

## Why rise income inequalities. An structural approach

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**Abstract:** The present paper aims to analyze some of the reasons why inequalities increase in the income allocation in modern developed societies. The conceptual framework used herein in order to understand the reasons for inequality raising is represented by the theoretical model known as "power re(sources) theory", providing a basis for coherently understanding the current dissolution of the economic, political and blue collars negotiation power in developed economies, and in the same time for understanding an entire middle class in such societies, the main income of which consists in salaries.

**Key words:** Power source theory, trade unions, mass production, knowledge economy, occupational structure.

### Introduction

In the last 20 years a few economic and social phenomena have influenced the social structure, as well as the incomes' structure in developed economies. The world GDP increase has not been accompanied by equal raise in the welfare for all social and professional categories. Both on the level of highly developed economies and of the underdeveloped ones, differences have increased in the incomes, so that enhancing polarization of the

society has been faced. The development has been accompanied by less redistribution of real welfare and implicitly by raised income inequalities and more. Knowledge economy has created not the expected real increase in everyone's income, but only the increase of certain ever decreasing categories of Information holders (regardless the type of such information). As a paradox, more knowledge generated less welfare, even if we only consider the fact that the access to higher education has resulted in a leveling and devaluing

of the university degrees. Education, information by itself no longer represents definite sources of success, yet they represent ever growing sources of economic and social costs for the consumers-beneficiaries. In return, the income associated to additional access to higher education has diminished, as mentioned in numerous statistics. A sure source of income in the 60s (explaining the source of the human capital theories, as developed by Schultz, Dennison or Becker), higher education has rather become a source of current expenses and of insecure higher future income.

Another effect of the knowledge society is the des-industrialization and diminishment of the industrial sector in obtaining the GDP. Such phenomenon is important for the future of welfare in the developed countries because it involves a restructuring of the relations between socio-professional categories, including the economic ones, upon negative effects over the structure of incomes, over the relative negotiation power of the employees in the industrial sector, still representing a high share in the employed population number, but the salaries of which have decreased in the GDP, as noticed during the last 30 years.

We consider that it is particularly important to identify these trends in the occupational structure and in the incomes allocation, for which the knowledge society is "accountable", because on a wider area such questions the very purpose of economic development and in the same time, the neo-liberal idea according to which free economic development is the solution for the inequality issues existent in the society, which interventionism could and would not solve.

Therefore, in the following pages we aim to analyze some of the effects of the

knowledge society over that GDP generating part, that is employed and especially to understand where the current uncertainty of the labor in the contemporary economy comes from, by using the explanatory framework of *power resource theory*.

In the 20s Charlot presented, by artistic means, of course, what it meant to carry out a professional activity in one of the well developed of that time, organized for the purpose of mass production. The name of the picture was *Modern times* and it illustrated the condition of the working class or of the average worker, in his work place for an important period of the 20th century. Even though the tone in which the condition of the said was depicted was dark, this sort of production was the one grounding the amazing progresses of the next years' capitalist economy in the sense of welfare the ensuring increasingly higher blue collar population.

Although the conditions for such development were created at the end of the 19th century, by the development of large companies, of the transportation system, of the financial networks or by successive increases in the population number, the mass consume only became acquired habit in the modern society of the 20th century's third decay, strengthened in the years following World War II.

Welfare represented the crossing of a few roads called *corporation-nation-protectionism-state-consumerism*.

The American economy was the one which – by an advance with even today ensures its economic supremacy – started the mass production. Almost "500 large corporations represented the nucleus of such large national business. They generated almost half of the national industrial product, owned

three quarters of the country's industrial assets and hired 2 out of 10 workers.

Alongside those industrial monsters a few large corporations gravitated and other important ones in the financial-banking services, insurance, railways, retail. Around them hundreds of small companies gravitated like the rings of Saturn, which filled in the market gaps with specialized merchandises which could not be efficiently manufactured on a large scale, as well as small retailer hired in order to distribute or sale the goods of mass production " .

