SESSION 2. BEYOND POVERTY REDUCTION: THE CHALLENGE OF SOCIAL COHESION IN DEVELOPING COUNTRIES

“Shifting wealth” describes the phenomenon in which the centre of economic gravity of the world has progressively shifted from West to East and from North to South. This new dynamics presents both opportunities and challenges for developing countries and fast growing economies. While new resources from improved economic performance can be used to broaden the fiscal space and adopt a more ambitious social agenda, rising sentiments that the fruits of growth are not being equally shared threaten social cohesion in many countries.

Over the past two decades, thanks partly to this shifting wealth, more than half a billion people have moved out of extreme poverty. While this figure is an achievement in itself, relative poverty, i.e. the share of people living under the median income, is increasing within countries across regions, with the level of inequality often higher in countries that have recently achieved fast growth such as China, India and South Africa. The main challenge for fast growing economies is how to meet the rising expectations and living standards of citizens. Furthermore, the combination of underdeveloped social protection systems and a large informal sector which does not contribute to the contributory schemes add to the difficulty of preventing vulnerable groups of population from falling back into the poverty trap. Increasing real and perceived inequalities and persistent feeling of unfairness and exclusion instill social tensions and unrests. This growth therefore needs to be accompanied by structural transformation that reduces poverty, improves access to opportunities and promotes social cohesion.

The OECD Perspectives on Global Development 2012 describes a cohesive society as a society that “works towards the well-being of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers prospects of upward social mobility” (OECD, 2011). As such, social cohesion is both a desirable end and a means to achieve inclusive development. Evidence shows that social cohesion has an intrinsic value in itself as citizens see it as part of their own well-being and progress of society, and that it contributes to more inclusive, stable, long-term growth.

As a goal, social cohesion is a continuous process, just like development. Social cohesion is not a luxury reserved for countries that have achieved a certain level of development. It should be an objective in itself just as growth and development, as it can reinforce and sustain development efforts. As a means, social cohesion enables citizens to live in societies where they enjoy a sense of belonging as well as trust, which makes policies more effective through a virtuous circle between a widely accepted social contract, increased citizens’ willingness to pay taxes and improved public services (OECD, 2011). This positively influences the state’s ability to raise income, which can then be invested in public services and programmes.

Social cohesion contributes not only to the rate, but also to the quality and the sustainability of growth, especially in the context of sharp, frequent changes in external conditions. High level of social capital, demonstrated for example by society’s capacity to organise itself in times of crisis, produce externalities that are beneficial in meeting the basic needs of the population and to the overall economic recovery (e.g. the surge in the number of people engaging in volunteer work in Argentina in the early 2000s (IDB, 2006), the ‘Gold Gathering Movement’1 which helped replenish foreign exchange reserves in Korea during the 1998 crisis).

So how different is policy-making through the lens of social cohesion? A social cohesion policy agenda calls for different priorities in policy-making. Some of the key policy areas for social cohesion – fiscal, employment, educational and social policies – move away from “residualist” approaches and specific interventions (e.g. programmes targeted to the most vulnerable) towards approaches that coherently include all spectrums of policies affecting social outcomes. This means targeting social outcomes with multiple-pronged approaches:

1 A civic movement which received nationwide support from around 3.5 million people who brought out gold kept at home (jewelry, medals, etc.). Within several months, 227 tons of gold worth more than $2.2 billion was gathered, helping replenish foreign exchange reserves during the crisis (Source: Ministry of Finance and Economy, Republic of Korea).
for example, in the area of education, policies must look beyond the enrolment and achievement rates, and take into account the inclusiveness of the education system (in terms of gender and population groups by income and ethnicity) to enhance the sense of belonging in a society, and improve the quality of education for better prospects of upward mobility.

Framing policies through the lens of social cohesion therefore allows adopting a broader development objective that encompasses the effects and linkages of different policy interventions. In particular, it allows for better co-ordination between social policies (e.g. cash or in-kind transfers, public services) and economic policies (e.g. labour market, taxation), and facilitates policy makers to take on a coherent approach in achieving their countries’ development goals.

_Social Cohesion Policy Reviews_ are a new OECD tool that measure the state of social cohesion in a society and assess how policies across sectors such as fiscal, labour, education and social protection policies enhance social cohesion. The analysis focuses on the policy coherence and linkages with the three dimensions of social cohesion: social inclusion, social capital and social mobility, i.e. whether policies are designed to reduce poverty levels across populations and regions, build trust and sense of belonging, and promote social mobility for all members of a society. The objective of this new initiative is to provide countries with a tool to improve their economic and social policies in a way that fosters social cohesion.


IDB (2006), *Social Cohesion in Latin America ad the Caribbean – Analysis Action and Coordination*, IDB, Washington, D.C.