

FTC Roundtable: The Effects of Occupational Licensure on Competition, Consumers, and the Workforce: Empirical Research and Results

November 7, 2017

Transcript

TARA KOSLOV: Good afternoon, everyone. I'm Tara Koslov. I'm Acting Director of the FTC's Office of Policy Planning. I'm delighted to welcome you to the Economic Liberty Task Force's second public roundtable-- The Effects of Occupational Licensure on Competition, Consumers, and the Workforce-- Empirical Research and Results.

As many of you know, we've had an exciting and productive eight months since Acting Chairman Ohlhausen convened the task force earlier this year and asked OPP to run the project. We embrace this opportunity for several reasons. First, we knew it would give us an excellent platform to extend and deepen the commission's long-standing, bipartisan work on occupational licensing issues.

Second, we hoped to promote a national dialogue on occupational licensing reform and how it can reduce barriers to entry, enhance competition, and promote economic opportunity. The task force has been taking full advantage of the commission's policy and advocacy tools to achieve these goals. We held our first roundtable back in July, which focused on occupational license portability across state lines.

We also continue to collaborate closely with many stakeholders. And we filed several advocacy comments on issues relating to occupational regulation. Today's roundtable is an important next step. To the greatest extent possible, the FTC grounds its competition policy and advocacy efforts in the real-world experience of consumers, workers, and society as a whole. That means we stay on top of empirical research as it evolves.

Today we will hear from researchers who are steeped in this kind of work as it relates to both the benefits and costs of occupational licensing. And together we will identify additional questions that might warrant further study. A public comment period remains open. And we especially welcome comments pointing to other empirical work in this area.

this whole event and make me look really good especially Dan and Tim, who will be moderating.

Before we begin our substantive program, it's important to mention some safety details. Please silence any mobile phones during the roundtable, please be respectful of the

Visitors all received a lanyard with a plastic FTC event security badge. We do reuse those for multiple events. So when you leave for the day, please do return your badge to event staff. Restrooms are located in the hallway just outside the conference room. There are big signs outside them. A couple of us will be live tweeting during the event. We'll be at the handle @FTC and we're tweeting at the hashtag #EconLibertyFTC which others can use as well.

Wi-Fi is available and the access code should have been on a little brochure that was available at the registration table. Please be advised that this event may be photographed, webcast, or recorded. By participating in this event, you are agreeing that your image and anything you say

on Competition, Consumers and the Workforce-- Empirical Research and Results, focuses on the current state of empirical knowledge regarding the effects of occupational licensure.

As Tara mentioned, we held an earlier workshop in June of this year on Streamlining Licensing Across State Lines-- Initiatives to Enhance Occupational Licensure Portability. And all the materials relating to that event are on our web site, including the webcast. I also want to thank our panelists participating in today's roundtable.

These leading academics in this field will share their research as well as their assessments of how is the state of our knowledge regarding the effects of licensing. And they'll also share suggestions for further research. And finally, let me share my appreciation to the FTC staff

that, I don't mean to downplay the influence of our enforcement mission. Much of our work takes the form of enforcement actions directed at stopping a wide range of anti-competitive conduct.

For example, in the North Carolina State Board of Dental Examiners versus the FTC, we successfully challenged rules requiring that service, such as teeth whitening, be performed only by dentists. And this was imposed by a board that was controlled by dentists without active supervision by the state. And in an older South Carolina State Board of Dentistry case, we successfully challenged, and we settled this one, a board regulation that reduced access to basic dental care for poor people.

But when it comes to combating anti-competitive licensing requirements, much more of our work involves our policy tools, not our enforcement ones. And in particular, we have a substantial competition advocacy program. And much of our advocacy is directed toward proposed state licensing laws or regulations. And we frequently receive requests from state legislators regarding proposed legislation affecting licensing requirements. o4.c

which policymakers might rely in deciding whether to adopt a new licensing regime or whether to reform or eliminate an existing licensing regime?

might be provided by the government. If individuals don't provide those services, they're taken off.

Certification, which is a right to title. Only individuals who are chartered financial analysts, for example, can use that title. Others cannot. And finally, at the bottom, and the most restrictive, is licensing. And that's the right to practice. Only those individuals who have met certain requirements are allowed by law to provide those services for pay. If other individuals provide those services, they can be fined or arrested.

