TRANSCRIPT

The Work Goes On

Guest: Morris Kleiner
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Morris Kleiner:

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Orley Ashenfelter:

Welcome to The Work Goes On, a podcast from the Industrial Relations Section at Princeton University. I'm your host, Orley Ashenfelter, the Joseph Douglas Green 1895 Professor of Economics, emeritus at Princeton University. In this podcast series of conversations with leading thinkers and practitioners, we are creating an oral history of an entire generation of industrial relations experts and labor economists whose contributions to their fields have been absolutely extraordinary. Our guest today is Morris Kleiner, who is professor in the Hubert Humphrey School and the Carlson School of Management, as well as the inaugural AFL-CIO Chair of Labor Studies at the University of Minnesota. He is renowned for his work in labor economics and industrial relations, and especially for his work on the role of occupational licensing in labor markets. Morris, welcome to The Work Goes On.

Morris Kleiner:

Well, thank you for having me. I'm a big fan of the podcast, so thank you.

Orley Ashenfelter:

It's our pleasure to have you. Let's begin the discussion by talking about your background. Where did you grow up?

Morris Kleiner:

Well, I was born in Lansberg, Germany, and some people ask you don't speak like you're German, and they ask, why were you born in Lansberg, Germany? And I say I wanted to be close to my mother. So, I was born in a displaced persons camp following World War II, and both of my parents were Holocaust survivors. My father had survived both Auschwitz, Starachowice, and later on Dachau, and was liberated by the American troops portrayed in Steven Spielberg's *Band of Brothers*. And if you've seen that series, that was the group that liberated him in 1945. Following the liberation, my father worked as a

policeman in Lansberg at a displaced persons camp. I was born there and then we moved to the United States with the aid of the Hebrew Aid Society, and they placed you wherever there was a sponsor. And in their case, it was in Peoria, Illinois, which was a heavily industrial city dominated by Caterpillar Tractor Company. And he got a job working in a factory, worked and made mattresses, and my mother was a seamstress and the distance from the factory where he worked to higher education in his case was one generation.

Orley Ashenfelter:

I can see that. Yeah, Morris, that's an amazing story. I had seen that you were born outside the U.S., but it never occurred to me that your parents were Holocaust survivors. And it's fascinating to hear that. Were they both German?

Morris Kleiner:

No, they were both Polish and my father grew up in a small town in Poland. If you've ever seen *Fiddler on the Roof*, it was kind of that type of small town and that was the sort of a place that he grew up with. And then he ended up saving his father for some time. He traded his life for his father, and he was sent off to a slave labor camp in Starachowice, Poland. And my mother spent the war years also working in a slave labor camp in the Czech Republic.

Orley Ashenfelter:

That's amazing. They're both amazing. And they managed to survive.

Morris Kleiner:

Yes, and without a lot of education. They came to this country, and they learned the language, and they did very well but they both worked in blue collar industries in a blue-collar town. As I mentioned, Caterpillar dominated the Peoria landscape. About a quarter of the workforce in the Peoria area worked for Caterpillar making tractors and heavy equipment, and the other workers around there really were subsidiary for that area.

Orley Ashenfelter:

They're still a big company. I actually own a Gator. They make small tractors too.

Morris Kleiner:

Yes, but they were famous for their big tractors in construction.

Orley Ashenfelter:

That's true…

Morris Kleiner:

I ended up working there when I was in college as an accountant. Yeah.

Orley Ashenfelter:

So, you grew up in Peoria?

Morris Kleiner:

Correct. I grew up in Peoria, went to the Peoria Public Schools and really since my parents really didn't have anyone around there and they weren't terribly well-educated in English, so I stuck around and went to Bradley University, which turned out to be a great place for me. The economics department was really dominated by the folks from the Greatest Generation, individuals who'd been in World War II and really had a very different perspective on life and the role of the academy in advancing work and economics.

Orley Ashenfelter:

A few of the podcasts, as you may have noted, have been with people that come from what people call the Greatest Generation, and it does seem to be something different about them. I must admit I was surprised that it seemed the casual comment to make, but there does seem to be something different about the way that they think about the world than the rest of the world thinks about them. So, then you're at Bradley University. Is that in Peoria?