Large companies played a double role – they ensured mass production and created millions of jobs supporting the production and mass consume.

The situation was identical in the fifth and sixth decades in all the Western European countries, even though large national corporations did not have the same influence as those in the USA.

From a social structure standpoint they created, both on the Continent and over the Ocean, what sociologists called "the middle class", a concept operating a niche in the too brutal and imprecise ideological discrimination, between capitalists and workers. Half of the American families were part of this middle area, with incomes between 4000 and 5000 dollars, upon the dollar's value applicable in 1953. Most of the said families were formed of qualified and semi-qualified workers and of state clerks or administrative staff of large corporations, thus from the employees of those corporations, organized increasingly obvious as per the model of the state's bureaucracy. The bureaucracy of the said corporations was the one causing incomes' leveling, the pyramidal structure of the production organization being the one imposing for

the horizontal multiplication of those who were equal. The income was determined by the functional role within the bureaucracy. The tendency of incomes distribution tended towards a reduction in the inequalities. Owners received a smaller part compared to employees; specialists and clerks lost part of their advantages in favor of the qualified and un-qualified workers.

The unprecedented increase in the incomes generated the increase of consume: in the 50, 4000 families a day moved to a new house, paying small installments (approximately 100 dollars a month), for entirely furnished and equipped houses. To this a car was added, right in front of the house: 24 millions in 1956 in USA only, considering the data provided by Reich (1996:84). A natural situation, if we consider that the hourly wage increased in twenty years by 2.5% a year in the USA, by 7.9% a year in Japan, by 6% a year in Germany and by 4% a year in France.

The share of wages in the GDP was actually high, 65% in 1960, for EU-15, 65.9% in the USA and 71% in Japan, while in 1975-1980 it reached levels of 69.9%, 65% and 76%, respectively for the above mentioned economic regions . The period until the beginning of the 80s was significant for the increase of real incomes given the fact that the said increase less than productivity, so they are justified from an economic standpoint.

The price of these high incomes, of this high buying power was repetitive, distributed, highly productive labor, aiming to produce predefined profits. Routine in the production, "one best way" represented the simple principle by which mass welfare was organized. On a professional level this usually meant that the focus was on un-qualified or qualified labor, including routine opera-

tions like supervision, for maintaining quality standards – in fact the share of low qualified and average qualified labors was higher in the above stated totals – in 1980, in the EU 30% was represented by low qualified labors, 60% by average qualified labors and only 10% by the highly qualified ones, according to the quoted source. These labors could and still can be found mainly in the first and generation industrial sectors (iron smelting, transportation, drilling, chemical, petrochemical, automotive), and also in those implying advanced technology or services (i.e. banking). Innovative work was poorly represented: innovation is produced upon its own rhythm – large innovating steps involve installing new machines, refitting assembly lines, new suppliers, new distributors, advertising companies, new post-sale services, etc. Synchronization is essential in order for these mass produced goods and for long time periods (life cycles for the consumer goods exceeding 10 years). The poor development of financial

markets and investments funds were the reasons for which the level of the investments was mainly determined by savings, and thus costs were becoming too high to afford failures – since reinvesting in new capacities and equipments would represent half the earnings. The R&D activities take long time cycles from discovery to mass production, as suggested in the following examples (Reich, 1996): RCA developed the first sold TV set for a decade, Du Pont “lost” 12 years until selling nylon, Union Carbide prepared coal hydrogenation for 17 years. It is an activity in which quick **term, deadline**, fearing competition or financial penalties are not so hastened. The long term business safety, of long term “nice” profits is preferred to a risky investment.

This world is supported by the pillar of capitalism – the employee, the productive worker, the **organized**, blue collar.

