

BRIEFLY NOTED

Should Restaurant Tipping Be Abolished?

BY RICHARD B. MCKENZIE

Labor advocates are seeking to abolish restaurant tipping, even at fast-casual restaurants such as Applebee's, Olive Garden, and TGI Friday's. Tipping is supposedly a repugnant practice because it dehumanizes servers who "must grovel for our change" to make their living. It also supposedly perpetuates poverty among servers, "enshrines" racial and gender discrimination, and encourages sexual harassment. Moreover, tipping does not improve customer service, or so the abolitionists say.

Tipping abolitionists seek to replace tipping with a "living wage" of maybe \$15 or \$18. They think servers would be ecstatic with the change in their compensation from tip-dependent income that the abolitionists consider low and variable, to non-tip-dependent income that the abolitionists believe would be consistently higher. Yet my research indicates the case for the universal abolition of tipping is misguided on both factual and theoretical grounds, at least for fast-casual restaurants with table service—a sector that especially concerns tipping abolitionists.

Better income? / I investigated the economics of tipping last fall by surveying 40 servers in fast-casual restaurants in Orange County, CA. (To be included in the survey, restaurants had to offer on their menus a cheeseburger-fries combination priced between \$8 and \$12, and beer and wine.) When asked, most servers had a fairly firm idea of their tip income. Some consulted a smartphone app on which they recorded their daily tips and computed their average hourly total income, which they gave me.

I posed a question to each privately, "What hourly wage would cause you to voluntarily give up your current com-

pensation package, including the state's minimum wage and your tip income?" The responses ranged from \$18 to \$50 an hour. The median no-tipped wage was \$30 an hour. Some 62 percent of the servers demanded an hourly wage of at least \$30 to replace their current compensation. To put that in perspective, if two married servers work full-time and earn \$30 an hour, they would have an annual household income of \$124,800, putting them in the top 17 percent of households by income (and yet they would still be entitled to the California minimum wage, which supposedly targets only low-income workers).

This response is apparently not unique to Orange County. In the spring of 2016, I similarly interviewed 10 servers in piedmont North Carolina. They had a median

response of \$26 an hour, which is actually higher than the median hourly wage demanded in Orange County after adjusting for the difference in the cost of living.

Tipping abolitionists might be surprised to learn that *all* servers surveyed chortled at the suggested replacement of their tip incomes with a "living wage" of \$15 an hour. Most servers responded with comments of the essence, "How stupid can these people be?"

Better service? / Studies on the effect of tipping on service, and vice versa, suggest a positive but very weak tie between tipping and service quality. However, these studies are replete with problems, not the least of which is that one prominent study used "subjects" who were community college students. The students were asked to assess the "quality" of their restaurant service (on a scale of 1 to 5) over some undefined period of time as the students ate at different restaurants at different times of the day. The students were asked to self-report their tips and service quality, which means their subjective assessments of service quality could vary widely across students and through time. The researchers found that servers' tip income rose only 2 percent for a 1-point increase in reported service quality on the 5-point scale—hardly a reliable finding.



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To examine this issue, I asked the servers I interviewed if the service they provided affected their tips. All *strongly* agreed it did. Indeed, servers said that if they raised their service level from a “3” (average service) to a “4” (above-average), their *average* tip percentage (not total tips) would rise by over 25 percent. If they elevated their service from “4” to “5” (excellent service), their average percentage tip would rise another 25 percent, which means that an increase in service level from average to excellent would raise their average *percentage* tips by 57 percent. All servers strongly agreed that overall service quality would drop precipitously if their tip income were replaced with a fixed hourly wage, especially for “loud,” “obnoxious,” and “arrogant” customers, as well as customers with unruly and messy children.

Particular knowledge / Tipping abolitionists portray tipping as a loss to everyone: servers, owners, and customers. They don’t understand that an array of restaurants face a serious management problem that economists call the “principal/agent problem.” Managers and owners may know much about the restaurant business, but they don’t know all that their servers know about particular customers, especially “regulars”—such as their names, what they typically order, and how they want to be treated (whether they want to talk or be left alone). Many customers want some control over the service they receive, and tips give them that control. Servers want to be rewarded for their extra effort. Owners want servers to use their local knowledge to increase sales and repeat visits. One way of doing this is to make servers de facto commissioned salespeople, making sure that servers are partial residual claimants on the added service they provide and the resulting additional sales and profits the restaurants garner.

