resources explicitly as a form of capital, as a produced means of production, as the product of investment, ... was wrong in the classical period and patently wrong now” (p. 3).

Indeed, he suggested that this failure to conceive of the acquisition of knowledge and skills as a capital investment and to evaluate their productive potential as such had blinded researchers and public policy practitioners to their full importance. For example, reflecting on his work together with other economists following World War II, Schultz noted that they had badly underestimated the resilience and efficiency with which Western Europe would recover. This he attributed to their overemphasis on the wartime destruction of physical capital and a failure to understand the role of human capital in production in an industrialized economy.

Schultz contended that the increase in national outputs in Western economies stemmed in large part from investments made in human capital, and investments in education and training could yield significant returns over a long period for both individuals and economies. He further suggested that the adoption of a human capital lens had a number of public policy implications. For example, he pointed to then-existing tax laws that discriminated against investment in human capital in the United States, and called for greater efforts to provide the funds for students to invest in education and thereby their future.

In subsequent decades, the concept of human capital has proven very useful in orienting research and public policy development. (For an overview see Healy and Côté 2001, ch. 2.) Researchers have examined the degree to which various specific investments in knowledge and skill development have paid off both for individuals in terms of improved employment earnings and personal well-being, and more generally for the overall health of the economy and society. Similarly, they have been able to examine the dynamics and costs of investments in knowledge and skill development by individuals and firms, and the role of various factors in shaping these investment choices. So too have they been able to explore the role of public policy and expenditure programs, both in shaping the decisions and opportunities to invest in education and training, and in affecting the way in which these investments translate into labour market opportunities.

Of course human capital theory is not without its shortcomings. (Again see Healy and Côté, 2001, ch. 2.) Efforts

to measure stocks of human capital remain limited, with emphasis typically placed on educational credentials as a simple but weak proxy measure. Poor data quality and a still rudimentary understanding of the complex interactions of human capital and economic growth have hampered efforts to measure the impact on growth. Nevertheless, the introduction of the concept has proven highly useful for allowing researchers to explore the returns from human capital, the dynamics of investing and developing in the same, and the role for public policy in this area.

Will social capital prove to be similarly helpful? Certainly the idea that social relations can form a capital asset has received considerable attention recently. Part of the readiness of so many scholars and researchers to explore the concept may well lie in the intuitive sense this seems to make for most people. As Woolcock and Narayan (2000: 3) put it, “... the basic idea of social capital is that a person’s family, friends and associates constitute an important asset, one that can be called on in a crisis, enjoyed for its own sake, and leveraged for gain.” Whether you are seeking support in hard times, looking for a night on the town with friends, or searching for a new job opportunity, who you know matters. Moreover, the authors argue that what is true for individuals is also true for communities: those with a stronger stock of social capital are able to negotiate the various challenges they may face more effectively.

When one looks to the major approaches to social capital, one finds a broad common interest in how the dynamics of social relations might constitute an important asset and be

productive of various outcomes. For example, Bourdieu (1986) was interested in how elites could call upon their social networks to reinforce and reproduce their privileged status. James Coleman (1988) examined how social capital in tightly bonded communities helped support family expectations for their children's education and thereby reduce high school dropout rates. Putnam (1993, 2000) argued that networks of community engagement can engender norms of reciprocity and trusting dispositions which, in turn, may generate greater social collaboration and more effective democratic institutions.

Yet if there is a common interest in exploring how social relations may form a capital asset, there is a wide disparity in how social capital is conceptualized more precisely. In particular, as noted above, the leading approaches may be broadly divided between those who focus on social capital as a structure in the form of a social network, and those who take a more functional approach and view social capital as being those social resources that enable effective cooperation.

In practice, this distinction has an enormous impact on the ability to identify what might constitute social capital and how it functions, including being able to distinguish social capital from its determinants and its outcomes. If we are to think of social capital as a form of capital, and if this is to be useful for research and policy development, then ideally we should be able to identify what it is, explore its productive potential, and identify the means by which it can be invested in and accumulated. Network-based approaches to social capital may more

readily meet this test. Before exploring the usefulness of such an approach, this article first considers the case for a functional conception of social capital.

### Social Capital as Function

At present, the functional conceptualization of social capital may be the most widely adopted and influential approach. The seminal work in proposing a functional understanding of social capital is that of the late American sociologist, James Coleman (1988, 1990). Coleman (1990: 302) argued that social capital consists of those aspects of a social structure that facilitate the actions of actors within the structure. The forms of social capital he identified include obligations and

in Italy, Putnam adapted Coleman's approach and defined social capital as "features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions" (p. 167). A similar definition was offered in the hugely influential 1995 article entitled "Bowling Alone," in which he suggested that a decline in social capital in the United States in the form of an erosion of civic engagement was undermining the effectiveness of its public institutions.

Clearly, though, a functional conceptualization of social capital as offered by Coleman and Putnam would not have found a sustained audience if the

*To the degree that a functional approach lumps multiple phenomena under a single social capital label, thereby obscuring their independent dynamics, a disservice is done to the development of a sound basis for rigorous research.*

expectations, trust, information potential, norms and effective sanctions, authority relations, appropriable social organizations, and social networks.

If Coleman was the key figure in introducing a functional definition of social capital, its widespread impact on research agendas must be principally credited in particular to the early works on social capital by the Harvard political scientist, Robert Putnam (1993, 1995). Although Coleman (1990: 302) explicitly conceptualized social capital as an asset of individuals, Putnam has been more interested in exploring the ways in which it represents a collective asset. In his 1993 study of the comparative effectiveness of regional government

basic ideas did not hold considerable merit. Certainly the attention to the role social relations play in enabling and sustaining various outcomes is viewed by many as a welcome correction to approaches to economics and politics that have neglected the importance of the social sphere. Further, the core problematique this approach attempts to resolve, either for individuals or for collectivities, is a compelling one. Groups, families, neighbourhoods, and societies in which people are willing to cooperate, in which people are predisposed to trust one another, and in which collective action is welcome, encouraged, and enabled, will be able to accomplish much more than where this is lacking. Yet the wide variation in

levels of such cooperation and support for collective action underline the difficulty in its achievement. A functional approach seeks to identify the factors that enable the productive potential of socialbility, and thereby open them to possible development through public policy intervention.

And yet this functional approach to social capital has also been heavily criticized. For example, Coleman's rather vague definition and the "laundry list" of forms — a list that arguably conflates determinants, sources, and outcomes of social capital — has been lamented by Portes (1998) for having opened the way to confusion and contradiction in the wider social capital literature. Similarly, Portes suggested that the functional approach of Putnam is tautological, and that (at least in the case of his 1993 work on Italy) it failed to distinguish the definition of the concept both theoretically and empirically from its attributed effects.

Moreover, as Lin (2001) noted, a single, functional theory that needs to account for all elements of social resources that lie behind every instance of social cooperation quickly loses its parsimony, and thereby its explanatory utility. Of course, it is precisely the lack of parsimony in this theory that has enabled so many different researchers from different backgrounds to include their particular interests under a social capital banner. Social networks, norms and trust are perhaps the most frequently cited forms of social capital. Many are also interested in how public institutions as well as other political and legal arrangements are forms of social capital when and where they encourage and coordinate cooperative collective

action. Indeed, a functional approach leads to an ever-broadening list of those elements that may be considered to be social capital.

However, this continually expanding list makes it hard at times to isolate social capital from other forms of capital while grouping together many distinct phenomena with different, perhaps even contradictory, dynamics.

*While network-based approaches to social capital may be more modest and parsimonious than functional definitions, this may greatly increase the potential explanatory power over the longer term.*

For example, a strong economy and abundance of equitably distributed resources might be considered a form of social capital to the degree to which it facilitates greater cooperative behaviour. Similarly, knowledge of interpersonal dynamics and developed social skills may similarly contribute toward cooperation. Yet labelling them as social capital may obscure more than enlighten.

To the degree that a functional approach lumps multiple phenomena under a single social capital label, thereby obscuring their independent dynamics, a disservice is done to the development of a sound basis for rigorous research and, ultimately, for the development of evidence-based policy.

To summarize, the broad question of identifying the sources of social cooperation and collective action remains both a valid and vital concern for research. And good and careful scholarship may be able to employ a

functional definition while avoiding the potential pitfalls of this approach. Nevertheless, a functional definition can too often support confused research that obscures more than it enlightens. Moreover, efforts to group all phenomena that produce collective action into a single theory may prove insurmountably complex and, over the longer term, limit the utility of the concept for research and policy

development. Finding a means to define social capital more clearly without losing sight of the fundamental problematique raised by functional approaches may help to avoid this predicament.

### **Social Capital as Network**

In contrast to functional conceptualizations, network-based approaches to social capital may offer a much cleaner definition. To this end, many scholars have come to rediscover the seminal network-based work of Pierre Bourdieu on social capital. Bourdieu defined social capital as "the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition or, in other words, to membership in a group." For Bourdieu, "the volume of social capital possessed by a given agent...depends on the size of network connections he can effectively mobilize and on the volume of the capital (economic, cultural or symbolic)

possessed in his own right by each of those to whom he is connected” (1986: 249).

Although there is considerable variation in network-based approaches to social capital (see Adler and Kwon 2002: 22-23), most approaches share with Bourdieu the view that such approaches must be concerned with both the structure of the network and the resources contained within the network that may be drawn by its members. This said, various authors associated with a network-based approach differ somewhat in their definitions of the concept. For example, there are those who focus primarily on the networks themselves (e.g., the definition offered in this article), those who include equally the networks and the resources they convey (e.g., Bourdieu), and those whose definition stresses the resources accessible through networks (e.g., Lévesque and White, 2001). More generally, Adler and Kwon (2002) argued that network-based approaches are split between those principally concerned with the effects generated by the pattern or structure of relations within a network, and those that insist that the content of those relations, such as particular norms or levels of trust, must also be investigated.

Network-based approaches have been subject to a variety of specific critiques. Most common, however, are concerns that these approaches are too narrow. Some feel that they leave out too many dimensions that may be important in understanding and explaining various social phenomena, particularly cooperative collective action. Given the compelling case made by many within the functional approach for

understanding these broader issues, an inability of a network-based approach to explore such concerns would be serious.

This said, such concerns may be misplaced. While network-based approaches to social capital may be more modest and parsimonious than functional definitions, this may greatly increase the potential explanatory power over the longer term. Rather than opening the door to an ever-expanding list of social resources that are purported to function as enablers of collective action, defining social capital in terms of social networks allows one to better define the concept, distinguishing it both from other forms of capital and from its purported effects. This in turn allows for more careful empirical testing of the theorized connections between the determinants of social capital, its outcomes, and social capital itself. Moreover, it does not force one to conclude that social capital is absent if its theorized effects are not perceptible (Lévesque and White 1999: 28).

Defining social capital in terms of social networks does not mean that one cannot investigate its possible role in promoting collective action, or the ways in which it interacts with norms, trust, institutions, the wider socio-political environment, and the like. Indeed, by carefully distinguishing between these phenomena rather than lumping them into a single dynamic, one may more carefully study and test the supposed connections between the various elements. Which of these additional elements one wishes to study will vary with the particular problem one wishes to understand. Nevertheless, a common conceptual focus on

social capital as social networks provides a means of ensuring consistent measurement across a variety of research and policy applications.

Potentially, one may more clearly understand and empirically study social capital as a form of capital through a network-based approach. Human capital has proven a robust concept over the past 40 years, because its core elements have more or less been clearly identified as knowledge and skills, and this has allowed researchers to organize their efforts to evaluate the productive potential of this form of capital and to study the dynamics by which individuals invest in and accumulate human capital. This, in turn, has allowed for analysis of the potential role of public policy in encouraging the most beneficial forms of investment in human capital and for maximization of returns on this investment, particularly in the labour market. A narrower definition of social capital may prove a similarly useful lens for exploring the importance of social networks.

## Conclusion

Through recognizing issues raised by a functional approach in developing a broader framework for undertaking social capital analysis, while maintaining a narrower, network-based definition for the core social capital concept, it may indeed be possible to draw on both approaches. That is, the study of social capital should be multi-dimensional and dependent on the needs of the particular application in question, including analysis of the investments that individuals make in setting up and maintaining social networks, associated norms and values,

institutional dimensions, as well as the benefits received by individuals and society. Studies using such a framework can be quite different from each other, but they will always require a common, measurable, core if they are to result in the development of a body of empirical knowledge that will support future policy analysis in areas that cannot easily be predicted in advance.

Such multi-dimensional analysis can be consistently undertaken over a wide range of policy and research applications provided that – in all these various applications – we maintain a strict core definition of social capital based on networks. A narrow definition of the core concept is at least potentially measurable in a consistent way and parallels the tight definitions used in studies of physical or financial capital as well as human capital, thereby facilitating crosscutting social and economic empirical analysis.

Thus, we might do well to define social capital in terms of the networks of social relations that provide access to needed resources and supports, while developing a social capital framework to support research and policy analysis that uses the core network concept but is multi-dimensional. Depending on the particular research and policy application, social capital studies should encompass, for example,

the investments that individuals and collectivities make in the establishment and maintenance of social networks, the various characteristics of the networks and of transactions, the norms and institutional frameworks in which such networks operate, the resources that can be potentially accessed through participation in the networks, and the returns to those investments in the form of economic, social, and health outcomes for individuals, communities, and societies. In this way, the strengths of both network-based and functional approaches to social capital may be harnessed in building a foundation for research and policy development.

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### Note

- 1 The author wishes to thank Peter Hicks for comments received on an earlier draft.

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# Social Capital, Social Networks, and Access to Employment

## Investigating Constraints on Labour Market Participation in New Zealand

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This article discusses the application of social capital theory, life history methods, and social network analysis to an ongoing study of the barriers to employment faced by single men and women in New Zealand. Previous work on social capital in New Zealand (Robinson, 1997, 1999, 2002) recognized the importance of social networks in the formation and mobilization of social capital, but its community development focus has concentrated on the collective rather than individual dimension of social capital. This research focuses on the individual dimension of social capital in the form of the resources for individual action that are stored in social relationships.

Cultural analysis is a key component of this research, because culture embodies the conceptual and normative framework within which the members of a particular society, community, or other social grouping, are socialized, live, enter into relationships, think, communicate, and assign meaning to objects, events, and their very existence (Durie, 1998, 2001; Tamasese and Waldegrave, 1997; Tamasese et al., 2000a,b). For Maori and Pacific people, these cultural frameworks have been subject to considerable stress and modification under the impact of colonial programs and practices. The significance of culture has clear implications for any study involving the social networks to which people belong, because the characteristics, contents, and structures of these networks will be significantly influenced by the cultural backgrounds of their members or, to put it another way, the networks people form and are attracted to will be significantly influenced by their cultural backgrounds.

To incorporate this concern, the study contains, by design, equal numbers of participants from Maori, Pacific, and Pakeha cultural backgrounds to investigate the proposition that the structures of the personal social networks, and the forms of social capital

associated with each cultural group are different, and that these culturally based differences are, in turn, associated with different types of relationships with the labour market.

The apparent association between a person's prospects in both the labour and marriage markets is interesting and suggests the existence of a section of New Zealand society whose members are doubly disadvantaged due to the difficulties they face in forging and maintaining social relationships, particularly relationships which provide them with the social leverage to get ahead, rather than merely to get by. By investigating this double disadvantage within a unified research framework, this study aims to develop insights into the social processes underlying capacity to achieve and maintain a secure attachment to the labour market. It also aims to contribute to the development of evidence-based active labour market policy capable of addressing the needs of the least advantaged members of the labour market.

### **Bourdieu, Coleman, and Putnam**

During the past decade or so, the concept of social capital has gained widespread currency among social scientists, social commentators,

politicians, and those involved in social and economic development generally. This widespread use has generated such a proliferation of applications that it is advisable, when applying the concept to an empirical study, to be clear about the definition of social capital being used and its relevance and usefulness to the research. We use the concept in this study because it broadly concerns social resources and represents a contextual counterpart to human capital;

whereas human capital is concerned with what you know, social capital is concerned with who you know. In a modern industrial market economy, wage or salary employment is the primary source of earned income for most people, and the availability of employment and people's capacity to secure it, are clear issues of social justice. Central to social justice are issues of access to social and economic resources, and the fact that these are usually distributed inequitably.

The three theorists most frequently cited for their contributions to the development and use of the concept of social capital are Bourdieu (1986), Coleman (1990), and Putnam (1993). The proponents and popularizers of the idea of social capital have clearly been most influenced by the work of Coleman and Putnam, and have paid little attention to Bourdieu's work in this area (Fine, 2001). While all three identify social capital with social structure, they do so differently, in ways that reflect the theoretical underpinnings of their respective approaches and the aspects of social reality they seek to understand.

The differences between the theoretical bases of Bourdieu, Coleman, and Putnam can be summarized as follows. For Bourdieu, social capital is a resource used by people to support their strategies for maintaining and changing their positions within hierarchical social structures. He uses the concept within a praxis-based approach in which social practice is considered to be generated through a process involving the interaction of structure and agency. The concept of capital is central to Bourdieu's work. As well as using the idea of social capital, he is credited with originating the concept of cultural capital, which is widely used in educational theory. The idea of capital is integral to his key theoretical concept of the social field.

Coleman applies the concept to education and the role of social capital in increasing human capital. His approach is based in rational choice theory and developed from his earlier work in social exchange theory. Putnam applies the concept to understanding and fostering the

## The Study

The research focuses on single people, because they experience greater difficulties in obtaining and retaining employment than their contemporaries who are members of couple households (Callister, 1998, 2000). The study identifies and examines the structures and contents of the social networks of 48 single men and women, looking at the forms of social capital embodied in their social networks. Research participants were drawn, in equal numbers, from three distinct New Zealand cultural groups: Maori (the indigenous people of New Zealand), Pacific (people from the islands of the South Pacific close to New Zealand), and Pakeha (term commonly used to refer to New Zealand people of European descent). Maori and Pacific people were, and still are, subject to extensive colonial programs and practices in New Zealand and the South Pacific. This study pays particular attention to culturally based differences in network content, structure, and forms of social capital, and the impacts of colonial relations on these elements. How do the participants use this social capital to provide the support and leverage necessary to get by and get ahead, in obtaining and sustaining paid market employment?

The study also investigates the proposition that the employment difficulties faced by single men and women, particularly those in their 30s and 40s, are likely to be compounded by the social isolation associated with their single status.

While this project has been designed to produce valuable and useful findings, it is also a pilot study in view of the relatively small sample and the fact that this is the first research of this type to be carried out in New Zealand. As a pilot study, it can provide the basis for refining and developing research instruments and methods that can be applied to larger studies in future phases of this research program.

establishment of democratic institutions at the regional and national levels. His use of the concept of social capital is influenced by Coleman and, although his and Coleman's areas of interest are different, they share the view that social capital is a public good, a community resource that tends to be undervalued and in short supply.

The view of social capital as a public good tends to emphasize its potentially positive or functional characteristics, while avoiding discussion of its potential downsides. For this research, the potential downsides of social capital are associated with the paradoxical capacity of the strong ties and criteria for network membership that are sources of social capital for members, yet may exclude those who do not meet membership criteria. The exclusion of "outsiders" from groups or networks by "insiders" on the basis of one or more of any number of possible forms of social differentiation illustrates the basis of social capital in networks of social relationships. It also underlines the view that social capital can exist in different forms in different networks, and that a form of capital that has currency in one network might hold no value in another.

Whatever the reason or basis for exclusion, the effect is a denial of access to a potentially useful resource or set of resources. The value of Bourdieu's conceptualization of social capital to this study derives from his focus on the individual dimension of social capital and the equation of social capital with the qualifications or credentials of entry and membership of a particular social group, social network or, to use Bourdieu's term, social field. In addition, his theory of social fields pro-

vides a vocabulary for discussing the power relationships among fields or networks. This study explicitly combines Bourdieu's understanding of social capital with the techniques of social network analysis to investigate

*This study explicitly combines Bourdieu's understanding of social capital with the techniques of social network analysis to investigate relationships between social network structure and associated social capital, and attachment to the labour market.*

relationships between social network structure and associated social capital, and attachment to the labour market.

### **Social Network Analysis**

Social network analysis is an approach to investigating social reality that focuses on the relationships among social entities rather than their attributes, as is done by standard social survey methods (Wasserman and Faust, 1999). Under this approach, social reality is conceptualized in terms of networks of social relationships occupying a wider social space.

Social network analysis shares the relational approach that is central to Bourdieu's framework as well as his spatial conceptualization of social reality. This form of analysis employs analytical methods based on mathematical graph theory to study the structures and characteristics of individual social networks and their relationships with others. Bourdieu has developed applications to delineate the social space, while others have applied graph theoretic methods to empirical identification and investigations of the forms of capital associated with particular social fields (Anheier et al., 1995; King, 1996, 2002).

In the study of social capital using social network methods, social capital has been associated with information and communication, access that is influenced by conditions known as "closure" and "brokerage." It is

assumed that communication takes time, but occurs more quickly through already established relationships, and that information will circulate within a network before it moves from one network to another (Burt, 2000).

### **Closure**

A closed network is one whose members have close connections to one another with no or relatively few connections outside the group. Within a closed network, the transmission or sharing of information is facilitated by the close links between members, and sanctions facilitated by network closure reduce the risks associated with trusting fellow members. By facilitating the transmission of information within a network, network closure is a source of social capital for its members.

### **Brokerage**

Brokerage refers to the bridging of structural holes or gaps between separate networks. A person who is able to bridge a gap between his or her own network (network A) and another network (network B) can facilitate and control the flow of information between the two networks. This brokerage will not be an advantage if network A and network B are the same,

or very similar, in terms of the types of information circulating within them. But if the two networks are host to different types of information, bridging the gap between them is a source of social capital for the person who is able to broker the flow of information between them and, potentially, for other members of the networks who gain access to new sources of information.

These two examples indicate that social capital can exist in different forms and be specific to particular social contexts. The social capital associated with network closure might not be of benefit (have currency, if you like) outside the network concerned. It might have currency within other, similar networks, but not in other networks within which different sorts of information flow.

While the techniques of social network analysis enable the identification, measurement, and analysis of relationships within and between networks, they do not provide a theoretical basis for considering the significance of these relationships within the context of broader structural characteristics and sets of social relationships. It is in this area that Bourdieu's framework is of particular value, because he developed it with that purpose in mind.

## Research Application

The application of social network analysis to this research is based on the assumption that a complex community or society has a number of social fields or networks — some closed, some open, some crosscutting with others, some relatively isolated. It is also assumed that people occupy-

ing different positions within the socio-economic hierarchy will tend (strongly) to be associated with different social networks. For example, returning to the information flow and communication metaphor discussed above, people occupying positions associated with educational success and employment in professional occupations will tend to belong to different social networks from people occupying positions associated with poor educational attainment and unemployment, or employment in poorly paid, unskilled occupations.

All these networks will be potential sources of social capital for their mem-

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bers, but the social capital associated with the networks of the poorly educated and underemployed will tend not to have currency in the networks of the well-educated and professionally employed, and vice versa.

All things being equal, this would not necessarily be a problem. However, all things are not equal, and when it comes to a person's success in education and employment, it is helpful if the values, norms, and information flows, which are consistent with success in these areas, are similar to those circulating within that person's social network(s).

