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**Olof Palme**

**“Employment  
and  
Welfare”**

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The 1984 Jerry Wurf  
Memorial Lecture



**The Labor and Worklife Program  
Harvard Law School**

Some time ago in Vienna, I had the opportunity to hear Dr. Bruno Kreisky's speech when he retired as chancellor and leader of the Austrian Social Democratic Party. As we in the audience sat there listening, we expected to hear an account of his long and eventful life and of his wide-ranging and successful political experiences. But not at all! Bruno Kreisky talked only about the future. At his retirement from official life, the whole of his thinking was looking forward.

His first concern was unemployment. He pointed to estimates by the Organization for Economic Cooperation and Development (OECD) of changes in the age structure of the population. Those data show that if the already record-high unemployment in the OECD countries is not to rise even higher, eighteen to twenty million new jobs will have to be created between 1984 and 1989. This means that 20,000 new job opportunities must be created in the industrial nations each day throughout that period.

With this view of the future, Bruno Kreisky established his main theme: that the crucial divergence in politics today is over attitudes toward unemployment and toward welfare. The Chancellor expressed his concern in this way: "I am afraid of the spread of the following philosophy: when unemployment does not disappear even when there is a boom on the way, people will say that this is not a matter of some crisis. It is, rather, a perfectly normal state of affairs that millions of people are out of work, since we can see today that even when there already is a marked economic upswing, it has relatively little effect on unemployment. This means that we are faced with a long period in which we have millions of people who are out of work for months and months or even years.

"And then the theorists come along. In the first place, they cannot agree on a definition of the crisis. They come and say that there isn't any crisis at all, or it was also like this in the thirties. And then they say that the fact that there are millions of unemployed is, very unfortunately, a natural state of affairs.

*EMPLOYMENT AND WELFARE 1*

ERRY WURF MEMORIAL FUND (1982)  
Harvard Trade Union Program, Harvard Law School

The Jerry Wurf Memorial Fund was established in memory of Jerry Wurf, the late President of the American Federation of State, County and Municipal Employees (AFSCME). Its income is used to initiate programs and activities that "reflect Jerry Wurf's belief in the dignity of work, and his commitment to improving the quality of lives of working people, to free open thought and debate about public policy issues, to informed political action...and to reflect his interests in the quality of management in public service, especially as it assures the ability of workers to do their jobs with maximum effect and efficiency in environments sensitive to their needs and activities."

"I must admit," Kreisky went on, "that I was somewhat shocked by what happened a couple of months ago at a meeting in Washington, where very eminent representatives of the World Bank and the International Monetary Fund spoke. For example, Jacques de Larosière said that we must consolidate the economic upswing. And how were we to do this? First, by slowing down the inflation rate. Second, by reducing budget deficits. Third, by continuing structural changes in industry. And, fourth, by resisting protectionism. But there was one thing M. de Larosière said nothing about, and that was that we must do something about reducing unemployment. He did not mention it at all."

Then Bruno Kreisky went on to talk about the other great divergence: the question of the welfare society. The fact of thirty-five million unemployed had not led to the disintegration of society, which we saw in the thirties in many countries. This was because it had been possible to develop the welfare society in such a way that blue-collar and white-collar workers "had been protected from the worst." But when economic growth stagnates and when the cost of unemployment increases, then the welfare society is attacked. This has already happened in many countries.

**T**hese two themes of Kreisky's — employment and welfare — are the main subject I will discuss today. There are a number of theorists and political practitioners who argue that the power of the trade unions and the growth of the welfare state are in fact the causes of the economic crisis and unemployment. I will return to these arguments. But I want first to talk about why the fight against unemployment must, when viewed from the values in which I believe, remain the prime goal of economic policy.

First, unemployment is a terrible waste. At present, production resources all over the world are grossly underutilized. This is certainly not because

all human needs are satisfied. Quite the opposite. In many parts of the world, not even the most basic needs of the people can be met. All societies have vast unfulfilled needs. And human labor is necessary to meet these needs.

Meanwhile, an enormous amount of production capacity is lying idle. People who would like nothing better than to have a job are also forced to be idle, day after day, week after week, month after month. So production goes down — unnecessarily. This is why unemployment is a waste.

Second, unemployment means human suffering. The hard facts of labor market statistics hide the distress of innumerable individuals. It is only too easy to forget that each and every one of those millions of unemployed is a human being.

