

***At What Cost? State and National
Estimates of the Economic Costs of
Occupational Licensing***

***Badger Institute Policy Symposium: Common-
Sense Solutions for Wisconsin***

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Occupational Licensing 101

Occupational license: “a credential awarded by a government agency that constitutes legal authority to do a specific job”

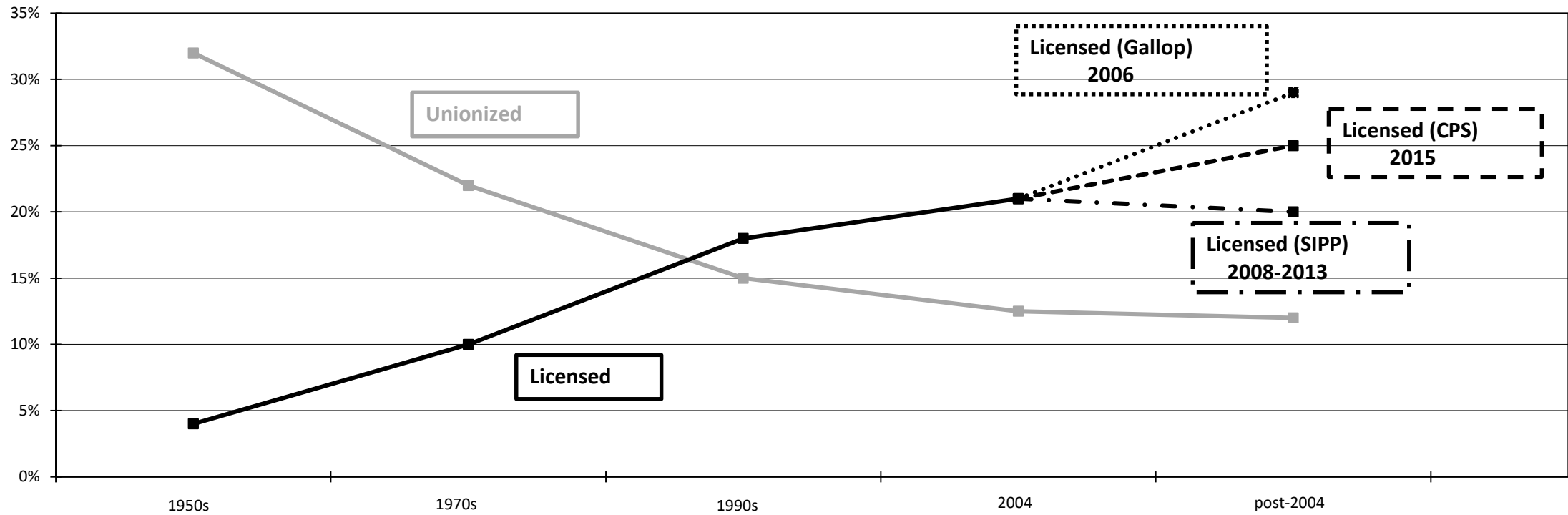
– U.S. definition (GEMEnA)

What is Occupational Licensing?

- Government regulators **require** practitioners to obtain a license to work in many occupations—Legally related to *work for pay*
- Workers usually obtain licenses by satisfying minimum human capital requirements (*e.g.*, education, exams).
- *Example: Dentists* in the U.S. are licensed by:
 - attending an approved dental school and
 - passing examinations.

