



# International Symposium on the Regulation of Occupations: a reflection on the current challenges

by Diogo Silva

On the 15<sup>th</sup> and 16<sup>th</sup> of March, the London School of Economics embraced a symposium organized by the *British Journal of Industrial Relations* on the **regulation of occupations**, gathering experts from all fields of expertise (economics, sociology and law) to provide a comprehensive and interdisciplinary assessment of the **effects of this instrument in the labour market**.

But what exactly is occupational regulation? Even though there is no universal definition (as it diverges according to the standards of each country), the most adequate definition is: “*occupation regulation denotes the use of standards, typically involving qualification requirements, applied to a particular job*”, following the definition provided by CAROLINE LLOYD, JONATHAN PAYNE, “Licensed to skill? The impact of occupational regulation on fitness instructors”, *European Journal of Industrial Relations*, 2017, 24(1), p. 3 (another definition is provided, for example, by JOHN FORTH *et al.*, [Understanding Occupational Regulation, Evidence Report 67](#), 2013, p. vii).

During the conference the focus was on licensing and certification schemes, as these are the two more preeminent instruments on the labour market related to this theme, and their main impacts on the labour market, more specifically the effect on access to the labour market, wages, skills and workers’ mobility within the territory. It is worth mentioning that in the United States of the 1960’s only 5% of the workforce was covered by a licensed profession, while in 2013 it was around 30% of the workforce (MORRIS M. KLEINER, [Reforming Occupational Licensing Policies](#), The Hamilton Project Discussion Paper 2015-01). In the following paragraphs, **the objective is to approach the principal issues that were debated during the symposium, providing the latest insights and the main conclusions that rose from the debate**. As such, each paragraph will be composed of a brief introduction of the issue debated, the main conclusions and some suggestions.

The first important point on the discussion of the impact of occupational regulation in the labour market is the corroboration of a **restriction on the supply side of labour**, because licensing involves the establishment of requirements to access the profession that excludes some professionals. From the debate had at the symposium, it was clear that licensing has an effect on the entry of a profession, but **it is debatable as to whether it impacts the equilibrium number of professionals in an occupation** (i.e., the average number of professionals in the occupation, check also WHITE HOUSE REPORT, [Occupational Licensing: a framework for policymakers](#), July 2015, p. 14).

The literature has long indicated the primordial **effect of occupational licensing on wages**, due to the restriction on the supply of labour and restriction of access to a profession. Until this point, the literature has indicated that a licensed occupation usually has 8% to 15% of increased hourly earnings when compared to unlicensed occupations, a phenomenon that the literature usually refers to as **wage premium** (see MORRIS M. KLEINER, [The influence of occupational licensing and](#)

[regulation](#), IZA World of Labor Report 392, 2017). The data provided during the conference indicated that the current trend is for a **tempering of the wage premium between licensed and unlicensed occupations**, considering that studies using European data demonstrate that the wage premium was at 15% in 2010, in 2016 was at 7% and the latest data found only a wage premium of 4%.

These new data pose a serious question as to the adequacy of the capture theory that tries to justify occupational regulation, considering that part of the literature sustains that the establishment of such regulation is made due to **lobbying from professional groups as rent seeking behavior**, that have as a goal restricting competition and increase wages.

In establishing requirements for the entry in a certain occupation, whether through the prerequisite of an apprenticeship or academic degree, it is said that licensing is thus a valid instrument in regards to the increase of level of skills that the professionals carry to the labour market. This was patent during the symposium and recent studies demonstrate that **licensing is usually associated with an increase of specific forms of educational credentials**, like vocational associate degrees and master's degrees (MORRIS M. KLEINER, EVAN J. SOLTAS, [Occupational licensing, labor supply, and human capital](#), SSRN Paper March 2018, p. 13).

The cogitation of impacts from occupational regulation on the labour relation does not restrict itself to these issues, as the topic can also lead to a debate on **working time**. The logic is as follows: if occupational regulation causes a restriction on the supply side of labour, it would be expectable to see an increase on the working time hours performed by the professionals that remain on the market, as only they are capable of filling the demand.

However, throughout the symposium it was mentioned that **data did not establish causality between occupational regulation and working time variances** (check for example a study conducted by MORRIS M. KLEINER, EVAN J. SOLTAS, *cit.*, p. 13, that highlighted that although there was a slight increase in the hours of work per week – one to three – the effect of licensing on total labor hours was “*insignificant*”). If it is true that the restriction of the professionals' available leads to a decrease in the supply of labour, it is also true that the wage premium caused by it hampers the demand side.

The topic in discussion during the symposium is not alienated from the ongoing changes on the world of work, particularly from the technological revolution. Considering that gig economy's online platforms facilitate the access to the market, it is important to analyze if these bring a change in paradigm, mainly on the **effectiveness of occupational regulation**. The most frequent example revolves around taxi drivers: in order to be able to become a taxi driver in the USA it is essential that the professional fulfils the requests of local level licenses. But with the advent of the **gig economy**, professionals interested in this business have the possibility to resource to online platforms like Uber and Lyft and thus avoid impediments (MORRIS M. KLEINER, [Regulating access to work in the gig labor market](#), W.E. Upjohn Institute Employment Research, July 2017). The same can obviously be said for other platforms, like TaskRabbit, whose object is the exchange of repair and maintenance services, which in some cases might require a license for its exercise (for example, in Germany there is an entry restriction for plumbers).

The symposium was particularly important for the destruction of some preconceptions relating to occupational regulation and its effects on the labour market, that in turn impact its theoretical reflection. What are consequently the perspectives for the future? The main trend following the cost-benefit analysis of licensing is the de-regulation, which can occur in different forms: while some call for the complete de-regulation, others voice their preference for a replace of licensing for certification. This latest position has been predominantly adopted by the recent literature. On one hand, **certification does not provoke a restriction of access to the labour market and**

**consequently does not result on the segregation of specific groups** (licensing in some occupations leads to the exclusion of women, immigrants and racial groups from the labour market). On the other, **certification remains associated with high professional standards and the demonstration of professionalism and compliance of quality standards**. The argument is that certification schemes comprehend the beneficial part of licensing (the incentive on investment on competences, skills and education by professionals), but have less social costs.

Consequently, **the next steps of research** on this matter will revolve around the adequacy of shifting licensing towards certification schemes (with the analysis of all of its impacts on the labour market) or even a transition to even more lenient schemes such as accreditation or registration.

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