Consequently, the application of social network methods to this research focuses on the identification and

delineation of the social networks of single people who have different levels of actual achievement in employment. The extent to which these differences in achievement are functions of the characteristics of their social networks, and the extent to which the networks are characterized by closure and/or brokerage are then examined.

## The Sample

Data were obtained from interviews with 48 single people in the 30 to 45 age group. The sample had equal numbers of men and women, and equal numbers of Maori, Pacific people, and Pakeha. It also included people in paid employment as well

as those who were not. To the extent permitted by the small sample, we attempted to include people representing a range of employment histories.

The interview schedules were in several parts and covered the areas of life history and social networks. The life history component of the interview was semi-structured and designed to explore a person's life background in areas such as family, health, friendships, partnerships, education, training, employment, access to social, community, health, and cultural resources, significant life events (e.g., leaving home, returning home, marriages, separations, divorces, births, widowhood, graduations), and other significant turning points identified

by the person (e.g., the death or illness of a significant other).

The social network component has four objectives:

- developing a list of contacts through the use of a name generator;
- measuring the strength of each contact in terms of frequency and intensity of contact;
- measuring the status of each contact in terms of occupation, social and community standing, education, and the like; and
- identifying the existence of links between the contacts to identify secondary networks with which participants might have “weak” links.

Once the types of closure associated with participants’ primary networks and the extent to which they possess “weak” links with other secondary networks are identified, it is possible to relate these findings to the results of the life history data analysis and investigate any associations between life-course, cultural background, network structure, and the forms of social capital contained in them. The outcomes of these analyses are then related to participants’ experiences in the areas of labour market participation and attachment.

Another aspect of the overall analysis is to treat the primary and secondary networks identified as social fields (as theorized by Bourdieu) and attempt to locate them in relationship to the wider social space and other social fields, which affect the labour market. These fields would include those associated with occupational groupings,

and others emerging in the course of the cultural analysis, which might include such relational entities as *iwi* (Maori tribal entities), *whanau* (Maori extended families), and *aiga* (Samoan extended families).

## Policy Implications

It is increasingly recognized in New Zealand that, in the areas of policy development, implementation, and delivery, one size does not fit all. The needs of different populations (whether defined by gender, age, ethnicity, or some other criterion) in areas such as health, employment, and education are not exactly the same, and policy interventions developed to meet these needs are the most effective when they are sensitive to, and incorporate, the values and aspirations of a target population.<sup>2</sup> This, we argue requires that policy be based on an accurate understanding of the ways in which the cultural (in the broadest sense) characteristics of a particular population influence the relationships that its members have with other fields or domains within the wider society.

Social policy research is rightly concerned with contributing toward the achievement of *practical* outcomes, but it is important that emphasis on the practical does not divert us from the complementary responsibility to consider carefully the theoretical assumptions underlying our work. We are attempting to apply this principle in a study aimed at understanding the position of an extremely disadvantaged section of three populations within New Zealand society: single Maori, Pacific, and Pakeha men and women, by examining

the extent to which the structures of their social networks and their capacity to mobilize social capital affect their capacity to gain and maintain paid employment.

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## Notes

- 1 This article is a condensed version of a paper presented at a social policy evaluation and research conference held in Wellington, New Zealand. The paper is available at <http://www.msd.govt.nz/documents/work-areas/strategic-social-policy/conference/2.11-paper.doc>. See also King and Waldegrave (2003a,b).
- 2 For example, the need for Maori and Pacific people to contribute to the development of social policy initiatives that will be appropriate for them is acknowledged in the annual report on the social well-being of New Zealanders produced by the Ministry of Social Development (2003).

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**Note:** All Web sites given in this article were accessed on September 23, 2003.

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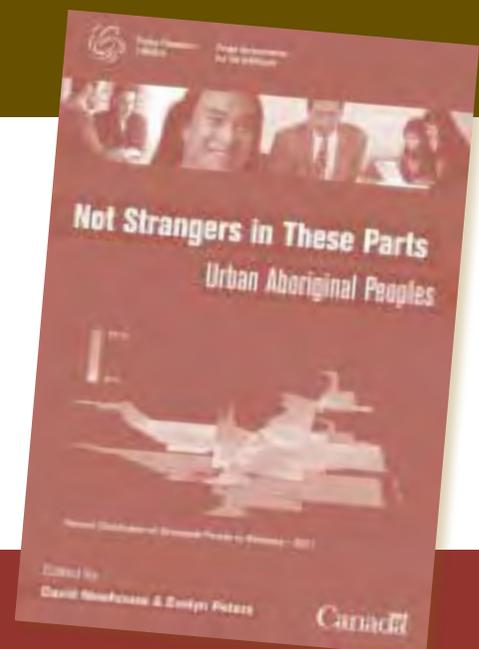
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## Not Strangers In These Parts: Urban Aboriginal Peoples

With an increasingly important number of Aboriginal people living, studying, and working in urban areas, there is a particular need for multidisciplinary research. The papers contained in this volume are both timely and relevant, not just to interested researchers and policy-makers, but to all Aboriginal people for whom the urban experience forms an integral part of either their own lives or the lives of family and friends.

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# Social Capital, Network Formation and the Community Employment Innovation Project

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The need for a clear and measurable definition of social capital is exemplified in the Community Employment Innovation Project (CEIP), a large-scale research demonstration project being managed by the Social Research and Demonstration Corporation (SRDC). This article introduces CEIP and its unique approach to measuring social capital formation through social networks, which was presented in a recent SRDC working paper by Kate Johnson (2003). The article begins with a brief overview of CEIP. This is followed by a discussion of various definitions of social capital, which are operationalized in a model of social network formation used in CEIP. The model is then discussed in more detail, and the measurable aspects of social network formation and the specific collection instruments used in CEIP to obtain these data are reviewed. The paper concludes with a more detailed discussion of the possible mechanisms by which CEIP may influence these aspects of social networks.

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## CEIP – An Innovative Alternative for the Unemployed

**T**he Community Employment Innovation Project (CEIP) is a long-term research and demonstration project designed to test an alternative form of income support for the unemployed, which aims to encourage employment while supporting local community development. CEIP is sponsored by Human Resources Development Canada (HRDC) and the Nova Scotia Department of Community Services (DCS). The project, which began in 1999 and is continuing until 2008, is managed by the SRDC, a not-for-profit research organization.

CEIP grew out of the belief that new government initiatives to improve the economic well-being of individuals in disadvantaged communities must support local efforts to create a sustainable economy. The Cape Breton Regional Municipality (CBRM) — the principal industrial area of Cape Breton, Nova Scotia — was selected as the test site. This area has experienced a steady and protracted erosion of its industrial base, which was founded on the steel

and coal industries. Past efforts to diversify the economy using traditional development approaches have had limited success, and the regional unemployment rate has remained high relative to provincial and national rates. The area, however, has a significant history of grassroots involvement in community development. This tradition of local activism and the availability of expertise and organizational infrastructure, along with a pressing need to address chronic high unemployment, make industrial Cape Breton a suitable location in which to test the CEIP program model.

## CEIP, Employability, and Community Capacity

Eligible individuals in the CBRM were offered the opportunity to exchange their entitlements to Employment Insurance (EI) or income assistance (IA) benefits for a “community wage” that is earned by working on projects developed and operated at the local level. Eligible volunteers are able to take part in community-based projects for up to three years, which provides them with a significant period of stable, earned income and an opportunity to gain experience in a variety

of settings, acquire new skills, and expand their networks of contacts. In short, beyond addressing the immediate need for employment, CEIP hopes to influence participants' longer-term employability by improving both their human and social capital.

An important feature of CEIP's design is the central role given to local communities to identify and prioritize local needs, and to develop, approve, and implement projects to meet those needs. CEIP hopes that the activities residents undertake in the mobilization and organizing of local resources to generate project-based jobs will help enhance community capacity. It is through both the process and the product of these efforts that CEIP may improve and sustain a central element of capacity building - the social capital of local communities.

### **Definitions of Social Capital Relevant to CEIP**

Jacobs (1961) was the first to provide evidence of the importance of social capital to a healthy functioning society. She believed neighbourhood networks are essential to fostering healthy, liveable cities. Bourdieu (1986: 243, 248) suggested that social capital is the value of social obligations or contacts formed through a network.

Networks of connected individuals are acknowledged in many definitions of social capital. According to Côté (2001), "while human capital is embodied in individuals, social capital is embodied in relationships." To Putnam (2000: 19), "social capital refers to connections among individuals - social networks and the norms and reciprocity and trustworthiness that arise from them." Similarly, Stone (2001: 4) sees social capital "as

networks of social relations which are characterized by norms of trust and reciprocity." It is this micro-level explanation that emphasizes the role of social networks and social ties that is most relevant to CEIP.

However, Woolcock (2001) believes it is also useful to distinguish between social capital and its outcomes and has noted that definitions of social capital have a tendency to include both networks and values like trust and reciprocity. Woolcock advocates a definition that focuses on what social capital is rather than what it does and, in his reasoning, trust is a consequence of social capital rather than an element of the definition.

Despite the varying definitions that have emerged in the literature, Stone (2001: 4) has identified a common similarity, and points out that three of the most notable social capital writers, Bourdieu (1986), Putnam (1993), and Coleman (1988) "understand social capital as a resource to collective action concerning economic well being, democracy at the nation state level, and the acquisition of human capital in the form of education." Described as such, there is a relational component to the definition. The authors view social capital as networks leading to various outcomes. It is necessary to see social capital as a resource - through networks - to collective action rather than view the outcome of such action as existence of social capital.

### **A Model of Social Capital Formation**

Adopting a definition of social capital that draws on a micro-level explanation that emphasizes the role of social networks and social ties will allow

social capital to be measured separately from its outcomes. However, social capital, even with a micro-level definition based on social networks, has not been formally modelled until now. To determine if there are any effects of CEIP on social networks, measurable aspects of network formation need to be clearly defined. This requires a model of social network formation through which social capital develops.

In her paper, Johnson (2003) investigates a model of social capital formation, which uses individual incentives to create or sever network links. It is based on the propositions that relationships can be both beneficial and costly, and that individuals rationally form and sever relationships according to the cost and benefit of those relationships. Being connected greatly benefits an individual, yet maintaining relationships has a cost. As a consequence, individuals limit the number of their active relationships. As network links are formed and maintained individuals begin to accumulate social capital. Like any other asset, social capital pays a return and depreciates over time.

In Johnson's model, each individual's utility depends on the net benefits from each relationship in each period of time. The net benefit in maintaining relationships over time is a function of several factors, which are described in more detail in Johnson (2003). Briefly, the net benefits of individual connections in a social network are determined by the value of the active links, not only from current interactions with an individual, but also from the social capital and costs of maintaining relationships that are inherent in the entire history of the relationships.

The model implicitly allows active connections to accumulate social capital over time while also incorporating the concept of depreciation. Furthermore, individual connections can also vary in their ability to accumulate social capital based on how well the individuals interact. As one would expect, the size of network also influences the net benefit. However, more is not always better, as being connected to too many individuals can cause congestion, where the net benefit is less than anticipated. Finally, the model incorporates a maintenance cost for individuals in maintaining relationships. It is designed to allow for different costs, which ensures that each individual is faced with a variety of potential relationships ranging from inexpensive to very costly.

Johnson also reviews the implications of this type of model on social network formation. Most importantly, it has implications for how the size, homogeneity, and density of social networks, and hence social capital, evolve and are influenced by the factors described in the model. Size, homogeneity, and density are clearly definable aspects of social networks that can be measured separately from outcomes on, for example, labour market experiences or quality of life.

### Measuring Social Capital in CEIP

The CEIP research design includes an experimental participant impact study, which employs a random assignment design. Participants are randomly assigned to either a program or control group. The program group receives the CEIP treatment while the control group, ineligible for the program, serves as a counterfactual – a measure

of what the outcome would have been in the absence of the program. Any differences that are observed over time in the experiences of the two groups can be attributed with confidence to CEIP, because random assignment ensures that there are no pre-existing differences between the groups.

The experiences of participants in the program and control groups are assessed through a series of follow-up surveys and administrative data sources. Follow-up surveys, conducted at 18, 40, and 54 months after random

*Social capital, even with a micro-level definition of social networks, has not been formally modeled until now.*

assignment, are the key source of data on the labour market outcomes and quality of life of those in the study and will provide the basis for measuring the impacts of CEIP.

Follow-up surveys also include modules on social network formation that will be used to assess the evolution of the social networks of study participants through the study period. Consistent with the implications of the above model of social capital formation, these survey modules collect data on the size of participants' social networks as well as their homogeneity and density. Specifically, they include a series of questions designed to elicit a list of contacts to which participants could turn to for help in the following areas: household activities, specialized advice, emotional support, and help with finding a job. Beyond overall size of networks, their homogeneity is captured through additional questions that assess the similarity of the identified individuals on a range of characteristics. Finally, the density of

networks is assessed through questions designed to determine the nature and interconnectedness of these relationships. Because these data are collected for both program and control group members, consistent and reliable estimates of the impact of CEIP on social networks can be determined – separate from outcomes on labour market experiences and quality of life.

In addition to the participant impact study, the CEIP research design also includes a comprehensive study of community effects. This involves a

multiple-methods research design that relies heavily on both a “theory of change” approach and a quasi-experimental comparison community design. A range of data collection methods is used in this design including a longitudinal community survey, administrative indicators, and a series of qualitative research approaches. Similar to the participant impact study, indicators related to both outcomes and the evolution of social networks are collected, which will allow the effect of CEIP on the evolution of social capital and community well-being, capacity, and cohesion to be analyzed separately. For example, the longitudinal survey will be administered in three waves to a random sample of community members, in both program and comparison communities. It includes questions on economic activity and employment, household composition, health, time use, community participation, and social networks. The social network questions in the community survey are similar

to those in participant follow-up surveys in that they assess network size, homogeneity, and density.

### **Mechanisms by which CEIP Might Influence Social Capital**

CEIP may influence the social capital of both the participants enrolled in the program and of the members of participating communities where projects are being approved and conducted. The mechanisms by which CEIP can influence social capital development of both participants and the wider community members are explored below.

First, CEIP has the capacity to affect social capital in communities by bringing individuals together who might not otherwise meet. Individuals include members of the volunteer community boards, individuals from sponsoring organizations and members of the community at large. Social networks can evolve through both the process of communities mobilizing their resources to participate in CEIP and from the actual output of the projects they develop. The process of engaging the community, of electing community boards, their setting priorities and working to approve projects, allows social capital to accumulate among members of the boards and sponsoring organizations. The delivery of new products, or the enhancement of existing products in the community, once projects are approved and active, has the potential to bring diverse groups of people together.

Second, CEIP enhances the potential for participants to improve social capital throughout their participation in the project. CEIP guarantees income to participants for three years and this income stabilization should mean

individuals are more reliable in meeting the maintenance cost of their relations. Glaeser (2001) notes that individuals with a high probability of mobility are least likely to invest in social capital. CEIP provides individuals with an opportunity to settle for three years, thus keeping participants in their communities. Glaeser (2001: 3) also notes “that individuals in occupations that are more social will invest more strongly in social capital.” In many instances, CEIP projects

*CEIP may influence the social capital of both the participants enrolled in the program and of the members of participating communities where projects are being approved and conducted.*

are in the social economy or at least their outputs are socially oriented, motivated for the betterment of the wider community.

Although the succession of work placements in community-based jobs is the primary mechanism for altering social capital of participants, it is not achieved solely by providing opportunities for contact with other participants. Work placements should enhance the networks of participants by bringing them into contact with a broad range of people – those directly involved in CEIP (other participants, project sponsors, training organizations), and also members of the community at large – through the output of the projects themselves. This could involve individual members of the community who use the service and products of the projects, or other organizations involved in the process.

More specifically, CEIP has the potential to enhance the bonding, bridging, and linking social capital of participants and community members.

Putnam (2000) refers to bonding social capital as that which is exclusive. Putman maintains that such a form of social capital reinforces exclusive identities and homogenous groups. CEIP occurs in specific communities throughout the CBRM and may reinforce bonds among members in each community. Many participants are in work placements within their home communities and may develop such bonding social capital with other participants, members of sponsoring

organizations, and members of the community who use the output of the projects. Furthermore, most projects that are approved by each community board draw on resources and function largely within the boundaries of their own community. Members of each community – those involved with the volunteer board, in sponsoring organizations, or those using the output of projects that bring individuals together – have the opportunity to enhance bonding social capital as well.

However, CEIP also has the potential to enhance bridging or inclusive social capital, which Putman (2000: 22) acknowledges “are better for linkage to external assets and for information diffusion.” Granovetter (1973) has noted weak ties that link individuals to more distant contacts can be of more value than strong ties. Although participants were randomly selected from communities throughout the CBRM, there are only five participating CEIP communities that develop projects and receive CEIP workers. As a result, many

participants are placed in communities throughout industrial Cape Breton, outside of their hometown, giving them the opportunity to increase more distant contacts and enhance bridging social capital.

Finally, linking social capital refers “to relations between different social strata in a hierarchy where power, social status, and wealth are accessed by different groups” (Côté, 2001: 3). Participants may develop linking social capital by meeting individuals, potentially project sponsors, who possess extensive social networks. Before receiving CEIP participant workers, project sponsors are required to demonstrate to community boards that they have adequate resources, both financial and otherwise, for a successful project. In many cases, it is prominent members of the communities and those with greater access to community resources and existing networks, who come forward to sponsor projects. This gives participants the opportunity to expand their networks and gain access to resources previously unavailable, beyond what they would have been in a position to develop without CEIP.

## Early Results

Initial surveys with CEIP study participants and the first wave of community surveys provide a baseline measure of social networks for study participants and the members of CEIP and comparison communities in the CBRM. However, to assess the effect of CEIP on network formation and social capital as well as its associated outcomes, data from additional follow-up surveys are required. The 18-month follow-up survey with study participants will not be in the field until early 2004 while

the follow-up wave of the community survey is due to be completed by June of next year. As a result, the first report of effects of CEIP on social capital and network formation can be expected in early-to-mid 2005.

Although results from the first CEIP participant impact and community effects studies are more than a year away, preliminary data on approved CEIP projects and work placements may suggest possible effects on the social network formation of participants. For example, it is reasonable to expect that participants who experience a greater number and range of work assignments will have more opportunities for enhancing networks than those who work exclusively in one job for the duration of their CEIP eligibility. At the same time, too many jobs could be a limitation, as stability is also important in establishing new relationships. Early data suggest that many CEIP participants appear to have achieved a degree of balance between varied opportunities and stability of employment. Almost two thirds of participants (64 percent) have worked in more than one position during their eligibility. About a quarter (26 percent) have had two positions, while a similar proportion has held three or four jobs (28 percent). Less than 10 percent have worked in five or more jobs during their eligibility.

There also appears to be a wide range of projects and work placements that are being generated by communities. They are not all concentrated in the service of one community group or sector nor do they generate a limited number of occupational opportunities for participants. For example, projects cover a range of community sectors

with no more than 15 percent of all projects in one category, including various community services, environmental, sports and recreation, church and charities, seniors, youth, and services for those with disabilities. Occupations generated from these projects include service occupations, finance and administration, education, trades and operators, natural and applied sciences, and management positions. Having a wider range of projects and work placements may enhance social capital, not only for CEIP participants, but also for those who develop, implement, and use the output of these projects within participating communities. Future reports from the SRDC will demonstrate whether social capital does in fact develop, through enhanced social networks, and what implications this has for CEIP participants and participating communities.

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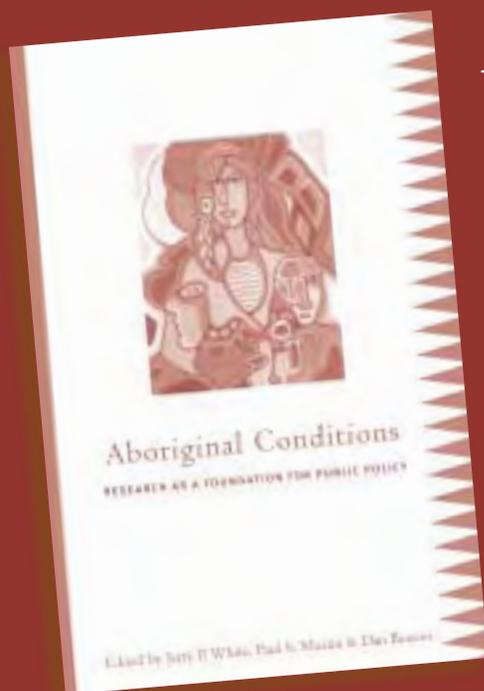
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## *Aboriginal Conditions:* Research As A Foundation For Public Policy

Aimed at three main constituencies - Aboriginal and non-Aboriginal social scientists, government and Aboriginal policy-makers, and Aboriginal communities - this book utilizes recent research to argue for greater cooperation among these distinctive research communities. It proposes to start a dialogue of shared knowledge that will improve the quality of current research agendas and stimulate positive social development in Aboriginal communities.

For more information on the book, contact Norma Lewis at 819.997.8153 or at [lewisn@inac.gc.ca](mailto:lewisn@inac.gc.ca). The book may be purchased online through the University of British Columbia Press website: <http://www.ubcpres.ubc.ca>. Accessed October 30, 2003.

# Using a Social Capital Perspective to Understand Social and Economic Development

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What can a social capital perspective tell us about community and regional development in Canada? This question underlies the Resilient Communities Project (RCP) in British Columbia. The RCP is funded by a Social Sciences and Humanities Research Council of Canada (SSHRC) Strategic Research Grant and is being carried out by the research team of Ralph Matthews (Principal Investigator), Brian Elliott, Terre Satterfield, and Gerry Veenstra (all of the University of British Columbia) in collaboration with the Coastal Communities Network (CCN) of British Columbia.

Coastal British Columbia is, in many respects, a world of hurt. With the exception of the growing urban areas of Vancouver, Victoria, and Nanaimo (excluded from this study because their situations differ from the rest of the coast), coastal BC consists primarily of small towns, villages, and First Nation communities and reserves. These are mostly dotted around Vancouver Island and other islands, or are sandwiched between the mountains and the ocean on a rugged mainland that stretches to Alaska. Many are inaccessible by road. The traditional bases of livelihood from fishing, logging, and mining have declined drastically. Salmon stocks are subject to strict quota limits; markets for lumber have been affected by trade disputes with the United States and an ongoing crisis in Asian markets; mines have closed and not been replaced. Aquaculture provides some employment but is subject to considerable resistance due to concern about its environmental impact. A moratorium on oil and gas exploration means that significant economic growth in this sphere is not in sight.

The result has been massive out-migration. In just five years, 1996-2001, the once relatively prosperous north end of Vancouver Island lost nearly 17 percent of its population. Prince Rupert, the northern anchor on the coast, lost nearly a quarter of

its population in the same short period. Hardest hit have been the First Nation peoples who live both on reserves near larger communities, and also in some of the most inaccessible communities along the coast. Not only are they affected by the same global economic forces that have hit non-Aboriginal communities, but plans to buy back fisheries licences and thus reduce overfishing have led many First Nation members to give up their boats and licences. As a result, many Native communities have lost most of their access to the salmon resource that formed the mainstay of their traditional culture and way of life. Today, many Aboriginal youths leave their home communities in search of an uncertain future.

