Working Economics: Labor Policy and Conducive Economy in the Netherlands

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The conducive economy challenges both the conceptual foundations and the practices of present-day economies. In the Netherlands, a few initiatives during the 1980s and early 1990s looked promising, in particular, as these initiatives focused on work quality as one major precondition for reducing disability and enhancing labor participation. Prospects are less bright today. Ever larger slices of governmental monetary, financial, economic, and social policies become market oriented, as distinct from conducivity oriented. The instrument of the covenant, nonetheless, may prove worthwhile in further promoting the banner of work quality.

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A New Economics?

Scarcity, maximization, and allocative efficiency are the core concepts of traditional economics. Conducivity, capability, and skills are the core concepts of the alternative economics of Robert Karasek (2004 [this issue]). It is an ambitious series of concepts, both in terms of the impressive intellectual heritage it builds on and the competing visions it musters or, as the case may be, rejects. As for the latter, if we were to distribute the world of work and organizational redesign between Business Process Reengineering (BPR) at one end of the line and modern sociotechnical theory and design with its northern European industrial democracy basis at the other end, and with lean production somewhere in between, we cannot but note the large gulf separating Karasek from BPR and lean production and the affinity between him and the sociotechnical tradition. Yet the conducivity proposal probes further than any of these competing visions, if only for the simple reason that it does not present itself as a vision with incisive economic consequences (they all do) but as a new economic vision in its own right.

In this, Karasek has many an ally, old and new. For in the early days of political economy, the theme of *reproduction* (of land, of human and technological resources) assumed center stage. Yet given the shift from the French physiocratic tradition to classical and later neoclassical political economy, the theme vanished, Karl Marx being the sole and not very successful exception. Indeed, the theme did not return until deep in the 20th century in the wake of Keynesian-inspired growth and development economics. And even that return was short lived, as was Keynesian economics as such. In economics, that is, the theme of reproduction is absent, except in the shape of so-called external effects. External effects, such as the destruction of natural resources, the pollution of the environment, the weakening of the social fabric, and the underuse and deforming of human resources, are the guilty conscience of the economic discipline. Unless, and somewhat more probable, the economist is the Dr. Pangloss of modern times. In the famous Coase theorem and the debate it gave rise to, we find the evidence.

In Karasek's (2004 [this issue]) economic vision, reproduction is part and parcel of the bridging of a commodity value economy and a conducive value economy. The economy, in his concept, is not final, the end of production being consumption. Instead, the economy is systemic, with production and consumption linkages on the one, production to reproduction linkages on the other side. This is reminiscent, indeed, of the reproduction schemes developed by Marx. Conceptually, moreover, the interest in reproduction hinges on the distinction between riches, on one hand,

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and wealth, on the other. Riches are concrete and denote use values and their sources and resources. Wealth, in contrast, consists in precisely the abstraction from use values and concrete resources. Wealth denotes exchange values, the best summary of which is money, or indiscriminate purchasing power. And the question is, predictably, whether the measurement in terms of wealth infringes on, and even distorts or threatens, its very sources in the human and natural environment. In mainstream economics, the question is dealt with rather perfunctorily—as a footnote, as it were.

The question is more pivotal, however, in welfare economics and its many connections in the philosophy of ethics. From Sen (1993; capabilities) through Rawls (1971; primary goods) to Dworkin (2000; equality of resources), we find an insistence on resources as distinct from and indeed often opposed to wealth as usually defined. It is my impression that Karasek is a partner in this train of thought. In particular, Karasek's insistence on capabilities and skills is very much akin to Sen's distinction between capabilities and functionings. I am, of course, well aware of the fact that this chapter in the history of the genesis of Karasek's ideas is as yet unwritten. On the other hand, where comparable ideas crop up independently from one another, we may not just detect an eventual serendipity pattern. We may also detect the urgency and objectivity of the solution to the problem of an economy gone astray.

