

Ottawa Truckers and Work Apps & Part-Time Labor Markets

What Happens Next – 02.20.2022

Larry Bernstein:

Welcome to What Happens Next. My name is Larry Bernstein.

What Happens Next is a podcast where the speaker gets to present his argument in just Six Minutes and that is followed by a question-and-answer session for deeper engagement.

Today's discussion will be on two topics: What is going on in Ottawa with these truckers? And how have work apps fundamentally changed part-time work?

Our first speaker is Eric Kaufmann who is a Professor of Politics at Birkbeck College at the University of London. Eric has spoken on the podcast twice before where he discussed the lack of political diversity on campus, and why pollsters systematically underestimate the shy Trump Voter. Today, we will hear from Eric about what is going on in Ottawa with these truckers. Why is Trudeau escalating the situation and calling these truckers racists and misogynists and trying to implement martial law? Not everything is rosy in our neighbor to the North.

Our second speaker is Daniel Altman who is the Chief Economist at Instawork. Daniel is going to explain how these new work apps have fundamentally changed the nature of part-time work for hourly workers who can now move seamlessly between industries and positions to meet their flexible schedules. This is radical change in the labor market and may reduce structural and frictional unemployment for the better.

You can find transcripts for this program and all of our previous episodes on our website whathappensnextin6minutes.com, and you can listen on Podbean, Apple Podcasts and Spotify.

Let's begin with our first speaker Eric Kaufmann.

Eric Kaufmann:

So, we're here to talk about the Canadian trucker convoy, and we've got two conflicts. The first is straightforward conflict between those who want to end cross border vaccine mandates for truckers, so that truckers don't have to isolate for 10 days and those who think these are necessary measures. Now, I don't have a strong opinion on this. You've got to balance deaths against freedom and productivity, and I'm not an expert enough to know where that balance lies.

But what's interesting to me is, the secondary conflict playing out here between rural, white working-class Canadians coming into Ottawa, colliding with a carefully curated image of Canada as a multicultural, politically correct, moralistic country. You see flags being waved along the route of the Trans-Canada Highway to contest the meaning of Canada from Liberal elite framed by Trudeau.

Canadian progressive elite has reacted in a disproportionate manner, and particularly Trudeau and even the media to this protest. Going back to September 2021, Justin Trudeau talked about anti-vaxxer mobs launching "racist, misogynist attacks," something which has absolutely nothing to do with the whole vaccine question and with the trucker convoy, at all.

Trudeau essentially trying to inject identity politics into something that has got nothing to do with racism or sexism. That the convoy was led by "those that claim the superiority of the white bloodline, and equate Islam to a disease," and this is a product of his fevered imagination.

No shame in applying these label to this protest. And the media focusing heavily on the one or two Confederate and Nazi flags that could be found in the thousands of protestors and trying to make those stand in for the protest.

What is the reaction of this, in public opinion?" this left-wing populist misinformation does work, if you look at some of the surveys, one poll showed that 57% of respondents said, "The convoy was not about vaccine mandates, but an opportunity for right wing supremacist groups to rally and voice their frustrations about society." That's 57% of people responded in that manner.

In a 2019 poll, I found that over three quarters of supporters of the left leaning Liberal, New Democrat and Green parties said that the People's Party, which is the populist party, in Canada, this anti-vaccine mandate party, called it a racist party. 60% of the Canadian electorate leans left, a majority of that group is buying into these media narratives about racism.

This reflects a growing polarization in Canadian public opinion. If you look at support for Trudeau amongst Conservative and People's Party voters, it is in single digits. Has been for a few years now. Switching between the Liberals and the Conservatives is very rare. That never used to be the case, but it is now.

So, we're looking at a very US-style polarized situation, and Trudeau has been an extremely polarizing leader. Most people do not support the convoy. Two thirds oppose it, and only 22% support. However, what's interesting is that two thirds of Canadians say Prime Minister Trudeau's comments and actions have worsened the situation, and that includes between 90 and 100% of right-wing voters. I would contest the view that this is going to be enduring, and why do I say that? Immigration is not a central factor in this protest, and if you look at the voters for, European right wing populist parties, or for Trump, that issue is central. The security and identity issues are really important.

