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Thank you for this opportunity to share my thoughts on the potential economic impact of restricting flavored electronic cigarettes in Maryland. I am an economist on the faculty of Johns Hopkins University. The views expressed here are my own and do not necessarily reflect the policies or positions of Johns Hopkins University.

Policymakers and the public have an interest in understanding the labor market impacts of regulations, including those designed to protect the health of young people. Economists share this interest and ask—Will restricting flavored tobacco products fundamentally change the product market, and will this come at a large cost to economy and society as a whole?

In short – the evidence suggests the answer is no. Many studies evaluating whether tobacco regulations result in job losses repeatedly find that concerns that these regulations come at the expense of gainful employment are either overstated or misplaced. Research on the overall impact of tobacco control efforts on employment find no net reduction, and even modest gains in employment.

Combined with features of the Maryland market, these findings suggest that the labor market impact of a restriction on flavored tobacco products in Maryland would be relatively narrow, for three reasons. One, most retailers selling flavored tobacco products do not rely on these products as their only or primary source of their revenue. Second, when a product is restricted, consumers spend their money on other purchases. Third, labor and other resources not used in the supply and sale of a restricted product are redirected to other types of economic activity.

I summarize findings relevant to these three points here, drawing on research done with colleagues at the Institute for Global Tobacco Control.

Retailers selling flavored tobacco products tend to have many other streams of revenue

An enduring feature of the tobacco retailer environment is that the majority of tobacco sellers does *not* specialize in the sale of tobacco products. In 2012, convenience stores including those linked to gas stations, supermarkets and pharmacies accounted for 80% of locations where tobacco is sold. At the retailer level, regulations that target a narrow set of products result in changes in the product mix that stores carry. Tobacco retailers can and do adapt to regulation. This significantly mitigates the risk of business closures and employee retrenchment.

Consumers spend money originally intended for a restricted product like flavored e-cigarettes on other purchases, including tobacco products and other goods and services.

Money not spent on flavored tobacco products will be spent on other goods and services and does not disappear from the retail sector taken as a whole. Under effective regulation that comprehensively restricts their access to all flavored tobacco products, kids will return to spending their money on less deleterious purchases and will have dodged the risk of a lifelong addiction.

A consideration for adult users here is that a comprehensive restriction on flavored tobacco products is not a restriction on all electronic cigarettes, let alone a restriction on all tobacco products. Nicotine and tobacco are highly addictive. Many adult users of electronic cigarettes have a history of using other tobacco products. What this means for the product market is that many adult users will likely find alternatives, including non-flavored tobacco products.

Concerns around job losses in the e-cigarette retail sector are misplaced

Retailers, such as convenience stores, that sell many products beyond flavored e-cigarettes are relatively insulated from a restriction on flavored tobacco products. Vape shops and other tobacco specialty stores have less product diversity and are more vulnerable; therefore, their concerns about a restriction may be understandable. However, these concerns should be mitigated by the following key features of the e-cigarette market.

The e-cigarette retail sector is a relatively new phenomenon, with low barriers to entry. By some estimates, setting up a vape shop can involve an investment of as little as $25,000. Business expansion and closure are also common phenomena in the retail sector. In Maryland, for example, of the 117 businesses with the word “vape” in their business name in January 2020, 58 were active, while the rest were not. Like other retailers, vaping-related businesses close or consolidate as a matter of course.

With the data currently available, it is challenging to predict the exact impact a restriction may have on vape shop employment and business closures. Nevertheless, it is possible to model the impact such a policy may have on vape shop closures and employment in Maryland. As of January 2020, data sourced from national database of retailers indicated there were 124 verified e-cigarette retailers in Maryland, and an additional 284 e-cigarette retailers were unverified. 90 percent of these stores had fewer than 5 employees. Based on these data, a mid-point estimate of the number of employees is 378 in verified and 715 in unverified e-cigarette retailers. For comparison, Maryland’s employment in the retail sector alone was approximately 270,000 workers in 2018.

Policymakers might worry that restricting flavored tobacco products threatens some or all of the retail workers in vape shops. But a key fact is that a such a restriction is *not* a restriction on all electronic cigarettes. If existing specialist retailers modify their product offerings to drop flavored products and add other products, there would be little to no impact on the number of these businesses and the people they employ.

Labor and other resources not employed in the supply and sale of a restricted product tend to be redirected to other uses.

A related concern in the event of job separation in any specialized sub-industry like vape shops is the ease with which workers are absorbed into other jobs. Labor economists rely on 1) an understanding of job requirements and 2) the availability of similar jobs to understand the ease with which one group of workers might find alternative livelihood opportunities in the event of an industry-specific change.

With respect to job requirements, frontline retail jobs tend to be relatively low in the intensity of human capital requirements for training and retraining—by some estimates 72% of frontline retail workers receive less than 20 hours of training. This suggests that the training requirements for someone seeking a retail job similar to vape shop sales are not extreme.

If employees in vape stores do end up being retrenched, will they find jobs easily? The available evidence suggests yes. Employment in most categories of retail jobs in the state of Maryland are predicted to *grow* at over 1.5% between 2018 and 2020 and overall unemployment continues to decline in the state. This points to the relative ease in finding comparable retail sector employment.

In summary, evidence from labor studies in tobacco control, and data on the size and features of the e-cigarette retail market suggest that a comprehensive restriction is unlikely to adversely affect employment in the retail sector in Maryland.

Thank you for the opportunity to testify in writing.