Conducivity in the Netherlands: A Dutch Treat

In the mid-1990s, the Dutch government invited Karasek to present a report on the links between labor participation and the quality of work, low rates of participation combined with very high rates of disability. On May 24th, 1996, at The Hague, on the invitation of the Dutch Ministry of Social Affairs and Employment, Karasek presented the lecture that is the basis of his article in this issue (2004) to an audience of top official advisors from the Dutch Ministries of Economic Affairs, Education, the Treasury, General Affairs (office of the Prime Minister), Interior, and Social Affairs and Employment and from several policy planning bureaus. At the time of that presentation, about one in every six Dutch workers received a full or partial disability benefit and was, therefore, "disabled." Furthermore, that occurred at a time when the participation of women in the labor force was still comparatively modest and the participation of older workers was at an historic low. Given the trends toward an individualizing society and toward an aging labor force, the necessity of raising the level and the scope of participation in the Netherlands was all but undisputed.

In a sense, the drive toward more participation was a success. Supported by an expanding international economy, the participation of both women and older workers rose considerably (the employment rate of women rose from 54% to 64% between 1995 and 2000; the employment rate of older workers between 50 and 64 years of age rose from 29% to 38% in the same period of time). However, along with these successes, the inflow of people into disability arrangements kept outpacing the outflow from disability. The total number of people under disability benefits continued to go up, therefore, totaling almost 1 million in the year 2000. Moreover, the inflow of women, and of ethnic minorities in particular, into disability is larger than the inflow of men. That, undoubtedly, is one indication that the quality of the job and of the employment relation influences disability risks. Another indicator pointing to the relevance of work quality is why people get disabled in the first place: Disability because of disturbances of the locomotor apparatus (i.e., the skeleton, the muscles, and the joints) and because of psychic problems are very much on the rise. In other words, there are still too many strain jobs, characterized by a mismatch of job demands and decision latitude.

Apparently, and despite the recommendations of Karasek in his report to the government (1999), investing in the quality of work as a precondition for durable and inclusive participation lost out to the short-term consideration of raising the level of participation. Instead of targeting the quality of work, the Dutch government, then and even more outspoken now, tries to target the incentives of employers and employees. The general idea is that the access to disability arrangements is too easy and that the benefits are too attractive. Disability, thus, is no longer primarily seen as the product of the working environment. Instead, the emphasis now is on the most banal elements in the toolkit of what Karasek (1999, 2004) calls the *market-oriented policy*: sticks and carrots. The claim is that people choose disability, and the task of government is in discouraging them to do so.

In the mid-1990s, this development in Dutch policy could not be foreseen. Actually, at that time, and with the benefit of hindsight, Dutch economic and social policy was at a crossroads. From the 1980s onward, much attention had been devoted to improving working conditions (including the well-being at work or the quality of work and working life). Programs were developed and subsidized to improve the quality of jobs, working stations, and the work organization as a whole. Also, instruments to measure the quality of jobs, and the criteria of job quality as such, were construed, with some of them explicitly paying tribute to the Demand-Control Model of Karasek. As a matter of fact, the Nordic countries and the Netherlands are among the countries where this model received much attention, both within and beyond the walls of academe. In the Netherlands, however, the weight shifted during the 1990s. The high incidence of disability and the high costs of disability benefits led the government to suspect that the disability arrangements in the Netherlands were abused by both employers and employees.