In the USA, 70% of the workers in the railway industry, mining and plants were part of labor unions, as per the table below:

Industry	1880	1910	1930	1953	1974	1983	2000
Agriculture	0.0	0.1	0.4	0.6	4.0	4.8	2.1
Mining	11.2	37.7	19.8	64.7	34.7	21.1	10.9
Constructions	2.8	25.2	29.8	83.8	38.0	28.0	18.3
Manufacturing	3.4	10.3	7.3	42.4	37.2	27.9	14.8
Transport	3.7	20.0	18.3	82.5	49.8	46.4	24.0
Private services	0.1	3.3	1.8	9.5	8.6	8.7	4.8
Public sector	0.3	4.0	9.6	11.3	38.0	31.1	37.5
Private	1.7	8.7	7.0	31.9	22.4	18.4	10.9
Total	1.7	8.5	7.1	29.6	24.8	20.4	14.1

Source: Friedmann.unions.us

The force of AFL, founded in 1881 came from its ability of acting as a monopole on the labor market, by the offer it made for qualified and productive workers.

Constant negotiation with employers’ unions ensured the maintenance of social peace. The organization of labor unions per industries ensured homogeneity to the

interests and increased negotiation strength. Aside from real increases of the above mentioned wages, contracts also ensure other benefits: life, accident and health insurances, pensions, paid vacations and unemployment payments, rather in Europe than in USA, yet present.

In Europe, the Scandinavian countries, Germany, Austria and Holland are economies in which established industrial relations allow for cooperation with the management in order to obtain productivity increases that could also generate higher and increasingly extended benefits for employees. Constant negotiations between employees and employers grounded on a well defined bureaucratic mechanism create the conditions for mutually advantageous compromises – constant wage increases are recovered by higher prices for the end consumer, yet meaningless in terms of financial supportability since interests for loaning operations are small

enough as to avoid problems. The large density of labor unions, and also their centralization ensure high success for bi or trilateral negotiations.

In Europe the number of labor union members in 1970 was of 33 millions, and in 1980 it was of 43 millions, marking an increase of 72%, which ensured a relatively high strength for these organizations.

Even if success in those countries is unprecedented in the Western countries, the other countries also, with fewer labor union members, create *entitlements* for the social category on a relative dominant position in those societies, namely the working class.

The routine work in production generates welfare, given an occupational structure in which blue collars represented 50% - 60% in the total employed population, out of which a large portion were actively involved in social movements, as shown in the union membership rates in the table below:

	1970	1980	1990
USA: Total union membership rate	30.0	24.7	17.6
USA/Manufacturing sector	41.0	35.0	22.0
USA/Financial sector	5.0	4.0	2.0
Six countries/ Total union membership rate	37.1	39.7	35.3
Six countries/ Manufacturing sector	38.8	44.0	35.2
Six countries/ Financial sector	23.9	23.8	24.0
US/six Total	0.80	0.62	0.49
US/six Manufacturing	1.058	0.795	0.626
US/six Financial	0.209	0.168	0.083

*The six countries are: Canada, Great Britain, France, Germany, Italy, and Japan.*

*Source: Visser (1991:110)*

Industry, the main contributor in the national GDP, by a share of up to 75%, is the source of welfare and negotiation power for this class.

The working class integrates in the middle class; it even supports it, given that it ensures labor places for the new consume habits, but also in the culture and education for

an increasing number of teachers, doctors or public servants.

Salaries rising in the USA by 2% each year, and in Europe by more than 4% ensure for labor union members constant increasing buying power, but also a diminishment of the incomes between the rich and the poor, as well as between execution and management functions. Trade union membership brought even larger wage incentives, by 20% compared to non-members. **“Accumulation and Legitimizing”** (O’Connor, 1973:6), up to that moment two contradicting functions of the mutual state were achieved simultaneously. Mass production and its main agent, the working class, ensured economic accumulation, allowing in the same time for the said player to be integrated in the society. Legitimizing, and also the force of this social structure also come from one element: corporate capitalism, raising the question of legitimate inequality, resultant of an aware process of using public policies by understanding between corporations, labor unions and state institutions.

