Perspectives on Global Development 2012
Social Cohesion in a Shifting World

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A success story?

- A lower-middle income country
- Average 5% annual growth rate since 1990
- Nearly 100% primary enrolment in 2008
- 80% health care coverage
- ‘Prudent public debt management’ (42.8% of GDP in 2009)
- 3% fiscal deficit
- Inflation at approx. 3% in the 2000s
Main messages

1. The process of rapid growth in many developing countries presents both a chance and risks for social cohesion.

2. It’s not only about *what* you do but also about *how* you do it. A social cohesion policy agenda calls for different priorities in policy making.
Outline

1. Shifting Wealth: an unprecedented opportunity?
2. Challenges for social cohesion in fast growing countries
3. What policies for social cohesion?
The four-speed world in the 1990s

Source: OECD Development Centre, Perspectives on Global Development 2010 - Shifting Wealth
The four-speed world in the 2000s

Source: OECD Development Centre, Perspectives on Global Development 2010 - Shifting Wealth
Greater fiscal space in the 2000s vis-à-vis the 1990s

Fiscal revenue to GDP ratio (%)

Source: Authors’ calculations based on World Bank (2011).
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Growth in life satisfaction and income do not necessarily coincide

Annualised growth rates (%), 2006-2010

Sources: Authors’ calculation based on Gallup World Poll (2010) and World Development Indicators.
The aspirations of the emerging middle class

Source: Author’s calculation based on Kharas (2010).
Capturing social cohesion dimensions - a dashboard of indicators

Social inclusion
- Absolute and relative poverty
- Inequalities – distributional discontents

Social capital
- Interpersonal trust
- Civic participation

Social mobility
- Perceived ability to advance
- Intergenerational mobility
Outline

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What policies for social cohesion?

- Policies can make a difference

- Key areas: Fiscal, employment, social and educational policies

- A social cohesion agenda is a more ambitious social agenda:
  
  *Poverty reduction + increased attention to vulnerable middle class + inclusive policies*

- Exploiting linkages between different policies is crucial:
  
  *Policy coherence and co-ordination*
Key policy areas for social cohesion
Fiscal policy

Gini coefficients before and after taxes and transfers in Latin American countries

Source: OECD (2008a) for OECD countries excluding LAC, OECD (2008b) for Argentina, Brazil Colombia and Peru.
Key policy areas for social cohesion
Fiscal policy

With higher trust, tax evasion is less acceptable...

Source: Authors’ calculations based on World Value Surveys and Indices of Social Development.
Key policy areas for social cohesion
Fiscal policy

...which in turns leads to higher revenues...

Source: Authors’ calculations based on World Value Surveys, OECD.stat, OECD/ECLAC/CIAT
Key policy areas for social cohesion
Employment and labour institutions

Increase in labour disputes in China

Number of cases (thousand)

Social and economic policy across the distribution in Brazil

Growth incidence curve (2001-06)

Real minimum wage (in end 1994 R$)

Source: OECD Development Centre, Perspectives on Global Development 2012.

Source: IBGE and Central Bank of Brazil
Labour markets:
Reforming labour institutions (China)

Responses: increase in minimum wages... ...and wider use of collective bargaining

Source: Authors’ calculations based on Du and Pan (2009) and CASS. 
The ‘missing middle’ in Brazil, 2006

Share of the working population by income quintile and labour status

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Summary and Looking forward

- Shifting wealth brings opportunities and risks
  - Social cohesion as a means and an end
  - More resources and unprecedented possibilities
  - New opportunities not equally shared within countries

- Looking forward
  - Remaining questions: evolution of worldwide economic environment, sustainability and social cohesion, global governance.
  - How to make social cohesion a part of national development strategies?
Objectives of the Social Cohesion Policy Reviews (SCPRs)

1. Assess the status of social cohesion in a society and monitor progress over time.

2. Improve the contribution of public policies to fostering social cohesion.
   • Within selected policy areas
   • By improving policy co-ordination

3. Gather comparable analysis to foster policy dialogue
   *(In the mid-to-long term)*
What’s new?

- Analyse the impact of policies on social cohesion
  - rather than growth, poverty reduction or line ministry objectives

- A multi-sectoral approach

- Diagnostic rather than prescriptive
Thank you for your attention!

