Transcript of podcast with John Evans: "Navigating Today's Labor Market"

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MR. EDWARDS: Hello. I'm Bruce Edwards and welcome to this podcast produced by the International Monetary Fund. In today's program, a trade unionist's guide to navigating today's labor market.

MR. EVANS [soundbite]: *"The gap I hear going to both discussions between technologists who think the world is going to be totally transformed tomorrow, and economists who are kind of looking at this and saying, well, you know, what's new in this is pretty large. And in a way we and our members are in the middle of that."*

MR. EDWARDS: As Head of the Trade Union Advisory Committee to the OECD, John Evans represents some 65 million organized workers worldwide. Evans says while the labor market works much like any other market, driven by supply and demand, demand for labor is a derived demand and is very dependent on how well the economy is doing.

MR. EVANS: From that perspective, I think in the current situation there are two major concerns. One is on the demand side that clearly the labor markets globally haven't fully recovered from the Great Recession after the Lehman's crash of 2008. We still have 200 million people unemployed. We still have very sluggish growth. And whilst there's been some move away from that, which we've seen in terms of better performance and better growth figures which are now beginning to come through in certain countries, there are big uncertainties about that. So if we can't get the labor market or the real economy moving again and try and get growth and I think, above all, probably get global demand up, then there's a major problem.

The other aspect I think of labor markets is the income side. And what we've seen globally, but particularly in certain countries, a generalized rise to greater inequality of labor incomes across the last 30 to 35 years.

MR. EDWARDS: But do you think that's more pronounced in developing countries?

MR. EVANS: Well, I think it affects both. I think if you look at the Gini coefficient, then it's increased very significantly in some of the industrialized countries, as well. I mean, but traditionally there was, in the post-war years, a period of falling income inequality whereas now we've seen this jump back to some of the levels that existed in the 1920s.

I mean, the IMF itself, its analysis for the industrialized or advanced countries was that half that increase in inequality between the top decile and bottom decile is due to weaker unions and declining unionization. So we've got a very strong interest to try to make the argument that for broadly based inclusive growth, which is what most institutions now say is their key policy, you've got to have stronger distribution mechanisms, as well, pre-distribution mechanisms in the labor market, and that include collective bargaining unions. So stop attacking that sometimes. Stop trying to decentralize it, and try and show there are good floors.

In developing countries it's obviously more mixed. There's a very high level still of informal work, if you call that people outside a kind of regular economy. So that's the big challenge, you know. Sixty percent overall globally work as outside the formal employment. So how the labor market institutions reattach them to the labor force is crucially important.

We've had some interesting models in the past looking at the emerging economies. I mean, in one sense, obviously, you know, China has been a major factor on the world scale, which has had big impact of pulling people out of global poverty. But, at the same time, now the Chinese authorities themselves are clearly trying to raise minimum wages and get a different sort of model, which is also broader based and trying to look more at domestic demand, but, also, reverse some of the big rises they've seen of their Gini coefficient inequality, both regionally and between different groups. So a big challenge there about the Chinese model in the future.

MR. EDWARDS: So to what extent do you think that the labor force has been, or is being transformed by technology? I mean, how do you see trade unions fitting in?

MR. EVANS: I'd say our assessment at the moment is the impact of technology in the short term is probably going to be less felt in terms of numbers of jobs and the quantitative impact on employment overall and more in terms of the quality of work and potentially also on income distribution. So it's the key issue we're looking at.

I think on the question of the quantitative effect, if we look at past waves of technological change there are major requirements in terms of looking at the labor force adjustment, trying to make sure workers have new skills, trying to make sure there are policies to help them to move to new sorts of jobs, making sure that they have a sense of security and protection in that change process. In past periods sometimes, and in different countries, that's sometimes been managed well, sometimes it's been managed badly. But it's certainly a feature of history.