Now what are some of the benefits? And what have commentators had to say about the importance of licensing? Former Supreme Court Justice Samuel Jackson, who also had a very distinguished career as a prosecutor, prosecuted in the trials at Nuremberg and was portrayed by Spencer Tracy in Judgment at Nuremberg. But also, he was a very distinguished judge and wrote one of the major opinions on occupational licensing, noting that there is an important reason the state may have an interest in shielding the public against the untrustworthy, the incompetent, or the irresponsible, that providing some sort of background for what the state has to say or do with respect to occupational licensing. And that suggests there are very clear benefits.

On the other hand, there are costs. And perhaps the individual who brought this to the greatest public attention was former Univerrrer w(ng)10 (ui)-2h tr w(0 ()-10 ((t)-.0 (A)2 (nd t)-2 (ha)4 (t)-. w)2 ((ng)(n)-1

seems to have significantly greater effects than for other occupations, where all one needs to do is sign up to be considered in a licensed occupation.

So for some occupations, the effects are very minimal. Other occupations, especially those which have significant barriers to entry, the effects tend to be fairly dramatic and stark. Now what effect does licensing have in aggregate? And there are a number of ways of looking at this. One is the aggregate effects across the economy. And they can range from as great as 15% plus, to no effect, depending on whether one is looking at whether an occupation is covered, that is, there is a statute that covers the particular occupation.

is, nations like Germany having about three times the level of licensing of countries like Denmark.

Also, what effect does licensing have on other labor market characteristics? So as licensing has gone up, which is the blue line. And you will also see that one thing that has happened is a decline in interstate migration. Are they correlated? And some work that we have shown and work that was done by the Council of Economic Advisors suggests that occupational licensing may be a contributor to the decline of labor market efficiency. That is the ability of individuals to move to where the jobs are because of these different regulations that tend to vary on a state-by-state basis.

And some of our work suggests that about 4% of the decline of interstate migration is due to occupational licensing, where the effect of the growing or the aging of the population contributes about 10% of that decline. Now, work that has been done by the Council of Economic Advisors and is represented on the panel here, is that licensed occupations tend to move less across states, relative to what they're moving within states.

So the 0 is what people move who are not licensed. And the blue line is the movement, or the blue bar, are individuals who are moving across states. And they move much less than other individuals who are the comparison group. But they tend to move pretty close to what everyone else does within a state.

So the barriers tend to be across states where there are different requirements for occupational licensing. And some of my work also suggests that this may be a major impediment for people being able to move to where the jobs are. And as a result, it reduces labor market efficiency. And economists often call it labor market churning.

Now what effect does all this have? What are the outcomes? And that's largely what the Federal Trade Commission is most concerned with. And again, from the White House report, is that price effects tend to be virtually all positive. When you take other factors into account, across a wide variety of services, from health care, to finance, to other areas, the effect of occupational licensing is to raise the prices that consumers tend to pay.

While that might be a good trade-off if quality is higher. You're paying more. And you're getting a much higher quality service. But unfortunately, there hasn't been much effect. The influence on quality, sure, there is some effect. That is, mid-wives at the earliest part of the 20th century showed a positive effect on reducing infant mortality.

But the preponderance of the effects across a wide variety of service industries, from health care, to education, to work done on the internet, in terms of Yelp, shows very small effects. And some of my work that I'm currently doing on Uber shows very small effects of city licensing of ride

So this is something where conversations had been happening in and around the White House prior to my joining the team. And I would say it really kind of proceeded separately, indepen

these kinds of conversations. Then ultimately, after, I would say, further conversations and review, we felt we could go a bit of a step further, which was to make some recommendations around best practices. The full set of these best practices can be found in the report. But let me just highlight a couple of them.

I think these will be familiar to a lot of folks who have been engaged in these kinds of discussions. But I think they're worth throwing out here as part of this roundtable event. First and foremost, a key recommendation is to ensure that any licensing restrictions are closely targeted to protecting public health, safety, and welfare. That should be the motivating dimension on which we're thinking about licensing. And then verify that the licensing requirements that are put in place are actually directly related to providing these protections.

The second recommendation is to consider allowing licensed professionals to provide services to the full extent of their competency i.e. to have a broad scope of practice, rather than a narrow scope of practice. And we recommended this even in cases where this would lead to multiple professions providing overlapping services. And I think that's been seen here again with a number of the FTC's efforts on that front, as well. A number of conversations with regulatory agencies at the state level gave us a lot of anecdotal evidence for this third recommendation, which is that firm sunrise provisions might be more effective than regular sunset reviews, although both can certainly be extremely helpful.

