

A Vacuum in Political and Economic Labor Policy?

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A vacuum is arising in the social policy of advanced countries. It is due to the fact that both of the currently dominant bases for social policy, market-oriented policy, and its presumed antagonist, welfare state policy, have the same and an insufficiently broad production value model at their core. The solution is to create a true new alternative, work quality policy, based on a re-understanding of work organization and the alternative forms of value it can create. Understanding work organization's consequences can help resolve current dilemmas relating to (a) economic growth based on low production cost instead of skill development, (b) hidden costs of work intensity and job insecurity, (c) true service sector productivity, and (d) current fragility of democratic institutions.

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Work Quality, an Alternative Basis for Social Policy

Need for New Perspectives

Social change in the area of work organization and social policy is necessary—change today by workers, companies, and governments. Most currently discussed changes involve two simultaneously opposing directions: (a) Most “changes” in labor and social policy today are being driven by a “market-based” logic, (b) policy makers who insist that social problems need a broader solution than the market-oriented approach advance new practical solutions but have no clearly formulated model. Their former alternative model—a more worker-protective welfare state logic—is now given reduced priority from the political parties that

proposed it, leaving a political-economic vacuum in the area of alternative visions. Many new social policy initiatives embody important, practical ideas but have no name for their new directions nor any integrated set of proved and politically relevant hypotheses to guide new policy formulation in a new area. Pressures for a new policy for work organization are also created by multinational companies in the global economy, which is moving faster than political institutions and bringing conflicting elements of humanistic work-life rhetoric and huge social dislocations. In the background, the platform of national democratic institutions that used to provide stability is itself often wavering to the pressures of increasingly powerful economic forces in the global economy.

Policy makers must formulate new approaches that address a broader range of social consequences than those addressed by the previous set of economically focused models and must use integrated solutions. Thus, for practical progress with the idea of a new policy approach, political bridges must be built between any new policy model and existing models based on market-oriented policy and welfare state policy.

However, before a bridge can be built, its anchors must be defined. In this article, I attempt to point out the weaknesses of current labor politics and how they could be overcome by a new social policy approach—here called the “work quality approach,” based on work organization. Following this, I briefly outline the prerequisites for the work quality approach.

Policy Discussions Today

Policy discussions in many countries reflect the following theme: Social welfare progress is ultimately linked to economic success in a global market economy. Development of a free market economy will pro-

vide jobs and income, even for the poor, more effectively than a government can by interfering. The agents of economic growth are companies and their workers, and a government's role should be reduced to limit interference with markets, including free labor markets, and to reduce social costs on private production, which could harm competitiveness.

This market-oriented policy (derived from neoclassical economics) stands in political opposition to welfare state policy, the primary alternative policy logic during the past century, which advocates a humane and democratic society based on government intervention to equalize the distributional inequalities of capitalistic production—via ensuring a norm of basic necessities and civil democracy to each citizen. The principles of welfare state policy have traditionally emphasized the principle of “solidarity” in which all citizens share equally in both the burden of maintaining the modern state and in its rewards, often in the form of social services. Currently, many advocates of a market-oriented policy claim that the welfare state model is inefficient in production and out of date, particularly since the collapse of the socialist governments in Eastern Europe, although the arguments used against government activity are equally dated. Although major fractions of populations continue to support public social services, the political parties of the left now often limit the redistributive goals of their original vision and increasingly accept the logic that rapid economic growth will most benefit all citizens, often adopting “budget balancing” regimes toward this goal. These policies cut public services and undermine the income equality of low status groups and yield policies so similar to the market-oriented policy that many current political observers denote the lack of real political alternatives.

Significantly, the welfare state model has never questioned the production model of capitalism nor the nature of the value it produced nor the fact that it is the market that initially distributes well-being. The same mass-produced and mass-distributed material well-being as that of the market model is produced for the welfare state, only the final distribution of benefits in society differs.

Although the nature of production and work activity itself has changed dramatically since the historic foundations of these two models emerged in the early 1800s from the work of Smith (1976), Ricardo (market-oriented policy), and Marx (welfare state policy), there is little political discussion that transcends the boundaries of this traditional debate.

However, the situation is beginning to change in the European Union, where, in reaction to what would be an unprecedented additional expansion of free-market political economic activity in the form of monetary union, left and center policy makers have begun to refocus on the contribution that society's institutional structures make to its production capabilities. Social policy is not just a cost factor but a platform for socially humane economic growth. This “institutional” directional—called, with varying emphases, the concerted economy (van Waarden, 1997), the social market economy, or the shareholder economy—emphasizes the fact that a very broad range of nonmarket institutions contribute to the coordination (concertation) of economic activity in society: labor unions, business trade associations, government advisory commissions, regional planning agencies, even cartels. These institutions increase the adaptive capacity of society to produce rather than hinder it. Different countries display different forms of concertation. The institutional structure represents the rich legacy of Europe's past cultural heritage. However, the institutional approach emphasizes networks of economic governance—but not a new network of economic production. Market-oriented policy has so far been allowed to set the terms of the debate by declaring production efficiency in the future global economy as “the goal.” Thus, the multifaceted benefits of concertation outside of “production efficiency” may not get their due attention. The market-oriented policy (and, implicitly, social welfare progress) paradigm of production coordination and value from production remains little questioned.