Is this something very different now that will mean the traditional view that there was -- you know, the idea there was a lump of labor which had to be distributed between different workers, the view that that was a fallacy, whether it still is a fallacy I don't know. I mean, we're keeping our eyes open because when you talk to the technologists, clearly the question of artificial intelligence, robotics, 3D printing, everything else, you can see the potential for actually making big labor-saving changes, particularly in particular sectors.

But having said that, the global problem at the moment is low productivity, not high productivity. We've seen productivity falling, not rising. So there's a productivity paradox and there are various interpretations as to why that's the case.

I don't think anybody's got it completely right, but I do think that probably low demand, low overall growth, the fact that companies then don't have the incentives to try and scale up a lot of technologies and get them into new products and new markets much more broadly is one of the factors. So we've got to keep our feet on the ground.

And the gap I hear going to both discussions between, you know, technologists who think the world is going to be totally transformed tomorrow, and economists who are kind of looking at this and saying, well, you know, what's new in this is pretty large. And in a way we and our members are in the middle of that.

MR. EDWARDS: So do you think that the labor market itself is given enough consideration by institutions like the Bank and the Fund when they're doing their economic forecasting?

MR. EVANS: Well, in all the institutions there's been a bit of a struggle to try and put, you know, jobs center stage. I mean, in the G20, just to slightly diverge from your question, you know, it took several years before we could get a labor ministers meeting engaged in the G20. There's now an Employment Working Group; it's seen as being a central part of it. But after Lehman Brothers it was just, okay, let's just worry about financial markets, that's the only thing that counts.

I think what we're seeing now is that against the populist reaction, if I can put it that way, against a certain view or model of globalization, crucial factors are that labor markets, and behind that government policies, have to deliver jobs, but also decent jobs, ones which actually provide decent salaries and also have to try and reduce inequality. I mean, I think where you've seen the reactions most strongly against elites and a breakdown of trust have been in areas where you've seen both stagnant wages for a part of the population, economic insecurity, and also rising inequality.

Now, have the Fund and the Bank done enough on that? I would say our blanket assessment is that a lot of their research and evidence points to that. I mean, we use a lot of the work that's been done in the IMF Research Department on inequality, as well as at the OECD. I think a lot of the analysis points to some pretty clear conclusions. At the Bank, I think the World Development Report in 2013 on jobs, which had a very important chapter on labor market institutions, including collective bargaining and wages in 2013, was, again, a very important analysis.

Does that feed through into sufficiently what at least I would see as the logical conclusion on policies? Then no. (Laughter) I think that's what we would see. I'd say it's how probably the trade union members as a whole would see the key debate. And one of the messages we've been trying to give in these days to Fund and Bank leadership is that if you don't want to see the reaction, you know, you've got to pay more attention to this.

MR. EDWARDS: And so trying to get policymakers more engaged with trade unions, is that challenging? And how do you see that relationship sort of evolving as the workforce expands?

MR. EVANS: Yeah. Well, you know, it's different in different countries. And I think one maybe lesson when we talk about technology and we talk about globalization is these are global forces, so nobody's really able, you know, to shut themselves off from those trends or manage growth at the same time. But their impact socially does have significant differences in different countries. And the models we've seen in some countries of good social dialogue, social partnership, where there's high levels of trust between both management and workers and their unions, and also a recognition of that by governments, where necessary, that needs to give support, that actually handles the process better.

Now, it's not perfect, but there's lessons to be learned from that, that you can achieve, you know, high productivity and also good distribution and relative success. So, yeah, we're trying to reinstate that.

I mean, I think there was a paradigm shift in the 1980s, when faced by stagflation, the great moderation was about weakening bargaining power, decentralizing it. I think now we need a different paradigm which is saying we need good floors under markets on the labor side. We need to be looking at the demand side more, including on wages. And that means looking at the role of unions, maybe reinstating the notion that you need good agreements at a sectoral level, as well, which can avoid labor arbitrage between different countries.

So trying to put those international labor organization standards into a kind of floor is also part of the work and push that along global supply chains.

MR. EDWARDS: That was John Evans, general secretary of the Trade Union Advisory Committee to the OECD.

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