

A conversation with Edward Timmons, May 25, 2015

Participants

- Edward Timmons – Assistant Professor of Economics, Saint Francis University
- Timothy Telleen-Lawton – Research Analyst, Open Philanthropy Project
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Note: These notes were compiled by the Open Philanthropy Project and give an overview of the major points made by Professor Timmons.

Summary

The Open Philanthropy Project spoke with Edward Timmons of Saint Francis University as part of a shallow investigation into occupational licensing. Conversation topics included an overview of research and advocacy efforts on occupational licensing, especially for higher-skilled occupations, and potential roles for additional funding.

Research on occupational licensing

Effects of licensing higher-skilled vs. lower-skilled occupations

There is a lack of comprehensive quantitative data on the effects of occupational licensing. The available data is not based on a rich set of variables (e.g. entry to profession, pricing of services). Professor Morris Kleiner has done some research on the broader effects of occupational licensing, but the lack of precise data makes it difficult to properly compare the relative effects of licensing higher-skilled vs. lower-skilled occupations.

In terms of worker salaries and consumer prices, the effects of licensing higher-skilled occupations are likely more significant. However, the numbers of lower-skilled and higher-skilled workers seeking to enter licensed occupations could be comparable.

Occupation-specific research

Most research on the effects of occupational licensing has focused on one occupation at a time. Data on professions that are universally licensed is more readily available. Collecting data for other professions is a much more arduous and piecemeal process.

The following are examples of occupation-specific research efforts:

Barbers

Professor Timmons' team is compiling data on the effects of occupational regulations in a number of professions. They already have some preliminary results for a study on the effects of barber licensing in Alabama. Becoming a barber or cosmetologist can be a beneficial career choice accessible to individuals who might

not necessarily have the human capital to enter other professions. Licensing requirements for barbers working in Alabama were instituted in 1973 and removed in 1983. In 2013, they were reinstated. Professor Timmons' research attempts to isolate the effect of the reinstatement on wages and the number of barbers entering the profession.

Accountants

Within the accounting profession, there are specific tasks that only Certified Public Accountants (CPAs) are permitted to perform. Professor Timmons has done some research on the possibility of creating a new profession (e.g. an accounting assistant) that would be able to execute some of those tasks. He was not able to make significant progress, as most available datasets do not differentiate between CPAs and accountants. He is not aware of others who have pursued significant research or advocacy in this area; other attempts have likely faced similar data limitations.

Lawyers in Europe

Professor Timmons and Professor Mario Pagliero co-authored a study comparing professional regulations for lawyers in European Union (EU) countries. They hypothesized that countries with less stringent regulations would have higher numbers of practicing lawyers. In fact, they found that countries with certification (where uncertified people can still practice the occupation of law) and those with licensing regulations (where only licensed lawyers are permitted to practice law) had similar numbers of lawyers.

The following factors may have affected the results:

1. The data was from a single year. Data from a longer time period would make it easier to isolate the effects of regulatory changes.
2. In countries where lawyers are not required to have a law degree or pass the bar exam, employers might be legally permitted and choose to use these criteria as a screening mechanism to identify more highly qualified applicants. This practice might be especially common in markets with a surplus of lawyers.

Other

Researchers at the University of Minnesota are compiling data on the regulations of universally licensed professions (e.g. doctors, lawyers, registered nurses).

Role for additional funding

Additional funding could support the establishment of a comprehensive database that would track regulations and their effects (e.g. numbers of admissions to professional schools) over time.

Professor Timmons is trying to put together this kind of dataset on the nursing profession. Professor Pagliero is doing similar work on lawyers in Italy. Professor Kleiner might also be doing this type of work for other occupations.

A funder could also support advocacy for a higher degree of involvement from the Federal Trade Commission (FTC) and the U.S. Department of Justice (more below).

Advocacy on occupational licensing issues

Lower-skilled occupations

Most advocacy on occupational licensing is primarily focused on lower-skilled occupations. The Institute for Justice is a major organization working in this area.

Higher-skilled occupations

Professor Timmons is not aware of any independent advocacy organizations focusing on licensing for higher-skilled occupations. Consumer groups rarely, if ever, advocate for occupational licensing. Professor Timmons believes licensing tends to reduce competition in the market.

Professional associations

Professional associations are generally the strongest advocates for occupational licensing. For example, some associations of mid-level healthcare workers (e.g. advanced practice nurses and physician's assistants) are advocating for the expansion of their scopes of practice. While this expansion might increase the number of people permitted to perform some comparatively higher-skilled work, it could also limit the types of work performed by other less stringently licensed health-care workers such as massage therapists. Professional associations often publish draft bills for new licensing requirements (particularly for occupations that are not universally licensed) on their websites.

The Mercatus Center at George Mason University

Professor Timmons received a small amount of financial support from the Mercatus Center at George Mason University to research the impact of expanding nurse practitioners' scope of practice on access to healthcare. He does not believe that the Center is involved in any large-scale work on licensing issues for higher-skilled occupations.

Federal government institutions

Professor Timmons is not aware of any significant movements within the FTC on occupational licensing in the last two decades. He believes that it might have briefly investigated mortgage brokers in the fall-out of the 2008 financial crisis.

The judicial system, including the U.S. Department of Justice's Antitrust Division (Antitrust Division), has played a role in some occupational licensing cases. The most recent example is the Supreme Court's finding that the North Carolina dental

board had overstepped its bounds when it prohibited non-dentists from providing tooth whitening goods and services.

A higher degree of involvement from the FTC and the Antitrust Division would be very beneficial. Professor Kleiner has advocated for a more active stance from these institutions. Professor Timmons would also be interested in participating in this effort.

An appropriate first step would be the creation of a white paper on the scope and effects of occupational licensing issues. It would be addressed to the FTC and/or the Antitrust Division and describe the main problems, suggest solutions, and outline potential outcomes.

Other people to talk to:

- Mario Pagliero – Associate Professor of Economics, University of Turin
- Robert J. Thornton – Charles William MacFarlane Professor of Economics, Lehigh University
- Morris Kleiner – Professor and AFL–CIO Chair of Labor Policy, Hubert H. Humphrey School of Public Affairs, University of Minnesota

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