New themes are also actively developing in the area of prevention—the prevention of unintended social problems, such as incursion, and the prevention of social costs of work, which are invisible to the market. The prevention of social problems works through the reorganization of social institutions, particularly production organizations, before they cause unintended problems and avoiding patch-up of the damage after it is caused. The prevention focus implies that we have previously overlooked many “unintended” outputs that are “produced”—but not counted—in our conventional models in important social spheres, particularly in the economy. In this respect, there is explicit contradiction of the basic market-oriented policy assumption that social well-being is primarily produced and transferred via labor markets and consumer product markets and that other social effects of economic institutions are peripheral.

Toward a Work Quality Direction in Social Policy

This article takes a broader view of prevention one step further. I attempt to outline a third basis for social policy development—a work quality basis for social policy. The work quality perspective also claims that the market model covers too narrow a range of social behavior to describe the whole of current social reality. Instead, it claims that many of the costs and benefits of work activity are also transferred through nonmarket, social relation processes that link work experience to life inside and outside the job—which can be called work quality effects. Work quality issues now have major effects on (a) the innovation capability of companies and workers, (b) community and family stability, (c) health and mental well-being, and (d) the strength of democratic institutions. These effects are both desirable and undesirable, and they have reached a size of dramatic—not peripheral—importance.

A social policy based on work quality need not limit itself to overlooked “costs” but can focus on generating overlooked “benefits” of the production system as well, thereby addressing productivity issues: organization of innovative production and creation and distribution of output to support social stability. Social policy based on work quality could thus have social policy as a “productive factor” role advocated by the recent European policy discussions (Ministry of Social Affairs and Employment, 1997), not just “cost-generating” effects claimed for nonmarket activity by market-oriented policy. Such work quality perspectives would thereby be covering most of the crucial social topics that the market-oriented policy logic claims to predict. Such new models of production, exchange, and democratic participation will be developed in an article in the forthcoming special issue of the *Bulletin of Science, Technology & Society* on healthy work (Karasek, 2004). The focus of the work quality perspective on new models of production and exchange distinguishes it from both the market and the welfare model, but, as will be seen in later sections, its prioritization of democracy and equality gives it important similarity to the welfare state model and a broader basis for validating economic concertation in the future.

One particular set of hypotheses about social relations in the production process discusses production of both the costs and benefits of work activity, and it has been much used in the last decade by social scientists in the Netherlands and other European countries

focusing on active participation at work. This is the demand-control-support model (Karasek, 1979; Karasek & Theorell, 1990). This model first looks at workers’ skills and capabilities in their jobs and workers’ decision-making possibilities in these roles. Second, it looks at the intensity of work pressure in relation to productive output—particularly the mental and social demands of modern workplaces such as the intensity of output per hour, time pressure, concentration, and social pressures. Evidence has generally confirmed the following demand-control-association hypothesis that “active work roles” with high freedom to use and develop skills, coupled with high demands (within reasonable limits), lead to active engagement in the job, in social and political activities outside of work, and to further growth of skills on the job. By contrast, “passive work roles,” with little skill or autonomy or possibility of skill use—particularly when demands are also low—result in the loss of a person’s skills and abilities in social participation on and off the job. Another hypothesis, with the largest international research tradition, is that, when restricted opportunities to use skills and exercise autonomy are coupled with highly demanding work, a “high strain work role” results—as does heavy psychosocial costs of work in terms of mental and physical health risk (including heart disease), absenteeism, and turnover. In all of these predictions, an important moderating variable is the social context of the work role (the third, but complex, dimension “association” or “social support”). Socially collaborative facilitation of the use of skill and social-emotional support from people at the workplace increases active participation and reduces strain risk.

A simple case study shows the contrast of the three social policy logics. It is now a major concern in the Netherlands that low-skilled workers will face continually more unemployment in high technology workplaces. The market-oriented policy recommendation today for the Netherlands is the lowering of wage costs and social security contributions to increase social welfare for persons with low status. The presumed welfare improvement would occur via the preferred free-labor, market-based mechanism of increasing the number of jobs, particularly for low-wage workers. Alternatively, a welfare state approach would “redistribute” material well-being and proved subsistence support for low-status citizens out of general tax revenues. Advanced models of the welfare state have provided the work role of “a job” as a basic right as well, although menial tasks are often consid-

ered inevitable for such jobs, and welfare state thinking goes little further (Ministry of Social Affairs and Employment, 1996) (and Keynesian dynamics about job creation seem to be forgotten).

The hard-to-resolve discussions of worker well-being and the global economy have begun to reach the international policy community. In *Foreign Affairs*, economist Kapstein (1996) reviewed the full tool box of market-oriented policy and welfare state policy conventionally considered to be available to increase worker well-being: loosening tight fiscal policy, progressive taxation, education and training, international economic coordination, and, for the low-skilled, more education and training, public works, tax policy, and income transfers. Altogether, we get a view of a global policy tool kit insufficient for the present challenge.