The class conflict, fear of the state and source of questions regarding its legitimacy is moderated by sui-generis institutionalization of the conflict from the economic and also politic area. Thus, if in the **economic area** the power belongs to the capitalist class, owning the production assets providing it with the rare resource of power, in the political area the number is what it is important again, yet in another way: not rarity, but abundance are the ones generating power and moreover the **power of the number mobilized in large collectivities such as labor unions**. Mobilization ensures the success for welfare institutions in detriment of allocation by markets Korpi (1989); Gospi Andersen (1987), Pierson

(2006). In fact, the minimum wage, the standardization of wage increases on a branch or even national economy level, the economic policies on full employment or social benefits of welfare are the results of the power of the working class, and not the results of the free market. Actually, in order to nuance a little, although the term is generalizing, they are results of the ability of political mobilization of the wage earners, also involving the role of the “middle class” to which it belongs at least a part the “working class”.

This integration, electoral promise for some politicians of the time (see Valery Giscard d’Estaing in his term as a president), is now questioned, 30 years later.

The decline of the labor union movement began in the 80s and continued in the following years. Thus, in the USA the rate of union membership reached 12% in 2007 in the entire economy, and only the public sector with 36.2% union member and the educational system with 37%, impeding an even more accentuated decrease given the existence of a private sector in which the union membership rate was of only 7.4%.

In Europe, although the decrease was smaller (between 1980 and 1990 – a 10% decrease, between 1990 and 2003, a 7.6% decrease), it is also obvious and for the time being constant.

The decrease is also clear in analyzing the data obtained from the large union centers. Thus, in Trade union membership 1993-2003 (EIROnline 2004:4) a decrease in the number of union members of 15% was identified in the 68 analyzed centers.

In the same time, in year 2007 only a quarter of the employed population in developed countries was still making routine works.

Which are the explanations for this situation?

The **“Power resource theory”** is the answer to what is called the dissolution of blue collars, even of the middle class in the Western society and hence the diminishment of the political and economic rights those union members of the social structure enjoyed, as briefly shown in the first part.

1. Mancur Olson and the dilemma of union membership. The economy Nobel Prize winner Mancur Olson shows in his criticized, yet often quoted *“Logic of collective action (1965)”* that the potential failure of a movement, such as the labor union one, comes from a problem regarding the very substance of negotiations: two parties or even three: labor unions – employers unions – the state, negotiate a punctual matter like wage increase. If the negotiation is successful, he says, of the said increase benefit both the labor union members, and those who aren’t members; if the negotiation is unsuccessful, the potential relative loss will not be shared by everyone, but only by those who are not union members. This makes a large number of workers become free riders, thus ignoring the idea of union fight solidarity. This is what happened in the 80s in Europe. The union actions in those years and in the following years limited the advantages for union members, making governments to expand the earnings towards all employees in an activity sector. This generated the elimination of the competitive disadvantages of companies with strong labor unions or the other way around, the companies without labor unions became less competitive compared to the others, which led to increases in the wage related costs in the economy and to increased unemployment.

In the USA, low union membership and hence the low negotiation capacity created large wage differences between those who were and those who weren’t union members, creating a competitive disadvantage situation for the companies with union membership and those without union membership. A stable labor force with more experience raised the productivity for union membership by 15% compared to the productivity of the other companies, asserting that workers who were labor union members earned more than their productivity incentive, which generated a scattering of companies towards areas without union membership.

Two different situations lead to an actual situation: the decrease of union membership.