Libertarianism, such as being against vaccine mandates, has a relatively shallow base within most publics. Most people are relatively conservative culturally, and lean somewhat to the left economically. So this is not likely to be something that endures. The pandemic is not going to last forever, it's going to go away. And when it goes away, I think this issue is going to die.

However, I do think that the overreaction, and the identity politics-based reaction of Trudeau and the Canadian progressive media will deepen the cleavages moving Canada, in the direction of US-style polarization.

Larry Bernstein:

Thanks Eric. Why does Trudeau and the media claim that a group of truckers are racist and misogynistic?

Eric Kaufmann:

Race, gender, and sexuality are central to their worldview. And the sacred values are anti-racism, anti-sexism and anti-homophobia, and they are looking for any way to attach these sacred values to the drama that's playing out. They're desperate to find these sorts of connections to validate a worldview even if it makes very little sense.

Canada is this progressive, multicultural paradise, and what they're identifying against that bad, white settler male, misogynist culture.

Larry Bernstein:

You are highlighting that at its core, the conflict is about what it means to be Canadian, but this isn't what the truckers were focusing on. They wanted to end the vaccine and isolation requirements for crossing the border. Why do the truckers freak out the Canadian elites? Why did Trudeau go hiding in a cabin in the woods?

Eric Kaufmann:

(laughs) Well, this demographic rural, white working class, is rarely seen in an urban protest. Most of the urban protests are coming from the left. Those big rigs are kind of frightening, if you're sipping a latte at a café, looking at Prius's rolling by. I don't know how genuine the fear is or how much that is contrived and performative.

These truckers were draped in the Canadian flag.

Larry Bernstein:

It's interesting that you focus on the flag because the media focused on an isolated swastika and confederate flag as their symbol of choice.

Eric Kaufmann:

There were media stories suggesting that this was using that flag in a dishonest way, that was disguising their true motives, that they would all be waving the Confederate and Nazi flags. I think the tone really was one that, "You're kind of smearing this by using it."

Larry Bernstein:

Eric, in your book, *White Shift*, you discuss the idea of Canada as a nation state. The elites are uncomfortable with the white English origin of the nation and prefer an open society that can take in millions of people from around the world with open immigration. This is some kind of post nationalism, looking for a multicultural country. I would have thought that meant deemphasizing national symbols like the Canadian Flag?

Eric Kaufmann:

In a way, that is the logical end point, I suppose, of an anti-national philosophy of the kind that Trudeau is an example of Lennon-ism, not Lenin-ism-

John Lennon-ism.

Larry Bernstein:

I've never heard that before.

Eric Kaufmann:

Right? (laughs) So, it's this ... (laughs) no country, if you listen to Trudeau, Canada has no core culture or identity that idea of a post-national construct is very central to what he's about. It's an unstable one because its endpoint is the erasing of national identity. We are advancing this post national ideal further than anybody else. We're the most virtuous. And that's a form of pride we as Canadians have. So bizarrely, it is a form of nationalism peculiarly. But which aims ultimately to probably erase the boundaries of nation.

And then, we have a trucker convoy, which is really probably more representative of a lot of Canada, but it's the bad old Canada and it's coming to town. And it's reminding them of the other that they're trying to suppress and get rid of. All of these white working-class people coming into town and their big rigs is very much a personification of everything that is not kind of multicultural woke Canada.

Larry Bernstein:

The Ottawa Truckers actions reminds me of the uprising by the Yellow Jackets in France, where French working class people including truckers took to the streets outside of Paris and demanded change to a specific government policy. And the Yellow Jackets were viewed in complete disbelief by the French Parisian elites. And when the Macron government tried to speak with their leadership, they couldn't find them because it was a spontaneous decentralized movement.

Eric Kaufmann:

Yeah, I think you're right. I think there's a lot that's similar. I won't say entirely leaderless, but heavily decentralized. It's a blue-collar protest against elites and there's libertarian element to both, one group wanting not to have very high fuel prices and the other arguing against vaccine mandates.

Larry Bernstein:

Another similarity is the types of people that participate in this public protest. In America when the tea party took to the streets wrapping themselves in the American flag, the elites were in shock that these people even existed.

Eric Kaufmann:

(laughs)

Larry Bernstein:

And how dare these yahoos interfere with my travel plans to my weekend estate.

