

SOCIAL CAPITAL

A DISCUSSION PAPER

**Performance and Innovation Unit
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Note: *this discussion paper is an analysis of the literature and evidence on social capital. It is not a statement of government policy. The discussion of policy implications is intended only to facilitate constructive debate and improved policy design in future.*

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SOCIAL CAPITAL

Summary

What is social capital?

- social capital consists of the networks, norms, relationships, values and informal sanctions that shape the quantity and co-operative quality of a society's social interactions;
- three main types of social capital can be distinguished : *bonding* social capital (e.g. among family members or ethnic groups); *bridging* social capital (e.g. across ethnic groups); and *linking* social capital (e.g. between different social classes);
- social capital can be measured using a range of indicators but the most commonly used measure is trust in other people;

Why is it important?

- social capital may contribute to a range of beneficial economic and social outcomes including : high levels of and growth in GDP; more efficiently functioning labour markets; higher educational attainment; lower levels of crime; better health; and more effective institutions of government;
- different types of social capital are relevant to different economic and social outcomes e.g. bonding social capital is most important to health in early childhood and frail old age whereas bridging social capital is most important in adult life when looking for employment;
- some of the empirical evidence on the importance of social capital for economic and social outcomes needs to be treated with caution because of the mis-specification or ambiguity of equations or models used to estimate its impact. But, overall, the evidence described in this paper from a range of sources using a variety of methods for the beneficial effects of social capital is impressive;
- social capital has potential downsides as well as potential benefits including: fostering behaviour that worsens rather than improves

economic performance (e.g. cartels); acting as a barrier to social inclusion and social mobility (e.g. “old boy” networks, racist or sexist working men’s clubs etc); dividing rather than uniting communities (e.g. networks based on religious faiths); and facilitating rather than reducing crime (e.g. networks such as the mafia or the IRA);

- these downsides all arise where particular groups or sectional interests use or control access to social capital for narrow private rather than wider public interests;

What has been happening to social capital?

- there is evidence that overall levels of social capital have been declining in countries such as the United States and Australia. However, some forms of social capital – such as trust in political institutions (especially amongst the young) and membership of political parties, the church, trade unions, and traditional women’s organisations – have been declining in most OECD nations;
- overall levels of social capital have generally been stable or rising in countries such as the Netherlands, Sweden, Japan and Germany;
- the evidence for the UK is ambiguous, with some key indicators showing declines, such as social trust, while others appear to have remained stable, such as volunteering;

What are the main determinants of social capital?

- levels of social capital are determined by a range of factors. The key ones appear to be: history and culture; whether social structures are flat or hierarchical; the family; education; the built environment; residential mobility; economic inequalities and social class; the strength and characteristics of civil society; and patterns of individual consumption and personal values;

What are the future prospects for social capital?

- there are differing views about the future prospects for social capital. Some fear inexorable declines in trust and levels of social engagement.

Others argue that a transformation rather than decline in social capital is in prospect with technological innovations, such as the internet, and the greater desire for personal autonomy changing the nature rather than the extent of social interaction;

What is the role of government?

- there are economic efficiency, equity and civic or political arguments for government intervention to promote the accumulation of beneficial kinds of social capital;
- however, government intervention to promote the accumulation of beneficial social capital faces a number of challenges :
 - there needs to be improved measurement of social capital (disaggregated by type) and its responsiveness to policy interventions (what cannot be measured cannot easily be targeted by policymakers);
 - the apparent importance of longstanding historical and cultural factors in driving social capital suggests it may not be easily susceptible to policy interventions;
 - the fact that social capital can be used for the benefit of sectional rather than public interests suggests government needs to guard against making matters worse rather than better.

What are the implications for policy?

- nonetheless, there are a range of ways in which government might look to promote the accumulation of social capital for beneficial purposes at the individual, community and national level;
- at the individual level, the available levers include (for example) :
 - greater support for families and parenting;
 - mentoring;
 - new approaches to dealing with offenders; and
 - volunteering.
- at the community level, the available levers include (for example) :
 - promoting institutions that foster community;
 - community IT networks;

- new approaches to the planning and design of the built environment;
 - dispersing social housing; and
 - using personal networks to pull individuals and communities out of poverty.

- at the national level, the available levers include (for example) :
 - service learning in schools;
 - community service credit schemes; and
 - measures to facilitate mutual trust.

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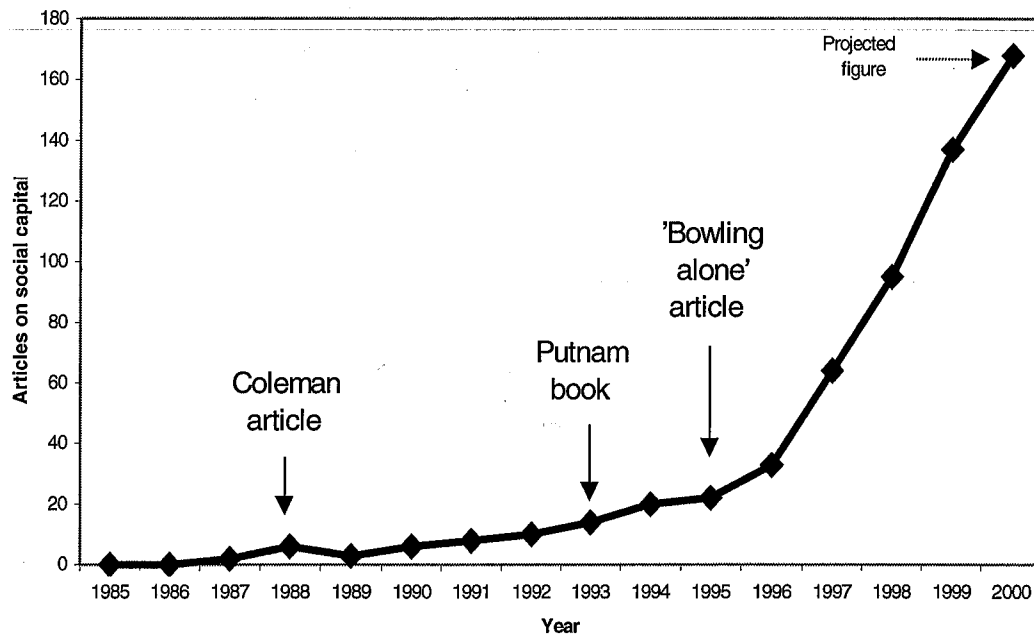
SOCIAL CAPITAL

Introduction

1. The concept of social capital has been around since the 1920s. However, there has been an explosion of interest in the importance of social relationships, norms and networks across the social sciences over the past 5-10 years (see table 1). The purpose of this paper is :

- to clarify the meaning of social capital;
- to explain why it is important;
- to examine the main determinants or drivers of social capital;
- to review the main trends and future prospects for social capital in the UK and other countries; and
- to draw out some implications for policymakers.

Table 1 : The Exponential Growth in References to Social Capital in the Academic Literature, 1985-2000



Source : Halpern (2001)

What is social capital?

Some definitions

2. The most prominent figure in this field, Robert Putnam, has described social capital as:

“...features of social life - networks, norms, and trust - that enable participants to act together more effectively to pursue shared objectives... Social capital, in short, refers to social connections and the attendant norms and trust” (Putnam, 1995).

3. Other definitions in the literature include :

“... the institutions, relationships and norms that shape the quality and quantity of a society’s social interactions” (World Bank)¹.

“networks together with shared norms, values and understandings that facilitate co-operation within or among groups” (OECD, 2001).

“... features of social organisation, such as civic participation, norms of reciprocity and trust in others, that facilitate cooperation for mutual benefit” (Kawachi et al, 1997).

“... the networks, norms and relationships that help communities and organisations work more effectively” (MacGillivray, 2002).

4. The term “social capital” is increasingly used by policymakers as another way of describing “community”, but it is important to recognise that a traditional community is just one of many forms of social capital. Work-based networks, diffuse friendships and shared or mutually acknowledged social values can all be seen as forms of social capital.

The components of social capital

5. Essentially, there are three main components (see table 2) to social capital :

¹ <http://www.worldbank.org/poverty/scapital/>

- *social networks* - who knows who;
- *social norms* - the informal and formal “rules” that guide how network members behave to each other; and
- *sanctions* - the processes that help to ensure that network members keep to the rules.

Table 2 : The three components of social capital			
	Networks	Norms	Sanctions
Function	Network members (access to information, benefits & support)	Rules & understandings (Reciprocity, expectation of cooperation, trust, codified behavior)	Rewards & punishments for complying/breaking norms
Examples:			
<i>Traditional communities</i>	Neighbours (lending, caring & protection)	Reciprocity, due care of property, challenging strangers	Recognition and respect vs. gossip, social exclusion
<i>New York diamond wholesale market</i>	Diamond merchants	Trustworthy exchange, without payment, of bags of uncut diamonds for examination	Approval, disapproval and exclusion
<i>The Highway code?</i>	Other road users (faster travel & information)	Language of signs and co-operation; when to go, stop etc	Anger of strangers (road rage?), informal thank-you, police action

Types of social capital

- Recent work has also distinguished three main types of social capital :
 - *bonding* social capital - characterised by strong bonds (or “social glue”) e.g. among family members or among members of an ethnic group;

- *bridging* social capital - characterised by weaker, less dense but more cross-cutting ties (“social oil”) e.g. with business associates, acquaintances, friends from different ethnic groups, friends of friends etc; and
- *linking* social capital - characterised by connections between those with differing levels of power or social status e.g. links between the political elite and the general public or between individuals from different social classes. This dimension of social capital, first proposed by Woolcock (2001), is a relatively recent addition to the categorisation of different types of social capital.

7. The distinction between bonding and bridging capital or between strong and weak ties is crucial. The impacts of social capital, for good or ill, depend on the form it takes in different circumstances. Individuals also have needs for different types of social capital at different points in their lives.

Characteristics of social capital: public good or club good?

8. Social capital is not the exclusive property of any one individual. Social capital is shared by a group, or by groups, of individuals. To the extent that all members of society or a community have access, it may constitute it a *public good*. But, to the extent that groups of individuals can control access by other individuals, it may correspond more to a *club good*.

9. This distinction has important consequences for whether and when the impacts of social capital are likely to be economically and socially beneficial and for the role of government in promoting and shaping social capital (see below).

Social capital: why capital?

10. There has been some controversy about the use of the term “capital” in this context, with its implication that there is a stock of social capital assets on which returns are earned. This is directly analogous to the controversy over the term “human capital”, and the response is much the same. Classical analyses of capital as financial, physical and other tangible assets neglect the value – even in narrow economic terms - that lies in social networks and shared values that facilitate cooperation between actors, just as they neglect the importance of knowledge and skills.

11. The term also helps to highlight the potential “fungibility” between financial, physical, human and social capital. An individual, community or firm often has a real choice between which form of capital to invest in or employ. For example, a manager may decide to invest in buying a new piece of technology (physical capital), but might equally decide to send employees on a training course (human capital) or on an outdoor away-day to build team strength (social capital).

The relationship between different forms of capital

12. Capital can take a number of different forms :

- *physical capital*, including plant, machinery and other assets;
- *natural capital*, including clean air, water and other natural resources;
- *human capital*, including knowledge, skills and competences;
- *social capital*, as defined above;
- *cultural capital*, including familiarity with society’s culture and the ability to understand and use educated language (Bourdieu (1986) and Sullivan, undated); and
- *financial capital*, used to fund, acquire or invest in the other forms of capital.

13. These different forms of capital are not wholly independent of each other but mutually interdependent and re-enforcing. Social and cultural capital play a key role in shaping human capital, and vice versa, which will in turn affect and shape physical capital and decisions about the investment of the economy’s flows of finance (Szreter, 2000).

How should social capital be measured?

14. Social capital has been measured in a variety of ways. Putnam (2000) uses a composite indicator containing measures of: the intensity of involvement in community and organisational life; public engagement (e.g.

voting); volunteering; informal socialising (e.g. visiting friends); and reported levels of inter-personal trust.

15. Others have questioned Putnam's mixing of associational and trust measures on the grounds that they are in fact quite distinct dimensions of social capital, with associational membership more important for tolerance and other indicators of social cohesion, and trust more important for economic outcomes (Norris, 2001).

16. Many prefer to use a simple measure of social capital e.g. whether people think other people can, in general, be trusted. Levels of reported social trust vary dramatically across communities, regions and even countries (see table 3). For example, during the 1990s, around 30 percent of people in Britain said that most people could be trusted. In Scandinavian countries, the figure was around 60 percent, while in Brazil it was 3 percent.

Table 3 : Percentage of People Saying that Most People can be Trusted, Selected Countries, 1995-96

OECD Members			
Norway	65.3	Italy*	35.3
Sweden	59.7	Belgium*	33.2
Denmark*	57.7	Austria*	31.8
Netherlands*	55.8	United Kingdom	31.0
Canada*	52.4	Korea	30.3
Finland	47.6	Czech Republic*	30.3
Ireland*	47.4	Spain	29.8
Japan	46.0	Mexico	28.1
Iceland*	43.6	Hungary*	24.6
Germany	41.8	France*	22.8
Switzerland	41.0	Portugal*	21.4
Australia	39.9	Turkey	6.5
United States	35.6		
Non-OECD Members			
India	37.9	South Africa	18.2
Chile	21.9	Argentina	17.5
Nigeria	19.2	Brazil	2.8

* 1990-91 data

Note : The question posed in the survey was: “Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?”

Source: World Values Survey and Knack & Keefer (1997).

Why is social capital important?

Potential beneficial effects

17. The social capital literature suggests social capital may have a range of potential beneficial economic and social effects:

It may facilitate higher levels of, and growth in, GDP

18. The efficient functioning of markets requires clear definition of property rights, the ability easily or cheaply to enforce contracts or other negotiated arrangements, low transaction costs and good information.