Growth and Decline of American Labor Market Institutions

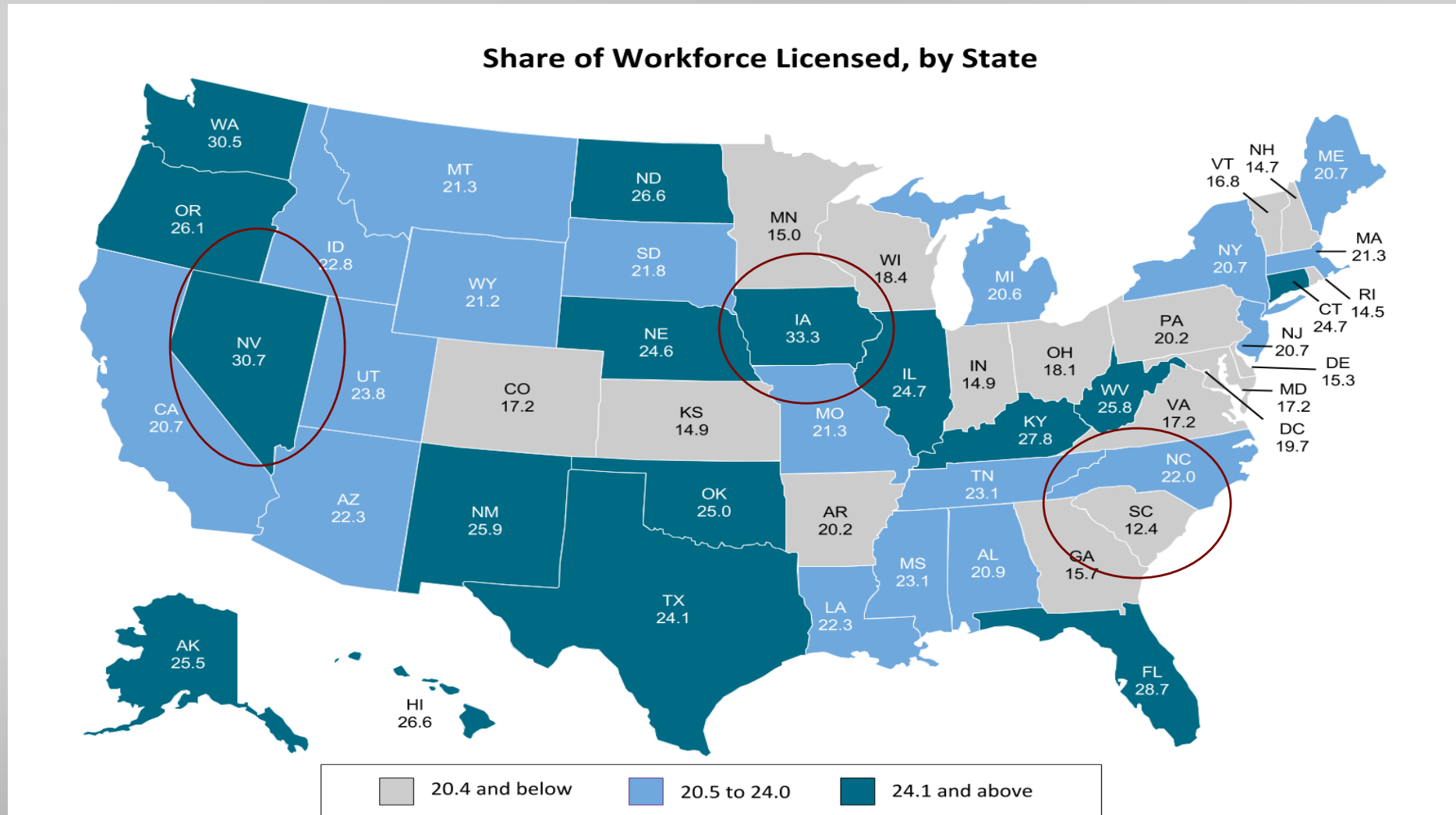
Comparisons in the Time-Trends of Two Labor Market Institutions: Licensing and Unionization



Extent of the Issue

- Over 800 occupations are licensed by at least one state
- Over 1,100 registered, certified, or licensed in at least one state
- 65 occupations licensed in all states

Harris Survey Estimates of Percent Licensed by State



Source: Kleiner and Vorotnikov (2015) based on an analysis of data from a Harris poll of 9,850 individuals conducted in the first half of 2013.
Note: The three categories were constructed to contain roughly the same number of states.