Morris Kleiner:

That's correct. And they had at the time a very strong economics department, and it really covered sort of soup to nuts, that is from theory to applied economics. And they had one particular head of the department who taught the Intro to Econ, and he was a very dynamic person. His name was Kal Goldberg, and he had been a Navy officer during World War II and was very dynamic and really liked teaching, and he conveyed that to his students. And I got interested in economics then. And my senior thesis was in labor economics, again, was someone who had done island hopping during World War II and had gone through some very tough times, but they were all very warm and open to students and one of them was me and I really enjoyed my years there. And they really piqued my interest in economics and especially labor economics.

Orley Ashenfelter:

And I noticed you actually have an award from them. Distinguished Alumni Award. What was that about?

Morris Kleiner:

Well, I had a Distinguished Alumni Award from the University of Illinois, and so that was where I went to graduate school.

Orley Ashenfelter:

How did that happen?

Morris Kleiner:

To go to graduate school?

Orley Ashenfelter:

Yeah, Illinois. I mean, it has a wonderful history of a program in industrial relations and labor economics, but how did you even know about it?

Morris Kleiner:

Well, the head of the department was friendly with some of the folks in the industrial relations center, and they were one of the few industrial relations centers that were started after World War II. One of them was at University of Illinois. Another was at where I am right now, the University of Minnesota. And they had a lot of folks there who were interested in industrial relations and labor economics, and they really were able to combine that. And I had heard about it, and I also wanted to stay around. Again, I really didn't have relatives around as a result of their being murdered during the Holocaust. And my parents wanted me to stick around the area, and University of Illinois had a terrific labor program, and I went there and they were very supportive in terms of financing me during the program, and I'd also been in the U.S. Army and National Guard, so I was able to get funding from them. As a result of putting both of those together I was able to support myself in graduate school.

Orley Ashenfelter:

That's very interesting that you… Of course there are other ones too. I mean we can't forget Cornell, which started around the same time.

Morris Kleiner:

That's correct.

Orley Ashenfelter:

Still has a great program. Some of them that were started, I don't think the program still exists or at least they're not in the same form, but certainly the one at Illinois does and the one at Cornell does, and of course, you're at the one in Minnesota. Who did you work with at Illinois?

Morris Kleiner:

Well, I worked with a couple of people. One was Hugh Folk who was sort of a derivative of some of the work that Gary Becker did on human capital. And I worked with Paul Hartman who wrote a book called *Collective Bargaining and Productivity.* It was an empirical case study of containerization in the West Coast longshoremen. And he had done some very interesting work on how the firms in the West Coast bought out the union work rules through buying out and getting them to work on containerization issues. And the result was a dramatic increase in productivity on West Coast Longshoremen.

Orley Ashenfelter:

You're not going to believe this, but I know quite a lot about Paul Hartman because he and I both went to the same undergraduate college, which at that time was called Claremont Men's College. And we both had the same teacher in labor economics, a man named Orm Phelps who sent us off to graduate school. He went to Berkeley. I went to Princeton, but I actually knew of him from, it's remarkable that that coincidence exists because it suggests the connection a lot of labor economists had over the time that they got together. And it's interesting that you were a derivative of that same crowd. You probably never thought of that.

Morris Kleiner:

No, I didn't. But he was a tremendous teacher and a great mentor and was very helpful throughout my graduate years.

Orley Ashenfelter:

That's remarkable. Yeah. Well, what did you work on?

Morris Kleiner:

Well, I worked largely with both Hartman and Folk. Folk was working on developing a model forecasting labor force in Illinois, and he developed… At the time Lawrence Klein was developing these large macro models and Hugh Folk took these large macro models and devolved them to deal with labor force issues. And my part of the dissertation was working on analyzing and developing forecasting models of migration across states. And that was the main paper in my dissertation was to look at the determinants of interstate migration.

Orley Ashenfelter:

Fascinating. That's actually a very modern topic.