To the best of our knowledge, this is the first study of the formation and role of social capital in what can be described as ethnically and culturally divided communities. Given the significance placed in the social capital literature on what is termed bridging and bonding social capital relations, one of our goals in the Resilient Communities Project (RCP) is to examine the extent to which social capital relations in coastal BC communities bridge the ethnic divide between settlers and First Nations, as well as to examine the effects that ethnic divisions and bridges have on both social and economic development.

## Phases of the Project

The RCP is being carried out in three phases. In Phase I, with the assistance of BC Statistics, we have collected data on most social and economic indicators available for each community. In this process, we have identified (outside the three metropolitan areas) 131 separate coastal communities with a population of over 50 persons. These include 75 First Nation reserves and 28 incorporated municipalities. These data have been entered in SPSS accessible format and permit statistical analysis of the major social and economic trends in coastal BC as a separate region. For example, using these data, we have identified distinct temporal periods of growth and decline on the coast, as well as somewhat distinct patterns of development in four socio-economic regions. In addition, these data provide the baseline against which we can examine future trends.

However, though we have developed three composite measures of community economic well-being (i.e., community financial status, income sources, and income inequality), we have been unsuccessful in finding significant correlations between these and social indicators. One interpretation would be that no correlation between economic and social activity exists, despite the extensive social capital literature that suggests otherwise. Another interpretation (and obviously one that we favour) is that the measures of social activity collected by various agencies do not adequately capture the dynamic processes of social capital formation, and it is this social capital that provides the explanatory link between social and economic development.

Phase II of our research deals directly with social capital. In this phase, we developed a questionnaire that has been sent to over 4,800 households in 22 communities (see our Web site for a list). These communities were selected using a stratified random sample aimed at ensuring representation from communities on both the north and south coast, and from those with a strong resource dependency as well as those with a more mixed economy. Thus, the sample communities reflect

*The measures of social activity collected by various agencies do not adequately capture the dynamic process of social capital formation, and it is this social capital that provides the explanatory link between social and economic development.*

all areas of the coast and the patterns of economic activity within them. This questionnaire phase is nearing completion. Up to five mailings per respondent, together with the possibility of winning prizes of \$50, \$150, and \$250 in each community just for returning a completed questionnaire, has produced a response rate of 59 percent.

In the questionnaire, we inquired extensively about the complex array of full- and part-time employment activities that constitute the work life of many rural people, and which form the economic base of rural communities. This questionnaire also incorporated many of the measures used in other social capital studies including indicators of social networks, trust, and community satisfaction. In addition, we asked about the respondents' physical and mental health, and health service utilization, as well as an array of demographic and income

variables. The following section describes in detail the conceptual and measurement issues involved.

Using mailed questionnaires in First Nation communities raises particular challenges as previous studies have indicated that response rates from First Nation communities are generally low. To determine whether this was true for our research area, we mailed our questionnaire to a sample in one reserve community and received about

a 35 percent return. In consequence, with one First Nation, we negotiated permission to administer our questionnaire "verbally" on a house by house basis. When we do so, we will be accompanied by a band member who will assist in seeking the cooperation of the respondents. If this approach proves successful, we will seek the permission of other First Nations to use the procedure in their communities.

Phase III is just now being finalized and will involve intensive interviews in at least six communities that formed the sample in Phase II. Whereas the data collected in Phase II provide us with information about what might be termed the *structure of social capital formation* in each community, the questions asked in the interview are designed to provide information on the *dynamics of social capital utilization*. For example, whereas the questionnaire data can establish whether or not a represen-

tative sample of respondents in a particular community have strong bonding and bridging social network ties (a key issue in social capital research), the questions asked in the interview will probe how those interviewed actually use their network ties and for what long- and short-term purposes. Throughout, our focus is on how such activities may advance economic well-being – both individually and for the community at large. Finally, as part of our Phase III research, we also intend to undertake key informant interviews with the economic, social, and political leaders of each of these six communities.

## Conceptualizing and Measuring Social Capital

Social capital analysis has attained its recent popularity primarily as a result of the work of Robert Putnam (1993) who identified a relatively small number of social variables (e.g., density of civic participation, newspaper readership, voting) that appear to be associated with regional economic development in Italy. His overall conclusion was that civic involvement leads to the development of social networks that facilitate interpersonal trust and ultimately economic cooperation and growth. For Putnam, civic engagement and participation, trust, and norms of reciprocity, constitute the basis of social capital. Though similar to Putnam's, our approach is actually grounded on the earlier analysis of Granovetter (1985) who sees economic relations as embedded in a nexus of social activities. We, likewise, see social capital as the product both of the way economic relations are embedded in social structure, and also of the way that people themselves are embedded

in the nexus of social relations that constitute their society. We believe this perspective is consistent with Coleman's (1994) argument that social capital is defined by its social function, but remains a capital asset of individuals. If so, this formulation avoids the oft discussed, but unproductive, debate about whether social capital is understood through individuals or resides at some supra-individual level. As we interpret it, social capital is created through the resources and actions of individuals, but its strength is manifested in its collective social and economic outcomes.

That said, the measurement task for a social capital researcher must concentrate on ways of identifying and measuring both the extent of social network involvement, and the strength and types of interpersonal trust. In the RCP, we have incorporated many measures of informal and formal network associations by asking respondents about a wide range of their social activities and whether these occur within or outside their home communities, or in both locations. One of our most useful network measurement tools is an adaptation of the Position Generator. Developed by Lin and his colleagues (cf. Lin, 2001; Lin et al, 2001), the Position Generator asks respondents to identify whether they know people in a range of social positions (e.g., a teacher) within their immediate community. Knowing such persons is assumed to place the respondent in a favourable position to access the economic and social resources inherent in these various positions.

In the RCP, we have adapted the Position Generator to include posi-

tions that are generally found in rural BC coastal communities, and that represent different levels on a social class hierarchy (e.g., mayor, fisherman, health worker, logger). We have also asked respondents to indicate whether persons they know in such positions are acquaintances, close friends, or relatives, and whether these persons live inside or outside their home community. In sum, for well over 2,000 respondents in 22 coastal communities in British Columbia, we have strong measures of their network density, and of their bonding and bridging activities – both within and outside their home communities.

As but one example of the strength of these data, we used early responses to test a theory by Burt (2001) that those who occupy "structural holes" between social networks are in the strongest position to benefit from network ties. Our data indicate that involvement in multiple networks or placement between different networks does not appear as important as being involved in networks that span external and internal community relationships. In contrast, even strong involvement in relationships that are only within communities is limiting, perhaps because there are relatively few resource-rich positions in such communities. Put another way, a community that has a dense internal social network structure in which many of its members are also linked to outside activities and groups, is in a potentially strong social network position. If such networks are, indeed, instrumental to economic development as Putnam and others contend, then such a community is also well placed to benefit from new economic opportunities than may arise.

Yet, social network contacts by themselves, without trust, may be of little value. As Putnam (1993: 170) noted: "Trust is an essential component of social capital." Trust is about vulnerability, and is a consequence of risk. If one never needed to risk, one would also never need to trust. Yet in modern society we must accept on trust a wide range of persons we interact with and depend on, both socially and economically. When one enters social relations

*Our data indicate that involvement in multiple networks or placement between different networks does not appear as important as being involved in networks that span external and internal community relationships.*

or economic ones, one risks being vulnerable, and trust becomes essential. One solution to this problem is to develop contracts. However, at a community or regional level, few development initiatives would begin, much less succeed, if contracts were the prerequisite to action. Indeed, even at an economic organization level, there is evidence of the power of trust over contract in achieving economic goals (cf. Miller, 2001). Hence, if communities and regions are to develop social networks that lead to effective economic development strategies, relationships of cooperation and trust are essential.

In the RCP questionnaire, we probe for information on several types and relations of trust. We measure levels of generalized trust and mistrust. We also have questions probing general levels of trust in residents of the community, and in youth. Conversely, we ask respondents to indicate whether there are groups within the community that they perceive to be not as

trustworthy as others. In addition, we examine positional trust and institutional trust through questions focused on key positions, such as community leaders, service providers, business leaders within the community, and the politicians who serve it.

The inclusion of trust into the social capital framework transforms the approach by incorporating an important social psychological dimension.

Thus, its inclusion within a social capital framework opens the way for a consideration of other social psychological attributes that appear intimately related to social capital formation, at least at a community and regional level. One of the most significant of these is place identity. It is anticipated that communities are stronger when their residents identify with them and express commitment to them (cf. Matthews, 1993: 88-91). Thus, we inquire into the level of place identification and commitment as attributes of the social capital of a community.

Finally, within the Phase II questionnaire, we incorporate questions related to our perspectives on both history and culture. Though Bourdieu (2000) emphasized the importance of social time and the significance of cultural capital, we see his analysis as primarily about the way in which dominant elites use their cultural advantages to maintain and enhance their positions. In contrast, many of the communities

in coastal BC have a different type of cultural capital, built up through their history and common experience together. This is particularly true of First Nation communities, whose members have a sense of themselves as "a people in this place" for over 8,000 years, and who attribute their survival in the face of both natural and human adversity to their cultural as well as environmental resources. Consequently, we inquire into the way in which social memory and cultural identity are related to social capital formation and may affect the economic development strategies in these communities.

We are nearing completion of Phase II (i.e., the questionnaire phase) of our study. Hence, our focus in this article has been on the conceptual and methodological dimensions of that part of our research. We believe our analysis of the data collected through those questionnaires will allow us to examine, in numerous ways, the dynamics of social capital development in coastal BC communities. Furthermore, we anticipate that the questionnaire data, when used in conjunction with the economic indicators and scales that we developed out of our Phase I background data, will enable us to make important links between social capital formation and patterns of economic development in this region.

However, before concluding this section, it is important to emphasize that our Phase III interviews that are about to begin, will also contribute enormously to the goals of our project. Mailed questionnaires permit respondents to identify easily their network social ties. However, it is difficult in

a fixed choice format for them to explain cogently what those ties mean to them, and how they actually (or potentially) use them in ways that may contribute to their own well-being and to the potential economic development of their communities. Interviews provide an important vehicle for getting at this contextual information. Thus, our Phase III interviews will put interpretative flesh and symbolic meaning on the bare bones of our questionnaire findings. In anticipation of this stage of the research, we asked those who returned completed questionnaires to indicate whether they were also willing to talk with us further about their community. The majority did so, and our interviews will be with those who have already returned completed questionnaires and will permit us to obtain contextual background to their questionnaire responses. In addition, our targeted interviews with community leaders, particularly with business and economic leaders, will further flesh out whether the social capital aspects of life in these communities is of relevance to their ability to access new development opportunities. Finally, these interviews will enable us to gain insight into the way in which local communities and their leaders respond to, and attempt to meet, the challenges of a knowledge economy and a globalized world.

## Closing Comments

Social capital and its relevance to public policy formation has become a matter of considerable study and debate in many western industrial nations. However, some uncertainty still surrounds the mechanisms involved in social capital formation,

## The Resilient Communities Project

At its core, the Resilient Communities Project is examining whether community social capital can serve as a buffer against economic downturn and/or as the basis for renewed community economic development.

The multi-year project is:

- documenting and studying the social and economic changes that are taking place in coastal British Columbia;
- examining how changing resource development strategies and practices are affecting coastal community life;
- determining the extent of social capital in coastal BC communities;
- assessing the potential relationship between social capital and community economic development; and
- investigating the extent to which a social capital perspective can usefully explain the existing situation and provide a framework for future development policy.

the dynamics of the relationship between social capital and economic development, and even the most appropriate indicators involved in measuring social capital.

To give one example, the definition of social capital adopted by both the OECD and the United Kingdom is, "Networks together with shared norms, values and understandings that facilitate cooperation within or among groups."<sup>2</sup> Such a definition places the primary focus on cultural and normative aspects of social relations, rather than more dynamic processes of interaction and behaviour within social networks that are central to much of the literature on which the Resilient Communities Project is based. Moreover, while it is important that members of any society have some core values in common, such a

definition seems more appropriate to a focus on social cohesion rather than an analysis of the role of social capital. In particular, an emphasis on such normative aspects seems at odds with the acceptance of multi-cultural differences that lies at the heart of Canadian public policy.

If social capital analysis is to become a useful public policy tool, it is necessary to understand not only what it is and how it works, but also the link between social capital and other forms of capital, most notably human capital and economic capital. While some understanding of this is possible through macro-level national studies, the dynamics of how social capital works and how it relates to other forms of capital are likely more fully understood through micro-level studies of communities and regions. It is

our hope that the Resilient Communities Project will make a significant contribution to our understanding of these dynamic processes.

### Notes

- 1 I would like to thank Nathan Young for helpful comments on an earlier draft of this essay.
- 2 See <[www.statistics.gov.uk/socialcapital](http://www.statistics.gov.uk/socialcapital)>. Accessed October 16, 2003.

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# Social Capital and Blood Donation

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Most public appeals for blood donors are directed at individuals – “It’s in you to give!” Such strategies are based on notions that the decision to donate blood is primarily a personal decision, based on individual altruism. The problem is that, despite such appeals, only three percent of the Canadian population now donate, and the rate is falling. Moreover, the modal blood donor is a middle-aged Caucasian male, a profile not consistent with the growing ethnic diversity of the population.

Beyond public opinion surveys, little research has been done on why people do not donate blood. Yet there is strong evidence that something social lies behind blood donation. For example, blood donation rates differ by community, age, ethnicity, income, occupation, and gender. Given such social differences, it becomes relevant to ask whether social capital may also be an important factor in the decision to donate blood. If that were the case, then it would make sense to target blood donor appeals to those communities and groups with high levels of social capital, that is, where individual decisions to donate blood may be influenced by network ties and group commitment and belonging.

A research team of Ralph Matthews (Principal Investigator), André Smith, Jay Fiddler, and Laura Hurd Clarke from the University of British Columbia, has recently received funding from the Bayer – Canadian Blood Services – Héma-Québec – Canadian Institutes for Health Research Partnership Fund to undertake a two-year study of the relationship between blood donation and social capital in four British Columbia communities. Working closely with Canadian Blood Services, it will examine the effects of different recruitment strategies across different populations where varying levels of social capital and trust are present.

# Can Public Policy Address Social Capital?

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Having examined ways of measuring and defining social capital, the Policy Research Division at Health Canada now turns to the role of government in developing social capital policies. The following article summarizes research conducted on this subject.

## To Act, or Not to Act

The following questions arise in any examination of the role of public policy in social capital: Can social capital be generated or strengthened? Should government intervene, or is social capital an inherent element of society that cannot be influenced by government? Does public policy have a role to play? What should that role be?

The definition of social capital primarily involves social networks, civic engagement, and confidence. All these elements are inherent in society and in social relationships. Consequently, the debate on government involvement in developing policies to generate and/or strengthen social capital relates back to the debate on the relationship between society and government. This debate is not new, and it highlights the delicate balance between growing social demands and limits on the government's ability to act. It also underlines the tension between the need for social initiatives to be independent and their need for funding. Last, it brings out certain risks that would ensue from government intervention.

Government intervention in social capital poses significant challenges. It is hard to imagine what the government could do to develop or improve a community's social capital. How do you get people to work together or increase their community involvement? How do you increase people's

confidence level when that confidence may be a component of social capital with deep cultural roots (Fukuyama, 1995)? Moreover, government intervention has even destroyed a community's social capital, as in the case of some urban renewal projects (Sirianni and Friedland, 1995).

From a historical perspective, the relationship between government and society is the subject of debate. Some think that the growth of the welfare state has crowded out societal associations to a certain extent, while others believe that the associative sector owes its growth to the development of the welfare state (Worms, 2001). In France, for example, government seems to have contributed to the expansion of the associative sector in three ways: by recognizing and assisting in the organization of new collective interests and social rights, by passing new laws and regulations that encourage civic engagement, and by transferring to associations some of the responsibilities it once assumed (Worms, 2001).

Bélanger et al. (2000) point out that the involvement of public agencies (and private organizations) in social networks has sometimes proven counter-productive. The studies they consulted indicated that decreased government support can help to free up inactive reserves of social capital within volunteer or not-for-profit groups.

However, Sirianni and Friedland (1995) state that government intervention seems to strengthen social capital

provided that certain institutional arrangements are respected, as in the creation of incentives to encourage greater citizen engagement.

In Canada, some government interventions (policy and program) encourage participation, civic engagement, and social cohesion while respecting the independence of civil society. Interventions to reinforce community strength, social networks, and civic engagement include the Quebec government's support for the social economy, and community programs (including those funded by Health Canada) that recognize and develop the capacity of community organizations to manage services for families with young children.

In summary, when we evaluate various types of interventions it appears that both views of the effectiveness of government intervention in areas traditionally handled by civil society are at least partly correct. Government intervention can have negative or positive impacts, depending on the circumstances and the era.

However, while researchers may cautiously agree that social capital can be generated and/or strengthened, there is no agreement on the type of intervention that should be encouraged.

## Decision Makers Focus on Social Capital

Over the past four years, international organizations as well as governments (in the North and South) have shown new interest in social capital.<sup>2</sup> Over time, greater recognition has been given to the importance of social capital in developing social policies. Why should we strengthen social capital? The benefits of social capital

appear undeniable, whether in the fields of business, economic and social development, or health.

In terms of business, companies perform better when the people working there have relationships based on confidence. Solid relationships are a key factor in an organization. Investments in strong interpersonal relationships pay off handsomely. (Prusak and Cohen, 2001a,b).

Higher levels of social capital in some countries or communities seem to guarantee the success of development projects supported by international organizations.<sup>3</sup>

In the field of health, many studies have highlighted the close relationship between social networks and morbidity and mortality rates (Kawachi et al., 1997; Berkman and Syme, 1979; House et al., 1982; Cohen and Syme, 1985). Some have concluded that the mortality risk for people without social support was two to three times higher than for people who had better social networks (House et al., 1982).

More recently, House et al.<sup>4</sup> noted that the positive effects of social integration and support counter the risks associated with tobacco, obesity, high blood pressure and physical inactivity.

## How Do We Invest in Social Capital?

While social capital is recognized as a key factor in a company's performance, a country's economic and social development, or a community's well-being, the ways to promote social capital are not as evident. Sirianni and Friedland (1995) note that although there are clear examples of how public policy has destroyed social capital, it is much less obvious how public policy can be used to increase it.

In this same vein, Durston (1999, 2000) reminds us that the theorists behind the concept of social capital did not all believe that it could be developed in communities that lacked it.

However, research into production, development, health, and the struggle against poverty did succeed in determining practices whose positive and negative effects could be measured.

In the anti-poverty field, international development agencies have listed examples of external interventions that generated a sense of community spirit conducive to social capital (Durston, 1999). Certain programs promote opportunities to develop new group strategies.

Furthermore, social networks have frequently been used in developing countries as part of interventions to develop disadvantaged areas or rural communities (Favreau et al., 2001). Organizing new networks or making use of existing networks has been proven as a strategy for preventing such social problems as violence, alcoholism, drugs, etc. Also, networks that take the form of community coalitions or other collaborative organizations are also very common in the history of community development in North America.

There is almost no literature on government intervention to strengthen social capital in the field of health. However, some research has focused on the comparative influence of biomedical and social factors on health (Lomas, 1997). Social interventions are considered very effective since the development of social networks has a preventive effect, thereby helping to avoid curative intervention.

## Are There Any Best Practices?

In the two examples that follow, government develops some of the components of social capital directly or indirectly.

The first form of intervention concerns Quebec's policy of public support for the social economy. In recent years, structural unemployment has resulted in a process of exclusion in industrialized countries and stimulated the search for alternative forms of insertion. They include a new generation of social economy initiatives that have emerged since the early 1990s.

The social economy targets the creation, reconstruction, or maintenance of social relationships as a means for civil society to combat poverty among various social groups. In the context of isolated regions or local development, these initiatives complement existing economic activities, and the relationships they encourage promote better social cohesion within communities (Saucier and Thivierge, 2002; Saucier et al., 2002).

The Quebec government made the social economy a priority by supporting the creation of the Chantier de l'économie sociale and allocating special budgetary envelopes following requests from women's groups. Since 1998, the government has supported social economy initiatives through social economy funds managed locally.

In the case of Quebec, interventions to support the social economy take the form of recognizing and organizing new interests (responding to new needs),<sup>5</sup> and providing a new structure for existing and new initiatives. This type of intervention works on sociabil-

ity and networks, promotes access to resources, and democratizes decision making by supporting initiatives that share these values.

The second type of intervention involves health. Community programs targeting early childhood in particular illustrate the type of intervention that seeks to promote access to resources, social support, and the development of community networks.<sup>6</sup>

National, regional, and local evaluations highlight the benefits for children, families, and communities where three community programs are offered. In terms of social capital, these programs seem to support civic engagement, stronger networks, and social cohesion. First and foremost, they provide opportunities for volunteerism.<sup>7</sup> Second, they strengthen social networks at various levels. Relationships between parents, families, and children are reinforced; community organizations establish partnerships with similar organizations in their area (local community service centres, school boards, child-care services, schools, etc.); and relationships between various levels of government are strengthened. In some cases, new programs grow out of partnerships between community organizations.

Government supports the community or associative sector by recognizing the emergence and organization of new social interests, passing new legislation, and transferring management responsibilities. In doing so, it lays the foundation for new forms of social cohesion created by civil society rather than government.

Through such initiatives, new social systems are eventually established that can create alternative economic and

social models. But how do we move from a successful initiative to a broader intervention aimed at developing social capital? This type of shift is accomplished by:

- setting up programs that are part of a broader community approach;
- establishing legal provisions that support the emergence or consolidation of associations;
- adopting measures to encourage citizens to volunteer;
- adopting measures to encourage the social economy sector and other social innovations that appeal to such values as solidarity, social responsibility, the sensible use of local resources, and public mobilization (fair trade, responsible tourism, solidarity financing);
- supporting approaches that favour local development; and
- institutionalizing associative or community sector initiatives.

## To Conclude

After examining certain interventions that help to strengthen social capital and the risks and benefits of these interventions, it seems that we should not frame the initial question in terms of opposites — “intervention” versus “non-intervention.” Instead, the problem, if there is one, lies in knowing where and how to intervene. The challenge is to decide whether to make social capital a new type of non-economic public policy instrument or a low-investment economic tool (Landry et al., 2001). Whatever the case, social capital should not be a substitute for public policy and government programs.

## Notes

All Web sites given in this article were accessed September 23, 2003.

- 1 This is an abbreviated version of a longer article the authors wrote on the same subject. Two earlier reports describe the connections between social capital and health. They are available on the Health Canada Web site <<http://www.hc-sc.gc.ca/iacb-dgiac/arad-draa> (see Working Paper Series).>
- 2 These international organizations include the Organization for Economic Co-operation and Development (OECD), the World Bank, the Social Capital Initiative (SCU) of the University of Michigan and the Inter-American Initiative on Ethics, Social Capital and Development of the Inter-American Development Bank. The World Bank has conducted surveys in Africa and Latin America and has promoted regional and international conferences and seminars.
- 3 The World Bank's Web site on social capital is at <http://worldbank.org/poverty/scapital>.
- 4 As cited in Putnam (2000).
- 5 New needs arise because of changing demographics and social and political changes. For example, the aging population has put greater emphasis on setting up home-care services for senior citizens. The public sector partially funds these services, which are primarily part of the social economy.
- 6 Health Canada funds various programs, including three major community programs: the Community Action Program for Children (CAPC) as of 1992, the Aboriginal Head Start program as of 1995, and the Canada Prenatal Nutrition Program as of 1994.
- 7 For example, 7,600 volunteers participated in CAPC, offering 159,000 hours over two years.