Economies characterised by such features will provide a climate more conducive to :

- saving, investment in capital of all kinds, risk-taking and entrepreneurial behaviour;
- more effective competition (since, for example, low transaction costs reduce barriers to entry by new suppliers and good information allows consumers to make better comparisons between different suppliers). More effective competition is in turn beneficial for innovation and for the efficient allocation of resources; and
- the organisational forms required by a modern economy. Fukuyama (1995) argues large private sector corporations depend on high degrees of social trust (if they are not to be encumbered by extensive rules, contracts, litigation and bureaucracy). In countries where such trust is lacking (he gives China, France and Italy as examples), the large private corporation is less likely to emerge spontaneously and the State may then have to step in to fill the gap. By contrast, in the US, Japan and Germany (countries he argues have high degrees of social trust), he suggests there will be less need for the State to intervene in this way.

19. The relationships, norms and networks that make up social capital could be expected to contribute to the efficient functioning of markets in a number of ways:

- among individual buyers and sellers, social networks facilitate the flow of information, and shared co-operative norms greatly reduce transaction costs, including in the context of one-off interactions where the parties do not know each other personally;
- within firms, networks and co-operative norms may facilitate team working; reduce or eliminate principal-agent problems between employer and employee; and improve the flow of information including, crucially, tacit knowledge. This should enhance efficiency, promote innovation and improve the quality of outputs.

(The potential links between social capital and business innovation are reviewed in MacGillivray, 2002);

- between firms, networks and co-operative norms may build trust; reduce the need for expensive legal contractual arrangements for doing business (thus reducing transaction costs); and facilitate the rapid flow of information about best management practices, technological innovations etc;
- between firms and local communities, voluntary work and other interactions may provide opportunities for employees to develop skills such as leadership and problem solving, and to develop a better understanding of their firm's customers. Such interactions may help a company develop the skills of its workforce at comparatively little cost.

20. There is evidence of the importance of social capital for economic and business performance at both the national and the sub-national level.

21. At the *national* level, a number of studies (e.g. Knack and Keefer, 1997; Whiteley, 1997) have found a significant correlation between measures of social capital, especially trust in people, and rates of economic growth (controlling for other factors). Indeed the influence of social capital on economic growth appears to be at least as strong as the influence of human capital. Social capital is particularly important in explaining variations in economic development in the developing world. In nations with poorly developed legal and financial systems, social capital can be a key facilitator of economic growth.

22. At the *sub-national* level, there are a number of interesting studies of the contribution of social capital to regional and local economic performance:

- Helliwell and Putnam (2000) have modelled the growth rates of the *Italian regions* before and after the reform of Italian regional government in the 1970s. Before the reforms, the higher social capital regions of the North were much wealthier and more productive than the low social capital regions of the South. But the Southern regions were gradually catching up. However, following the reforms, which involved creating a powerful new regional tier

of government across Italy's twenty regions, the growth rates of the high social capital Northern regions again surged ahead. It would seem that the high social capital of the Northern regions in some way facilitated these regions' ability to utilise the new government to achieve higher growth;

- Casey (undated paper) relates a range of indicators of social capital (including social trust and various measures of civic association) to the economic performance of *UK regions* over the period 1980-2000. He finds that levels of social trust and membership of civic associations vary significantly between different regions (see tables 4 and 5). Moreover, these variations are highly and positively correlated with regional variations in economic performance (as measured by a composite economic index including GDP per head, manufacturing and service sector productivity and the unemployment rate). The correlation coefficient between the economic index and social trust is +0.7 whilst the correlation coefficient between the index and membership of civic associations is +0.64. In other words, the best performing regions have the highest levels of social capital on these measures; and

- the relative success, and indeed occurrence, of *industrial clusters*, such as Silicon Valley in the USA and the motor racing industry in Oxfordshire in the UK, also appears to be explained to a considerable extent by the characteristics of social networks to share information and network skills (Saxenian, 1994; Jenkins, 2001). The evidence suggests that propinquity of expertise is not enough – social networks are what drive the dynamism of industrial clusters. Where clusters are based on propinquity alone, they are likely to be less successful as illustrated by route 128 in Boston.

Table 4 : The Level of Social Trust* by Region, Great Britain, 1998

Region	%
South East	50.3
Scotland	50.3
South West	47.0
Wales	44.9
North West	44.0
East Anglia	42.9
Yorks and Humber	41.9
East Midlands	40.8
West Midlands	40.0
North	38.2
Greater London	36.6
Great Britain	43.9

* % responding “most people can be trusted” to the question “Generally speaking would you say that most people can be trusted or that you can’t be too careful dealing with other people?”

Source : British Social Attitudes Survey, 1998 quoted in Casey (undated).

Table 5 : Membership of Sport, Cultural and Community Groups* by Region, Great Britain, 1998

Region	Community Groups %	Sport and Cultural Groups %
South West	39.0	24.5
South East	33.4	25.5
East Anglia	29.1	24.3
Greater London	28.5	18.6
Wales	23.8	18.2
Yorks and Humber	23.2	15.9
East Midlands	22.3	17.4
West Midlands	20.9	16.1
North West	19.2	20.9
Scotland	18.5	26.7
North	13.4	16.3
Great Britain	20.9	25.9

* % respondents claiming membership

Source : British Social Attitudes Survey, 1998 quoted in Casey (undated)

It may facilitate the more efficient functioning of labour markets

23. The level and duration of unemployment levels is partly a function of search costs. The networks and contacts that make up social capital can provide highly cost-effective mechanisms for facilitating job search. Bridging social capital (networks and contacts with friends of friends and acquaintances) is particularly important since a number of studies have shown that more unemployed people find employment through friends and personal contacts than through any other single route (Perri 6, 1997).

24. Evidence on the role played by, and on the importance of, social networks can be drawn from a range of sources :

- a recent US study (Petersen et al, 2000) examined the recruitment process of a mid-sized US high-tech organisation between 1985 and 1994. This included examining data on all 35,000 job applicants over the period. The study found that different groups used different methods of finding out about employment opportunities at the organisation. Most strikingly, 80% of whites used personal networks compared with 5% of blacks. Once account was taken of the method of finding out about job opportunities, race had no effect on the outcome of the hiring process. Petersen et al conclude that access to and effective utilisation of social networks is important to success in getting hired. Though their study covers only one US organisation, the data set they use is large and rich and the authors argue the organisation is typical of many others in the US;
- qualitative focus group research for the PIU by MORI (2001) has found that one of the potential barriers to labour market achievement identified by ethnic minorities is social connections. Black and minority ethnic professionals in particular feel that they lack the networks to enable them to advance their careers and that they are at a disadvantage compared with their white colleagues because access to professional social connections was not intrinsic in their upbringing; and
- a lack of social networks of the right kind helps to explain why individuals who live in neighbourhoods of concentrated

disadvantage are even less likely to exit poverty than would be predicted by their individual characteristics (see table 6). Buck (2001) attributes this to their lack friends or acquaintances in the labour market.

Table 6 : Probability of Exit from Poverty in the UK by Deprivation of Area Having Controlled for Individual Disadvantage

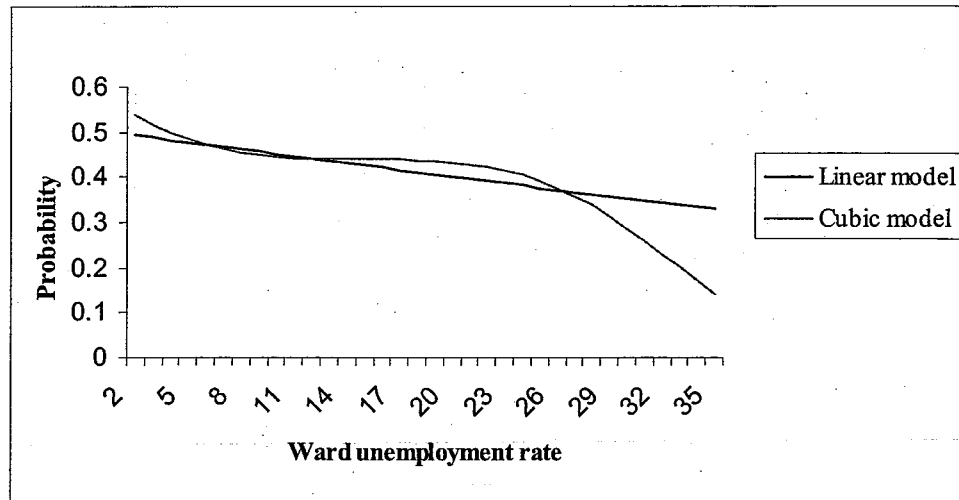


Figure 1. Estimated poverty exit probability, by ward unemployment.

Source : Buck, 2001

It may facilitate educational attainment

25. At the individual level, there is a strong positive association between levels of social capital, measured by the size and diversity of social networks, community engagement and social trust, and levels of educational attainment. The evidence suggests the direction of causality runs from both educational attainment to social capital, and from social capital to educational attainment.

26. Social capital may facilitate educational attainment by a range of mechanisms :

- the relationship between parent and child. Social capital within the family is important in giving children access to parents' human capital in early childhood. But this depends on the physical

presence of adults in the family and on the attention, interest, engagement and encouragement they give (Teachman et al, 1996; Coleman, 1988);

- parent to parent and parent to school links may have powerful effects through co-ordinating consistent messages to children and encouraging a culture of learning (Coleman, 1988); and
- powerful peer and neighbourhood effects have been demonstrated, which may be either positive or negative depending on the context and educational aspirations of the peer group (Sun, 1999).

27. Aspirations are clearly key drivers of educational attainment and social networks are the conduits through which they are communicated. Generally, larger and more diverse networks may be more beneficial because they give children access to a diversity of learning experiences and provide opportunities for mentoring in particular skills that interest the child.

It may contribute to lower levels of crime

28. Social capital may affect levels of crime in a number of ways :

- it may help to promote norms or values that discourage criminal behaviour. There is evidence, for example, from the International Crime Victimization Survey that higher levels of expressed self-interest are associated with higher levels of crime at the national level, and from life-course studies showing the socialising effects of mainstream personal relationships (Halpern, 2001; Sampson and Laub, 1993); and
- by strengthening community ties social capital may provide sanctions against those who transgress accepted norms of behaviour e.g. through shaming and interventions by neighbours in the precursors of crime, such as truancy (Sampson et al, 1997).

29. Within criminology, this is sometimes known as “social control theory” – social networks and bonds to mainstream society are what prevent people from offending - and has been impressively demonstrated by longitudinal studies at both the individual and neighbourhood level. It is also thought to help explain the near universal peak in offending seen in young

males: offending peaks as the bonds to one's parents and families weaken but before the young person has new bonds to a family, workplace and neighbourhood of their own (Smith, 1995).

It may lead to better health

30. A number of studies in various countries have found a strong positive relationship between measures of social connectedness (such as close bonds with family and friends) and mortality rates even after controlling for poverty. Some of these are very longstanding: in the 19th century, Emile Durkheim found a close link between the incidence of suicide and the degree to which individuals are integrated into society.

31. A number of effects may be at work here :

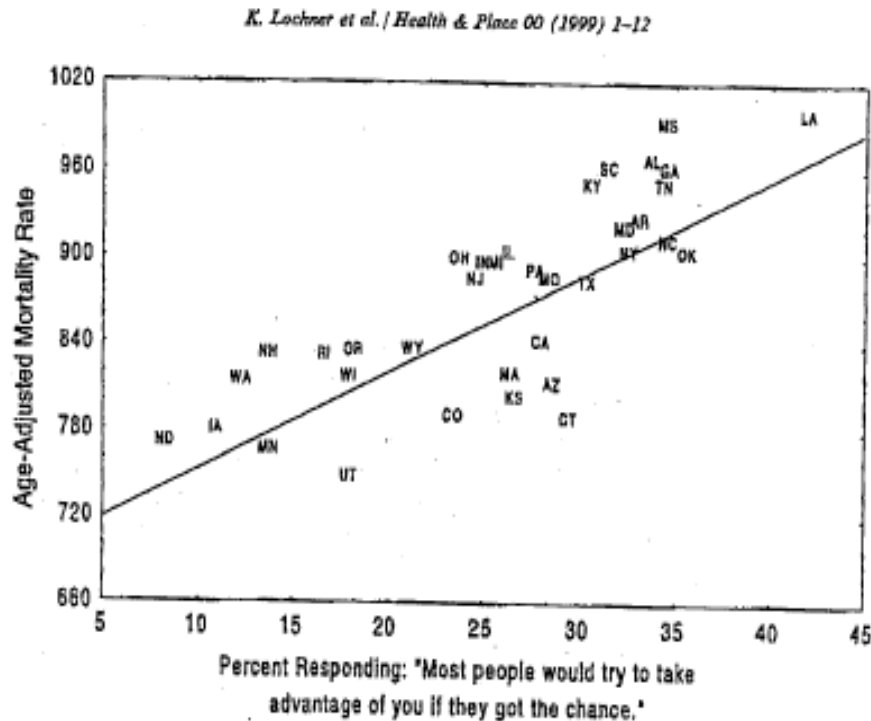
- wider social relationships, and the character of the society around you, may have an impact on health through their impact on : individuals' perceptions of their social status; stress; the strength of social affiliations (weaker social affiliations are associated with poorer health); “daily hassles”; and more general feelings of safety and fear (Wilkinson, 2002);
- social capital, particularly bonding social capital provided by family and close friends, provides tangible assistance and care and also creates a sense of well being and belonging whereas its absence leads to isolation and depression (eg. Brown and Harris, 1978); and
- supportive relationships, and social stress, are known to have significant effects on human physiology and the functioning of the immune system, and this helps to explain their impact on physical health. Even the simple act of confiding has been shown to have significant positive impacts on the functioning of the human immune system (Kennedy et al, 1990).

