

OECD SOCIAL COHESION POLICY REVIEWS

– CONCEPT NOTE –

Social Cohesion Policy Reviews are a new OECD tool to:

- measure the state of social cohesion in a society and monitor progress over time;
- assess policies that foster social inclusion, reduce poverty levels across populations and regions, build trust and sense of belonging, and promote social mobility for all members of a society;
- improve policy coherence and co-ordination for social cohesion between different stakeholders.

The reviews use a multi-dimensional approach and analyse policies across sectors that impact on social cohesion such as fiscal, labour, education, health, environment and social protection policies. In the mid-to-long term, comparable analyses across countries will facilitate policy dialogue and peer learning.

The Development Centre, in its 2012 edition of the *Perspectives on Global Development* (PGD) entitled *Social Cohesion in a Shifting World*, analysed the challenges and opportunities that fast growth in the past decade brings to social cohesion. It argues that new resources from improved economic performance can be used to broaden the fiscal space for a more ambitious social agenda and inclusive growth. **The PGD 2012 describes a cohesive society as a society which strives for social integration, that builds up the necessary social capital so as to create a common sense of belonging, and where there are prospects of upward social mobility.** The report puts forward a number of principles for reform and measures of social cohesion that can guide countries to build a holistic social cohesion policy agenda. This is the basis for the SCPR analytical framework.



1. Objectives

Social Cohesion Policy Reviews (SCPRs) aim to provide countries with a tool to improve their economic and social policies in a way that fosters social cohesion. The reviews document the current state of social cohesion, the existing gaps between national objectives and current policies, and offer recommendations to address these gaps. Particular attention is given to identifying inequalities of opportunities linked to geographic, socio-economic, ethnic and gender identities, and their impact on social cohesion. The review process brings together different stakeholders for a broad-based dialogue on social cohesion.

2. Methodology of the review

The methodology of the review, while adapted to country-specific context, allows building a database on key outcome indicators that can be monitored overtime and used to facilitate knowledge sharing and peer-learning within and between countries.

The review has two main parts: (i) analysis on the state of social cohesion, looking at indicators in three dimensions: social inclusion, social mobility and social capital; and ii) policy implications.

Section I: Measuring social cohesion

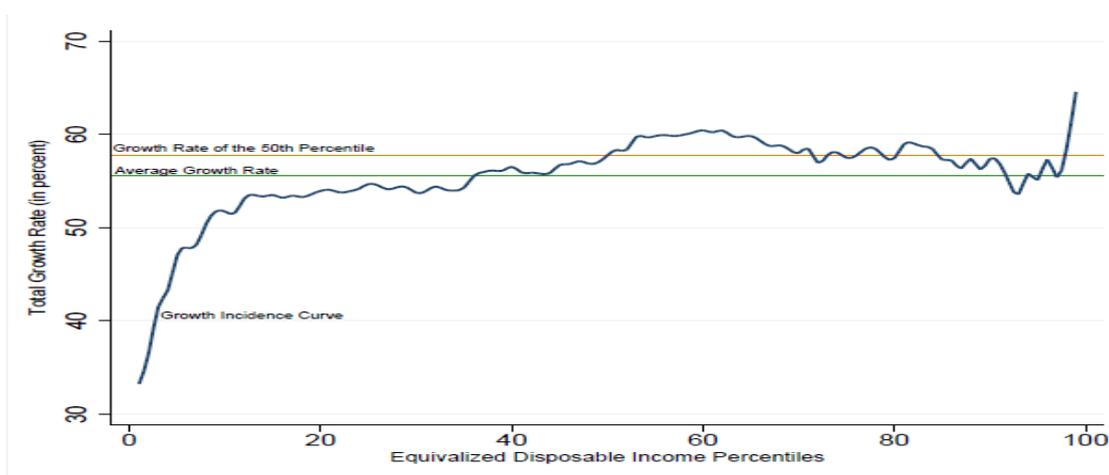
The first section provides an overview on the state of social cohesion in the country by examining three dimensions of social cohesion:

- **Social inclusion:** measured by absolute and relative poverty levels, income inequality between groups and regions within the country, growth incidence curves (Figure 1);
- **Social mobility:** inter-generational mobility as measured by income or educational levels, and intra-generational mobility as measured by the ability to move upward in society (Figure 2);
- **Social capital:** extent of civic participation, trust, tax morale, social network support (Figure 3).