Licensed florist Monique Chauvin in Louisiana



Meet the Experts | Some of the jobs that require licensing in one or more states



Personal care

- Wig specialists
- Hair braiders
- Shampoo specialists
- Body piercers
- Naturopathic doctors
- Hearing aid dispensers
- Athletic trainers



Flora and fauna

- Nuisance control specialists
- Wildlife rehabilitators
- Dog handlers
- Land surveyors
- Florists



Product and home care

- Appliance repair technicians
- Windshield installers
- Bedding supply dealers
- Computer repair technicians
- Handymen
- Locksmiths
- Automotive parts recyclers



Other

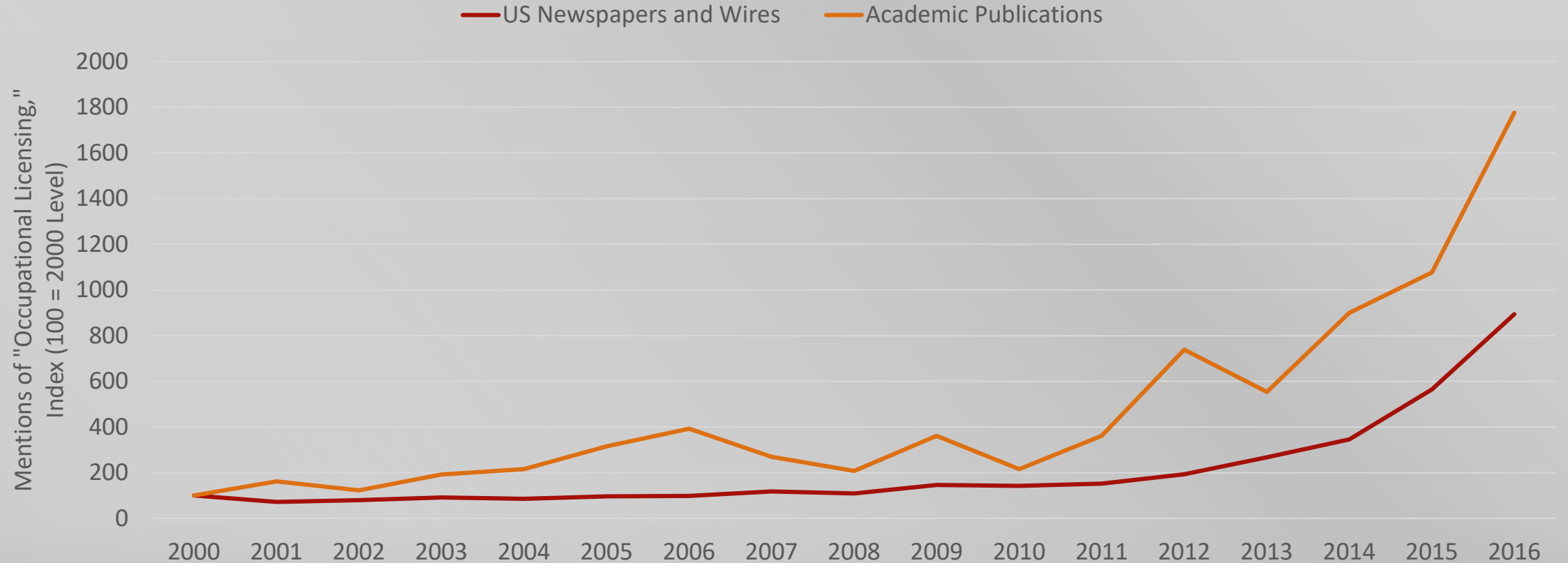
- Pyrotechnic operators
- Private detectives
- Shorthand reporters
- Vending machine operators
- Student athlete agents
- Professional wrestlers
- Tour guides

Source: WSJ research; Photos: Associated Press (repairman); Getty Images (all others)

Why is occupational licensing important?

