Power-Biased Technological Change: Flexible Organization and the Growth of Inequality

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Abstract
The standard approaches of economists studying the effect of new technologies on the distribution of earnings starts with the assumption that the causal path will lie through the market for human capital, the supply of and demand for skill. Both the skill-biased technological change (SBTC) and globalization explanations for increased inequality of earnings within the industrial countries, take this approach. This paper argues that the relationship between new technology and the distribution of earnings may have more to do with power than with skill.

New information and communications technologies, used for organizational coordination and control have, over the past quarter century, made it possible for complex organizations to be more flexible in their responses to their environments. Whether these same changes empower or dis-empower lower level workers is the subject of ongoing debate. The same quarter century has seen an increase in earnings inequality, a decline in union membership and power, and a decline in political participation in the US and many other countries. Standard efficiency wage theories of wage determination predict that dis-empowering improvements in coordination and control will reduce relative wages of lower-level workers, while the voice theory of labor unions is consistent with the same changes in coordination and control reducing unionization. A decline in political participation following the weakening of labor unions, is consistent with pluralist theories of politics. In short, is a good case to be made that by facilitating organizational flexibility, new information and communications technologies have disempowered workers, increased inequality, and reduced democratic participation both in the workplace and in the civic arena.

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