The dimensions are examined not only by traditional objective measures of economic and social progress (e.g. poverty and income levels) but also by perception-based indicators and in some cases (e.g. measure of trust), the use of subjective well-being measures is necessary for their own right.

One of the objectives of this first part will also be to identify group-based inequalities – inequalities of opportunities based on ethnic, gender or socio-economic identities, as well as inequalities between sub-national regions.

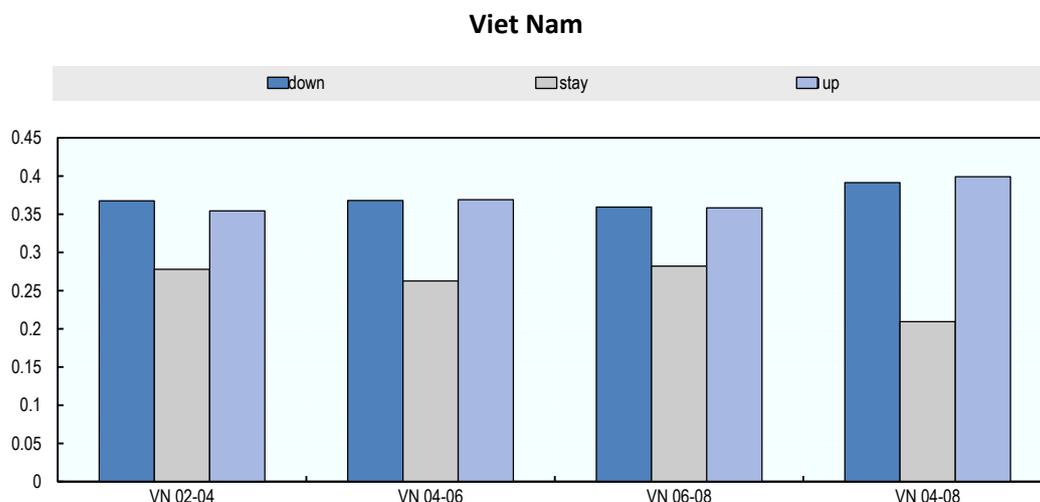
**Figure 1. Social inclusion: Growth Incidence Curve of Adult-Equivalent After-Tax Income
Viet Nam, 2002-2008**



Source: OECD (2014). Social Cohesion Policy Review of Viet Nam, forthcoming.

Lecture: The growth incidence curve of Viet Nam indicates that during the past decade the richest households, followed by the middle class gained more from economic performance, while the distribution of gains favoured less those households in the bottom 20 percent.

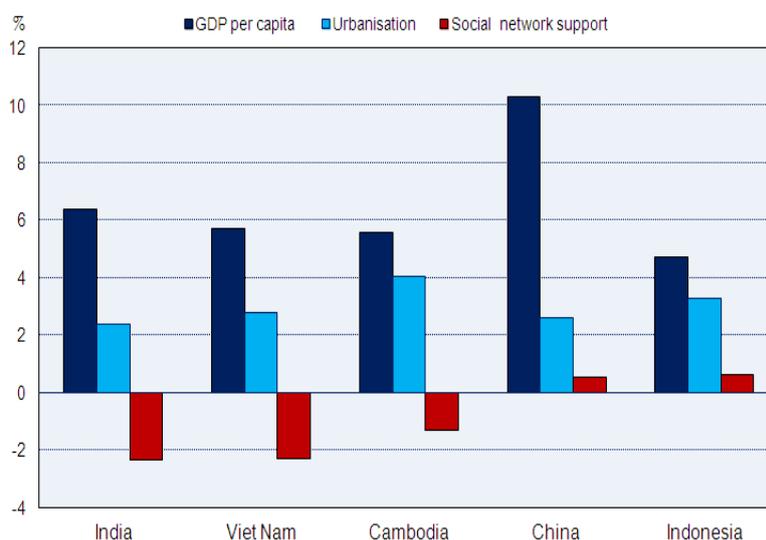
Figure 2. Social mobility: Share of households changing their position in the income distribution



Source: OECD (2014). Social Cohesion Policy Review of Viet Nam, forthcoming.

Lecture: Between 2004 and 2008, the likelihood to move up or down was about 40% while the likelihood to remain in the same income decile was about 20%.

Figure 3. Social capital: Changes in social network support, urbanisation and growth performance 2006-2012



Source: OECD (2014). Social Cohesion Policy Review of Viet Nam, forthcoming

Note: Social network support is measured by the percentage of respondents who answered positively to the question "If you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not"? (Gallup World Poll wave 1-6).