Morris Kleiner:

Yes, and I've carried that on into my work on occupational licensing. One of my, I think, better papers was looking at the role that occupational licensing plays in interstate migration, not only in terms of the academic work. I know a lot of academics oftentimes are very concerned that their work doesn't have much of a public policy effect. And I know I've heard from people even from Milton Friedman and individuals like Steve Levitt have always bemoaned the fact that they've done all this work and it hasn't had much of a public policy effect. Well, I've been fortunate in that a lot of my work has really found its way into having some very large and I think important policy effects. So, for example, the work on migration, which was really my dissertation, that occupational licensing reduces mobility across states. And in 2019, Doug Ducey, who was at the time the governor of Arizona, passed the first universal recognition law allowing individuals to practice upon being a resident in the state. And since that time, 25 other states have passed laws, and I worked with him and his staff showing some of the effects that licensing has on reducing interstate mobility, and I can trace that back to the dissertation many years earlier.

Orley Ashenfelter:

And Paul Hartman.

Morris Kleiner:

That's right.

Orley Ashenfelter:

Very strange to think. I do want to talk about your work on occupational licensing, but you've also worked in other areas of industrial relations aspects, which I suppose came about partly because of your connection with the University of Illinois?

Morris Kleiner:

Right, through Illinois, and I went to the University of Kansas, and there the students of George Shultz, who was the Secretary of Labor, got a lot of his students to work with him in Washington. And several of them went to the University of Kansas. And I worked with a couple people, Joe Pickler and Charles Krider, who had worked with George Shultz on a wide variety of issues, mainly dealing with collective bargaining, and that's the issue that certainly overlapped with my work with Paul Hartman. And I did

quite a bit of work there and spent some time in D.C. working with the Brookings Institution and the Department of Labor, and that's where my interest in occupational licensing started with someone I think you may have worked with. That's Howard Rosen, who was at the time very interested in that topic.

Orley Ashenfelter:

You're absolutely right. I did work with him. Howard Rosen was kind of hard to describe really. Howard Rosen, he had an infect that is quite remarkable in many different dimensions. In some ways… When I was in the Labor Department, in some ways he was my nemesis. On the other hand, I think he did a lot of good work. George Shultz is another name, of course, surprising. I've known him for, well, he died of course not too long ago at about a hundred, and I've known him for a long time as well. He was responsible, I think, in some ways for an awful lot of people who ended up in the labor economics field, including my own teacher, Al Rees, in a book that they did together. Well, let's talk about occupational licensing. Well, first of all, you came to Minnesota from Kansas and have been there a long time, as I understand it.

Morris Kleiner:

That's right. I've been there 36 years and spent a number of very productive and interesting years at Kansas with a lot of the proteges of George Shultz, who, George Meany, who was the president of the AFL-CIO, said was his favorite Secretary of Labor.

Orley Ashenfelter:

Is that right? I didn't know that. He was a wonderful man and who got along with many, many people. Well, let's talk about occupational licensing. You have written an astonishing amount about occupational licensing in many dimensions. What would you say? Well, first of all, we should describe what occupational licensing is. What exactly is it?

Morris Kleiner:

Well, it's the right to practice, and that is the government gives individuals the right to work for pay in an occupation. And that is different than what's called certification, which is a right to title and a right to title gives someone the ability to call themselves a chartered financial analyst. But anyone can provide financial advice with occupational licensing. Only those individuals who have fulfilled certain requirements, education, apprenticeships, internships, can provide services to consumers for pay.

Orley Ashenfelter:

You've studied the effects of this. I know the certification versus licensing is something actually, Friedman was very clear about in some of this early work. I think many often opposing licensing, but not certification. But let's talk about your work. What would be the three things you would say that have come out of the set of work, the many, many studies you've done and books as well, on occupational licensing? What would be the three main takeaways?

Morris Kleiner:

Well, I think number one is the dominating view of the occupations is that they're often trying to seek rents for becoming licensed. So, if you can restrict supply, keep standards high, restrict entry in various ways, they serve much like the medieval guilds that licensed occupations serve in many ways like those medieval guilds. They also are able to raise wages. You would expect if you can limit supply, wages tend

to go up. And there's also the costs and the benefits. That is, there are restrictions going back to the 1880s when occupational licensing in the U.S. became a state level regulation. At most other countries, occupational licensing is at the national level. So, if you go to the U.K., Germany, many other countries that the regulations are national. In the U.S., as a result of Supreme Court decisions, it's state by state, which makes it terrific for researchers. So, you can examine what happens as one state makes the regulations easier, tougher, what are the effects on employment and what are the effects on wages and what are the effects on consumers? And those are the three issues that researchers have examined. When you impose occupational licensing, what happens to wages, what happens to employment, and what happens to consumers?

