

Occupational Licensing and Economic Rents

Jason Furman

Chairman, Council of Economic Advisers



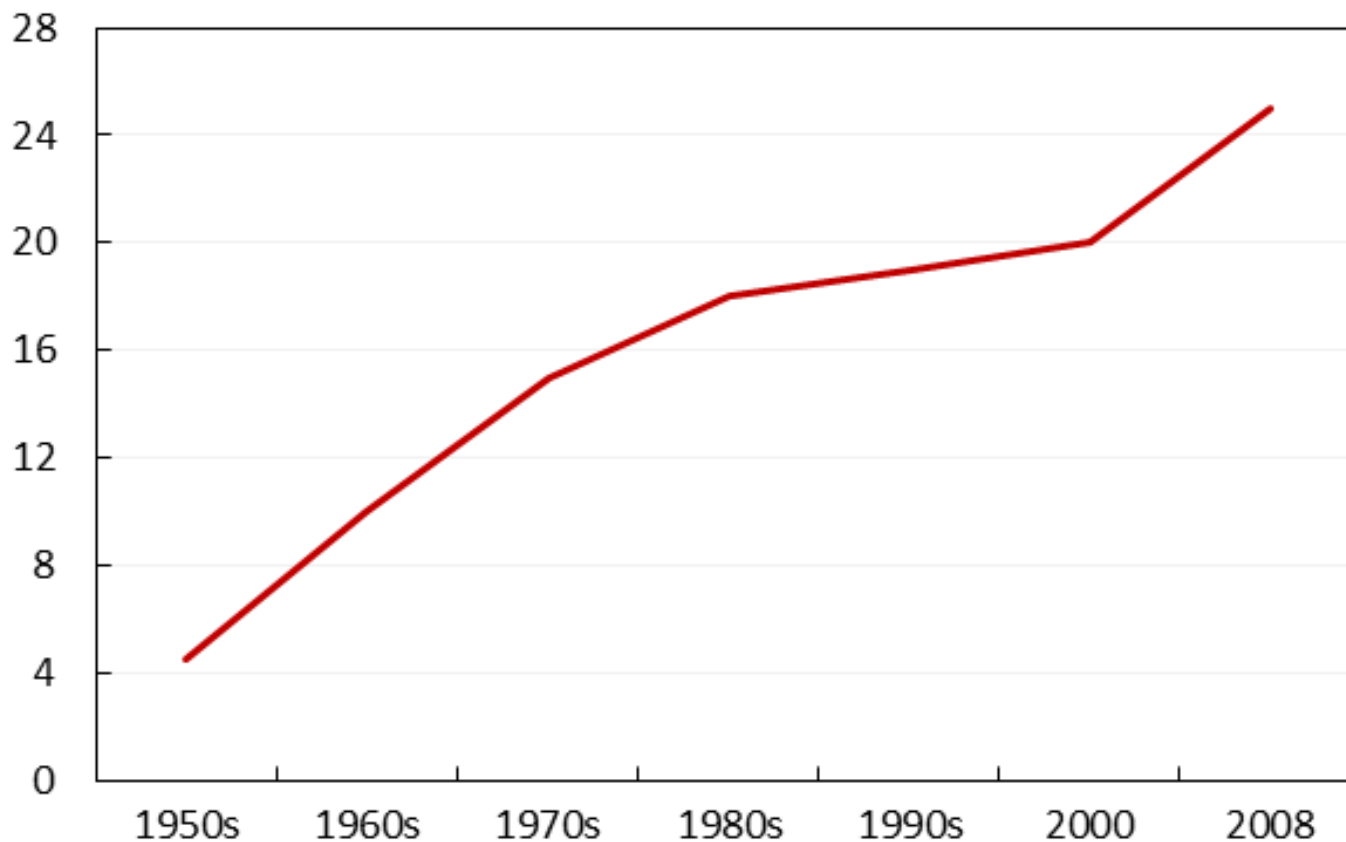
The Brookings Institution

November 2, 2015

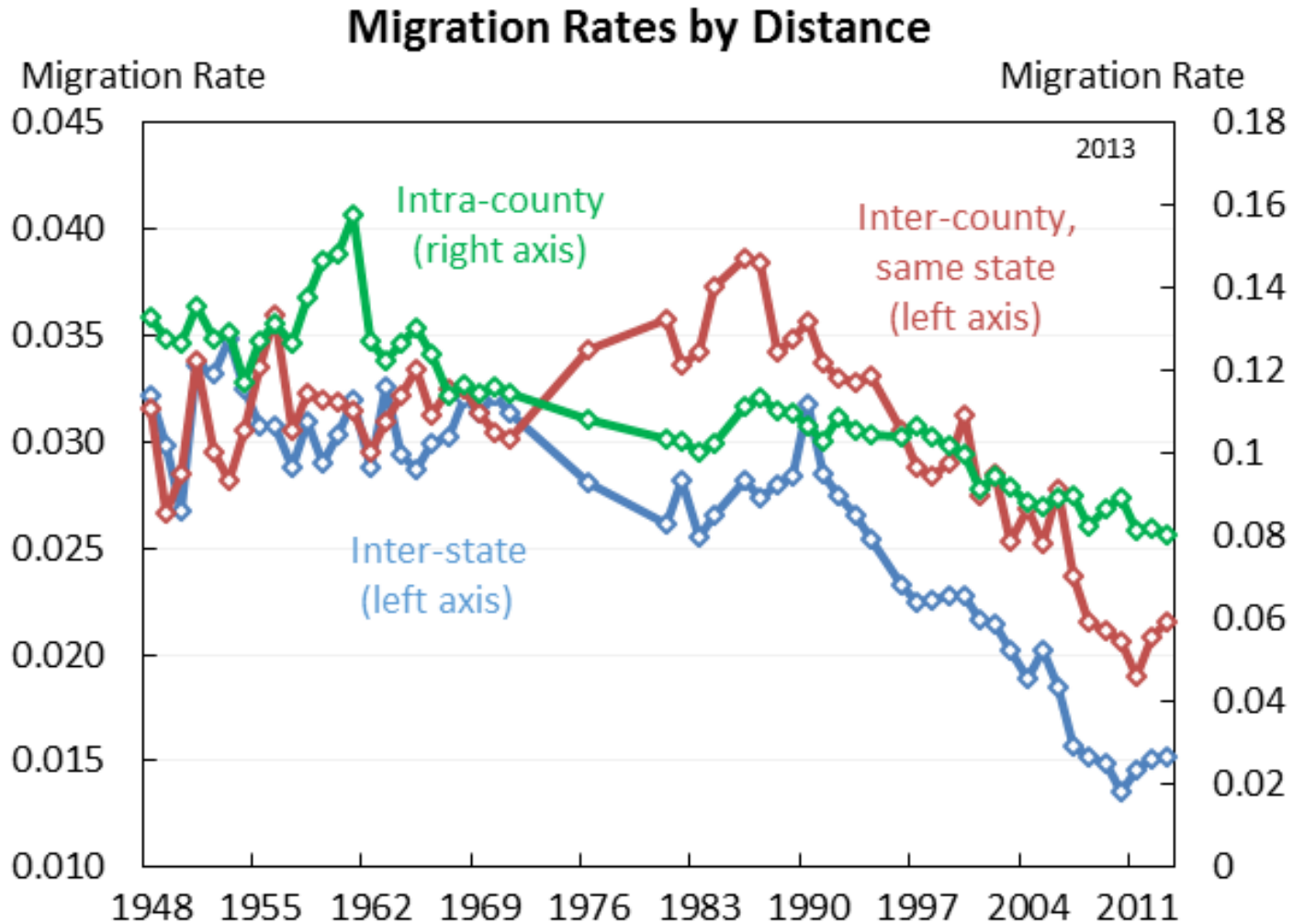
The Share of Workers Licensed at the State Level Has Risen Five-Fold Since the 1950s

Share of Workers with a State Occupational License

Percent of the Workforce



Inter-State Mobility Has Declined...