There is the father in one of the developing countries who sees his children starve because the development project, which is going to give him work and enable him to support his family, lacks funds. Or the potential market in the developed countries for what he is to produce is no longer there.

There is the so-called "guest-worker" from southern Europe or North Africa who came to the industrial centers of Europe and for years took all the lowest-paying jobs but still found it possible to support himself *and* the family he left behind. Now he is told to return home.

There is the girl I met at a youth employment office in my own country. She is not starving. Her parents and the community provide for most of her basic needs — but they cannot meet her need to be wanted, to feel that she is necessary.

"I sleep in the morning," she said. "About lunch-time, I may go down to the employment service. Sometimes, they have something that might suit me. If so, I go and see the company in question. Usually there are lots of other applicants. Often I have the wrong kind of education. Sometimes they

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say they will call me. So I go home and wait for them to call, but they never do. This has happened to me fifty or sixty times. In the evening, I stay at home and watch TV or go downtown to see my friends. I'm quickly losing hope and confidence, and I get worried when I see what is happening to some of my friends."

I mention these different aspects of unemployment because I want to emphasize that although work is primarily a way to earn a living, it is also much more than that.

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**W**ork — having a job — is an essential part of people's social being. Ask anyone who they are, and they will answer by telling their name and their profession. I saw a short film produced by the Swedish labor unions. A number of young people were asked about their future. Everybody mentioned a profession. Nobody looked forward to being unemployed. Work is closely associated with values like self-confidence, human dignity, and the purpose of life. Thus, it is not surprising that increased unemployment coincides with rising mortality rates, poor health, more suicides, more broken families, increasing crime rates, the widespread use of drugs, and more prostitution.

We should not have to be reminded about the social ills of mass unemployment. We could read the numerous research reports about what happened in the thirties. One of the classical studies — *The Unemployed of Marienthal* — described what happened in a village outside Bruno Kreisky's Vienna when the single industry, a textile mill, closed down. People reacted by starting to look feverishly for new employment. As time passed, most people lost confidence in their own ability, they became ashamed, avoided contact with former friends, and finally settled for extremely circumscribed lives with drastically reduced expectations for the future. While still young, they simply stopped living as social individuals.

This brings me to the third reason to fight unemployment. I believe that mass unemployment will ultimately constitute a threat to the type of open democracy that we believe in. It may in the long run not survive in countries with persistent high levels of unemployment. Unemployment undermines the fabric of society on which democracy has to be built.

We talk about the crisis of the economy. We say that everyone has to contribute to the solution of our economic problems. But when young people get out of school and want a job, when they want to take full part in the world of adults, when they want to make their contribution, they are told that they are not wanted, not needed. Their contribution to the solution of the crisis is to be unemployed. This causes young people to lose hope and confidence in themselves. It also creates bitterness and despair, loss of confidence in society, in our democratic institutions. If we deny young people the right to be full members of society, they may choose to place themselves outside of society.

**S**o the fight against unemployment is of paramount importance if we are to avoid wasting our economic resources, alleviate the social disruption and human suffering resulting from unemployment, preserve faith in democratic government, and strengthen democracy. Full employment not only creates welfare. It is also a means of sharing it. There is no greater gulf than the gulf between those who have work and those who do not. Those who are already worst off run the greatest risk of becoming unemployed.

Everything I have said so far may seem obvious, almost commonplace. The trouble is that these kinds of truths are not expounded so often nowadays. They need to be repeated, not forgotten.

Are trade unions a threat to employment? The unions themselves, of course, say that one of their main objectives is to work for policies that will re-

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sult in full employment. But some are of the opinion that the resistance of trade unions to necessary changes in the structure of production has in fact pushed up unemployment.

It is not difficult to find examples of trade unions pursuing unwise wage policies that have had adverse effects both on individual companies and on the national economy as a whole. Or examples of their having tried to prevent effective structural changes in industry. The explanations of these unwise policies can often be found in poor organization and internal fights within the unions.

But there is a good deal of evidence that countries with strong and coordinated trade unions also have comparatively high employment and low unemployment. Austria, Norway, and Sweden are examples of this. There is a long-standing tradition of strong trade unions in the Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden). One reason for this is that they have not had to cope with a large number of small competing unions. Employees have organized themselves in accordance with the principle that all the workers at the same workplace belong to the same trade union. This main principle also applies to salaried employees.

This is probably one of the main reasons why so many wage earners are trade union members. The most recent figures are from 1980, when 85 percent of wage earners in Sweden were members of trade unions. That figure has been increasing all the time. In the United Kingdom the comparable figure is 54 percent, and in the United States 25 percent.

