

# **Structural change in the contemporary economy : general aspects and labor policies implications**

[A outline draft of reasoning]

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## **Structural change in the contemporary economy : general aspects and labor policies implications**

### **Premise**

#### **1. Growth and industrialisation as the development of mass production**

##### ***1.1. The interaction between technology and final consumption***

Although it is difficult to establish a precise relationship of “causation” between the various variables of development in the “synthesising” of industrialisation in the past, we can say that the interaction between production technologies and final consumption has almost always been the heart of every structural change in society.

The “crisis” we are passing through in the industrialised countries - like many other important crises in the past, that is, those of a structural character - seem to be equally dominated by a change in the relationships between production technology and the structure of consumption.

(omissis)

##### ***1.2. The first phase of industrialization: from “non-mass consumption” to “mass-consumption”***

The “industrial revolution” has provided us with (or has permitted) mass production. But mass production has become effective, rather than potential on the basis of a more or less slow, more or less “critical”, process of adaptation of the productive structures to the possibilities for expanding consumption (or the “market”, as one says), that is, in our sense, of mass consumption opportunities.

The interaction between mass production and mass consumption is should be rather given for granted.

The more the conditions for mass consumption (effective demand) are created, the more mass production becomes possible, and vice versa. The potentialities of one of these two phenomena don't always exactly match the effective status of the other. When an imbalance between the two phenomena is produced, the classical “crises” of over or under-production

appear, which have been crises of change towards higher levels of profitability and economic well-being.

The process of industrialisation has thus almost always been – in different conditions and phases of history - a process of adaptation of consumption to mass production through the reduction of unit costs (and the increase of productivity) which the latter permitted; with the transfert of ever more important parts of non-mass production to mass production and the replacement of non-mass consumption by mass consumption.

### ***1.3. Productivity, development and industrialization.***

“Economic development” is always identifiable as the rate of increase of this transfer, which has ensured (and identifies itself in) the rate of increase of “physical” productivity (output per man-hour), achieved both in the transfer of mass to mass production and in the constant (or cyclical) technological innovation within mass production (from simple mechanisation to automation and robotics).

The rate of increase of the GDP, which is the common indicator and the symbol of a national community growth, (usually considered “per capita”), is no other than the overall result of the physical productivity in the mass production sector (distributed throughout the productive sectors through modifications in the system of relative prices).

Every country has always been trying to create its own effective demand, both within itself and outside them. And the demand (which is potentially infinite) becomes effective only when consumers develop a “real” purchasing power.

## **2. Fordian and Keynesian policies in the the historical model of the development of mass production.**

### ***2.1. Adaptation of mass production to the mass consumption***

What we have called the “process of adaptation” of the structures of production to the possibilities of expanding consumption (see above) has been a characteristic of many of the events of economic history, at least in this century.

Mass production, in its attempt to establish itself and develop, has always been trying to create its own effective demand, both within the countries involved in its development and outside them. And the demand

(which is potentially infinite) becomes effective only when consumers develop a “real” purchasing power; which in turn derives from the redistribution- of the benefits of the increase in physical productivity.

In order to seize ever wider sections of the market from non-mass production (for as long as this exists), the mass production sectors have had to increase the general purchasing power in respect of their products (which is also a function of the real reduction in the cost of production which, in its turn, derives from a mass production itself and its technological improvements) and to do so continuously. There is therefore a kind of “circle”: not vicious but virtuous, linking the increase in mass production with that in mass consumption (represented by the process of adaptation, already mentioned).

### ***2.2. The future productivity discount***

In the past, the Western industrialised economies have often, in particular periods, encountered limitations of the effective demand, in comparison with with production capacity. Attempts have therefore been made to create a temporary purchasing power going beyond the simple adaptation possible and discounting future increments in physical productivity which would be stimulated by it. It is not by chance that Fordianism and Keynesianism are contemporaries. Both the policy of high wages and the policy of high public debt are policies which aim to create a temporary purchasing power which is only fictitious (or monetary), but is capable of producing those increases in productivity in mass production which are the only real source of purchasing power, and hence of economic growth and well-being.

The last great exploit of Fordism and Keynesism was in the period after the war, which coincided with the last “great leap forward” in mass production, what has been called “automation” and ensured the highest rates of growth ever known in industrial development. These were the higher, in individual countries, the wider were the margins for the further expansion of mass production-or - in other terms - the more important – the remaining share of the remaining non-mass production technology.