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# Economics of North American Integration A Canadian Perspective

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The structure of the world economy has been fundamentally transformed over the last several decades. Rapid technological change, the liberalization of commerce under multilateral, regional, and bilateral trade agreements, and the accompanying intensification of international competition have resulted in the growing internationalization of business activity. Production, marketing, and financial systems have become increasingly linked on a global basis, and national economies have become more integrated. These developments have resulted in a dramatic growth in the international flows of goods, services, people, and capital. In most Organization for Economic Cooperation and Development (OECD) countries, international trade, portfolio capital flows, and foreign direct investment (FDI) have all increased at a considerably faster pace than gross domestic product (GDP) over the past 20 years.

Canada has been a full participant in, and beneficiary of, these developments, due in large part to its strengthening economic linkages with other North American economies. Trade and investment between Canada and the United States have grown rapidly, and important structural changes have occurred as Canadian firms have positioned themselves to exploit new economic opportunities. This article examines these developments, reviews evidence on the impact of stronger North American economic linkages, and considers the challenges that increasing North American economic integration pose for Canada over the medium term.

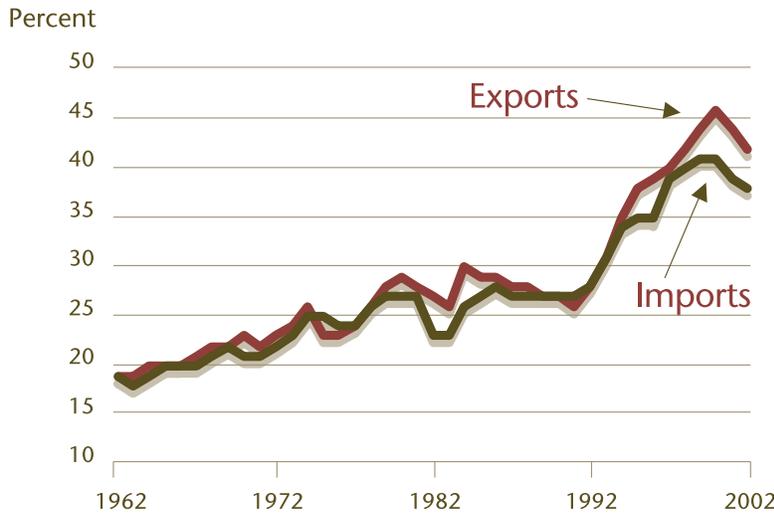
Canada has long been one of the most outward-oriented of the major industrial economies. International trade and investment have helped Canadians overcome the limitations of a relatively small economy. A high degree of openness in the economy has made it possible for firms to engage in greater specialization. It has also provided access to new ideas and innovative new technologies, helped stimulate the development of new products and more efficient processes, and offered consumers a greater choice of products at more competitive prices. As can be seen in figures 1 and 2, there has been a further and very marked increase in Canada's outward orientation since 1990. Trade and inward and outward stocks of FDI have increased substantially as a ratio of GDP over the past decade.

A main factor underlying Canada's increased outward orientation has been the strengthening of commercial ties with the United States and Mexico. The implementation of the Canada-US Free Trade Agreement (FTA) in 1989 and the North American Free Trade Agreement (NAFTA) five years later paved the way for strong growth in North American trade. Trade between Canada and the United States now amounts to over \$600 billion a year, or over \$1.3 million per minute. Canada-US trade has more than doubled since 1990, growing much more rapidly than supporters of the free trade agreements had predicted. The US market, traditionally the major destination for Canadian exports, has grown further in importance. In 2002, over 80 percent of Canadian exports of goods and services were destined for the United States, 10 percentage points more

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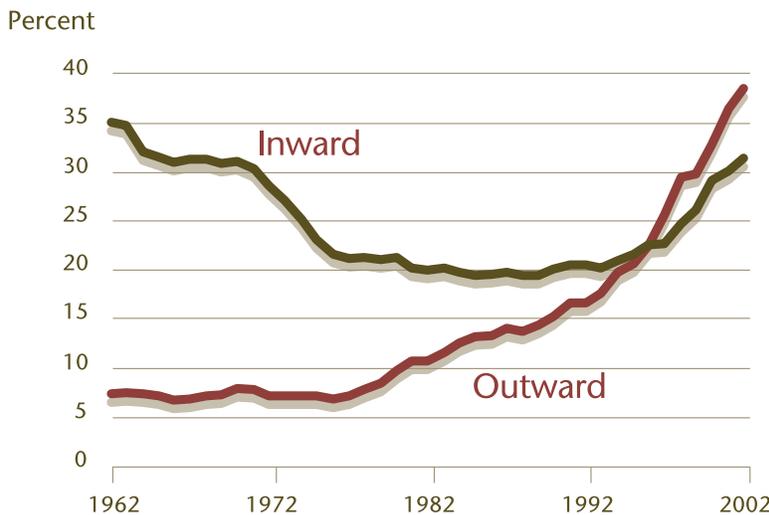
Andrei Sulzenko  
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Policy Sector, with Industry Canada.

**FIGURE 1**  
Ratio of Trade to GDP



Source: Industry Canada compilations based on Statistics Canada data.

**FIGURE 2**  
Ratio of FDI\* to GDP



\*Stock

Source: Industry Canada compilations based on Statistics Canada data.

than in 1990. The portion of Canadian imports of goods and services coming from the United States has also increased over this period, edging up to the current share of over 70 percent.

The growth in Canada-US trade has been pervasive, affecting virtually all Canadian provinces and industries. As Figure 3 illustrates, the US market is relatively more important to producers in some provinces (most notably, Ontario) than others (Saskatchewan). However, even in Saskatchewan, the province with the least reliance on the US market, the US share of exports had increased to a substantial 62 percent by 2000. Among manufacturing industries, the US market is most important for transportation equipment and least important for food, beverage and tobacco products, and printing. Between 1993 and 1999, however, the share of exports to the United States in total shipments increased in every industry except the already heavily US-oriented transportation equipment sector (Figure 4).

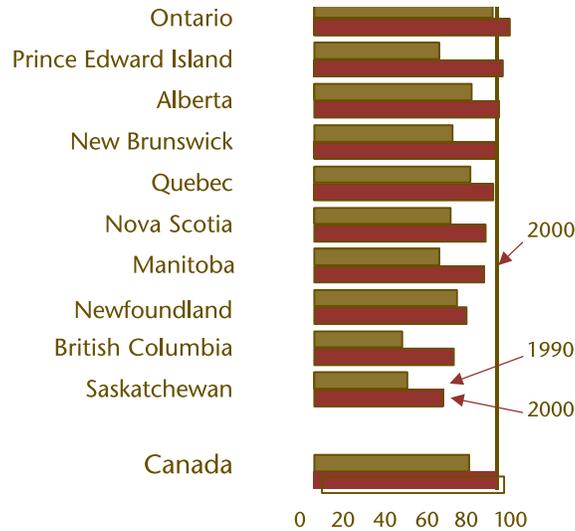
Although all Canadian industries are increasingly orienting their activities toward the overall North American market, a small number of large firms account for a major share of Canada's exports to the United States. In 2001, the top five exporters accounted for almost half, and the largest 2,000 firms accounted for over 80 percent of Canada's exports to the United States. These results are, in part, a reflection of the relatively high degree of concentration within Canada's major export industries.

As predicted by economic theory, liberalization has resulted in a significant increase in intra-industry trade. Improved market access has encouraged firms to rationalize production and become more specialized. Canadian manufacturers now produce a narrower range of products, but generally for the North American rather than just the domestic market. In addition, the trade surpluses Canada generates in resource and resource-based industries and motor vehicles have increased. This reflects the trend toward increased specialization in areas of Canadian comparative advantage, a development that is again consistent with the predictions of economic theory.

The US market is more important to Canada than the Canadian market is to the United States. Still, Canada is the United States' best customer, accounting for about 20 percent of American exports. The Canadian market is a major focus for US producers in a number of industries, including autos, electrical and electronics, chemicals, and pharmaceuticals. The percentage of US imports from Canada is also about 20 percent. Among Americans, Canada's most widely recognized and appreciated role is probably that of the United States' main energy (oil, natural gas, and electricity) supplier.

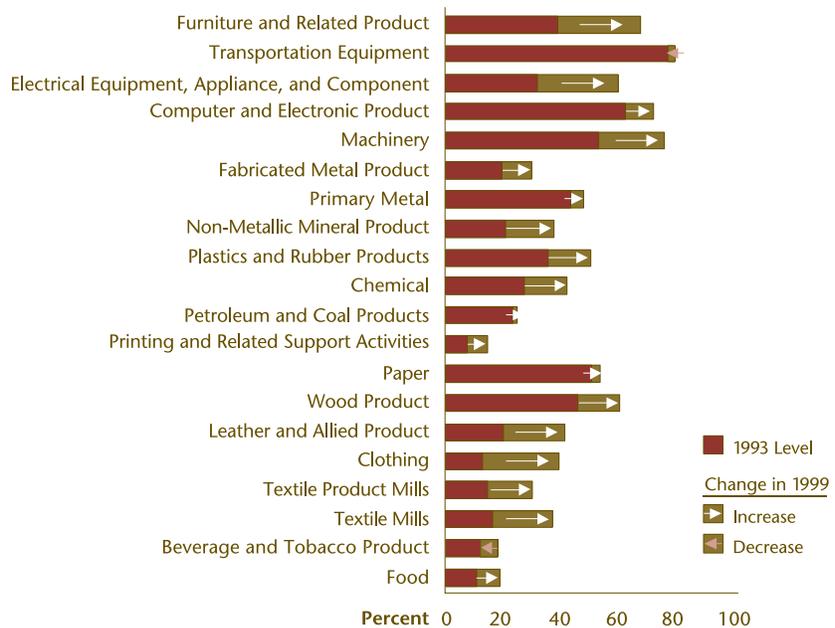
Along with the increase in trade, there has been a large growth in two-way FDI between Canada and the United States. Between 1990 and 2002, FDI stocks associated with US investment in Canada and Canadian investment in the United States more than tripled. Total foreign investment in Canada

**FIGURE 3**  
Share of Exports\* to US by Province



Note: \*Merchandise  
Source: Industry Canada compilations based on Statistics Canada data.

**FIGURE 4**  
Manufacturing Exports to US as Share of Shipments



Source: Industry Canada compilations based on Statistics Canada data.

has also been growing over this period, however, and the US share of Canada's inward FDI stock has more or less remained constant. At the same time, Canadian firms have been diversifying their outward investment, focusing less on the United States and more on opportunities in the European Union, and developing Asian Pacific and Latin American markets. As a result, the United States' share of Canada's outward FDI stock declined from 61 percent in 1990 to 47 percent in 2002.

Canadian trade with Mexico has been growing rapidly from the small base that existed prior to NAFTA. While sales to Mexico still represent less than one percent of Canada's total exports, purchases have grown to account for close to four percent of Canadian imports, almost double the 1990 share. Foreign direct investment flows between the two countries have also increased considerably

in the post-NAFTA period, although the FDI stocks that have been built up from new investment and the reinvestment of earnings by foreign enterprises are still relatively small.

### Benefits of Increased Canada–U.S. Economic Linkages

Over a decade ago, proponents of free trade argued that liberalization would promote efficiency and foster the productivity gains needed to achieve higher living standards and bring greater prosperity to Canadians. Proponents claimed that exposure to US competition would encourage Canadian firms to adopt more advanced technologies and practices and that improved access to the world's richest market would support capital spending, promote greater specialization in production and lead to investment in costly innovative projects that cannot

be justified without assured access to a large market. It was argued that Canada would also benefit from the increased knowledge inflows likely to result from its stronger links to the world's most research-intensive and innovative economy.

The evidence that has accumulated since the implementation of the agreements largely supports these claims. Research shows that liberalization has made a significant contribution to a number of the important changes that have occurred in the Canadian economy over the past decade. It contributed, for example, to the export growth that was a major factor — accounting for 80 percent of the increase in shipments — underlying the growth of Canada's manufacturing sector over the 1990s. While Canada's strong export performance was the result of a number of developments — including the strength of the US economy, and the real depreciation of the Canadian dollar in the 1990s — the trade agreements had an influence. Significantly, the largest increase in the share of shipments going to the United States has been experienced in those industries that were protected the most prior to the FTA and NAFTA: furniture and fixtures, clothing, and textiles.

In addition, assorted evidence indicates that Canadian firms are making adjustments to respond to the opportunities resulting from liberalization. Firms are rationalizing their production and raising the skill content of their exports to take advantage of market opportunities. It has been found that the industries that experienced the greatest tariff and non-tariff reductions under FTA and NAFTA also registered the largest productivity gains (see

**FIGURE 5**  
US Imports and Canadian Exports to the United States



Trefler, 1999; Acharya et al., 2003). The FTA tariff cuts are estimated to have raised labour productivity in the most affected industries by 3.2 percent per year over the 1989–95 period (Sawchuk and Trefler, 2002). These industries, however, also experienced the greatest economic turbulence, as suggested by data on the net exit of firms.

Recent studies offer further documentation of the benefits from inward foreign investment. Foreign-controlled firms tend to be more outward-oriented and productive and, on average, pay higher wages than domestic firms. Research by Rao and Tang (2002) showed that, after adjusting for identifiable differences (size, industry, capital stock, R&D, export orientation, etc.), foreign-controlled firms, on average, are 15 to 20 percent more productive than domestically controlled firms. Foreign firms are an important source of competition as well as a potentially significant source of knowledge for domestic businesses. Preliminary results from recent Industry Canada research suggest that domestically controlled firms, especially firms in the service sector, do enjoy productivity gains that can be attributed to knowledge spillovers from foreign-controlled firms.

At the same time, the evidence does not support the concerns of those who feared that increasing economic integration would limit the scope for distinctive Canadian social policies. Studies have found that Canada and the United States are pursuing their own responses to social pressures, and there has been no tendency toward policy convergence. Concerns that economic integration would

promote a race to the bottom in environmental standards have similarly not materialized.

## Challenges

While economic integration offers opportunities, it also presents challenges. To maximize the benefits of stronger North American economic linkages, Canada needs to improve its competitiveness and its ability to attract capital and skilled workers. This message is underscored by recent developments.

*The FTA tariff cuts are estimated to have raised labour productivity in the most affected industries by 3.2 percent per year over the 1989–95 period.*

First, the evidence indicates that a number of special factors contributed to the dramatic increase in Canadian exports over the 1990s. The most important factor was the strength of the US economy. This is demonstrated in Figure 5, which shows that the growth in Canada's exports to the United States tracked fairly closely the growth in total US imports. While the depreciation of the Canadian dollar and the two free trade agreements contributed to the export expansion, they were not the main drivers (Acharya et al. 2003). Moreover, in the manufacturing sector, labour productivity in Canada increased at only about half the pace in the United States. The depreciation of the Canadian currency along with a slower growth in the hourly compensation of workers enabled Canadian manufacturers to overcome the effects of slower productivity growth and improve their cost competitiveness. As recent developments indicate,

however, neither strong US growth nor a weak Canadian dollar provides a basis for sustainable export growth. Canadian firms must improve their productivity performance if they are to compete effectively against foreign producers and contribute over the longer term to growth and job creation.

Second, Canada faces growing competition in the US markets from Mexico and China. Since 1990, while Canada's share of US imports

remained relatively constant, Mexico's share nearly doubled. Mexico is making strong inroads in high tech industries, such as computers and electronic products, machinery, and motor vehicles. It has, at the same time, become a significant competitor for US direct investment. China is also making big gains in the US market. While the skill content of their exports is still significantly below that of Canadian products, Mexico and China are quickly moving up the value-added chain.

Third, Canada's share of inward North American FDI has declined substantially over the recent period. To some extent, this reflects the considerable appeal of the large US market to foreign investors. With integration, the United States is in a strong position in competing to become the North American base of operations for overseas companies. Investment trends, however, are not immutable. The example of Ireland within the EU indicates that small countries can

introduce policies to attract FDI and make it an important component of growth strategy.

## Looking Forward

The strengthening of economic linkages between North American economies has been beneficial to Canada. It has contributed to an improvement in the performance of Canadian firms, and it has not, as some feared, resulted in the harmonization of Canada's economic, social, and cultural policies with those of the United States. Increased integration has, at the same time, given rise to new challenges and put the spotlight on some weaknesses in Canada's economic performance. The most significant weakness, and the main factor hampering this country's ability to compete in an integrated North American market, is Canada's weak productivity performance.

Although Canada's productivity growth over the 1990s was better than it would have been in the absence of the free trade agreements, it still compared poorly to the performance of the United States. As a result, the productivity gap between Canada and the United States widened. Research at Industry Canada identified a number of factors contributing to this result, including Canada's slower rate of capital accumulation, its lower spending on innovation and slower adoption of information and communication technologies, the lower percentage of researchers and university

graduates in the Canadian labour force, the greater importance of small and medium-sized enterprises in Canada; and the slower pace at which Canada has been shifting resources toward more dynamic knowledge-based industries. These factors are partly interrelated and act as reinforcing impediments to greater innovation and the achievement of stronger productivity growth. The innovation strategy of the Government of Canada and associated public consultations were helpful in sensitizing Canadians to these problems and to the need for a comprehensive longer-term action plan to increase innovation and narrow the gap between Canadian and US productivity levels.

In coming years, along with addressing the challenges on the productivity side, there will be a need to ensure that Canada continues to benefit from favourable terms of access to the US market. The security concerns that have arisen in the wake of September 11, 2001 have made cross-border transport more costly and introduced new issues that must be resolved to facilitate the movement of goods and individuals between Canada and the United States. In future deliberations on how to contain the costs of cross-border transactions, consideration might be given to possibilities for further strengthening Canada-US economic linkages. Among the possible options are the elimination of rules of origin, the establishment of common external

tariffs, and the mutual recognition by Canada and the United States of each other's regulatory procedures and practices. The building of economic linkages remains a work in progress. There is much that Canada can do both on its own and by working with the United States to build on the important gains that have already been achieved through economic integration.

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# Adapting to North American Integration Challenges for Canadian Federalism

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Post-NAFTA trends toward economic liberalization have undeniably reinforced North American economic integration. However, issues of multi-level governance emerging from the regular interaction of businesses, citizens, and governments have not been adequately addressed. And, borders still play a fundamental role in shaping differences in legal systems, economic relationships, cultural identities, and political and policy choices (Watson, 1998; Helliwell, 2000; Hoberg, 2002).

This paper examines the implications of North American economic integration for the policy capacities of federal and provincial governments. It reviews some of the challenges created by jurisdictional asymmetries between Canadian and American federalism, along with the emergence of policy instruments for managing overlapping jurisdictions in federal–provincial relations that may be adaptable to ongoing negotiations with the United States and Mexico.

The flexibility of Canada's federal system provides a potentially effective model for policy coordination within North America that respects national and regional differences while permitting greater or lesser degrees of policy harmonization depending on the issues at stake. This flexibility is reflected in the emergence of a style of complementary federalism in which federal and provincial governments carry out related, but operationally independent functions that recognize both areas of common and discrete jurisdiction. These developments are neither uniform, nor a guarantee against political conflicts. However, they offer options that enable both levels of government to balance national and regional interests in international negotiations.

## Continental Integration: Adapting to Regional Specialization

The adaptation of Canada's regional economies to market-led integration has led to the growing interaction of economic policy decisions with social, environmental, labour, and immigration policies that cut across traditional lines of federal and

provincial jurisdiction. At the same time, growing north–south economic integration contributes to the growing specialization of provincial economies — and with them, the emergence of distinctive fiscal, microeconomic, and social policy strategies that may complement or conflict with those of the federal government.

Several factors limit the ongoing institutionalization of cross-border economic relations in North America. These include asymmetries of political and economic power, risks of diminished capacity for policy responsiveness to distinctive national and regional concerns, and the flexibility provided by the national treatment principle in allowing institutional arrangements that generally respect national differences and priorities among NAFTA nations.

There appears to be growing recognition that the promotion of economic growth and opportunity through closer North American linkages is compatible with preserving substantial discretion in the social and economic policy choices of Canadian governments (Rock, 2002; Axworthy, 2002; Canada, 2002; Helliwell, 2002). However, this confidence, while reducing

the intensity of political debate, does not answer a traditional challenge of Canadian economic policies: how to accommodate the substantial differences in regional economies and related government policies so people across Canada can benefit economically and socially from trends toward greater integration.

This problem has been conceptualized in Courchene's discussion of Ontario's evolution as a "region state" whose economic policies are increasingly focused on the need to enhance its economic competitiveness within North America. Several features of economic regionalism as a defining characteristic of Canada's place in the North American economy include:

- greater dependence on continental rather than domestic patterns for trade and investment, particularly with contiguous American states;
- the emergence of distinctive regional business cycles, complicating the use of countercyclical fiscal and monetary policies;
- integration of the production and distribution facilities of key industries across national borders, contributing to the development of common technical and regulatory standards;
- the growing integration of provincial transportation, energy, and telecommunications infrastructures within north-south regional networks, sometimes at the expense of east-west networks;
- a more external orientation of federal and provincial policies governing mobile factors of production, particularly taxes on corporate and investment incomes, research and

innovation, and the attraction and retention of skilled professionals, managers, and technical specialists; and

- a growing emphasis on regional economic specialization and the development of business or economic clusters capable of generating locational competitive advantages or "untraded interdependencies" as a major factor in industrial innovation and competitiveness (Courchene, 1998, 2001).

Although later studies of continental and regional economic integration qualify these analyses (Helliwell, 2000, 2002), they still have significant implications for both federal and provincial policy-makers.

Cross-border integration of production networks, much of it based on intrafirm trade, has made Canada's economy one of the world's most open and export dependent. The international exports of all provinces exceeded their interprovincial exports between 1998 and 2001. Table 1 notes that Ontario's economic integration within North America far outstrips that of most other provinces.

Ontario and Quebec arguably qualify as region states based on several criteria. Their transportation systems, economic structures, and policies are increasingly oriented toward increased integration and competitiveness within North American markets rather than toward endogenous growth or regional competitiveness

**TABLE 1**  
**Comparing Integration, Economic Openness by Province 1998-2001**

	International Exports of Goods & Services as Percent of GDP	Percent of Goods Exports Shipped to the US	Ratio of International Exports to Interprovincial Trade	
Canada	43.1	86.5	2.23	2.06
Ontario	<b>52.5</b>	<b>93.1</b>	<b>2.82</b>	<b>3.26</b>
Saskatchewan	43.0	57.8	1.76	1.15
New Brunswick	<b>41.1</b>	<b>85.2</b>	1.38	1.11
Quebec	38.9	<b>84.6</b>	1.99	<b>1.97</b>
Alberta	38.6	<b>85.6</b>	1.76	1.49
Newfoundland	38.6	67.7	<b>2.62</b>	1.30
British Columbia	32.1	67.2	<b>2.33</b>	1.77
Manitoba	31.1	79.5	1.05	1.00
Prince Edward Island	29.1	<b>86.1</b>	1.06	0.63
Nova Scotia	27.2	78.8	1.29	1.10

Notes: Bold Type: Provincial score >95 percent of Canadian average.

Sources: DFAIT (2002): Statistical Annex, tables 1A, 9A, 9E, 9F; author's calculations.

within Canada. Many of their key industries, particularly the automotive, steel, aerospace, telecommunications, and other high technology industries, are fully integrated within North American networks of suppliers and customers. Their energy grids are largely integrated with those of the Northeastern and Midwestern United States. Both provinces have given high priority to competitive corporate tax structures to attract and retain business investment (Hale, forthcoming).