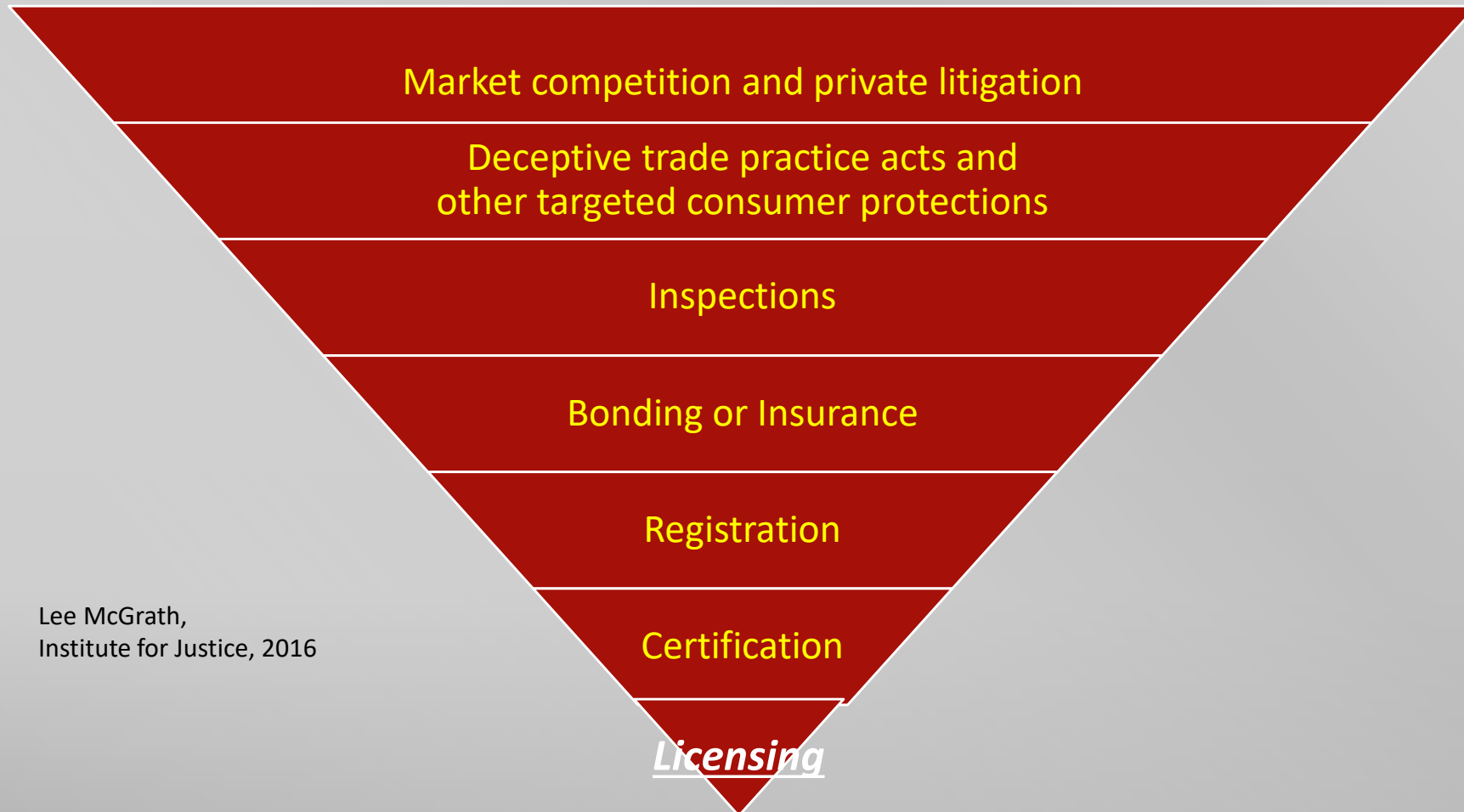
Since licensing influences many more individuals in the United States and in many other nations than **unions or the minimum wage**, its evaluation should be important for social science researchers, policymakers, and citizens!

Popular and Academic Interest in Occupational Licensing



Notes: "US Newspapers and Wires" is the count of mentions of "occupational licensing" in US newspapers and wires available on the Nexis database, normalized by mentions in 2000. "Academic Publications" is the count of mentions of "occupational licensing" in publications available on the Google Scholar database, divided by mentions of "economic" in each year and normalized by mentions in 2000. All data are as of June 12, 2018.