2. The problem of the state’s institutions autonomy. The state in the thirty glorious years was for some authors relatively spectator to this typical functionalist conflict, of the two factions of the society, which makes it for the balance to turn in favor of the power of numbers. However, as Quandagno shown (1988) the state in its turn was a third party, equally entitled in this conflict of powers. It is defined by a certain autonomy compared to the legitimate claims of the two players, and it also is the only manager of the *“in-stable equilibrium of compromises”*, as Poulantzas inspired called the situation. Its autonomy is relative depending on the context: most times this context is economically determined, and strong and persistent fiscal and commercial deficits, poor economic growth, low productivity, low innovation, lack of international competitiveness are enough arguments as to change its own view over the entitlements obtained by the power holding class. The economic arguments of the eighties made the power source owner or of the power-resource change.

3. Two labels put on a bicycle, yet equally on the numerous current consumer goods provide enough clarifications. One label says: *Made in China, but it could be Romania, Singapore, Taiwan or Pakistan*. The other says *Designed in Austria, but it could be France, England, Japan or USA*. Two different economic worlds, two power sources in the world economy, yet with different shares, now compared to 30-40 years ago. It is about the difference separating the large volume production of the knowledge production. It is what separates the power of holding production capacities of the power of owning ideas. It is the difference between national corporation and national finances and the "global network for production organization" and the international finances.

The organization into global networks first led to the outsourcing of certain activities and then to the offshoring of the entire business in underdeveloped countries, in which the mass production costs were considerably reduced. The Bucharest – Otopeni **call-center** of a well known company in the IT field employs routine workers upon salaries of 200-300 EUR, while the same activity performed in a developed European country would have meant at least 1500 EUR, and by going towards East it is paid by 100\$ at the most in India, China or Singapore. The American IT engineer is paid by approximately 5000\$ while the European one by an average 3000 EUR. The Chinese engineer in return is paid by only 500\$, and the Indian one by 700.

Upon using the same statistical sources as mentioned above in the present paper, one can notice the decrease in the share of income from work in the EU countries, and also in Japan compared to the level presented in the

60s, down to 57.8% in 2005, meaning that the real level of the incomes from work has increased less than the increase of productivity (Berkeley: 2006). The productivity increase does not lead in any of those regions to a higher increase in the real incomes.

Not only that wage related expenses are smaller, but other expenses categories (social, infrastructure, marketing etc) are, as well.

The subcontracting a production, design, trading process was the first major break of the knowledge, information and technology society, which created the new economy, in the organized power of the Western working class, and also in the one of the middle class. The seven decade crisis, as well as its permanent effects throughout the entire eighth decade has made the production costs matter to become a priority in obtaining increased efficiency for the Western companies. Therefore, the outsourcing of some business segments has become a priority for the said. Call centers, customer support activities, telemarketing, market research, and also actual production or the research and development process have become activities that are performed outside the corporations' national borders, grounded on various considerate, such as: cutting down production costs, restructuring the costs structure, increasing quality, owners' expertise in a certain area of creating a good or risk management. Hence, benefic effects regarding corporations and capital. Therefore, outsourcing is the cause for increased flexibility and mobility not only of capital, but also of the labor force. Increased uncertainty on the labor market has led to a diminishment of the blue collars' negotiation capacity and thus to the maintaining of relative advantages obtained during the years of mass production. Although the unemployment rate is not higher – it is considered that



in the USA, for every 100 jobs lost by outsourcing, 142 new jobs are gained – outsourcing and offshoring determine a change in the national income producing sectors, from the *labor intensive* ones to the *capital intensive* ones, involving less qualified employees in top branches, vectors of the new economy. Mass production is the first victim of the two above mentioned processes: its massive shift towards Far East, towards India, Thailand, Singapore, and especially towards China, has generated the decrease of occupational level in these labor intensive sectors and the *osteoporosis* of the industrial occupational structure. In all sectors of the traditional industry, jobs have been massively lost, and most important for our present argumentation, this happened in the industrial sectors with traditional union membership. Labor fragmentation is one of the consequences, comprising a series of longtime phenomena such as the increase of part-time contracts number, of those concluded for determined periods or the introduction of house labor, to give only some examples of relevancy from a statistical standpoint.

