

DOES REGULATION KILL JOBS?

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Wellington, New Zealand



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AN ILLUSTRATION



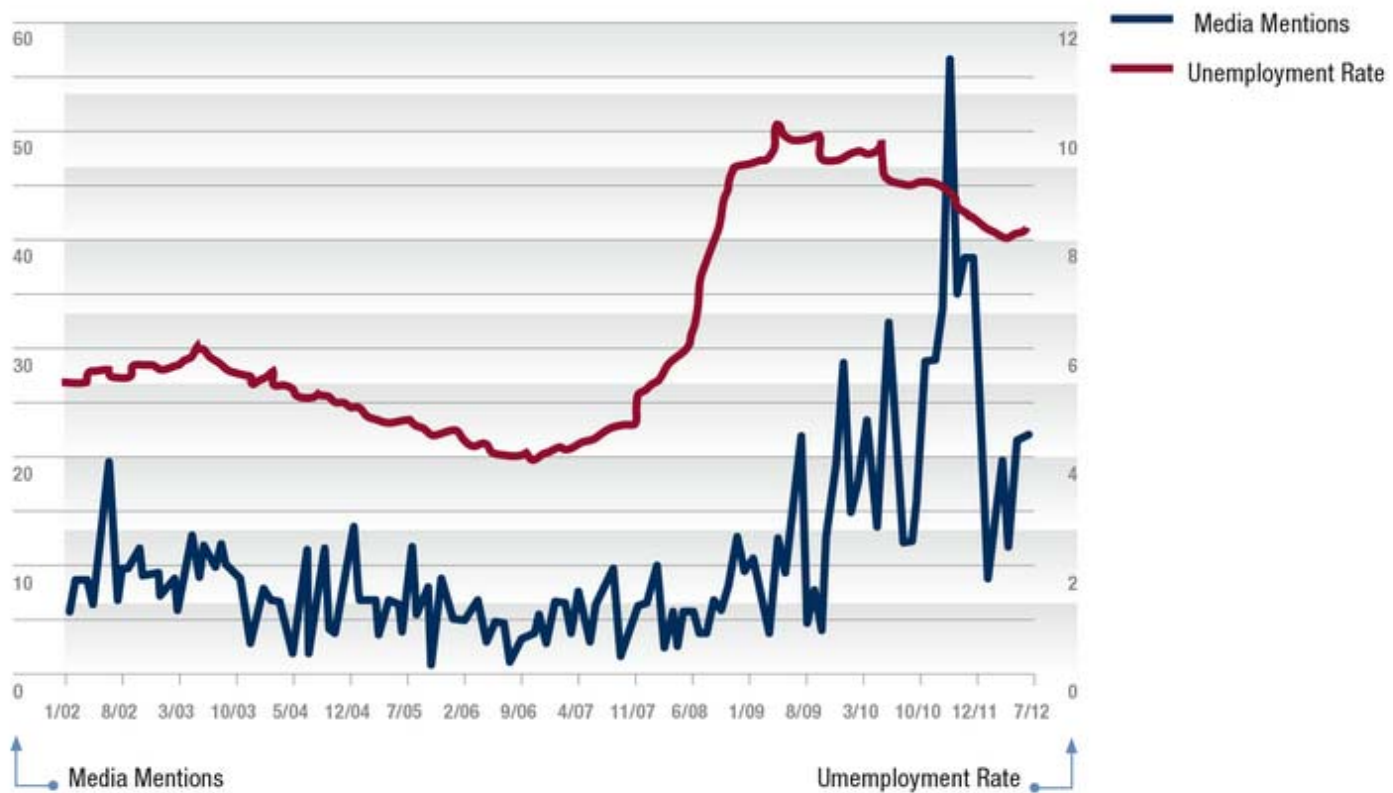
Lights out for ordinary bulbs made in the U.S.

Source: Washington Post (Sept. 8, 2010)

Today's Remarks

1. The regulation-jobs debate
2. What does the evidence show?
3. Implications for politics, analysis,
and public policy

FIGURE 1: “JOBS” AND “REGULATION” IN THE MEDIA, 2002-2012



Source: LexisNexis database for Chicago Tribune, Los Angeles Times, New York Times, Wall Street Journal, and Washington Post (search: regulation w/5 [jobs or employment or unemployment]); Bureau of Labor Statistics

Source: Cary Coglianese, Regulation and Unemployment, <http://publicpolicy.wharton.upenn.edu/issue-brief/v1n3.php>

House Approves Regulatory Moratorium

Mima Mohammed | Aug 2, 2012 | [News](#)

Last week, the U.S. House of Representatives passed a bill that would block government agencies from adopting any significant regulations until the unemployment rate drops to 6 percent or below. The Red Tape Reduction and Small Business Job Creation Act (H.R. 4078) passed by a [vote](#) of 245 to 172, attracting support from about thirteen Democrats as well as almost every Republican member.

