Perspectives on Global Development 2012
Social Cohesion in a Shifting World - Launch

OECD Development Centre

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OECD Headquarters
Perspectives on Global Development

✓ Trilogy through the lens of Shifting Wealth:
  1. Shifting Wealth
  2. Social Cohesion in a Shifting World
  3. New Strategies for Growth

✓ 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:
  • FIAPP, GIZ, Haut Commissariat au Plan (Maroc), Ministry of Foreign Affairs (Thailand)
A success story?

- A lower-middle income country
- Average 5% annual growth rate since 1990
- 60% of budget dedicated to social sectors
- Nearly 100% primary enrollment 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
Tunisia

Source: OECD/AfDB/UNECA (2010), African Economic Outlook
1. As economic uncertainty deepens, now is the time for developing countries to channel their recent prosperity into a more ambitious social cohesion agenda.

2. A social cohesion agenda calls for different policy priorities.

3. It’s not only about what you do but also about how you do it.
## Outline

1. Shifting Wealth: an unprecedented opportunity?
2. Challenges for social cohesion in fast growing countries
3. What policies for social cohesion?
4. The *how* matters
Outline

1. Shifting Wealth: an unprecedented opportunity?
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3. What policies for social cohesion?
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The four-speed world in the 2000s

Source: OECD Development Centre, Perspectives on Global Development 2011 – Social Cohesion in a Shifting World
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

**Annualized growth rates of life satisfaction and income 2006-2010**

- **Life satisfaction**
- **GDP per capita**

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

Source: Author’s calculation based on Kharas (2010)
Conceptual framework: The Social Cohesion “Triangle”

SOCIAL COHESION

SOCIAL INCLUSION

SOCIAL CAPITAL

SOCIAL MOBILITY
Social inclusion: New distributional challenges

Absolute poverty falls, but relative poverty stagnates or grows

Brazil

China

Source: PGD 2012 based on Garroway and de Laiglesia (forthcoming)
Social capital at risk: Increase in labour disputes in China

Source: Cai and Wang (2011)
Social mobility: correlation of parent/child education

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3. What policies for social cohesion?
4. The how matters
What can we do?

✓ Policies can make a difference

✓ Key levers: Fiscal, employment, social and educational policies

✓ Exploiting linkages between different policies is crucial
Policies can make a difference for inequality

Gini coefficients before and after taxes and transfers in developing countries

- Inequality before taxes and transfers
- Inequality after taxes and transfers

Resources for development in Africa

Tax revenue per capita

ODA per capita

Source: OECD/AFDB/UNECA (2010), African Economic Outlook
With higher trust, tax evasion is less acceptable...

Source: PGD 2012
...which in turns leads to higher revenues

Source: Daude and Melguizo (2011).
A poverty reduction agenda:

- Income support for the poor (e.g. CCT: Bolsa Familia)
- Extending social services such as health to the poor
- Separate treatment of labour market efficiency and social protection coverage

A social cohesion agenda:

- Equality of opportunity (especially between groups)
- Avoid segmentation and dual systems
- Institutions for wages to be set with less conflict
Duality and the emerging middle class (Brazil)

The ‘missing middle’ in social protection coverage: informal middle class workers

Population by income quintile and labour status (2006)

The social cohesion perspective:
a ‘missing middle’ reinforces duality and threatens social cohesion
   • How to provide social protection to that missing middle?

Experiences suggest three possible avenues
   • Unbundling and de-mutualising (e.g. Unemployment savings accounts)
   • Subsidising contributions to the social security system
   • Universal entitlements
Labour markets: reforming labour institutions (China)

Reponses: increase in minimum wages...

...and wider use of collective bargaining

**Average minimum wage in Chinese cities**
*(1999 = 100)*

**Source:** Authors’ calculations based on Du and Pan (2009) and CASS.

Labour institutions matter for social cohesion outcomes

Source: PGD 2012 based on OECD, PovCal and IILS data
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3. What policies for social cohesion?
4. The *how* matters
The *how* also matters

- Stop treating social cohesion as a by-product
- Long term view is needed
- Mobilizing domestic resources through establishing a citizens – state contract
- Make the policy making process more inclusive
- Working towards a comprehensive development strategy
Summary

1. Shifting wealth: Opportunities and risks
   - Growth, poverty reduction and human development
   - More resources and unprecedented possibilities
   - *But*, new opportunities are not necessarily equally shared

2. Response: Social cohesion as a framework for policy making
   - Social cohesion as a means and an end
   - Civic participation to reinforce the sense of belonging and responsibility
     - towards a social contract
   - Leadership and commitment
Thank you

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