32. Longitudinal studies have shown that the impact of bonding social networks on health are especially dramatic in childhood and in the later years of life. Studies of children brought up in orphanages have long established that even with a plentiful diet, children's physical and intellectual growth can be dramatically stunted in the absence of loving

relationships. Similarly, survival rates following major surgery or illness in later life are strongly predicted by marital status and the presence of close confiding relationships (Berkman and Glass, 2000).

33. The impact of more diffuse social networks on health is less clear. Across US states, there is a strong relationship between mortality rates and social capital (see table 7), including not only all-cause mortality but also specific causes such as from cancers. People tend to die significantly younger in low social capital states such as in the deep south (Kawachi et al, 1997). But this relationship has yet to be shown at the cross-national level, not least because within Europe the lower social capital countries tend to be those within which the healthy Mediterranean diet is prevalent (Lynch et al, 2000).

Table 7 : The relationship between age-adjusted mortality rates and social trust for US States



Source : Kawachi et al (1997).

34. Perhaps the most striking evidence for the health impact of wider social networks is the case study of the Italian community of Roseto in

Pennsylvania. Despite having not very healthy diets, this close community was found to have unusually low rates of heart attacks that were eventually attributed to its close social relationships. When this pattern of community life weakened in the 1970's, death rates rose to the normal rate. Interestingly, medical epidemiologists have recently used a similar account to explain the significantly higher life expectancies of the Finno-Swedish minority in Finland.

It may improve the effectiveness of institutions of government

35. Putnam (1993) has shown that states or regions with higher levels of trust and civic engagement tend to have better quality government, a result that has now been replicated in Germany (Cusack, 1999), Hungary (Schafft and Brown, 2000) and Russia (Petro, 2001).

36. Several pathways are thought to be important. Social capital :

- fosters “virtue among the citizenry”, making citizens more community-orientated, more law abiding, cooperative with the state and willing to pay taxes. Essentially, it's easy to implement policy in a high social capital context;
- makes citizens more “sophisticated consumers of politics”, offering channels through which they can learn about the wider policy context, mobilise and lobby government to act in ways that benefit the community; and
- may make both bureaucrats and politicians better at cooperating, as they carry with them the same skills and social capital resources as the rest of the population.

37. Evidence for the relationship between high social capital and good governance extends from the micro to cross-national examples. For example, at the micro level, the relative success of tenant-run housing schemes appears to rest heavily on the pre-existing levels of social capital between residents (Saegent and Winkel, 1998). At the national level, levels of corruption and bureaucratic quality are significantly associated with general levels of social trust, having controlled for GDP per capita (La Porta et al, 1997). Even at the supra-national level social capital is important. For example, transnational ethnic social networks have been found to be of

critical importance in gluing citizens together on opposite sides of national borders, and inducing more effective initiatives across regions (Chen, 2000).

38. Part of the explanation for the positive relationship between social capital and other outcomes, such as crime and health, is that high social capital communities may be better administered, not least because these communities are more effective at lobbying for and organising public services, and because implementation costs are lower.

Implications of the evidence on beneficial effects

39. Several implications may be drawn from this analysis:

Different types of social capital are relevant to different social and economic outcomes

40. Over an individual's lifetime, different types of social capital may be important at different times :

- *in early childhood and frail old age*, when physical and mental development or health are crucial, bonding social capital may be overwhelmingly important;
- *in adult life*, a combination of bonding and bridging social capital may be needed with an emphasis on bridging capital at times of job search;
- *being able to acquire or access different types of social capital at different times* in one's life may therefore be crucial to an individual's quality of life.

41. In general, health outcomes seem to be most heavily affected by close bonding social capital, while economic outcomes rest more heavily on diffuse bridging social capital. Government efficacy may rest most on forms of social capital that develop shared norms of co-operative behaviour. Crime and educational outcomes appear to require a variety of types of social capital.

The beneficial effects of social capital operate at different geographical levels : individual, community and nation-wide

42. Table 8 summarises some of the evidence available on the beneficial effects of social capital on economic growth, crime, health and education distinguishing impacts at :

- *the individual or micro level* i.e. the effects on individuals of having more or less social capital, such as having more friends or more supportive relationships;
- *the community or mezzo level* e.g. social spillover effects from living in a strongly bonded community. The best of these results typically rest on multi-level statistical models that control for individual level variables and then calculate any additional effects from the community. Hence, one can show that even if a given individual does not participate in community life, if those around them do, then that individual still benefits; and
- *the national or macro level* i.e. national or regional impacts.

Table 8 : The Relationship Between Social Capital and Key Policy Outcomes at Individual, Mezzo and Macro Levels

	Individual or micro level	Community or mezzo level	National or macro level
Level of and growth in GDP	Most jobs obtained via social networks. More extensive and diffuse networks are associated with less unemployment, faster career advancement, and higher pay. Longitudinal studies of pathways out of unemployment confirm causal relationship.	Classic work on why firms exist – reduce transaction costs etc. (Coase, 1937). Success of many markets rests on social capital, eg New York diamond market (Coleman, 1988). Importance of network and knowledge architecture within and between firms for relative success. Clustering effects, eg Silicon Valley (Saxenian, 1994).	National growth rates strongly predicted by social trust in modified neo-classical model – as important than human capital (Whiteley, 1997). Esp. important in poorer countries (Knack and Keefer, 1997). Structure of national economies affected by social capital (Fukyama, 1995). Regional economic performance correlated with social capital (Casey, undated).
	Conclusion. Strong theoretical and empirical grounds to believe that social capital affects form and level of economic growth. Social capital facilitates the flow of information and lowers transaction costs, notably through increasing trust. Bridging social capital seems especially important as does the creation of a shared normative framework at a very general level.		
Crime	‘Social control’ – offending peaks during transition as parental control weakens, but new family formation yet to occur (Smith, 1995). Early relationships and relationship formation key to offending trajectories (Sampson and Laub, 1993). Negative impact of prison via breaking links with mainstream relationships and connecting to gangs. Social isolation predictive of victimisation too.	Peer group effects – ‘contagion’ of delinquency. Knowing neighbours and being prepared to intervene in precursors to crime predicts lower violent crime levels even having controlled for crime level 5 years earlier (Sampson et al, 1997). Limited impact of neighbourhood watch schemes, but may reflect superficial nature.	Strong relationship between crime rates, esp homicide, and social capital across US states (Kawachi et al, 2000). National differences in crime rates as measured by ICVS strongly co-vary with self-interested attitudes (Halpern, 2001)
	Conclusion. Strong evidence of impact of social capital on crime at all levels, and especially on violent crime. Multiple pathways operating, but especially ‘social control’ through the internalisation of values through social networks. Inequality also implicated through stretching the social fabric and undermining self-esteem and buy-in of disadvantaged. Perverse effects of social capital also widely noted, eg gangs and mafia.		

Health	<p>In longitudinal studies, individuals who are socially isolated are at 2-5 times higher risk of dying from all-causes (Berkman and Glass, 2000). Mental health strongly predicted by existence of supportive personal relationships. Laboratory work shows powerful impact of social support on stress reaction and immune system (Kiecolt-Glaser et al, 1994)</p>	<p>Town of Roseto, Pennsylvania, found to have exceptionally low myocardial infarction and linked to family and community support. Group density effects on mental health – groups that cluster have better mental health.</p>	<p>Strong relationship between age-adjusted mortality and social capital across US states (Kawachi et al, 1997). Self-rated health predicted by state-level social capital, even having controlled for individual level factors. But, national differences in health yet to be conclusively related to social capital – Mediterranean diet may swamp effect (Lynch et al, 2000)</p>
<p>Conclusion. Social capital strongly causally implicated at individual level, mediated through both instrumental support and impact on stress reaction. Bonding social capital seems most important. Evidence currently more patchy for mezzo and macro level effects. Overlap with literature on inequality and health.</p>			
Education	<p>Both structure, eg presence of both parents, and quality of child-parent relationship strongly predicts child's educational attainment. Parent's social capital, eg parent-parent connections also predict child's educational performance (Teachman et al, 1996). Mentoring programs suggest intervention can improve educational outcomes and dropout rates (Johnson, 1997).</p>	<p>Social capital variables explain higher performance of Catholic and small schools (Teachman et al, 1997) Clear ecological effects shown in multilevel models – aggregate residential mobility, parent-parent and parent-school connectivity has significant effects even having controlled for same variables at individual level (Sun, 1998).</p>	<p>Social capital variables are the best single predictor of differences in educational performance across US States by large margin (Putnam, 2000). National differences in literacy correlate .81 with social trust, and remains significant even having controlled for GDP per capita.</p>
<p>Conclusion. Social capital may prove to be the single most important variable to impact on educational attainment, with much greater importance than the resources conventionally focused on, but further work needs to be conducted to establish causal direction at macro-level.</p>			

Robustness of the evidence on beneficial effects

43. Many of the empirical findings in the social capital literature need to be treated with a degree of caution for a number of reasons:

- some of the surveys from which empirical data is gathered are characterised by falling response rates over time. This raises questions about how representative survey respondents are of the population as a whole;
- the direction of causation is often ambiguous and difficult to establish empirically;
- there may be missing variables in estimated relationships. For example, Putnam's (2000) finding that levels of social capital vary across US States may be the result of ethnic/cultural variation. In European countries, such as Germany, social capital measures, such as trust, are not as strongly associated with (e.g.) educational attainment - perhaps because there is much more ethnic/cultural homogeneity across different communities (Nauck, 2001);
- the correlation between different explanatory variables as well as with dependent variables means the size and significance of estimated coefficients for social capital is open to question (at least in the absence of a full structural model). For example, it is argued in some of the literature that investment in human capital has a positive effect on social capital. Yet both are used as independent explanatory variables to explain differences in economic growth rates between countries; and
- related to the last point, there is often little theoretical underpinning for the available empirical estimates. For example, *levels* of social capital (as measured by trust) are sometimes related to *changes* or *differences* in economic growth rates. The theoretical justification for this is often not explained.

44. On the other hand, there is considerable convergent evidence from a variety of methods – macro-cross sectional work, multi-level models,

individual level longitudinal work, and theoretical modelling – that taken together may be seen as offsetting the weaknesses of any particular study.

The potential downsides of social capital

45. So far, it has been assumed in this paper that the impacts of social capital are necessarily beneficial. This is far from the case. The literature identifies a range of possible downsides to social capital (which like other forms of capital can be used for ill as well as good). Common to many of them is some form of dysfunction resulting from one group using social capital against others or for narrow self-interest.

46. Awareness of the potential downsides is important in the design of any interventions to promote social capital if perverse outcomes are to be avoided. This is discussed further below.

47. The potential downsides of social capital include :

Fostering behaviour that worsens rather than improves economic performance

48. Groups of individuals or organisations may form networks or affiliations to pursue sectional interests that undermine the efficient functioning of markets and national economic or social welfare. Adam Smith warned more than two centuries ago that people of the same trade or profession did not meet for merriment and diversion but to conspire against the public or to contrive to raise prices. In more recent times, Mancur Olson (1982) has warned similarly of the formation of collusive, cartelistic and lobbying organisations that make economies less efficient and dynamic.

49. The study by Casey (undated) referred to above found that social trust and membership of civic associations, such as community groups, was positively associated with regional economic performance. However, he also finds that membership of what he calls economic associations (including trade unions and chambers of commerce) has a *negative* association with regional economic performance (providing some empirical support for Adam Smith's warning).

50. A distinction was made earlier between social capital as a “public” good and social capital as a “club” good. In the latter case, groups such as

businesses, trade unions or non-governmental organisations may use social capital as a “club” good to pursue the interests of their section of society (“rent-seeking”) rather than for the good of society as a whole. This has important potential policy implications. Indeed, a great deal of policymaking ranging from competition policy to trade union reform to the regulation of the activities of charities is driven by these concerns.

Acting as a barrier to social inclusion and social mobility

51. Patterns of informal sociability differ between different social groups (Perri 6, 1997; Hall, 1999). For working class people, informal sociability revolves primarily around close contacts with family and a small set of friends. By contrast, the social networks of middle class people tend to be more extensive and diverse. They are somewhat more likely to see colleagues from work outside the workplace; to know their neighbours well; and to draw their friends from a more diverse range of sources.

52. Given the importance of informal networks, for example, for job search, these differences in access to social capital between the social classes may reinforce rather than reduce social exclusion and inequalities of opportunity. Social capital may be used as a “club” good in this case too but to promote sectional interests: “old boy networks” are long recognised as one of the downsides of social capital.

53. Indeed, social capital may lose some of its value if everyone has access to it. DeFilippis (2001) argues :

“ ... if there is one job, and everyone is connected to the same networks and realise the same benefits of social capital, then you cease to have the kinds of networks that Putnam and Coleman are talking about ... If everyone is connected then everyone ... would lose the benefits of those connections because they would no longer gain capital from them (in this case, the job) ... yuppies network precisely to get ahead of everyone else”.

Dividing rather than uniting communities or societies

54. In societies, such as Northern Ireland, there are arguably high levels of social capital within particular groups but low levels of social capital between them i.e. there may a considerable amount of bonding social capital

and too little bridging social capital. The result is conflict rather than co-operation between communities (sometimes known as the Olson hypothesis).

55. High levels of bonding social capital relative to bridging social capital may also adversely affect groups such as ethnic minorities in Great Britain. One reason posited for their poor labour market performance is that, though they have strong ties to their own families and communities (bonding social capital), they lack contacts or networks with the wider community (bridging social capital) that could give them greater access to jobs and other opportunities. The geographical concentration of ethnic minorities compounds the problem by making it harder to acquire the necessary bridging social capital.