Compare these figures with unemployment rates in the same countries. Unemployment in Sweden was 3.5 percent in 1983, in the United Kingdom the figure was more than 13 percent, and in the United States more than 9 percent. Sweden also had very high labor force participation among the general

population. In 1980, 81 percent of the active population — and 74 percent of the women — were in the labor force. In the United Kingdom the overall figure was 74 percent and in the United States 72 percent; no more than 60 percent of the women in this country were in the labor force.

Other studies show that a high level of trade union membership results in a more even distribution of income. A Swedish sociologist, Professor Walter Korpi, has demonstrated that the degree of inequality in the distribution of income after taxes tends to be lower in countries with high levels of unionization than in countries with weak union movements. He concludes that the distribution of the power to influence decision making can affect the shaping of policies of importance for the distribution of income.

Conditions differ from one country to the next, and these conditions govern both people's values and practical politics. Therefore, one must be wary of making comparisons. The strength of unions depends on political relations as well as on the level of union membership. Some highly unionized countries have experienced high unemployment. But it does seem to be well established that in countries with strong unions that can rely on support from social democratic governments, there are policies that aim to achieve full employment and more even distribution of income. Often such policies also create a more stable labor market.

In country after country, we see how the trade union movement is now under strong attack. These campaigns follow in the wake of the neoconservative or neoliberal tendency to give greater scope to market forces. Trade unions are regarded as a "market-disrupting element" and in this sense are said to be a threat to freedom. Some critics even go one step further and suggest that trade unions are barely compatible with democracy. One may

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even ask whether the most enthusiastic advocates of a free market really continue to accept a system of collective bargaining.

Unions or no unions, the efficiency of the market economy is severely limited in the labor market. Professor Lester Thurow is right when he says: "To deny the existence of unions or to ask that they disappear is to develop an economic model of a nonexistent economy."

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It is my conviction that labor unions, by strengthening the voice of the common people, play a vital role in strengthening democracy. They are rooted in democratic mass organizations, where people joined together to assert claims that they were too weak to make as individuals. Work in a union was in itself a democratic experience based on equal rights. In countries like mine this has been of fundamental importance. It was quite simply an exercise in democracy. The unions represent a countervailing force to employers and to governments and thus have a self-evident role to play in the democratic process.

Over the years, unions have gradually entered new fields other than collective bargaining for wages. They must play an important role in efforts to renew working life. We have found that if you want to renew and improve conditions in the working life of wage earners, detailed regulations in the law are not the best way to go about it. It is better to strengthen the position of employees at the workplace so that they have a chance to influence their own situations. In most cases, it must be through the local branch of the trade unions that this influence can be exercised.

In Sweden we have laws governing the working environment: a law that gives a union representative the right to stop production if employees are exposed to grave occupational hazards; a law on job security, which among other things protects wor-

kers from unwarranted dismissal; a law on worker representation on corporate boards by at least two representatives; and a law on the joint regulation of working life, which gives trade unions the right, for instance, to negotiate on all issues relating to the organization of work and the management of the corporation. These laws have resulted in increased participation on the part of the wage earners and have not, by and large, had any adverse economic effects. We are now evaluating their impact.

There has been widespread discussion about another step in the same direction — the so-called wage-earner investment funds. These funds were introduced on the first of January 1984. How do they function and what is their role in our mixed economy? Companies contribute a small portion of the payroll as well as a portion of their surplus profits — that is, profits that exceed a certain level — into the funds. With that money, the funds buy shares on the stock exchange. And the income earned from these stocks goes into the pension system. The boards will have members representing the employees, the companies, the public, and the national interest.

To understand why we have introduced these funds, one must look at what is happening in the Swedish economy. Sweden has a large public sector, but more than 95 percent of industry in Sweden is privately owned. After forty-four years of social democratic governments, Sweden was — and is — less nationalized in terms of industry and business than perhaps any other country in western Europe. In fact, conservative governments have often nationalized more than social democratic governments. And the power over private industry in Sweden is concentrated in relatively few financial centers. The strong unions and the large public sector are considered to have balanced that private power. This is a mixed economy.

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Sweden, like other countries, has had to go through the economic recession of recent years. Our problems are familiar — slow growth, budget deficits, inflation, rising unemployment. There have been, and there still are, conflicting opinions on how to cure the economic ills of the present. "Monetarism" and "supply-side economics" are some of the catchwords of the debate.