### ***2.3. The negative conditions for a productivity discount.***

But Fordism and Keynesism as expressions, indeed emblems, of the policies of discounting and accelerating future production, function if there

are “margins- and real possibilities of increasing that productivity. Otherwise, instead of being stimuli to an increase in productivity, they may become a discouragement for it, increasing the cost of labor to enterprises which have no possibilities of reabsorbing them technically, and making the public deficit which was accepted as “temporary unrecoverable” (thus creating an expectation that many public services would be “free”, expectations and attitudes which feed parasitism and waste, with deleterious effects on the efficiency of the entire economy).

But in these cases the errors do not lie in “taking the longest possible step” but in doing so at a time when, or in a place where the foot put forward would land on a void rather than on solid ground.

#### ***2.4. The "margins" of productivity increase***

But how can one determine what we have called the “margins” of increase in productivity? This, in our opinion, is the heart of the matter (particularly in relation to the key points of the present “crisis”).

To the extent that these margins exist there are also possibilities of adaptation by traditional means, even if these are not always easy to put into practice. But to the extent that structural changes of a kind which, as we shall see, do not offer these margins, may occur, account must be taken of an *entirely novel* situation. Also the model of growth will have *entirely different* characteristics from those of the known models (of which Fordism and Keynesism have represented the most intelligent and courageous adaptation).

### **3. Mass production and the new needs**

#### ***3.1. Saturation of material goods and increasing demand for immaterial goods***

In effect, production technologies offer the possibility of developing physical productivity (production per man-hour) mainly in the production of material goods. The electrotechnical industry and informatics have given the opportunity for huge increases in productivity in the services sector, too (although one is here talking of those services whose production is measurable in quantitative terms: times and calculations, acquisition and diffusion of information, etc.).

The possibilities for increasing productivity are, however, rather limited for the whole vast range of non-material goods. Here the physical productivity, which is a ratio between quantities, takes second place to quality, which is very often inversely related to quantity.

### ***3.2. The consumption differentiation need.***

The affluent society, produced by the last boom in automation in the post-war, has led to a fundamental structural change in human and social needs in almost all Western industrial societies. The need for *material goods*, abundantly satisfied, has been supplemented to an ever increasing extent by the need for *non-material goods*, the technologies of production of which have remained the same for centuries, and even if they have changed, they have done so in relation to method and quality, and not in relation to productivity.

Furthermore, the spread of mass consumption and the governmental systems for transferring resources and meeting all cases of need, if they have abolished material misery on the one hand, have also increased the psychological need, among ever larger strata of “average” consumers, for a differentiation of consumption, a need to move out with mass consumption, not only in the case of some non-material goods but also for some entirely traditional material goods. The need, which was once limited to restricted strata of well-off consumers, for “positional” goods, as they have been called, and the enjoyment of which depends solely on the fact that they are not available to all, has become general.

### ***3.3. "New" demand and development***

The satisfaction of these “different needs” is becoming pre-dominant in the complex of needs to satisfy and characterizes the new demand for goods and services, the new demand for well-being. If, as is very probable, the population of the western industrialised countries is not destined to increase very much, but rather to stabilise, this means that the additional demand for good and services will, essentially, be oriented – and will therefore induce – the growth of activities with very little increase in productivity and therefore, if development continued to be measured as it is at present, with nil development.

## 4. Industrialisation and Tertiarisation

### 4.1. *Industrialization in crisis*

If we leave aside for the time being the prospects for the development of international trade, (which is the subject of another paper at the Conference) and to which we return in to section 5, it seems tha for the OECD countries the "crisis is produced by *incongruousness of a production system still based on the search for a "development" in productivity which is no longer required by the emerging social needs.*

In effect, one has had the impression for some decades now that the Western industrial system no longer knows what it can "invent" to induce needs and consumer demand for industrial products, for which a certain "saturation" has been reached overall. The sophistication of the products is enormous. The production of "new products" - not always useful - is intense. But this has not hindered the relative decline of important indstries and especially those which have achieved the most rapid increases in productivity. (This does not mean, however, that within these industries the firms which have accumulated the greatest advantages in terms of low production costs have not maintained high rates of development of production at the expense of less successful firms in the industry).