The change in the national income structure also represents the change in the power sources. The two are inseparable. The invisible hand of the invisible (services, licenses, knowledge) structure the old models for negotiation, replaces the venerable artisans of the parity state's fundamentals. In short, the knowledge revolution has un-structured the basis of the modern social conflict and of the mechanisms for solving such. An optic of difference opposes to a joint one. The differences between numerous groups existing in the society – in incomes, education, profession, social statute or knowledge, in informing levels – make it impossible for interests'

communions, and by extension, for negotiation communion to exist.

"Weak thinking" postmodernism is also present in the labor rapports or in the power ones. To "class entitlement" (understood as people's capacity of controlling goods by the legal means provided by the society) an individual entitlement is opposed, the collective ones are taken, while the individual ones are given. "Democratic welfare" is beginning to increasingly loose ground in front of the "oligarchic welfare" (Harrod).

This change in the position the middle class has in the social structure is inseparable of the technology democratization. Now, almost everyone can achieve large production by using high technology equipments. Moreover, this possibility is further strengthened by the fact that anyone can cheaply achieve this production, anywhere in the world, besides the developed Western world. Therefore, the "structural power" comes not from the advantage of producing the final good, but from that of producing knowledge, of imagining, of conceiving. For instance, in China capital has become even cheaper than labor, which contributed to the investments increase from 35% in 2000 to almost 45% in 2006, thus increasing the intensity in using capital in production, which produced an explanatory deficit for the classic theories over the rapports between capital and labor in production, postulating that an increase in the capital intensity will determine the reduction of *returns to capital*, so that total income attracted by the capital would decrease, determining a decrease in the share of incomes from capital in the total income. In China, and also in other developed countries things took place quite the opposite.

The most obvious reason for this shift in

the classic theory logics was the acceleration in the technological process, which made capital much more efficient compared to labor. The analysis of the imports structure can be a powerful tool supporting the above assertion: in the developed countries and in China mostly we assist a change in the exports' structure from **low-margin commodity** towards **high margin advanced products**.

The problem arising from production internationalization is simple, and calls for a rapid answer: how can one remain competitive in an economy in which the danger knocks at the doors – the others' products are cheaper than their own resources – endangering one's own economic growth. A solution has been and continues to be protectionism. Unfortunately the long term advantages of these policies are far from being the desired ones and mainly those regarding the safeguarding of national production. The American example is representative: protectionist waves in the '70s and '80s which allowed for almost a third of the national production to be protected at the beginning of the '90s resulted in increases of the internal prices (for instance, following the lobby in the iron smelting industry, additional dumping taxes were applied for external iron smelting products). This made internal automotive producers to pay 40% more for steel than their world competitors, which resulted in a decrease of their competitiveness on an internal and international level, further generating difficult situations (an euphemism actually), as in the case of Ford company.

Another solution of interest for the argumentation of the thesis herein is that of the diminishment of costs for production efficiency. The result was the closing down of plants, dismissal of the workers and cut-

ting down of wages. The decent power of the workers, called by ones "majority dictatorship" was beginning to fall down.

Labor union membership starts to decrease, the number of collective wage freezing, hiring level reduction or wages reduction collective agreements increases. Wages don't keep up with inflation anymore. In companies conflicts occur between union members and the other workers or even between union members. Having to choose – and not only once – between wages reduction and reduction the number of jobs, union members prefer the second solution, under the custom that the younger employee leaves the job first in case of activity restructuring. The consequence: more and more young people join labor unions, upon the perverse effect of the diminished negotiation power and a continuous weakening in that category's power. The diminishment in the supervision routine works activity is also a constant reality. Supervisors and other middle management positions in mature industries are in the same situation as qualified or unqualified workers in developed countries.