New Brunswick and Alberta also demonstrate selected characteristics of region states, particularly in the continental integration of key industries, competition for business investment in export-oriented industries, and the adoption of formal economic strategies to enhance their international competitiveness (Alberta, 1000; New Brunswick, 2003). However, the region-state model, which implies independent provincial adaptation to continental market forces, has limited application in most other provinces, especially those lacking a common border with the United States or whose major urban areas are some distance from the border.

Even so, many issues associated with North American integration are either subject to provincial jurisdiction or require provincial cooperation with federal initiatives for their successful implementation. These range from bilateral negotiations affecting regionally differentiated industry sectors to the interaction of energy and environmental issues, labour mobility, the planning and financing of major infrastructure projects, and other border management issues.

**TABLE 2**

**Overlapping and Conflicting Jurisdictions: Effective jurisdiction over major issues with cross-border implications**

	Canada Federal	Provincial	United States Federal	State
International trade	X	x	X	
Economic development	x	X	X	x
Primary industries/land use		X	X	X
Food standards	X		X	x
Energy		X	X	x
Environment	x	x	X	x
Border management	X		X	
Related infrastructure/highways		X	X	x
Immigration	X	x	X	
Labour mobility		X	X	
Corporate governance/ securities regulation	x	X	X	

Notes: X-sole or primary jurisdiction; x-concurrent or partial jurisdiction.

All these policy fields are characterized by jurisdictional asymmetries that make it difficult, if not impossible for the federal government to take unilateral responsibility for their resolution in negotiations with the United States (and/or Mexico), or for provincial governments to take major initiatives without undermining federal responsibility for the management of Canada's foreign affairs. Table 2 summarizes major areas of jurisdictional overlap in relations between Canada and the United States. Extending negotiations to include Mexico raises similar challenges (Sada-Solana and Hale, 2003).

The recent evolution of federal-provincial relations suggests opportunities to address these challenges in a more flexible and responsive manner through the processes of what may be described as "complementary federalism."

**Complementary Federalism: Adapting Federal Processes to Changing Needs**

Complementary federalism describes an approach to shared or overlapping government jurisdictions in which federal and provincial governments carry out related, but operationally independent functions that recognize areas of common and discrete jurisdiction.

This concept has emerged, through a process of trial and error, as a by-product of government efforts to set priorities, define core businesses, balance budgets, and increase political and fiscal discretion in responding to challenges arising from globalization and continental economic integration. Both senior levels of government have recognized, to some extent, that their

capacity to exercise this discretion requires them to limit their commitments to, and related demands on, other levels of government. This process often requires clarification of formal or informal divisions of responsibility. In some cases, it has resulted in the evolution of purpose-specific, rules-based institutions to coordinate particular regulatory and administrative functions when their benefits outweigh the constraints they impose on action by individual governments.

These arrangements enable some degree of symmetry between national policy regimes addressed in NAFTA and evolving federal–provincial arrangements on taxation, trade, labour mobility, and other policies to facilitate the mobility of persons, goods, services, and capital within Canada. In some cases, these processes provide for what MacDonald describes as “positive integration” — shared rules imposed by a central authority. More often, they take the form of “negative integration” — a framework of rules that prohibits certain forms of behaviour by participating governments while accommodating varying levels of policy differences within the different elements of that framework (MacDonald, 2001).

The specific arrangements of complementary federalism may reflect power politics as much as administrative rationality. However, they have enabled governments to accommodate many regional differences, thereby increasing their capacity to respond to citizens’ expectations.

The paper from which this article is drawn reviews three examples of complementary federalism in policy fields with different mixes of federal

and provincial authority: taxation and revenue collection, trade policies and negotiations, and labour markets. The following is a short summary of the findings.

### *Raising and Collecting Taxes*

Federal and provincial governments jointly occupy the four largest sources of revenue: personal and corporate income taxes, general sales taxes, and specific-purpose consumption taxes. Canadian provinces exercise greater discretion in fiscal and tax policies than sub-national governments in almost any other federal country. The growing diversity of provincial economic policies since the 1980s has led to greater autonomy in fiscal and tax policies (Hale, 2000). The destabilizing effect of unilateral changes to tax and transfer mechanisms during the 1990s gave both levels of government a vested interest in restructuring the interaction of their tax systems.

Adopting the so-called “tax on income” system between 1998 and 2001 gave provinces greater freedom to set their own tax rates, adapt parts of their tax systems to regional priorities, and exercise greater fiscal flexibility while maintaining a common tax collection system (except in Quebec, which has long administered its own system).

At an administrative level, senior federal and provincial officials meet regularly through the Federal–Provincial Committee on Taxation to discuss the operations of the system and avoid unnecessary conflicts. Another expression of complementary federalism at work can be seen in the restructuring of Revenue Canada as the Canada Customs and Revenue Agency (CCRA) to facilitate

federal–provincial cooperation in tax administration. The CCRA has also harmonized tariff schedules and administration in cooperation with American officials, helping to streamline border management procedures and expedite trade. Overall, the evolution of tax systems and tax collection processes provides successful examples of both federal–provincial and cross-border cooperation.

However, a third major element of fiscal federalism — the mix of equalization and transfer payments — reflects the limits of complementary federalism. The politicization of transfer federalism, along with the tendency of both levels of government to engage in unilateralism, blame shifting, and “one-upsmanship,” limits their capacity to pursue a stable, consensual division of policy responsibilities.

Comparing these approaches suggests that the capacity of governments to engage in complementary federalism in areas of overlapping jurisdiction is likely to increase with the technical complexity of the issues and the degree of interest-group consensus in facilitating mutual recognition of regulatory standards. The federal capacity to coordinate both inter-governmental and regionally diverse interest group concerns is a key factor in this process, as reflected in efforts to increase cross-border cooperation on customs and border management issues since September 2001.

### *Federal–Provincial Cooperation on Trade Policy*

The growing complexity and intrusiveness of international trade agreements has encouraged increased intergovernmental collaboration to foster a common front in international trade

negotiations, and to ensure accommodation of regional interests and concerns in federal policies and positions. Historic limits placed by the 1937 Labour Conventions case on federal treaty-making powers in areas of provincial jurisdiction also encouraged this cooperation, a process described as the “internationalization of executive federalism” (Skogstad, 2001; Kukucha, forthcoming).

The provincial role in trade policy takes several forms. The C-Trade Committee process emerging from the Free Trade Agreement negotiations of the 1980s has allowed the exchange of information and some harmonization of regional interests. Shared economic goals and the fiscal constraints of the 1990s encouraged increased coordination of trade promotion activities.

Trade issues are also subject to inter-ministerial consultations. Sector-specific issues are likely to draw in ministers responsible for energy, natural resources, environment, or other line departments, although their independence may be limited depending on the political salience of the issue and the degree to which particular provinces or premiers centralize control over intergovernmental relations.

The attitudes of individual federal ministers toward federalism and federal-provincial relations play a major role in determining the spirit and substance of intergovernmental relations on trade issues. Not surprisingly, federal officials tend to guard their autonomy against any presumption of provincial entitlement to dictate federal policies. However, the greater the diversity of provincial interests at play on particular trade issues — as with Canada’s protracted

softwood lumber dispute with the United States — the greater the importance of maintaining a common front to the effectiveness of federal negotiating strategies.

The effects of regional economic specialization on this process depend on the capacity of governments to engage key industry and other relevant stakeholder groups that are often organized on a provincial or regional basis. Failure to do so effectively risks the escalating politicization of federal-provincial or inter-regional disputes, the pursuit of transnational coalitions by aggrieved stakeholders, and the erosion of Canadian negotiating positions in NAFTA or World Trade Organization dispute resolution processes.

The development of complementary federalism has depended on broadly shared normative or institutional frameworks for policy development while maintaining the formal autonomy of both levels of government within their respective jurisdictions. Some observers have suggested that institutionalized consultations could serve as a future constraint on federal autonomy over trade policy and related negotiations. However, while existing consultation processes allow it to avoid the joint decision-making trap inherent in requiring a formal consensus, their calculated ambiguity also precludes Ottawa from compelling provinces to implement policies or treaty commitments to which they have not consented.

Ultimately, the effectiveness of the decision-making and dispute resolution processes of complementary federalism — whether among NAFTA partners or within Canada — contin-

ues to depend significantly on the willingness of individual governments to acknowledge shared political and economic interests that transcend the narrower tactical benefits of “defection,” non-compliance, or unilateral power plays on specific issues (MacDonald, 2001). This reality is both the strength of complementary federalism and its greatest vulnerability.

### ***Labour Markets and Mobility***

Unlike trans-national markets for goods, capital, and some services, Canadian labour markets remain largely regionalized. However, several related policy fields are becoming laboratories for complementary federalism. These include labour market training, occupational standards, post-secondary education, and immigration, particularly as they relate to the recruitment and integration of skilled immigrants into Canadian society.

Changes to federal policies during the 1990s were driven by fiscal constraints, a desire to shift resources from passive income support to active labour market measures, and efforts to demonstrate the flexibility of federalism after the 1995 Quebec sovereignty referendum. Interprovincial cooperation has been driven, in part, by the labour mobility chapter of the Agreement on Internal Trade and the Social Union Framework Agreement of 1999.

The implications of these trends for further North American integration are not yet clear. Canada, the United States, and Mexico remain far apart on issues of labour mobility, particularly as they affect border controls and immigration policies. NAFTA has provided little impetus for the integration of labour markets in Canada, the United States, and Mexico — except

in limited areas of specialized professional and managerial skills arising from cross-border integration of specific industries. However, the indirect effects of NAFTA have fostered greater labour mobility within Canada, and a broader recognition that Canada must compete for skilled immigrants in international markets by reducing barriers to their integration in Canada's economy and society.

## Conclusion

The effects of progressive North American economic integration on Canadian federalism vary widely by policy field. Both federal and provincial governments have generally avoided the pitfalls of the "joint decision-making trap" by evolving sector-specific approaches to policy-making that recognize national, interprovincial, and trans-border differences in jurisdictional responsibilities.

The capacity of national and sub-national governments across North America to develop a normative consensus on the broad outlines of particular policy regimes is likely to depend on the accommodation of diversity and with it, limits on incentives to polarize political debates, for the foreseeable future. However, the evolution of consensus-building processes will also depend on the willingness of national governments to take the initiative in engaging both national and sub-national counterparts, along with key interest and stakeholder groups whose interests and values are most likely to be affected.

On the surface, the jurisdictional asymmetries of the three NAFTA nations lend themselves to an

incremental, sectoral approach to this consensus-building process. However, the range of issues involved suggests that central governments must develop a broader strategic agenda if they are to manage effectively the continuing drift toward piecemeal, market-led integration.

## Note

- 1 This paper is adapted from "Regional Economic Specialization, 'Complementary' Federalism, and the Challenges of North American Integration," a paper presented to the conference, Federalism and Trans-border Integration in North America, sponsored by the Centre for North American Politics and Society, Carleton University, Ottawa, Ontario, February 6-8, 2003.

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# Canada–US Border Cost Impacts and Their Implications for Border Management Strategy

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The current level of economic integration between Canada and the United States, and the increasing difficulty of maintaining a border, in the historical sense, have caused policy analysts to begin questioning the future direction of border management. Central to this analysis is the question of what are the costs of the current border? This article reports on a recently completed research project, which sought to quantify the actual costs of the border to industry and personal travellers.<sup>1</sup>

Over the last 20 years, Canada and the United States have reached an almost unparalleled level of economic integration. However, while NAFTA and its predecessor agreements did much to reduce investment and trade barriers, they did little to change the customs processes and border-crossing policies used to manage the border. The result of these changes has been very significant increases in trade and transportation that have begun to strain border facilities and cause increased uncertainty about the border process. At the same time, the events of September 11, 2001 have caused US policy-makers to push for increases in security at the border, and it is not entirely clear that any meaningful level of security can be provided while still facilitating growth in trade and travel across the border.

In many ways, our two countries are at a crossroads on border strategy. One approach is to attempt to increase security while facilitating trade. This approach may be able to maintain the status quo on border movements and costs of the border, but will require a great deal of infrastructure, staff, and technological investment, and may not be capable of providing genuine border security. The other approach is the much talked about North American external perimeter strategy — a border management strategy that would alleviate much

of the need for border investment, and could eliminate much of the existing and potential future cost impact of the border.

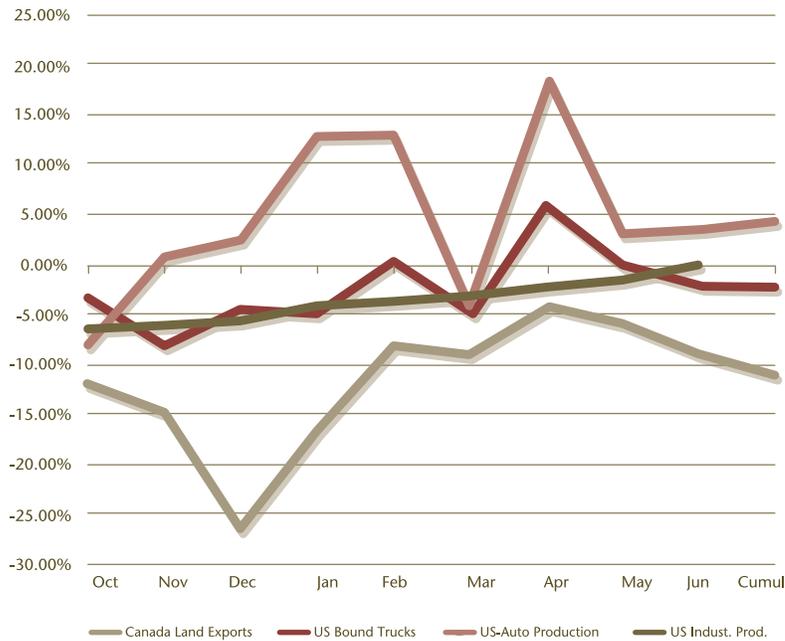
The cost estimate developed following the research described in this article becomes, in effect, a proxy for the level of savings that might be expected from an external perimeter strategy. Such a savings estimate is, of course, crucial to any future cost-benefit analysis of the border policy options that confront Canada and the United States.

## Trade and Truck Traffic Levels

While trade between Canada and the United States grew rapidly between the 1989 signing of the Free Trade Agreement and 2000, trade declined in 2001 and 2002. And while two-way truck traffic has grown from 6.0 million in 1984 to 13.4 million in 2001, the number of trucks entering the United States from Canada declined 4.7 percent between 2000 and 2001. Figure 1 attempts to isolate the impact from the after-effects of September 11, 2001 by showing US economic activity, merchandise imports from Canada by land, and inward truck moves for each of nine months (October to June) following September 11, 2001. This is compared to the same nine months in 2000. On a cumulative level, while the US industrial production index was at the same level at the end of

**FIGURE 1**

**US Economic Activity: Canadian Land Exports to US and US-Bound Trucks**  
**Year-over-year Monthly Percentage Changes**  
**October-June 2001/October-June 2000**



both nine-month periods, and auto production was actually up 4.2 percent in the United States, imports of goods by land from Canada fell 10.8 percent, and truck traffic entering the United States fell 2.2 percent. This fall-off in Canadian exports to the United States by land will be of considerable concern in Canada where a number of trade associations expressed fears that post September 11, 2001 perceptions of border delays and uncertainty might have this effect. The fact that Canadian exports to the United States fell 10.8 percent despite flat economic activity may indeed be due in part to US industrial buyer's concerns about the costs of the border. However, what are these specific costs?

### Costs of the Border

Little objective research has been done on the specific border and economy-wide costs that result from border policies and processes, as well as congestion and uncertainty. However, several organizations or authors have suggested estimates of the costs of the border. For instance, the Canadian Manufacturers and Exporters Association has stated that the border adds six percent to the cost of Canadian manufactured goods. Former Canadian Prime Minister Mulroney has also been quoted as stating that the border adds C\$30 billion in costs to businesses in both countries. More recently, a May 2002 report to a Canadian parliamentary committee suggested that removing remaining

tariffs, and reducing inspection needs and paperwork could reduce costs by some two to three percent of the value of trade.

Given this backdrop, the research team set out to develop a framework of cost categories relating to the border, and to quantify a range of cost estimates for each category. Two broad categories of costs are summarized in Table 1. First, are those costs related to actual transit time and uncertainty at the border. They include specific cost items, such as primary inspection, secondary inspection, lost productivity for industry, etc. Next are those related to general costs, such as brokerage fees, remaining duties, customs administration, etc. Costs applicable to carriers, manufacturers, and government were estimated, and reflect the impact on the combined economies of the two countries. For each specific cost type, estimates were made for minimum, mid-range, and maximum assumptions. It should be noted that the estimates reflect direct costs and do not assume any multiplier impacts or input-output analysis that might assume reduced output, employment, and income that could occur as a result of border policies. Rather, these cost estimates reflect an initial look at actual direct costs to industry.

In total, border costs are estimated to range between US\$7.52 billion and US\$13.2 billion, with a mid-range estimate of US\$10.3 billion. Costs for the transit time and uncertainty subcategory are estimated at a mid-range point of US\$4.01 billion. Specifically, transit time and uncertainty-related costs associated with carriers are estimated at US\$1.87 billion.

Primary inspection transit times are estimated to have a cost of US\$0.32 billion, while secondary yard costs represent another US\$0.76 billion. Primary inspection backup time cost was estimated using Canada Customs primary backup time data for each direction of travel. Secondary yard times were based on estimates of the percentage of trucks entering secondary inspection at each major crossing, and estimated processing times.

Other major costs included excess time built into route plans estimated at US\$0.42 billion, documentation preparation time, and the need for additional equipment and drivers due to reduced cycle times and other problems. Transit time uncertainty can also cause the need for additional warehousing, shorter pickup and delivery routes, and a variety of operational problems that increase costs.

Another major category of cost impact from long transit times and uncertainty is on manufacturers who suffer reductions in productivity, because of reduced sourcing from Canada. It is assumed that US buyers may have reduced sourcing from Canada due to actual or more likely perceived problems with border crossings, and that they then forgo benefits related to cost, specification, or quality that they would otherwise have received. These lost productivity benefits are estimated at US\$1.53 billion per year. Uncertainty is also assumed to have a slight impact on inventory levels and the total carrying cost of that inventory. US\$0.46 billion in extra inventory carrying cost is estimated.

The General Border Costs subcategory is estimated at US\$6.28 billion at the mid-range point. For carriers, the

**TABLE 1**  
**Summary of Border Crossing Cost Impacts**  
**(Billions of US \$)**

Assumption/Scenario	Minimum	Midrange	Maximum
<b>Transit Time/Uncertainty Related</b>	<b>2.52</b>	<b>4.01</b>	<b>5.27</b>
<b>CARRIER</b>	<b>1.19</b>	<b>1.87</b>	<b>2.37</b>
Primary Transit Time	.28	.32	.35
Secondary Processing Time	.60	.76	.91
Excess Plan Time	.11	.42	.52
Reduced Cycles/Other	.07	.12	.20
Driver Documentation/Fax Time	.13	.25	.40
<b>MANUFACTURER</b>	<b>1.24</b>	<b>1.99</b>	<b>2.69</b>
Lost Manufacturer Productivity Benefits	1.00	1.53	2.00
Extra Inventory Carrying Costs	.23	.46	.69
Manufacturer Subtotal	1.24	1.99	2.69
<b>Personal Traveler</b>	<b>.10</b>	<b>.16</b>	<b>.21</b>
Transit Time/Uncertainty Subtotal	2.52	4.01	5.27
<b>General Border Costs</b>	<b>4.99</b>	<b>6.28</b>	<b>7.92</b>
<b>CARRIER</b>	<b>.20</b>	<b>.35</b>	<b>.58</b>
<b>MANUFACTURER</b>	<b>4.34</b>	<b>5.36</b>	<b>6.38</b>
<b>FEDERAL STAFF</b>	<b>.45</b>	<b>.57</b>	<b>.96</b>
<b>Total Border Impact Costs</b>	<b>7.52</b>	<b>10.30</b>	<b>13.20</b>

mid-range estimate is for a cost impact of US\$0.35 billion. These costs relate to administration of border crossing processes and to cabotage costs. US cabotage regulations prohibit Canadian drivers from making domestic freight moves in the United States and drive up Canadian carrier costs. Other border-related costs include an estimated US\$5.36 billion paid by manufacturers for brokerage fees, duty, and managing customs processes. Brokerage costs alone are estimated at US\$0.46 billion. Duties and fees are estimated at US\$1.61 billion and include importers that choose to pay non-NAFTA duties to avoid rules of origin paperwork. Customs administration costs related to the

US–Canada border are estimated at US\$3.29 billion. A final border cost is for federal inspection services (FIS) staff in both countries — estimated at US\$0.57 billion for personnel costs alone.

### Implications for Border Management Strategy

As Canada and the United States consider alternative border management strategies, it is important to have an understanding of the costs of the current border management system. Based on the research reported here, the border has a cost of US\$7.52 billion to US\$13.2 billion with a mid-range estimate of US\$10.3 billion.

At the mid-range, this cost represents 2.7 percent of the US\$382 billion in 2001 merchandise trade. After adjusting for non-truck related costs, the total border costs relating to truck-borne trade total US\$9.45 billion, or some 4.0 percent of the US\$270 billion in 2001 truck-borne trade.

These costs are modest but significant, and their elimination would be warmly welcomed by CEOs facing strong competition from Asia, and a market where pennies can make the difference between success and failure. An external perimeter strategy, along with changes in customs policy and procedures, could substantially eliminate the bulk of these costs, and provide a competitive advantage for North American firms. Such a strategy might provide for random and intelligence-based inspections at the border, significant post-importation audits, and large penalties for violators. An external perimeter strategy could also allow for diversion of FIS resources to intelligence-based activities and patrol of first points of entry, and might provide enhanced security compared to the present system of cursory inspections. However, such a system might not provide for sufficient sovereignty and independence of action by each nation.

The alternative is for the United States to invest significant sums in infrastructure, technology, and inspection staff in an effort to provide enhanced border security. The jury is still out however on whether such an approach will enhance security and also provide for trade facilitation. Initial observations would suggest that industry will need to make major investments in technology to avoid delays and uncertainty in such a system. Such a system may also inhibit smaller firms from participating. Should the United States and Canada want to maintain or increase the current levels of integration and decrease the costs of the border, while enhancing security, it may be time to consider dramatic changes in border management strategies.

### Note

- 1 The project was funded by the US, New York and Michigan Departments of Transportation, and the Canadian Embassy, and involved a review of over 750 newspaper articles on border issues, analysis of 45 border-related reports, some 20 border site visits, and interviews with 173 organizations. For more information or a copy of the underlying 210 page report, please contact Dr. Taylor at [taylorjoh@gvsu.edu](mailto:taylorjoh@gvsu.edu).

## Opportunities And Challenges

In the 1990s, economic linkages between the three North American economies increased dramatically. Trade between Canada and the United States has grown much more rapidly than had been predicted, and Mexico has become an important economic player in the North American market. The scope and pace of these developments raise many important questions about Canada's place in the future course of North America. In this context, a key question is: how do we maximize the economic benefits of increasing economic linkages while preserving the values and programs Canadians cherish?