In contrast, the work quality approach emphasizes other mechanisms that operate for low-status workers: social costs of the economic system such as illness, disability, job insecurity, marginalization, inadequate skills, and poor skill to use opportunities. Social welfare could be increased if the quality of low-status jobs was improved, reducing, for example, job strain and stress-related disability and disruptions of family life and thus also reducing social costs to the affected workers and to other members of society (presuming that wages remain constant). A second social relations process that generates and distributes the impact of work to members of society is social participation. In the work quality perspective, jobs can be developed that increase the skills of workers: active jobs. Jobs themselves, when appropriately designed, can train workers for still better jobs in the future and build worker self-esteem and motivation to engage in societal institutions. Furthermore, the social structures in the workplace, broadly defined, can strengthen the platform for civil democracy through similar mechanisms of activation, engagement, and competence building.

These topics are no longer peripheral to social well-being in modern society, as they indeed might have been for early 19th-century laborers with clearly material deprivations of subsistence wages and poor living conditions. The last three rewards presented, along with social and mental well-being, work-related illness, and family and community stability, are now at the core of our current social debate. However, these are not the material “goods” that market-oriented policy marketplaces directly deliver—these occur indirectly in market-oriented policy via the social process of “having a job” (an “externality” in economic lingo).

Indeed, such rewards are also not the primary focus of economic well-being, redistributive policies of the welfare state model. Thus, today, the work quality perspective might provide a more direct pathway to the important social policy results in our current discussions than either the market-oriented policy or the welfare state model provides.

Both Marx and the capitalist economists of the 19th century (i.e., Ricardo) argued that all work is reduced to unskilled repetitive operations and yields only subsistence wages to all workers—thus the only issue of concern was the quantity of such homogeneous human activity. There was no differentiation in quality, and even variation in work demands was little discussed. This area is one of the Marx-capitalist economist predictions that has manifestly failed to occur—as the development of the service society, the information society, and the white-collar social class attests. Social relations at work are a major, also overlooked, aspect of “labor quality.”

The limitations of alternative visions that arise from the similarity of the calculus of well-being and productivity under both market-oriented policy and welfare state policy is the point of departure of this article. The restricted definition of “value in social production”—overlooking labor quality and quality of life in many other respects—is hardly surprising because the very model for value developed by the classical economists in originating market-oriented policy was the same model further appropriated by Marx in originating a welfare state policy. At the center of the modern political economic problem is this paralyzingly restricted theoretical construction of society’s main evaluation of purposeful action. For example, the inability of the political vision of the welfare state to develop ultimately as a true alternative to market-oriented policy might be traced to Marx’s adoption of almost the same set of logical categories.

An examination of four social dilemmas in the next section shows how these dilemmas have often arisen because of the overly simplistic viewpoint of the existing “scientific” (i.e., neoclassical economic-market analytic) methods of understanding our present, complex social reality. The case shows that the use of work quality models can reintroduce some of the missing pieces (the overlooked, i.e., nonmarket, productive, and distributive consequences) to help devise realistic policy solutions. It can also be observed in the cases presented later that, although a “work quality” perspective is not common terminology at present, these perspectives correspond well with convictions already

held by many policy makers in the Dutch and European social debate—that is, nonmarket effects of economic institutions are as significant as direct market effects.

Dilemma 1: Job-Education Mismatch: “Overeducation” or “Stupidification”

The discussion above illuminates a dilemma about growth strategies arising from market-oriented policy. A policy of increasing the numbers of low-wage jobs and cutting social expenditures to reduce product costs may make the economy competitive in the short term but not in the long term. In the long term, low-wage jobs may not bring the skill development that makes a labor force truly productive, and the lack of social investment in education and public health would add to these long-term deficits. Fortunately, a major group of economists, highly respected and much discussed, departs from the strict market-oriented policy approach (Lazonick, 1991) and does not advocate wage reduction to promote international competitiveness—even for a low-status minority. These experts claim that competitiveness strategies must emphasize national technological sophistication and innovativeness and give central importance to increasing the human capital of the national labor force. Proponents include Michael Porter (1990) and Michael Piore and Chuck Sable (1984). Increasing worker skills—in combination with the development of new industrial structures, such as small business supplier networks, increased worker participation in decision making, and the active development of “smart customers” to drive new demand for high skill-content products—are all strategies of this second economic growth perspective. All of these fit the focus of a work quality perspective on the social effects of work, and they are consistent with predictions and evidence about “active jobs” from the demand-control-association model.

The major policy strategy of the “human-capital” growth approach has traditionally been to provide better educational opportunities for workers through formal education in schools. However, we now see that this is an overly narrow policy tactic. Much current research shows that the organization of work (i.e., work quality) is the source of much human capital development or lack of it. For example, empirical evidence about innovation in manufacturing shows that it comes more from the organization of the work itself than the specific education of workers, although, of course, labor and professional skills are prerequisites.