They were. When comparing disability benefits with, for example, unemployment benefits, disability was the better option. It paid more and it paid longer. Especially for older workers and their employers, faced with a cold economic climate during the 1980s, coping with redundancies was easier by taking the disability road than by going for unemployment compensation. Moreover, employers and employees controlled through their representative organizations the actual implementation of the disability act and were thus able to soften the brunt of redundancies by labeling them *disability* rather than *unemployment*. Of course, the government knew about these practices and tacitly accepted them. The Netherlands, after all, is a small country, and policy makers meet one another quite regularly. Officially, however, the government was not implicated, and when the costs really began to soar, it intervened and showed its great dismay at the misuse of which the social partners had proved capable. There were three consequences. One was that the implementation of the disability act was taken out of the hands of the social partners. Instead, the implementation became the arena for an uneasy alliance of governmental agencies with private rehabilitation and so-called reintegration companies. Two was that from about the mid-1990s on, the focus was on limiting access to and attractiveness of disability as an escape from the regime of employment. Three was that the original focus on the quality of work lost out to the policy of blocking the escape route to disability. And once disability lost its causal link with the quality of work, the name of the game was changed. With the quality of work in a contingent role at best, the government became content to direct its attention to problems of adverse selection and moral hazard. Conventional economics indeed. Before even contemplating the promises of conducivity, the Dutch government already has stopped short in the face of the quality of work. A Dutch treat if there ever was one.

Measuring the Distance: Conducivity and Recent Policy in the Netherlands

Capabilities and skills are at the core of the conducivity model of economics. Capabilities define the set of skills, or functionings, that may be used in the actual development, design, and production of goods and services. Capabilities, when compared to the skills deployed at any one moment, represent a certain redundancy of functions. Such redundancy is no luxury, however. Both in adapting to new circumstances and in anticipating the very possibility of changes and acting on them, functional redundancy and therefore the capability set (Sen, 1993) are badly needed, thereby proving the well-known systemic rule that flexibility presupposes redundant functions. That, nevertheless, is not the full story. For in the conducivity model, skills and capabilities do not stop at the frontier of production. They involve the consumer and client as well. Once we learn to conceive of products as services (we do not want a car, for example, but we want to be able to go from A to B), it becomes clear that the large majority of services requires some action of the consumer or client. Purely passive consumption, that is, is only an extreme. Far more typical is the service in which the product cannot be had unless its consumer takes some action. Underlying the conducivity model is that this type of product or service is swiftly gaining the upper hand in a growing share of all economic transactions. Underlying also is that the commodity economy as we know it is more a hindrance than a help in optimizing such economic transactions. This is so for two reasons: (a) the commodity economy is geared to a strict separation of the roles of producers and consumers, and (b) the commodity economy is indifferent to the development of skills and capabilities. These are no more than a means to an end, and if the end requires the devaluation of skills and capabilities, so be it. The mass-production era, indeed, went hand in hand with a mass destruction of skills. The era of the service economy may do the same (dead-end jobs measured in minutes instead of in empowered clients), but such need not be. The Enskededalen example in the article by Karasek

(2004) clearly shows both the limits of conventional economics in this respect and the promise of the economics of conducivity. Skills enhance scale and scope of capabilities; capabilities in their turn call forth the use and development of skills, both for consumers and for producers. The value created is in the capabilities; the value realized is in the skills. That is indeed a far cry from commodity value.

Nor is this restricted to the educated workforce and the educated consumer. The point is, rather, that all jobs are related to products-as-services, and vice versa. Decisive are matters of job design, of the design of the work organization, and of the design of boundary-spanning mechanisms between producers and consumers. Decisive, that is, are matters of learning on the job, in the job, and from the job. Such might lead to the type of bootstrapping reforms Charles Sabel (1994) advocates (catchphrase: learning by monitoring), in the trail of Albert Hirschman's (1967) studies on development and underdevelopment. For there, too, as in Karasek's (2004) proposal, learning is highly endogenous, which means, in plain English, that it is not your education that determines the job. It is the other way around: The job determines your education. Not by discarding schools in the sense of Illich (1971) , however. The reference is to the educational tasks of and opportunities in the world of work in bridging the distance from job to job (employability) and from producers to consumers (coinducing skills and capabilities). Such, in fact, is the gist of participation in work and society.