And finally, considering alternate forms of credent (,)2 (s)-1 (t)- (t)- ()2 (t)]TJ 0-1.15tern wilmTJ 0 Tc 0'e

What I'm going to do is I'm going to talk a little bit about the work that we've been doing at our center, the [INAUDIBLE] Center for the Study of Occupational Regulation and some ongoing projects specifically focused on occupational regulation. So with respect to the work, we have a website csorsfu.com which I'll be talking a little bit about shortly.

terms of efficiency, while I am a doctor, I would discourage you getting the flu shot from me. That said, there are legitimate reasons that there might be other professionals who are not doctors that that should be allowed, to give the flu shot.

So what we look at, in this instance, is trying to understand how allowing pharmacists or other allied providers giving flu shots affects a variety of outcomes. So the first order thing you might think of is, well, does it affect the number of people who get the flu shot? Which again, it is valuable because it is a preventative thing, which again, we should all get. And if you haven't yet, right after the session.

The other thing to think about is, does it decrease the incidents of who gets sick and perhaps, as importantly, how sick they get? So not only do people go to the doctor less during flu season, but is there a decrease in the intensity of that sickness? Are people less likely to be admitted to the hospital for the flu versus just going to the doctor for the flu?

So those, I think, are first order questions that we should try to focus on in doing research along these lines. Kind of like an antitrust, very often, I try to think about this in the context of consumer welfare. And that being the first order thing that we care about, sometimes we can talk about allocational questions. So if I do find out that allowing pharmacists to give the flu shot makes it more likely I get the flu shot at a CVS instead of, say, my primary care physician, should I, per se, care about that? Right? That is maybe less obvious given the focus on the consumer, if there aren't other things that are affecting the consumer along those lines, right?

So if we think that a licensure law for nurse practitioners is going to decrease the wages that physicians are paid, is that, per se, evidence that I should care about, that licensure law? It might decrease the Gini coefficient, which some people argue is enough to validate that policy measure. But in terms of improving health care outcomes for patients and our citizenry, that's not necessarily as obvious.

That said, I would say sometimes allocational decisions are actually positive ones as well, as we'll hear from Professor Redbird in a moment. There are sometimes reasons to believe that changing licensing rules and regulations may well have an effect in terms of who provides the care, which itself may be a per se issue that we care about.

So for example, when I voted this morning, I voted in Fairfax County. My ballot came out with English, Spanish, Vietnamese, and, I believe, Korean languages, so that people who read those languages natively would be able to use it. If you operate a hospital in my neighborhood, it's very likely you're going to need people who speak at least those languages to provide good care to your community.

In so far as those language barriers are affected and turned into opportunities of care barriers because of licensure or a lack of licensure, that might be something that we care about and might have actual consequences for the ability of health care providers to do their best jobs. So with that warm up, I guess I'll pass it back to my right, your left of the table, to pass it back.

DANIEL GILMAN: Oh, thanks, thanks. Next, Professor Redbird.

BETH REDBIRD: Afternoon. Afternoon to people who are watching in their bathrobes on the internet. Those of us trapped in the rain are very jealous of you. So I want to approach this a bit from the concept of what's good for workers, right? And so once upon a time, we talked about all these amazing effects that unions had for workers, the effects on wages, the effects on occupations. And when unions started to go away, we saw this kind of corresponding increase in licensing. And we thought that was bad, because licensing can't possibly be as good for workers as unions were. So let's ask that question.

And I do that by looking at the growth in licensing laws in the last 40 years. Now for those viewer interested in 1970, there were approximately 2,000 licensing laws nationwide. Today there are nearly twice that number. They cross, according to my measure, 340 occupations, nearly 1,700 new licensing laws in all 50 states in 40 years. So let's ask, what is the effect of every single one of these nearly 2000 licensing laws? And I do that with a very simple comparison.

Let's look at somebody who's licensed and the corresponding unlicensed worker. Same occupation, different jurisdiction. But let's be more specific than that. Let's ask, for example, a white male dentist who's licensed, and compare him to a white male dentist who's unlicensed in a different jurisdiction. Or ultimately, since we have so many new licensing laws, let's ask about biologists or psychologists or paralegals or 340 different occupations. And let's see what this direct comparison produces.

The answer seems to be, on average, a wage increase of about 0.1%, or about \$380 annually, or nothing, right? And this poses an interesting intellectual puzzle. Because, of course, the theory on how wages are produced through licensing is really sound. So where does this kind of paradox come from? So we can also, with this number of laws, follow what happens in a single state after the enactment of licensing. So I can say at 0.0, when a law is enacted, what happens to wages for the workers in that specific occupation? And the answer seems to be, again, nothing.