Orley Ashenfelter:

Well, why don't you summarize those three for us.

Morris Kleiner:

Well, wages, if you're fortunate enough to become licensed, wages tend to go up. Now, part of it is due to human capital, but part of it's also due to the rent seeking behavior of the occupations themselves. And what you'll often see is occupations get together, they tax their members, they seek regulations at the state level and limit the number of folks who can enter those occupations. As a consequence, wages go up. Employment tends to go down when occupations are regulated within those occupations. And with respect to consumers, most of the studies tend to show not much of an effect of licensing on overall consumer welfare. Now, point of sale services tend to go up, so there's a human capital benefit for licensing. So, individuals who are licensed tend to provide a somewhat better service, but they restrict supply. So, a lot of people who would like to get the service of a licensed occupation get nothing at all or go to their brother-in-law to get them to fix their plumbing, and that might be a pretty bad service.

Orley Ashenfelter:

Let's do some specific discussion here. What would you say… Are there some good examples of occupational licensing that you tend to approve of?

Morris Kleiner:

Yeah, I think that where there are areas that there might be externalities. So, for example, if a physician is not well trained then they might overlook a disease, and they can have significant consequences for the community as a result of their being incompetent. And licensing tends to set some sort of minimal standards. And that would be a case where there's an interest in society of providing minimum standards. So, that would be a positive case of the state having an interest in some minimum standard, largely where there are externalities

Orley Ashenfelter:

And I guess medicine is one example. There are probably some other examples. What would the other examples be?

Morris Kleiner:

Oftentimes when I talk to my friends in the building trades, you could have an incompetent plumber who because of their being incompetent might have sewage going into a public area, and there might be an interest in the government saying there's some minimum standards in order to provide those

services. So, in general, where you have potentially incompetent or unscrupulous individuals providing those services that the government would have a role in restricting who can provide those services.

Orley Ashenfelter:

It's funny because I almost had to suspend this podcast because even though we have a new building here, a renovated building, the roof leaks, and I sure hope that's not because they had unlicensed plumbers. I'm pretty sure it isn't. What are some examples of licensing that seems inappropriate?

Morris Kleiner:

Well, there are many, just to give some of the basic numbers, licensing. And there's a study that I did with a number of colleagues looking at licensing from the 1870s through today. And in the 1870s there were almost no one was licensed. There would be maybe one percent. And in the 1880s, the Supreme Court said that it was appropriate for the state to intervene. Now about one in four workers. If you double the number of people who belong to trade unions, it's less than the number of people who are required to have government permission in order to work.

Orley Ashenfelter:

Interesting. That's very interesting. So, I think the thing we should ask then about this is, so licensing is pretty pervasive. Why is it so popular? In other words, if there seemed to be… Why did it become more common after the 19th century? What's the politics of that?

Morris Kleiner:

Well, part of it is in the early part of the last century, most workers were in manufacturing and there was a shift from manufacturing to services in manufacturing unions. And I remember reading your work with George Johnson as a graduate student on collective bargaining and issues of the role of unions. But you moved from unions, which were in manufacturing, to services where there was the attempt by the workers to capture the market. It's good for markets in areas where you don't work, but where you work you want to have some sort of… You want to be regulated, and this is one way to regulate and to make sure that incompetent, and again, unscrupulous people are not providing these services. So, I think one of the real roles of occupational licensing in the service area, which is where occupational licensing took off, was to provide this web of rules, which was used a lot in industrial relations, but to provide that in the services. And that's what licensing does to a large extent.

Orley Ashenfelter:

You sort of replace the union with the state, and it provides some aspects of what some people would like to have. Licensing is one of those topics that is, although you've worked on it a lot, and I think it's well known amongst labor economists as an interesting subject. In fact, I saw that you had written a paper with Alan Krueger about this topic. Whatever happened to that?

