A Review of Occupational Regulation and Its Impact

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Background to the research

- Investment in skills in the UK considered to be suboptimal

- In other words, there are perceived to be failures in the market for skills, which may be due to:
  - Lack of reliable information on the benefits of skills investments
  - Problems in obtaining funding for skills investments
  - Employers’ concerns that they may be unable to recoup any investments (e.g. because of fears of poaching)

- UKCES Review of Collective Measures:
  - Hard incentives: Training levies; Right to time off; Occupational Licensing
  - Soft incentives: Investors in People; Commitment to train; Encouraging apprenticeships
Overview of the project

- Outline Concepts and Summarise Theory
- Identify and Research Regulated Occupations
- Map the Incidence of Regulation
- Assess the Impact of Regulation
- Identify Key Design Issues
<table>
<thead>
<tr>
<th>Requirement to demonstrate a minimum degree of competence?</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any legal regulation by government? (directly or through an appointed agency)</td>
<td><strong>Unregulated</strong>&lt;br&gt;The occupation may be subject to conventions, whereby employers will typically cite minimum entry criteria, but these are not co-ordinated, nor do they have any legal basis.&lt;br&gt;&lt;br&gt;<strong>UK example:</strong> retail assistant</td>
<td><strong>Non-governmental accreditation</strong>&lt;br&gt;Practitioners may apply to be accredited as competent by an accrediting body, which is usually a professional body or industry association. May permit the accredited person to use a specific title or acronym but confers no legal protection of title, nor any legal protection of function.&lt;br&gt;&lt;br&gt;<strong>UK example:</strong> accreditation by the Institute of Chartered Accountants</td>
</tr>
<tr>
<td>Yes, but confers no rights to practice</td>
<td><strong>Empty Cell</strong></td>
<td><strong>Certification schemes</strong>&lt;br&gt;There is no legal restriction as to who may carry out the tasks covered by the occupation, but practitioners may apply to be certified as competent by the state (or an appointed agent). This certification may sometimes (but not always) confer legal protection of title.&lt;br&gt;&lt;br&gt;<strong>UK example:</strong> certification by the Hairdressing Council</td>
</tr>
<tr>
<td>Yes, and confers rights to practice</td>
<td><strong>Registration schemes</strong>&lt;br&gt;Requires registration of personal details. May also make stipulations in areas other than competence (e.g. finance)&lt;br&gt;&lt;br&gt;<strong>UK example:</strong> registration of estate agents by the Office of Fair Trading</td>
<td><strong>Licensing schemes</strong>&lt;br&gt;Only those who can demonstrate the specified level of competence may obtain a licence permitting them to undertake the tasks covered by the regulation.&lt;br&gt;&lt;br&gt;<strong>UK example:</strong> licensing of taxi drivers by local authorities</td>
</tr>
</tbody>
</table>
A typology of occupational regulation

- Licensing schemes
- Registration schemes
- Certification schemes
- Accreditation schemes

Mandatory

State enforced

Voluntary

Sector enforced
... or in terms of stringency

Unregulated
Registration
Accreditation
Certification
Licensed
Mapping Occupational Regulation

• No comprehensive database of OR in the UK
  – NCP focuses only on licensing and offers few details
  – No national survey that identifies possession of licences etc

• Sought to map OR at SOC(2000) Unit Group level

• Database identifies the type of regulation and details of the scheme

• Data can be mapped onto the Quarterly Labour Force Survey to provide estimates of prevalence
Legal associate professionals organise the administrative work of legal practices and perform specialised legal duties. Workers in this unit group provide administrative support for legal professionals, and investigate and make recommendations on legal matters that do not fall within the province of a normal court of law.

RELATED JOB TITLES
- Barrister's clerk
- Conveyancer
- Data protection officer
- Legal assistant
- Legal executive
# Mapping Occupational Regulation

<table>
<thead>
<tr>
<th></th>
<th>All job titles</th>
<th>Some job titles</th>
<th>None</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>%</td>
</tr>
<tr>
<td>Licensing</td>
<td>53</td>
<td>29</td>
<td>-</td>
<td>82</td>
<td>23</td>
</tr>
<tr>
<td>Certification</td>
<td>17</td>
<td>2</td>
<td>-</td>
<td>19</td>
<td>5</td>
</tr>
<tr>
<td>Registration</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Accreditation</td>
<td>40</td>
<td>27</td>
<td>-</td>
<td>67</td>
<td>19</td>
</tr>
<tr>
<td>Unregulated</td>
<td>-</td>
<td>-</td>
<td>165</td>
<td>165</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115</strong></td>
<td><strong>73</strong></td>
<td><strong>165</strong></td>
<td><strong>353</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Base: All SOC(2000) Unit Groups*

*Source: Map of Occupational Regulation*
### Mapping Occupational Regulation

<table>
<thead>
<tr>
<th>Protect public</th>
<th>Demonstrate competence</th>
<th>Health and safety</th>
<th>Upskill profession</th>
<th>Gain professional recognition</th>
<th>Adherence to codes of conduct</th>
<th>Establish/maintain industry standards</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensing</td>
<td>75</td>
<td>16</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Certification</td>
<td>12</td>
<td>1</td>
<td>12</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Registration</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Accreditation</td>
<td>18</td>
<td>37</td>
<td>12</td>
<td>14</td>
<td>3</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>54</td>
<td>31</td>
<td>14</td>
<td>10</td>
<td>13</td>
<td>3</td>
</tr>
</tbody>
</table>