Use of least restrictive form of regulation consistent with policy goals



Lee McGrath,
Institute for Justice, 2016

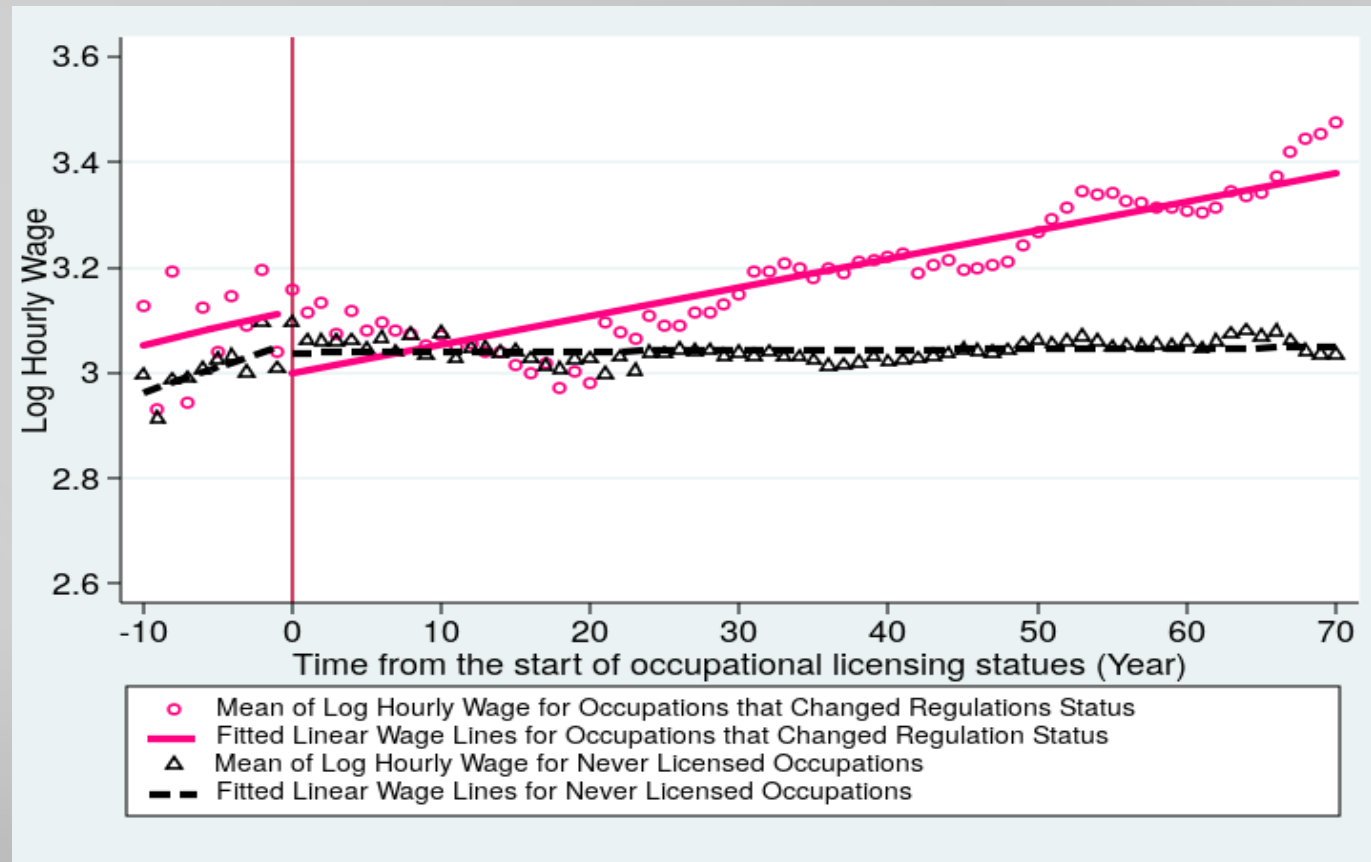
Former Supreme Court Justice Samuel Jackson