Facilitating rather than reducing crime, educational underachievement and health-damaging behaviour

56. Criminal and terrorist organisations may also be characterised by substantial bonding social capital. Similarly, prison sentences typically reinforce individuals' criminal connections and values at the same time as disrupting ties to mainstream society. This "criminal capital" facilitates crime in just the same way as other forms of social capital facilitate other actions.

57. Educational underachievement is often linked not just to the absence of mainstream social capital, but to the presence of social capital that actively encourages truancy and discourages achievement. Similarly, social networks can be powerful channels through which unhealthy behaviour, such as smoking, drug taking and even infectious disease, is transmitted.

Implications of the downsides of social capital

58. Analysis of the potential downsides of social capital suggests that, if social capital is to bring net benefits to the economy and society as a whole, social capital needs to be accessible by all members of society rather than appropriated as a "club" good by sectional interests. Bridging social capital is required to transcend religious, ethnic, social or other divides.

What are the facts? : recent trends in social capital

An overview

59. The quality of the available evidence on trends in social capital varies from country to country. The evidence there is for eight developed countries is summarised in table 9 drawn largely from recent work by the OECD (2001). This suggests a mixed picture with social capital declining in two countries (the USA and Australia); stable or ambiguous in two (the UK and France); and increasing in four (Germany and (probably) Japan from a low base; Sweden and the Netherlands from a high base). However, these trends appear to be from different starting points with the US, for example, declining from a high base and Germany rising from a comparatively low base.

60. Notwithstanding the differences, there are some interesting common trends :

- participation in traditional organisations such as trade unions, political parties, the church and women’s organisations appears to be declining in all countries;
- this has only partially been offset by growth in new social movements and single issue organisations e.g. environmental groups;
- social connections have become less intense and more transient (with a rise in “cheque book” rather than active membership of civic associations) and in some respects more individualistic, though the exact form this takes varies from country to country. In some countries (the US, Australia and the UK), this may take a more self-centred form whilst in others (Sweden and Japan) it may be more cooperative or solidaristic;
- trust in political institutions is generally declining; and
- declining engagement and lack of trust in government is particularly to be found amongst the young.

Table 9 : Trends in Social Capital by Country

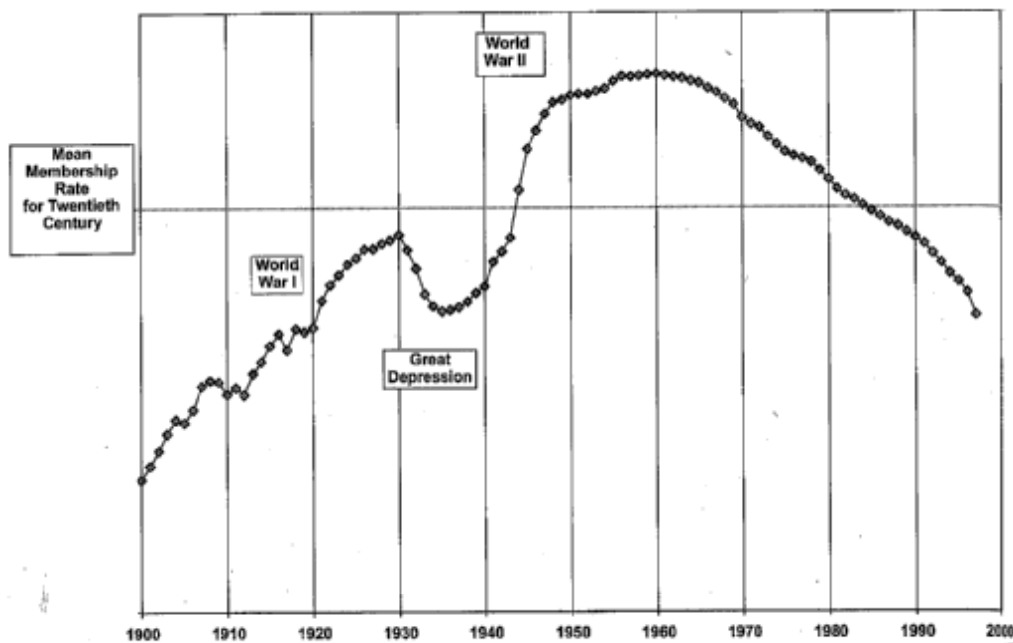
Country	Trend in Social Capital	Key Points
United States	Declining (from a high base)	<ul style="list-style-type: none"> – Declining associational membership. E.g. two thirds of Americans attended club meetings in the mid-‘70s. In the late ‘90s, two thirds never attended. – Intensity of participation has fallen even more (fewer meetings, reduced willingness to assume leadership roles etc). – Declining levels of political, civil and religious engagement. Not compensated by growth in single issue movements e.g. environmental, civil rights groups. – Falling levels of informal socialising (having friends for dinner etc). – Declining levels of inter-personal trust (1981 : 55%; 1998 : 33%), especially amongst the young
Australia	Declining	<ul style="list-style-type: none"> – Long established voluntary groups have declined, including trade unions and churches. Some social movements (e.g. environmentalist groups) have lost ground too. – Decline in volunteering and informal socialising. – Decline in general inter-personal trust (1981 : 48%; 1997 : 40%) and in political institutions
France	Stable or declining from a relatively low base	<ul style="list-style-type: none"> – No overall decline in associational life. – Traditional organisations have experienced decline (trade unions; political parties; and the church). Growth in organisations promoting cultural and leisure activities. – Some evidence affiliations have become more transient and informal. – Inter-personal trust stable or slightly decreasing (1981 : 25%; 1990 : 23%).
United Kingdom	Stable or declining from a high base	<ul style="list-style-type: none"> – Most types of associational membership have increased since the ‘50s. But an increasing gap between the “well connected” middle class and the working class. – Some shift towards self-help or single-issue organisations. Also some decline in membership of traditional women’s groups, political parties etc. – No clear evidence of decreased levels of informal socialising (but time spent visiting friends is down especially among full-time male workers). – Declining levels of inter-personal trust (1959 : 56%; 1995 : 31%) and of trust in public institutions, especially amongst the young.

Country	Trend in Social Capital	Key Points
Sweden	Increasing (from a high base)	<ul style="list-style-type: none"> – High levels of organisational membership. 92% of Swedes belong to a voluntary organisation. Some evidence that social organisations have displayed increasing vitality with single-issue groups growing in importance. – Inter-personal trust has risen (1981 : 57%; 1997 : 67%) as has informal socialising. – <i>But</i> : <ul style="list-style-type: none"> – Active involvement in political organisations has declined, as have religious movements and women’s organisations. – Growth is concentrated in leisure, sports, cultural, and environmental organisations. – Some evidence of lower levels of affinity. – Declining levels of trust in political institutions in recent decades.
The Netherlands	Increasing (from a high base)	<ul style="list-style-type: none"> – Evidence of increasing inter-personal trust (1981 : 45%; 1990 : 54%). – Some evidence that associational membership and intensity of engagement is increasing for some types of organisation. Main exceptions are: political parties, traditional women’s organisations. – Single issue movements have become more important. – Involvement could be more transient and less orientated to broader public interests. – No evidence of declining levels of informal socialising.
Japan	Increasing (from a low base)	<ul style="list-style-type: none"> – Some evidence of rising levels of civic engagement and membership of NGOs. – Substantial increase in involvement in voluntary organisations caring for children, the aged and the disadvantaged. – Increase in general levels of trust (1978 : 26%; 1993 : 38%). – <i>But</i>: How far displacing other forms of social capital e.g. the role of firms in Japanese society?
Germany	Increasing (from a low base)	<ul style="list-style-type: none"> – Evidence of increasing inter-personal trust (1981 : 32%; 1997 : 42%). – Increasing levels of formal participation and informal sociability. – Falling membership of trade unions, political parties and church organisations. – Disengagement of young people. – Trend towards more transient and personalistic involvement.

The United States

61. Trends in social capital have been studied more thoroughly for the United States than for any other country. Putnam (2000), in particular, shows persuasively that social capital has been declining steadily in the USA for the past thirty years. Whether one looks at formal memberships or associations (see table 10); informal measures of sociability, such as seeing friends or having picnics together; or more abstract measures, such as social trust, the pattern of slow decline is much the same.

Table 10 : Trends in Membership of Community Based Associations in the United States, 1900-1997



Source : Putnam (2000)

62. How far these trends in social capital in the US matter have been disputed. DeFilippis (2001) questions whether it has had any adverse effect on, for example, the relative economic performance of the US which has remained very strong by international standards.

The United Kingdom

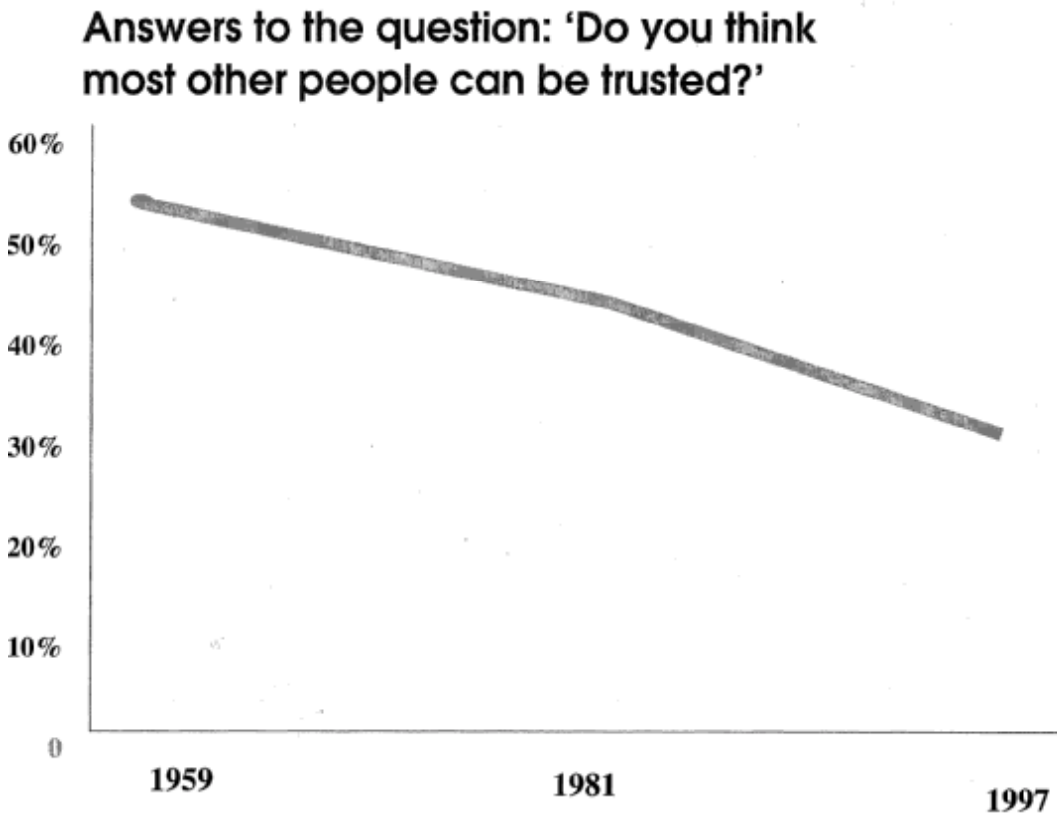
63. The data for the UK is less clear. One prominent study concludes that for the most part, the UK does not seem to be following the USA pattern (Hall, 1999). Membership in associations seems to be holding up well, as are indicators of political involvement. On the other hand, Hall notes some evidence of a decline in social trust and also a widening difference in social capital across social classes in favour of the middle class. In 1959, working class people belonged to 62% as many formal associations on average as middle class people. By 1990, this had fallen to 45%.

64. Hall concludes that the relative resilience of social capital in the UK is probably rooted in the way in which the State has historically worked with, and fostered, the voluntary sector rather than seeking to displace it. He notes, for example, that in the mid-1930s 37% of the total income of registered charities in Britain came from the State.

65. Hall's conclusions now look a little too positive, or premature. His most recent data were for 1990, and data gathered since indicates a worsening on some of the key statistics:

- social trust, a key indicator, has declined from around 50-60 percent in the 1950s down to around 30 percent in 1997 (see table 11 below);
- the number of people living in single person households has risen dramatically across age groups, a useful structural network measure; and
- the General Election in 2001 showed a marked fall in turnout, arguably bringing the UK back into line with the more general cross-national trend of falling voting levels, with disengagement being particularly strong in the youngest age groups.

Table 11 : Trends in trust in Britain, 1959-1997



Source : World Values Surveys (1981, 1990 and 1997)

What are the determinants of social capital?

66. There are wide variations in levels and forms of social capital between nations, regions within nations, and even between individuals. All these variations require explanation.

History and culture

67. Putnam's seminal study (1993) of regional differences in Italy found that large variations in the effectiveness of Italy's regional governments were explained not by their resources or structures, but by regional differences in social capital. Putnam argued that the success of the Northern Italian regions lay in the rich social fabric of vibrant associational life of those regions in contrast to the "amoral familism" – a distrust of strangers combined with strong family bonds - that typified the more backward southern regions.

68. Putnam's analysis linked these very longstanding cultural differences with historical events going back up to a 1,000 years. He saw the vibrant civic life of the North having its roots in the northern city-states of centuries earlier. In contrast, the culture of Southern distrust he saw as rooted in a history of invasion, oppression, in closely related ancient traditions of patronage and in the hierarchical nature of the Catholic Church.

69. The sense that a community, region or nation's social capital is stable over time has been reinforced by subsequent work. An illustration of this stability over time is the finding that the large regional differences in social capital across the USA today correspond fairly exactly to the differences in social capital between the nations from which the ancestors of today's Americans came.