Eric Kaufmann:

Yeah. Yeah. You're actually right. That the reaction is common. There's a real double standard depending on who is causing them grief. So, if it's BLM, native Aboriginal pipeline protest or their supporters, then it's a very different reaction. Is it something that the elite can identify as part of our vision of this kind of utopian multicultural Canada, or does it represent the other? And, let's face it urban protest is largely a progressive left activity. Very rarely do you get conservative groups protesting in significant numbers.

Larry Bernstein:

Trudeau and Macron reacted quite differently to these street protests. Macron tried to find common ground and quickly changed his policies, while Trudeau is ready to apply martial law.

Eric Kaufmann:

I think that's right. Macron is not woke. He's said many things that have got him attacked by the progressive left. He talks tough on immigration. Trudeau is really much different. Trudeau is sort of full throttle, a hundred percent, we're going to have as high immigration as we can. Everybody's a racist and misogynist. He's sort of never misses an opportunity to dress in foreign attire. He's talking about Canada having no identity.

Larry Bernstein:

There seems to be a fight between the Canadian elites who want unlimited immigration and oppose a national identity and the working-class Canadians who want limited immigration and think positively of the nation and its symbols.

Eric Kaufmann:

When I grew up in Canada in the eighties and nineties, there was nothing but French versus English. That's largely gone. These new cleavages around multicultural versus nationalism. Woke versus unwoke. The American style divides are more important. Quebec's separatists are down in the low thirties. The separatist threat from Saskatchewan and Alberta is higher there than in Quebec. I think that's kind of a metaphor for the kinds of conflicts that are going to be gripping Canada going forward.

Larry Bernstein:

How does partisanship explain the public reaction to Trudeau's handling of the Ottawa truckers?

Eric Kaufmann:

Conservative voters are about split on the protest so it's not that defining partisan issue. However, views on Trudeau's handling on it are. Even Liberal and NDP voters, only half of them give Trudeau a passing grade. It's opinion toward Trudeau that really polarizes Canadians on party lines.

Larry Bernstein:

Canada has much higher vaccination rates than the US. The Canadian truckers are 90% vaccinated, so why is the Trudeau government doubling down on this group of workers? They've won, why are they turning this into a fight?

Eric Kaufmann:

There's a symbolic aspect to this; mask mandates have been sucked into politics of progressive versus conservative in North America. Trudeau's framing this as you've got anti-vaxx, racist misogynists on the one hand and then you have a moral progressive Canadians on the other with this secondary drama around the meaning of Canada, around progressivism, and this binary dichotomy between the good and the bad.

Larry Bernstein:

Why do you think that in the US there is real anger against whites who do not vaccinate but little venom for minorities?

Eric Kaufmann:

Yeah, you make a very good point. The Sikhs around Vancouver have the higher rate of non-vaccination, and that will get minimal attention. Or if it does get attention, it's framed in such a way as this is very understandable because they have been racialized, therefore they don't trust. When it is a group that can be identified with that progressive, multicultural utopia we're building with our sacred values, then it's completely different attitude to anti-vaxx than towards the legacy population.

That reaction is much more on this symbolic level about what Canada represents and who represents the forces of darkness and the forces of progress.

The other important thing roughly 60% of the English Canadian electorate is voting for some left-wing party versus only 40% for a right-wing party, whereas in most countries such as Britain or the US, it's more like 50/50. And because it's 60/40, there are all kinds of electoral incentives to be crazier-

Trudeau needs to do to eat into the NDP vote by appealing to the woke left while sort of tacking economically to the center.

Larry Bernstein:

Last week, we had a discussion of the Joe Rogan controversy and his podcast with Robert Malone who challenges the vaccine orthodoxy, and that blew up and simultaneously Rogan was called a racist.

Eric Kaufmann:

Yeah, absolutely. It's the them or the other being defined on the basis of being white male working class othered, right? Rogan is slotted into that binary, he may have only ticked one box around anti-vaxx, the other stuff attaches to him. Misogyny and racism just automatic. It's all part of a package. We're the virtuous progressive ones. Because race and gender and sexuality are the sacred values, they have to be invoked wherever possible. You could stretch the evidence just so that you can invoke those powerful taboos about the violation, profanation of the sacred that is the common denominator here in this woke ideology.