Granted, several restaurant chains are currently experimenting with no-tipping policies, combining them with higher worker wages and menu prices. While such policy changes may work for some restaurants in fast-food markets (whose products are standardized and whose workers can be easily monitored by managers), they are likely to

be counterproductive for many other restaurants in fast-casual and fine-dining market segments (where service must, to one degree or another, be tailored for customers’ needs).

In 2015, the owners of two pricey San Francisco restaurants, Bar Agricole and Trou Normand, instituted a 10-month trial of a no-tipping policy, higher base wage, and higher menu prices to finance the new wage. The restaurants returned to tipping in 2016 because server morale crashed and turnover skyrocketed to 70 percent during the trial period. Why? The company had lowered servers’ de facto hourly wage from a range of \$35–\$45 to \$20–\$35.

Likewise, national fast-casual seafood chain Joe’s Crab Shack tried a no-tipping policy with higher prices at a handful of its locations in late 2015, but returned to tipping in spring 2016. Management gave two reasons for the return: they would have to raise worker wages—and thus menu prices—far higher than they had expected in order to satisfy workers’ demand for a

no-tip wage, and they found their customers wanted the return of tipping.

Nevertheless, no-tipping policies could spread in the near future as more states and localities increase their mandated minimum benefits and hourly wages (now scheduled to go to \$15 an hour in California and New York) and remove “tipped wage” exemptions. Many restaurant executives will begin to see server tips as a revenue stream they can tap to offset some of their higher mandated labor cost increases, implementing no-tipping policies in exchange for menu price increases.

Tipping abolitionists may be surprised to find that some of the most ardent opponents of tipping abolition are servers and their customers. One North Carolina server volunteered: “I made \$60,000 in tips last year, reported \$40,000—and had a before-tax income of \$80,000! That’s why I quit my teaching job.” And customers will likely suffer impaired service as the tipping incentive disappears. R

Would Expanded Family Leave Hurt Workers?

◆ BY SAM BATKINS AND IKE BRANNON

A good many politicians have elevated the need to reduce income inequality as the paramount purpose of economic policy in the immediate future. There are many ways to pursue such a goal, of course, but the easiest and most popular—at least of late—is to simply reduce the income of the wealthy. Such a maneuver usually doesn’t improve anyone’s well-being beyond government employees and contractors, but it is a way for the government to demonstrate its dedication to The Cause.

Another method that supposedly would reduce inequality—and one that is becoming *au courant*—is to provide paid family medical leave to new parents, adult offspring of infirm parents, or couples dealing with other medical or family crises.

It is a “socially responsible” benefit and because it is already done in Europe, the thinking goes, it ought to be done here.

The problem is that creating a new, expensive entitlement, at least in this instance, is not necessarily a useful or productive way for government to demonstrate its obeisance to the family. Mandating paid family leave will result in sharply higher employment costs, and the market will ultimately respond by either reducing employment, wages, or some combination thereof, whether government finances the benefit or it comes via a government man-

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date. If not done correctly, it could also create perverse incentives that might harm those most likely to use such benefits.

D.C.'s experiment / Much like the states and localities that have dramatically boosted their minimum wage to huzzahs from the progressive crowd, Washington, D.C. has blazed its own path in its quest to implement family leave. To its credit, the city council realized that mandating that all businesses provide six months of paid leave to new parents would provide a hardy incentive for businesses to avoid hiring women of childbearing age, progressive or not. They came up with a funding method that would avoid that hazard: impose a 1% profits tax on all businesses in the city, regardless of the number of their employees who availed themselves of the benefit, and use the revenue to subsidize on-leave employees' income. This way the cost would be socialized across all profitable businesses, with the government writing the check.

The problem that quickly surfaced was that a mere 1% tax didn't go nearly far enough in funding the desired six months of benefits. To provide workers with that much leave at something approaching their pre-leave wages, the tax would have to be north of 3%. At that rate, the city's normally somnolent Chamber of Commerce was roused to action and prodded its members to stand together in opposition to the tax, which was sufficient to force the District government to retreat to "Plan B." They reduced the scope of the benefit, kept the tax at 1%, and distracted the angry advocates of the benefit with talk of a \$15 minimum wage being next on the agenda.

Those are some of the costs, but surely the benefits of paid leave justify the burdens, right? A family medical leave law would pass a cost-benefit analysis? Probably not.