- “The modern state owes and attempts to perform a duty to protect the public from those who seek for one purpose or another to obtain money. When one does so through the practice of a calling, **the state may have an interest in shielding the public against the untrustworthy, the incompetent, or the irresponsible.**”

Market Economist Perspective

- “The puzzle is not why we have so many silly licensure laws, but why we don’t have far more.”
- **“On the other side, the great argument for the market is its tolerance of *diversity*; its ability to utilize a wide range of special knowledge and capacity. It renders special groups impotent to prevent experimentation and *permits the customers and not the producers to decide what will serve the customers best.*”**

Plotting the Relationship between Earnings and Duration of Licensing Coverage in the U.S. (Han and Kleiner, 2017)



Aggregate Impacts and Influence on Wages

Attainment

- Kleiner and Krueger, 2010 and 2013, 15% on wages, no effect on inequality
- Thornton and Timmons, 2013, Massage Therapists, 16%+
- Kleiner and Volotnikov, 2017, 11 % on wages, increases inequality for highest income group
- Gittleman, Klee and Kleiner, 2018, 9% on wages, small effect on increasing inequality

Influence on Prices *(from White House Report, 2015)*

- Increase prices in medical health care by not using nurse practitioners by 3 to 16 percent (Kleiner, et. al. 2016)
- Increases prices for mortgage brokers zero to 5.5 percent (Kleiner and Todd, 2009)
- Increase prices for dental services 4 to 11 percent (Kleiner and Kudrle, 2000)



Direct Quality Effects

- Health Care Sector

- ✓ Early Midwifery and Maternal Mortality (Anderson et al. 2016)
- ✓ Dentistry and Dental Outcomes (Kleiner & Kudrle 2000)
- ✓ Nurse Practitioners and Infant Mortality (Kleiner et al. 2016)

- Education

- ✓ State Certification Requirements and Teacher Quality (Angrist & Guryan 2007, Larson 2015)

