

Institution: Queen Mary University of London		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: Shaping Policy on the Regulation of Occupations in the Labour Market in the EU and UK		
Period when the underpinning research was undertaken: 2012-2017		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Maria Koumenta	Role(s) (e.g. job title): Senior Lecturer in Work & Labour Market Analysis	Period(s) employed: 2012-Present
Period when the impact occurred: 2013-2019		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact		
<p>Dr Koumenta's pioneering research has produced (i) the evidence base on occupational regulation in the EU and UK, (ii) drawn policy-makers' attention to the adverse labour market effects of such regulations and (iii) provided the intellectual context for the EU Commission's policy on the optimal levels of entry regulation to occupations. Her work informed the Transparency and Mutual Evaluation Exercise that the EU required Member States to undertake to assess the proportionality of existing regulatory arrangements. It supported the follow-up policy formulation on relaxing the regulatory burden that Member States place on occupational entry presented in the Commission's Single Market Strategy, an impact that spreads across the entire EU workforce. Her research has also shaped the thinking of the Department for Business, Energy and Industrial Strategy (BEIS) in relation to the UK's Action Plan for the Mutual Recognition of Professional Qualifications Directive as a policy tool to facilitate labour mobility within the EU.</p>		
2. Underpinning research		
<p>The key public policy justification for occupational regulation is to address information asymmetries between practitioners and consumers. Occupational regulation refers to the enactment of minimum human capital requirements to work <i>legally</i> in certain occupations. Through setting minimum skills standards for entry to occupations, regulation is expected to raise average skills levels since low-quality providers are excluded from the market. Occupational regulation can further address market failures in the investment in skills, and as such it is used by governments as a policy lever to enhance the skills base of an economy and improve productivity.</p> <p>Koumenta's research is the first ever contribution to understanding the effects of occupational regulation in the UK and EU and demonstrates that occupational licensing can also create distortions in the operation of the labour market in these contexts, thus leading to economically inefficient outcomes. Koumenta was successful in attracting research funding from the EU Commission and the UK government. In the case of the former, she produced a novel EU survey [3.1] that collected data on the regulation status of the EU workforce (alongside other labour market indicators). For the UK, she developed the first ever UK Database of Regulated Occupations [3.3], which she then matched to the UK Labour Force Survey to produce the UK estimates. Koumenta was the principal investigator in the UK study, and co-investigator (with Mario Pagliero) in the EU study.</p> <p>The resulting outputs have provided the following insights:</p>		
<ol style="list-style-type: none"> 1. Prevalence and employment: Prior to Koumenta's research [3.2], the prevalence of occupational regulation was unknown in the EU and the UK. As such, policy-makers were unaware as to how many workers were affected by this labour market institution. Koumenta's research found that occupational licensing affects about 22% (equivalent to 47,000,000) of workers in the EU, while other less restrictive forms affect an additional 21%. She further estimates that regulation is associated with a substantial loss in employment (up to 700,000 		

jobs in the EU). Depending on the occupation, she shows that there could be between 3-9% more people working in a given profession if access requirements were less stringent.

2. Labour mobility: Licensing is expected to act as a deterrent to labour mobility since human capital investments to enter an occupation are more intense and costly, and in many professional labour markets are also accompanied by investments in local reputation. Koumenta's research [3.1] shows that licensing imposes a significant cost to movement on foreign-born workers and it is negatively associated with labour mobility in the EU such that foreign born workers are less likely to be found in regulated occupations compared to unregulated ones. However, when comparing occupations subject to the EU laws of automatic recognition of qualifications procedures vis-à-vis those subject to general recognition, she finds the latter to be a more effective policy in facilitating labour mobility across Member States.
3. Wages: Koumenta's research [3.2] shows that tight entry restrictions for entering occupations reduce the pool of practitioners thus creating monopoly rents within the occupation. Specifically, she demonstrates that licensing is associated with an aggregate wage premium of 4%, which can rise to as high as 19% for certain occupations [3.2, 3.3]. Using decomposition techniques, she shows that this wage effect of regulation is not only due to standard returns to education, but also due to the artificial creation of entry barriers to the occupation (monopoly effect of regulation). In her work with Williams [3.5], she further demonstrates that (a) there is some country-specific heterogeneity in the magnitude of these effects such that in the UK they are confined to strictly regulated occupations and (b) that the negative effects extend to job quality indicators such as job-security and job strain.
4. Wage Inequality: Economic rents can aggravate income inequality if they are unequally distributed in the labour market. Koumenta [3.2] shows that the effect of licensing on wage dispersion is positive such that the rent-capturing effect of regulation disproportionately benefits those at the top of the income distribution thus increasing the dispersion of wages in the labour market- a socially undesirable outcome.