Costs / Many governments across the globe have determined that the benefits of paid family leave are worth the significant regulatory and fiscal costs they impose, but that begs the question: What would more generous family leave practices cost

the United States? Data from the Organization for Economic Co-operation and Development detail how much industrialized nations spend on family leave policies. Those data allow us to roughly estimate the cost of the United States adopting mandatory paid leave.

For this empirical comparison, we looked at the per-country spending as a proportion of GDP in three different categories: paternity leave, sick leave, and family medical leave. The United States spends roughly 0.7% of gross domestic product (GDP) on family support, a broad category that includes paternity and maternity leave. That percentage is far smaller than what other developed countries spend on this category. Sweden spends fully 3.6% of its GDP on family leave, more than five times the U.S. ratio. Denmark's spending exceeds 4%, while the Scandinavian average is 3.3%. To put that in perspective, defense spending is less than 1.3% of GDP for the Scandinavian countries, 40% of what it allocates to family leave. The OECD average expenditure for family support is 2.2%.

While the United States may be a laggard when it comes to family leave, it spends a bit more on sick leave policies, a category that includes disability pensions, paid sick leave, and other incapacity-related benefits. Such spending comprises roughly 1.4% of GDP, which amounts to \$260 billion a year. That is still well below the OECD average of 1.9% of GDP, and miles away from the vaunted Scandinavian social support. Norway devotes nearly 3.3% of its GDP to sick leave and Sweden spends even more.

The OECD does not report any data on maternity leave for the United States, in part because such benefits—if captured—show up in the sick leave data. According to the data, the OECD average expenditure for paid parental leave is 0.38% of GDP; Sweden spends roughly three-quarters of a point of its GDP on parental leave, compared to 0.62% for Norway and, surprisingly, just 0.29% for France.

If the United States were to devote the same proportion of GDP to sick leave as the rest of the OECD, it would require an additional \$90 billion. To match the lar-

gesse of Norway and Sweden, the figure would need to be closer to \$350 billion. For the United States to reach European levels of family leave support as a proportion of the economy, it would cost more than \$520 billion annually. To match OECD spending for maternity and parental leave alone would be at least \$70 billion annually—twice that to match Swedish-level generosity.

These figures comport with other studies on the costs of expanding family leave rules, which estimate minimum spending amounts ranging from \$159 billion to \$306 billion. For example, the "FAMILY Act," sponsored by Rep. Rosa DeLauro (D-Conn.) and Sen. Kirsten Gillibrand (D-N.Y.) and designed to provide 12 weeks of paid family leave, would finance the benefit through a 0.4% payroll tax hike. However, this tax increase would only finance about \$30 billion in new annual spending, not nearly enough to cover the designed benefits. For many Americans, paid family leave sounds like a wonderful perk until they realize they're the ones who would pay for their own benefit.

Benefits / Since providing families with paid leave would cost so much money, we should expect similarly outsized benefits. However, there is little evidence that it would do so.

Proponents of paid family leave point to studies showing that it can lead to improved maternal health and declines in depression symptoms. That would not only improve well-being but also reduce health care costs associated with these issues, most of which are currently borne by taxpayers. Proponents also argue that paid leave should contribute to higher labor force participation rates, and in turn higher output, perhaps to the extent that it could almost pay for itself by generating higher tax revenue.

Quantifying how paid leave might affect health outcomes is exceedingly difficult, so we will devote our attention to labor force participation rates, especially considering that many of the benefactors of paid leave would be higher-income households.

California and New Jersey both enacted some form of paid leave legislation in the



last decade; however, neither state experienced a sizeable increase in female labor force participation rates. In fact, in both instances, female participation rates declined, matching an overall trend in the economy. That does little to bolster the argument that family leave significantly increases the labor force.

Looking nationally, the U.S. female labor force participation rate stands at 57%, slightly below the pre-Great Recession peak of 60%, but still well above the OECD average of 51.5%. Scandinavia's average is about 10 percentage points higher.

The rapid increase of women working in the U.S. economy in the second half of the 20th century was an unmitigated good for the economy and society, but it's unreasonable to expect it to ever increase at that rate again. First, women's skills and training have changed drastically since the mid-1900s: today, women are on average more educated than men and have a better employment history. Part of the economic boom created by the entrance of women into the labor market owed to the fact that not only was there an increasing proportion of women entering the labor market, but the average skill level of working women increased concomitantly.