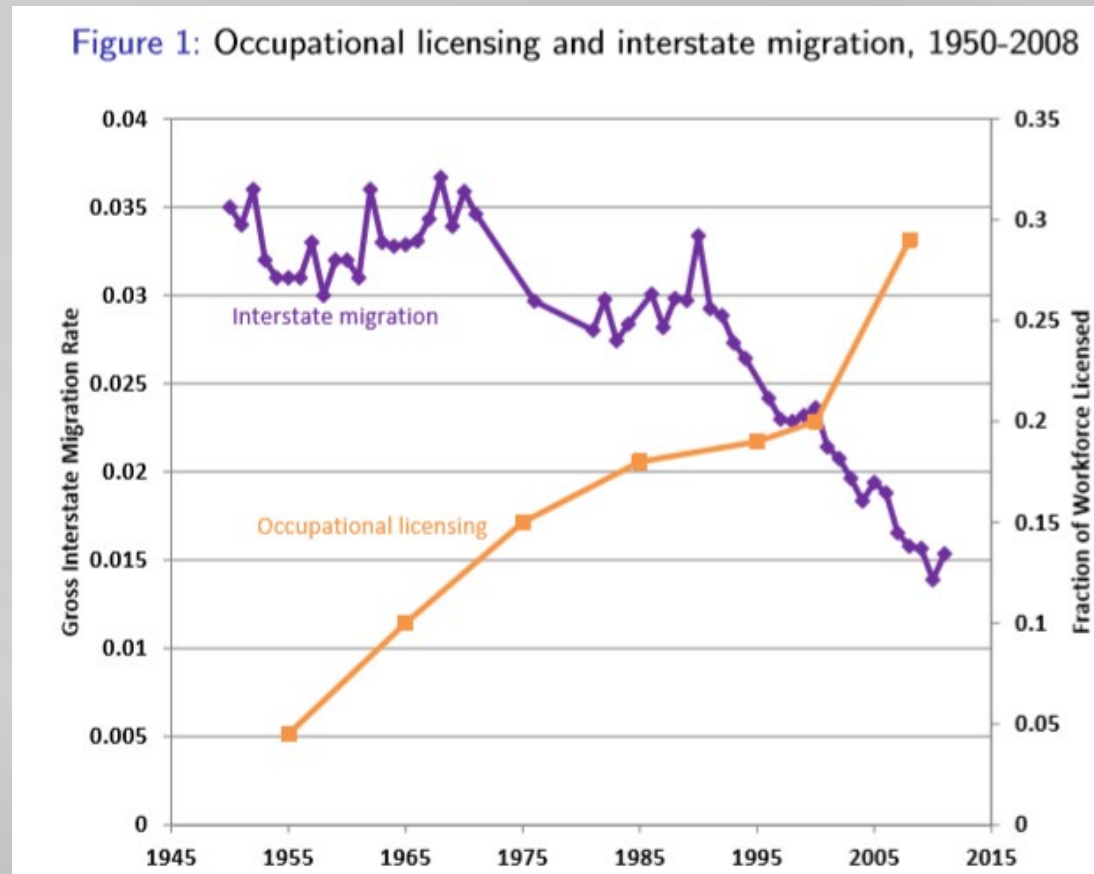
- Service/ Finance Based Occupations

- ✓ **Occupational Licensing of Uber Drivers** (Hall, Hicks, Kleiner and Solomon 2018)
- ✓ Licensing and Yelp Ratings (Deyo 2016)
- ✓ Fund Managers and Required Information Disclosure (Berk and van Binsbergen 2017)

Does Occupational Licensing Reduce Interstate Migration in the U.S.?

(Johnson and Kleiner, 2017)

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RESULTS: Occupational Licensing, Labor Supply, and Human Capital

- Morris Kleiner, Minnesota .
- Evan Soltas, MIT
- August 2018
- Link: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3140912

Findings and Implications of Occupational Licensing for the Labor Market

- Shifting an occupation in a state from entirely unlicensed to entirely licensed increases state **average wages in the licensed occupation by about 14 percent**, increases hours per worker by 5 percent, and *reduces employment by 27 percent*
- **Costs over Benefits: Net loss of 10%**
- Large cost of licensing: **1.7 years or 18%** of lifetime labor income --- required investment in occupation-specific human capital
- Little evidence of a willingness-to-pay effect

Estimates for Wisconsin

Percentage of Workers Who Are Licensed, Certified or Unionized

Workers Licensed	17.96%
Workers Certified	6.26%
Workers Unionized	11.55%

State-Level Economic Costs of Licensing

Estimated Jobs Lost	37,002
Estimated Deadweight Losses (in \$M) <i>Conservative measure of economic value lost</i>	\$133.2
Estimated Misallocated Resources (in \$M) <i>Broader measure of economic value lost</i>	\$3,732.5
Estimated Economic Returns from Licensing <i>Increase over what licensees would make if not for licensing—a cost borne by consumers and the wider economy</i>	14.80%

Wisconsin's dental access problem (Hicks and Kleiner, 2019)

Problem

- Lowest rate of dental care utilization among all states for the more than 550,000 children who receive dental benefits through Medicaid

Potential Solution

- Allowing dental therapists, mid-level dental care providers, to perform preventative and restorative procedures
- **Potential Rationale—What a neighboring state has done**
- In 2009, Minnesota was the first state in the nation to pass legislation authorizing dental therapists (DTs) statewide and is only state where DTs are currently practicing statewide.

AT What Cost?

- In Wisconsin, this represents approximately \$11.4 million to \$13.9 million in economic loss each year. The creation of DTs similar to one in Minnesota would likely significantly reduce these economic costs and increase access.
- Research from Minnesota indicates that creation of DTs in Wisconsin could improve access, utilization, and outcomes, while reducing economic costs associated with the dental care monopoly and unnecessary ER visits for dental treatment.
- **These improvements in Wisconsin's oral health care system would occur without reductions in the quality of care provided to patients and could increase financial returns to dental practices.**

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Thank you for your attention!

Any Questions?