Morris Kleiner:

In fact, I ended up writing three papers with Alan, and Alan was very instrumental in moving occupational licensing from the back burner to the front burner, not only in terms of academic work, but in terms of public policy and in terms of analysis. So, when Alan and I were working together, he was the head of the Council of Economic Advisors, and we had worked on occupational licensing, and we were able to get questions on the current population survey, the survey of income and program participation, and several other major government databases, asking specifically about whether workers had attained

an occupational license. And we were able to then link that information to wages and employment, and that served as the basis for congressional hearings. I've testified in both the House and the Senate on this issue and worked with dozens of states looking at the role of occupational licensing and restricting both the ability to get into an occupation and the ability to move across state lines. So, it's really become a very important public policy issue, and there are many individuals, policy analysts, economists, who are now working on the issue, which is very different than was the case in the 1970s and early 80s.

Orley Ashenfelter:

That's so interesting. Of course, Alan was always very interested in primary data collection, so that undoubtedly encouraged him as well. He started our survey research center here at Princeton.

Morris Kleiner:

And that was part of the work that we did. We got groups from Gallup to Westat to initially gather data on whether not someone was covered by an occupational license, but whether someone had obtained a license for a wide variety of occupations from interior designers to people who work in the beauty industry, whether they were licensed. And the fact that he really viewed this as an important issue and had the connections to survey work was critical to really the growth of the research aspects, but also the public policy aspects, and the growth not only in the U.S. where you have over half the states liberalizing the ability to move across state lines, but also the Organization for Economic Cooperation and Development, the OECD, the European Union, the World Health Organization. All of these organizations over the last several years have seen occupational licensing as an important issue and a potential impediment for providing services to consumers.

Orley Ashenfelter:

It's interesting that you can trace back much of what you did and have been doing to the time that you were a graduate student. It's always kind of interesting to see the connections among people that you wouldn't normally recognize unless we had them here and discussed them in the podcast itself. Well, we we're coming to the end of our podcast, Morris, and I should probably ask you something more about the role of licensing in American society. Do you think that the liberalization of the movements is going to continue and that we'll actually see some loosening of the mobility itself?

Morris Kleiner:

Well, I think, again, what our research has shown and what public policy makers have acted on is the lack of fluidity in the labor market, both in movement across state lines, and the ability to move into new occupations, has been limited. And one of the areas that seems to be moving by policymakers is the ability to allow people to more freely move between and across occupations.

Orley Ashenfelter:

That's a fascinating point to consider, and in some ways it always makes me wonder a little bit about the future also of the work that we do, not just the work in public policy. What do you think you want to do next in this area?

Morris Kleiner:

There's work I'm currently involved with looking at the role that ex-offenders… One of the real restrictions on occupational licensing is that if you have ever had run-ins with the law, you can't become a barber, you can't become a plumber, you can't become an electrician. And to what extent when

individuals who may have been incarcerated or had run-ins with the law, they can't, when they get out or have completed their service to society, they can't work in one quarter of all the jobs and what are they going to do when that happens? So, I'm looking into those issues, looking at the role of occupational licensing across countries that we're gathering the same kind of data that Alan and I put together for the U.S. We're looking at many different countries and seeing to what extent that occupational licensing restricts the ability to move and to enter occupations in many different countries, including the European Union, South America. So, all these are issues, and there's a full plate. You can almost take the work that you did with unions and map it to what is happening with occupational licensing. These are the role of institutions and labor markets. And a lot of the work that I did, you did, and many others did with unions, are very applicable and can be grafted on to the public policy role that occupational licensing has in the labor market. And I think that's the area that I'm working on right now.

Orley Ashenfelter:

That's fascinating. Actually, I could see how the European Union would be especially interested in this because they have implications. The whole union has implications for migration. Well, Morris, it's just been a pleasure, have you here today.

Morris Kleiner:

Well, thank you for the opportunity.

Orley Ashenfelter:

It was great to talk to you about this and also to learn about your background, which I have to admit, I'm not sure many other people do know about your family and how they were Holocaust survivors. Our guest today has been Morris Kleiner, professor of Applied Economics at the University of Minnesota.

Please join us again for the next episode of "The Work Goes On: an Oral History of Industrial Relations and Labor Economics" from the Industrial Relations Section at Princeton University. I'm your host, Orley Ashenfelter. Thanks for listening.

Announcer:

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