What's more, the overt and systemic discrimination against women even entering the workforce that prevailed in mid-20th-

century America has largely disappeared. Women who enter the labor market today are more likely to obtain jobs that make the best use of their skill set.

Finally, the simple fact that the female labor force participation rate today is already at a high level means that it's difficult to see the rate increasing anywhere near its trend in the last century. The decades-long secular decline in the men's labor force participation rate, which is currently just below 70%, or 13 percentage points above women, suggests a rough upper-bound for women's rates. What's more, we live in a world where the female rates have essentially stagnated for the last two decades.

The Affordable Care Act (ACA), the latest social welfare expansion in the United States, was supposed to boost the U.S. economy by ending "job lock" and allowing workers to go where they would be most productive. To some degree it achieved this, although the manifestation of this freedom—a rise in what has come to be pejoratively called the "gig economy," referring to the increasing number of short-term projects, consultancies, and other limited "gigs"—has given its authors heartburn. The ACA also effectively incentivized millions of Americans to leave the labor force because the legislation provides them—for better or worse—the means to obtain affordable health insurance without holding a job.

Claiming that another social welfare expansion—one that would reduce wages and employment as well as create a dead-weight loss—can somehow drive increases in GDP is nonsensical. There are numerous policies that would drive GDP growth and increase participation rates, but they don't rely solely on further welfare spending—most of which would go to the well-off—changing the dynamics of the U.S. labor market.

Other people's money / Enacting generous parental support policies would doubtless have benefits for families. But these benefits would primarily accrue to higher-income families and could potentially cost upwards of 3% of GDP. If one parental leave policy could boost labor force participation rates to rarified Scandinavian territory and add more than 12 million people (the result of a 10% increase in female labor force participation) to the workforce, these benefits might justify the costs. Unfortunately, there is little evidence that this would be the result of paid family leave, and it is hard to contemplate any economy-wide benefit that would remotely approach the costs inherent in such a policy change.

Making sound economic policy involves the government making priorities and recognizing the opportunity costs of certain actions, but it's been awhile since Congress or the White House acknowledged the true underlying costs of its actions. For instance, the final floor speech in support of the ACA touted it as the greatest deficit reduction piece of legislation to ever pass through Congress, despite the fact that it will ultimately necessitate Congress spending hundreds of billions of dollars a year. The supposed cost savings were ephemeral at best and non-existent in reality. Similarly, in 2016 Congress passed tax legislation that made a plethora of temporary "tax extenders" permanent with nary a discussion of whether permanence made more sense than simply lowering tax rates for individuals or small businesses.

A statistic that has received almost as much attention as the expanding wage gap—at least among labor economists—has

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been the shrinking ratio of wages to GDP. After remaining remarkably stable for practically the entire 20th century, this ratio began trending downward and—unlike in other such instances—it shows no signs of regressing toward the mean. For capital to take an increasing share of total income strikes many as a disturbing trend, and there have been numerous proposals to try to “rebalance” the two.

The problem is that it isn’t simply the case that capital is receiving a greater share of national income. Rather, a steadily growing share of the portion allocated to labor goes toward paying for benefits. This has occurred both because the cost of providing benefits—especially health insurance—has gone up as well as the fact that government has prodded firms to provide more in the way of non-wage benefits.

While it may seem that asking employers to provide workers with paid time off

to take care of an infirm parent or a sick child is the compassionate thing to do, there is no free lunch. The cost of this will largely be borne by the workers, no matter what mechanism is used to finance the benefit. There is no particular reason to think that such a benefit would be progressive—middle and upper-middle class workers will be more likely to have employment covered by such a provision than low-income Americans. If we base the payment for the worker who takes leave on his or her salary, then it will almost assuredly be a regressive benefit.

Mandating more paid leave changes the composition of our compensation further away from wages and salary and more toward benefits, with the bulk of those benefits going to the middle class and above. We are hard-pressed to embrace this as a compassionate solution to what ails the American economy. R

of all U.S. working adults were required to possess a government license to legally perform their occupation. Moreover, in a 2003 study, the Council of State Governments estimated that over 800 occupations were licensed by at least one state government.