The production act is becoming subordinated to efficiency increasing strategies, in which routine activity does not have room or anyway has a periphery, marginal place, as long as in case they are bothered by social legislation or labor unions movements, the administration of global corporations can easily decide upon the change of the production location in more peaceful areas from a social standpoint, where the bitter observation of Joan Robinson best fits regarding the worker's psychology "there is only one thing worst than being exploited – and that is not being exploited". A modern version of the immortal "to be or not to be".

The one gaining ground is not the worker, but the person providing new strategies in the fight over global competitiveness. Discovering niches is more important than the production itself. A smaller part of the amount representing a product reaches the production worker. In the inter-war period, almost 85% of the price of a car was represented by the payment of workers and investors. In the 90s, they received less than 60%.

In the production of a processor, 3% goes to raw materials and energy suppliers, 5% to the owners of installations and equipments, 6% to the routine workers, and the rest goes to the design, engineering, development, research, patents, copyrights.

Power diminishment is manifested on various plans: from access to education to the possibility of influencing elements on which personal welfare depends. Taxes evolution is one of these elements: the increasing of taxes for social securities, for public utilities or of the local taxes represents a first example. Another is the tax on wages. In the USA, by operating modifications over the income tax during the Regan period the paradox situation was reached that the poorest tax payers had to pay a sixth more than in the 70s, while the rich ones had to pay by 3% less.

The decrease of one segment, either population, incomes, political power or social statute leaves room for the increase of another. This is what has happened in developed economies during the last thirty years.

4. A second social category present in developed economies is that of small and middle enterprises or of legal entities in the form of services micro enterprises. In this category there are included "waiters, hotel workers, security agents, nurses, taxi drivers, secretaries, hair-stylists, car services, real

estate agencies, physical-therapists, flight attendants etc".

Approximately 30% of the employed population in the developed economies is involved in this sort of activities. In 2003, approximately 120 million persons were employed in services and only 34 in the manufacturing industry, respectively 62% and 17% of the total employed population. In the EU the services sector was the largest employers, with a growth rate of 1.7% each year, while the manufacturing sector – of repetitive works – faced a 1.2% yearly decrease starting 2000.

In the ninth decade, whilst production increased by 30%, the number of jobs in the industry increased by only 2% compared to an increase with 33% of the jobs in the services area.

"Conceptual analysis" services, of high knowledge intensity, represent half the population employed in services, upon a yearly growth rate of 2.3% starting with 2000. Approximately 40 million persons are employed in services with average knowledge intensity, which is 20% of the entire occupation.

In such services there can be included all activities regarding the design, problems identification, financial and marketing strategies defining, contracts performance, public relations, marketing, managerial consultancy, financial, human resources, planning, design consultancy. The income of the said depend to a great extent on the creation activity, on the labor quality, on originality, on the rapidity of solution, without being connected to the type or volume of work. Careers are not linear, hierarchic, with well pre-defined trajectories. Activity takes place in small teams, connected to beneficiaries, corporations, public administrations, army etc.

by defined duration contracts. 40 years ago, this group represented only 8% of the American workers. It is increasingly obvious that for "a company the value of the employees in the knowledge structure is increased to the detriment of the old industrial employees" (Drucker, 1989).

This is obvious if other indicators are also analyzed, such as the share of hiring in the R&D services sector, the level of R&D investments, abroad financing for new concepts development activities, the intensity of R&D (the percentage of research – development in the GDP or if analyzed comparatively the number of jobs for research activities and conceptual activities created in services and in the manufacturing industry). Thus, according to EUROSTAT, 53 millions scientists in the field of technology are employed in the sector of services and only 9.4 millions in the manufacturing industry, respectively 47% of the total occupation in services and 29% in the manufacturing industry.

Further more, if we also include the financial services area, the ones creating the credit, achieve over-loaning, accelerate economic growth, we will be able to conclude that a major cause for the current difficulties faced by the blue collars and by a large portion of the middle class appear from the structural power modifications of the various entities in the society, caused by an economy in which knowledge and access to information position differently and reward employed population differently. To a relatively homogenous structure of relations and interests a much more differentiated structure is substituted of both sources of power and capabilities of accessing the national income.