Industry Canada has recently released a research volume examining the opportunities, pressures and challenges of deepening North American economic linkages from a primarily Canadian perspective. The seventeen studies in this volume focus on three major policy research themes:

- An assessment of the current state of North American economic integration.
- An examination of the policy dimensions of the integration process.
- Various strategies for deepening NAFTA institutions, such as adopting a customs union or common market.

Richard G. Harris, ed. 2003. *North American Linkages: Opportunities and Challenges for Canada*. Industry Canada Research Series, volume 11. Calgary: University of Calgary Press.

# Poverty Is About Assets as Well as Income

**Peter Nares and  
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Poverty in Canada continues to be an urgent issue for policy-makers. The larger concern, however, is that, so far, there is no fail-safe solution. According to some of the newest measures developed (see HRDC, 2003) as many as 10 to 14 percent of Canadians, and 27 to 30 percent of Canadian children are living in poverty. Worse still, the gap between Canada's rich and poor appears to be growing. Between 1990 and 2000, incomes for the richest 10 percent of Canada's families grew slightly while the incomes of the poorest 10 percent of families remained stagnant (Statistics Canada, 2003).

Social policy debate, research, and action in Canada have long recognized the need to provide a minimum level of income to meet basic consumption needs. The Canadian social safety net has responded with an array of measures to provide income support in cases of temporary unemployment, disability, work-related injury or illness, retirement, and parental leave. While debate about the adequacy of these measures is ongoing, income supports account for a significant portion of the total incomes of Canada's low-income families.

But what about assets? We know intuitively that savings and assets are as important to our overall financial and economic security as income. Anyone who has ever applied for a mortgage, sought the advice of a financial planner, or applied for social assistance benefits knows first-hand that any savings, however modest, can be an important economic resource. Assets appear to have effects that income alone does not. Assets can cushion against sudden losses of income or financial risks, such as starting a new

business. Assets can also enhance social capital, participation, and inclusion. For example, homeowners appear to have higher levels of civic engagement than do non-owners and enjoy better marital stability, family health, and well-being among dependent children. Assets may build capacity that can be sustained beyond current consumption needs while complementing existing income supports.

Compared to the income gap, the gap between Canada's asset-rich and asset-poor may appear to be an insurmountable chasm. The poorer 50 percent of Canadian households own only six percent of all personal financial assets (Statistics Canada, 2001). Savings and assets increase substantially as a family moves from low-income to middle and upper-income. Compared to families with incomes of \$10,000 to \$19,000, families with incomes of \$40,000 to \$49,000 have more than seven times the net financial assets, and families with incomes over \$75,000 have more than 21 times the net financial assets. Between 1984 and 1999, the median net worth of the wealthiest 20 percent of Canadians increased 39 percent while the net worth of the poorest 20 percent of Canadians actually fell.

Opportunities for asset development are imbalanced in Canada to such a degree that low-income Canadians:

- are two and a half times less likely to own their home than high income Canadians (CMHC, 1992);
- have twice the national debt-to-asset ratio (Statistics Canada, 2001);
- are almost twice as likely to work in a low-skilled job compared with the Canadian average (CCSD, 2000); and

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## The Government of Canada currently invests:

- \$15.4 billion to support private retirement savings in Registered Retirement Savings Plans and Registered Pension Plans through deferred tax income and allows these savings to be used for adult learning and downpayments for first-time homebuyers; and
- nearly \$1 billion to support savings for children's post-secondary education by matching the savings of contributing relatives and friends with 20¢ for every \$1 saved.

- are almost twice less likely to report any contributions to an RRSP than middle income Canadians (CCRA, 1999).

To date, the social safety net in Canada has not acknowledged the value of assets as a *universally* important economic resource. The federal government invests billions annually to support asset accumulation among Canada's middle and upper income households. At the same time, provincial governments require that social assistance applicants exhaust the assets that might otherwise help them end a cycle of poverty before receiving income support benefits. A more comprehensive view of the role of both income and assets in the economic security and social participation of all Canadians might result in a very different picture.

In the United States, the United Kingdom, and Canada, there is an innovative new field of social policy debate, research, and activity called asset building.

In the United States, federal and state legislation supports hundreds of community asset-based projects designed to increase the savings of low-income Americans through Individual Development Accounts (IDAs) — restricted

savings accounts with matching grants for deposits. Research from the largest of these projects, the Downpayments on the American Dream Demonstration (ADD), has found that, when provided with the right institutional and program supports, low-income account holders can and do save for productive asset-oriented uses such as children's education, micro-enterprise development and homeownership. Based on the most current data from the Centre for Social Development, ADD participants are saving an average of US\$25.42 per month or US\$900 per year once the matching grant is included (Beverly and Sheraden, 2001). Among the most low-income participants, the savings rate, or the percentage of income saved, is actually slightly higher than among participants with incomes closer to the US poverty line.

The most common strategy for saving in an IDA came by changing consumption behaviour (e.g., shopping more carefully for food, eating out less, and spending less on leisure). Other initiatives in the US, such as the recent passage of the tax credit oriented *Savings for Working Families Act*, which will take IDAs to a larger scale, signal that asset building is an approach increasingly embraced by

both liberal and conservative members of the social policy community.

In the United Kingdom, the Blair Government's 2003 budget announced the ambitious new Child Trust Fund, a universal endowment paid to all British newborns available for use only after age 18. The Trust includes an initial payment at birth, top-ups throughout childhood and adolescence, and increased benefit rates for children of lower-income families. With modest regular contributions from families, the government expects that an individual trust fund could grow to as much as £27,000 by age 18. The initiative is part of a broad government plan to promote savings and asset development over the lifespan to ensure personal economic security, opportunity, and long-term independence.

In Canada, the federal government is funding the world's largest demonstration of IDAs for learning. *learn\$ave* is fully funded by Human Resources Development Canada and is managed nationally by Social and Enterprise Development Innovations (SEDI), the leading Canadian organization in the asset-building field. SEDI's partners include community-based organizations at 10 sites across Canada and private sector financial institutions. The Social Research and Demonstration Corporation (SRDC) has designed and is now implementing a rigorous evaluation strategy including implementation, impact, and cost-benefit analyses — the most detailed and comprehensive evaluation of any asset-based intervention to date. *learn\$ave* offers low-income Canadians an IDA to save for a learning opportunity through education, skills training, or micro-enterprise development. A rigorous evaluation framework will

look at implementation and impacts through data from seven unique case study sites and three experimental sites where participants are randomly assigned to one of three program groups to test the relative effectiveness of different program components. According to the project data, as of May 2003, more than 3,000 low-income Canadians have enrolled in the project. Among participants with a *learn\$ave* account, average monthly deposits are an impressive \$55, totalling about \$1 million so far and leveraging a further \$3 million in matching grants (*learn\$ave* MIS, 2003).

*learn\$ave* participants are predominantly young (77 percent are in their 20s or 30s), single with no dependants (47 percent), female (59 percent) and have some form of employment income (63 percent). Perhaps the most striking information on participants is the depth of poverty they experience while enjoying relatively high levels of education: 83 percent of participants have a household income of less than \$20,000, while at the same time 79 percent have at least some post-secondary education, if not a post-secondary degree (*learn\$ave* MIS, 2003).

Further information on the project and initial data will be available later this year when SRDC publishes the first interim report. Findings from the project will help to inform policy-makers in Canada and internationally.

As significant an endeavour as *learn\$ave* is, it is only one application of the asset-based approach to policy in Canada. SEDI believes this is a concept with broad potential and will be seeking opportunities to apply asset building to a variety of social policy

contexts. One initiative is the development of an asset-based approach to housing policy. To that end, we have recently completed a study funded by the Canada Mortgage and Housing Corporation and the National Secretariat on Homelessness. Our consultations found a strong level of interest among low-income Canadians and other stakeholders for asset-based policies and programs to increase access to affordable homeownership and rental housing. Representatives from the broad spectrum of the housing

*Research has found that, when provided with the right institutional and program supports, low-income account holders can and do save for productive asset-oriented uses such as children's education, micro-enterprise development and homeownership.*

policy community also confirmed SEDI's opinion that an asset-based housing policy would be an appropriate use of government expenditures and an approach that might complement existing housing policies, generate opportunities for new partnerships, and potentially increase the availability of affordable rental units. At the same time, our study revealed important issues for further consideration before any national policy should be adopted. In response, SEDI will be seeking support for a national demonstration project to evaluate the effectiveness of delivering IDAs for homeownership. Results from this demonstration will build on the anecdotal findings from small, local housing IDA initiatives in Abbotsford, Calgary, and Winnipeg.

Asset-based policy has a far broader scope than any specific application including adult learning and housing.

Just as income support policy has a heritage of robust debate and research, so too can the asset-building field benefit from more debate and research within Canada and abroad. To this end, SEDI is now engaged in a multi-year asset-building policy research agenda. We will be seeking opportunities to solicit the advice of leading thinkers in the social policy field through a national policy advisory group. Using information gathered from the *learn\$ave* project, any eventual *Home\$ave* project and other

sources, SEDI will prepare and disseminate a series of discussion papers on the interaction of asset-based policy, taxation, and social assistance policy, and on serving the needs of newcomers in IDAs. A series of commissioned working papers will also generate new ideas and options for asset building in Canada. To help evaluate options and move from information to action, SEDI is developing a policy matrix based on the most up-to-date information on asset-building theory and best practice from across jurisdictions. We will also conduct the first-ever comprehensive review of all Government of Canada and provincial programs and services to establish a baseline for public expenditure and outcomes on asset development in Canada.

The asset-building policy field is gaining momentum in Canada and abroad. The Canadian social policy community has much to contribute.

Low-income and asset-poor Canadians can only benefit from better opportunities to save and accumulate the productive assets that build and sustain futures.

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*learn\$ave* MIS (Management Information Software). 2003. Toronto: Social and Enterprise Development Innovations. Unpublished dataset. September.

## Can Work Incentives Pay For Themselves?

The study has found that generous financial work incentives can generate large increases in employment, earnings, and income and reduced welfare receipt and poverty over five to six years. Moreover, it has found that such an incentive program comes very close to paying for itself when the recipients' increased taxes and reduced IA receipt are taken into account. Such findings are remarkable and might be the subject of considerable debate if they were not the culmination of a sequence of findings from a related series of Self-Sufficiency Project studies subject to a rigorous experimental study design.

Reuben Ford, David Gyarmati, Kelly Foley, and Doug Tattrie, with Liza Jiminez. 2003. *Can Work Incentives Pay for Themselves? Final Report on the Self-Sufficiency Project for Welfare Applicants*. Ottawa: Social Research and Demonstration Corporation. This report can be found at <http://www.srdc.org>. Accessed October 29, 2003.

# Social Capital at Work

## An Australian Illustration

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In Australia, as in many other nations, there is an emphasis on paid work as a primary means for achieving economic independence, alleviating poverty, and avoiding welfare dependency. Much of this attention focuses on an individual's skills and attributes or on characteristics of the labour market. This paper presents a summary of research that extends these analyses, by investigating the extent to which an individual's stock of social capital relates to a successful job search, over and above more well-established determinants. The findings highlight the relevance of social capital for labour market outcomes, and represent an evidence base for public policy intervention.

Since Robert Putnam made the now famous claim that bowling alone rather than in clubs and organizations represents an unravelling of the social fabric of the United States, the concept of social capital entered the world policy horizon. Social capital is now a key plank in the Australian approach to public policy at national, state, and local levels. It features strongly in strategies aimed at promoting prevention and early intervention, and in a welfare reform agenda that sees Australia moving toward an income support system that encourages individuals and families to be self-reliant. Yet it has not been taken up uncritically. Policy-makers and critics alike have questioned how social capital relates to policy and what the role of government is or should be (see, for example, Productivity Commission, 2003).

Against this background, the Australian Institute of Family Studies (AIFS) has undertaken a four-year program of research, the Families, Social Capital and Citizenship project, which represents the most extensive investigation of social capital in the Australian context. This research first established a conceptual understanding suitable for use in policy-related research, developed empirical tools for measuring social capital and linking it to a host of hypothesized

determinants and outcomes and, most recently, undertook a series of empirical research papers to test the relevance of social capital to key public policy issues.

This paper presents a summary of one of these research papers. The research paper examined how various measures of social capital relate to individual labour market outcomes including labour force status and a successful job search (Stone et al., 2003). Here we focus on how social capital relates to a successful job search using a single composite measure of social capital that summarizes the total mix of types of relationships individuals have (Stone and Hughes, 2002). The relationship between social capital type and job search method is examined empirically by including the composite social capital measure as an explanatory variable in regression models of the determinants of job search method, along with known predictors of job search method that are typically used in economic analyses.

The focus on job search method is of particular interest given that the most obvious mechanism by which social capital may impact on labour market outcomes is through the job search process. However, the extent to which social capital relates to labour market outcomes is of interest more broadly,

because it draws attention to the role of family, and informal, civic, and institutional ties in supporting labour market engagement. Also, while much social capital analysis is limited by the difficulty of determining causation, the casual relationships in this analysis are much clearer.

## Conceptualizing and Measuring Social Capital

While there has been much debate about the precise definition of social capital, not least due to its multidisciplinary lineage (Woolcock, 1998), we start from the position that social capital can be understood as networks of social relations characterized by norms of trust and reciprocity (Bourdieu, 1993; Coleman, 1988; Putnam, 1993; see Winter, 2000 for discussion). The essence of social capital is quality social relations. It is the quality of relationships, understood through the use of the concept of social capital, which affects the capacity of people to come together to resolve collectively problems they face in common, and achieve outcomes of mutual benefit. 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.

The types of social relationships the concept of social capital encompasses can be thought of as informal, civic, or generalized and institutional (Stone, 2001; Stone and Hughes, 2002). Informal social capital comprises trusting and reciprocal relationships within family, kinship, friendship, and neighbourhood networks. Civic ties are those with members of formal organizations and associations; generalized relations are those with other members of society not known to

an individual (e.g., other people in the local area, or Australians more broadly). Institutional ties are those links an individual has with major systems, such as the legal system, education, business, trade unions, and the like. The distinction between informal, civic/generalized, and institutional types of social capital fits broadly with the more recent bonding, bridging, and linking distinction made in social capital theory (Narayan, 1999; Woolcock, 1998).

## Social Capital and Labour Market Outcomes

We expect social capital may impact on an individual's labour market outcomes in several ways. The most obvious is via its effect on the efficiency and effectiveness of a job search. One major task of the labour market is to coordinate information or signals between employers and their potential workforce (Ehrenberg and Smith, 1997). Matching workers and employers is a formidable task, because workers have varying skills

*Various types and patterns of social networks affect a successful job search by reducing the cost of job search for potential employees and employers, and by producing a better quality of job match.*

and preferences for work, and jobs differ in requirements. Because information about job opportunities and workers' characteristics is imperfect, the process of job search takes time and effort and is therefore costly. The process of finding the appropriate worker-employer matches can be facilitated by the job search behaviour of workers, the recruitment procedures of employers, and the institutional systems in place to coordinate signals of the respective parties.

Within this framework, we anticipate the nature of an individual's networks may affect the process of job search in a range of ways, many of which are well supported by recent job search literature within economics (see Devine and Kiefer, 1991; Heath, 1999 for detailed reviews). This literature suggests various types and patterns of social networks affect a successful job search by reducing the cost of job search for potential employees and employers, and by producing a better quality of job match. The sociological and anthropological literature similarly points to the importance of networks (Granovetter, 1974; Lin, 1999).

## Social Capital and Job Search

### Data and Method

Using the definition of social capital presented above, and based on a theoretical framework developed within the Families, Social Capital and Citizenship project (Stone, 2001), the AIFS undertook a national random survey of Australian households in 2001. A total of 1,506 respondents aged

18 years or over participated. Interviews were conducted via telephone, and detailed information about respondents' networks, feeling of trust and reciprocity, labour force status, and recent labour market experience was collected along with other demographic information. These data provide a detailed account of social capital, measured at the level of individuals and represent the only dedicated, national, social capital data of this kind in Australia. They show how,

for example, the size of respondents' informal, civic, and institutional networks vary, how dense and overlapping these networks are, how diverse they are, and how much trust and reciprocity respondents in a range of circumstances report as operating in their various networks.

Given the multidimensional nature of social capital, various analytic approaches can be taken to its empirical study. This analysis draws on an approach developed in our earlier work that considers the overall stock or mix of social capital relationships individuals have, and how these relate to other outcomes — in this case labour force outcomes. Specifically, using a statistical technique known as cluster analysis, which groups respondents according to similarities in their overall mix of social capital relationships, we developed a social capital typology that is useful for analyzing how the combination of one's networks relates to various other outcomes (Stone and Hughes, 2002). The advantage is that this approach enables us to examine social capital as a whole, rather than each separate dimension separately. (An analysis of the separate dimensions is presented in the full paper.)

Using the cluster analysis technique, we found respondents grouped into one of four main social capital types (Stone and Hughes, 2002):

- social capital rich, characterized by high levels of connection, trust, and reciprocity across all network types (18 percent of the sample);
- civic oriented, characterized by strong group affiliations and high levels of generalized trust (55 percent of the sample);
- informal oriented, characterized by small but dense informal networks with fewer civic and institutional ties (19 percent of the sample); and
- social capital poor, characterized as having fewer connections across informal, civic, and institutional realms with low reported levels of trust and reciprocity in each (7 percent of the sample).

It is important to note these social capital types relate, in some important ways, to various measures of socio-economic status. In previous research we found, for example, that those

*The social capital poor have lower employment rates over all than other groups and, among those in paid work, substantially lower rates of full-time employment.*

who are social capital poor are more likely to have lower levels of education, poorer self-reported health, and were far less likely to own their home (Stone and Hughes, 2002). Importantly, the employment rates for each group also vary. The social capital poor have lower employment rates over all than other groups and, among those in paid work, substantially lower rates of full-time employment.

#### ***Modelling the Determinants of Job Search***

The survey asked employed respondents how they found their last job. Overall, the most common way was via an advertisement (29.3 percent). A very similar proportion found their job by directly contacting the employer (26.8 percent). The numbers using personal contacts were also high with 25.5 percent using professional contacts and 18.4 percent having found their job through family or friends. (These rates are generally consistent with official statistics.)

Given the focus on a successful job search, the analysis is based on those who were employed at the time of the survey. The self-employed are excluded from this analysis, since the process of setting up a business clearly differs to that of finding employment with an employer.

Given that there are four job search methods, the appropriate statistical model is the multinomial logit model. (For more detail, refer to the full paper.) This model compares variables to determine which are most likely to “predict” the various job search

methods used by respondents to find their last job. Measures of social capital type were included in the model along with the usual determinants of job search, such as education, region of residence, family type, experience of unemployment in the last 12 months, health, whether migrant, and socio-economic status of the area in which the respondent lives. As expected, this model indicated the job search method relates to various usual determinants such as education, health, rural versus urban area, and the socio-economic status of the area. However, for this paper, only the estimates of the social capital variables are presented.

Table 1 presents the estimates of the relationship between social capital type and job search method used to find the respondent's current job. The estimates reveal a strong relationship between social capital type and job search method successfully used. The

**TABLE 1****Marginal Effects of Determinants of Job Search Method Used, Employed Respondents, and Social Capital Type**

	JOB SEARCH METHOD			
	Advertisement %	Direct Contact with employer %	Family or friends %	Professional contact %
Social capital clusters				
Social capital rich	-4.0	5.9	-4.2	2.3
Informal oriented	-7.0	-1.9	-1.4	*10.2
Social capital poor	5.3	-3.6	13.4	*-15.1
Base case probabilities	30.2	28.5	15.3	26.0

**Notes:** Estimates are restricted to the working age population (18 to 64 years). The base probabilities in the last row indicate the probability that the “average respondent” is in the various labour force states. The marginal effects presented in this table are derived from multinomial logit estimates of the determinants of labour market outcomes. A range of demographic and human capital characteristics have been controlled for, and the marginal effects indicate the change in this probability from a change in the respective explanatory variables. Since the reference person is still in one of the labour force states, the marginal effects must sum to zero in each row. The asterisk (\*) denotes that the marginal effect is significant at the five percent level.

Source: FSAC (2001).

social capital rich are 2.3 percentage points more likely to have used a professional contact, and 5.9 percentage points more likely to find their job via direct contact with the employer. The informal oriented group are 7.0 percentage points less likely to have found their job through an advertisement, and 10.2 percentage points more likely to have used a professional contact than the average respondent. The social capital poor are much less likely to have used a professional contact (15.1 percentage points), and 3.6 percentage points less likely to have found their job via direct contact with the employer. However, they are relatively more likely to have found their job through an advertisement (5.3 percentage points) and through family or friends (13.4 percentage points). It is impor-

tant to note that these estimates control for having been unemployed in the previous two years, and so cannot be explained simply in terms of those who have not been employed having fewer professional contacts.

An alternative way of illustrating the results is to present the predicted job search method used for each social type. These probabilities are presented in Table 2. The social capital poor are the least likely to have used workmates or professional contacts with 7.2 percent having found their current job in this way. This compares to rates of use of workmates or professional contacts of 17.4 percent among the civic-oriented group, 19.0 percent among the social capital rich, and 25.7 percent among the informal oriented social capital group. The social capital poor are also less likely to have obtained

their job via a direct approach to employers. The social capital poor are much more likely to have used family and friends (31.6 percent) and responding to a job advertisement (35.3 percent) than are the other social capital groups.

Among the other groups, the job search methods used are broadly similar. The social capital rich are the least likely to have used family and friends and the most likely to have used a direct approach to employers. This is presumably because the social capital rich have other options. This finding is particularly significant, because it means the social capital poor have a much higher reliance on family and friends for finding employment, although they also have fewer of these types of connections, on average, than respondents in other social capital types.

## Summary

One limitation of much social capital analysis is the difficulty in determining causation where relationships between measures of social capital and various outcomes are found. Analysis of the relationship between social capital and job search allows us to comment more confidently about the causal relationship between social capital and labour market outcomes at the individual level.

Measures of social capital type are found to have a strong and statistically significant relationship to the job search method used to find employment. This illustrates the usefulness of the social capital typology approach in explaining variation in labour market outcomes.<sup>2</sup> The differences are striking, particularly in the differential

rates at which jobs are found through professional contacts and family and friends. For example, the social capital poor rely on informal channels to a far greater extent than any other social capital type, and are considerably less likely to gain employment through professional contacts.

Taken together, the research reported on in this article points to several key conclusions.

- Social capital has some role to play in determining labour force status.
- The findings are, in part, consistent with the influential “strength of weak ties” theory (Granovetter, 1974). Professional contacts are an important means of finding employment; however, this was not the case for everyone. In fact, the paper suggests that the “strength of close ties” is particularly important for those with limited social capital and more vulnerable ties to the labour market, where friends and family were relatively important in finding employment.
- The findings suggest that it is the combination of various types of social capital that is important in determining labour market outcomes rather than the individual dimensions per se (in informal, generalized, and institutional realms).
- There appears to be an interaction between a person’s socio-economic status, social capital type, and labour market outcomes.