Until the unemployment rate drops, the proposed law would allow a federal agency to undertake a significant regulatory action only if the President determines that doing so would be necessary for addressing an imminent threat to public health or safety, enforcing of criminal laws, protecting national security, or implementing an international trade agreement, or if doing so would simply repeal an existing regulation. The President would also be allowed to request that Congress approve other actions that do not meet these exceptions.

For purposes of the bill's regulatory moratorium, a "regulatory action" includes any step to adopt a new regulation – not only the publication of a final rule but also even an announcement of an agency's possible interest in starting a rulemaking proceeding. And a "significant" regulatory action is defined by the bill as one that is expected to impose costs on regulated firms in excess of \$50 million annually.

The bill also includes a variety of other regulatory reform provisions, some that had been contained in other bills [introduced](#) in the House earlier this session. For example, the bill would impose a similar moratorium on significant regulatory actions during the period of time between a presidential election in November and the January day when a new President is



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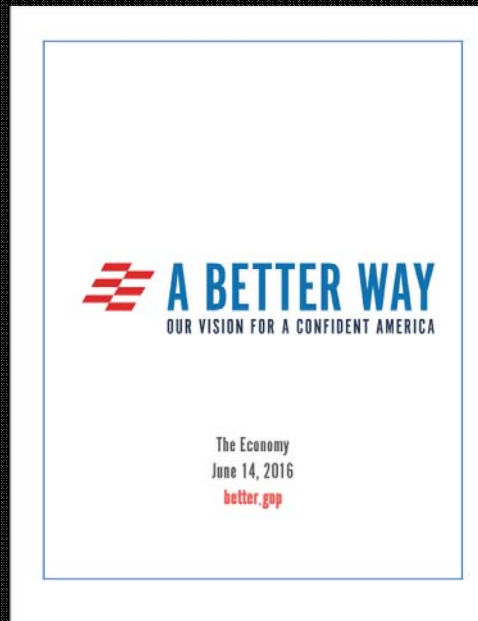
“I will have one overriding goal when it comes to regulation: I want to keep jobs and wealth in America. ... It is time to remove the anchor dragging us down.”

- Donald Trump, August 8, 2016



“[R]egulations done wrong can be a cure worse than the disease - killing jobs, harming consumers, and damaging businesses. Regulations disproportionately threaten small businesses and stops business creation and hiring.”

- *A Better Way*, June 14, 2016



THE WALL STREET JOURNAL.

U.S. EDITION ▼ Tuesday, January 18, 2011

OPINION | January 18, 2011

Toward a 21st-Century Regulatory System

If the FDA deems saccharin safe enough for coffee, then the EPA should not treat it as hazardous waste.

By [BARACK OBAMA](#)



For two centuries, America's free market has not only been the source of dazzling ideas and path-breaking products, it has also been the greatest force for prosperity the world has ever known. That vibrant entrepreneurialism is the key to our continued global leadership and the success of our people.

But throughout our history, one of the reasons the free market has worked is that we have sought the proper balance. We have preserved freedom of commerce while applying those rules and regulations necessary to protect the public against threats to our health and safety and to safeguard people and businesses from abuse.

From child labor laws to the Clean Air Act to our most recent strictures against hidden fees and penalties by credit card companies, we have, from time to time, embraced common sense rules of the road that strengthen our country without unduly interfering with the pursuit of progress and the growth of our economy.

Sometimes, those rules have gotten out of balance, placing unreasonable burdens on business—burdens that have stifled innovation and have had a chilling effect on growth and jobs. At other times, we have failed to meet our basic responsibility to protect the public interest, leading to disastrous consequences. Such was the case in the run-up to the financial crisis from which we are still recovering. There, a lack of proper oversight and transparency nearly led to the collapse of the financial markets and a full-scale



**....chilling effect
on growth and
jobs....**



“We focused on economic growth and job creation, and we sought to ensure that regulation did not compromise either of those goals.”