Washington pushes for reform / The Brookings Institution and the Obama administration recently began efforts to encourage state reform of occupational licensing, joining market-oriented think tanks and other institutions that have long advocated such reform. In March 2015, the Brookings Institution released a policy brief, *Reforming Occupational Licensing Policies*, authored by Kleiner that offers four policy proposals intended to systematize and harmonize occupational licensing regulation. He believes the proposals would reduce state-level regulatory and economic costs while simultaneously increasing employment opportunities and expanding consumer access to services and goods.

His four proposals include:

- **Employ cost-benefit analysis in the evaluation of occupational licensing.** State government regulatory commissions or agencies, in conjunction with the relevant professional and trade/vocational associations, would perform cost-benefit analysis on both new and existing licensing regulations. The analysis would rely on both new and existing studies. It would also consider the necessity for new regulation vs. better enforcement of existing regulations, the possibility of alternative market-based solutions to public regulation, and the expected effect of proposed licensing on practitioners and consumers.
- **Utilize federal engagement to promote best practices.** The federal government would establish an interagency group to promote best practices in occupational regulation. States would also be encouraged to apply for federal grants for evaluating and improving their current system of occupational licensing.

A Practical Approach to Occupational Licensing Reform

BY THOMAS A. HEMPHILL

Many Americans, including older adults, lost their jobs and careers in the last recession. More than a half-decade since that recession ended, the national labor force participation rate remains stubbornly near its lowest level in decades. As a result, occupational re-training and barriers to entry into professions and trades/vocations have emerged as a public policy concern.

A 2012 study by the Institute for Justice of 102 low- and moderate-income state-licensed occupations across all 50 states and the District of Columbia found that 66 have greater average licensure burdens than emergency medical technician (EMT). On average, a cosmetologist needed 372 days in training while an EMT needed just 33—with the latter certainly ranking significantly higher in relative public health and safety risks.

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Occupational regulation is the traditional bailiwick of state governments, with the federal and local governments in a secondary role. Since the middle of the 20th century, occupational licensing, a subset of occupational regulation, has been a regulatory growth area for state governments and an increasing source of public revenue. In 1952, the Council of State Governments reported that less than 5% of U.S. workers were required to be licensed to legally perform their occupation. A recent study by economists Morris Kleiner of the University of Minnesota and Alan Krueger of Princeton University reveals that, based on 2006 data, approximately 29 percent

- **Embrace state reciprocity.** The state governments would develop reciprocity agreements to readily accept occupational licenses granted by other states. Kleiner notes that despite differences in road conditions and other requirements, state governments already universally accept other states' driver's licenses when citizens move to another state; so why shouldn't they also be able to accept occupational licenses?
- **Adopt certification policies as a substitute for licensing.** When the costs of licensing exceed the benefits, state governments should consider shifting away from licensing to a lesser form of regulation, such as certification or registration, or even no registration at all.

Along the same vein, in July 2015 the Obama administration released a report, *Occupational Licensing: A Framework for Policymakers*, jointly prepared by the U.S. Department of the Treasury, the Council of Economic Advisers, and the U.S. Department of Labor. The report reviews the growth in occupational licensing over the past few decades, its costs and benefits to American society, and its effects on employment, wages, and labor mobility. The report also offers a look at an evolving American workplace, one that is directly affected by the emergence of ubiquitous information technology ("the Internet") and its attendant benefits for the American workforce. It also offers a framework for licensing reforms that includes the following "best practices" policies that balance licensing that "protects consumers without placing unnecessary restrictions on employment, innovation, or access to important goods and services." The recommendations, many of which echo Kleiner, include:

- **Limit licensing requirements to those that address legitimate public health and safety concerns.** In cases where public health and safety concerns are mild, it recommends using alternative systems that are less restric-

tive than licensing, such as voluntary state certification or registration.

- **Apply the results of comprehensive cost-benefit assessments of licensing laws to reduce the number of unnecessary or overly restrictive licenses through both sunrise and sunset reviews.** Criteria in such reviews can include: legitimate public health, safety, and similar concerns; considering existing legal remedies and consumer/reputational rating mechanisms and other less burdensome regulatory approaches; evaluating the adequacy of licensing requirements for quality and protection of consumers; the effect that the license has on practitioner supply and the price of goods

flexible requirements that would allow states to retain their rules while permitting interstate reciprocity to workers who satisfy higher licensing requirements.