To close, we pursue this final point further. Social capital may mirror or exacerbate existing inequalities or differences between people from higher

**TABLE 2**  
**Predicted Job Search Method by Social Capital Type**

	SOCIAL CAPITAL TYPE			
	Social capital rich %	Civic oriented %	Informal oriented %	Social capital poor %
Advertisement	28.4	32.5	26.3	35.3
Direct approach to employers	39.3	32.2	31.2	25.9
Family and friends	13.3	17.9	16.9	31.6
Workmates or professional contacts	19.0	17.4	25.7	7.2

**Notes:** The predicted probability of being in each labour force state is calculated by setting the non-social capital variables to their sample average and then varying the social capital group type holding all other variables constant at their sample average.

Source: FSAC (2001).

and lower socio-economic circumstances. It is more likely that the use of friends and family connections by those from low socio-economic backgrounds for finding jobs leads to lower quality jobs, than for those from higher socio-economic circumstances, who would be more likely to use professional contacts. Furthermore, the social capital poor are less likely than other social capital groups to find employment via workmates or professional contacts, a search method that is likely to result in a higher quality job. The extent of these differences and inequalities is a topic worthy of further policy analysis and research.

### Notes

- 1 Contact Wendy Stone, Assistant Research Director, Australian Housing and Urban Research Institute (AHURI), at Wendy.Stone@ahuri.edu.au or visit [www.aifs.gov.au](http://www.aifs.gov.au) to download a copy of the full research paper on which this piece is based. The views represented in this paper are those of the authors and do not necessarily reflect those of the AIFS or AHURI.

- 2 In the full paper, the relationships between measures of the separate dimensions of social capital, such as trust, reciprocity, and network characteristics are also examined in relation to job search and labour force status. While some relationships are found, it is the overall combination of characteristics summarized by the typology approach that is most strongly related to job search outcomes.

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## Men, Women, and SC

Besides several chapters on social capital in the Netherlands, this book includes the first nation-wide report on social capital in Canada. Bonnie Erickson uses the 2000 federal election survey to illustrate how social capital varies across the country. By way of examining the extent to which people know men and women in various occupations, Erickson explores gender differences in the accumulation and use of social capital. She also illustrates how social capital varies with other individual characteristics, including age, ethnicity, education, work and family status, and (most strongly) participation in voluntary associations. In addition, she describes macro structural differences, as in social capital being lower in metropolitan areas and higher in the Maritimes.

Henk Flap and Beate Volker, eds. 2003. *The Creation and Returns of Social Capital*. New York: Routledge.

# Social Capital

**John Field**  
(London: Routledge, 2003)

**Reviewed by**  
**Robert Judge**  
Policy Research Initiative

Coming to grips with the literature on social capital presents a distinct challenge to those new to the field. In the early 1990s, a mere handful of articles on social capital had been published, and one could reasonably expect to absorb their content in fairly short order. However, after a decade of rapidly expanding interest within academic and policy circles alike, there are now literally thousands of studies in virtually all the social science and public policy disciplines. With this, has come a great deal of divergence over how best to define and operationalize the concept. Such disagreement and confusion should not be surprising given the present exploratory nature and the extremely rapid development of the field of study. Nevertheless, the present state of the literature presents a daunting morass to social capital neophytes.

Recognizing the need today for an extended introduction to the field of social capital, John Field's recently published work on this topic deliberately sets out to fill this gap and succeeds in doing so. *Social Capital* is an extremely helpful overview of how the concept has developed across disciplines and the directions in which it is now headed. The book length treatment is a much more comprehensive survey than that provided by other article-length literature reviews. While one may quibble with the odd point here or there, Field nevertheless performs an invaluable service in providing a much needed thorough orientation to the social capital literature.

Field begins with a presentation of the work of three seminal figures in the social capital literature: Pierre Bourdieu, James Coleman, and Robert

Putnam. He is not the first to recognize the importance of these authors; indeed, most literature reviews begin with these scholars. However, such reviews typically only spend a paragraph or two on each, whereas Field is able to present a much more extended discussion of their contributions, including their strengths and weaknesses. This can be no substitute, of course, for reading the original works of these key scholars themselves. Nevertheless, this is probably by far the best overview of these authors presently available.

Field's presentation of Bourdieu, Coleman, and Putnam is fairly even handed. Somewhat odd, however, is his suggestion (p.42) that, on balance, Coleman's approach "has the greatest potential for producing new insights into social and political behaviour." He is not very clear on why this should be. Indeed, if anything Field's discussion of the weaknesses of Coleman's approach is more extensive than those of Bourdieu and Putnam.

Moreover, in his conclusion (p.141) Field implies that while Putnam can be criticized for failing to be theoretically explicit, as well as for muddling cause and effect in his stretching of the concept from the level of individuals to states and nations, this approach may nevertheless be more helpful in actually capturing the multi-faceted complexities of social capital than neater, micro-level approaches.

Field also provides a very helpful introduction to the literature on social networks (the core element of social capital), empirical findings on the role of social capital networks in the four areas of education, economic well-being, health, and crime, the debates

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over the dark side of social capital, and efforts to apply social capital to public policy contexts.

Field makes an intriguing observation on, and evaluation of, the social capital literature in his chapter on social capital in a (post)modern world. Here he suggests that postmodern conditions, discussed in terms of changes in work, family structures, market deregulation, information technology, scientific advancement, and the rise of a risk society, may in fact be making conditions more rather than less favourable for social capital.<sup>1</sup> In contrast to those who see a decline in social capital, Field posits that, in those countries increasingly characterized by these new conditions, we may in fact be witnessing a basic change in social capital toward, for example, more small-scale and informal forms of civic engagement, reflecting a greater individualization of social relations and a broad refashioning of identity. Field's attempt to draw together the literature on social capital with the literature on postmodern conditions and the risk society is definitely worth further exploration.

In general though, the purpose of this book is not to present a new line of research, but rather to make sense of the existing research on social capital. Given the increasing confusion over the concept of social capital, at the same time that interest in applying it to various problem areas has never been greater, *Social Capital* performs an impressive and invaluable service in providing a thorough introduction to the state of the literature. For the present, new students of social capital should begin their work with this book.

### Note

- 1 The notion of a risk society has been developed most prominently in the works of Ulrich Beck and Anthony Giddens. Essentially, the thesis suggests that a move toward a new risk society is being propelled by the increasing breakdown in the security of traditional forms of collective identity in industrialized states combined with a pervasive sense that the rise of information technology and scientific advancement has given humanity both a greater degree of control and a greater potential for harm in the management of this planet. This has resulted in an increasingly individualized and reflexive citizenry confronting a world seemingly fraught with new forms of risk and uncertainty.

## World in a City

Unfortunately, the simple logic of increasing government spending to solve social problems is very often ineffective at solving anything at all in the absence of a clear understanding about the problem, the remedies that could help, and about the agents who are best able to bring about effective solutions. It is hardly axiomatic that all social problems can be solved by governments, let alone through a simple transfer of public funds those who are 'close' to the problem.

Assessing a problem and its magnitude carefully to determine if government action is needed at all or is the most effective way to alleviate a social condition is essential to responsible governance. Research can be extremely valuable when it considers the actual impact government interventions and assesses the likely impact of potential future interventions; it is even better when it offers a comparison of alternative courses of action, say, at the community level, or even the option of no action at all. Social forces are often in themselves powerful agents of progressive societal change. Therefore, we need research that tells policy-makers more than that a problem exists; we also need a sober assessment of its gravity, where effective solutions may lie, and, correlatively, where they do not.

Meyer Burstein and Howard Duncan. 2003. "World in a City: A View From Policy." In *The World in a City*, ed. Paul Anisef and Michael Lanphier. Toronto: University of Toronto Press.

# Social Cohesion and Economic Prosperity

**Jeff Dayton-Johnson**  
(Toronto: James Lorimer and Company, 2001)

**Reviewed by**  
**Michael Woolcock**  
World Bank and Harvard University

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For a variety of reasons, the past decade has seen a revival of interest in the social dimensions of economic life. Several different “social” terms have emerged as part of the new corresponding vocabulary, among the most common being social capital, social exclusion, social capability, and social cohesion. It is the latter term that economist Jeff Dayton-Johnson (Dalhousie University) appropriates for his take on this issue, in his book *Social Cohesion and Economic Prosperity*.

For Dayton-Johnson, social cohesion generally refers to “the interconnectedness and trust among a group of people,” and at root it matters for economic prosperity, because it “changes the incentives facing people and helps groups of rational decision-makers avoid the ills of massive defection” (p. 50). That is, by enabling individuals (and groups) to solve more readily a range of pervasive collective action dilemmas, “social cohesion” renders society more efficient and effective in its political deployment of finite economic (and other) resources, and enhances its capacity to respond more constructively to various sorts of crises. Though not without important downside features, Dayton-Johnson argues that — all else being equal — societies with higher stocks of social cohesion are generally happier, healthier, and wealthier.

*Social Cohesion and Economic Prosperity* manages to be at once a useful, insightful, and frustrating book. It is useful, because it summarizes a considerable number of academic articles and policy reports, and presents their findings in an accessible manner. It is insightful, because it makes connections within and across different social

science disciplines that need to be made more often than they are. It is also frustrating, however, because it never quite finds its voice, seeking to simultaneously please academic economists (with its disproportionately long discussions of game theory, thereby putatively giving it a “rigorous” intellectual foundation), general readers (with its brisk overview of complex issues and folksy references to popular culture), and pragmatic politicians (with its laundry list of broad “policy implications”).

While laudable in principle, in practice reaching out to these very different constituencies is a tough challenge for even the most seasoned writer, and in the end I suspect Dayton-Johnson’s noble but rather ungainly quest to speak to everyone has left him reaching none of them particularly well. It is worthwhile elaborating on each of these three responses.

Dayton-Johnson has written a (potentially) useful book, not least because the range and volume of published material on the social dimensions of economic life are literally increasing exponentially each year. Those new to the field simply cannot pick up the latest article or report and hope to be quickly brought up to speed on the various ways and means by which scholars and practitioners are addressing these issues. Dayton-Johnson is familiar with many of the key works from these different fields, and has performed a valuable service (especially for students) by accurately (if somewhat uncritically) conveying their core findings and messages.

Moreover, in seeking to not only summarize but synthesize, he also provides the reader with important insights

supported by several different studies, the significance of which are not readily apparent when one remains ensconced within the confines of a single discipline or sub-field (as most scholars, unfortunately, are wont to do). In and of themselves, Dayton-Johnson's insights — that citizens from societies with lower levels of inequality are likely to be healthier, that “more trusting” societies are also likely to be more prosperous, that education is good for social cohesion — are not especially new, but as a package they have a compelling logic and coherence. Echoing Amartya Sen, Dayton-Johnson's recognition that “knitted warmth” can matter for intrinsic, as well as instrumental, reasons is also commendable. The chapter on the potential and pitfalls of “scaling up” is particularly strong (albeit rather short, given its policy significance).

For all these positive aspects, however, the book has several persistently frustrating weaknesses, of varying degrees of severity. First, Dayton-Johnson relies too much on the findings from cross-country growth regression studies, and is conspicuously deferential toward this methodological approach. Such studies had their heyday in the mid-1990s, and are useful for generating stylized facts (and thus are strategically significant in the early stages of an intellectual campaign), but little more. Most serious students of growth recognize that the policy challenge is to respond to specific problems in specific countries or contexts, and that this in turn requires specific knowledge of that country or context — something generalizations gleaned from cross-country growth regressions inherently cannot do.

Second, while it is obviously important to have a firm intellectual base for one's argument, Dayton-Johnson subjects readers to a relatively long and early discussion of the micro-foundations of macroeconomic outcomes via game theory, in what appears to be primarily an attempt to impress (or at least maintain the attention of) his academic economist colleagues. To the extent it is needed at all, this material should have been consigned to an appendix, where the interested reader could have followed up as needed.

Third, this episode bespeaks the larger problem of the author's less than stellar attempt to engage very different groups of readers consistently. I suspect academics will be suitably intrigued by the empirical studies, but find the general tone overly conversational. Lay readers will perhaps enjoy this latter feature, but be distracted, even bemused, by the discussion of game theory and the meandering line of argument. And, for their part, policy-makers and practitioners will appreciate the author's attempts to ground his analysis in real-world examples and some field work, but find precious little guidance regarding how they might implement any of the “policy implications” — better schools, more progressive income redistribution, stronger safety nets, and labour standards — he divines, few of which are distinctively associated with (or can be derived solely from) a social cohesion perspective.

The real value-added of a social cohesion perspective, it seems to me, is in, first, documenting why such policies

are not implemented more often than they are (i.e., why “good politicians” regularly find themselves presiding over “bad policies”), and second, providing context-specific examples of how “social cohesion” has actually been sparked, nurtured, and sustained in particular communities, and the role (if any) that external agents played in these processes. Canada has actually initiated some of the world's most innovative policy experiments on these very issues but, unfortunately, Dayton-Johnson makes no mention of them. His excessive reliance on one form of empirical evidence and one theoretical base (even if these are used in different disciplines) seems to have muted his capacity to reach his desired audience of academics, citizens, and policy-makers effectively and, most disappointingly, rendered him largely silent on the crucial “how” questions of policy implementation.

*Social Cohesion and Economic Prosperity* arrives at a time of great interest in the social dimensions of economic life. As a general introduction to the core ideas, it provides a sensible and informative overview, but in attempting to please too many masters inevitably ends up satisfying only some of them some of the time. It will be most useful for undergraduate students and the educated lay public, especially in Canada (from where most of the everyday, if not policy experiment, examples are drawn), and will hopefully inspire future work on this important issue.

# The Difference that Gender Makes Social Capital, Gender and Political Participation

May 2-3, 2003  
University of Manitoba

Robert Judge,  
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Perhaps no aspect of social capital has been more avidly debated in recent years than its implications for political participation and the health of liberal democracy. This is due, in large part, to the work of the Harvard political scientist Robert Putnam. However, much of this debate has not paid attention to the differences that gender makes to patterns of social capital and political participation. The contributions of a recent conference at the University of Manitoba have made an important and exciting step in addressing this gap.

Participants at the Gender and Social Capital conference, held last May in Winnipeg, included political scientists and sociologists from Canada, the United States, and the United Kingdom. The conference was sponsored by the Social Sciences and Humanities Research Council of Canada (SSHRC), together with various partners at the University of Manitoba and McGill University.<sup>1</sup>

The conference problematic was framed around Robert Putnam's understanding of social capital and his intriguing work on its implications for democracy in the United States (first published in a 1995 article "Bowling Alone" and developed into a book-length treatment with the same title in 2000). Putnam understands social capital to consist of social networks and the norms of reciprocity and trust that arise from them. He argues that social capital, particularly in terms of formal associational activity, builds up habits of social cooperation and social trust that, in turn, lead to greater levels of political participation. His empirical findings suggest that thanks to tech-

nological and social change, the United States has experienced a steady decline in social capital over the past several decades, undermining the levels of political participation and the well-being of democracy in that country.

Barbara Arneil, a professor with the Department of Political Science at the University of British Columbia, opened the conference with a critique of Putnam's account of social capital and the state of American democracy. For Arneil, Putnam's story, with its implicit portrait of a lost golden age of American community life in the 1950s, seems less convincing when viewed through the lens of race or gender. She contends that, over the last several decades, patterns of associational activity and political participation for women reflect a change to a better society – one that is more just and inclusive. Arneil levels the familiar charge that Putnam's account of a decline in membership of traditional associations fails to capture the new patterns of participation. One example she offers is that of the Girl Scouts of America, not included by Putnam in his study of membership rates. While the Girl Scouts are not a new organization, they nevertheless went through a major transformation to be a more inclusive and open organization, and membership has flourished in recent years (in contrast to many traditional women's organizations that Putnam includes in his study).

One of the strongest contributions to the conference came from Vivien Lowndes, Professor of Local Government Studies at De Monfort University in the United Kingdom. Lowndes notes that social capital, as with gender studies, gives a sociological

account of political life. Despite this common starting point, many gender scholars have been somewhat suspicious of much of the social capital literature given its blindness to gender differences. In the context of political participation, much of the work on the level of social capital and its impacts has focused on large national or regional trends that have not paid enough attention to different, context-specific patterns of distribution. Lowndes contends that looking at gender reminds us of how little is in fact known about how social capital works, and under what conditions, to enhance democracy.

In the United Kingdom, national aggregates seem to show men and women with similar levels of social capital, but Lowndes finds that these data obscure differences in patterns and applications of social capital. A closer examination reveals that men and women tend to have social capital that is structured very differently and used for different ends. Further, she has found that even when men and women have developed similar networks of social capital through being active in their community, once they cross the boundary into involvement into political activity, women are less likely to “spend” their social capital on climbing the ladder into senior formal

roles then are men with similar backgrounds. Lowndes suggests we need to know more about the factors, such as institutional design, that may trigger or suppress the mobilization of social capital. More study is needed to examine how these factors operate in relation to different social groups, and whether they can be influenced by policy-makers and citizen groups.

Canadian evidence of a like nature was reported by Elisabeth Gidengil and Elizabeth Goodyear-Grant, from the Department of Political Science at McGill University. They have found that similar average rates of participation in formal organizations mask important gender differences. Men tend to belong to larger and more heterogeneous organizations focused on work and the economy, while women tend to belong to more homogeneous, domestically oriented organizations. Women’s patterns of informal networks also differ from men’s, with women’s networks tending to be smaller and more focused on community and care activities than work and recreation. This means that women generally have less rich bridging ties, and more redundant sources of information – information being a key asset offered by one’s social capital. One might expect that these differences could account for the gender

gap in political knowledge that exists in Canada. However, on the basis of a national survey, the presenters found that a gender knowledge gap remains even when women and men have equally diverse networks (even controlling for other variables like age, education, income, region, etc.). Reinforcing the point made by Lowndes, this suggests the need for more study on why men seem to get a bigger return on their investments in social capital than women.

There is not the space here to summarize all of the important contributions made at the Manitoba conference. In general though, this event clearly demonstrated that we have much to learn about how social capital operates, and the ways in which specific contexts impinge on the potential both to generate and to spend social capital. This seems to point toward the need for more micro-level studies of the workings of social capital and the difference that gender makes.

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## Note

- 1 For more information, consult the conference Web page [http://www.umanitoba.ca/gender\\_socialcapital/](http://www.umanitoba.ca/gender_socialcapital/). Accessed June 9, 2003. Proceedings from the conference will be published in an edited collection. For more information, contact Professor Brenda O’Neill at the Department of Political Science, University of Manitoba.

# Social Inclusion, Social Capital and the New Social Policy

Queen's International Institute on Social Policy  
August 19-20, 2003

**Catherine Demers<sup>1</sup>**  
Policy Research Initiative

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Catherine Demers is a Senior Policy Research Officer with the Policy Research Initiative.

The annual Queen's International Institute on Social Policy brings together senior policy-makers and leading researchers to review recent research findings and discuss major directions in social policy. This year's conference was organized in partnership with Human Resources Development Canada and the Policy Research Initiative.

The conference included two days of lively discussions and debates on the merits and limitations of various approaches for integrating social inclusion and social capital perspectives into social policy.

## The Relationship between Low-Income and Social Inclusion/Exclusion: Concepts and Trends

Peter Hicks from the Policy Research Initiative introduced a framework for understanding poverty within the broader concept of social exclusion, one that concentrates on the intersection of low income and obstacles to social, economic, and civic-political participation. Such a framework offers a more complete, yet manageable approach for analyzing policies that affect the causes and consequences of poverty and social exclusion, and provides an opportunity for applying multiple lenses and a life-course perspective to the analysis, thus going beyond the income at a point in time perspective.

The latest data on income dynamics presented by Garnet Picot from Statistics Canada allow us to view a new picture of persistent poverty among members of the five at-risk groups. While the focus on at-risk groups is a useful tool for guiding certain remedial and prevention policies, it was acknowledged that indicators of exclusion are still primarily based on income, and we would benefit from

an exercise aimed at identifying more direct measures of exclusion.

## Approaches for Addressing Poverty and Social Exclusion

On the different approaches for addressing and measuring poverty and social exclusion, Robert Haveman, of the University of Wisconsin, presented an analytic measure he has developed called "capability poverty." This measure describes the poverty that would be left over if labour markets were working perfectly (i.e., if everyone worked full-time, full-year). This distinguishes low income due to lack of demand, from the supply issues of deficits in human and social capital. Haveman argues that the lack of human capital gets close to the real substance of exclusion.

Inspired by a more European conceptualization that links poverty to a lack of citizenship rights, François Blais, of the Université Laval, spoke about the rationale and merits of a basic income (also known as citizenship income) for addressing the poverty trap and work disincentives arising from marginal tax rates. Essentially, a basic income would replace targeted transfer systems with a universal allowance (non-means-tested). This approach, while very costly and difficult to attain in the medium term, places emphasis on issues of current policy concern, such as a social investment approach to social policy, the role of collective responsibility and individual rights,

and the development of assets over the life course to account for temporary loss of income from work.

On the role of education for tackling social exclusion, Janet Curry, of the University of California argued that early interventions may be a more effective way to equalize outcomes than interventions taken later in life. The evidence is quite mixed. Some “boutique” head start programs in the United States have been effective, but there is, as yet, little evidence of the long-term effects of large-scale head start initiatives. Medium-term effects have been mixed, with some groups gaining, but the benefit for other groups fading quite quickly. Barbara Wolfe, of the University of Wisconsin, concluded that investments in schooling have substantial payoffs in terms of future well-being. Investments in health are particularly important in preventing exclusion. Investment in learning among disadvantaged adults has had mixed results.

### **Social Inclusion and Policy Choices**

With the progressive enlargement of the inclusion problematique, policy challenges have become more complex and difficult to address. Policy responses can no longer exclusively be related to meeting material needs; they also require an understanding of the interrelationship between economic, social, and cultural exclusion. Kim Sharman, Assistant Deputy Minister of Employment, Income and Housing in the Government of Manitoba provided, in essence, a case study on Manitoba’s approach for integrating a social inclusion perspec-

tive into policy through, in particular, the amalgamation of their Family Services and Housing portfolios. Cynthia Williams, Assistant Deputy Minister of Strategic Policy at Human Resources Development Canada, presented a review of how the notion of social inclusion has evolved over the years in Canadian policy and the political discourse. This review demonstrated the difficulties that arise from the fact that the nature of inclusion challenges has changed, that a new kind of integration is needed, and that quite new approaches to implementation are needed, particularly with regards to bringing non-government players into the tent.

### **Social Capital in Policy and in Practice**

In the social capital portion of the conference, Jeff Frank, from the Policy Research Initiative, presented a network-based approach for defining and measuring social capital for policy purposes. He argued that a leaner definition of social capital, inspired by the work of Pierre Bourdieu, allows us to better distinguish this concept from other forms of capital and its potential effects, and offers a more practical approach for understanding how social capital is developed and exploited at the individual and community levels. Michael Woolcock, of the World Bank, provided some useful insights on the opportunities that governments have for influencing the creation and use of social capital among individuals and communities. He emphasized the importance of discretionary decisions made by front-line service delivery employees who forge linkages and relationships with

the population. He argued that these linkages (i.e., linking forms of social capital) are essential to the effective implementation of policies and provide citizens with important access to different institutional and power structures in society.

Representatives of national and Ontario-based foundations (Tim Brodhead, Ratna Omidvar, and Hilary Pearson) presented practical examples of social capital in action. Discussions focused on the need to ensure that feedback mechanisms are in place for integrating lessons from best practices at the local level into policy development and program delivery. While foundations and other local-level organizations are often creating social capital through community resources and network-building practices, governments do not sufficiently take this information developed by these resources back into the system.