Larry Bernstein:

You can't keep using the same taboos over and over again, because if you call everyone a racist or misogynist then it loses its power. Are we reaching that tipping point yet?

Eric Kaufmann:

Yeah, one of the downstream ramifications is that you may mobilize the other side, they react.

... the deplorables moment with Hillary Clinton, and in Britain, you had Gordon Brown talk about a bigoted woman, that Gillian Duffy incident. These sorts of incidents seem to create powerful narratives to mobilize populists.

Canada has these extremely strong politically correct taboos. You cannot talk about immigration levels. We know from the European case and the Trump case that simply means that the mainstream conservative party can't touch immigration, which opens room for a populous right party like the PPC.

In Canada, because of several generations of indoctrination into multiculturalism, the population has shifted 60% on the left and inventing Canada as a left-wing country.

The backlash is, "Okay. They're not going to win power, but what they are going to do is entrench polarization." And that could show up in a vitriolic level of public debate that we're seeing now.

Larry Bernstein:

Positive Feedback Loops from Protests. The BLM movement was successful in one city and it spread like wildfire nationwide. Same with the Yellow Jackets in France. Do you think the Ottawa Truckers could serve as an example for anti-vaccine mandates across Canada and North America?

Eric Kaufmann:

There are going to be copycats, there's no doubt about it.

Whether this can sustain itself the way the Yellowjackets did, I'm skeptical. I just don't think the level of public support is there. COVID and the pandemic let's say it fades in six months, this is just then gone from the public space, and all of the populism that's been built upon that narrow issue will dissipate.

Larry Bernstein:

Immigration.

Eric Kaufmann:

Immigration, which is much more durable, and a question of the future of the nation, even the class divide that's much more durable.

Larry Bernstein:

You are a Professor at the University of London, tell us about Boris Johnson and Partygate.

Eric Kaufmann:

(Laughs).

Eric Kaufmann:

It's really tough, you talk to people here, and different people say he's done, other people say he isn't. I think it's all going to be down to the polls and what happens in the sort of local elections in May.

If his polling remains poor and the party gets thumped at the local elections, I think he's out. If, however, he hangs on and somehow the, the local elections aren't as bad as people think, because one of the things that's been happening is there's been a big change in the polls. So the Tories are now behind Labour.

But what's happened is a lot of those Tory voters and the old Brexit voters have simply gone into apathy. They haven't gone to Labour. And there's a question about if it came to a contest with Labour in a general election, would they hold their nose and vote for Johnson? Probably a lot of them would. We just don't know the exact number.

He was the politician that got Brexit done. So, he got good marks for that. He has been given reasonably good marks by the electorate for his handling of the pandemic. I don't think people fault him substantively.

The problem is he campaigned as he's the guy who represents the little guy against the corrupt elite, and then all these parties. He's refurbishing his apartment with all this fancy stuff and spending.

He came across as sort of high-handed and elitist when he was supposed to be the populist.

Larry Bernstein:

I end each episode on the note of optimism. Eric, what are you optimistic about?

Eric Kaufmann:

What am I optimistic about? I, I'm optimistic that this pandemic is going to fade in six months.

Or sooner. Yeah. (Laughs). I am sick of it, and it would be nice to talk about something else. (Laughs).

Larry Bernstein:

I want to welcome Daniel Altman on today's podcast of What Happens Next. Daniel is the chief economist for the employment app Instawork that helps workers and employers find each other for both short and long-term work. A few days ago, Daniel had the lead Op-Ed in the Wall

Street Journal about whether task-oriented jobs are properly included in government employment statistics.

Why is this important? The critical question facing macroeconomic policymakers today is whether or not we are at full employment. Because if we are at full employment, then we cannot be adding fiscal and monetary stimulus to the economy without inflation.

Daniel, please begin your six-minute presentation.

Daniel Altman:

I'm Daniel Altman. I'm the first chief economist at Instawork, which is a flexible work app that brings together hourly professionals and businesses across the country in many different industries.

Today I want to talk to you about something strange that happened with the government's surveys of workers. Between 2019 and 2021 the Labor department apparently lost track of about six million hourly workers, at least the counts went down by that much. In 2020 they were down by about nine million. But we're still missing six million hourly paid workers. Where could they have gone?