There is also a little-discussed limitation on human capital formation arising from work organization. There is a “skill underutilization” problem in many low-status jobs. In low-status jobs, workers are not using much of the education already provided by schools. Workers are actually overeducated for many of these simplistic positions. For example, there is evidence in the United States that, although high-status jobs do indeed require increased levels of education, the majority of the low-status workforce has jobs that underutilize their existing education, even intermediate high school education (Karasek & Theorell, 1990). This problem may be as significant as the already much-discussed “insufficiency of technical training gap,” albeit for different groups of workers. Corresponding evidence in the Netherlands is that the high level of education feeds “credentialism”: the same job being sought by workers of ever-higher educational attainments.

Although there is certain evidence that (a) the unemployment risk is much greater for low education workers and that (b) overall educational levels of the labor force are rising, researchers find that, for many jobs, there appears to be a “bidding war” in which potential job holders compete for positions by having the highest education but in which the education or skill requirements of the positions themselves do not increase as much (Muizelaar, van der Vegt, & Webbink, 1992).

The credentialism phenomenon has caused Dutch market-oriented policy researchers to wonder if there is a Dutch problem of “overinvestment in education” (Muizelaar et al., 1992). The conclusion that the Dutch may be overinvesting in education comes directly from the application of a market-oriented policy logic. If companies already produce what is demanded by the marketplace, then there is no additional demand for more sophisticated labor—or products. This opinion is similar to American economist arguments in the 1970s (Freeman, 1976). This market-oriented policy restriction poses a dilemma not only for economic growth in general but for middle and lower classes in modern industrial societies, whose well-being attainment via educational achievement has created the “stable middle” of modern society. Even under the social welfare model—in which basic education has always been seen as the right of each citizen, guaranteeing equal opportunity for material well-being and civil democracy—the dynamic of skill development through work itself has been overlooked. A work quality perspective, by contrast, would look at an educated

workforce as a resource to be fully utilized. The work quality solution is to develop a new social relationship between workers and producers that could make the obvious link between increasing workers' productive capabilities and customers' emerging desires for intelligent and adaptable products and services. Human capital increases are both used and developed through more creative forms of goods, services, and market links.

These findings do not undermine the human capital argument in general but rather, switch the policy focus from education to the company's need to create jobs, which use and develop workers' skills (i.e., to the design of work organization). The work quality perspective would relabel the presented imbalance: It is not an "overinvestment in education" problem but a "company and market failure to utilize human resources" problem, or "work-stupidification" problem. Clearly, work organization itself both develops skills and limits their use—and must be a part of economic policy discussions. Productivity losses, absenteeism, training programs that do not work, and unused human capital—these are all directly related to the organization of work but are topics not on the discussion program of low-wage/low-protection economists. Although learning on the job—or learning that cannot be used by workers—has not been a major policy thrust so far, many European initiatives focusing on innovation in the workplace have indeed come in the past several years.

Even for the component of innovation that comes via the classroom, there is a question of whether educational policies based on our existing economic models—policies derived from the Adam Smithian notion that narrow specialization in a skill is the most productive training for mass production—are optimal for the future. Future production requires a breadth of skills, problem-solving ability, and integration skills rather than the narrow skill achievement now advocated—even in technical sophistication in computer and information technologies—and new models of work organization are needed to clarify these needs of education in the future.

Skill issues are the most basic work organization issue and a topic that splits modern economists into two camps. One, the rigorous extension of classical economics (labeled market-oriented policy)—which sets the terms of the present discussion on deregulation—assumes that labor is only a commodity input of production and that dynamic business must search for its lowest input price. As mass production processes

expand, the labor skill requirements decline toward those of an unskilled labor pool. The second, more modern school traces growth processes in which human capital development has dynamics of its own, and thus skills of the population (almost) have value independent of their short-term market price. To this extent, the nature of value addressed by "economic thinking" starts to expand. The skill issues show how inclusion of the most basic work organization parameter transforms the debate in the necessary manner. Later in this discussion, we see that work quality themes beyond workers' skills—the demands, intensity, insecurity, and pressures of work—which have been often overlooked aspects of the economic development discussion, may now force another incremental expansion of the economic policy debate.

Dilemma 2: Overwork, Job Insecurity, and Work Disability

Growth models focus on the "benefits" workers gain from the economy, but the "costs" of working are less often discussed (as though they were constant across jobs)—that is, the physical and psychological demands and insecurities of participating in the work process. In many countries, the intensity of work is increasing (Dhondt et al., 1994), and with it are coming increasing levels of work-related illness and disability. Global competition is putting pressure on the export sector to increase labor output per hour to compete—and working families increase work hours and double up jobs to maintain living standards. If the United States and Japan provide models for future Dutch and European economic development, competitive pressure paints a grim picture of the future: "Exhaustion" has become an increasingly common theme in the news media in the United States (Hancock, 1995) and is even more clearly expressed in Japan, with 72% of the Japanese workforce having been reported to be mentally exhausted in the evenings. Economic growth of an ever-increasing output (Shimomitsu & Levi, 1992) of ever-cheaper goods can appear to workers to be an unending "treadmill"—as well as a "horn of plenty."