### **The Changing Social Policy Process**

The last panel session brought to the debate critical dimensions in the process of social policy development related to the triangle of the courts, the Charter and civil society. Presentations by Morris Rosenbeg, Deputy Minister, Justice Canada, Tsvi Kahana, University of Alberta, and David Lepofsky, Chair of the Ontarians with Disabilities Act Committee, highlighted the large limitations of the use of the courts alone for advancing social policy, particularly for individuals not represented by strong organizations. The importance of strengthening the role of civil society in the process of social policy

formulation and the achievement of human rights was reiterated on numerous occasions.

## Conclusion

The conference highlighted the importance of finding the right balance between national approaches and bottom-up, community-driven approaches to social policy. The need to better integrate the voices and experiences of non-governmental players in the formulation of public policy was also emphasized. Other areas needing work include the necessity of a comprehensive framework for understanding the interaction between different forms of exclusion, while maintaining a hierarchy of objectives. This hierarchy would span elements ranging from defining social cohesion as an overarching societal goal, to social inclusion as a policy objective that includes civic, political, cultural, and economic participation, to poverty reduction as an underlying objective for achieving social inclusion and, finally, to the development of social capital as one of several instruments for assisting the poor and the excluded in building the assets they need to participate fully in society.

## Note

- 1 Conference presentations, including summary reflections and speaker information can be accessed directly from the School of Policy Studies Web site at <http://www.queensu.ca/sps/forum/qiisp/qiisp.shtml>. Accessed October 17, 2003.

## Nobody to Play With?

Time spent in isolation is, for most people, only pleasurable in small doses. Many of the things that people do in their non-work time (from bowling to choral singing) involve other people, and are distinctly more pleasurable if done with others; indeed many things (such as playing cricket or poker) are impossible without others. However, the huge variety of leisure tastes that people have means that individuals face the problem of locating suitable leisure companions – ‘somebody to play with’ – and of scheduling simultaneous free time. Consequently, if paid work absorbs more of other people’s time, each person will find their own leisure time scheduling and matching problem more difficult to solve. Societies which are better able to co-ordinate the level and timing of paid working hours may be better off in aggregate, because they enable their citizens to enjoy more satisfying social lives. To be specific, our externality hypothesis suggests that North Americans may work more hours than Europeans partly because they are more likely to have ‘nobody to play with’ – because other North Americans are also working more hours – and that they are worse off as a result.

Stephen Jenkins and Lars Osberg. 2003. *Nobody to Play With? The Implications of Leisure Coordination*. Bonn: University of Bonn (IZA Discussion Paper No. 850). This paper can be found at <ftp://ftp.iza.org/dps/dp850.pdf>. Accessed October 27, 2003.

# Counting Connections that Count Measurement Challenges and Data Gaps

**Jeff Frank**  
Policy Research Initiative

As noted in other articles in this issue, the idea that participation in social networks can have positive consequences for individuals, communities, and societies seems to resonate strongly with researchers from a number of disciplines and within the policy communities of several countries. With the right type and level of information, there is potential that a social capital lens could prove highly informative for the development or adjustment of programs and policy in a variety of areas.

With input from consultations with policy departments and various experts, the interdepartmental project, Social Capital as a Public Policy Tool, is developing a proposed analytical framework. This framework will be presented, critiqued, and refined over the coming months, with an assessment of options for future data collection being carried out in parallel. Of course, what we choose to measure will depend on how we define social capital, the framework within which that definition is conceptualized, and the policy research questions at hand.

## Sources of Social Capital Data

The Canadian experience in social capital measurement is already well documented.<sup>1</sup> As in other countries, the approach to official data collection to date has been an inclusive one, with information being gathered along various dimensions of social capital found in the literature. Although such a multi-faceted approach is effective in accommodating various definitions, the risk is that we perpetuate a muddying of conceptual waters and hinder the potential utility of the concept.

Nevertheless, some highly useful sources are already available or are soon coming on stream. Among the most directly relevant is Cycle 17 of the General Social Survey (GSS) on Social Engagement. This survey asks various questions of interest to social capital researchers, across several dimensions of social capital. It will be capable of producing estimates reliable at the provincial level, and will support analysis of these indicators of social capital for specific population groups and other important factors. As a result, we will soon have a statistical profile of various dimensions of social capital across Canada. The survey is in the field, and results will be available in the spring 2004.<sup>2</sup>

The Longitudinal Survey of Immigrants to Canada (LSIC) collected extensive information about the social networks and supports of newcomers to Canada. LSIC completed its first wave of data collection in 2002, and initial results will be released shortly. Subsequent cycles of the survey will carry an expanded module on social contacts, and will answer some important policy-relevant research questions about how new immigrants adjust to life in Canada. Other useful official sources include other cycles of the General Social Survey; the National Survey of Giving, Volunteering and Participating; the National Population Health Survey; the Canadian Community Health Survey; the Ethnic Diversity Survey; as well as the Adult Literacy and Life Skills Survey.

Another source worth mentioning has been developed by researchers at the University of British Columbia. The Equality Security Community Survey

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(funded by the Social Sciences and Humanities Research Council of Canada) is a random sample, telephone survey of over 5,000 Canadian adults dealing with civil society and the formation of social capital. In addition, the survey included an oversam-

*Early indications suggest a need for micro-level data that existing sources cannot provide.*

ple of individuals in Canada's main immigration destinations (Toronto, Vancouver, and Montréal), as well as an oversample of people living in several BC sawmill communities.

### Directions for the future

Despite the availability of a number of surveys, existing data sources will unlikely be able to meet all our policy research needs. The concepts employed across these sources have been developed independently and often without clear theoretical underpinnings. So what information would we collect in an ideal world? This will depend on the operationalization and framework we develop. Early indications suggest a need for micro-level data that existing sources cannot provide. By this we mean detailed information on the nature and extent of personal networks, their characteristics, and the resources accessed through these contacts. Moreover, being able to track changes in social capital over time through longitudinal measurement would be critical in making the connections to different kinds of outcomes (e.g., economic, social, health). This level of information linked to specific outcome

measures over time would provide policy researchers with an extremely powerful set of analytical tools.

It may also be important to collect thematically targeted information, either for specific populations (e.g., youth, recent immigrants, Aboriginal

peoples) or for particular policy domains (e.g., labour market, health, justice). Various sources that are both thematic and longitudinal already exist, and may lend themselves to incorporating additional content related to social capital. These other sources include the National Longitudinal Survey of Children and Youth; the Youth in Transition Survey; the Longitudinal Survey of Immigrants to Canada, the Survey of Labour and Income Dynamics, and the National Population Health Survey. Finally, preliminary thinking also suggests that a social capital module might also be adapted to a special, occasional addition to an existing, large-frame survey (e.g., Labour Force Survey, Canadian Community Health Survey), thus enabling the tracking of changes in social capital over time, as well as sub-provincial estimates.

The project, Social Capital as a Public Policy Tool, is carrying out a feasibility study to assess options for future data collection. With a theoretically informed framework, this could potentially lead to a module of questions that could be adapted and consistently incorporated into existing survey vehicles, or possibly form the basis of new

collection activities. In parallel with content development activities, the feasibility project is undertaking a detailed analysis of methodological options (i.e., frame, sample, survey design) for future data collection. Options being explored include:

- examining existing surveys and frames to assess the feasibility of finding adequate samples of the populations of interest, with a view to
  - including a social capital module as part of existing longitudinal surveys,
  - administering a social capital module to a subset of respondents of other survey frames;
- exploring the possibility of linking to administrative databases or to other surveys for outcome measures;
- undertaking one or more special surveys dedicated to covering the target populations or policy domains of greatest interest;
- using the census as a frame for an initial post-censal survey, which could then become an ongoing program; and
- alternative approaches, possibly involving smaller scale efforts (e.g., a small sample of Canadian communities).

In conclusion, we are quite fortunate in Canada to have a number of data sources already (or soon to be) available that will allow relevant analysis of issues related to social capital. Information across these sources, however, has been collected with a variety of notions of what social capital is.

Efforts are well underway to develop and build consensus around an operational definition, a conceptual framework for understanding social capital's key components, its determinants and its outcomes, as well as a set of indicators using appropriate units of analysis based on this framework. We need to think creatively about the type of information we would ideally collect to answer key policy research questions and then develop the instruments to meet those needs.

### Notes

- 1 See for example Bryant and Norris (2002) and van Kemenade (2003).
- 2 See Sandra Franke's article, "Social Engagement in Canada: Statistics Canada's General Social Survey, Cycle 17," in this issue of *Horizons*.

### References

- Bryant, Cindy-Ann and Doug Norris. 2002. "Measurement of Social Capital: The Canadian Experience." Country report for the OECD – UK ONS International Conference on Social Capital Measurement in London, September.
- van Kemenade, Solange. 2003. *Social Capital as a Health Determinant: How Is It Measured?* Health Policy Research Working Paper Series, Working Paper 02-08. Health Canada, March.

## What To Do About Social Capital?

In about 10 years, an amazing quantity of literature has developed, mostly in the United-States, on and about the concept of social capital. Its promoters build on the idea that social relations, shared norms, values, and trust, facilitate coordination and cooperation between individuals or groups. The idea is not new. What is new is to consider sociability and associational participation, norms, shared values, and trust, as a stock of capital at the macro-social level (region, and even country), and to raise it as a unique principle able to explain multiple economic and social phenomenon. The promotion of this approach, first undertaken by Robert Putnam, and subsequently by the World Bank and the OECD, praises the positive impact of high levels of social capital on well-being, economic growth, health, government efficiency, security and so on. In France, the concept is beginning to appear in public debate, but the response – so far – has been relatively modest. This working paper provides at first a presentation of the current literature, focusing on its main references. It ends with a critical discussion of the concept, and questions its implementation as an analytical and statistical category.

Sophie Ponthieux. 2003. *Que faire du << social capital >>?* Paris: Institut national de la statistique et des études économiques, N<sup>o</sup>F0306. This document can be found at [http://www.insee.fr/fr/nom\\_def\\_met/methodes/doc\\_travail/docs\\_doc\\_travail/F0306.pdf](http://www.insee.fr/fr/nom_def_met/methodes/doc_travail/docs_doc_travail/F0306.pdf). Accessed October 30, 2003.

# Social Engagement in Canada

## Statistics Canada's General Social Survey, Cycle 17

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As in other countries, such as Australia or the United Kingdom, the concept of social capital is arousing growing interest within the Canadian government. Statistics Canada has responded by devoting Cycle 17 (2003) of the General Social Survey (GSS) to the theme of social engagement. The GSS is a regular program, and it generally repeats the same theme on a five-year cycle to measure social trends over time. However, this will be the first cycle devoted to social capital. The content of the survey was developed on the basis of work by experts in social capital, such as Robert Putnam and John Helliwell. The survey was also strongly influenced by the work of the United Kingdom's Office of National Statistics and the Organization for Economic Cooperation and Development (OECD), particularly when identifying the main dimensions of the concept.

**S**ocial capital can be defined as the resources that emerge from the networks of social interactions based on norms of trust and reciprocity. These resources facilitate the achievement of individual and collective outcomes. These benefits may be expressed in terms of well-being, health, safety, democracy, or of acquisition of economic or human capital.

This perspective raises questions as to the role of networks of relationships (horizontal and vertical) in the production of strategic resources available to individuals. For example, we might ask ourselves what types of resources individuals draw on from their network of loved ones. From a collective viewpoint, this perspective also raises questions as to the dynamics of social relationships in specific community settings, the norms that underlie those dynamics, and the outcomes that emerge at a more aggregated level. For example, we might try to find out whether the well-being of a community is associated with a greater propensity for its members to turn to their neighbours for help. These types of questions assume that individuals' social behaviour has a more far-reaching impact than can be grasped from the economic, political, and institutional performance of their community.

Taking the pulse of social capital in Canada on the basis of a statistical survey is a major challenge, because the dynamics of social relationships continue to be an elusive process, particularly since the information is collected on an individual basis. How do we identify a person's network and what is being exchanged within it? How do we account for the norms that guide the production and use of the resources within these networks? How do we deal with respondents' subjectivity and describe the nature of the social linkages within networks? How do we translate these dynamics into measurable outcomes at the individual and collective level? Let us take a closer look at three sets of measures used in the GSS to make social capital an operational concept: determinants, dimensions, and outcomes.

### Measuring the determinants of social capital

First, the survey collected data on respondents' individual characteristics that affect socialization. Here we are thinking of socio-demographic characteristics (age, sex, education level, marital status, employment status, income, housing tenure, province of residence), ethnic origin, immigrant status, or certain cultural characteristics, such as language or religion. Other data were collected to document

the main background factors underlying social participation such as length of residence, shared values, participatory experiences during youth, and the motivation derived from parents' participation.

By correlating these data with different dimensions of social capital (which we will see in the following section), the GSS provides insights into several relevant questions on the impact of individual characteristics on patterns of social affiliation (e.g., size, density or type of networks) or on the more formal experiences of social participation (e.g., contributory behaviours).

*The GSS explored three major types of social interactions that reflect the dimensions of social capital: informal social networks, social participation in groups and organizations, and participation in political life.*

We might also want to study the propensity to trust within different groups (family, network of friends, neighbourhood, fellow workers, strangers, province). Finally, we might measure the power of individual characteristics to explain the outcomes of social capital.

### **Measuring the dimensions of social capital**

Drawing on the typology developed by the OECD, the GSS explored three major types of social interactions that reflect the dimensions of social capital: informal social networks, social participation in groups and organizations, and participation in political life. In each case, the data serve to describe the nature of the social interactions (bonding, bridging, linking) as well as the level of social connectivity provided by measures of attendance: size,

spread, diversity and stability of the network, frequency and proximity of contacts, degree and duration of involvement, etc. Other data indicate the presence of norms of trust and reciprocity. Let us look in more detail at the three types of social interactions explored in the GSS.

#### **Informal social networks**

The first type of social interactions originates in what are known as primary relations (with family, loved ones, friends) and in broader social contacts (neighbourhood, fellow workers, acquaintances). Together, these relations form informal social

networks on the basis of which individuals mobilize resources. The GSS looks at the number of significant persons with whom respondents have a relationship, the frequency and the way in which they maintain their relationships with these persons (Internet, face-to-face, telephone), taking geographical distance into account. One question also measures the expansion or contraction of the respondent's network. Finally, the survey investigates the forms of informal assistance or emotional support that operate within these networks (babysitting, lending money, rendering services, helping to find a job, providing health care) by drawing on hypothetical situations.

The following research issues might be explored with these data.

- What is the connection between the geographical distance and the

emotional distance between the individuals?

- What association can be made between the different norms of trust and reciprocity and the specific configuration of the social networks?
- Is there a correlation between the isolation of some individuals and a lack of trust in the persons making up their network?

We will also be able to investigate various hypotheses concerning the connections between use of the informal network, the social environment, and the institutional resources available to individuals. In addition to comparisons between provinces, Statistics Canada is studying the possibility of including community profiles in the data file using the postal code. This would allow us to verify various strong hypotheses on, say, the role of neighbourhood dynamics.

#### **Formal social participation**

Formal social participation is understood as social interactions that arise in an organized participatory environment. In examining this participation, we are better able to draw a profile of collective social capital by questioning individuals on their helping role, (their contribution to producing resources for persons whom they generally do not know, i.e., those who are assisted). The GSS looks at respondents' membership in various types of groups or associations, their charitable activities and other, more official forms of voluntary work. The survey also measures the level of engagement and the intensity of the participation through questions on frequency, change over time, and scope (active participation "in person," remote par-

ticipation via the Internet, or indirect support, such as through membership or financial contributions.)

It is important to note that most of the data contained in Cycle 17 of the GSS have already been produced in other Statistics Canada surveys (e.g., the National Survey of Giving, Volunteering and Participating, the Time Use Survey, etc.). What is notable about Cycle 17 of the GSS is that it brings together the data relating to social capital within the same survey, which will make it possible to analyze links between the different dimensions of the phenomenon. Thus, for example, we can now associate the data on formal social participation with the data on informal sociability, or with certain norms governing social relationships, such as trust or direct reciprocity. We will then be able to explore whether the propensity to trust transcends the various forms of social participation, or whether it is instead associated with specific types of involvement. Finally, it will be useful to study how the type of community (in terms of the degree of urbanization, ethnic diversity, socio-economic profile) affects the different indicators of social capital, such as level of trust or community participation.

### **Participation in political life**

Participation in political life is another dimension of social capital. This one explores the different forms of expression employed by individuals in dealing with collective issues. Several types of involvement are covered by the GSS, ranging from the more traditional forms (voting, political activism) to less conventional or emerging forms of participation, such as boycotting consumer products, partici-

pating in public demonstrations or signing petitions. The survey is also concerned with the level of interest in issues of a political nature and the use of various media to stay abreast of these issues. It will be interesting to associate different types of political participation with other forms of social participation, as well as with the social environment and respondents' individual characteristics. Also of interest are correlations with the level of trust in the major institutions governing Canadian society (the justice, health, and social welfare systems, the police, schools, banks, large corporations, business people, government, etc.).

### **Measuring the outcomes of social capital**

The outcomes of social capital are, in a sense, the product of social interactions. They are what these interactions allow us to achieve, either individually

*The results can be expected to further broaden our understanding of what exactly social capital is and how its various dimensions can be translated into indicators useful for the development of public policies.*

or collectively. These outcomes are not social capital. Rather, they result from it. In a sense, they are a value-added derived from the mobilization of social capital by individuals. It is fairly difficult to identify the concrete outcomes of the social capital of a given person or group. What aspects of that person's situation are actually attributable to the resources mobilized during his or her experiences of interaction and participation? As measurable outcomes, the GSS has chosen to produce data on traditional indicators of well-being:

health status, stress level, degree of happiness, level of satisfaction with one's life, ability to cope with events, sense of belonging to one's neighbourhood, province or country, sense of security.

These are reliable indicators for exploring a number of issues with political implications. What are the links between social participation and an individual's health, economic well-being, or social capital? Does the homogeneity or heterogeneity of the circle of friends and fellow members of associations affect a person's well-being? Does the level of sociability (as an indirect measure of social isolation) have an impact on health and the level of stress? Is there a correlation between a sense of control over one's life and the level of social engagement? What is the direction of this relationship? What is the relationship between neighbourhood ties, length of

residence, and the sense of belonging to one's community? Do these aspects have an impact on community participation, trust, and well-being?

Depending on the viewpoint adopted, these indicators of social capital outcomes may also be seen as determinants: we need to keep in mind that social interactions are a dynamic process in which the protagonists change their situation, depending on whether they are in the role of helper or recipient. Thus, outcomes such as a

feeling of belonging, control of stress, a sense of security, etc. may alternatively be seen as social skills (empowerment) that enable individuals to develop abilities to relate and therefore gain access to the resources that these make possible. In the same way, some determinants, such as income or trust, may also be looked upon as resulting from the mobilization of social capital.

### Data available in spring 2004

Cycle 17 of the General Social Survey is one of the first attempts to measure social capital at the scale of a country. The data collected will provide a whole range of analytical opportunities for researchers and analysts who venture to tackle this relatively new field of research. However, it must be kept in mind that until now, the concepts measured in the Survey have rarely been explored from an empirical viewpoint, let alone from a statistical viewpoint. The results can therefore be expected to further broaden our understanding of what exactly social capital is and how its various dimensions can be translated into indicators useful for the development of public policies. The data are scheduled for release to the general public in the spring of 2004. However, Statistics Canada is considering the possibility of publishing some preliminary results in the coming months.

### Note

- 1 For more information on Cycle 17 of the GSS, contact Susan Stobert, Manager, General Social Survey, at (613) 951-6496 or [susan.stobert@statcan.ca](mailto:susan.stobert@statcan.ca).

## Better Together

In his national best seller *Bowling Alone*, Robert Putnam decried the collapse of America's social institutions. But while traveling to promote that book, one question came up at every appearance: what can we do to end the atrophy of America's civic vitality. What can bring us together again?

Seeking an answer to this question, Putnam, a professor of public policy at Harvard, with the assistance of coauthor Lewis Feldstein, who has a long and distinguished career in civic activism, visited places across the country where individuals and groups are engaged in unusual forms of social activism and civic renewal. These are people who are renewing their communities and investing in new forms of social capital. *Better Together* describes a dozen innovative organizations from east to west and north to south that are re-weaving the social fabric of the United States, and brings the hopeful news that civic institutions are taking new forms to adapt to new times and new needs.

Robert D. Putnam and Lewis M. Feldstein with Don Cohen. 2003. *Better Together: Restoring the American Community*. Cambridge MA: Simon & Schuster. Information regarding this book can be found at <http://www.bettertogether.org/about.htm>. Accessed October 30, 2003.

## Conferences

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### **The Opportunity and Challenge of Diversity: A Role for Social Capital?**

**November 24-25, 2003**

Fairmont Queen Elizabeth Hotel, Montréal, Québec

The PRI, jointly with the Organization for Economic Cooperation and Development (OECD), and in partnership with federal government departments, is organizing an international conference to examine the role of social capital in the social, economic, and political participation of immigrants and to discuss broader implications for public policy. Specific themes to be covered include the effects of social capital on the labour market and education outcomes of immigrants and members of ethno-cultural communities, ethnic networks, community development and neighbourhood dynamics, civic engagement and political trust among diverse ethnic groups, and the role of government and stakeholders in fostering social inclusion in pluralistic societies through the development of social capital.

The conference will begin with a one-day workshop on the measurement of social capital in the context of immigration and diversity. The conference program and registration information is available on the PRI Web site at <<http://policyresearch.gc.ca>>.

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### **Exploring the Promise of Asset-Based Social Policies: Reviewing Evidence from Research and Practice**

**December 8-9, 2003**

Hotel Château Cartier, Gatineau, Québec

The PRI, in partnership with several federal departments and organizations, is organizing a conference to examine the potential role of asset-based policies in addressing poverty and social exclusion. The main objective will be to take stock of current knowledge from Canadian and international research, policy and practice on asset-based approaches (saving programs for individual development, learning, housing, etc.), in the context of poverty prevention and reduction, and to assess their potential merit and implications for social policy.

As the program develops, details on the conference will be posted on the PRI Web site at <<http://policyresearch.gc.ca>>.

# PRI-SSHRC Policy Research Roundtables

The PRI-SSHRC Policy Research Roundtables is a joint effort by the Social Science and Humanities Research Council (SSHRC) and the Policy Research Initiative (PRI). Its objective is to improve the quality of knowledge transfer between experts from academia and those responsible for the design and development of federal policies and programs.

The PRI-SSHRC Policy Research Roundtables exercise provides a unique venue for informed discussions on key emerging policy priorities and policy research issues. In addition, it will contribute to the development and maintenance of networks between key policy researchers and senior policy personnel.

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## Assessing a Network-Based Approach to Social Capital from a Policy Perspective

October 20, 2003

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## How Does Poverty Research Translate into Policy?

November 14, 2003

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## Expanding Regulatory Cooperation with the United States

December 11, 2003

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## Life-Course Based Policies-The Solution for an Aging Society?

January 30, 2004

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## Moving Towards a North American Customs Union

Early 2004, exact date to be confirmed later

The PRI-SSHRC Roundtables are by invitation only. For more information on the roundtables, contact Bob Kunimoto at 613.943.2401 or by email at [b.kunimoto@prs-srp.gc.ca](mailto:b.kunimoto@prs-srp.gc.ca).