When we were in opposition, we tried to develop a strategy for the economic policy that we could follow if the voters did put us back in government. These were the main points: (1) We had to restore our competitiveness in the world markets. We rely on our export industries and are and will remain an industrial country; (2) We had to defend employment with all our means; and (3) We had to protect the weaker members of our society in the inevitable process of readjustment and rationalization of the economy.

When we formed a new government after the elections in September 1982, we immediately devalued the currency by 16 percent. We adopted a policy of holding back public spending in order to stop the growth of the budget deficit and then gradually to reduce it. We said to our capitalists and managers: Go out on the world market and sell all that you can. We will help you. Do make a profit and use that profit to build up new industries and develop new products. We told the unions that wage earners cannot in the coming years expect any large increases in real wages. On the contrary, we held out the prospect of rather lean years for households as a whole.

It has been a rather tough policy. Many problems remain, but we can point to some results: exports have boomed and profits in industry are increasing substantially. Inflation has come down and our target for this year is four percent. Investments are picking up. The budget deficit has been brought down. Unemployment has gone down. The aim of the policy has been to make our industry grow. And

this is clearly happening. One result has been a redistribution of incomes from wages to profits.

It is against this background that one should see the wage earners' funds. I can defend as a social democrat an increase in profits simply because profits were very low before. But we cannot expect the wage earners to sit by and let increased profits slip exclusively into the pockets of the owners of capital. It is only fair that they should have a share of these growing profits and take part in decisions on how they are to be used.

Naturally, unions should be careful not to set their sights too high. But at this time of unwarranted attacks on trade unions, I find it important to stress their positive role in society. It is interesting to note that dictators — from the right or from the left — first crush unions and jail union leaders. This in itself is proof of their importance in a democracy. We can today witness this process in Chile and in Poland. It is not surprising that right-wing dictators dislike organized labor. But the emergence of Solidarity in Poland has a deeper significance. It means that communist dictatorships in Eastern Europe have been unable to come to reasonable terms with the wishes of ordinary people. In this situation, the people turn to the unions as a democratic instrument for shaping their future.

I am glad to be able to make these positive remarks about trade unions in a lecture in honor of a great democrat and union leader — Jerry Wurf.

Let me turn now to my second theme, one which was also close to Jerry's heart and of great importance to members of the American Federation of State, County and Municipal Employees, and which is also under attack by neoconservatives — namely, the welfare society and the role of the public sector.

T. H. Marshall has talked about the desire to augment civic rights — equal protection of the law for

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all citizens — with political rights, which consist of the freedom to mold opinion and universal and equal suffrage to elect the government of a country. In a welfare society, these rights are further augmented with the social rights that are part of social democracy.

Conservatives attack the very idea of welfare. Not only do they dislike it from a general ideological point of view, but they also justify their opinion with economic arguments. In times of economic difficulty, they believe, the efforts of the community should be directed only toward the weakest groups in society — the very poor.

However, if society's efforts are focused only on its weakest members through selective social policies largely based on "means-tests," taxpayers come to think in terms of "we" and "they." "We" — the better-off wage earners and the middle class — have to pay to the state, but get nothing in return.

The ground is thus prepared for the disintegration of social solidarity, which in turn encourages tax revolts. The fact is that it is not the weight of the tax burden that causes such revolts, but rather the feeling among taxpayers that they do not get anything for their money. People who derive some benefit from a welfare system are its greatest supporters and therefore pay taxes without feeling exploited.

An efficient and stable welfare state must be based on universal social programs, such as health insurance, pensions, and child-support allowances — programs that are directed to *all* citizens. Official "poverty lines" or "means-tests" would not have to define "the poor" (which would minimize the need for bureaucratic controls). At the same time, people in difficult financial circumstances would not have to put up with the degrading classification of "poor." And because they would have the same rights as others to universal social services, they would enjoy services of a much higher stan-

dard — services that would be acceptable to the rich. Moreover, universal programs would help eliminate the "poverty trap," in which the poor are discouraged from increasing their earnings since to do so decreases their benefits.

A policy shaped along these lines obviously leads to an extension of the public sector and criticism of big government. But critics of the public sector tend to forget some simple truths. A well-functioning public sector is of paramount importance in a progressive economy. A well-developed infrastructure is crucial for industrial expansion. The central government and local authorities also influence the profitability and production of industry directly through extensive procurement of goods and services. Many people in the private sector depend upon local government activities for their livelihood.