Full-time employment has actually recovered to its pre pandemic levels while part-time employment is still six or seven percent below. So, does this represent a real decrease in the labor force or is there something else going on?

Well, surveys take place during a reference week every month. Now, if you haven't been working in that week and you're not employed on a salary basis or a full-time position then you won't be counted as in the labor force. So, if you're taking a little time off, you're ill and work a few hours here and there. It doesn't matter, you'll be out of the labor force that week. Whereas someone with a permanent job who takes vacation or sick leave will still be counted as in the labor force. So, there's some leakage from the surveys that the government conducts when people take time off from unconventional working arrangements.

Now, the government also counts self-employed people and you might think a lot of these six million may have become self-employed as so many did apparently during the pandemic. The government only counted 100,000 people becoming self-employed since the pandemic began. So, where did these people go. Well, there are a lot of people who work on a shift or task or hourly basis who wouldn't necessarily count themselves as self-employed because they're still working for other businesses. But millions of them have signed up for what we're calling flexible work apps. That means they're getting an app on their phone or their computer that helps to match them with businesses who value their skills and want to employ them.

These apps help the economy in several different ways. One is to reduce frictional unemployment. Now what's frictional unemployment? It's the unemployment that happens

during the job search process. There are workers and there are businesses that are looking to find each other but they just can't. It's hard to find information about the workers you want. Well, these apps help to reduce that. And so by reducing frictional unemployment we allow the economy to employ more people and grow a bit faster.

We also help the quality of matching between workers and businesses because they find out about each other. A lot of these apps, including Instawork, have reputation mechanisms so you can grade the workers who work for you and they can grade your company as well.

Workers are able to evaluate many offers of employment by different businesses at the same time. And that gives them bargaining power and so it's no surprise to see that workers share of national income has actually been growing through the pandemic.

When we look at the workers who are participating in these apps we notice a few things. First, we see that they value flexibility across three dimensions. They value flexibility in time, being able to work at day or at night or one week on, one week off, however they choose to do it. They value it across geography. We see workers who will work in different metropolitan areas at different times of the year. And they also value it across roles. We'll see workers who work in different industries. They might work one shift as a busser and another shift as a warehouse associate. They have lots of combinations and they're free to pick whichever ones they want.

This is really transformative for the economy because these people are carving out new ways to work and indeed to create a whole career. But it's also transformative for policy because if we are successful in reducing frictional unemployment and getting rid of these other frictions in the labor markets then the economy may have a lower natural rate of unemployment. That means that we can sustain a lower rate of unemployment without creating a lot of inflation. Now that's going to be big news for policymakers like the Federal Reserve. They need to know what rates of unemployment can be targeted without creating a lot of inflation.

Larry Bernstein:

Each month the Bureau of Labor Statistics does a Household survey to evaluate the job market. The BLS calls 50,000 households in the last week of the month and asks whether anyone who lives in the house got a new job or lost one. What is challenging is that net employment changes by often less than 1 in 1000, and small differences is what we are looking for. And I think that what your saying is that the specific survey questions might be insufficient.

Daniel Altman:

When someone in a household gets asked whether they worked in the previous week they may say no. But that doesn't mean that they're not in the labor force.

If you're someone who decides to work full-time one week or maybe even more, 60, 80 hours one week and then not at all the next week because that's how you like to do it. You like to go surfing the other week, let's say. Then you're still working 30, 40 hours a week on average but

you're working one week on, one week off. Now, if the government happens to survey you during the week that you're surfing they will say that's a person who's not in the labor force but clearly that's not true because this person is working about 30, 40 hours a week on average.

So, there's this random element that's been introduced here and as a result miss what their working status is. We may be leaving them out of the labor force entirely.

Larry Bernstein:

Do you think that these work apps have changed the labor market?

Daniel Altman:

We have had this proliferation of these flexible work apps over the past couple of years. And I think part of that is because the pandemic created an opportunity in a couple of different ways. People may have been ill with COVID or barred from the workplace because of a COVID test. They may have had to take care of loved ones because of COVID. And a flexible schedule may have become more attractive as a result of that.