And this, I think, is a good explanation for perhaps why. Let me tell you a tale of two paralegals. We have a paralegal in Ohio where occupations aren't licensed. And how does this paralegal get this job? How does she become a paralegal? Well, in all likelihood, maybe she went to school, maybe she got a degree in sociology.

We have to congratulate her for her good taste there, right? And she goes and she answers, I don't know, a job ad? Do people still put out job ads? I don't know the answer to that. And she sits across from an attorney and she attempts to convince that attorney that she will make a good paralegal. Maybe she can say, sociology completely prepared me for being a paralegal. That's an answer we get a lot, right?

She maybe knew an attorney before she decided to become a paralegal. Maybe her parents were an attorney, maybe a friend of a family. But this is how she chooses to enter this occupation. And she has very little option on that. Now compare that to a paralegal in the state of California.

She decides she wants to be a paralegal. So she goes to the state's web site, and she looks up how to become a paralegal. And there are a list of tasks that she can do to become a paralegal. It

involves going to a paralegal school for a certain number of hours. And so she goes to paralegal school. Yes, she pays money. Yes, she invests time. And in that, she gains an education.

But she also gains all the various things that go along with schooling, including an alumni network, placement assistance, et cetera, right? Then she goes to the state and she takes the paralegal licensing exam, which lasts for two days in the state of California. And at the end of that, she passes. And she has a certificate that says she is qualified to be a paralegal.

And with that certificate, she can sit across from that attorney and say, look, I have done my education as a paralegal. And the state has said I'm qualified to be a paralegal. And that shifts the way she enters this occupation substantially. And the evidence for that is what happens after a licensing law is passed. The number of people who work in that occupation actually increases. The supply of labor into an occupation after the passage of a licensing law, increases the number of people who work in that occupation.

Now, I'm going to skip the question of quality because of time constraints. And because it's scary. But it's important to note, these results vary across occupation, jurisdiction, and time, which means the occupations we focus on, the case studies that we use, change the way we understand this wage effect. Lastly, I want to show you this, because this is really interesting. After the passage of licensing laws, the proportion of women who work in an occupation

And then, perhaps most relevant to this panel, we also see they seem to be appearing in

variation in conviction rates. There is huge cross-sectional variations in the number of licensing laws between states. There is huge variation over time in the number of licensing that we have.

Everything seems to be varying a lot. And we wanted to understand, where does this variation actually come from? And are there ways for us to better understand that cross-sectional variation? Is it driven by inherent characteristics of the profession? , Obviously between two state lines, if people who live on just two sides of two neighboring states, of course, the inherent nature of the profession couldn't be very different. So what is it, then, that is so different between these two?

license? Under what circumstances would you want to certify? And so I think, also, in Beth's presentation just now, clearly there could be some benefits also in terms of the access that you set in respect to licensing. But, of course, if we had certification, we could also overcome a lot of those things in a similar way. So we still need to have the debate of, what do we want to license or what do we want to certify.

Let me just make it exact, what I mean, with those two things. Certification just means information provision. Meaning some people are certified, others are not. But not being certified doesn't prevent you from entering. Licensing really means if you don't pass the exam, you essentially are not allowed to practice. And therefore, you're definitely excluded from the labor force if you don't pass the license.

So the decision tree looks as follows, as you can see here on the screen. The first thing that we all need to agree on and what we noticed in the discussion was, that there isn't a particularly big agreement on it, is what is it that we want to maximize? Are we regulating in the interest of the consumers and therefore, we want to make consumers better off? Or do we want to make, what most economists would say total welfare is supposed to be about, the sum of producer and consumer surplus?

And then, of course, we still need to have the debate on if we have the total pie and we want to maximize that, how we split up that pie, either through taxation or other redistributive methods between producers and consumers. And maybe we could try to fix that afterwards. But first, do we want to maximize consumer surplus or consumer plus producer surplus?

Now I think most of the licensing discussion is on consumer surplus, particularly, here. Now that's not true for all countries. There are countries on the other side of the ocean that explicitly say that regulation is about total surplus. It's not just about consumer surplus. So the first debate that I think we need to have is, are we about consumer surplus or are we about total surplus? And what do we want to maximize?

Now let's just presume that we want to proceed with consumer surplus. Then the question is, is it the case that the information asymmetry about the professionals really prevents the market from existing at all, the usual market for lemons problem, where the whole market breaks down because we have such a large information asymmetry. Now if that's the case, then yes, certainly, we may want to provide some information to get the market started. But we want to then provide the minimal amount of information to get the market started.