**B**ut what primarily concerns me today is the importance of the public sector for people's personal fulfillment and freedom. The public sector and the work of public servants can be described in many different ways: the teachers who do their best to educate our children; the home-care workers who help our senior citizens with housework in their homes; the personnel of our medical services who take care of the sick.

I think that one of the finest aspects of our welfare society is the prenatal and postnatal care given to mothers and babies at our maternity and children's clinics. This type of care started, like so much else, as a private initiative of eminent physicians. We made use of their great skill and experience, and today this service is available to everyone as part of the public sector. All mothers and their children without distinction enjoy free treatment at these clinics. Without any competition whatsoever and without any profit-making motives, Sweden's maternity and child care is so good that we have the lowest infant mortality rate

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in the world and no social differences in the results of care.

The point I am trying to make is that the weak members of society are best protected not by being given special treatment but by being included in programs that extend to all members of society. Only then can social reforms become deeply rooted among the people.

Opponents of the welfare state say that a large public sector leads to inefficiency and slow economic growth. There are no data to support assertions of this kind. It is impossible to establish that there is any connection between a large public sector and low economic growth in the leading industrialized countries. Many countries are, of course, struggling with large budget deficits and economic imbalances. And it goes without saying that the expansion of social welfare and the public sector is dependent upon general economic development.

But the government I lead has refused to resort to a one-sided cutback policy that hits people's welfare and leads to increased unemployment. We have come to the conclusion that the problem is not primarily that the public sector is too large, but that the industrial sector is too small and that we have too much idle capacity in industry. Therefore, we are concentrating our efforts on promoting industrial expansion that will ultimately give us the resources for a continued buildup of much-needed public services.

Sometimes, even in these trying times, people talk about the need for visions of the future. There are those who tie their visions almost exclusively to the market and to the wonders this market might perform in the service of freedom. In a speech in Hamburg not so very long ago, Friedrich von Hayek, one of the great theoreticians of conservatism, said that the market economy requires that certain natural instincts among people are suppressed. You must suppress feelings of solidarity and human

compassion. In the place of such feelings, abstract rules to protect private property, freedom of contract, and free competition must be established; otherwise the free market will not function.

I suppose that this is what some call the magic of the marketplace. To me it sounds rather like a conservative counterrevolution against the social and democratic development of the last sixty years. I would much prefer to talk about the magic of human compassion. In order to find this magic, it is important to perceive visions in terms of the everyday experiences of ordinary people.

Our efforts to develop society and our dreams of the future must bear in mind that which is continually recurring — the invariables in all human life that are relevant across all national borders and through all time. The uniting links between all people are the great undertakings of life — let me call them the life projects — which are the same for people in all countries and will also be so in the future.

During the course of life, we all meet the same challenges: to grow up and be educated; to find playmates and friends; to prepare ourselves for our different roles in adult life; to find a place in working life and make our own living; to find somewhere to live and make it into a home; to form a family and bring up children; to keep healthy throughout life and cope with illnesses and other misfortunes that may beset us; to secure a decent living and preserve our dignity for the inevitable frailty of old age; to live as free citizens, equal with other members of society; and to take a share in being responsible for the common good.

These things always recur in human life — the life projects we all have in common. All the technological innovations — from the steam engine and the tractor to nuclear power and computers — all the new possibilities we have as a result of higher ma-

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terial standards, have done nothing to change the life projects. We may cope with them practically in different ways, but they are essentially the same. And every human being continues to be responsible for his or her own life within the framework of the new opportunities created by development. The life projects will stay the same in the future for as long as human beings remain human beings as we have known them until now.

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These are the main points of departure when we discuss the kind of society we want to create. The purpose of society is not to realize any singular idea, unrelated to the conditions of human life. It is not to be built for the yonder, nor as a goal in itself to manifest the greatness of the nation or the state, nor in the interests of any particular group or class. It is not to be built according to any rigidly determined blueprint for the perfect society of the future.

Society and its institutions are to serve people here and now, so that they shall be able to realize their life projects, live their lives. Then they will threaten no one's future. Then people will be able to go on building on the life experiences of earlier generations.

The aim of society and of solidarity is that everyone shall have access to resources so that they will be able to realize the essential undertakings of human life, the great life projects. These are the aims that have formed the foundation of the welfare society. These are the foundations of a free community, built on voluntary collaboration between independent and free citizens. ▾

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