Also, if your workplace has closed down for some reason, or you're on furlough, you may not be looking for a permanent position but you might be looking to make some extra cash. And working shifts here and there while you wait for your furlough to end could have been a viable way to continue earning income for some people. And what we've just seen in the pandemic has only accelerated what the technological way it started.

Larry Bernstein:

Do you think the nature of work is changing? I mean in some societies, you would work for one firm your whole life, or work in one industry, or job function for a lifetime. Now, you can mix things up on a moment's notice.

Daniel Altman:

The definition of a job has definitely changed over time. It used to be that a job was a full-time permanent position, or even a part-time but still permanent position, where you expected to go to work every week. If somebody does a couple of shifts over a couple of weeks at the same business, is that a job? What if they get a 3-month assignment? Is that a job? We don't even really have many contracts anymore. Most people are in at-will employment anyway. It's not as though people even on a would consider a more permanent position have that much more job security.

Larry Bernstein:

Would you suggest changing the Household survey questions to deal with the changing nature of work?

Daniel Atman:

I referred earlier to the hourly paid workers that the census counts, that's where the six million number came from, six million that were missing since the pandemic began. Now, hourly paid just comes from one survey question on the household survey where they ask, "Are you regularly paid? Hourly, weekly, monthly, etc." Now, somebody answering that question might say, "Well, gee, I don't know. I mean, I worked and I had an hourly rate, but I get paid based on the number of tasks I get paid because I did a shift over a course of four days. Does that count as hourly paid?" There's too much room to be able to interpret it in different ways.

Larry Bernstein:

The employment market is hard to measure. How can you evaluate labor supply or labor demand? We have both public and private surveys to help us. We can see the we are hiring signs in every storefront, so we know that the labor market is tight. And the labor market is akin to many markets which is opaque. So, the one thing that all markets have in common is changes in price. And if prices are rising, then there was either an increase in demand, a reduction in available supply or both. Well wages are surging, up 5.7% year-on-year. What do you make of wage inflation as a proxy for labor market dynamics?

Daniel Altman:

There have been labor supply shortages at times, especially during the most recent Omicron wave of COVID 19. And we saw on our platform, where we have real time transaction data from the labor market, that wages did increase very quickly during that period. We had more firms that were filling shifts on short notice and offering higher wages. We expect some of that heat to come out of the market now. But we did see over the year, even up to November 2021, that there was a really dramatic increase in wages, especially for these hourly professionals that far exceeded the levels of inflation that were measured by our government.

Companies don't necessarily like to raise wages but once they've done it, it's very hard to cut them. So we're unlikely to see a decline in wages. What people will be more looking for is to see whether real wages decline with time if companies then postpone other raises that they might have planned into the future.

Larry Bernstein:

Vittorio Assaf spoke on What Happens Next in March 2020. And he said that due to the government's forced closure of restaurants related to COVID, Serafina had to terminate a thousand employees. And when I asked Vittorio would it be easy to rehire these workers, he said it would be incredibly difficult because his former employees would likely move all over the world.

Daniel Altman:

People have been dislocated, it's hard to bring people back. We've seen it even country to country, people who were expatriates decided to go home to their home country so they could be with family before quarantine restrictions would even prevent them from doing that. And the idea that they would suddenly return the moment the office was ready to reopen is silly. So, I think there's certainly some of that contributing to the increase in wages, too, because if let's say you have a high-end restaurant and it took you a long time to hire a very professional staff, and now you've lost some of those people, but all of a sudden you have to recover the staff quickly, well, how are you going to get really high-quality professionals on short notice? You have to pay a high wage. There's a secondary effect which is if you start offering a high wage, you're going to get a lot of applications from everybody, not just the high-end professional. So, it comes down to your ability to discern those high-end professionals.

Larry Bernstein

Before the pandemic many older workers were semi-retired. They worked one to two days a week. Let me give you an example, one of my dad's best friends is a doctor who shares a nurse with a few other semi-retired doctors, and had office hours once or twice a week, and the economics justified buying medical malpractice insurance. When the pandemic hit, it no longer made sense to continue, and the doctors closed their medical office permanently. Do you think that COVID encouraged permanent retirement of semi-retired workers?