Let's be clear, all of the licensing trends that we've just seen on the board, those professions already existed. Those markets were already functioning. We're introducing licensing requirements into existing markets. So if you then look at the decision graph, on the consumer surplus side of things, we're not under the "yes." But we're under the "no."

If we're under the "no" category, then the next question is, what is the wage elasticity of skilled labor? Meaning, if we reduce the number of people that are not really providing the service, that, of course, reduces the supply, and therefore increases wages. What we show is that generally hurts consumer surplus. But if, at least, the higher wages are then an incentive for skilled

professionals, in the longer run, to start entering the market, and therefore, the supply of skilled professionals could go up, we may end up with the yellow square that you see there. In that case, certification could really be the right policy to try to get skilled labor to enter the market.

If the wage elasticity of skilled labor supply is just very low and we won't get any entry, then actually our paper shows that under very general conditions, you don't want to license and you don't want to certify. Because both of these actions will just reduce competition in the market. It will therefore increase prices and will therefore make consumers worse off. Of course, it could be that total surplus is better, but consumers are worse off.

So that's the left side. If we want to talk about total surplus and we're more interested in consumer plus producer surplus, then certification actually could make sense in a more general setting, regardless of what the wage elasticity is. But, of course, then we still need to think about how we distribute between the producer and the consumer surplus.

Now finally, there is one other thing that I quickly wanted to talk to you about, which is, it is very hard to measure the overall welfare implications, meaning outside of the industry. If we exclude certain workers, do we really have a good idea of what those workers otherwise would have done and what value they could have added had they not been in this particular market? And of course, that counter-factual use of their skill set is an incredibly hard thing to measure. And therefore, adding that up really complicates that discussion. That's what I wanted to say. Thank you.

DANIEL GILMAN: Terrific. Thank you.

TIMOTHY DEYAK: OK, I am on. OK. We've heard a couple of people say that this is going to be a discussion about the empirical results in occupational licensing. But as all economists know, all empirical analysis is preceded by some consideration of theory. And so I want to start with some questions about theory. And we've heard some people mention certain things that are relevant here.

In the literature and certainly in the earlier literature, there appear to be two general models that underlie the reasons for the existence of licensure that would be resolving some sort of informational market failure or rent seeking or a combination of those. The question I have is, are there alternative theories that-- well, I guess, first of all, are those theories sufficient for the task at hand, if what we're trying to do is to figure out whether licensing is a good idea or not? And then if they're not, are there other theories that should be considered? And I'll toss that out to anybody.

ABIGAIL WOZNAK: I'll jump in and say, I wouldn't put this as an alternative theory, but I think when we think about the resolving market failure kind of theory of licensing, we're thinking about transmitting information to consumers and allowing a market to take place because consumers now have reliable information with which to take action and make choices.

This is not a formalized theory. But I think it's interesting that if you were to do a plot that's similar to the one that Morris showed with declining interstate migration, over the same period,

we've had, to the extent that we can measure it, also declines in recent decades in employer provided training. And Professor Redbird has brought up the decline in unionization.

So to some extent there might be some market failures from an employer's perspective in terms of getting skilled and trained workers that, potentially, licensing is somehow a response to. This is something we don't know a lot about. Pretty much anything that I would have to say, I think, in this part of the roundtable would be things that we don't know a lot about. But I thought that's an interesting question, as to how the rise of licensing might pair with employer needs for skilled workers, but just less prevalence of employer provided training.

TIMOTHY DEYAK: Is there some way of incorporating that into a standard political choice model or something? For both the rent seeking and for the resolving the informational issues, we can anticipate who the actors might be and why they might do it.

ABIGAIL WOZNIAK: I think that's harder. I mean, that's why I kind of call it a variant of a theory about a market failure. In this case, the consumers are employers. And so I'm not going to generate a theory on the fly for that. But I think it's an alternative form of the market failure problem that I haven't seen discussed a lot that certainly matches some recent trends. And it's probably worth some consideration as an explanation.

MORRIS KLEINER: One thing, and thank you for the great comments and great presentations, one thing that one might want to look at is, is it licensing or nothing at all? And the continuum, you can have various forms of regulation that provide much of the same benefits of having individuals be trained, the sort of thing that Abby mentioned, but not have the draconian effects of, if you don't get permission from the government to do a specific task, then you're fined or potentially go to jail. So do you need that sort of 0, 1? Or can you have a continuum of potential government interventions in the market which are not as draconian as licensing?