3. References to the research

[3.1] Koumenta, M., & Pagliero, M. (2017). *Measuring prevalence and labour market impacts of occupational regulation in the EU* (483/PP/GRP/IMA/15/15121). European Commission. http://ec.europa.eu/growth/content/measuring-prevalence-and-labour-market-impacts-occupational-regulation-eu-0_en

[3.2] Koumenta, M., & Pagliero, M. (2019). Occupational regulation in the European Union: coverage and wage effects. *British Journal of Industrial Relations*, 57(4), 818-849. doi.org/10.1111/bjir.12441

[3.3] Koumenta, M., Humphris, A., Kleiner, M., & Pagliero, M. (2014). *Occupational regulation in the UK and EU: Prevalence and labour market impact*. Department for Business, Innovation and Skills, London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343554/bis-14-999-occupational-regulation-in-the-EU-and-UK.pdf

[3.4] Humphris, A., & Koumenta, M. (2017). *The effects of occupational licensing on employment, skills and quality: A case study of two occupations in the UK, EU commission report*. European Commission. <http://ec.europa.eu/DocsRoom/documents/13364/attachments/1/translations/en/renditions/native>

[3.5] Williams, M., & Koumenta, M. (2020). Occupational closure and job quality: The case of occupational licensing in Britain. *Human Relations*, 73(5), 711-736. doi.org/10.1177/0018726719843170

4. Details of the impact

Shaping EU Policy on occupational regulation

In order to stimulate employment creation in the EU, and in line with the Single Market Strategy on free movement of professionals, the European Commission was keen to ensure that the regulatory framework pertaining to access to occupations is fit for purpose. Informed by the research on the negative labour market effects of occupational regulation on employment and labour mobility by Koumenta [3.1, 3.2], part of which was commissioned by the European Commission, the resulting policy initiative, Transparency Exercise and Mutual Evaluation Exercise [see 5.1]: (i) proposed a less regulated market for access to occupations and (ii) required each Member State to review and relax their regulations on qualifications governing access to professions (referred to as the Mutual Evaluation process).

As stated by the Commission in [5.1], Koumenta's study 'was used as the evidence-basis to support the Mutual Evaluation process'. Further, according to the Commission, Koumenta's findings relating to the adverse effect of occupational regulation on mobility of professionals across the EU 'underpins the follow-up actions on regulated professions presented in the Single Market Strategy with empirical evidence and is also relevant in the context of the Services Package adopted in 2017' [5.1, 5.2].

According to the Commission's estimates, these policy initiatives have directly influenced around 470,000,000 workers whose jobs are subject to occupational regulation in all Member States. Further, according to figures quoted by the European Commission, any national reforms carried out to meet the reform requirements of the Single Market Strategy are expected to yield 1.8% EU GDP growth, some of which will be attributable to the reform in occupational regulation regimes proposed by Koumenta's research [see 5.3].

According to Head of Unit, European Commission [5.6], 'Koumenta's research has made the most substantial contribution towards reconciling the marked lack of research expertise on occupational regulation in the EU' and 'had a material impact in the shape and content of our legal and policy initiatives'.

Shaping Member State policy on regulation of occupational entry requirements

As well as the response to Koumenta's research by the EU commission, it has also led to important follow-up initiatives by individual Member States: (i) the abolition of all regulations for entry in 27 craft occupations in the Flemish Region of Belgium in 2018; (ii) the deregulation of seven professions and the relaxation of entry requirements for another 22 by the Czech authorities; (iii) the deregulation of access to four occupations by the Danish authorities between 2017-2018; (iv) the abolition of entry regulations for six occupations by the Maltese authorities which came into force at the end of 2016; and (v) the relaxation of entry restrictions for two occupations by the Slovenian authorities in 2018. The legislative actions taken by these Member States to remove or relax entry barriers is a recommendation consistent with the findings of Koumenta's preceding research on the negative labour market effects of occupational regulation.