Daniel Altman:

The story about the elderly has some credence to it. There's no doubt that we've seen a decline in labor force participation in that demographic. We don't have that many elderly signups relative to other age groups on our app and that may be a function of technological literacy as well as the will to work.

Larry Bernstein:

With kids going to school from home, a parent needs to be nearby. It likely is mom, and that suggests that women would be more likely to drop out of the workforce to care for the youngsters. Once kids went back to school, women may be lax to reenter the workforce. We

have not seen a substantial shift of men to women in the national employment statistics. What are you seeing in your app?

Daniel Altman:

The mothers, that's something that we have a little bit of insight about. We get more women than men signing up for Instawork, but we have more men than women working shifts. The ones who can actually go and show up because these are mostly in person occupations that they're doing more men than women and you could hypothesize that it has something to do with childcare.

Larry Bernstein:

Do you suspect that child care requirements might also apply to the fathers and that may explain some of the decline in worker participation?

Daniel Altman:

Maybe some of the men are having to do childcare and other home caring as well that's keeping them in the home. Anybody with young children it has been incredibly taxing. Can you imagine sitting at home trying to work remotely while one child needs help with their school work on the iPad and then the other child, who's younger, has nothing to do and, and you feel your heart being torn out as you see that other child basically having to fend for themselves?

It's incredibly difficult, and there has been a lot more need for attention in the home. As the pandemic recedes, some of these pressures will dissipate. These dislocations in the economy, these shocks can move us into different professions, different roles that we might not have considered before. I've certainly read plenty of stories of people who said, "Well, I finally decided to just follow my passion. My workplace closed so I decided to try something else."

And so, I think we're seeing a lot more fluidity, what some people might call creative destruction in a different sort of way in the economy, and those changes are likely to stick.

Larry Bernstein:

Nobel Prize Winner Ronald Coase wrote an essay entitled *The Firm* that makes the argument that the reason that the firm exists is because of transactions costs related to employment and ongoing relations with customers and suppliers. His idea is that in a perfect world, customers would find workers to solve their problems seamlessly without transactions costs or the need of a firm. But, because it is very hard to negotiate daily employment or an individual task-based contract, firms exist to hire workers for the long-term to provide labor to customers. But as technology reduces these transaction costs, we would expect customers to transact directly with workers and that workers would move towards an individual task-oriented labor contract in lieu of lifetime employment with a single firm.

Daniel Altman:

There's no doubt that transaction costs play a very important role in the nature of the firm and as you say, to have to recontract all your workers every day, all your suppliers, your labor's just one of the inputs that goes into whatever you're making. So, to have to do that every day would be kind of wild. But then when you look at it from the B to C perspective, you also say, consumers want to have a firm that they can continue to return to and they'll have some expectations about the product and the timing of the service delivery that they'll get.

Transaction costs by themselves aren't the only justification for the existence of firms. We want them from the consumer's perspective as well. When you look at the labor market, eliminating these frictions where you have buyers and sellers will make the markets more efficient.

Larry Bernstein:

Firms need skilled employees and they will invest to make employees more productive. But if the firm invests in general skills, the employee will get most of the benefits because otherwise, he will quit and join another company, but if the skills are firm specific, then the firm gets the benefits. How do you think about job training in this new world of task specific contractual relations?

Daniel Altman:

One of the problems and one of the reasons why firms under invest in training is that they're afraid, in our at-will employment market, that somebody will just pick up those skills and then leave and they won't get any compensation. However, it doesn't work like that in every market. For example in international soccer, you're required by the administrative body's rules to pay a compensation fee to a club that has trained a young player when that young player moves to a different club. It makes sure that the clubs still invest in the training of young players and that those clubs that pick up the young players all over the world can stay in business.

I think that we should have something like that. If a company trains you where you get some sort of certification that you've picked up a skill, then that should come with a fee when the worker changes employers. Now that's inserting a friction into the labor market that wasn't there before but you are solving this problem of under investment in training.

Larry Bernstein:

Last October, Claudia Goldin a Harvard professor of economics joined us. Besides being the former head of the Economics department at Harvard, she was also my teacher at Penn where I was her student in an introduction to microeconomics. Claudia's has new research on why women make less than men for similar work. Claudia suggests that some work requires flexible work hours. Some work needs to be done off hours, on short notice, far from home, and that work is problematic for women who have childcare responsibilities and thus garners higher per hour wages.