EDWARD TIMMONS: Just to piggyback off of Morris's point, when we're thinking about what the goal of occupational licensing is, we're trying to protect the public from harm from unqualified professionals.

JULES VAN BINSBERGEN: It's consumer surplus only.

EDWARD TIMMONS: When I'm thinking about what the arguments are, I think that's what tends to be the argument that's advanced by professionals. And I think that when we start to think about using occupational licensing as a platform for increasing the training, I just think that there's better ways to go about doing that. Morris mentioned certification.

There's other methodology, as there is other platforms that can be used if that's the objective. If we're truly interested, though, in protecting the public from harm, if we're interested in increasing consumer surpluses, as Jules mentioned, which I believe is what the goal of licensing should be, then I don't think looking at these other aspects of licensing is in line with that goal.

BETH REDBIRD: I don't know how to work the microphone. I'm unlicensed there. I think it's important for us to note that these theories perhaps oversimplify a more complicated interaction.

And of course, a theories job is to be parsimonious. But the diametrically opposed question of consumers and producers is not quite that simple anymore, right? We have consumers. On the producer side, we're talking about both workers and sometimes the businesses that hire them.

where you have information about the producer. You have information about the consumer. You have on-time information about the quality of the ride. You have online information about hard stopping and hard starting.

And a lot of this really reduces the need for a lot of the government regulation. And you see this form of regulation, which 20 years ago was highly regulated, moving into very much a deregulatory mode. And one of the things, in terms of addressing the composition, is in cities like New York, which is highly regulated, you find very few women. Go across the border to

So are they going to their brother-in-law to go through occupational therapy? Or are they going to a family member because they can't afford these types of services? So these are other factors that need to be taken into account. So it's access, prices, and quality that I think really need both empirical and policy thought, in terms of the effects of licensing.

JULES VAN BINSBERGEN: And so to add to that, I think in terms of measurement, what I think is the most important thing we should try to measure is the wage elasticity of skill supply.

BETH REDBIRD: The what?

JULES VAN BINSBERGEN: The wage elasticity of skill supply. So how responsive for different professions is a higher wage for the long term entry. And so when there's a very long training period involved, then of course, it's clear that even if, now, wages are higher and therefore there's more incentive for skilled people to go into that profession, before we will start seeing those effects, it might take 10 years before trained doctors would then enter that particular profession.

There are other professions where if wages become higher today, maybe six months later or 12 months later we could see a substantial spike in skilled laborers going to that particular profession. But at least getting a sense of what professions there is that wage elasticity and for which ones there's not. I think in the framework I just presented, it provides a very important part of the consideration.

DANIEL GILMAN: Thanks. Professor Redbird.

BETH REDBIRD: Yeah, I think Jules raised a really good point in that, occupations are not all created equal. And they're not even the same today as they were 10, 15, 20 years ago. And they're not the same across state lines, either. And so this is a complex question that involves the interaction of lots of different moving pieces, even just on the consumer welfare side, right? Consumer welfare is an interaction of quality and price. It's an interaction of availability of service and location of service.

And so looking at each occupation and the characteristics of that occupation, I think, become really important. So what you see in my work is, unfortunately, I look across all census derived occupations. And we attempted to create an entire census of every licensing law passed in the United States since 1970. It's a huge, broad picture, right? And I think that's important work to do.

But I also think it's really important to say, if you narrow in on that focus, what do you see that matters for when these aspects shift? When do consumers receive higher prices? When do they receive better quality service? When is it that workers enter the occupation more easily or when is it harder? And it's more complicated than simply a question of professional versus nonprofessional, too.

We see, yeah, we see occupations, or licensed physical therapists. You also see licensed bartenders. We see licensed waiters. We see licensed cab drivers. But we also see those

professions unlicensed, too. We see them across different industries, whether it's gaming industries, whether it's service industries. It's a complex question. And while some of the work you've seen here is very broad. There's, I think, a need for very narrow research to say under what circumstances do these trends occur and under what circumstances do they not occur.

THOMAS KOCH: To narrow it down, per Professor Redbird's request, I've got to go back to the health care setting. So just anecdotally, it's my experience that nurse practitioners and physician's assistants prescribe medicines differently than doctors do. So if you have your regular seasonal cold and you need Codeine cough syrup to sleep through the night, again my anecdotal experience is that NPs will prescribe that differentially than MDs.

