Social resources matter — we shouldn't assume that only money talks

Everyone knows that money matters and most people would accept that social resources (relationships and identities) matter too, though in what ways and how much is perhaps less obvious. In a couple of recent pieces of research (here and here) we report on evidence of surprisingly high valuations of social resources and that different personality types benefit differently from these resources when trying to plan ahead.

Both facts potentially have significant consequences for how we design polices to support people in poverty or unemployment and help to make the case that policy should not always assume that only money talks or that it is possible get away with ignoring social factors when designing policies to improve life chances and quality of life.

We came to this issue through a long standing interest in the operationalisation of Nobel laureate Amartya Sen's approach to economics, in which he emphasises the importance of things that people are able to do, their capabilities, and the fact that income should be seen and used as an input into the quality of life, not always just the end goal itself. This latter point is widely accepted in principle across economics and social science but has, perhaps until recently, stubbornly resisted attempts at redress.

Our most recent research tries to address this gap and is motivated by a simple observation that in the complex modern world, the ability to plan ahead matters in almost everything we do, from making ends meet in the weekly shop through to weighing up educational investments and managing family life. The ability to plan overlaps to a degree with the concept of grit or persistence, which Duckworth and colleagues at the University of Pennsylvania have shown can predict a number of significant employment outcomes — though we emphasise that planning is not just a personality trait but rather a capacity that depends also on a variety of external factors.

A second interest that we have is the fact that while the plans we make often depend on financial resources, they also rely on a range of complementary social factors and resources that we have as individuals, or as members of communities and we are able to call on. These resources may be less visible and harder to measure compared to financial ones, but that in itself is no reason to suppose they are not important and so we develop measures of such resources drawing on the individual/community distinction already familiar to social capital theorists.

Putting these factors together, and using Italian data from an international survey of individual capabilities, we estimate models in which the ability to plan ahead is a function of economic achievements, which we find to be the case, as might be expected. We also use other data from the survey to find evidence of groupings relating to social resources and we find three:

- Firstly there is a grouping of variables relating often to the ability to access services, which we think of as an ability to access core services.
- Secondly, we find a grouping of variables around the quality of social interactions in local neighbourhoods, which relate to co-operation and trust.
- And finally, we find a set of variables relating to the quality of the individual respondent's social networks.

Controlling for income, health and a range of other socio-economic variables we find strong statistical evidence that the ability to plan ahead is also related to these three sets of factors. This seems to make a lot of sense. Local services may not be the most glamorous — Corbyn was recently described as unexciting when he called for improvements to local bus services — but they can make life very difficult when they cannot be relied on. Similarly, living in a community that is not engaged, helpful and friendly removes an important resource that is intrinsically valuable but also facilitates economic transactions. And we also found evidence that the individual's own personal networks contributed to their ability to plan, as we had supposed..

The relevance of personal networks for future planning caused us to further explore the role of personality as measured by the Big-5 dimensions, which are nearly universal around the world. In an increasing number of studies economists are finding that what psychologists call locus of control plays an important role in shaping the economic outcomes people receive. Here we find that being under-controlled (being low on the dimensions psychologists label agreeableness, conscientiousness and emotional stability) makes it harder for people to make use of access to services in their planning.

Perhaps this seems like a minor issue, but we think it is fundamental also, because until now, the economic policies of welfare states have relied on predominantly legalistic and objective concepts of entitlement and need. Yet those with particular personality traits may find it difficult to access support or employers to offer them work, and they may be precisely the people that governments are trying to help.

That said, these same under-controlled individuals do also benefit more than others from environments where trust and cooperation levels are high. In further work, to get a financial handle on what these resources might be worth, we also used a life satisfaction model and derived estimates of community and individual social resources in the £20k to £60k range, which ranks social resources significantly above some environmental goods and below the most costly losses (close bereavements) that people experience.

Political philosophers like Brian Barry have emphasised the importance of states being impartial towards all their citizens and welfare states tend to honour this principle while making limited allowances for variations in physical needs due to family composition and disability status. Subsequently, Ian Carter has also pointed out that the state needs to respect individuals and that this may impose limits on what questions it should ask of a person when determining entitlement to support. There are also those who argue against the need for a multi-dimensional approach to poverty as it could distract from the financial inequalities that are really important.

However, our research helps to raise the question about what aspects of a person are relevant to developing policies relevant and helpful to them. Accounting for the social resources a person has themselves — and can benefit from by virtue of the communities they live in — could make certain policies, for example to do with employment and housing, both more effective and human centred. It may also be that treating people with equal respect sometimes requires that we treat them differently — by virtue of recognising the social resources they do, or do not, possess.

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Notes:

- *This blog post draws from two of the author's papers: Do Social Resources Matter? Social Capital, Personality Traits, and the Ability to Plan Ahead, Kyklos, co-authored with Ambra Poggi, August 2018; and The Value of Individual and Community Resources, forthcoming in New Frontiers of the Capability Approach, Cambridge University Press (eds Comin F, Fennell S and Anand, P B).*
- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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