Another hidden cost is job insecurity—a loss of work "quality"—that can arise directly out of the market-oriented policy of decreasing labor market protection—even when the goal is increasing work quality. Little discussed in Europe is the downside of the American "job creation machine." Although the unemployment rate in the United States, at 6%, is half

that of Europe, the rates of job insecurity are far higher than in Europe; expectation of job or wage loss was anticipated by fully 39% of American workers in 1994 and was up to 44% in 1996 (Lohr, 1996; Schellhardt, 1996; Uchitelle & Kleinfield, 1996) in national polls. The toll taken by this fear is completely unmeasured in our current economic statistics, but it represents a major “qualitative” drop in social well-being due to personal anxiety and the physiological and chronic disease costs from constant readiness to find work. For companies, the unmeasured “qualitative losses” are the limitations of quality and product development goals due to workers’ hesitancy to develop long-term collaboration in the workplace.

Would it be possible for too much work to be combined with too little work to find just the right amount of “work intensity” for everyone? Unfortunately, micro work organization and macro labor market considerations rarely fit together neatly because work hours occur in “jobs” with rigidly negotiated social boundaries, not modifiable with every production process change. Most simple combinations of unemployment and overwork are not appealing: Six months of intense overtime coupled with an uncertain month or two of unemployment is a very undesirable combination for most people, even if it averages out to full-time work. These large social costs, overload and underload conditions, are often omitted in macroeconomic policy discussions, perhaps even being canceled out in aggregate work hour statistics.

Thus, a second major dilemma is that we may actually be experiencing losses in terms of “soft” measures of mental well-being and general life quality that are not measured as a result of economic policies that are being praised for their contributions to the measured material well-being (i.e., increases in the gross national product). Because major overwork problems—and great job insecurity problems—can be the consequence of the “effective” operation of a growing commodity economy as we conventionally assess it, it is clear that we are failing to measure economic progress fully. This omission may occur because we almost totally overlook, in macroeconomic policy analyses, the variable costs and benefits imposed by work organization on workers.

Current discussion of work quality needs to be expanded to capture work intensity issues. The present work quality discussion is mainly limited to economics and workers’ skills as reflected in this typical quotation: “Work used to be physically ‘demanding’ but now the worker’s main demand is the need to develop

skills” (Rutten et al., 1990). However, work demands in the modern world are not only for skills but also for social and psychological input of accomplishing the task and adapting to the social structure it requires. A major problem for policy analysis is that the psychological and social demands of work can often be inversely correlated with job skill use—that is, there are many jobs in which low skill combines with high demands—and in such cases, the demand-control model (Karasek & Theorell, 1990) predicts stress and stress-related illness (Karasek, 1989; Kristensen, 1995, 1996; Schnall, Landsbergis, & Baker, 1994; Theorell & Karasek, 1996). Such problems are often overlooked partly because the worker’s lack of control in the workplace is omitted in conventional economic analyses of production. Thus, policy implications can be almost the reverse of what might be predicted according to conventional perspectives in which “demanding jobs” are only considered to be high-skilled jobs. In addition, modern task demands are no longer physical and obvious to see. Mental demands and the constraints of complex social arrangements are, in historical terms, new for the great majority of the population and are still generally omitted in both market-oriented policy and welfare-state political discourse. There is a separate component of “value” from society’s production processes, quite independent of the material well-being that comes from optimal levels of work demands—neither levels too low in the form of unemployment or monotonous work nor the overloads in the form of job insecurity and unendurable intensities and durations of work.

“Soft” losses of well-being can accumulate to form conventional losses at “the tip of the iceberg.” High levels of disability are one of the most discussed social problems. It may have much to do with work quality and work organization as both a cause and a cure. In terms of cause, it is likely that the labor intensity aspect of work quality is important—rather than skill usage. Corroborating the intensity argument are recent Dutch statistics (The Netherlands Joint Medical Service, 1990) showing that 30% of recent disabilities are reported for stress-related problems in the workplace. Perhaps the very quickly rising productivity level in the Netherlands in the early 1980s increased work intensity—and disability. Industries shed jobs in less productive positions during those years (Organization for Economic Co-operation and Development, 1994), and disability roles increased significantly at the same time. Productivity-enhancing reduction in employment to “leaner and meaner” levels (Uchitell, 1996)

could have significantly increased the intensity of labor for the remaining workers.

The Netherlands has almost a million workers who already have disability status (Social and Cultural Planning Office, 1993). A work quality perspective considers “disability” as a job design problem to be directly solved via improved work organization, not an inevitable indirect “cost” of conventionally organized production processes that are unresponsive to conventional wage and labor market protection policies. A work quality approach to disability would create jobs with reduced risk of work hazards—including social and psychological hazards—and would also develop transitional, “disability-curing jobs” (or health-promoting jobs), which could help rehabilitate those who have already become disabled. The requirement is for (a) low hazard, (b) health-skill promoting, (c) self-confidence developing, and (d) local market-driven jobs. Jobs that develop a broad range of skills, precisely the work quality mechanisms already presented, could increase the productivity of otherwise marginal workers, increase their self-esteem and well-being, and prepare them for other, more qualified jobs in the future. The current problem of “social disengagement” of both the unemployed and the disabled is that their previous work roles (and education) have provided only a limited platform for constructive workplace engagement, with little positive motivation from self-esteem. However, the “platform” is not only the worker’s education but also a redesigned workplace—which could become a platform for growth and development and meaningful social participation. Of course, such policies applied to all jobs in the workforce could increase the general “healthiness and hardiness” of the population.