**- Cass Sunstein, OIRA
Administrator, 2009-2012**

**2014 Draft Report to Congress on the Benefits
and Costs of Federal Regulations and
Unfunded Mandates on State, Local, and
Tribal Entities**



2014

OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF INFORMATION AND REGULATORY AFFAIRS

For “major” federal rules from 2003-2013, the “estimated annual costs are in the aggregate between \$57 billion and \$84 billion” (2001 dollars)

OMB (2014)

GREEN JOBS

The Washington Post

Posted at 05:17 PM ET, 05/10/2012

Clean air rules create jobs, TV ads from environmental groups claim

By [Laura Vozzella](#)



Steam is vented through exhaust stacks at Great River Energy Coal Creek Station coal fueled power plant in Underwood, North Dakota. (Daniel Aker - Bloomberg)

In a series of television ads that started running Thursday in the swing states of Ohio, Pennsylvania and — you guessed it, since you're reading the [Virginia Politics blog](#) — Virginia, two environmental groups are promoting the idea that tougher environmental standards will produce jobs as well as clean air.

Gearing Up

Smart Standards Create Good Jobs
Building Cleaner Cars

BLUEGREEN ALLIANCE **ACEEE**
American Council for an Energy-Efficient Economy



This report is also available at www.bluegreenalliance.org.

“The financial crisis showed how irresponsible behavior in the financial sector can devastate the lives of everyday Americans—costing 9 million workers their jobs.”

- Hillary Clinton campaign website (2016)



Photo by Gage Skidmore

“The relationship between regulation and jobs is more complex than portrayed in political discourse.”

TABLE 1: SUMMARY OF PRINCIPAL STUDIES ON REGULATION AND EMPLOYMENT

STUDY	REGULATION	UNIT OF ANALYSIS	TIME PERIOD	FINDINGS
Berman & Bui (2001)	Local air quality regulations in Southern California	Manufacturing firms	1979-1992	No statistically significant changes in jobs
Morgenstern, Pizer & Shih (2002)	All environmental regulations (as measured by industry-reported spending on environmental compliance)	Firms in pulp and paper, plastics, petroleum refining and iron and steel	1979-1991	No statistically significant changes in jobs on average across all four sectors, but small, statistically significant increases in jobs in plastics and petroleum sectors
Greenstone (2002)	Federal and state air pollution requirements imposed due to nonattainment status under Clean Air Act	Manufacturing firms	1972-1987	Average decrease in 40,000 jobs per year in nonattainment areas relative to attainment areas
Walker (2012)	Federal and state air pollution requirements imposed due to nonattainment status under Clean Air Act	Workers in polluting sectors	1990-2002	At most a 0.7 percent decrease in employment and a 23 percent reduction in present value of workers' wages

“Overall, there is relatively little evidence . . . that environmental regulations have had a large adverse effect on competitiveness.”

Source: Jaffe et al. (1995)

Journal of Economic Literature
Vol. XXXIII (March 1995), pp. 132–163

Environmental Regulation
and the Competitiveness
of U.S. Manufacturing:
What Does the Evidence Tell Us?

By

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The authors thank Lawrence Goulder, Raymond Kopp, William Nordhaus, Richard Schmalensee, Martin Weitzman, David Wheeler, and participants in seminars at Harvard University and Resources for the Future for helpful comments. Funding for previous work on this subject from the U.S. Department of Commerce is gratefully acknowledged. The authors alone are responsible for any omissions or other errors.

