

Institute for Policy Integrity
New York University School of Law

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STUDY TAKES AIM AT THE CONFUSING DEBATE OVER JOBS AND ENVIRONMENTAL REGULATION

Offers more accurate method for accounting for employment effects.

New York City, April 3—Estimates of jobs gained or lost due to environmental regulations require much closer scrutiny than they're given. Very often these claims are made dramatically out of context, based on economic analyses that may not have been meant to support them.

These are the main findings of a report released this morning by the Institute for Policy Integrity.

The study discusses how cost-benefit analysis can evaluate the effect of environmental regulation on layoffs and hiring, and criticizes the tendency for jobs impact models to be used in ways that are not helpful in debates over environmental protections.

It finds that too often, model results are cited without calling adequate attention to their limitations and assumptions. Different modeling choices can lead to drastically different conclusions.

"Because these models are so sensitive, their results must be communicated properly," said Michael Livermore, Policy Integrity's executive director and lead author of the report. "They do not lend themselves to the kinds of sweeping rhetorical statements you often hear in the political arena. Many times, claims about jobs and regulation find their way into a faulty conventional wisdom far removed from the evidence these analyses provide."

While environmental regulation can lead to layoffs or hiring in specific regions or sectors, in a dynamic economy like America's, the overall effect is difficult to capture. For any particular environmental regulation, these offsetting effects are ambiguous and hard to predict.

To better inform policymaking, model limitations and uncertainty should be acknowledged, and the impacts of regulation on employment must then be weighed against all the other costs and benefits of a rule.

"The effect of a regulation on jobs is important, especially in a downturned economy," said Livermore. "But those effects are likely much smaller than you might think by tuning into the political debate."

Rather than staking the utility of a policy solely on this one element, basic economic principles would call for a more holistic view of regulation.”

The Institute for Policy Integrity at New York University School of Law is a non-partisan think-tank using economics and law to protect the environment, public health, and consumers.

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For interviews with Michael Livermore call 212-998-6085 or email ednai@nyu.edu.

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