The work quality approach illustrates a dilemma for market-driven policies. Market-oriented policy economists would say that “rehabilitating jobs” are too good to be captured in the labor market by low-status, unskilled job seekers. Such good jobs attract a skilled, and thus high-wage, person (i.e., they go to strong and healthy competitors) and become high-wage jobs. Truly, the free market faces a dilemma when only the healthy can get health-promoting work. Health care is not distributed to those who need it in society and social costs increase. A work quality model, which could deliver precisely such jobs, could save a lot of public money. It could also expand the public debate on economic policy by including work demands, workplace control, and job insecurity issues as full

components of our social policy calculus, rather than the half-illuminated topics that unemployment level or occupational illness statistics now represent.

Dilemma 3: Inequitable Distribution of Employment: A Special Dilemma in a Service Society

The modern welfare state represents the joint triumph of social welfare state principles of democratic, government-mediated income equalization, combined with capitalism’s productive efficiency. Welfare social policies have indeed reduced after-tax income inequality, particularly in northern Europe over the past century, fulfilling aspirations for a humane and wealthy modern society. Of course, advocates of the welfare state would note that material poverty still remains even in the Netherlands and other similar countries (Social and Cultural Planning Office, 1993), that income inequality appears to be on the increase again in industrial countries (especially in the United States and England), and that it is increasing between countries of the first world and third world—issues that will keep income distribution politics central in political debates.

Nevertheless, with success in attaining the equalization of material well-being distribution, greater interest has been focused on equal opportunity for a decent job: a “job” for everyone. A job by right to every citizen is one of the more recent welfare state policy contributions, and employment rates or labor participation rates have dominated most discussions of Dutch social policy. Rutten et al. (1990), in a refreshingly broad review of Dutch labor policy, pointed out the crucial role played by employment in modern society: Employment distributes well-being. It is the source of money as well as of many nonmarket benefits: power, self-respect, and happiness. In addition to the commonly noted goals of providing the labor force for society productive activities, it is the primary mechanism of social integration, a form of “citizenship,” increasingly important as work activities in modern life begin to take over family and community spheres. A major labor market change since the 1960s has seen the addition of new groups to the labor market, particularly women and also minority groups, whose participation has increased markedly since then and will continue to increase in the future in the Netherlands. The goal for these transformations in modern advanced industrial societies has been

emancipatory, providing the needed meaningful new social roles for women and minorities and equalizing access to economic benefits.

The third dilemma is that most of the added jobs that can accommodate the new labor market entrances in the past decades are in the service sector, and the dominant public discussion theme has been the market-oriented policy perspective that the increasing social cost of “service” jobs makes the private sector less competitive and therefore less able to provide jobs. Welfare state policies indeed provide service sector jobs financed out of public revenues in the Netherlands (Melkert jobs), but the economic dynamics of such public job creation is no longer a major topic of discussion. Such a “cost-based analysis” (or even the redistributive equity perspective) on public employment policy is too simplistic. It overlooks the main difficulty in formulating an economic policy for a “service society,” the fact that services inherently fail to fit the mass-production-oriented commodity model that underpins market-oriented policy argumentation.

A major source of the dilemma for the public service sector is that all production—including “service production”—is increasingly adapted to a commodity production and exchange model, which in reality covers only a portion of the spectrum of true economic activity. A more complete picture comes from understanding the social context of production—with its substantial effects on the nature of value created in production as well as for worker well-being in the production process. Services are underproduced in the purely free market advocated by market-oriented policy. Services such as health care, education, and care for the elderly and children cannot easily be evaluated fully by the market economy. Outputs have long-term, rather than short-term, payoffs; they yield benefits for many persons besides the direct “purchaser.” The full value of the personal relationships involved and the long-term possibilities of increased benefits make the instantaneous, anonymous auction market model of the market-oriented policy perspective unlikely to transfer the full benefit of the services in the marketplace. Services involve adding labor to a person or an organization, something, in short, that can grow and whose full value will only be realized in the future. The commodity marketplace applies best to inanimate objects, to cast iron, to wheat, to things, in short, that do not grow and that are not alive. More dynamic models of production are examined in Karasek (2004). Thus, much of the productive output of services goes

undetected by the market. Because service output cannot be easily evaluated, it is undervalued and considered only to be a cost without matching benefit.

There has been a great historical transformation in recent decades placing all activities, including service, first into the marketplace (e.g., day care, health care, elderly care, etc.) and then exposing them to international competition—to increase their “effectiveness.” However, this transformation has created undiscussed pressure to reduce the production of service-like output in society, to reduce wages, and to limit social roles for women and minorities. For example, many current discussions imply that the main labor participation questions are now only how to make wage labor-market work as smoothly as possible to recruit available workers into job slots—following the precepts of market-oriented policy. Labor policy experts such as Rutten et al. (1990) have usefully set the proper broad context to the labor participation discussion, but they then offer no arguments to define clear limits to activity that should be in the globally competitive marketplace.

