

# The New Class Domination in Knowledge Based Capitalism

## “Brains” and their “Servants”

*by Bruno Palier*

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**Advanced capitalist democracies have undergone deep changes over the past thirty years, described by Torben Iversen as a transition to a knowledge-based economy. However, his account misses an aspect of class development: the emergence of a new proletariat, highly exploited in the knowledge economy.**

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This text, along with those of [Jenny Andersson](#) and [Cyril Benoît](#), was written in response to Torben Iversen's article, "[Reinventing Capitalism. The transition to the knowledge economy](#)", taken from a conference given for the 10th anniversary of the [Centre for European Studies \(Sciences Po\)](#) in June 2019.

With “Reinventing capitalism”, Torben Iversen promotes a provocative view of the dynamic transformation of modern capitalism leading toward a knowledge-based economy. Since both Jennie Andersson and Cyril Benoit focused their discussion on the cause for changes in capitalism (Iversen claiming that it is democracy that decided and not Capital), I would like to discuss the last part of T Iversen's text, in which he presents the new cleavage typical of the knowledge based economy. My purpose is not to contest the fact that there is a strong opposition between the winners of the

knowledge based economy (the new educated middle class) and its losers (the lower middle class occupying routine based jobs), since I have argued similarly in previous publications (Kurer and Palier, 2018; Im, Mayer, Palier and Rovny, 2018).

However, I think that this opposition does not account for the full story of class development in the knowledge based economy. Indeed, Torben Iversen does not acknowledge the emergence of a new proletariat, that could be called the service proletariat (see for instance *Sleeping Giant* by Tamara Draut), that is supposed to provide what has been called “essential services” to the new educated middle class during the lockdown. This proletariat is mentioned in passing by Torben Iversen, as if it was well integrated into the knowledge based economy, whereas it is highly exploited by the new winners under the current phase of capitalism.

## **Job polarization and the three classes**

What is missing in Iversen’s account of the knowledge based economy is the main trend in labour market that is to be associated with the shift towards the knowledge based economy, i.e. the polarization of jobs because of task based technological changes. It was long thought that technological progress mainly affected the least skilled workers. However, Autor et al. (2003) have shown that since the early 1990s, mid-level jobs have been the ones tending to disappear because of technological changes. Given that computers and robots are able to perform programmable tasks, they have replaced the routine tasks most commonly found in such jobs, both in factories and in services—a phenomenon known as task-biased technological change. Thus, a skilled worker on the production line can be replaced by a robot, but many service functions can also be performed by automated machines, such as bank ATMs or automated checkouts in supermarkets. Hence, a process of job polarization is taking place. The jobs that are disappearing are the mid-level ones, whereas those being created are high-paying jobs on the one hand (with the growth of high-skilled work in companies and in cutting-edge sectors, high tech, research, innovation, etc.), and very low-paying and precarious jobs on the other hand (delivery, transport, hotels, catering, retail, personal care, personal services, etc.)

While T. Iversen is very well aware of the rising new educated middle class and the declining lower class (mid skilled middle class) progressively losing centrality in the knowledge based economy (they are shrinking and shouting), he overlooks the emergence of a new class, the one employed in personal services. Retrospective analyses of job creation in the 1990s and 2000s reveal that new jobs were concentrated at the two ends of the pay spectrum. On the one hand, there was the development of “lovely jobs” (to use the expression of Goos and Manning, 2007), available to those with the highest educational qualifications, either in sectors that already existed but whose productivity was boosted by digital technology, such as in finance, or in new sectors such as robotics or new digital platforms and applications. On the other hand, jobs in the service sector such as retail, logistics, catering, construction, deliveries or care (health, personal care and childcare) remained and resisted the advance of automation, or even grew, but, because these were supposed to be low-skilled and unproductive, could only be expected to be “lousy jobs”.