And so what we started to look at is first, cross-sectionally, do NPs and MDs, allied professionals and medical doctors, prescribe different kinds of medicines differentially, whether it's intense pain medication, or even generics versus non-generics? But also, how might the introduction of these laws change the mixture of allied professionals and medical doctor professionals? And how might that have consequences for the way that the drugs are prescribed, more broadly, within the state? So I think there is room to do some of that research in a very narrow way. And we're starting to make progress on that.

TIMOTHY DEYAK: Well, let me let me change the focus a little bit. I don't think we're going to come to an agreement here about this. One of the things that I think we do all agree on is that there has been a huge expansion in occupational licensing. With regard to the theories that are available, what explains that?

EDWARD TIMMONS: Well, I think the theory that Morris had from Milton Friedman, this idea that the costs of occupational licensing are disperse. So for the individual consumer, we may not necessarily be fully aware of what the costs of occupational licensing are. But with respect to the benefits, those do tend to be concentrated in the hands of a few. So as Milton Friedman's quote pointed out, the question is, why don't we have more silly licensure laws?

And in thinking about who is ultimately advancing these laws, we don't generally have individuals that are representing the community. We don't have individuals that are representing

resources and wish to monopolize and maintain those resources. So I guess the moral of the story is, we're looking across all these different explanations and stay tuned, we'll know soon.

ABIGAIL WOZNIAK: Yeah, so I certainly agree with the comments that the political economy of rent-seeking is likely a powerful part of the story. And I agree that it's worth trying to do some kind of decomposition and figure out how big a role it's actually playing. But I think considering the role of other market participants and the demand that other entities might have for licensed workers versus other types of credentialing is an important question. So for example, in the conversations that we carried out as part of the White House report, we heard from a number of

access to care. The story that you would hear in North Dakota is we need these NPs to be out in these other areas that can't attract a full-time doctor.

And you go to a policymaker and you say look, we do this, we're going to lower medical spending. In fact, by this story that I've just been told, you might increase medical spending. Now we may well think that's efficient, useful medical spending. But it's important to calibrate our promises to what we might reasonably expect to be able to achieve.

DANIEL GILMAN: Can I offer a very cheap bit of information, maybe a nudge. No one's obligated to forward questions. We do have these cards and my very sharp and nimble colleague, Derek Moore, can collect them if you have questions. So it's just an opportunity. Do we want to move on to the next question or?

TIMOTHY DEYAK: Yeah, let me ask, in the current environment, and indeed probably the

willing to spend a lot of money to ensure that we're getting a small amount of benefit out of them. And so that, I think, becomes the real challenge. It's often easy to make that case that this is linked to health or welfare. And where are we doing to draw the line that?

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government regulation is important. But I think that the ability of consumers to make choices is enhanced by the decrease in the price of information.

EDWARD TIMMONS: Professor Redbird, you want to come back?

BETH REDBIRD: I think, firstly, Jules' entire presentation made a really interesting point about the nature of education as it relates to licensing. You're failing of the test I thought was fabulous. In that, yeah, we have to ask, is there a good relationship between the educational standards or the entry standards of license and the actual quality produced? And if anybody can tell me how to know quality, you'd revolutionize research.

Because what is a good attorney? What is a good hairstylist? What is a good massage therapist? What is a good physical therapist? What is a good cab driver? What is a good equine dentist? And what is a good rainmaker? And how do you compare these things? And so the question of education and quality, we frequently link them. But they're really divorced from one another.

And then we also have to ask the question, there's upfront education to get the license. And then there's continuing education after the license. And I suspect one of the things that we do with both before and after education is that we standardize what happens in that occupation, right? We're teaching you, when you go to continue your education, you do your CEs, we're teaching

occupational licensing does, but I think that there are other avenues for doing that that don't seem to have the same negative consequences that seem to be associated with occupational licensing. I think certification, perhaps combined with some other means, very well can accomplish many of the same objectives.

DANIEL GILMAN: We are going to review all of these questions. But I want to make sure that we at least ask one here in real time. And this is an interesting question that bridges the two licensure roundtables we've had this year. Maybe there's a variation here. It touches on the mobility question, but also the rise of licensure.

What do you believe is the impact interstate compacts, which we've seen emerging, would be on reducing the amount of state licensing? And I guess maybe an empirical follow up would be, not just the amount of licensing, on some measure, but maybe, have you started to see mobility effects, other things like that? Mr. Kleiner?

MORRIS KLEINER: Thank you, I ought to give you a 20 after this. This is related to my current research with Janet Johnson, also at the University of Minnesota. And we're looking at interstate migration of individuals who have state specific laws. So for example, in teaching, moving from one state to another, it's very state specific. And if you're moving from Alabama to Minnesota, you probably will have to go back to school for a couple of years and retake a bunch of tests. So you don't get a lot of people moving. So it's very difficult to move across state lines.