Policy-makers from these Member States have engaged with Koumenta's research through the European Commission's research dissemination activities (Single Market Forums) where she has regularly featured as a keynote speaker or panellist, as well as her delivery of invited presentations to large audiences of ministers and policy officials at the World Bank and the Polish Government, the OECD, the Luxemburg Ministry of the Economy and the Business Federation of Luxemburg, the Federal Reserve Bank of Chicago, the Bank of Italy. Koumenta's work has also attracted press coverage by the Financial Times and has been quoted by leading think tanks such as EPICENTER (European Policy Information Centre) and the Institute for Research in Economic and Fiscal Studies [5.11].

Shaping UK policy on regulatory reform

In 2016, Koumenta was invited to assist the UK government with putting together its National Action Plan, which (directly drawing on her research) involved reviewing and subsequently

reforming existing regulatory arrangements for access to several occupations in the UK including legal professions, farriers, veterinary surgeons and healthcare professions [see 5.4 & 5.7]. In 2019, in the context of Brexit and given the need to produce a new regulatory framework that will facilitate access to occupations in the UK labour market by EU nationals, Koumenta was invited to provide evidence to policy advisors at Business, Energy and Industrial Strategy in relation to the future of Mutual Recognition of Professional Qualifications (MRPQ) legal framework post Brexit [see 5.5]. Particularly influential in shaping the MRPQ policy recommendation after Brexit are Koumenta's findings on how automatic versus general system recognition procedures affect mobility of regulated workers to the UK. [see 3.1, 3.2 and 3.4]. Given that since 2005, the MRPQ Directive has determined the access of some 800,000 EU workers to regulated occupations in the UK, it is expected that the resulting provisions will have a similar effect

Influence on key policy makers of research on occupational regulation in the UK labour market was non-existent prior to the body of work produced by Koumenta. Key UK officials testify that Koumenta's research has had a major impact on policy formulation on relation to how access to occupations should be regulated, and how it affects employment and labour mobility in the UK [see 5.7]. In 2018, Liz Truss (Chief Secretary to the Treasury) cited Koumenta's work on the degree of occupational regulation in the UK and EU and announced a review of regulated occupations in the UK with the view to liberalise access, recommendations consistent with the Koumenta's findings on the negative labour market effects of such regulations [5.8]. The findings of her work have also been cited by senior officials in the EU such as Elżbieta Bieńkowska, [Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, European Commission [5.9 at 7.09-15 minutes]. Bridget Micklem (Deputy Director, Single Market, European Reform Directorate, BEIS) has publicly discussed the contribution that Koumenta's work has made in shaping UK policy on the matter [5.10].

5. Sources to corroborate the impact

[5.1] [Report] European Commission, policy initiative.

http://ec.europa.eu/growth/content/measuring-prevalence-and-labour-market-impacts-occupational-regulation-eu-0_en

[5.2] [Report] European Commission, policy initiative.

[https://www.parliament.uk/documents/lords-committees/eu-internal-market-subcommittee/single-market-strategy/COM\[2015\]-550-final-single-market-strategy.pdf](https://www.parliament.uk/documents/lords-committees/eu-internal-market-subcommittee/single-market-strategy/COM[2015]-550-final-single-market-strategy.pdf)

[5.3] [Report] European Commission https://ec.europa.eu/growth/single-market/services/economic-analysis_en

[5.4] [Review] Mutual Recognition of Professional Qualifications Directive: Review of Professional Qualifications: United Kingdom Action Plan [2016]

[5.5] [Testimonial] Deputy Director, Regulated Professions Policy UK Department for Business, Energy and Industrial Strategy. [Corroborator 1]

[5.6] [Testimonial] Head of Unit, European Commission, DG GROW [Corroborator 2]

[5.7] [Testimonial] Head of the EU Services and Professional Qualifications Team, Single Market, European Reform Directorate, BEIS [Corroborator 3]

[5.8] [Testimonial] Chief Economic Advisor to Liz Truss, Chief Secretary to the Treasury and Member of Parliament [Corroborator 4]

[5.9] [Forum] European Commission https://player.cdn.tv1.eu/player/macros/eu/smf_091117

[5.10] European Commission, Impact assessment

https://www.parlament.gv.at/PAKT/EU/XXV/EU/12/88/EU_128801/imfname_10685563.pdf

[5.11] [Invitations] Engagement with policy makers