The conducivity model is an instance of what is called a *knowledge economy*. The shift to services, and to the active involvement of consumers in making the most of them, calls for knowledgeable producers as well. The value of one's participation, then, is in the addition to the capabilities of oneself, of one's colleagues in work teams, and of one's clients. To get there, new economic and social policies are essential. The question is this: Is the Netherlands aware of the task ahead and, next, is it willing to take the necessary steps?

Phrasing the question like this is incomplete. The Netherlands is part of the European Union (EU), and it is one of the member states (unlike other member states such as Denmark, Sweden, and the United Kingdom) participating in the Euro. The latter is of decisive importance. With the Euro, the country gave up its monetary independence. That, in itself, was of minor significance. The Dutch guilder had been pegged to the German mark already for several decades. In that respect, then, we traded the mark for the Euro and hardly became more dependent because of it. On the other hand, with the Euro came, as of 1998, the so-called stabilization and growth pact, and that is far more significant. For, under this pact, countries also have to give up, within rather tight constraints, their financial independence. The upshot is that the task of adapting to the business cycle is now in the arena of the labor market and social security systems. In prosperous times, such does not have to amount to very much; in poorer times, it means cuts and subsuming long-term interests under short-term financial exigencies (balancing the budget). At present, the times are poor, unemployment is up, protection against dismissal is down, and social security is being dismantled. Access to disability benefits is, indeed, made more difficult, as is access to unemployment benefits or, for that matter, to early retirement schemes. In the same spirit, benefits are cut and reduced in duration. We now have an economy of participation without jobs. No wonder unemployment rises.

Moreover, those on benefits are, more than ever, under the obligation to accept any job offer that might come along. What such entails for their long-term employability is a case for moody speculation, but chances are that employability is on its way to becoming a very secondary matter indeed. A job, any job, is better than no job: That is the dictum. That no job could mean training and that any job also implies accepting a job although it may ruin your already acquired credentials, is all in the game. Capabilities and skills, by this token, are second to a job, as the job is second to its income, and incomes are second to the financial constraints of the pact. Of course, this does not hold for the whole of employment. But it does hold for the weaker parties in the labor market, and it leads to many new signals, in the Netherlands and elsewhere in erstwhile strong welfare states, of a divided or segmented economy, society, and polity. The political answer in the EU countries to these signals only goes to underscore the poverty of present-day policy. The answer is that the employees in Europe, and in particular in the Netherlands, should work more hours, more weeks, and more years. That, it is assumed, will keep Europe competitive with the United States and, if wages will behave and play ball, with the rest of the world economy as well. In this light, the project of the EU to be by 2010 the "most competitive knowledge economy" of the world is as vague as it is high sounding (European Council, 2000). The simple observation that the pact may forbid each and every move into that direction should suffice for the conclusion that the EU has deprived itself of the independent means to achieve its objectives.

Where, in conclusion, does this leave the drive for a better quality of work and, through that, the drive toward a more conducive economy? Here, at least in the Netherlands, things are not completely gloomy after all. When, during the 1990s, the Dutch government started to give priority to the disability question, as opposed to the quality of work and working conditions of the decade before, the latter terrain was not simply left to its own devices. Yet instead of directly programming and subsidizing the quality of work and waiting for the results in terms of lower absenteeism and disability, the government embarked on a program of covenants. Covenants are not contracts, nor are they laws. Parties enter covenants on a voluntary base, and they can leave the covenant at any time they wish, albeit under the clause that they must state their reasons for leaving. Under such covenants, employers and employees set targets of reducing absenteeism and disability, and they identify the means, the quality of work, and working conditions included to achieve these targets. The role of the government in this connection is supportive, not directive. And the causal direction has changed: We now work backward, from absence and disability to the quality of work and working conditions. The quality of work, therefore, is now a contingency and no longer a necessity. That is a setback compared to earlier days, but it is not a complete loss of the quality issue. In itself, however, it will not suffice to get conducivity on the agenda. The day for the takeoff of conducivity, of working economics, has yet to arrive in the Netherlands, if not in the EU at large.

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