A "tertiary revolution" has been taking place for some time and replacing the "industrial revolution" which has dominated Western economies for almost two centuries. It is therefore proper that the characteristics and the model of a "post-industrial society" ~ now taking shape. It is of this society – in spite of the complexity of its inter-relationships with the remains of an industrial society not yet fully attained that we are obliged to isolate and interpret the specific functioning.

### 4.2. *The tertiarization process*

Perhaps it would be better to speak of a "*process of tertiarisation*" which is in the course of replacing the already known and mastered "process of industrialisation" but which presents fundamentally different characteristics and modalities which may sometimes even be the opposite of the latter.

It is known and accepted that a process of tertiarisation originates on the base of a process of industrialisation which has already reached an advanced level. One cannot conceive of a real process of tertiarisation

without a preceding industrial development which makes it possible to satisfy the basic needs of society as a whole through mass production. That much is somewhat obvious.

A “tertiary” society appears only when a process of industrialisation has completely matured. (And this making an exception for the cases of countries which, even though they have not gone through a full process of industrialisation, play a “tertiary” role in the international division of labour. However, in these cases a functional integration of these countries with other highly industrialised ones operates, so that one cannot speak of an autonomous tertiary society).

But once it has appeared, it demonstrates a model of operation totally different from that of industrial society in the” phases of its development and preponderance. Analysis of this model is fundamental to the interpretation of the crisis of transformation which the Western world is passing through at present. This analysis has already been started at the political, and more particularly at the academic level. But although stimulating theories have been put forward on the subject, force of habit often, too often for the needs of the situation, leads to the use of system of interpretation based on the functioning of industrial society (which is also still in full operation, even if in semi-permanent “crisis” and tending to decline) to understand and tackle the critical problems through which all the industrial (or better tertiary) countries are presently passing.

Perhaps it is opportune that the OECD Conference is devoting itself to a study in depth of the characteristics of this “tertiary society” or “service society” in comparison with those of “industrial society”, since it is here that there lies the key to the understanding of the nature of the crisis and of the structural changes which are in progress.

The first step might be to describe two ideal typical models for an industrial and a tertiary society respectively: the second step that of classifying the effects or the functioning of the two models for the group of phenomena under investigation taken as a whole: the labour market, the organisation of production, investments, motivations, savings, financial flows etc.

## **5. The model of industrial and the model of tertiary society**

### ***5.1. The labor substitution, a constant pattern of the industrial society model***

The ideal-type model of industrial society is based, as has been said, on the development of physical productivity. It starts with Smith's story of the pin factory. The social division of labour is the basis of productivity and the effectiveness of human labour is multiplied to the extent that it is replaced by energy and mechanical ability, with benefits not only in relation to the "fatigue" inherent in the work but also in the costs of production and the availability of goods and products for consumption. The continual replacement of human labour by mechanical operations is the basic objective of technology and the principal factor in material well-being. The history of industrialisation (and therefore of industrial society) in all the production processes, from agriculture to mining to metal working, to the chemical industry, from transport to commercial operations, banking and administration in general in the various service sectors, is a story in which the intensity of labour in the labour/equipment and/or labour/ fixed capital combinations for production tends to decrease (and its unit cost to increase) and vice versa the intensity of equipment or capital tends to increase (and its unit cost to decrease) .

The technological transformations in some sectors (especially when they give rise to "new products" can also give rise to a temporary rise in labour intensity. However, in time, if one is dealing with material goods and mass production, the trend towards saving labour has always proved the basic rule of industrial society in the long run.

### ***5.2. Human labor at zero productivity in the tertiary society model***

The idealised model of a tertiary society is based on entirely different principles. The basic difference is that "tertiary" activities, by definition, are incapable of achieving significant increases in physical productivity, the *quantity* of service per unit hour.

One must, however, here clarify that the concept of "tertiary" activity referred to does not derive from a "commodity " classification of economic sectors, but rather from an operational analysis of production processes. If, for example, the introduction of electronics, informatics and telematics into office work has reduced the amount of human labour and made it possible to implement improvements in the ratio between operations executed and hours of work, then we are not facing a process of "tertiarisation", but one of industrialisation and mechanisation of some service activities. In fact the concept of tertiary activity here used, which recalls that of the first people to use the term, for example Fourastie, is that of activities to which it is impossible to apply a measure of output in terms of quantity produced, or if

that is possible then the quantity of output is not influenced by the introduction of mechanical equipment.