- **Allow practitioners to offer services to the full extent of their current competency.** Also, avoid categorically excluding individuals with a criminal record, and instead only exclude those individuals whose convictions are recent and relevant, and pose a legitimate threat to public safety.

Yet, despite all of these initiatives, attempts to rein in the licensing of occupations have not met with much success. Significant state-level occupational reform



and services; and the administrative costs of license enforcement.

- **Within groups of states, harmonize regulatory requirements as much as possible.** This would include interstate compacts that recognize licenses from other states, thereby increasing the mobility of skilled workers. The concern, though, is that these compacts would adopt the licensing requirements of the most stringent participating states. If agreement on common standards for interstate compacts is difficult, consider a "two-tiered" licensing structure with more

in recent years has been rare.

De-licensing / The May 2015 *Monthly Labor Review*, published by the U.S. Bureau of Labor Statistics, includes a paper by economists Robert Thornton of Lehigh University and Edward Timmons of Saint Francis University investigating the rare phenomenon of what they call "de-licensing" of an occupation, i.e., "the elimination of a license as a legal requirement for practicing a particular occupation." The term "rare" is apt, as the authors found only eight instances of the de-licensing through state legislative action over the

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past 40 years. Even grimmer, in four of those cases, efforts to re-license the occupations followed soon afterward.

As the authors found in their research, so-called “sunset” committees (involving legislative audits of licensing and licensing boards) have on rare occasions recommended that occupations be de-licensed, but those recommendations usually were ignored by the legislatures. Occasional bills to de-license occupations have been drafted, only to languish in committee, fail to be passed by state legislatures, or go unsigned by governors. Furthermore, the authors noted several state legislative attempts to collectively de-license multiple occupations since 2011, with none being enacted. Thus, the evidence reveals that once an occupation is licensed, it is likely to remain so forevermore.

Thornton and Timmons have identified several factors responsible for the existing political economy of licensing. First, the powerful lobbying resources exercised through professional associations are effective at resisting de-licensure efforts. Second, such institutional factors as “regulatory capture,” i.e., licensure oversight by members of the occupation, and “collective choice,” i.e., the costs to the licensed occupation members from de-licensing, are high, while the benefits to individual members of the public are low and broadly dispersed. Third, fiscal considerations, such as fees from licensing, may create net surpluses that legislatures are reluctant to eliminate. Lastly, the authors note that should de-licensing occur, wages in the profession or occupation/trade may be expected to fall immediately as new workers with lower qualifications enter the occupation. Consequently, the organized resistance to de-licensing by licensed practitioners is likely to be considerably greater than pro-consumer efforts to liberalize these professions.

So, given these significant institutional barriers to occupational regulatory reform, what are the prospects for the occupational reform proposals of the Brookings Institution and the Obama administration?

Reform efficacy/ Thornton and Timmons’

findings can be summed up in one word: depressing. The evidence is overwhelming that once an occupation is licensed, it is virtually impossible to de-license it. Furthermore, legislative attempts to pass bills that attempt to de-license multiple occupations are met with highly effective lobbying efforts, often built around ad hoc coalitions drawing on considerable political resources. These coalitions can effectively “kill” occupational reforms at any step in the legislative enactment process. Moreover, in certain industries, particularly the health care sector, it is common knowledge that third-party insurers will not reimburse unlicensed practitioners for their services. Thus, occupational licensure is the imprimatur for insurance reimbursement. Given this highly effective special interest group defense against de-licensing efforts in the legislative or executive arenas, what policies have the potential for reducing regulation of occupations?

Both the Kleiner and Obama administration reform proposals include many rational recommendations that would improve the existing state-level regulatory environment. Realistically, for most occupations in the higher paying, higher education, health care professions, licensure is a requirement for both public health and safety risk criteria and health care insurance reimbursement for services provided. Moreover, even among moderate- to low-income trades/vocations, a realistic attempt to de-license should emphasize a move to state certification and its attendant lower barriers to occupational entry and entrepreneurial opportunities.

Given this grim reality, policymakers interested in reform should shift their sights to more modest policy proposals that have a better chance of being adopted. Toward that end, I recommend the following:

- Emphasize the use of cost-benefit analysis on proposed legislation to enact licensure of newly emerging occupations. Granted, cost-benefit analysis has not been the regulatory panacea that analysts once imagined. Still, it can underscore important

issues that policymakers should consider. Hopefully this will shift the regulatory assumption toward greater modesty and skepticism about the benefits of such policy interventions as licensure.