The implication that no additional major departures to social policy development are necessary is too optimistic. Women and other groups traditionally outside the conventional commodity production market have adapted themselves to the commodity economy—to get employed work. However, if strain arises in the economy because of an emancipatory goal of new job positions, the strain may need to be accommodated by change in the models of economic activity—rather than by continued shuffling of the employment opportunities within the existing economic paradigm. Otherwise, women and minority job positions become the losers in strongly enforced market-oriented policy. Understanding work organization insights about social relations in production shows how the nature of production value itself is affected by the relations between workers, customers, coworkers, coordinators, and the community—yet another needed expansion of the current economic policy debate beyond current market-oriented policy limits.

Although equalization of after-tax income and material well-being is a triumph of welfare state policy and market-oriented policy, its very success has led to the increasing significance of its omissions: not many of the noted areas of social concern presented earlier (activation, engagement, competence building, social and mental well-being, work-related illness, and family and community stability) are based on conven-

tional material output of a mass-production-based economic platform. With the evolution of new forms of production in the late 20th century, society now has population groups that are “winners” and “losers” in new forms of poverty and wealth, according to these new outputs and new costs (Karasek, 1989). These new outputs can even create a new class structure—but one outside conventional political and economic debates. Neither market-oriented policy nor its supposed welfare state policy alternative covers these latent political issues. Meanwhile, voters express dissatisfaction with all available political alternatives in many of these same advanced industrial societies, and the voting participation rate has plummeted to below 50% in some leading democracies. A new class structure means new political parties and new political alliances. Indeed, many new political shifts are occurring today, along with political coalitions, that were unexpected a decade ago. But so far, these organizations mainly appear to be short-term, expedience coalitions to win particular elections, leaving many of the broad political economic questions about the coalitions unexplored.

Dilemma 4: Democracy Threatened by Passivity in Work and Society

Both the free-market model and the welfare state model claim to be the true cornerstone of democracy. On one hand, Milton Friedman’s (1962) classic defense of free society and his attack on dictatorship rests on the behavioral freedom of free-market capitalism. On the other hand, democracy is claimed to rest on socialist-inspired expansions of universal suffrage, civil rights, and education support citizens’ control of representative democratic institutions—often to reign in the worst excesses of capitalism. However, what has emerged in the last few decades is common-market-oriented policy and welfare state policy dedication to ensure increased economic growth and material well-being above all. But this is actually not the same thing as the development of an active citizenry that broadly participates in democratic processes and takes initiatives in all spheres of society—to ensure the future stability of democratic institutions. Thus, in spite of the aforementioned valid democratic claims of market-oriented policy and welfare state policy, this article adopts the view that the civil governmental institutions of democracy—with criteria of equity and citizen participation—actually stand mainly *outside* the model of production value—with its criteria of production effi-

ciency—that has become so important for both the market-oriented and the welfare state approach to social policy.

As has been discussed in another article (Karasek, 1996), the model of civil democracy that was developed to overthrow absolutist monarchies of the late 18th century actually had no theory of “democratic” production process that was truly consistent with its goal of empowering all members of society—it was only a model for civil institutions. As a result, the models of growth of material well-being now lead to a dilemma. The development of civil democratic institutions that were the solutions to tyrannies of the past have provided such fertile ground for the development of capitalist production that a fourth dilemma arises: The economy that democracy engineered is now threatening to undermine democracy itself. Of course, democratic institutions are still intact at this time and healthy in many ways, but the threats are real. They extend from “inside” threats, such as very low voter participation and political discourse that occurs mainly in “sound-bite media,” private media, to “outside” threats such as international currency speculation against governments with particular social priorities for their national economies (Jasvestski, 1995). The increasing relative power of multinational corporations in comparison with the public-based, democratic institutions at all levels is changing the social contract for wages, benefits, and job security with potentially dramatic consequences (Gleckman, 1995).

A work quality perspective would point out that understanding work organization can help understand “inside” threats behind this dilemma. It makes no sense to criticize the failure of democracy (isolated persons without loyalty to the community, materialists, individualistic assessments of well-being) to secure a better deal for workers in the production system, when the production system itself creates the social framework on which democracy rests. Work organization affects the democratic potential of society via activation of citizens for their political role in society through their experiences in work. For the past two centuries, the traditional model of work organization under capitalism has been guided by the principles of Adam Smith, Frederick Taylor, and Henry Ford, which emphasize rigid hierarchic control of narrowly specialized workers, by managers, owners, and production engineers. What are the consequences of living the major social role of your life as a worker for 40 years in a state of powerlessness when you are supposed to be fully empowered in your role as a citizen in

a democracy? Do you vote? Do you speak out? Do you organize?

The hierarchic theories of job design that have dominated work organization in the era of mass production enforce narrow specialization of work and contribute to the current image of industrial work as monotonous, boring, and dehumanizing: “stupidifying.” Empirical research on the national population in Sweden shows that such “stupidifying jobs” (“passive work” in the demand-control model) are associated with passive political activity, reduced engagement in the leisure economy, and still lower engagement at work (Karasek, 1976; Karasek & Theorell, 1990) in both cross-sectional and longitudinal studies of the Swedish national population. The reduced active engagement in leisure could foreshadow decreases in “economic demand” for goods and services. Could a passive society maintain its employment levels? Worse, could a social democracy be undermined from within by political engagement that disappeared or voters who did not vote? The work quality perspective maintains that lessons of participation must be learned in all of society’s major spheres—foremost in the workplace—and they are not learned in passive jobs.