The civil service is the archetypal tertiary activity. As is well known, traditional systems of economic accounting, given the impossibility of adopting quantitative measures of output for for this work, value the product at its wage cost and the, value added of these activities varies only with changes in pay levels or employment. It is assumed that the value added per person, that is to say the *productivity*, of these activities does not vary and its rate of change is always zero. If, to create a paradox, we imagine that all employment is in these activities, we would automatically have as zero growth. The increases of income occurring in the civil service would only be a redistribution of the increments of output achieved in the productive sectors (which in our paradox situation would be those which were fully automated and provided no employment).

A tertiary society appears when there are no longer increases in productivity per man hour in the great majority of activities which take place within it and when demand in the material goods industries where such increases could theoretically take place is as a standstill, either because of mass-consumption saturation or because demand growth has been displaced towards services.

## **6. Implications of the change of model**

From an analysis of the behaviour of the two models it is possible to derive many interpretative implications which will be illustrated here in brief and by example.

### ***6.1. Performance indicators***

In industrial society, the rate of development of product (GDP) can be considered as a good indicator of success, in that it is a sort of proxy for an increase of ability to purchase goods desired by the consumer and for which there is still an unsatisfied demand.

In a tertiary society, the rate of development of product (GDP) no longer indicates the performance of the production system, which is no longer measurable in terms of output per man-hour. This is also independent of the fact that resources destroyed (especially irreplaceable natural resources) and some social costs are not accounted for, as is normally emphasised and which also applies to industrial society.

### ***6.2. Role of the “investment”.***

In industrial society the rate of investment is a guarantee of the “growth” of the capacity of the production system; that is, of progress in the rate of increase of productivity.

In tertiary society, the *rate of investment* is no longer the decisive factor. In some cases it may be a waste of resources if it is directed towards the sophistication of unnecessary industrial products. Since it is the “quality” rather than the “quantity” of the services which measures the progress in their production, it is probable that improvements can result more often from current expenditure (remuneration of the personnel and other current expenditure) than from capital expenditure. In education, in research, in health services, recreation and cultural activities which are increasingly important in tertiary society, this is certainly the case.

In industrial society the predominant pattern in the increase of productivity is an organisation which tends to concentrate and link itself together in a continuous flow of output, profiting from “economies of scale”. On the strictly technological level, as on the level of economic/financial organisation, the efficiency of industrial society is ensured by “large size” and by the “chain” in either production or in distribution.

In tertiary society the phenomena of differentiation and particularisation affect the quality of the product and the service more than do the phenomena of standardisation. The premises are created for a necessary industrial and operational “decentralisation”, even in cases in which the logic of large scale provides resistance. Furthermore, in the great majority of services (which, starting from a restricted market are spreading to an ever wider one) “personal” characteristics are retained which are by their nature in opposition to all forms of “impersonal” organization.

### ***6.3. Basic motivations***

In industrial society, if progress is ensured by the increase in productivity, this is in its turn sought on the basis of interest “additional” to profit. It is not by chance that capitalist accumulation and industrial society have been interacting and highly integrated phenomena. It is not by chance that the entrepreneur's profit has always been considered the basic motivation for productive activity in capitalist and industrial society, and

when this motivation disappears, for any reason, it is very difficult to find any motivation to replace it while maintaining the productivity rate as the basic indicator of success. Stakhanovism and the public purpose of the non-profit enterprise are exceptions to the model which are not always effective and not always honourable.

The Shumpeterian entrepreneur is the standard hero of industrial society, motivated by profit and seeking in innovations in the product and in the process of production that rate of increase in productivity on which his rate of profit depends (and on the prospects for which the rate of investment depends). The profit-investment identity, which is disputed in theoretical arguments, is generally obvious in industrial society.

In tertiary society, the absence of any increase in real productivity makes the presence and effectiveness of the profit motive as a driving force for activity and investment very doubtful. The expectation of profit would no longer have any-thing to feed on. Other assorted motivations come in, for example social and professional recognition, in the very wide and highly personalised range of activities which make up the tertiary sectors.

To the management of big business there is added the self-management of small business. Technological innovation is no longer so exclusively directed towards increases in productivity, but towards improvements in the quality of the service and the subjective conditions of its supply. It is directed more towards the benefit of the consumer and the operator rather than that of the entrepreneur.

In short, non-profit activities increase their importance and influence on the entire economic mechanism, both private and public. This fact is destined to make many economic theorems obsolete.