OECD Development Centre
More information:
www.oecd.org/dev/pgd
webnet.oecd.org/pgdexplorer
www.oecd.org
Annexes
i. Measuring social cohesion
   i. Social inclusion
   ii. Social capital
   iii. Social mobility

ii. Assessing the need for policy changes
   i. Fiscal Policy
   ii. Labour market policy
   iii. Social protection, health and other social policies
   iv. Education

iii. Improving the governance of social cohesion
   i. Civic participation
   ii. Mechanisms for horizontal and vertical policy coordination
   iii. Local governance
## The Centre’s Membership

### OECD members:
- **24 countries**
  - Austria
  - Belgium
  - Chile
  - Czech Republic
  - Finland
  - France
  - Germany
  - Iceland
  - Ireland
  - Israel
  - Italy
  - Korea
  - Luxembourg
  - Mexico
  - Netherlands
  - Norway
  - Poland
  - Portugal
  - Slovakia
  - Spain
  - Sweden
  - Switzerland
  - Turkey
  - United Kingdom

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- **17 countries**
  - Brazil
  - Colombia
  - Costa Rica
  - Dominican Republic
  - Egypt
  - India
  - Indonesia
  - Israel
  - Korea
  - Morocco
  - Peru
  - Romania
  - South Africa
  - Switzerland
  - Thailand
  - Viet Nam
  - Senegal
  - Cape Verde

The World Bank, the African Development Bank and the International Monetary Fund are all observers. The European Union also takes part in the work of the Governing Board.
Producing analysis on key development issues

**Regional outlooks**

**Africa**
- 2010: Public Resource Mobilisation
- 2011: Emerging Partners
- 2012: Youth employment

**Latin America**
- 2010: Fiscal Policies
- 2011: Middle Classes
- 2012: State Reform

**Southeast Asia**
- 2010: Transport Infrastructure
- 2011/2012: Green Growth
- 2013: Narrowing development gaps

**Thematic outlook**

**Perspectives on Global Development**
- 2010: Shifting Wealth
- 2012: Social Cohesion
- 2013: Industrial Policies
Perspectives on Global Development

✓ Trilogy through the lens of Shifting Wealth:
  1. Shifting Wealth
  2. Social Cohesion in a Shifting World
  3. Industrial policies

✓ Consultation process:
  • Expert meeting co-organized with GIZ (April 2010)
  • International Conference in Paris (January 2011)
  • Regional consultations (Rabat, April 2011 and Bangkok, July 2011)

✓ Partners:
  • FIIAPP, GIZ, Haut Commissariat au Plan (Morocco),
    Ministry of Foreign Affairs (Thailand)
Distinct policies and growth models: Impact on inequality

Changes in the Gini index in the BRICS, 1990-2007

Example 1: Fiscal policy through the social cohesion lens

- Ensuring equal opportunities through *more* and *better* redistribution

- The virtuous cycle of fiscal legitimacy and social cohesion
  - With higher trust, tax evasion is less acceptable…
  - …which in turn leads to higher revenues
  - …and greater state capacity.

- Managing fiscal resources to create fiscal space

- Where to begin?
  - Stronger, transparent and accountable tax administration
  - Improving quality of public services
Example 2:
Social protection through the social cohesion lens

Social protection can do a lot for poverty reduction:
• Income support for the poor (e.g. Conditional Cash Transfers, workfare programmes)
• Extending social services such as health to the poor

A social cohesion agenda is a more ambitious social agenda
• Equality of opportunity (especially between groups)
• Avoid segmentation and dual systems

Dealing with the `missing middle' to foster social cohesion
• Unbundling
• Universality
The *how* also matters

- Stop treating social cohesion as a by-product
- Long term view is needed
- Participation, capacity and accountability to make the policy making process more inclusive.
Group inequalities combined with vertical inequality

Log adult-equivalent household income
South Africa (ZAR)

Per capita real public social expenditure quintile (in ZAR, year 2000)

Source: Calculations based on SALDRU (2009).
...even accounting for differences in per capita income

Partial correlation between tax morale and tax effort in 2008

Tax evasion is never justifiable (fraction of respondents)

Source: PGD 2012