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Draft

What we have learned from the NRE project

Social capital is the basis for building community capacity. Our community survey measured:

1. the existence of networks in market, bureaucratic, associative and communal relations;
2. the use of networks in market, bureaucratic, associative and communal relations; and
3. the perception of social glue, using the first two of Buckner's three dimensions (his third dimension is "action", not "perception").

We found a surprisingly low correlation between the existence of networks in a community and the use of these networks in a community. The existence of networks (or organizations) does not mean that community members participate in these networks. Thus, one recipe in our GCRCC¹ will show how to build rural capacity by expanding the use of networks in communities these networks already exist.

We also found a surprisingly low correlation between the existence of networks and the use of networks and the perception of social glue in a community. This is important because many other studies use measures of perception to measure social capital. Thus, another recipe in the GCRCC will be to show how to build rural capacity in a community that has a strong sense of community, but has few networks.

Declining communities, sooner or later, decline below the critical mass to support the local provision of services – such as hospitals, schools, police services and even grocery stores. Many of our Rural Observatory communities are experiencing such declines. However,

¹ The objective of NRE² is "to identify how to build rural capacity. Taking our lead from Elizabeth Baird's Great Canada Cookbook (circa 1970s), our research outcomes will be chock full of recipes to produce the Great Canadian Rural Capacity Cookbook (GCRCC).



when we tabulated our data (ref. Greg's presentation to the Nov. 3rd workshops) to see the availability of these services within a regional context, we found that nearly every service (and certainly every 'essential' service) is still accessible. This means that the removal of public services from some communities has not reduced the accessibility of these essential services. Score 1 for the careful restructuring of these services. For our work on building rural capacity, this means we must move from a community perspective to a regional perspective – we will have a recipe in our GCRCC on how rural communities can build capacity with other communities in their regional context. Moving from a community to a regional context is a major outcome of our analysis of the rural community household data.

Our hypothesis of building rural capacity is that good community leadership will provide good community outcomes. Evidence presented at the Nov 3rd CRRF workshop indicated that leading communities were more likely to have good leaders, which was provided as evidence that there is a positive association between good leadership and successful communities. However, Bruno and Augustyn noted at the St. Damase workshop that their tabulations was backwards – when they re-tabulated the data to see if good leaders 'cause' or were more likely to be in leading communities, they learned that if they looked at all good leaders, a minority were in leading communities and if they looked at all "less-than-good" leaders, a majority were in leading communities. Thus, this is no evidence that good leaders cause leading communities, but there is evidence that leading communities produce good leaders. Policy development and local community capacity building will be greatly improved when we find out what has to go with leadership skills in order to have rural community capacity building that produces a leading community. This will have a major impact on our GCRCC. Developing leadership skills is not enough. We need to learn what needs to be mixed with leadership skills to build rural capacity.

Social capital has a significant impact on household income. For example, at the household level, a 10 percent increase in the use of networks in market relations would increase household income² by 11,426. This is 'almost' a staggering³ increase in household income – perhaps enough to remove the entire rural-urban household income gap.

² Due to the small number of communities in the sample, the only significant association between social capital and community aggregate income was the finding that a 10 percent increase in the index of the community existence of networks in market relations was associated with a \$6,578 (index mean of 7.09 time 10 percent times the regression coefficient of \$9,278) increase in community aggregate income.

³ Faites Attention! If your R^2 is 0.02, and your variable is significant at the 5 percent level of significance, you might check for multicollinearity. The SAS procedure called PROC REG has an excellent multicollinearity diagnostic.



Index of <u>use</u> of social capital by households	Index mean	Regression coefficient	Impact on household income of a 10 percent increase in the index
	Col. 1	Col 2.	Col. 3 =((Col.1) x 0.10) x Col. 2
Index of the <u>use</u> of networks in market relations	9.77	\$11,695	\$11,426
Index of the <u>use</u> of networks in communal relations	3.84	\$595	\$228
Index of the <u>use</u> of networks ni associative relations	4.07	\$4,063	\$1,654
Index of the <u>use</u> of networks in bureaucratic relations	7.90	-\$7,253	-\$5,730
*** Considering just the "information services" component of each network ***			
Index of the <u>use</u> of networks in market relations	0.47	\$80,818	\$3,798
Index of the <u>use</u> of networks in communal relations	0.50	\$898	\$45
Index of the <u>use</u> of networks ni associative relations	0.06	\$11,672	\$70
Index of the <u>use</u> of networks in bureaucratic relations	0.53	\$76,103	\$4,033
Source: the Moses and Bill paper, draft, August, 2003.			

An important note for governments – increasing the use of networks in bureaucratic relations lowers household income. A 10 percent increase in the index lowers household income by 5,730.

However, if we re-estimate these relations to consider just the information-flow component of the use of each type of network, then the use of networks in bureaucratic relations for transferring information provides a positive impact on household income – a 10 percent increase in the index provides a \$4,033 boost to household incomes.

Note that augmenting the use of networks in communal or associative relations by 10 percent has a relatively small impact on household income level. Thus, if the policy focus is on improving household income, little investment should be made in building rural capacity in communal or associative relations. Consequently, our research focus will move away from communal and associative relations toward market relations and the information-flow component of bureaucratic relations.

These insights are focussing our subsequent research on our objective – “how to build rural capacity.” Two capacities matter:

- Use of networks in market relations; and
- Use of the information-flow component (but not the use of all components) of bureaucratic relations.

This will form the core of our GCRCC.