70. For example, the area around Minneapolis and St. Paul's – the area of highest social capital in the USA – was populated with Scandinavians. Something has persisted over more than five generations, and separated by 1,000s of miles and different political structures, to explain why both the residents of Minnesota and the Scandinavian nations today remain so connected and trusting.

71. A similar stability is seen at neighbourhood level. Sociologists have long noted how the social character of neighbourhoods generally remains stable over decades, even though the population is continually changing. This stability over time suggests that a community or nation's social fabric reaches a stable equilibrium. This is to be expected from theoretical modelling work that shows how it is rational to trust and cooperate in a community of like-minded others, but not in a community of the untrustworthy, and that such equilibria are stable over time.

Social structures and hierarchy

72. Social structures that are strongly hierarchical or unequal appear to form a poor soil from which to build social capital, and the consequences of these settlements echo through the generations. Hence one finds that the impact of the relatively hierarchical nature of the Catholic Church is not limited to the South of Italy (La Porta et al, 1997). Similarly, nations and regions that experienced high levels of slavery are today regions with markedly low levels of social capital and trust (such as the Southern US States).

Economic inequalities and social class

73. Economic inequality has been found to be a close correlate of social capital across both regions (e.g. the USA and Italy) and across nations (see e.g. Knack and Keefer, 1997). It is difficult at present to establish the causal direction of this relationship, but it seems likely that the causality runs both ways. Beyond some threshold (which may vary from country to country), inequality probably stretches the social fabric, increasing the social distance between individuals and reducing the likelihood of shared social associations, norms or mutual respect. At the same time, low social capital reduces the ability of a community to develop a shared social vision or build a commitment to a common welfare state.

74. Hall (1999) notes that the middle class has increased dramatically in size over the past century. This has permitted considerable upward mobility and the upwardly mobile have generally adopted the patterns of sociability of the class they have moved in to. Since, on average, people in the middle class have twice as many organisational affiliations as members of the working class, this may have helped to sustain social capital notwithstanding any increase in economic inequalities.

Labour market trends

75. Patterns of labour market participation may have impacts on social capital. Traditionally women have played a key role in voluntary organisations and one might expect that rising female labour force participation may have had adverse effects.

76. This proposition has been examined by Hall (1999) and Putnam (2000). But they find no evidence that it has in fact had much impact on community involvement. On the contrary, in the US, community participation appears to have declined amongst all women and men, whether or not in paid employment.

77. However, Putnam's analysis concludes that work intensity – for both men and women – has a marked negative impact on social engagement due to pressure on time. Other impacts may result from (e.g.) employees spending less time with any one employer leading to weaker ties with their co-workers.

The size and nature of the Welfare State

78. Another possible determinant of social capital is the size and nature of the role played by the State. Some have voiced the fear that, as the State has grown in size, this may have weakened voluntary or other ties (though the direction of causation could go either or both ways).

79. However, evidence cited by the OECD (2001) suggests that levels of volunteering, informal socialising and participation in community projects are relatively high in countries such as the Netherlands and Sweden both of which have extensive welfare systems. Similarly, US states with larger welfare and public programs are also characterised by higher levels of social capital.

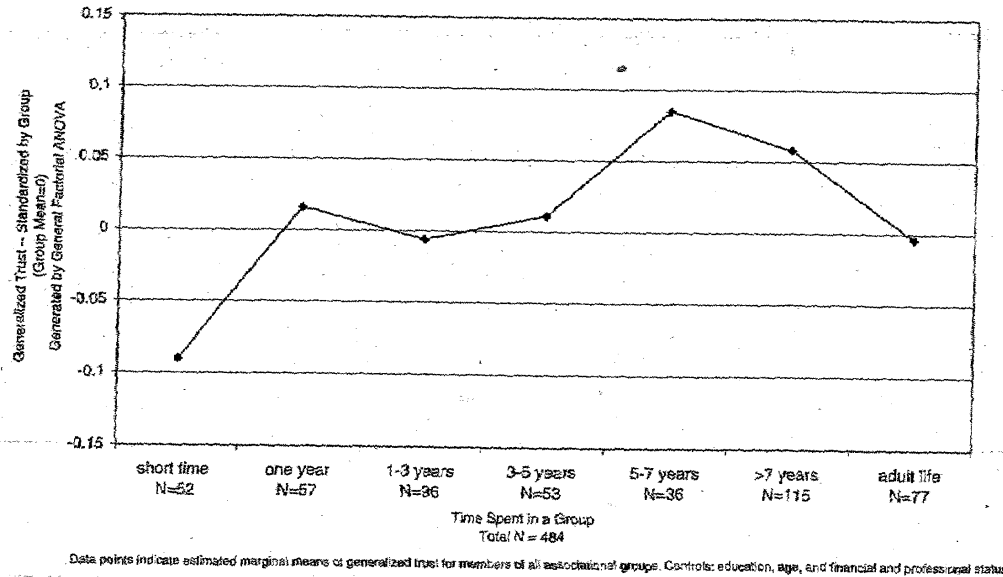
Civil society

80. Civil society consists of those groups and voluntary organisations that act independently of the State and the market. Putnam (1993 and 2000) argues that such associations play a key role in the accumulation of bonding and bridging social capital by fostering trust. Individuals who belong to voluntary organisations are very much more likely to be trusting of others and engaged in the wider community.

81. However, recent work has shown that although individuals who join organisations do tend to become more trusting and community engaged initially, this effect rapidly levels off (Stolle, 1998). Indeed, individuals who have been in organisations for more than five years tend to show declining social trust and engagement (see table 12), perhaps reflecting their experiences of seeing others free-riding on them!

82. It turns out that most of the differences between joiners and non-joiners were present before they joined the organisation. It is possible that this finding is too negative as it does not capture the externalities of the activities of these groups. But it should certainly serve as a warning against the simple hypothesis that creating more organisations will lead to a massive surge in generalised trust and community engagement.

Table 12 : Social Trust and Community Engagement by Length of Time in an Association



Source : Stolle, 1998

83. It has been shown that some forms of voluntary organisation stimulate more positive forms of social capital than others. For example, organisations that involve more diverse memberships, including contact with people of different nationalities or ethnicities stimulate significantly higher levels of generalised trust than those that consist of more homogenous groups.

Individual values

84. Individuals increasingly expect greater personal autonomy and are as a result less subservient to authority. As a consequence, they may be less prepared to accept social norms that constrain their personal freedom (especially if those norms are intolerant e.g. of race or sexual orientation). In such circumstances one might expect to observe weakened commitment to traditional institutions without necessarily any change occurring in individuals willingness to trust others or engage socially.

85. Thus a recent OECD report (2001) notes that confidence or trust in the State, civil service, police, churches, the education system and the media

declined in most countries in the 1980s. But inter-personal trust saw little change or even saw some increase.

86. But different nations appear to be on different trajectories in terms of the type of individualism being expressed. This appears to relate closely to individual and national values. Unfortunately, this simply raises the prior question of what then determines these values.

The scale of social organisations

87. The extent to which people trust institutions may be affected by organisational size. Indeed, trust in local organisations with which people in Britain deal with directly tends to be higher than trust in national organisations with which they do not. This may have important implications for the optimal size of local authorities, schools, hospitals and other institutions.

Ethnic and social heterogeneity

88. There is considerable evidence that social and ethnic heterogeneity is associated with lower levels of social capital, not only between groups but within them. Largely unpublished US data suggests that this may be one of the most powerful explanations of local and regional variations in social capital.

89. This controversial finding is difficult to interpret. After all, the bridging between groups that eventually reduces long-term conflict cannot easily occur if those groups are not in contact. What really needs to be established is what factors facilitate the growth of social capital in contexts where the starting point is characterised by strong ethnic and social fissures.

Transport and urban design

90. Commuting is implicated in the reduction in social capital by reducing the time people have available to devote to community engagement or informal socialising. It is also thought to be destructive of social capital by creating busy transport routes that divide and degrade communities.

91. Urban design can also impact on social capital through affording natural opportunities for social interaction in public and semi-public spaces.

Mobility

92. Residential mobility is negatively correlated with social capital at the neighbourhood level. In communities with a high level of turnover, people tend not to get to know their neighbours or to put down roots. The pattern is self-reinforcing so tends to be stable over time. But sometimes a neighbourhood can be 'tipped' into a low social capital equilibrium by some third factor, such as urban clearance, disruption by infrastructure, and strong inward migration or social mixing.

93. The alienation and loneliness of large cities, particularly in the early stages of industrialisation, is to a large extent a function of the disrupted and weak social networks of waves of inward migrants into the city. Similarly, it is striking that both upward and downward social mobility is often statistically associated with increased loneliness and psychiatric symptoms reflecting the disruption of supportive social networks.

94. However, radically improved telecommunications and cheaper travel have to some extent changed the impact of mobility on social capital. These developments have enabled migrant communities to maintain bonding social capital and ties to their distant source communities, while leaving open the possibility of new forms of bridging social capital to the wider local community. While in many ways a benefit, this distant bonding social capital may act to slow the formation of new local bonding social capital.

Television

95. Putnam (2000) attributes the decline in social capital in the United States in large part to the increase in the amount of time people spend watching television at the expense of social engagement. In the US, individuals who watch more TV (and read newspapers less) tend to be less trusting of others and less engaged in their communities.

96. Against this, social capital has not declined in other countries (such as the UK) where watching television has increased (see Hall, 1999). In part, this seems to be because the content of television, as well as the number of hours spent watching television, matters. In the US, for example, people who watch more Public Broadcasting Service TV are more trusting, though this may reflect a prior selection effect.

97. However, the future relationship between social capital and television is far from clear : nearly two thirds of British children now have a television in their own room and people increasingly watch television on their own. In part, this may reflect the fact that parents are concerned about their children's safety outside the home and encourage them to stay at home by providing a television, so any relationship is not necessarily causal.

The family

98. Relations within the family, especially intimate early bonds, foster the development of trust and co-operative behaviour outside the immediate family circle throughout adult life. Families also create norms and social ties. However, strong family ties (bonding) may inhibit wider "bridging" relationships (important for reasons discussed above).

99. Most straightforwardly, it has been found that people who remember being told by their parents not to trust other people end up – unsurprisingly – not trusting other people as adults.

100. There is evidence that social capital tends to be lower for children in single-parent families. Single parents tend to have smaller social networks, partly as a result of residential mobility and family breakdown, and the child tends to have less exposure adult attention. Divorce also seems to be associated with lower levels of generalised trust (Hall, 1999).

101. Disrupted early relationships tend to lead to a domino effect through all the later significant junctions in life (Sampson and Laub, 1993). But the positive side to this story is that this trajectory is not fully determined. If an individual manages to buck the trend at one of these important junctions, because of an emotional commitment and bond from someone connected to mainstream society, the trajectory of their life can change dramatically.

Education

102. Education has repeatedly been shown to be associated with higher levels of social capital (Hall, 1999; Putnam, 2000). Schools, like the family, play an important role in creating norms and social ties. And with every extra year in education, individuals appear to become more engaged in associational life, their networks enlarge and become more diverse, and they come to trust others more. Higher education, at least in the UK, is associated

with a particularly strong boost to social trusting and community engagement.

103. Hall (1999) argues that the importance of increased educational participation and attainment is especially apparent in the case of women. In 1959, 1% of women had some post-secondary education compared with 3-4% of men. By 1990, 14% of women had some post-secondary education, the same as men. But while community involvement by men increased slightly (by 7%) over the same period, community involvement by women more than doubled to converge with the rates of men. In short, social capital has been sustained largely by the increasing participation of better educated men and (particularly) women in the community. This is arguably a one-off effect that may not be sustained in future not only in Britain but in other countries too.

The gender dynamics of social capital

104. Women's community participation is, however, different from men's. Lowndes (2000) notes, for example, that men are twice as likely as women to undertake voluntary work related to sport and recreation whereas women are more active in health, education and social services. Further, men are more likely to occupy committee posts whereas women dominate visiting and befriending activities.

105. Much of the social capital literature also effectively disregards activities such as childcare which may in fact promote both networks of sociability and community involvement through (for example) childcare swaps, baby sitting etc.

What are the future prospects: is it all doom and gloom?

106. Putnam (2000) puts a positive face on the last 30 years of decline in social capital in the USA by highlighting that social capital rose for the first half of the twentieth century. He argues that, at the end of nineteenth century, the USA was facing a very similar pattern of decaying social capital. This led to a period of civic renewal during which a huge variety of civic institutions were created, ranging from the Red Cross through to the Scouts. Interestingly, many of these structures were copied directly from Britain, which underwent a similar crisis a few decades earlier. Putnam argues that these forms of social capital have now become obsolete, but that

a similarly motivated reform programme can again lead to a renewal of social capital.

107. An alternative, more positive view is that what we are witnessing is less a *decline* of social capital than a *transformation*. One senior American policymaker, on a visit to Downing Street, was asked about whether he was concerned about the decline in social capital in the USA. Although concerned, he argued that it might not matter because of (a) the emergence of the internet and (b) because Americans could “sue the pants off each other”. His point was essentially that new, often formal structures were replacing the role of more traditional networks – IT was lowering transaction costs and improving the flow of information, while legal systems meant that you didn’t have to “trust” other people in the conventional sense.

108. This is an argument that should be taken seriously. It can be argued that the dominant very long-term trend is that human societies have progressively grown in scale – over many centuries – and have successfully done this by gradually replacing informal and intimate forms of social capital with more abstract and generalised forms. In a medieval village, all villagers know each other and can apply direct pressure on each other to be “good citizens” and comply with the group’s informal social norms. But groups might often be in conflict with one another, as they lacked a common framework of social norms.

