

NOTES
POSSIBLE SOCIAL POLICY DEVELOPMENTS AND
CORRESPONDING STATISTICAL REQUIREMENTS

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Production maximization, together with an appropriate distribution of income and wealth, can no longer be considered as the exclusive objective of socio-economic policies. Economic and social life is accompanied by numerous hardships, constraints and damages which demand to be minimized. Combining these dual aims is not easy as no single model has yet been set up taking into account all these inter-relations. However, one may try to reduce the uncertainty about the statistical material that could be required for decision-making in this new context.

Since late in the sixties, it has become more and more obvious that economic and social policies cannot remain independent. The increasing share of compulsory expenditures through government budgets and social security schemes have been a major factor contributing to sustaining economic growth, while at the same time attention has been drawn to negative aspects of this growth, such as:

- (a) negative externalities linked with the growth of production (emission of pollutants, wastes, noise, etc.);
- (b) increase of constraints affecting the societal environment (working conditions, victimization, etc.).

Research and analysis in the field of national accounts and connected matters have been influenced by concerns such as development of public sector statistics, measurement of the net national welfare, extension of the production boundaries in order to cover all non-market activities of households, measurement of income and wealth distribution, effects of changes in relative prices on the internal and international distribution of incomes, social protection accounts, etc.

As far as specific social statistics are concerned, efforts have been made to co-ordinate, harmonize and systematize them (to limit reporting cost and allow for joint use of available data). Advances were made in two directions: (a) developing systems of social indicators, and (b) improving the organization of social and demographic statistics as far as possible in relation to national accounts.

Regarding the social indicators movement, compendia of social statistics (following the British CSO *Social Trends*) have been published by several national statistical institutes. At the international level, different organizations started research in this field, but the most intensive work, for market economy industrialized countries, was undertaken in the OECD. This Organization adopted, at the beginning of the seventies, a "social indicators" programme aiming at generating a comprehensive set of data, common to all OECD countries. A first list of common social concerns was published in 1973. In 1981, after ten years of development work, OECD adopted a list of 33 social indicators, corresponding to 15 social concerns.¹ These indicators are compatible, but not integrated, with

¹This list has been published in the OECD Observer No. 113, November 1981. Detailed comments have been given in a book entitled "The OECD List of Social Indicators" published in May 1982.

national accounts. They are separate indicators and cover most aspects of social life, but cannot presently be combined to give aggregate indicators of social welfare.

Regarding a systematized organization of social statistics, the attempt to adopt at the U.N. level a "system of demographic and social accounts" failed unfortunately, and the Framework for Social and Demographic Statistics (FSDS), which has been discussed by the U.N. Statistical Commission, does not correspond to a really comprehensive and fully integrated system, similar to the SNA.

These long discussions at the international level have, of course, been useful, even when their results were negative, but the present state of social statistics cannot be considered as satisfactory if their role is to fully illuminate present socio-economic conditions and to guide the decisions of policy makers efficiently.

Since the two oil crises, uncertainties are growing. Persistent, if not growing, inflation and/or unemployment, slowing down of average growth with longer and/or deeper phases of recession, competition of newly industrialized countries, and difficulties of carrying out the needed structural changes in a crises atmosphere lead to the general feeling that it is impossible for public expenditures to continue to grow faster than GDP and that the burden of taxes and social security contributions has reached its upper limit. Some other policies must be looked for.

Given the so-called "Crisis of the Welfare State", it became more obvious than ever that economic policies aimed at maximizing the production of goods and services in a balanced way and social policies responding to social concerns had to be considered all together. The absence of a general theory or models dealing in a comprehensive and integrated way with economic and social problems is the origin of many hesitations. Those who favour more restricted social objectives are confronted by those who are strongly opposed to any backward movement in social justice. Conflicts are possible about the opportunity of a more or less authoritarian attitude regarding the saving of resources (priorities in the allocation not only of energy and raw materials but also of investments, research expenditures, human capital formation, etc.), about the role of private initiatives, and about the reduction of unemployment through free adjustments on the labour market or by a more or less compulsory labour sharing.

Statisticians do not receive from economists, sociologists or policy makers clear indication of the data which could be needed for future decision making. However it is not entirely impossible to anticipate the nature of these needs, which will have to take into account the growing complexity of economic and social choices.

The well being of individuals depends not only upon the availability and accessibility of goods and services for each of them but also upon the personal efforts and sacrifices they have to contribute and upon all other benefits and costs related to social life. Two sets of objectives appear: maximizing of the economic and social product obtained with given resources, and minimizing economic and social costs corresponding to a given product.

The first set of objectives corresponds more or less to the conventional approach of economists and to the models which underlie national accounts. Goods and services are considered in positive terms and the only possible costs

are opportunity costs (when the given resources are limited). What appears on the input side of the accounts corresponds to the distribution of the product (or income) among the factors of production, including the free services provided by the Government, by non-profit institutions and by households to themselves.