The second question is “What difference does the civic platform—the types of social relations that develop in a society—mean for its economic growth? Does an active society create an active economy? Or, as conservative supporters of free market policy for years have claimed, does the thriving economy create the good society—in which case the fetters of government restrictions on private industry only hinder the economy and, in a second step, society?”

Robert Putnam’s research on “the tradition of horizontal network-related behavior” in northern Italy is an example of how a cultural heritage of democratic traditions constitutes a necessary and indispensable platform for creating a successful economy in a society (Putnam, 1993). Emilia-Romagna in northern Italy had by the 1980s become the wealthiest region in Italy and among the wealthiest regions, ranked 17 of the 80 regions, in the European Community. Within Italy, it moved from 17th place among 20 regions in 1970 to 2nd place by the mid-1980s (Brusco, 1982; Hatch, 1987). In Putnam’s (1993) historical review, the first clear examples of the positive economic effects of the “horizontal” network-related social behavior of this activity occurred in “free towns” of the early Italian renaissance—based on broad-based, horizontally cooperative social participation in economic life. Putnam traced this Italian civic tradition forward to the

late 20th century, when one of the regions where free-town development was strongest, Emilia-Romagna, Italy, has become one of the fastest-growing economic regions in Europe, based on its tradition of a democratic and decentralized network of small business with high levels of trust between equal partners. It is a region with a very strong commitment to democracy. By contrast, Calabria, in southern Italy, the poorest region in Italy and also in the European Community, has had civic traditions of rigid authoritarianism and concentrated wealth since 12th-century feudal hierarchies. These traditions have bred distrust of collaborative “horizontal” relations between members of society of equal status. The Netherlands represents another country with a century-old tradition of horizontal collaboration, accounting both for the current high levels of economic success and future possibilities for further growth of the same type as northern Italy.

If Putnam (1993) is correct and civil society is a platform for economic development, then an economy based on poor work organization could in the long-term destroy its “social capital” platform—and then destroy the economy as well. Work activity organized via the conventional mass-production-based economic model so as to provide low-cost community production may lead to the short-term benefit of reduced prices for material goods. However, the long-term result could be negative: the destruction of social relations capabilities of the population—through work that makes workers passive (passivization), leading in turn to diminished ability in industry and withdrawal from democratic participation. Overall, the finding that political participation declines as jobs become passive implies a gradual withdrawal from political participation by the majority of workers and an increasingly dominant role in decision making by the few who retain active work opportunities in their jobs, as even Adam Smith himself feared (1976).

In the progress of the division of labour . . . The great body of people comes to be confined to a very few simple operations; frequently to one or two. But the understandings of the greater part of men are necessarily formed by their ordinary employments. The man’s whole life is spent in performing a few simple operations . . . naturally loses the habit of (solving problems) and generally becomes *as stupid and ignorant as it is possible for a human creature to become*. The torpor of his mind renders him not only incapable of rational conversation . . . generous, noble or ten-

der sentiments . . . (judgment about) the great and extensive interests of his country . . . he is equally incapable of defending his country in war. . . . But in every improved and civilized society, this is the state into which the laboring poor, that is the great body of the people, must necessarily fall *unless government takes some pains to prevent it*. (p. 304, emphasis added)

Summary

An understanding of the association between work organization and social policy helps first to explain current dilemmas and then provides an outline for developing a new model of production in society that could fit more closely with the population's aspirations for democracy and broad, not narrow, social growth. We have seen that work organization issues have already expanded a narrow, "lowest production cost" version of the discussion about economic growth into a much broader discussion. These issues are about to transform the discussion about work intensity and insecurity by adding still further insights to conventional economic analysis and could significantly illuminate the discussion of new jobs in services and innovative industries and realistically reintegrate the discussion of economy and politics. Overlooking work quality effects could be very costly to society in the long term. But the full potential of a work organization perspective cannot be understood until it is viewed comprehensively as the basis for a new model of economic activity. The preceding discussions outlined four weaknesses of current labor policy approaches. They suggest the following requirements for a new model of economic activity (to be developed in Karasek, 2004).

- It must be recognized that current models of economic growth miss human skill development in a single-minded focus on labor and social cost reduction, overlook the most effective pathway to broad social well-being, and jeopardize the development of capabilities of a democratic citizenry.
- Work activity must be understood in terms of human limits on production intensity, which, when overstepped, contribute as much to *decline* in societal well-being as to conventional production efficiency models contribute to its *increase*.

- Employment is a major social goal. Employment must emancipate and support demographic groups on the margins of the "commodity-based" economy and develop new economic models for a service economy. The political implications of new costs and benefits must be understood.
- The goal of democracy must be built into society's production model—not just its representative civil institutions—if true democracy is to have a long-term future.

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