

[Spring 2023] PS 4320

W2: Defining and Understanding Policy
Problems, Continued

The Changing Labor Market and the Role of Public Policy

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What are policy problems?

- Policy/social problems:
 - Undesirable situations that can be alleviated by government action
 - ‘Societal’ problems: not individual issues
- In this lecture,
 - Policy problems from labor market and social insurance programs as policy solutions
 - Ongoing issue: gig economy and the invalidity of the existing social insurance programs



How social insurance programs were initiated

- In the industrial society, social problems emerged:
 - Industrial accident & Sickness
 - Old age
 - Unemployment
- Policy solutions:
 - ⇒ Workers' compensation & Health insurance
 - ⇒ Retirement plan
 - ⇒ Unemployment insurance
- These programs are tied to standard employment.
 - Social insurance programs covered some social risks and uncertainty.
 - Depending on countries: *e.g.*) public healthcare in the UK
 - Either directly from employers or eligibility through work history



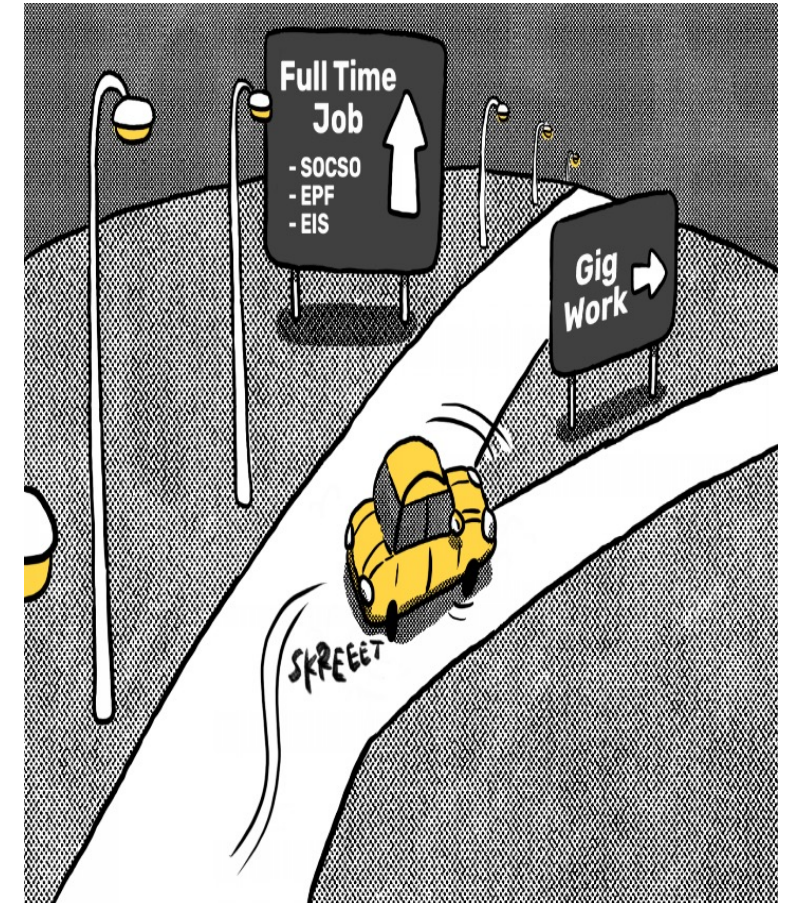
Are policy problems static?

- Social insurance programs were designed for the standard employment model.
- Does the system still work perfectly under the changing labor market?
- No, as society is changing, new social problems are emerging.
 - *New social risks: e.g.) decrease in stability of career patterns*
- The social problems under the change of labor market:
 - Gig economy and the invalidity of the existing social insurance programs.



The change of labor market: Gig economy

- Gig workers: how they differ from traditional workers?
 - Non-standard workers: No employers and formal contracts
 - Not stick with just single job
 - Flexible working hours