- Utilize state-level organizations and occupational/professional associations to promote best practices in occupational regulation. Coordination of state government efforts at reform should take place among the states through the Council of State Governments and the representative professional/trade associations. This institutional structure, because it directly involves the institutional actors in the regulatory process itself, should be much more effective in coordinating government efforts to harmonize occupational regulatory requirements (through so-called model regulatory language) across the states and develop interstate compacts recognizing licensure reciprocity. Of course, policymakers should take care that the professional/trade associations do not circumvent this process, continuing the long, unhappy history of special interest capture.
- Reassess the scope of practice among existing regulated occupations to allow for a full range of services to be provided. While so-called “turf wars” between and among occupations can be intense, a public airing of such concerns can often result in public policy solutions that increase competition and service availability and innovation, thus benefiting consumers. For example, among mental health care providers, while not without any inter-occupational controversies over “scope of practice” boundaries, the present environment does allow consumers a choice among various licensed mental health providers offering similar services at a range of hourly rates. In the case of nurse practitioners, however, the full scope of licensed practice, i.e., independent of direct physician oversight and pre-

scriptive authority, has been granted in only 21 states and the District of Columbia.

Increasing labor mobility, reducing barriers to entry, improving the climate for service innovation, and increasing consumer choice are all laudable goals of occupational regulatory reform. But based on the unsuccessful track record of de-licensing in the United States, more modest, targeted attempts at occupational regulatory reform should be considered a major success if adopted and implemented. R

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Free Parking’s High Cost on Transit

◆ BY IKE BRANNON

My morning commute in Washington, D.C. should be almost ideal. My office is just over a mile from my home and there’s a city bus that goes almost door to door. However, I rarely take it; in most situations the bus ride saves me little time over the 25-minute walk.

The excruciatingly slow 1.2-mile ride is only partly due to traffic congestion. The factor that really lengthens my commute—and that of thousands of others who regularly make the same trip—is all the parked cars that slow the bus at all hours of the day and night. It doesn’t take many cars to obstruct a bus; just a few will complicate merging, lengthen turns, and generally get in the way of a smooth commute home.

In essence, the city conserves street parking as if it were a precious natural resource. Eliminating even one spot where a car can park triggers a flurry of indignation and anger, even if the spot might cost each of the thousands of bus commuters that pass by more time than it saves the handful of drivers who actually use it on a given day. The blind deference given to drivers in D.C. belies any notion that we’re becoming a city of non-car owners.

For instance, at one intersection the bus driver must navigate a tighter-than-normal

intersection exacerbates the tightness of the turn, forcing the bus to slow to a near-stop to navigate the narrow opening. The presence of that last parked car costs each bus an average of five to 10 seconds.

But that’s not the only parking complication at this intersection. If one additional car parks behind the last legal parking spot—a common maneuver in urban locales—the bus simply can’t make the turn. It and any traffic following it must wait until the owner comes to move the car.

In essence, the tradeoff the city makes is to get one more parking space (and save a handful of drivers each day a few minutes’ walk from the nearest parking garage) in exchange for extending the commute times of a couple buses’ worth of passengers each day by five or 10 minutes and a few thousand other commuters by several more seconds.

That is a tradeoff common in bus/parking deliberations, which in D.C. are adjudicated by the city’s Department of Transportation, given the broad constraints set forth by the D.C. City Council. Two blocks north of this bottleneck sits another awkward intersection where two streets intersect the bus route about 25 feet from one another, and the bus stop sits just before the first intersection. The right lane of the short stretch of road between the two



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BRIEFLY NOTED

streets is, by default, given to two parking spaces. However, were it left as an extra lane (as it is during rush hour) it would allow buses to avoid having to wait for an opening in traffic before resuming their routes. Without such a runway, buses must invariably wait for a red light before entering into traffic, adding another 30–45 seconds to most trips. These two parking spots also happen to be within a two-minute walk of a parking garage.

The collective outcome of these decisions says volumes about the city's perspective. The convenience of a dozen drivers outweighs the collective cost they impose on thousands of other commuters.

Scarcity reigns / A place with expensive housing—as is the case in nearly every residential neighborhood in D.C. within walking distance of a Metro stop—incites developers to look closely at every nook and cranny to identify where they can put more housing. In my Northwest neighborhood over the last 10 years, they've replaced a gas station with apartments, subdivided and expanded numerous townhomes, and generally built up any available space they can get their hands on to the maximum extent that the government allows. That is a very real constraint because there is bitter opposition to any new development from the current homeowners in the area.