## **The new class domination in the Knowledge based economy**

In the economic literature on labour market polarization, studies have either been purely descriptive in analysing trends in terms of job creation and destruction, or purely prospective in terms of jobs likely to be “computerized”. However, such work does not analyse the relation between high-income and low-income jobs. It is as if all developments could be explained purely by technological change, in a form of technological determinism that takes little account of human institutions and actions.

Considering the jobs being developed, the literature on polarization identifies the lowest-paid jobs, described as “unskilled” or “non-productive”. These are interpersonal face-to-face jobs, whose development is increasingly associated with intermediation platforms in areas such as logistics (Amazon, Uber), restaurants and hotels (Bookings, Tripadvisor), home help and personal services (Taskrabbit, etc.).

Such jobs tend to be characterized by low wages, short-term contracts, part-time work and poor social protection. Peugny (2019) has shown that the jobs being created at the bottom of the wage scale are poor-quality jobs. All of the various theories of labour market polarization take the view that such jobs must inevitably be poor-quality jobs, because they are held to be occupied by low-skilled people and to be non-productive. In their study of labour market polarization in France, Catherine, Thesmar and Landier (2015, pp. 15–16) affirm:

The profound polarization of the labour market has led to a sharp rise in wage inequality. Low-skilled jobs in personal services (catering, logistics, health) are *by nature*<sup>1</sup> tasks in which productivity is low; those who have had to move into such jobs are paid less than was usual in the skilled manual or clerical jobs they held before. Conversely, managerial and creative occupations have seen their productivity increased by the possibilities of IT, and the remuneration of such jobs has increased relative to the median wage.<sup>2</sup>

In the wake of labour market polarization, a new social polarization is also taking shape: the emergence of an internationalized higher class with worldwide connections, living at the heart of globalized urban centres, and a class of people to serve them, whether by doing their housework or providing other domestic services,<sup>3</sup> taking care of their children, providing them with personal care, serving them in restaurants, driving them (by taxi, chauffeur-driven car or Uber) or building or renovating their homes. Domestic services jobs have developed in many countries owing to tax exemptions that have made them affordable, primarily to the benefit of the wealthiest households (Morel, 2015). To use Morel's terminology, these new "servants" allow the "brains" to concentrate on their tasks and hence increase their productivity.

<sup>1</sup> Author's emphasis.

<sup>2</sup> « La grande polarisation du marché du travail a eu pour effet un fort accroissement des inégalités de salaires. En effet, les emplois de services à la personne peu qualifiés (restauration, logistique, santé) sont *par nature*<sup>2</sup> des tâches où la productivité est faible ; ceux qui ont dû se reconvertir vers ces tâches ont une rémunération plus faible que celle qui prévalait sur les postes d'ouvriers qualifiés ou d'employés en col blanc qu'ils possédaient auparavant. Inversement, les métiers managériaux ou créatifs ont vu leur productivité décuplée par les possibilités de l'informatique et les rémunérations de ces emplois ont augmenté relativement au salaire médian ».

<sup>3</sup> Domestic services jobs have developed in many countries owing to tax exemptions that have made them affordable, primarily to the benefit of the wealthiest households (Carbonnier and Morel, 2015).

Along with the polarization of the labour market, a new social polarization is thus emerging, and a new social divide is forming between very highly-paid “productive” workers and “non-productive” workers, whose jobs are concentrated in personal services; this new form of polarization is leading to a new form of social domination of the “brains” over the “servants”, a relationship that is becoming typical of the knowledge economy. This relationship of domination is based not so much on the ownership of the means of production as on the possession of human capital, knowledge and creativity.

If Torben Iversen alludes to the fact that the new educated middle class may be not ready to contribute to redistribute (to pay for the losers of automation, i.e. the lower middle class reclaiming compensatory welfare benefits), since they are secure, he should not overlook the fact that the privileged position of the new educated middle class (the “Brains”), is partly based on the services provided to them by their “Servants”, without sharing with them the profit they make in the knowledge based capitalist economies.

## References

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