109. Modern society, through the growth of City-States, nations and now supranational structures, has largely succeeded by replacing informal social norms and structures with public codes of conduct, formal laws, and shared institutional structures. Cheap travel and ICT, falling household and family size and other trends have shifted the relative costs and benefits in favour of bridging social capital and away from traditional bonding social capital. To caricature, there has been a shift from reliance on neighbours to a reliance on wider networks and institutions, from informal obligation and charity to the welfare state, from the custom of the tribe to charters of human rights, and from summary justice to international law. In as far as Putnam does not count the latter as ‘social capital’ this reads as a decline when really we should see this as a transformation.

110. A useful statistic to back up this more positive account is to consider very long-term trends in the murder rate – noting that violent death is a pretty good indication of a breakdown in social relationships and trust. The

murder rate has tended to rise over the last 40 years. However, this pattern is a sharp reversal of the long-term trend. The best current analyses indicate that – at least for European nations – the murder rate has fallen by around a *hundred fold* over the past five hundred years (Eisner, 2000). This is a clear indication that, major wars aside, people have indeed become gradually better at living together.

111. The “transformation” account is an important counter to the Putnam view. Optimists may see the gradual dawning of “cosmopolitan democracy” – global citizen rights, International Courts of Law, the UN and so on – as the ultimate development of global social capital as networks and norms that encompass the world (Held, 1999).

112. However, concerns remain about future prospects even when viewed through this more positive transformation account. The issue is that of imperfect fungibility – new forms of social organisation may be able only partly to replace some of the functions of traditional social capital. One can argue that new forms of social organisation – such as the internet and suing each other – are indeed effective replacements of traditional social capital in the economic domain. However, they may be far more questionable as replacements in terms of other outcome variables, such as health or well-being. A society of courteous strangers may be an excellent base for an efficient economy, but it may not be a very satisfying place in which to live for a number of reasons:

- a society governed only by formal rules and characterised by weak ties between individuals may be unable to provide people with the supportive relationships they need at times of personal crisis;
- other forms of more intimate social capital may be more important for (e.g.) personal health; and
- life satisfaction remains strongly predicted at both the individual and ecological level by the quality of personal relationships and community engagement (Helliwell, 2001).

Post-9/11: a dramatic twist

113. In *Bowling Alone*, Putnam speculated that restoring civic engagement: “would be eased by a palpable national crisis, like war or depression or

natural disaster, but for better and for worse, America at the dawn of the new century faces no such galvanizing crisis". With the events of September 11, 2001 this hypothesis was sadly put to the test.

114. Social capital surveys (Putnam, 2002) completed were in the months following the attack have found that interest in public affairs grew, especially among younger people many of whom had previously shown strong disengagement (27 per cent up, compared with 8 per cent among older respondents). Trust in "the people running your country" grew, by 19 percent in younger people and 4 percent among older ones. And 51 percent expressed greater confidence in the Federal government than they had a year earlier.

115. Trust rose 19 percent in local government, 14 percent in the police, and 10 percent in neighbours. Strikingly, trust in people of other races also rose by 11 percent, though trust in Arabs lagged behind other groups.

116. Changes in behaviour were more modest. There were 5 to 7 percent increases in giving blood, volunteering, working on local community projects, and attending political meetings.

117. There was little or no change in attending clubs or churches or in giving, and informal socialising was actually down 6 percent – possibly reflecting that television watching was up 16% , an increase of half an hour a day (to 3.4 hours on average).

118. In sum, the events of 9/11 appear to have sparked a sharp upturn in the trust Americans have in one another, but has led to only modest changes in behaviour. The White House consulted Putnam extensively in this period, a fact reflected in President Bush's State of the Union Address in January this year which announced the creation of a large citizen corps and urged Americans to do "something good" for each other.

Policy implications

119. Drawing out the policy implications of social capital requires:

- a clear rationale for government intervention;

- a means of measuring social capital. If social capital (in all its various dimensions) cannot be measured, policymakers will not have a “dashboard” to judge where they need to be intervening or to assess how well they are doing;
- an understanding of how easily or in what circumstances government can change social capital;
- an appreciation of the circumstances in which government intervention will have beneficial effects; and
- an understanding of the strategy and policy instruments most likely to deliver improved outcomes, including the circumstances in which objectives in relation to social capital may have to be traded off against other policy objectives.

120. These issues are discussed in the following sections.

The rationale for government intervention

121. There are general and specific reasons for government intervention to promote the accumulation of beneficial social capital. At a general level, social capital has a crucial role to play in supporting and nurturing virtuous norms and behaviours such as co-operation with others.

122. The more specific reasons are a mix of economic efficiency, equity and civic or political rationales.

123. The main economic efficiency arguments are that:

- the accumulation of social capital may generate either positive or negative externalities depending on how it is used and the form that it takes. This suggests that in the absence of government intervention, private economic agents may under-invest in beneficial kinds of social capital and over-invest in less beneficial kinds of social capital (either because they can’t appropriate the wider benefits or because they do not bear the external costs); and

- social capital may improve information flows and reduce transaction costs (barriers to the efficient operation of markets) and thus promote more effective competition.

124. The main equity arguments are that :

- some groups have better access to social capital (networks, contacts etc) than others, contributing to social exclusion, and this differential is particularly large and growing in the UK (Hall, 1999); and
- social capital may be used by some groups to deny opportunities to others. This may hinder social mobility and contribute to intergenerational inequities as, for example, middle class parents use social capital to pass privileges on to their children (Aldridge, 2001).

125. The main civic and political argument is that social capital underpins a healthily functioning democracy, both locally and nationally. This is much more than a question of voting. Citizens who engage with others may help to direct government to better policies, refrain from free-riding, pay taxes, obey laws and pro-social informal customs, and actively seek solutions to collective action problems.

The need for measurement

126. For government to be able to make targeted interventions to promote the accumulation of beneficial forms of social capital, it is crucial to be able:

- to measure social capital in all its various forms and types; at different stages in the individual lifecycle; and at all levels (individual or micro; community or mezzo; and national or macro). Better analysis of networks and how they function is especially important; and
- to relate the different forms and types of social capital to particular economic, social and other outcomes of concern to policymakers at the individual or micro; community or mezzo; and national or macro levels.

127. If appropriate measures are unavailable :

- the scale and nature of the problem to be addressed cannot be assessed;
- the most appropriate intervention cannot be identified; and
- the (cost-) effectiveness (or otherwise) of interventions cannot be measured and evaluated.

128. Resolving these measurement issues is thus crucial to making the concept of social capital an operational one in a policy context. In the UK, some government departments, such as the Department of Health, have been quick to recognise the potential importance of social capital and have begun to incorporate some measures into existing surveys. New initiatives include the Home Office Citizenship Survey launched in the Spring of 2001 and from which first results are expected from the Summer of 2002. Measures of social capital used in this survey include : trust, participation in civic affairs and volunteering.

129. Measuring social capital poses serious challenges, it should be emphasised, for conventional survey methods. Clustered sampling designs are needed to estimate ecological level, or neighbourhood, effects. In some cases, direct behavioural measures, such as “lost envelope studies” and blood donation, may offer more reliable estimates than conventional survey designs that tend to be highly biased towards socially desirable answers.

How easily can government affect social capital?

130. The importance of (for example) historical and cultural factors as determinants of social capital suggests it may not be easy for policymakers to intervene to promote the accumulation of beneficial social capital even when it is measurable. This is one reason why policymakers have been uncertain about the utility of the social capital literature to date.

Avoiding harm

131. The fact that social capital may be used for narrow sectional interests as well as for the public good also suggests that caution is needed. Interventions to promote the accumulation of social capital need to be designed to ensure that increments to social capital enhance economic and social welfare rather than lower it.

132. The evidence suggests that social capital affects economic and educational performance, crime levels, the efficacy of government, and even how long we live. It also suggests that a simple notion of maximising social capital is not the correct way to think about the issue. For example, a general drive to increase bonding social capital – the internal connectedness of micro communities – might do as much harm as good in the absence of parallel attempts to increase bridging social capital – the connections between communities. Instead, policymakers might be better advised to use a “vitamin model” for thinking about social capital which seeks optimum levels of the different types while also recognising that excessive levels of any one type could be harmful.

133. Examples of policies that may have had unintended harmful effects through their impacts on social capital include:

- regeneration or community development programmes that emphasise self-help or capacity building to the exclusion of links to the wider community or economy. To the extent that such programmes create stronger bonding rather than bridging social capital, members of the communities concerned may continue to be excluded from networks that could take them into employment;
- social housing or planning policies that fail to tackle concentrations of deprivation may unintentionally create enclaves that look inwardly rather than outwardly;
- urban clearance programs that fail to value social capital, when renovation and refurbishment may have been, on balance, a better option. Studies of clearance programmes have revealed that many residents showed severe depression for up to three years after the clearance, reflecting the enormous psychological damage of disrupted or destroyed social networks (Halpern, 1995); and

- the incentives to seek work built into social security benefits such as JSA and Income Support generally encourage unemployed people to focus on formal labour market institutions such as job centres despite evidence that most people exit unemployment through informal networks and contacts.

Implications for policy: lessons from America

134. In thinking positively about the relevance of social capital to policy in the UK, there are potential lessons to be learned from the United States. Putnam (2000) follows his analysis of the decline in social capital in the USA with an outline of policy proposals. These were based on the conclusions of the Saguaro Seminars, a mixed group of policymakers and academics who met over three years to discuss practical ways of rebuilding social capital. The six broad policy areas they identified are shown in table 13, together with short comments about the applicability of the proposals to the UK. Many of the proposals inevitably reflect the US cultural and political context, such as the reference to campaign finance reform.

Table 13 : Proposals from the Saguaro Seminars for Rebuilding Social Capital in the USA

Area	Policy (example)	Comment
Education	Citizenship education and service learning in schools Volunteering for college credit	Much to be learnt here. Promising results from both service learning and evidence that college volunteering programs are having major impact on youngest cohort.
Work	Legislation to enable workers to work flexibly and take time out for community activities	Europe is arguably much further ahead in this area already.
Urban design	Reducing urban sprawl and commuting times Pedestrian-friendly design Availability of public space	US car dependence and commuting times much higher than EU, but nonetheless an important area for policy innovation.
Faith	A new 'great awakening' and engagement in 'one or another spiritual community of meaning'	Putnam notes this 'would not be an unmixed blessing', and relates closely to very different role of religion in the US context.
Technology	Foster new forms of electronic entertainment and communication that reinforce community engagement rather than forestalling it	Uncertain potential, to date based more on hope than evidence.
Arts	Increase participation in cultural activities 'from group dancing to songfests to rap festivals.	Seen as a slow, but potentially important focus for the building of bridging social capital, and less problematic than faith-based organisations.
Politics	Increasing participation Campaign finance reform	Reflects Putnam's long held view that money has displaced activism and grass-roots involvement in US politics.

Positively stimulating the creation of social capital

Developing a strategy

135. Social capital's importance is an amalgam of both ends and means. Some aspects of social capital, such as inter-personal trust, are clearly desirable in themselves. Other aspects are more instrumental. To the extent that social capital is an end in itself, this raises the *question whether there should be a social capital policy and an associated strategy to promote it*. To the extent that social capital is a means to an end, it might be argued that the case for a specific policy is weakened, the emphasis switching instead to

decisions about how to allocate, develop and use it most efficiently in pursuit of final policy goals. However, even in these circumstances, there may still be a powerful case for a social capital policy e.g. if no one government department has a strong interest in it, notwithstanding its potential cross-cutting value to all departments.

Existing policies

136. In many areas, the social capital literature gives added weight to existing policy interventions. A range of existing policies and programmes contribute to the accumulation of beneficial social capital even if they are not necessarily articulated in social capital terms. Some examples are set out below.

At the individual or micro level

- the *Connexions* service, which will be rolled out throughout England during 2002/03, will provide all young people aged 13-19 with a Personal Adviser who can offer practical help with choosing courses and careers, including access to broader personal development through activities like sport, the performing arts and volunteering activities. Such advice and mentoring can help both to complement and build an individual's social capital, particularly bridging social capital.

At the community or mezzo level

- measures, such as *Home Zones (HZs)*, to restrict access to residential streets by vehicles not owned by residents. Such HZs create spaces for children to play, stop 'rat-running' by non-resident motorists and include speed limits of 20mph. Nine pilot schemes are now underway and a £30m challenge fund has been established to promote more HZ schemes. Such schemes can reduce barriers to the development of bonding and bridging social capital between neighbours.
- working with the *voluntary sector* to create beneficial forms of social capital (i.e. fostering community), not displacing it.

- making *industrial policy* network sensitive – given the role of clusters and networks in (e.g.) promoting innovation.

At the national or macro level

- *citizenship education* will form part of the national curriculum in secondary schools from September 2002 and the recent consultation paper on education for 14-19 year olds (Department for Education and Skills, 2002) includes active citizenship as a central component of the proposed new Matriculation Diploma. Such citizenship education not only helps to build shared values and knowledge of how to engage but helps to create the foundations for building bridging, bonding and linking social capital.
- tackling *poverty* e.g. by reducing worklessness and increasing the returns from work. Poverty stretches the social fabric, leaving some people disconnected from wider networks and more generally damaging and undermining bridging social capital.
- *Corporate Social Responsibility* initiatives may play a part in building bridging social capital between different groups (e.g. the business community and civil society), raising general levels of trust and thus promoting economic efficiency.

137. In each case, the respective policy or programme is addressing a range of objectives be it (say) improving environment or tackling social exclusion as well as building social capital. This is wholly consistent with the argument that, though important, social capital is not enough on its own and needs to be addressed in the context of mainstream policies and programmes rather than separately.

Potential new initiatives

138. The social capital literature suggests a range of potential new policy initiatives and levers. The common theme is that social networks have wide ranging value and generate substantial positive externalities that impact on a range of policy areas.