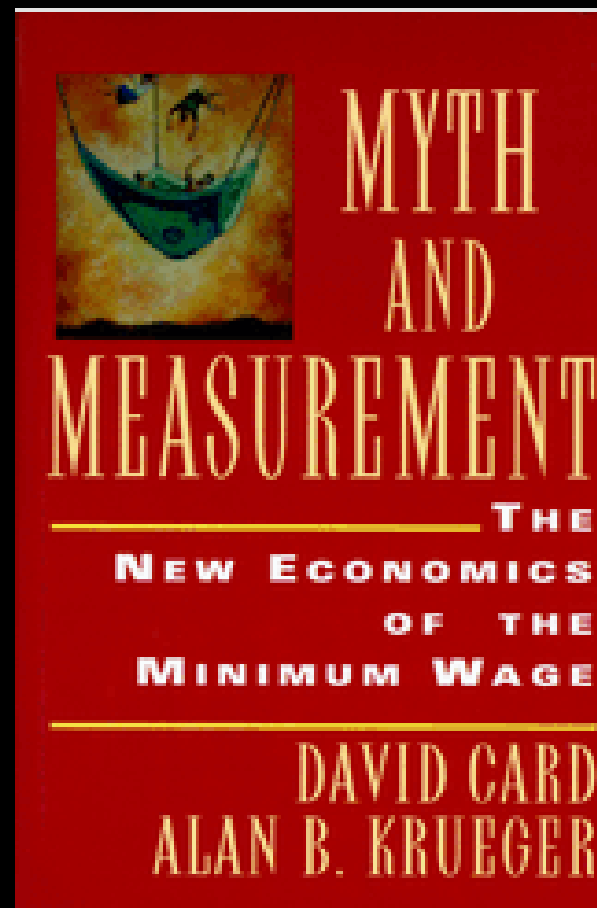
1. Introduction

MORE THAN TWO DECADES ago, the first Earth Day in 1970 marked the beginning of the modern environmental movement. Since that time, the United States has spent more than \$1 trillion to

prevent or reduce environmental damages created by industrial and commercial activities. During the latter part of this period, the U.S. economy has moved from a position of approximate trade balance on a long-term basis to a position of chronic trade deficit. The coincidence of

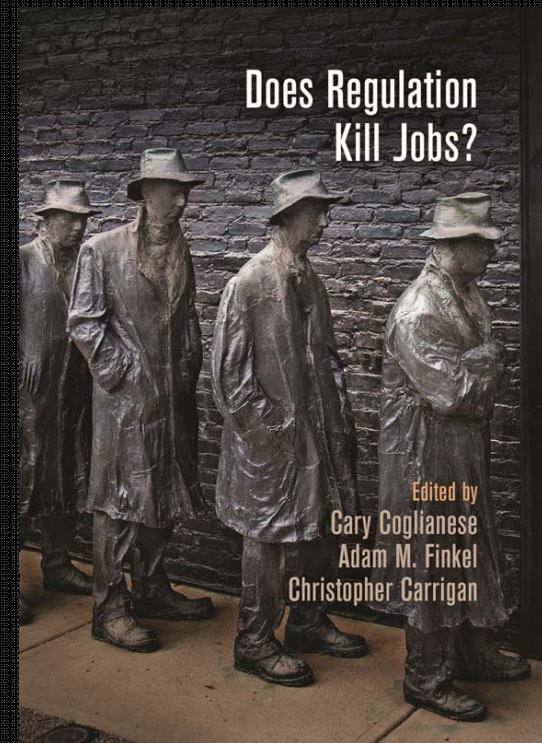
“We find no evidence that the rise in New Jersey's minimum wage reduced employment at fast-food restaurants in the state.”

Source: Card & Krueger, AER (1994)



“...higher levels of regulation are associated with statistically significant, but quantitatively very small job losses...”

- Gray & Shadbegian (2013)



Study	Regulation	Unit of Analysis	Time Period	Findings
Gray & Shadbegian (2013)	All environmental regulations (as measured by industry-reported spending on environmental compliance)	Firms in 399 manufacturing sectors	1973-1994	<ul style="list-style-type: none"> Increasing regulatory stringency by 10% corresponds with a reduction of only 30 jobs out of 40,000 employees in the average sector.
Aldy & Pizer (2013)	Hypothetical regulation imposing tax of \$15/ton CO ₂ (a price increase about three times higher than that expected from EPA's cross-state air rule)	Firms in over 400 manufacturing sectors	Simulation based on 1986-1994 data	<ul style="list-style-type: none"> No statistically significant effect for 80% of industries. Gross employment decrease of less than .02% for all manufacturing, decrease of between 1-2% for energy-intensive manufacturing.