*Base: All SOC(2000) Unit Groups*

*Source: Map of Occupational Regulation*
## Mapping Occupational Regulation

<table>
<thead>
<tr>
<th></th>
<th>Government funded</th>
<th>Self-funded</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
</tr>
<tr>
<td>Licensing</td>
<td>69</td>
<td>13</td>
<td>82</td>
</tr>
<tr>
<td>Certification</td>
<td>5</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Registration</td>
<td>18</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Accreditation</td>
<td>0</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>92</strong></td>
<td><strong>96</strong></td>
<td><strong>188</strong></td>
</tr>
</tbody>
</table>

*Base: All SOC(2000) Unit Groups*
*Source: Map of Occupational Regulation*
Growth of Occupational Regulation

Base: All employee and self-employed jobs
**Extensions to OR since 2001**

<table>
<thead>
<tr>
<th>Type of Regulation</th>
<th>No.</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>From certification to licensing</td>
<td>7</td>
<td>2442: Social Workers (2005)</td>
</tr>
<tr>
<td>From unregulated to licensed</td>
<td>5</td>
<td>9241: Security Guards (2003)</td>
</tr>
<tr>
<td>From unregulated to certification</td>
<td>6</td>
<td>3443: Fitness Instructors (2002)</td>
</tr>
<tr>
<td>From unregulated to registration</td>
<td>9</td>
<td>3544: Estate Agents and Auctioneers (2008)</td>
</tr>
</tbody>
</table>

*Source: Map of Occupational Regulation*
The Impact of Licensing

• Theorised effects:
  – Entry restrictions maintain or raise the quality of workers and output
  – Lower-quality workers displaced or barred entry, restricting employment in the regulated occupation
  – Restriction of supply allows prices (and hence wages) to rise in the regulated occupation
  – Displacement may cause prices / wages to fall in adjacent occupations
  – Uncertain impact on skills development post-regulation
  – Heterogeneous impacts for consumers

• Evidence:
  – Impact on skills and product quality typically zero
  – Delivers a wage premium for higher-skilled workers
  – Effect on employment typically negative
The Impact of Licensing

Private security guards

Qualified to NVQ2+

Source: QLFS Apr 2001 – Sept 2010
The Impact of Voluntary Schemes

• Theorised effects:
  – No universal entry barrier, so the scale of any effects will depend on demand for accredited workers – ultimately by consumers
  – If demand is high, then one might expects effects that are similar to licensing
  – If demand is low, then the effects will necessarily be small
  – Effects then dependent on being able to convince consumers or employers that accredited labour is more productive
  – Impact on skills development post-regulation depends on scheme design

• Evidence:
  – ?
The Impact of Voluntary Schemes

Automotive technicians

Qualified to NVQ2+

Source: QLFS Apr 2001 – Sept 2010

National Institute of Economic and Social Research
The Impact of Voluntary Schemes

Mean Qualification Score (scale: 1-7)

<table>
<thead>
<tr>
<th></th>
<th>Mgrs &amp; Snr Officials</th>
<th>Profs</th>
<th>Assoc Prof &amp; Tech</th>
<th>Admin &amp; Secret</th>
<th>Skilled trades</th>
<th>Pers Servs</th>
<th>Sales &amp; Cust Service</th>
<th>Proc, Plant &amp; Mach</th>
<th>Elementary</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acc. for all activities</td>
<td>5.7</td>
<td>6.4</td>
<td>6.0</td>
<td>4.7</td>
<td>4.6</td>
<td>5.0</td>
<td>3.9</td>
<td>4.8</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>Unregulated</td>
<td>5.7</td>
<td>6.6</td>
<td>5.8</td>
<td>4.8</td>
<td>4.9</td>
<td>4.5</td>
<td>4.7</td>
<td>4.0</td>
<td>3.8</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Base: All employee and self-employed jobs*

*Source: Quarterly Labour Force Survey Jan-Sept 2010*
The Impact of Voluntary Schemes

Percentage undertaking job-related training in past 4 weeks:

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<tr>
<th></th>
<th>Mgrs &amp; Snr Officials</th>
<th>Profs</th>
<th>Assoc Prof &amp; Tech</th>
<th>Admin &amp; Secret</th>
<th>Skilled trades</th>
<th>Pers Servs</th>
<th>Sales &amp; Cust Service</th>
<th>Proc, Plant &amp; Mach</th>
<th>Elementary</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acc. for all activities</td>
<td>11</td>
<td>14</td>
<td>14</td>
<td>10</td>
<td>5</td>
<td>8</td>
<td>2</td>
<td>14</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Unregulated</td>
<td>11</td>
<td>20</td>
<td>14</td>
<td>10</td>
<td>9</td>
<td>13</td>
<td>11</td>
<td>9</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

*Base: All employee and self-employed jobs
Source: Quarterly Labour Force Survey Jan-Sept 2010*
Some design issues

• What is the demand for accreditation?

• How to convince consumers, employers and workers of the value of investing in skills?

• What are the mechanisms to encourage further skill development post-accreditation?

• What is the potential for deadweight?

• How to evaluate the success of the scheme?
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