#### ***6.4. Motivation and role of saving***

In industrial society, productive investment is fed from savings through the “capital market”. Private savings are channeled through complex intermediary mechanisms into those activities which provide the highest rates of “return”, in principle proportional to the rates of productivity (on the basis of the fixed capital investments which they make possible).

It is true that even in industrial society there has been a separation between the motivation for savings and their “productivity-yield”. But this separation has led to the fall of the private saver, because he has been deprived of his legitimate expectations. Saving has become the exclusive prerogative of either firms (self-financing or public contribution) or of the state (current account surpluses). But for companies self-financing has

almost always been permitted by oligopolistic conditions in the market and accompanied by agreements and mergers, that is, by industrial concentration, with the declared aim of making today's consumer pay for tomorrow's technical progress, from which gains in productivity and profit will accrue.

For the state, in effect, saving has never and in no circumstances been motivated by profit, obviously, but by a public interest which has always been a part of the private interest and financially fed pro-rata. This does not appear to be more characteristic of industrial than of other models of society.

In tertiary society, if accumulation as an incentive to saving fails, saving as an institution tends to decline. At least unless the motivation changes substantially, and in effect it is probable that it tends to change.

In the public sector saving always corresponds to traditional criteria and motivations which are common to industrial society. But it is probable that the public sector will further enlarge its influence. In the private sector, since, as it has already been said, non-profit sectors and activities will expand, savings will essentially be directed towards providing the services and consumptions with more advanced instruments and technologies and will have more of the character of consumption projected in time than of a real productive investment.

If an analogy is required for explanation, the savings which will be achieved in a tertiary society will be similar to what is identified in the family as saving for the house, that is through the purchase of a dwelling for the family's own use (and not to put it on the housing market and get an income from it). It cannot be denied that this is "savings" nor that it is an investment for the future. However the absence of the intention to draw a profit from it makes it a form of savings directed towards consumption, even though durable; savings, that is, which have a very different relationship with the production of income from productive investments industry.

The rate of interest will have a very reduced influence on the propensity towards this type of savings. It is probable, in spite of the expansion of the tertiary sector, that financial intermediary services within the tertiary sector are destined to decline.

### ***6.5. Employment Tipology***

There is no doubt that the tertiary society offers quite different prospects for forms of employment.

In industrial society the dominant employment has tended to be modelled on the form and conditions of a factory organisation. Even in agriculture and the services the factory has become the standard model. For example one can think of the administrative offices whose furnishings, with the disappearance of the internal partitions, give an impression of “scientific organisation” of the work. Industrial society has developed still more clearly defined characteristics in its labour relationships: ever more comprehensive contracts with ever richer details but established at central coordinating levels.

Industrial society is an “employee society”: born from the destruction or pushing to one side of independent work. In its initial phase the old independent producers were pushed out and destroyed (craftsmen, small farmers) and the industrial enterprise was increasingly organised in the legal form of a limited liability company or corporation. Even enterprises of a notoriously family character adopted the legal form of the corporation. Later, with increases in scale and concentration, even the small and medium enterprises and their individual entrepreneurs are replaced by professional managers and executives, formally employees of the corporation but in reality controlling it. This is an extensively documented and discussed phenomenon (the famous neo-capitalism) which has reached its organisational high-point in the political power of the great transnational or multinational companies.

The economic and organisational concentration reached by industrial society has been further consolidated by the competition which has been provided by public enterprise on every occasion when the state has thought it had to “substitute itself” for the large private enterprises, either because these were too powerful in relation to the public interest (nationalisation) or because they did not exist (in the case of “late-comer” countries - fascist or underdeveloped - in the process of industrialisation, in which there would be no industrialisation without the state playing an entrepreneurial role). But whatever the historical circumstances and motivations of the “industrial state” it is no other than a further confirmation of the general tendency of industrial society towards an expansion of the status of “employee” to the whole active population.

In tertiary society independent work begins to reappear, though in different forms. The “labour market” does not follow the dominating or hegemonistic model as it does in industrial society. Above all, the movement towards the “professionalisation” of work is accentuated and becomes general in a trend which had already started to appear in the last phase of industrialisation, that of automation. In the industrial sector itself, in fact, the first development of mechanisation, which was for long a factor

in lowering skills to the point where man became the “*bouche-trou*” of the mechanised process, to use George Friedman 's expression, was followed by automation, in which skill or qualifications became important once more in the guise of new professions involved in the control of the entire process.