139. The policy suggestions in this section are intended to prompt discussion and facilitate the development of better, practical proposals which actually make a difference for the good. They are not put forward as firm policy recommendations or conclusions, let alone as a statement of future government policy.

Stimulating social capital at the individual or micro level

140. At the individual or micro level, the sorts of innovative levers that might be used are illustrated below.

Greater support for families and parenting

141. The relationship between parents and their children is important for the development of both bonding and bridging social capital. The available evidence suggests that :

- how parents and their children interact has major impacts on the social development of children. In particular, helping parents to bond and interact effectively with young infants is important for developing children’s self-confidence and building children’s capacity to form trusting social relationships of their own in later life;
- children whose parents’ are trusting and engaging become trusting and engaged adults themselves; and
- parents’ social networks, and parent to parent and parent to school interactions have significant impacts on children’s educational attainment, delinquency, and later life chances. Parents who are connected with each other are able informally to co-ordinate and reinforce the values and behaviours that they wish to pass onto their children – parenting becomes a more collective and less individualistic act.

142. This evidence underpins interventions such as the US Head Start and the UK Sure Start programmes, both of which are intended to help parent’s support their children. The evaluation of these programmes will play a crucial role in improving understanding of precisely how these interventions

have beneficial effects and thus how they might be better targeted in future. Specific measures that might be considered now include doing more :

- to improve teenagers’ understanding of the psychology of parenting, relationships and child development whilst they are still at school – not just to instruct, but to inform and engage them before they become parents themselves;
- actively to assist parents from disadvantaged backgrounds to take part in parent to parent and parent to school interactions, building up confidence and facilitating social networks and mutual support; and
- to offer active guidance, counselling and support to parents in parenting skills.

Mentoring

143. Mentoring schemes are a potentially powerful mechanism for giving people access to improved bridging social capital. The policy areas in which they can be used are many and varied ranging from child development to education to business development and funding. Provided the right mentors are involved, mentoring can have highly beneficial outcomes.

144. For example, US studies suggest the right sort of early mentoring can have significant educational benefits :

- an evaluation (Johnson, 1997) of the Philadelphia “sponsor-a-scholar” programme shows that mentoring by a caring adult, whether related or not, can significantly boost academic performance and reduce drop-out rates from school. The evaluation found positive effects on academic performance for children in the 10th and 11th grades (aged 15 to 16) but not in the 12th grade (aged 17), and positive impacts on college (university) preparation and on college attendance during the first year after high school. It was found that disadvantaged children benefited particularly from the programme; and

- an evaluation (Kahne and Bailey, 1999) of the “I have a dream” programme found even greater beneficial outcomes. This programme involves each mentor adopting an entire 6th grade class (11 year olds) and, together with a project co-ordinator, provides students with long-term financial, academic and social support to help them graduate from high school and attend college. The evaluation found the programme doubled high school graduation rates in inner city areas from around 35 percent to around 70 percent.

145. These results suggest that it may often be more effective to mentor a whole class rather than an individual, not least because of the power of peer effects and culture. However, more research is needed to improve the understanding of :

- the circumstances under which mentoring works best – bad mentoring may have negative effects; and
- how best to prepare and screen potential mentors.

New approaches to dealing with potential offenders

146. Committing a crime involves a break with mainstream social values and signals an absence of otherwise restraining personal and social relationships. Those young men who, notwithstanding their background, avoid early offending usually do so because a mainstream relationship - normally with a girlfriend - binds them into the values, responsibilities and satisfactions of the wider community.

147. By contrast, when a young person is sent to prison, the few relationships that they have to family, nascent partners, teachers or work-mates are disrupted and weakened. At the same time, the young offender is connected into a network of “criminal social capital”, and to gangs and other offenders.

148. Strengthening potential young offenders’ “positive” social capital, and weakening – or at least not reinforcing – their “negative” social capital may therefore have an important role in strategies for reducing the incidence of crime. Possible measures include :

- providing extra-curricular or team-based volunteering activities that get children out of the home or away from their neighbourhood and peer group so they can develop new personal and social relationships and thus “positive” social capital; and
- programmes to raise the ambitions of children e.g. by taking them to the workplaces of professions they are likely to be unfamiliar with.

149. How best to target such measures on at-risk groups would need careful consideration. But one possible model for extra-curricular and team-based activity is the Raleigh Youth Development Programme (though various other bodies, such as the Prince’s Trust, have similar programmes). The young people (17-25) on the Raleigh Youth Development Programme are referred by local agencies, community services, social services, probation service etc. They are all socially excluded; 40% are long term unemployed; 35% have criminal convictions; and 50% suffer drug and alcohol abuse. 150 people took part last year.

150. The programme involves a series of UK based residential activities followed by a 10 week expedition and then a follow-up residential week to plan for the future. Each place costs £5500 to provide. The young people involved have to raise enough money to cover the cost of kit and injections. All other costs are paid for by the Raleigh organisation, including the cost of getting a passport. Funds are raised from the ESF, the National Lottery, corporate sponsors and charities. Volunteers on ordinary programmes have to raise £3,300 to go, some of which subsidises the trips for at risk young people.

151. Among young people at risk, after they have completed the programme, 65% access work or training, 95% report improved levels of confidence and communication skills; 90% report higher motivation, responsibility and ability to relate to others, and 70% say their plans and ambitions have positively changed as a result.

Volunteering

152. Early experiences of volunteering and associational activity appear to be highly predictive of community engagement in later life. The data indicate that relatively short periods of associational involvement provide as

much stimulus to trust and wider community engagement as longer periods. Involvement with associations with more diverse members stimulate somewhat higher levels of trust and wider community engagement than involvement with more homogeneous groups.

153. This suggests effort could usefully be focused on ensuring that young people get some experience of volunteering, even if it is only for a limited period, and that this experience should involve working alongside people from different social and ethnic backgrounds. Efforts might perhaps be focused in particular on those young people who are unlikely to go to university, thus seeking to replicate some of the bridging social capital benefits that higher education appears to bring.

154. The Millennium Volunteers programme, funded by the Department for Education and Skills, is a major step in this direction (seeking to attract 100,000 new volunteers in the age range 16-24 by the end of 2003). It might, however, be possible to take further steps :

- one approach might be to develop, or sponsor, 6 week to 6 month away from home voluntary service programmes for all young people, and especially those from disadvantaged backgrounds. These might be developed not only for school leavers, but also for young people still at school who are finding school difficult and are at risk of dropping out;
- another is the proposal made recently by Bell and Chen (2002) for an Experience Year for all modelled on the US Americorps scheme. Americorps was set up by the Clinton Administration to encourage volunteering among young people. After their term of service, Americorps members receive \$4,725 a year to help finance college or pay back student loans.

155. In his recent State of the Union address, President Bush announced that the Seniorcorps programme, which encourages over 55s to volunteer, would be extended and new provisions introduced that would enable participants to earn scholarships that could be transferred to grandchildren or others. In the UK, the Experience Corps (which is funded by the Home Office and aims to attract 250,000 new volunteers aged over 50 by 2004) began rolling out last November with nationwide roll out due to be completed this May.

Stimulating social capital at the community or mezzo level

156. At the community or mezzo level, a range of innovative levers is also possible.

Promoting institutions that foster community

157. There may be links between social capital and *community* ownership of local public assets. For example, some local authorities are considering piloting proposals in which public assets (e.g. community centres) are transferred to “community trusts” over which neighbourhoods have greater control (and possibly ownership rights). Given appropriate governance arrangements and safeguards, community trusts of this type could be an important site of local civic engagement which contributed not only to the development of bonding social capital within the community but helped to provide bridging social capital beyond it.

Community information and communications technology (ICT) networks

158. There is substantial potential for ICT to strengthen social capital if networks are geographically “intelligent”, built on natural communities and facilitate the accumulation of collective knowledge including of reputation. They have particular potential to connect the work poor and work rich (given the proximity of these groups in the UK) and to increase the number of low financial cost, but high-trust, transactions that rest on reputation (such as childcare). Such ICT networks could provide a springboard for increased bridging social capital in particular.

159. There have been some limited pilots of ICT networks, but there may be a case for a more comprehensive pilot project that :

- is based in a socially mixed, geographically dense area of several hundred thousand people, and designed to include a mix of work rich and work poor households;
- involves an electronic network with close to 100 per cent penetration, including IT and training as necessary to ensure that all households have access;

- offers a series of interactive local intranet services designed to facilitate exchanges of information and trade between households, and facilitate collective community action. Information to be exchanged might include recommendations for tradesmen, public and private services etc; trading might include childcare, gardening, school runs, etc as well as more formal work opportunities; and community action might include clubs, local campaigns, street party organisation etc; and
- includes some regulation of quality or the build up of electronic reputations.

160. The limited experiments conducted to date in the UK have not met the conditions above. The main lesson from the pilots conducted so far, such as the Islington Street where one hundred households were networked, is that the benefits have tended to come from the resulting incidental social interaction rather than from the ingenuity of the IT itself. One possibility is to build a pilot around emerging Timebank schemes sponsored by the BBC and the Home Office Active Community Unit (and other government programmes such as Health Action Zones), though not precluding exchanges based on conventional monetary exchange.

New approaches to the planning and design of the built environment

161. Urban design is known to have very significant impacts on social networks, and, through these, on outcomes such as crime and health. Quite simple and low cost interventions can have extremely positive and dramatic results. For example, the building of a fence around a notorious Pruitt Igoe public housing block in the USA led to drop in the vacancy rate from around 70 percent to less than 5 percent (Newman, 1981).

162. In the UK, an experimental intervention involving the closing of alleyways on a problem estate led to marked increases in neighbourhood sociability and more than a halving in anxiety and depression among residents (Halpern, 1995).

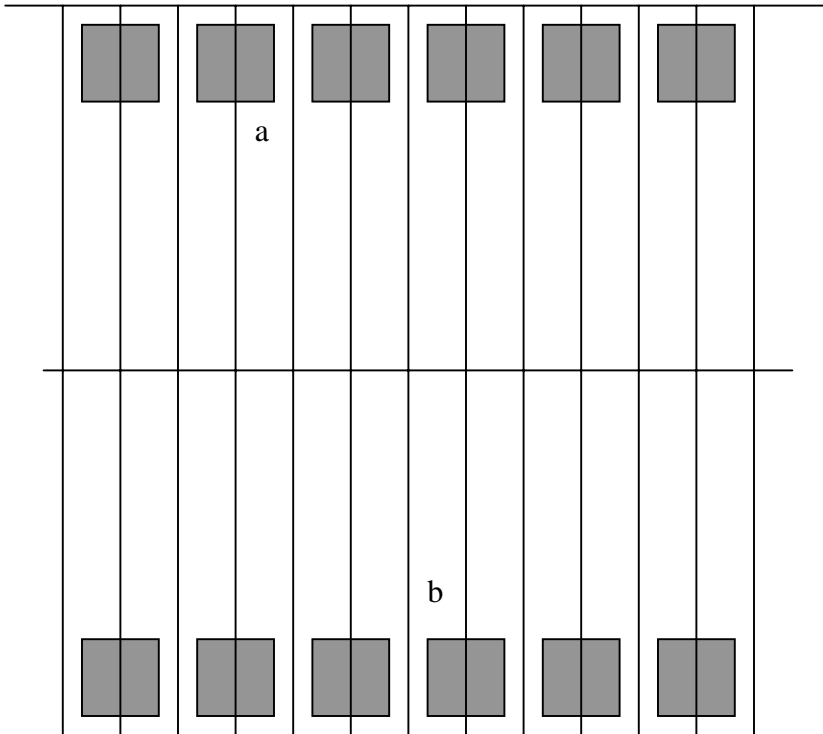
163. Examples of what might be, or are already being, done include:

- building short-roads and cul-de-sacs, not long through roads;

- closing alleyways that criss-cross residential areas, so that residents can be fairly confident that the people they see outside their homes are near-neighbours;
- making it easier for residents to hold street parties; and
- making it easier for groups of residents to form or purchase areas of semi-public space (see table 14 for one possible example).

164. There may be a case for working actively with selected private developers to experiment with housing forms that facilitate stronger neighbourhoods. Essentially, designs that make social interaction easy, but do not force it, lead to far more positive and extensive social relationships between neighbours (Baum and Valins, 1977; Halpern, 1995) impacting on both bonding and bridging social capital.

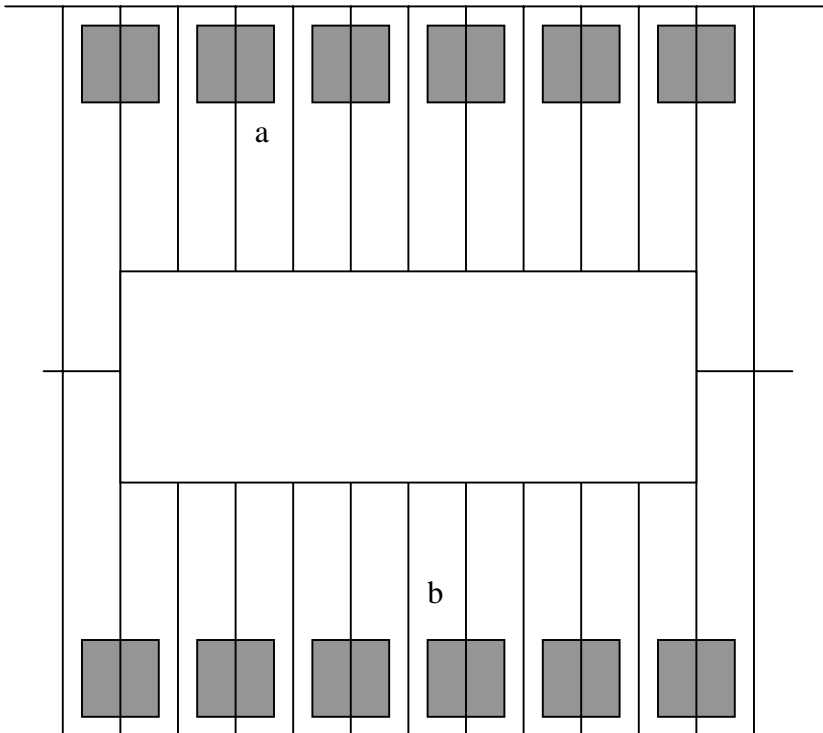
Table 14 : Illustration of the Creation of a Collective Garden



A. Pre-change

Typical British semi-detached or terrace houses with long, thin gardens, often up to 150 ft in length but only 20 ft wide.