I think what is exciting about these apps is that women can match their skills with a flexible work environment and take that higher paying work when it is available and suitable for them. How do you think about flexibility and gender compensation?

Daniel Altman:

The apps offer our early professionals lots of options of when to work, where to work and how to work, but it doesn't change what the workers own constraints are. If they wouldn't work that time in a conventional job then they might not want to work that same time in a flexible job. But what it does allow them to do is to create their own schedule. And so hopefully it creates more economic opportunities by allowing them to earn a higher income within the constraints that they already face.

Claudia's an old professor of mine. I had her at Harvard as a grad student.

Larry Bernstein:

It is amazing the power and influence that a great professor or teacher like Claudia Goldin can have on their students over a lifetime, in terms of insight, enthusiasm for a field, and skill building.

Larry Bernstein:

Frictions in the employee/employer relationship include knowing the true skills of the employee and whether the employer is trustworthy, accurately pays for performance, and excels at training.

Daniel Altman:

So back in 2009, I wrote a piece for the Huffington Post called The Future Of Journalism Is eBay. I had spent several years as a journalist at that point and it seemed to me with the increasing use of freelancers that we were heading in a direction where we would just have buyers and sellers who would transact pieces on a marketplace. And people would have reputational scores, both the editors and the reporters. The editors could put out calls for pieces that they wanted to attract and the reporters could similarly post pieces that they'd written or pictures that they had for bidding. And I think that we certainly could run into this area for things like journalism where you're kind of working on a piecework basis. (laughs). Right? But for something that's a bit more involved where you have longer term projects and they're not as easily defined it might not be quite so easy to do this.

You want to build long term relationships. We find on Instawork that firms will work with a professional a couple of times, then they'll start requesting that professional on a shift basis and eventually they will hire that professional on a full-time basis in-house. And that's

something that we love to see because it means someone's getting a better opportunity, and job security as well.

Larry Bernstein:

The biggest disconnect in the labor market is that it is national and not international in scope. We cannot get a haircut from someone who lives in Mexico, unless he moves here. But work that can be done remotely, opens up opportunities for overseas workers. This is fabulous for customers because the task will be much cheaper, it will be great for overseas workers because they can earn more money, and will be catastrophic for domestic workers who will have to compete with labor from the third world. How will your apps put customers or domestic firms in contact with individuals outside the US?

Daniel Altman:

It's a very interesting question because when we start to move full-time jobs, the type of permanent positions that the government usually likes to monitor and regulate, towards off-shore and remote work then we could run into some legal implications. I can certainly see that for remote work, it's happening already to a great degree. At Instawork, we employ people all over the world because we're looking for the best talent wherever we can find it. It doesn't have to be on a freelance basis but some firms may decide that that's the best way for them to go to reduce red tape. It's just a question of how much the government will tolerate it.

Larry Bernstein:

I end each session on a note of optimism, Daniel what are you optimistic about?

Daniel Altman:

I'm optimistic that we're going to continue to chip away at frictional and structural unemployment which are two of the toughest types of unemployment to eliminate in the economy because frictional unemployment has to do with the way the labor market actually works and structural unemployment has to do with the mismatches that we see between skills and the need for work. I think that apps like Instawork can continue to use technology to eliminate the frictions and hopefully policy makers in Washington and the States will do more to eliminate the structural problems that we have by helping workers to retrain and get the education and skills they need to be productive.

Larry Bernstein

Thanks to Eric and Daniel for joining us today.

That ends today's session. I want to make a plug for next week's show.

Our first speaker will be University of Chicago economist John List who will discuss his new book *The Voltage Effect: How to Make Good Ideas Great, and Great Ideas Scale*. We are going to learn about scaling for apps like UBER and why most great ideas do not scale efficiently because there is some feature that cannot be ramped up.

Our second speaker will be Dr. Ari Ciment, who will discuss the latest developments in the ongoing Covid saga.

If you are interested in listening to a replay of today's What Happens Next program or any of our previous episodes or if you wish to read a transcript, you can find them on our website Whathappensnextin6minutes.com. Replays are also available on Apple Podcasts, Podbean and Spotify.

Thanks to our audience for your continued engagement with these important issues, good-bye.