But in tertiary society the movement towards a more extensive professionalisation spreads with:the spread of extra- industrial activities and services (not susceptible to the quantification of output) all founded on individual services of the professional type.

In industrial activities in tertiary societies, the trend in industrial society towards the absorption of services within production units (the large corporations set up impressive internal service departments for sales, personnel, legal affairs, technical consultancy etc.) and the taking on of professionals as employees is inverted, and the habit of using external consultants is resumed in the general decentralisation of operations, even in many large operating companies.

Because of the structure of tertiary society, the dominant reference model is no longer the factory but the office. And this even ends by influencing industrial activities themselves and perhaps even farm production, which turns into “agri- business”.

In tertiary society there is a boom in services for production: companies for marketing, advertising, information, etc. But these activities return to a self-managed professional organisation instead of towards large scale organisation.

In conclusion, the employee labour market is progressively replaced as the important model by the market for professional services.

### ***6.6. “Industrial relations” Tipology***

The professionalisation of work, which becomes the dominant characteristic of the idealised model of tertiary society, has obvious implications for the conditions of labour supply, especially in relation to pay.

In industrial society the problem of economic and trade union protection of the employee has increasingly emerged. The unions have, in fact, grown in both number and importance, Collective bargaining has aimed at increasing the employed workers share of the benefits of productivity, and has sometimes, as has been said, pushed wages beyond these benefits, with a positive effect on productivity resulting from the consequent stimulus to the saving of labour.

Being an employee society, industrial society saw the unions develop a stronger centralisation but with the principal interlocutor being still the employer or the employers' association; even when the state has assumed an increasingly important role as a producer of industrial goods and services and therefore itself become an employer. In tripartite negotiations, too, the state intervenes as a mediator, but the essential confrontation is that between employers (possibly including the state) and the labour unions.

In tertiary society the model of industrial relations also tends to change, even if the resistance provided by institutional factors tends to retard the change. With the decreasing need to protect employees as such comes an increasing need for the economic protection of professional relationships. The principal interlocutor of the unions - which return to being increasingly professional unions - is not the employer who - as profit-oriented entrepreneur - is the driving force behind economic development and increases in productivity, but rather society as a whole, in relation to which the roles and rewards of the various professional categories have to be fixed. The unions ought increasingly to resemble professional associations fixing not only standard charges but also setting codes of conduct.

In tertiary society, as a first step, the unions should aim to decentralise, too, and organise themselves more in relation to professional conditions. An increase in independent unions may be the response to some ossification of traditional organisation in the face of the trend. However they respond to physiological need and are not a pathological phenomenon. The same goes for non-unionised forms of labour supply (the so-called "black" labour market), which is often a response to new conditions of the supply of professional services for which collective bargaining has not been able to provide an adequate response. It is therefore a progressive and not a regressive phenomenon.

### ***6.7. Role of the State***

The change of model may have important implications for the role and functions of the state, and therefore for the public sector of the economy.

The public sector of the economy has grown greatly in industrial society. The increasing rate of productivity and therefore of development which it has been allowed has produced an ever increasing need to "compensate" the social imbalances which the dynamics of acquisition by itself generates. The course of economic progress and improved productivity (and the real gains which follow therefrom) ought not to be slowed down by structural or social resistance. Instead it would be better to

dedicate part of the growing income produced to repair the damage done by the race, compensating those who suffer from it through a protective system of welfare under a sort of “collective public assurance” against the risks which intense development inevitably produces, even though the total of the advantages certainly exceeds that of the disadvantages.

Thus arises, from industrial society, the Welfare State. It provides protection by transfers of income (of the insurance type, even if they do not always take the form of actuarial equivalence). By providing free or semi-free services it creates those social services which in turn become one of the “consumptions” towards which the structural changes in demand, both individual and collective, are moving most strongly.

It is therefore not by chance that the most advanced forms of the Welfare State are those achieved in countries in which industrial society has reached its most advanced forms, that is, those in which the rate of growth in productivity has been the most intense.

But it is also true that the development of the Welfare State has further provoked “tertiarization”, that is, the overall decline in the opportunities for high rates of physical productivity, that is, the real economic basis for the possibility of expanding the Welfare State.

There is a threshold in the development of industrial society beyond which the Welfare State, too, enters a crisis and this approximately corresponds to the threshold beyond which it is no longer possible to increase the proportion of national income transferred by the state to free services. This threshold also marks the point at which, approximately, the transition from industrial to tertiary society occurs.