Resident 'a' is unlikely to know resident 'b', despite their proximity.



B. Post-change

The bottom 25 ft of each garden has been 'pooled' for twenty of the houses, creating a private communal garden of say 50 x 200 ft. This is accessed by gates at the bottom of the residents' own fully private gardens.

Dispersing social housing

165. Large physical agglomerations of social housing make it more difficult for disadvantaged communities to form and maintain bridging social capital. More dispersed provision of social housing avoids this shortcoming. Policy options might include :

- widening the use of planning gain contracts with private developers to reserve a portion of new housing for low income renters; and
- more active purchasing by housing associations of properties in more affluent areas for letting as social housing (noting that such purchases already form part of the Housing Corporation's programme for additional provision of social housing in England).

166. The benefits of such dispersal policies would not be immediate and might take decades to realise. The benefits appear to be contingent on the dispersal of individual households rather than smaller estates or blocks of dwellings. Even then, social renters who get to live in more affluent areas do not immediately take on better jobs nor see their incomes double.

167. The greatest beneficiaries may be their children and teenagers who grow up with the benefit of more diverse social networks, and access to the aspirations and facilities of the middle classes around them. For example, 15 years after the Chicago court-ordered Gautreaux public-housing desegregation, it was found that : the children of suburban movers dropped out of school less, were more often placed in college tracks, were more often employed, had higher wages and were more likely to have jobs with health and other benefits (Kleit, 2000).

Using personal networks to pull individuals and communities out of poverty

168. The life chances of disadvantaged individuals can be transformed by the presence in their personal networks of even a single employed individual. Policies to aid the development of personal and social networks may therefore help to reconnect disadvantaged individuals to the social and economic mainstream. For example, firms might be given financial incentives for recruiting staff from disadvantaged areas, and to use successful recruits to recruit further individuals from the same network.

Other

169. Other ideas that might be worth developing include :

- regional differences in economic growth within the UK may be partly explained by regional differences in the character and extent of social capital. Regions with strong bonding or club forms of social capital – such as chambers of commerce – but with relatively weak bridging and linking forms may need to pursue policies which help actively to rebalance their social capital;
- State support for reading and informal study groups. Such schemes are considered extremely successful in Sweden, stimulating social networks in a way that does not arise from private reading and study;
- actively encouraging a street and café culture in UK cities. The normal complaint is the weather, but in fact café culture thrives in much colder countries, aided by street heaters and blankets on chairs! Café culture populates public spaces and creates opportunities for a wider range of spontaneous social connections;
- firms are forms of social capital too. Many firms have already taken steps to allow employees to take time off for volunteering, and more might be encouraged to do so; and
- mobile telephones could have emergency help keys or codes that would activate the nearest five phones to indicate that the holder is in danger and needs assistance. Receivers of the distress signal would be expected to respond, at least to establish what the problem is or call the police. The scheme would break down the “diffusion of responsibility” that inhibits strangers helping each other in times of personal emergencies – using technology to strengthen social norms of reciprocity and trust within the wider community.

Stimulating social capital at the national or macro level

170. At the national or macro level too, various innovative levers are possible.

Service learning

171. Service learning is a more dynamic and practice based approach than traditional citizenship education, resting more on doing than learning about citizenship. It involves a co-ordinated combination of:

- doing (e.g. collecting rubbish for recycling);
- discussing (getting together as a group to talk about the experience); and
- learning (cross-references in the mainstream curriculum to the activity).

172. The evidence is that while traditional citizenship education leads to modest increases in knowledge, service learning leads to changes in behaviour and attitudes. The current proposals (Department for Education and Skills, 2002) for a reformed school 14-19 curriculum could offer a platform for the development of service learning.

Community service credit schemes

173. Community service credit schemes involve the giving of a non-monetary credit to volunteers, normally based on the number of hours of volunteering. These credits can then be exchanged, typically for some other service in kind. Such schemes first came to prominence in the USA in the mid-80s when the civil rights lawyer, Edgar Cahn, developed a community service dollar scheme in Washington.

174. Within the UK, there are currently at least 25 Timebank schemes loosely modelled on Cahn's idea, with at least another 14 under development, often with some form of government support. These schemes involve volunteers being credited with hours that can then be "spent" with other volunteers, or can be donated so that someone else can receive extra help. In some areas, these credits can also be used to gain access to local

authority facilities, or for paying off library book fines and so on. However, at present these schemes are all very small scale and locally based, the largest involving no more than 120-130 people (whereas some US schemes, such as the St.Louis scheme, involve more than 12,000 people).

175. There is a potential for such schemes to operate on a much larger, even national scale. The Japanese have introduced a successful scheme directed at the caring of the elderly, a particular problem in the context of the ageing Japanese population. People who volunteer to care for the elderly gain credits related both to the time given and to the nature of the task (for example, helping with personal hygiene counts for more than doing shopping). These credits can be transferred to others, such as one's own elderly relatives living in other parts of the country, or donated on a needs basis, or used as credits for one's own future caring needs. The quality of care given through the scheme has been found to be of higher quality than that paid for, and is preferred by the elderly who do not regard it as a form of charity.

176. In the UK, such schemes might be used:

- within the care system e.g. for voluntary carers, translators and advocates;
- within the educational system e.g. for 14-19 year old volunteers; students in higher education offering to mentor school children; or for volunteer classroom assistants. For 14-19 year olds, the Connexion card could be a vehicle for storing such non-monetary credits; and
- within the benefits system e.g. offering some additional “benefits” in the form of community service credits.

177. In the US, President Bush's expanded volunteering schemes can provide monetary benefits, notably scholarships to college (see above). Some State wide schemes, such as Minnesota Community Service Dollars, accrue in credit cards that also work as ordinary debit cards and are accepted by businesses as part-payment for goods. For example, a restaurant in the Mall of America might allow you to pay for half of the cost of your meal in Community Service Dollars, at least outside of peak hours. For businesses,

this can be a low cost form of giving, given the low marginal cost to them of the additional service.

178. In the UK, a volunteer at Great Ormond Street, for example, might accrue community service pounds on a conventional credit card, and then be able to use these at a nearby restaurant for an early lunch. Or, they might perhaps use them to help pay off a young relative's university loan, or provide mentoring in a local school, or simply to purchase additional care at the hospital.

179. A variant on this idea, if the practical difficulties could be overcome, might be to use the proposed Child Trust Fund as a vehicle through which government could reward volunteering and other forms of civic activity by young people (Paxton, 2002). In return for recognised forms of volunteering, government could credit a young person's trust fund. This would have some resemblance to the Americorps initiative but would have the advantage of being open to all young people under the age of 18.

180. It is important to realise that what makes these schemes of particular interest is not that they are simply rival monetary systems that enable people to avoid paying tax (as some LETS may be argued to be). Rather, these schemes recognise the imperfect fungibility between acts of caring and monetary value – you can't buy love.

Facilitating mutual respect

181. Reciprocity and trust rest heavily on mutual respect. Similarly, positive social relationships are unlikely to develop between individuals or groups without a foundation in mutual respect. Status differentials can be destructive of social capital partly because they undermine mutual respect, a lesson already learnt by many firms – and the public sector - when they seek to strip out excessive hierarchies of control and instead create an atmosphere of team-working and equivalence.

182. Possible implications for public policy include, for example :

- the importance of breaking down barriers, sometimes literally (as in the case of counter screens in benefit offices) in order to build trust;

- making more use of mechanisms that signal respect for people’s contribution e.g. citizen’s juries. A citizen’s jury involves bringing together around a dozen “ordinary people” for a week to listen to the evidence on a particular issue and offer a view of what should be done. Citizen’s juries are thought to have been used by around one in five local councils in the UK with considerable success, but equally importantly in this context, they communicate to a wider population that government listens to, and cares about, ‘ordinary’ people;
- the same argument applies to deliberative polls. These involve a representative sample of the general public, usually a hundred or more, who are presented with basic information about an issue and asked to reach a balanced judgement about it. Deliberative polls in both Europe and the USA (all of which have been commissioned by the media) have been shown to be able to reach reasoned judgements about complex issues; and
- listening to the young and entrusting them with more responsibility. Young people have shown a sharp decline in political engagement at the same time as their expectations of personal autonomy have grown. Other countries have experimented successfully with children’s parliaments and forums of various kinds.

Conclusion

183. There is a strong general case for applying social capital thinking to a wide range of policy areas. It is, however, likely to be only one factor among a number in addressing any particular policy concern. It is also erroneous to suppose that increasing any or all forms of social capital will necessarily lead to a positive outcome. For example, a narrow focus on increasing community bonding social capital could have significant negative consequences, such as conflict between groups, if not balanced with the bridging and linking forms of social capital. The key is to get the overall balance right.

184. Social capital should be seen as giving policymakers useful insights into the importance of community, the social fabric and social relations at the individual, community and societal level. As such, it can open up a range

of new policy levers but it is not a simple or single magic bullet for solving all policy problems.

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Acknowledgements

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ANNEX A

SOCIAL CAPITAL

Participants in the Seminar held by the Performance and Innovation Unit on the 26th March 2002

Chair:

Geoff Mulgan Director, PIU

Presenters:

Stephen Aldridge	Chief Economist, PIU
Rt. Hon David Blunkett MP	Home Secretary
Professor John Bynner	Director, Centre for Longitudinal Studies, Institute of Education
David Green	Director, the Institute for the Study of Civil Society
David Halpern	Senior Policy Adviser, PIU
Rosalyn Harper	Senior Research Officer, Socio-Economic Inequalities Branch, Office for National Statistics
Anne Jackson	Head of Strategy and Innovation, Department for Education and Skills
Lord David Lipsey	Labour Peer, House of Lords
Professor Don Nutbeam	Head of Public Health Division, Department of Health
Alan Riddell	Deputy Director, Neighbourhood Renewal Unit, Department of Transport, Local Government & the Regions
Nicky Roche	Head of Strategy Policy Team, Home Office
Professor Richard Wilkinson	Professor of Social Epidemiology, University of Nottingham Medical School
Michael Woolcock	Social Scientist, Development and Research Group, World Bank

Attendees:

Matthew Armstrong	Strategic Futures Team, PIU
Michael Arthur	Economic Director, Foreign and Commonwealth Office
Sarah Burns	Leader of Time Banks, New Economics Foundation

Grace Carley	Policy, Innovation & Delivery Unit, Department of Culture, Media & Sport
Susan Clayton	Chief Executive, Future Creation
Sylvain Cote	Organisation for Economic Co-operation and Development
Helen Edwards	Director, Active Community Unit, Home Office
Naomi Eisenstadt	Head of Sure Start Unit, Department for Education and Skills
Mike Emmerich	Senior Policy Adviser, Policy Directorate, No 10
Amanda Feggetter	Project Manager, Assessment and Development Centres, Foreign and Commonwealth Office
Sarah Fitzpatrick	Policy Adviser, PIU
Ben Fletcher	Professor at the University of Hertfordshire and Director of The FIT Corporation Ltd
Jane-Frances Kelly	Childcare Team, PIU
Zubaida Haque	Adviser, Department for Education and Skills
Tom Healy	Strategic Policy Directorate, Department for Education and Science, Ireland
John Hunter	Permanent Secretary, Department of Social Development, Northern Ireland
Hilary Jackson	Principal Private Secretary to the Home Secretary, Home Office
Ben Jupp	Policy Analyst, Home Office
Natalie Kirschberg-Bach	Director, the Future Forum
Catriona Laing	Deputy Director, PIU
David Lennex	No 10
Katrin Levy	Speech writer, Home Office
Sanjiv Lingayah	Head of Evaluation, New Economics Foundation
John Lloyd	Journalist, New Statesman
James Morris	Policy Analyst, PIU
Gerry Mulligan	Senior Principal Statistician, Northern Ireland Statistics and Research Agency
Vicky Nash	Research Fellow, Institute for Public Policy Research
Carey Oppenheim	Policy Directorate, No 10

Paul O'Sullivan	Policy Adviser, PIU
Alison Park	Research Director, National Centre for Social Research
Professor David Piachaud	Professor of Social Policy, London School of Economics
Michael Prowse	Columnist, Financial Times
Matthew Quinn	Head of Policy Unit, National Assembly for Wales
Jamie Rentoul	Deputy Director, PIU
Professor Tom Schuller	Dean of Faculty of Continuing Education, Birkbeck College
Jonathan Stearn	Press Officer, Home Office
Tom Steinberg	Policy Adviser, PIU
Simon Strickland	Policy Adviser, PIU
Alison Walker	Manager, General Household Survey, Social Survey Division, Office for National Statistics
David Walker	Journalist, The Guardian
Suzy Walton	Leader, Strategic Futures Team, PIU
Simon Watkin	Private Secretary to the Home Secretary, Home Office
Richard Wilkinson	Department for Education and Skills
Professor Stephen Yeo	Centre for Civil Society, London School of Economics
Perri 6	Senior Research Fellow, Kings College, London