Precarious workers



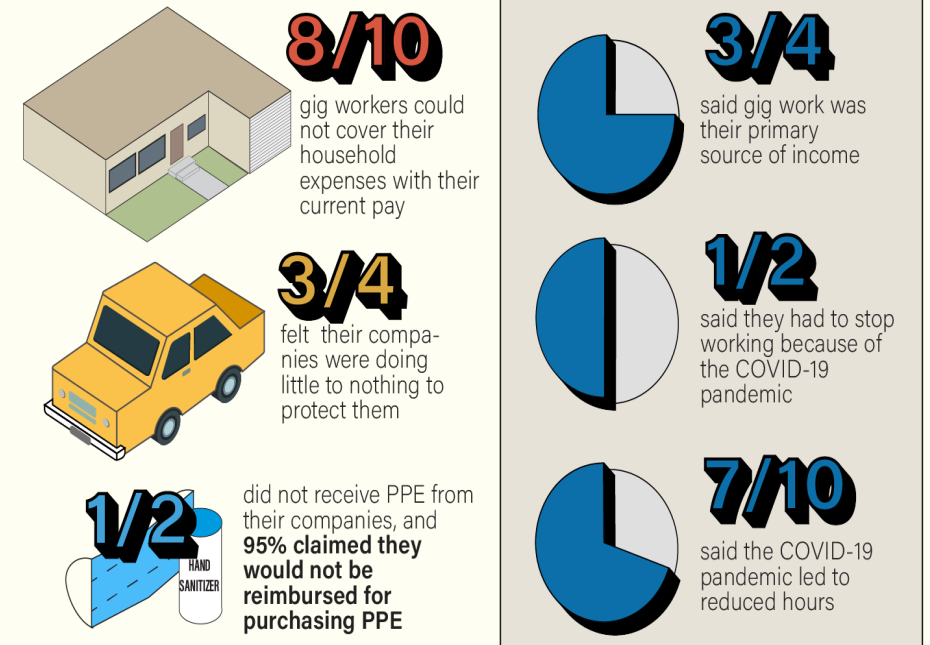
- Gig workers:
 - No Job security and stability
 - Not covered by minimum income policy
 - No fringe benefits or employer-sponsored insurance
 - Unstable and unpredictable: more vulnerable to crisis
- ⇒ Excluded from the existing social programs
- ⇒ Now reconsidering the validity of the current social policy

Policy problems: Pandemic and policy reaction

- When unexpected crisis happened, how they could be protected?
- USA:
 - Pandemic Unemployment Assistance (PUA) programs
- It differs by countries:
 - Some European countries had extended unemployment insurance coverage to the non-standard workers.

The Impact of COVID-19 on California Gig Workers

The UCLA Labor Center worked with the Service Employees International Union – United Healthcare Workers West to conduct 302 surveys of gig workers in companies such as Uber and Instacart. Take a look at the major findings of this study.



Sources: UCLA Labor Center. Graphic reporting by Maanas Hemanth Oruganti, Enterprise editor. Graphic by Ben Brill, Graphics editor.

Government actions?

- Re-classification as employees rather than independent contractors
- California Assembly Bill 5 (AB5) in 2019
 - ↔ Proposition 22 from the platform companies
- A proposed rule under the Fair Labor Standard Act in 2022
 - Classifying non-standard workers as employees



Uber and Lyft shares rise after California court victory lets them classify drivers as contractors

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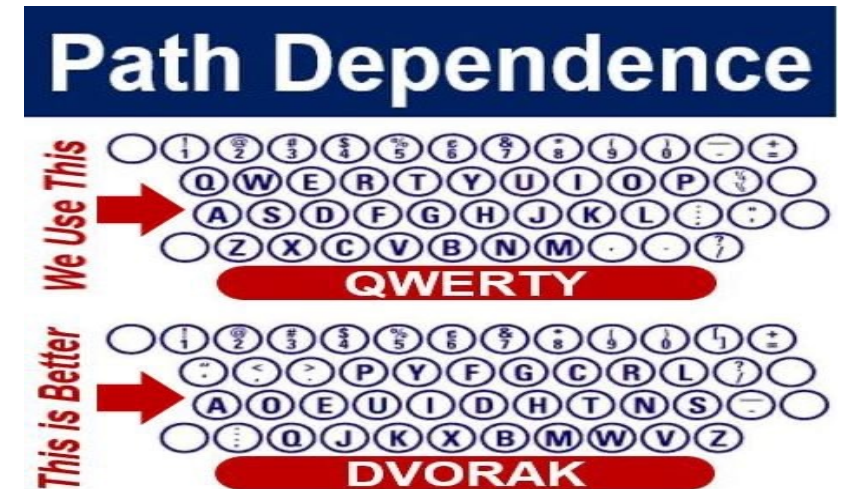
The responsibility for the labor market change and social issues

- Who do you think have the primary responsibility to deal with the labor market change and social issues?
 - Different actors: Individual (family), Market (Employer), State
- Why should the policy problems be handled in the government level?
 - If relying on each individual, what if they do not have enough resources?
 - Individuals are not always rational unlike economics assumes.
 - Sometimes it is more efficient considering market failure.
 - Government with better resource or information: handling uncertainty for possible results



Ongoing issues

- Social insurance programs cover traditional workers, but not non-standard workers.
- How can policy makers solve this new social problem?
 - Reform the social insurance systems?
- However, it would not be an easy journey.
- Sometimes, policies are nearly changed:
 - Veto points
 - Path dependence
- Then, what is the role of government in the changing labor market?
 - For Discussion: https://missouri.qualtrics.com/jfe/form/SV_1QXyTg4bP9FxOMS



A photograph of the Missouri State Capitol building, featuring a prominent white dome with a dark blue roof and a spire. The building is set against a clear blue sky, with yellow autumn leaves in the foreground. A yellow rectangular text box is overlaid on the right side of the image.

Thanks! Questions?

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