The pitched battles on this front—manifested by a local resident issuing a death threat to a developer in a zoning meeting earlier this year—owes to more than just the fear that more housing will reduce property values. The bigger issue for many of these people is that more local residents may create more competition for the nearly free on-street parking in the neighborhood. A residential parking permit in D.C. costs \$25 a year, which is less than 1 percent of the cost of private off-street parking in the densest neighborhoods in town.

The sanctity of nearly free on-street parking—which is, of course, tremendously scarce, since demand greatly exceeds supply at the current price—has come to take precedence over all other interests. For

instance, a proposed apartment building in the Mount Pleasant neighborhood recently ran into opposition when the developers revealed that it would remove two on-street parking spaces to make way for the driveway to underground parking for the development's denizens, something that current zoning law requires. When people suggest a development that would create homes for hundreds of people in a heretofore middle-class neighborhood should be disallowed solely to preserve two on-street parking spaces, something is clearly out of whack.

Free parking's high cost / The conservative mantra when it comes to mass transit is that it's a wasteful subsidy, and in many places it is. However, the subsidy for D.C. bus riders is a pittance when compared to what the District (and other dense metropolitan areas across the country) provides for drivers. Set aside the fact that gasoline prices don't cover the societal costs of automobiles in major metropolitan areas when congestion costs are taken into account; that we allow car owners to park their cars for next to nothing on city streets in dense urban neighborhoods may constitute the biggest government subsidy, on a proportional basis, that exists in the United States. Parking meters in business districts now charge a price above the pittance that was the norm a few years ago, but it's still well below the price of parking garages and remains so low that finding an open meter most days and times requires either a modicum of luck or several minutes of cruising time.

On weekends in Georgetown, traffic grinds to a halt for hours. Opening up another couple of lanes—such as the ones currently occupied by parked cars—would solve the problem in a snap, but such a move would never be seriously considered. As a result, the congestion chases more shoppers away than those who come for the slight chance of almost free on-street parking.

Economists have a term they call “lexicographic preferences” to describe a situ-

ation where someone would rather have a little more of one thing than a lot of another thing. For instance, I like it when my daughter's best friend does well in school, but I'd rather have my daughter get an “A” on her biology test than her friend win the Nobel Prize in biology. Lexicographic preferences aptly describe the city's implicit preferences when it comes to parking and buses—or parking and home prices, as it turns out.

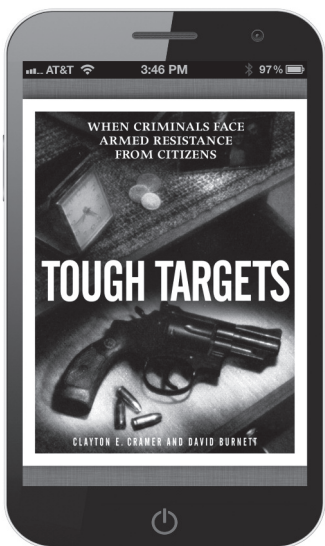
This mess undoubtedly is not the conscious result of any one government department or officeholder's decisions. It is the collective result of lots of separate actions, no small number of which have to do with car owners complaining loudly to their local city councilman or other government representative about the lack of parking in the area, and a few people shouting whenever there is any development that potentially reduces on-street parking. As a result of the squeaky wheels, it becomes almost reflexive to allow on-street parking wherever there isn't a compelling reason not to. No one notices (and few people complain) when one parked car causes a 10-second bus delay. Or two delays. Or three. But the consequence is that a few thousand commuters collectively lose hours each day to save a handful of drivers a few minutes' walk to a parking garage.

The reflexive progressive attitude would be to argue that this discriminates against the poor or is racist (since a preponderance of Hispanics and African-Americans ride this particular transit line and buses in general in D.C.). But given that those who agitate for parking primacy in urban neighborhoods like mine are the ones who are most adept in turning policy issues into a class struggle, that card probably won't get played.

A better perspective is simply that we all pay a high cost when government gives away a scarce asset it controls, whether it's radio spectrum, mineral rights, or publicly owned land in major metropolitan areas. And the people who benefit from this are usually those who least merit such largesse. R

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