To the various institutionalized regulation mechanisms, such as labor union – em-

ployers' union collective negotiations on a branch or national level or parity commissions or the corporatism in the Scandinavian countries, grounded on connections arising from interests homogeneity or at least on the lack of radical divergences, a "risk society" is now substituted, as Ulrich Beck calls it, in which difference, dissolving pluralism, inequality, growth without redistribution are the terms of the new social contract. To the various interests represented by organized groups different interests are substituted which are individually represented.

Now there no longer exists the equivalent of what used to represent the working social class as integrating and identification force. This does not mean, as Fitoussi asserts, that the said was absorbed by the middle class. In its turn, the last mentioned one faces identity difficulties, as mentioned above. Social decomposing faces a new beginning. The lack of social change actions, generating solidarity is an uncovered reality. The politic dilemma is one of the referrals of this situation. Either it is a developed advanced society or one under modern development, the dilemma of its political mechanisms is an ever present one. From the lack of interest for the vote mechanism (with average participations of 30-40% of the population), for parties or even for individuals, to the unconscious options of the electorates, these manifestations of social inactivity are the expression of identity problems, of an accentuated fragility of the society.

### Conclusions

There is no doubt that we live in a society in which "life chances", to use the words of Dahrednorf are reduced for one of the main

actors of the mass production modernity, the "blue collar". These life chances are also reduced for the very spine of the modern capitalist society, the "middle class", in which the first mentioned category represented a part, to a certain extent. Our aim in the present paper is to understand which are the explanatory elements that can help explaining such situation for the said social category. As asserted on the beginning of this presentation, it is our opinion that the theory of power re(sources) can be a stimulating explanatory framework, considering that it is opposed both to strictly economic approaches, of neo-classic inspiration for the said problem, and to the political theories such as that of Dani Rodrik from Harvard University, focusing on the political transitions in explaining this situation (political change from democracy to autocracy favors cronyism and the strengthening the interests of those making the offer, while the inverse one favors the interests of the employed masses), thus diminishing the capacity for a global analysis of the phenomenon. Subsequent explanations of the above mentioned theory are focused on certain elements the dimensions of which can be briefly presented as it follows:

1. The shift from the mass production based economy to the knowledge based economy determines the change in the relative importance of the actors in the production process: the importance of the production act decreases in detriment of the thinking act.

2. The diminishment of the labor union membership phenomenon is both the cause and the consequence of the current poor situation of labor in the developed society. New constraints of production, the importance of costs and strategies for reducing them, have generated the flexibility and endangering of the employee's statute and thus the labor union's power. Between losing one's job

and reducing the real income the last version is preferred, and thus the diminishment of labor union membership. This phenomenon also have another explanation, derived from the content of the current labor: large production companies with thousands of employees nation wide have been replaced by large multinational companies with thousands of employees worldwide, with very different interests, and also those large national companies have been replaced by small companies, operating in environments that are so different that they no longer can coagulate common interests.

3. The problems of the state have lead to an increasing assertion of its decision making autonomy and implicitly to a pragmatic, contextual approach of the economic and social problems, which no longer were subsummed to ideals for equitable redistribution of the welfare, but only for preserving a precarious situation (it was more important to maintain the jobs on a national level without making concessions to a capital blackmailing with the idea of finding another economy interested in its services, than to apply long term principles in respect with economy socialization).

4. The increased share of the services sector in the GDP made it that given the heterogeneous nature of this sector, no unitary strategies could be adopted for representing the employees' interests.

The implications of such situation of the employees in developed countries and especially of those in the manufacturing sector are important in view of what the future of this social category will be in the Romanian economy, the situation of which is different from the above described one, yet the evolution of which can be expected to be close to those of developed economies.