Competing Effects

Demand Effect: \uparrow costs, \downarrow sales (& \downarrow labor)

Cost Effect: \uparrow costs, due in part to \uparrow labor

Morgenstern, Pizer & Shih (2002)

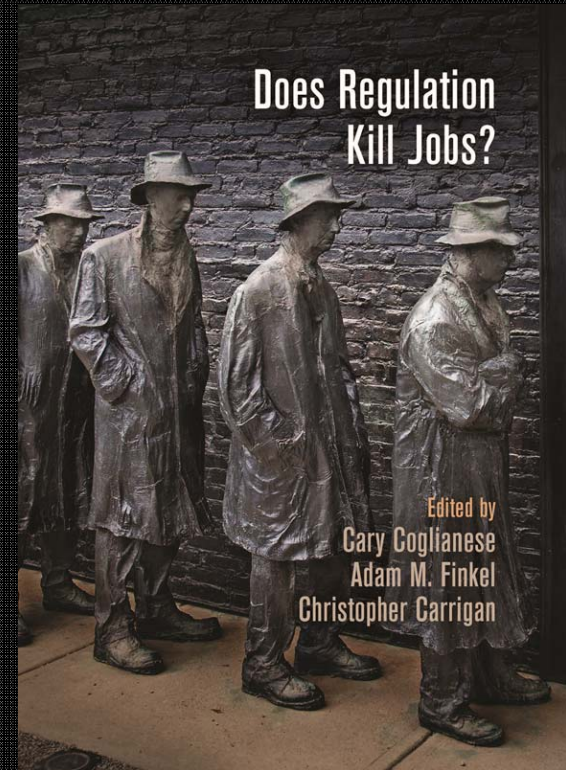


Does Regulation Kill Jobs?
Cary Coglianese, Adam M. Finkel,
Christopher Carrigan, editors



Job Shifts Happen.....

- Job transitions and shifts can occur due to regulation
- Layoffs can impose real harms
 - Decline in lifetime earnings
 - Mortality, mental health risks



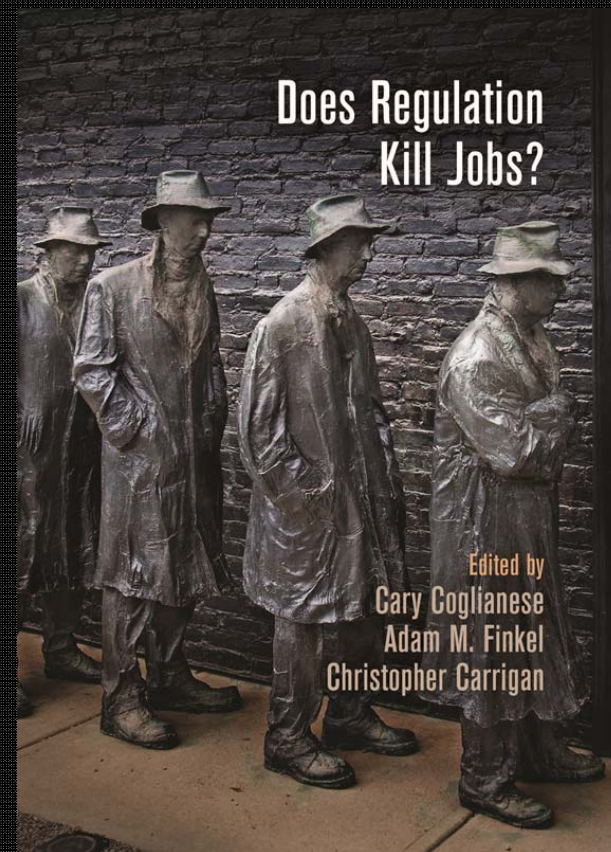
Job impacts can vary by ...

...type of regulatory tool

(Färe, Grosskopf, Pasurka, Jr., &
Shadbegian 2013)