But in other occupations, such as medicine, there's compacts across all states. And we find in the first case, where you have state specific laws, there is dramatic reductions in across state migration relative to within state movement that are far distances. So that's our comparison group. Where we don't find any effect on migration is where you do have these compacts. And it's fairly easy to move across state lines. So I think that this is using the American Community Survey over a number of years. So yeah, I think that if interstate migration and labor market efficiency and the ability to maximize efficiency in geographic labor markets as well as moving from occupation to occupation, that the ability to move across states really matters.

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attempting to evaluate the quality of an education, the way tasks are done, in an environment in which they have no additional information.

And so what we find is that licensing can help cure that problem. Because the state then does that assessment. And workers can come in and say, see, I'm licensed in this state to do physical therapy, even though I did my education outside. And so it actually enhances the rate at which people enter an occupation having recently migrated. That being said, it's important to note, licensing is not the cure for everything or anything. And the relationship is complicated and depends a lot on the type of occupation and the type of education done outside the United States.

DANIEL GILMAN: Professor Wozniak?

ABIGAIL WOZNIAK: Yeah, I think the question of whether changing patterns in US internal migration are related to licensing is a really interesting one. And somehow I think I had hoped this would be one of the easier ones to answer that was out there hanging in the air. I think it's going to require a couple of additional waves of research. So I think Professor Kleiner's work will be really interesting.

I think the results from examining the nurse licensure compact, there's a University of Michigan study from the Economics Department finding very little in the way of mobility effects of the nurse licensure compact. I think that was a surprise. And they have some interesting hypotheses in that paper as to why the effects for that particular compact on geographic mobility might have been modest. I think, in case anyone is wondering, I think the hypothesis they put out is that the relicensing in the case of nurses was not as onerous as it might be in other professions.

So certainly something, but when you're considering an interstate move, that particular barrier may be smaller. Again, it's a hypothesis. But I think the data were surprising, that the impact on migration of nurses was really modest, even when you looked at pretty young workers who

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therapists, medical doctors. I think just a word of caution with respect to these sorts of arrangements and thinking about them moving into other occupations. With a wide degree of requirements for occupations outside of those in health care, one concern that I have is, will there be a ratcheting up with respect to licensing requirements?

If a state, for instance, has requirements for licensing or perhaps does not have licensing requirements, will there be some push in that state to newly license that occupation, or ratchet up, the existing licensing requirements to meet the requirements of the compact and to ensure mobility? I think that labor market mobility is an important variable. And I think it's certainly something that we need to be concerned about with respect to occupational licensing. But if it means that we're going to raise the barriers of entry so far that we're potentially going to keep people who might have otherwise entered the occupation from doing so, we need to step back and perhaps think more carefully about these sorts of compacts.

TIMOTHY DEYAK: Let me change the focus here. We obviously are not going to agree on specific models and maybe on specific goals. But if you had to go out and estimate the set of

So you communicate who is licensed and who is not, or better than that word is certified, or who is not. But therefore, it doesn't prevent potentially skilled people from still exercising.

Information is still provided, who has the certification and who doesn't. That's why the literature, I think, broadly has come to the conclusion certification and providing the information is better than licensing. Because it doesn't have that negative consequence of potentially excluding skilled laborers from the labor force. So you can keep everything the same as long as the final consequence is not so radical.

That said, just because something is not an antitrust problem in the way that we might litigate it doesn't mean that it is something that wouldn't be beneficial, right? So in the flu shot example that we're working on right now, just because we don't necessarily think that CVS is competing with a hospital over a wide variety of services, doesn't mean that expanded access to care enabled by some of these corporate practice laws isn't necessarily going to be beneficial. So obviously I think the two go hand-in-hand. But just because something isn't, again, per se, an antitrust issue that we would look at, doesn't mean that there are going to be benefits from improving competition.

DANIEL GILMAN: So I think are we down to two and a half minutes? Do we want to just go down the line and ask whether people have a parting shot or parting gift to offer?

JULES VAN BINSBERGEN: Just thank you for organizing this. It was great.

MORRIS KLEINER: Yeah, thank you very much. I appreciate the FTC has interest in promoting. This is an important labor market issue, as I sort of started. This dwarfs other labor market institutions, for example, unions and issues that get a lot more attention like the minimum wage. TJ 1