Public Interest Comment on the Office of Management and Budget's *2014 Draft Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local and Tribal Entities*
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I commend OIRA for producing a sophisticated and balanced treatment of the controversial issue of the effects of regulations on employment, one that reaches the general conclusion that these impacts are generally small and of indeterminate sign. Indeed, I recently co-edited one of the most thorough books on this subject (see www.doesregulationkilljobs.org), and the general consensus of the new research and the syntheses of existing evidence in the book is that the extreme claims both of job-killing and of job creation that mark the public discussion of this issue are exaggerated.

However, my view is that quantifying the expected employment effects and monetizing their social costs (with appropriate quantification of uncertainties therein) is no less important because the expected impacts are likely small. I, and many though not all of the chapter authors in our book, have concern that without more routine and more rigorous quantification of job impacts as part of the consideration of regulatory costs and benefits, society is left with two unappealing options—either to treat these impacts as worthy of lip service only, or to let them trump all other considerations of cost and benefit. I am particularly concerned that an intermediate step that some advocate—essentially asking only the "breakeven" question of whether including job impacts in the regulatory cost-benefit ledger could change the sign of the net benefit estimate—also misses the mark, as this way of thinking precludes the more thoughtful exploration of whether including job impacts could make a *different regulatory design or different level of stringency* better in terms of net benefit than the one the agency has offered. I urge OIRA to include in its next annual report a much more thorough treatment of when and how regulatory agencies should quantify job impacts, and when and how they should consider modifying their

[1] I offer these comments in my individual capacity, not speaking for the Penn Program on Regulation, and not purporting to represent necessarily the views of my co-editors of the recent book **Does Regulation Kill Jobs?** or the authors of the chapters therein. These are supplemental comments intended to complement the ones my co-editors and I are also submitting. Due to the timing of this comment period, I was unable to coordinate with my two colleagues for their review and approval, but I think these additional points might be helpful for OIRA to consider.

regulatory proposals in light of such impacts. -

Also, regardless of whether the net employment effects are insignificant, undoubtedly some will suffer and others will gain through these regulatory activities. As a result, particularly if the monetary impacts differ between the winners and the losers, OIRA's call for research should consider this aspect of the question. My colleagues and I are among several groups of researchers actively working on the broader question of how cost-benefit analysis can remain viable if it continues to pay insufficient attention to important questions of distribution and incidence. I believe distribution is far more than a nicety motivated by concern about equity. On the contrary, because the actual benefits and costs to individuals (which, after all, are the quantities that sum up to total and net social benefit) depend crucially on the individuals' attributes, it may be impossible to arrive at a meaningful estimate of *efficiency* without considering to whom those costs and benefits accrue. In the context of job losses and gains, a net zero (neither loss nor gain) may either represent a large cost to society (if those laid off are relatively poor and those hired are relatively rich), or vice versa (i.e., a large benefit) if the distribution is reversed. Ultimately, jobs matter to society because they matter to people, and we need to improve our RIA capacity to reveal not only the totals but the disaggregated results.

In addition to the general comments above, I offer the following specific editorial comments, keyed to the page number in the OIRA report:

41, first bullet - It seems odd to describe the inability to "measure" a change in employment as a "pitfall" of doing good Job Impact Analysis (JIA): so much of cost-benefit analysis appropriately relies on estimates from modeling, inference, and other scientific and economic methods that embrace the inability to directly observe and attribute changes causally. OIRA might consider my chapter in **Does Regulation Kill Jobs?** for its systematic discussion of the many parallels between well-accepted methods of quantitative risk assessment and recommended improvements in JIA.

41, 3rd bullet - The discussion of "timing" could be more balanced: in addition to regulations being ill-suited to creating precise numbers of jobs into the murky future, OIRA might also point out that by the same token regulations are unlikely to *destroy* precise numbers of jobs as conditions change, and that few regulations will have their worst effects on employment at the precise future time when conditions are worst. The broader point to consider is whether we really understand the relationship between recessions and regulatory job impacts. The simplistic logic is to conclude merely that "everything is worse in a recession," but this is only half the picture. While it makes sense to conclude that when the unemployment rate is high, those laid off will tend to stay unemployed longer, this is also precisely the time when any workers *hired into the pollution abatement sector* will tend to have come from off the unemployment rolls, rather than from productive jobs elsewhere (which would tend to dilute any net social benefit from their being hired).

42 - I agree with the logic of separating labor market regulations from environmental ones for purposes of discussion, but I suggest that workplace health and safety (OSHA) regulations may be more like EPA regulations than like FMLA and other direct employee benefit rules: the benefits of OSHA rules often come in the form of hard-to-discern increases in longevity and quality of life, and may have little bearing on wage negotiations.

43 - In the fifth line under "Environmental regulation," the word "compliments" should be "complements".

43 - OIRA might re-organize the discussion of the various "effects" of countervailing sign according to the more common typology introduced by Morgenstern et al. (2002), who refer to the "demand effect" (probably acts in the direction of fewer net jobs), the "cost effect" (acts in the direction of more hiring in regulated sectors) and the "factor-shift effect" (of indeterminate sign). More importantly, the discussion here implies that only in the pollution-abatement sector are jobs likely to be gained, but in fact the "demand effect" in the directly-regulated sector may be balanced by a demand effect of opposite sign in the sectors producing consumer goods that compete with (are substitutes for) the regulated good. Jobs lost by a hypothetical regulatory cost increase in BPA-containing plastic bottles would likely be balanced by jobs gained as output increased at firms manufacturing metal bottles.

45	The caveats about the Greenstone (2002) study may not be strong enough: the discussion indicates that he found a lower relative growth rate in non-attainment versus attainment counties, but does not mention that this finding could be the result of regulation causing job *increases* in both kinds of counties, only less so in the former.

Thank you for the opportunity to comment on this excellent report.

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