...type of industry

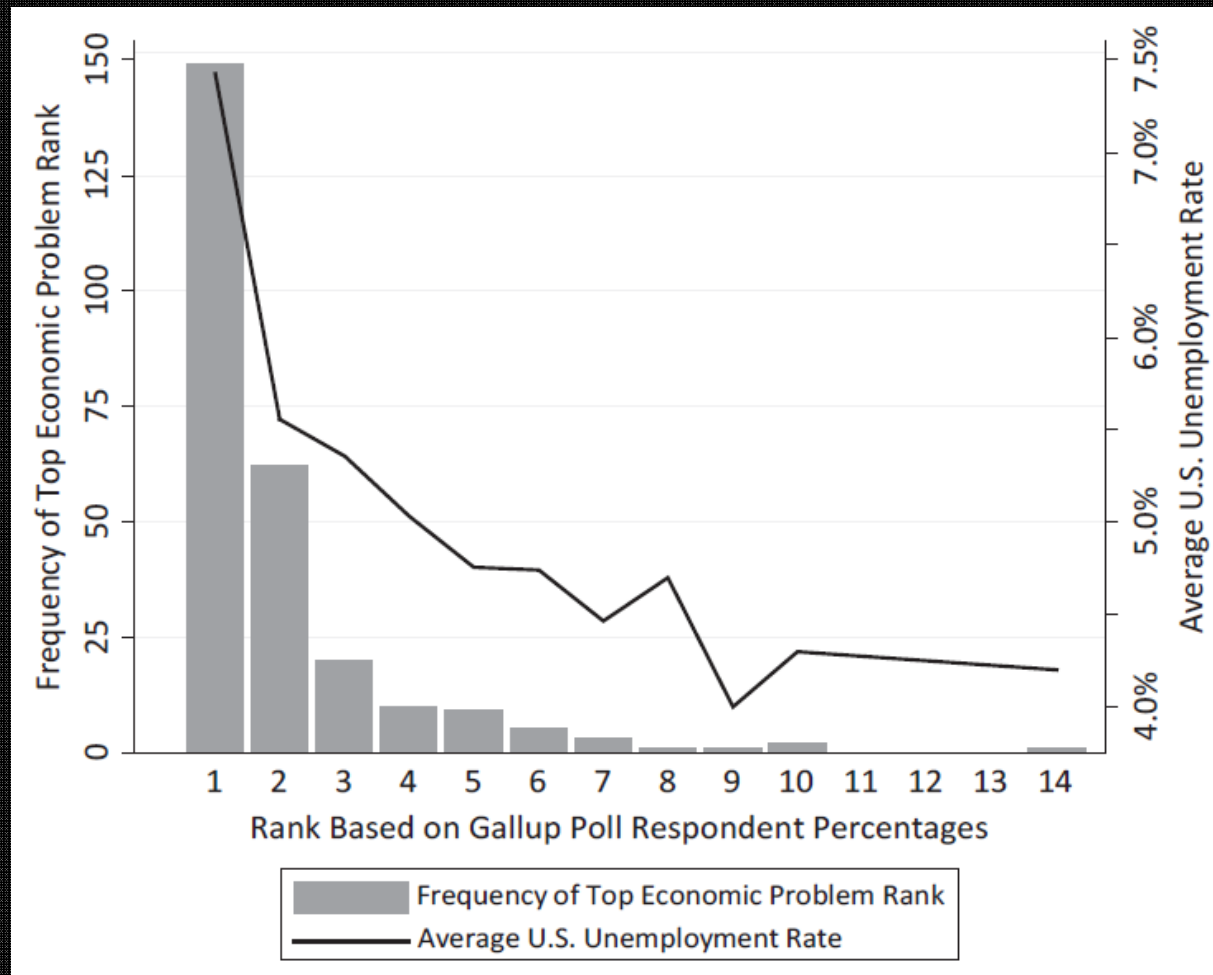
(Aldy & Pizer 2013; Gray &
Shadbegian 2013)