Section II: Policy implications

This section identifies and analysed key policies that can impact social cohesion. The PGD 2012 identifies some core policy areas as most relevant for social cohesion, which include employment and social protection, education, fiscal policies and civic participation. Cross-cutting issues such as the fight against discrimination, gender policies, minority integration and environment are addressed when relevant and possible.

The selection of the policies depends on the country's priorities and is done in consultation with the government. Effort is made to examine common policy areas to allow for comparability between countries in the mid to long term. Indicators are subject to change, depending on the data availability in the country. Regular consultations are made with the country throughout the review process.

Social protection

Social protection programmes can play an important role in enhancing social cohesion by reducing inequalities and preventing social exclusion. A holistic approach that considers social protection systems and their interactions with labour market outcomes on the poor and vulnerable households will help identify gaps in coverage and improve programme design. The review looks at effectiveness and equity of social protection policies (e.g. social and health insurance, pension and assistance for vulnerable groups) and sufficiency of public spending. Effectiveness measures whether the targeted beneficiaries are reached, while an equity analysis identifies the coverage gap between those covered and the rest of the population, disaggregated by socio-economic groups. Sufficiency looks at how much public spending is dedicated to social protection programmes and the sustainability in the sources of financing.

Employment

Employment and labour market outcomes are important determinants of social cohesion. They influence on the level and distribution of labour earnings, which are the most important source of income for the majority of people in the world, and are critical loci of social interaction. Having a job is positively linked to life satisfaction as measured in surveys across countries, and an inclusive, prosperous employment atmosphere increases mobility and inclusion. The creation of employment in fast growing countries offers opportunities, but also challenges such as changes in the distribution of income and changing labour relations with low-skilled workers potentially left behind.

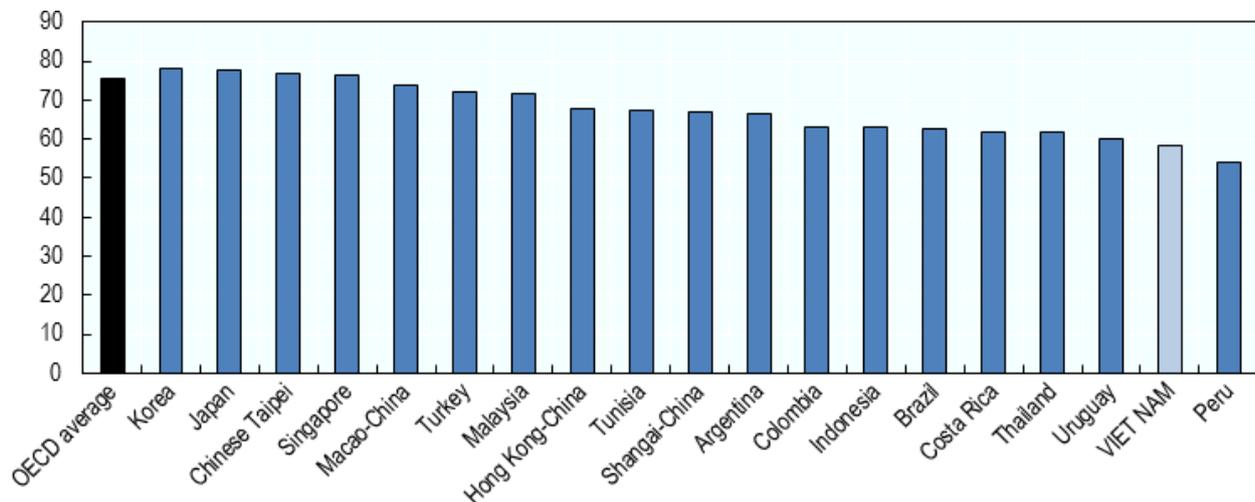
Analysing labour market challenges from the point of view of social cohesion calls for examining labour market institutions not only in terms of efficiency, but also their ability to prevent or mitigate duality and segmentation, integrate minorities, and provide skills to workers coming from sectors facing decreasing demand. The analysis of employment policies looks at aggregate outcomes that signal segmentation in labour markets, often source of inequalities across a number of areas (e.g. income, social protection provision). Particular attention is given to labour market outcomes of men and women as well as across groups and regions. Key policy indicators include the level of minimum wages and coverage of unemployment benefits.

