

Reforming Occupational Licensing in the States

Jeff Miller, Policy Analyst

November 30, 2017

Broad Agreement on the Problem

In a time when agreement across political lines is often elusive, one topic seems to unite those of all political persuasions: increasingly burdensome occupational licensing requirements. In 2015 the Obama Administration released [Occupational Licensing: A Framework for Policymakers](#), which described the growth of professional licensing requirements and the problems created for workers by that growth, and offered guidance for policymakers.

One year later, President Donald Trump's Labor Secretary, Alexander Acosta, [told lawmakers](#) at the annual meeting of the American Legislative Exchange Council that unnecessary state licenses limit competition and create a privileged class within the workforce, and urged them to take action.



Photo credit: nacams.org.

On November 14 of this year, the libertarian Institute for Justice (IJ) released a report called [License to Work: A National Study of Burdens from Occupational Licensing](#). The report describes licensing requirements for 102 lower-income occupations across all 50 states and the District of Columbia. This is the second edition of this IJ report; the first was published in 2012.

According to both the Obama Administration report and the IJ report, about one in twenty American workers needed an occupational license to work in the occupation of his or her choice in the 1950s. Today the number is one in four. Requirements for many licenses include educational credentials, exams and fees, all of which, argues the IJ report,

place significant burdens on low-income workers. Penalties for working without a license can include fines, or even jail time.

The problems created by excessive licensing requirements are not limited to low-income workers, however. The 2015 *Framework* report described substantial variations in licensing requirements across states, which can create barriers for workers moving from state to state—including military spouses and those dislocated due to natural disasters—to obtain work in their new states. According to a 2015 Brookings report called [Reforming Occupational Licensing Policies](#), “restrictions from occupational licensing can result in up to 2.85 million fewer jobs nationwide, with an annual cost to consumers of \$203 billion.”

Of course, licensing requirements exist for a reason, and there are important benefits to licensure. On September 19, the National Conference of State Legislators, along with the

National Governors Association Center for Best Practices and the Council of State Governments, released [The State of Occupational Licensing: Research, State Policies and Trends](#), which described these benefits:

"When implemented appropriately, licensing can offer important health and safety benefits and consumer protections, and provide workers with clear professional development and training guidelines, as well as a clear path. ... Occupational licensing helps consumers when they cannot easily assess the professional's skills, and when the costs related to poor quality are especially high, as is the case with emergency health care providers."

But the costs of licensure, according to the NCSL/CSG/NGA report, include:

- Reduced employment in licensed occupations;
- Reduced geographic mobility;
- Reduced wages for unlicensed workers relative to their licensed counterparts;
- Reduced market competition and innovation;
- Increased prices for goods and services; and
- Disproportionate burdens on low-income workers, military veterans and their families, people with a criminal history, immigrants with work authorization, and dislocated and unemployed workers.

Western States Tackle Occupational Licensing

The IJ's *License to Work* report includes a [ranking of the states](#) by "average burden of licensing requirements." Western states comprise the top four spots, and seven of the top thirteen spots. But western lawmakers are working to improve the situation, with mixed success. Examples include:

- This year Arizona Governor Doug Ducey issued an executive order to all state licensing boards mandating a full review of all existing licensing requirements. The legislature followed with [Senate Bill 1437](#), which bars licensing boards from establishing regulations that restrict entry into a profession if a public health or safety benefit from that restriction cannot be proven.
- [California Senate Bill 247](#) would have repealed licensing or bonding requirements for a wide range of occupations, including landscaping and tree service contractors, cosmetologists, private investigators, locksmiths, "cremated remains disposers," auctioneers, upholsterers and those who sell hearing aids, and would have prohibited municipalities from imposing any new fees or licensing requirements. The bill failed in committee.



Photo credit: miheadlines.com.

- [Colorado House Bill 1197](#) (2016) requires each state agency that regulates a profession or occupation to evaluate and provide appropriate credit toward licensing and certification for military experience. The bill was signed by the Governor.
- [Nevada Senate Bill 69](#) requires licensing bodies to recognize workers' licenses issued in the District of Columbia or other states under certain circumstances. The bill was signed by the Governor.
- [Washington House Bill 1361](#) would have eliminated licensing requirements for seven regulated occupations and required those working in those occupations to register with the state. The bill also would have required the state to create website to be used by the public to post starred reviews and comments of the registered professionals working in those seven fields. The bill failed in committee.

Resources for Lawmakers

For legislators considering changes to occupational licensing law, the NCSL/NGA/CSG report offers some key questions to consider, and includes the Licensing Best Practices featured in the Obama Administration report. The report also describes how a number of states have revised (or attempted to revise) licensure regulations by adopting changes to the requirements for

specific occupations and populations, subjecting existing and proposed licensure requirements to more rigorous cost-benefit analyses, increasing oversight of licensing bodies, and adopting broad reforms such as allowing voluntary certification in certain fields.



Photo credit: cnn.com.

The NCSL/NGA/CSG report is part of a U.S. Department of Labor-funded joint project between these three organizations, known as the Occupational Licensing

Policy Learning Consortium. The 11-state consortium includes three western states (Colorado, Nevada and Utah), and will help leaders in these states share best practices and solutions to challenges related to occupational licensing. Over the next three years, the three partner organizations will provide technical assistance to the selected states as they develop state action plans.

Attendees of the [2017 CSG National Conference](#) in Las Vegas can find out more about the consortium at a breakout session called "Professional Licensing from Plumbers to Physicians" on Friday, December 15.

CSG Resources

[CSG National Center for Interstate Compacts](#)

[Washington State's Innovative Alternative to Occupational Licensing](#), April 24, 2017. "The Current State" e-newsletter.



[Blue Star Families, Quality of Life and Spouse Employment](#), March 6, 2017, CSG Knowledge Center Blog.

[U.S. Licensing System](#), 2017, *The Book of the States*.

[Resolution Supporting Intergovernmental Collaboration on Occupational Licensing for Military Spouses](#), December 12, 2016. CSG Executive Committee.

Other Resources

[Council on Licensure, Enforcement & Regulation](#)

[NCSL's Occupational Licensing Project resource page](#)