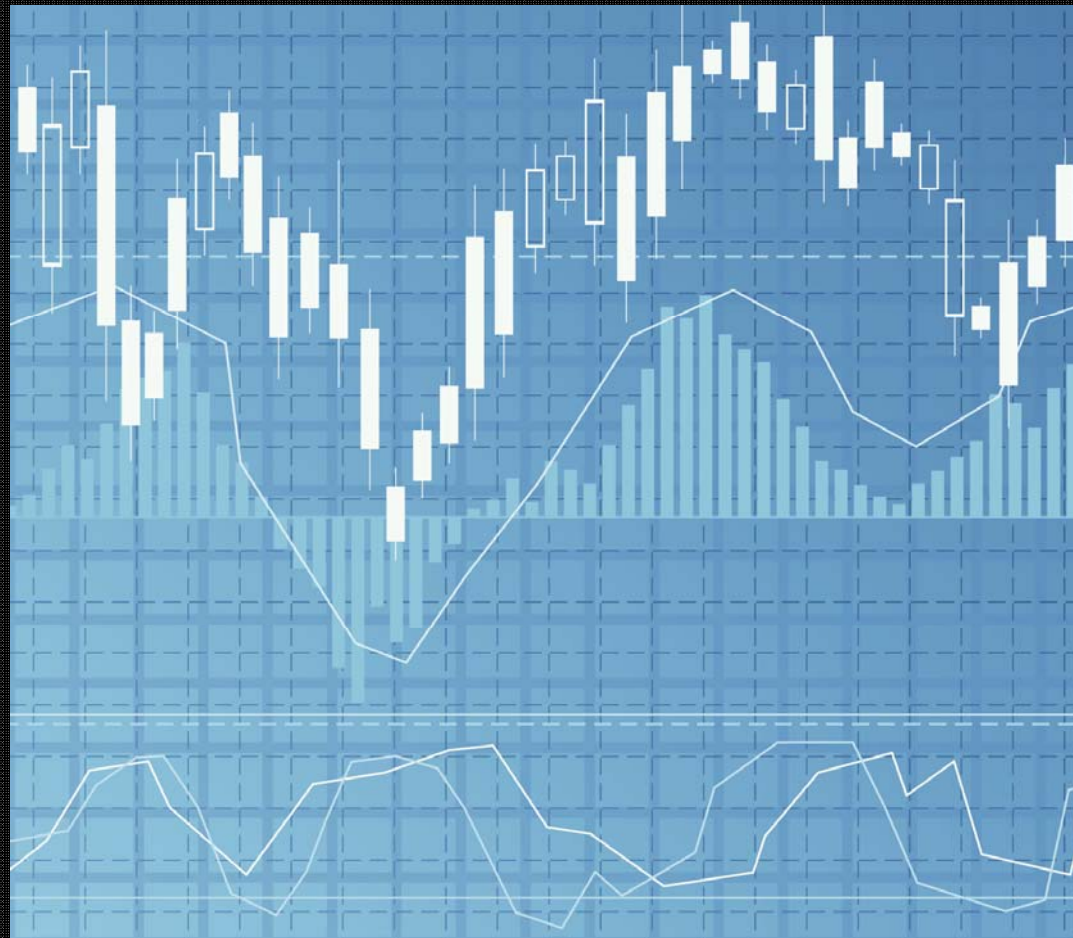
Why do politicians think regulations
“kill” jobs ... when the research says
they really don’t?



Public places priority on economy when unemployment rate increases



What this means for regulatory impact analysis



U.S. Regulatory Impact Assessment: Guidelines

“[T]he agency *shall...provide...[a]*n assessment
... of ... any adverse effects on ... productivity,
employment, and competitiveness.”

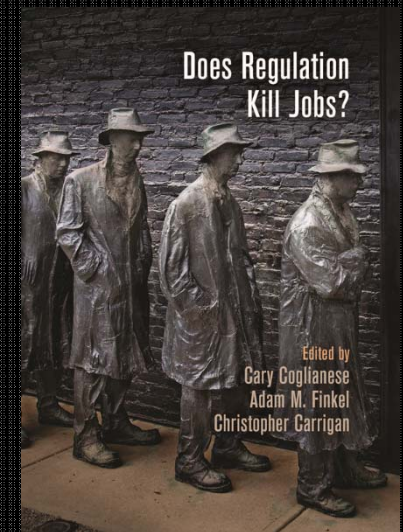
- Executive Order 12,866

U.S. Regulatory Impact Assessment: Reality

“Agencies are clearly not giving much consideration to the employment (or other macroeconomic) effects of their regulatory decisions.”

- Shapiro (2013)