Education

Education is a vital part of any social cohesion agenda as educational outcomes affect all three dimensions of social cohesion. When access to quality education is possible across populations, schooling becomes a strong leverage for opportunities, bringing prospects for upward mobility even to disadvantaged groups. Increasing educational attainment and including all population groups into schooling is an important way to reduce inequality in the long run. Beyond enrollment, quality of education needs to receive attention so that improved educational outcomes effectively translate into greater productivity, better growth prospects and greater chances in the labour market.

Indicators include education achievements across groups and sub-national regions, as well as learning outcomes when available. The OECD PISA (Programme for International Student Assessment) index of social inclusion will be used to measure the inclusiveness of the education system. This indicator measures the extent to which individual schools exhibit the same diversity in socio-economic backgrounds. The review looks at public expenditure on education across groups and sub-national regions and the degree of independence and segmentation of school systems.

Figure 4. PISA social inclusion index



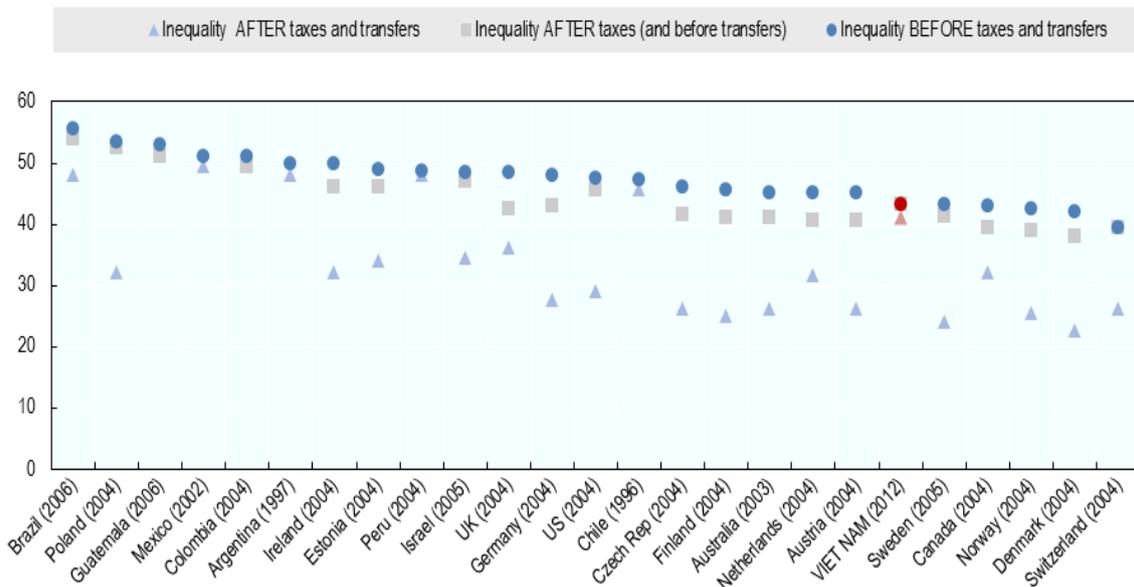
Source: Calculated from OECD (2013). PISA 2012

Fiscal policies

Taxation and transfers are traditionally important policy tools to reduce inequalities and foster social cohesion. The state's ability to keep its part of the social contract, i.e. to raise taxes and to deliver essential services is thus very important. The analysis looks at fiscal policies and their impact on social cohesion, both from the taxation and expenditure sides. First, as a key outcome indicator, a measure of the degree of income redistribution generated by taxes and transfers will be produced.

The comparison of inequality before and after tax provides a measure of the efficiency of redistribution, which can be completed with other policy indicators that measure the increase in public expenditure on health and education. There will also be an analysis of tax morale, compared to neighbouring countries and countries at similar level of development in other regions. As highlighted in the PGD 2012, greater tax morale leads to better tax collection outcomes, which in turn helps increase state capacity.

Figure 5. Inequality before and after taxes and transfers



Source: OECD (2014). Social Cohesion Policy Review of Viet Nam, forthcoming.

Civic participation

Giving space to dissenting voices is fundamental to the creation of a cohesive society and for sustainable and stable growth. This review discusses governance challenges and uses indicators assessing political participation, the freedom of expression, civic participation as well as the involvement of citizens in society. The sustainability of social programmes, which is an important aspect in building trust between citizens and the state are also examined.

Finally, the review draws recommendations on how policies can be reformed in order to be better aligned to the country objectives. The recommendations are discussed with the government and local stakeholders throughout the process of the review to ensure that they are implementable.

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