Only the final product is considered, and net measurements imply a number of deductions: imports, capital consumption (possibly including the depreciation of human capital), to which could be added the use of natural resources (depletion) and damages resulting from production activities (negative externalities). These net measurements already raise a number of problems, particularly when they are made at constant prices (terms of trade effects).

The addition to the goods and services which are sold on the market of non-market goods and services implies estimates of the performances of the public sector and of the internal activities of households, which may raise debatable problems of valuation. Moreover, an agreed-upon identification of regrettable necessities would be appropriate.

If it is intended to include in total output an estimate of the effects of the income distribution, the convention according to which transfers are neutral must be set aside, since the same amount of money does not have the same importance in the hands of rich men as in the hands of poor.

Insisting on the social aspects of output could even lead further. What is called output by national accountants may appear for sociologists as an input for something else: for instance good health should be measured in another way than by the quantity of health care provided. Similarly, the number of persons in jail is not necessarily a good indicator of personal safety.

Finally, the societal life induces not only costs but also benefits for individuals: solidarity, conviviality, security. These benefits cannot be entirely ignored.

Looking at the second set of objectives (minimizing costs), we find a largely new field of research. However, much discussion has already taken place about the reduction of working time, which is a good example of willingness to reduce costs (instead of increasing incomes, allowed for by a rise of productivity). Two attitudes are possible. The reduction of working time may first be considered as an increase of leisure time, introduced as a positive item, and the reasoning continues in terms of opportunity costs. This implies a new extension of the production boundaries in order to include leisure, defined as non-working time (whatever may be its use), in total output. This looks really inappropriate.

The second attitude consists in speaking of "direct costs" (related to the entire working conditions), which have to be added to many other personal costs (sickness, accidents, etc.) and/or societal costs (almost all the social indicators in the OECD list are or could be expressed in negative terms: unemployment, work injury, environmental nuisances, etc.).

Social objectives naturally include more abundant goods and services, allowing for a rise of the level of life, particularly for the poorest, but not at any cost, emphasis being given to the diminution of risks and to more equality.

The risk approach is more in line with the liberal doctrine, the basic idea being that if men had been able to choose (the notion of "Contrat social") they would not have accepted to be born without being protected from major risks.

The egalitarian approach is more connected with socialist views. Inequalities between individuals, households and other groups have to be eliminated or reduced, which means that not only lower but also upper limits have to be fixed. Risks, of course, concern possible misfortunes essentially, but it would be an error to apply the egalitarian approach only to positive items. Equality of benefits is to be accompanied by equality of efforts and sacrifices. Equality of chance is not to be confused with equality of results. Not only do there exist natural inequalities which have to be compensated for, but it is also necessary to take care of bad luck.

In fact, the two approaches are generally mixed: for instance a decent dwelling and sufficient food for everybody (risk approach) and the same health care for everybody (egalitarian approach).

If targets are adopted for total public expenditures (including social security schemes), or for total taxes and compulsory contributions, limits will have to be fixed to budgetary interventions and to social programmes, necessitating an increasing efficiency of social choices.

With the risk approach, what would have to be looked for (theoretically) is a certain equalisation of the marginal dissatisfaction attached to each recognized risk. But how to measure it?

If more equality is the main aim, attempts could be made to complement the redistribution by public financing, by authoritative decisions concerning prices, income formation, conditions of work, etc. Doing so, freedom will be restricted, and this may also be considered as a social cost, to be compared with the benefits of more equality. (The impact on economic efficiency would also have to be considered.)

The possibility of collecting the required statistical information is largely questionable. The elementary work of simply enumerating social risks is already controversial. Even in putting aside negative items, it is not easy to distinguish among goods and services those which are designed to increase man's satisfactions from those which are designed to reduce man's dissatisfactions. Social concerns are themselves very ambiguous, utilities and disutilities being not easily separated.

Other statistical difficulties are also well known. As individuals or small groups are concerned, very disaggregated data are needed. The criteria to be applied in valuation problems are quite uncertain.

A discussion in depth of concepts and definitions remains necessary. In the meantime, for empirical research, a progressive approach seems appropriate:

- (a) to observe the wide range of social concerns,² particularly the newly expressed ones, a task which is already well started;
- (b) to classify these concerns systematically by groups and families: it is not certain that the major groups of concerns generally recognized at present (health, education, security, working conditions, environment, etc.), according to existing institutions, are the most appropriate basis for cost-oriented classification;
- (c) to determine, within each group and family, what is measurable (indicators) and when different units are applied, to propose to policy

²The word "concern" relates to needs to be satisfied, rather than to uneasiness.

makes a choice of conversion factors which could be used in any aggregation and/or comparison attempt corresponding to given objectives;

- (d) to continue to adopt and apply harmonized secondary classifications common to all social concerns.