80% of assessments examined failed to quantify any employment effects



What this means for public policy

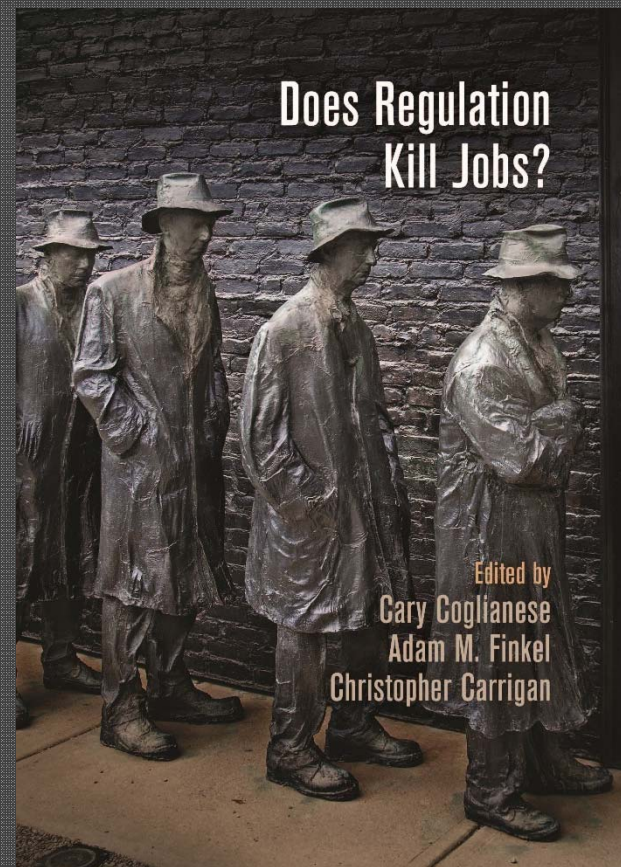
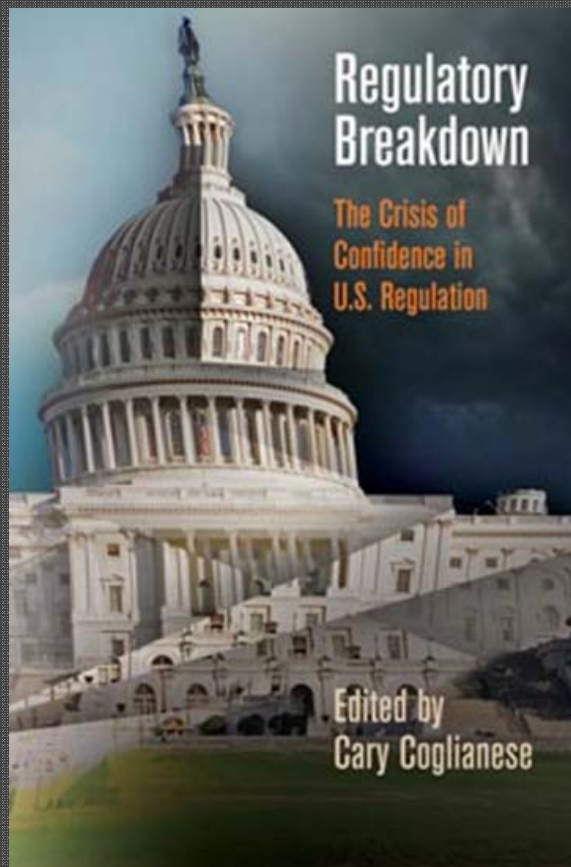
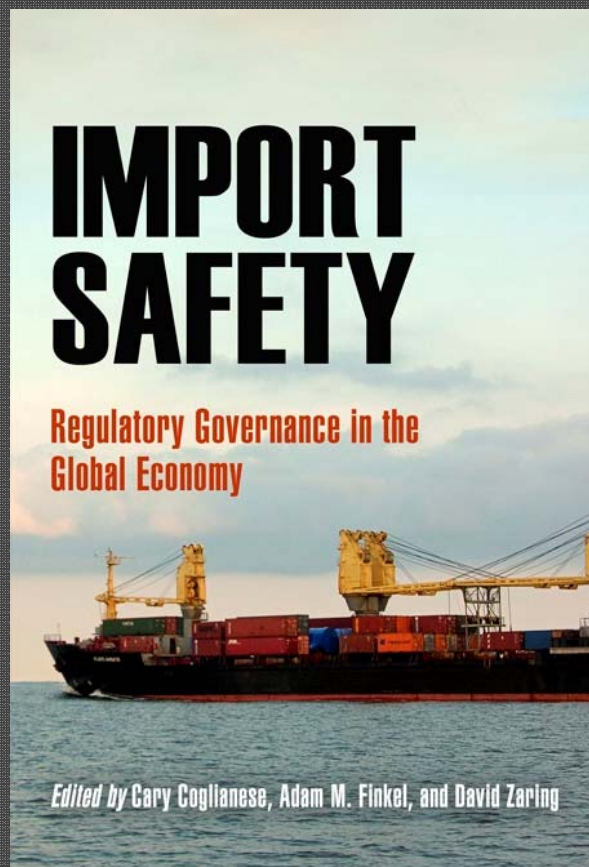


Conclusion

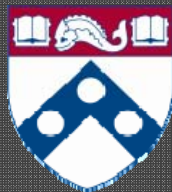
- Employment matters, so potential losses from regulation also matter
- But other things matter too, including the benefits delivered by regulation
- Better research and analysis can help avoid giving too much or too little emphasis to employment effects



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