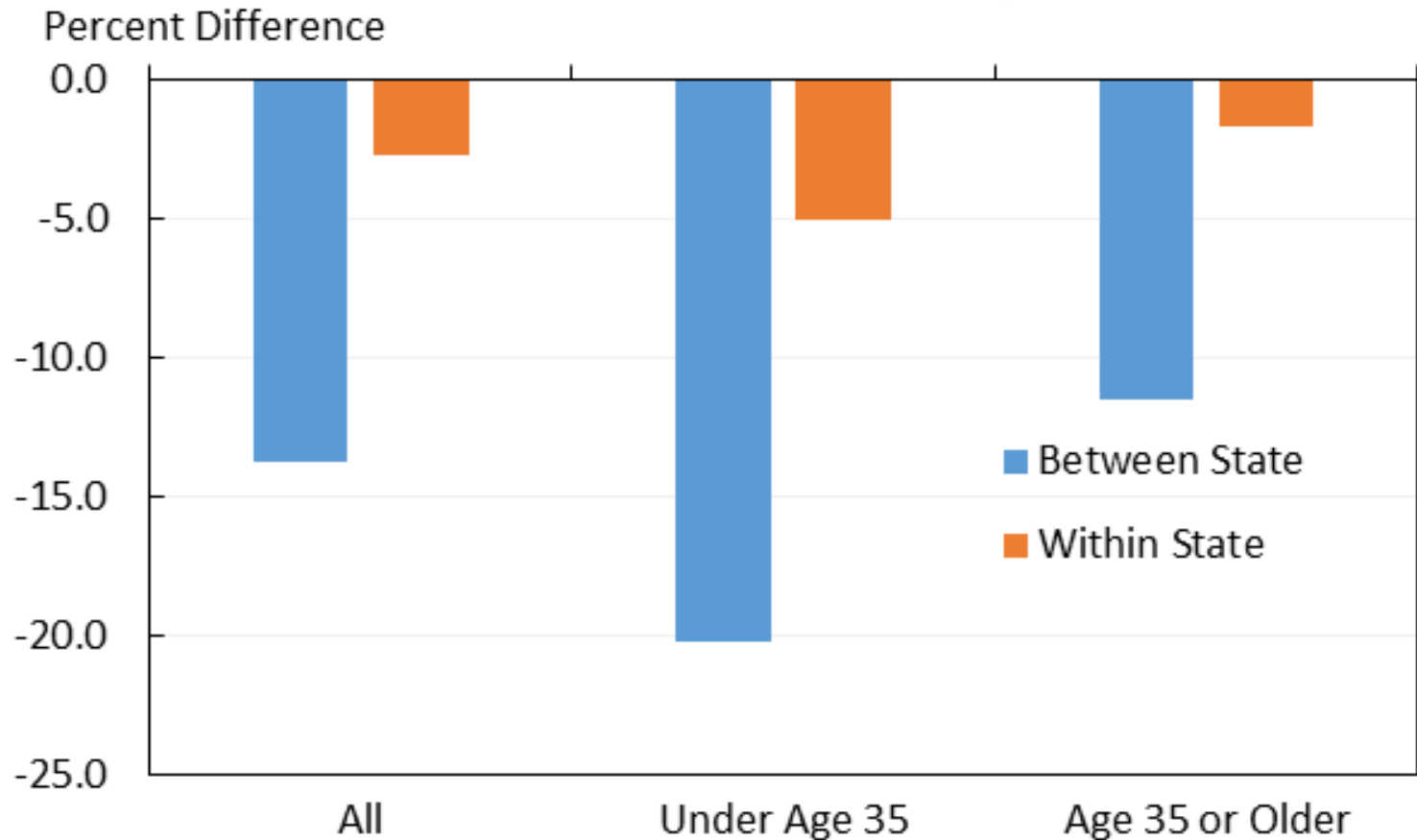


Source: Molloy, Smith, and Wozniak (2014).

Note: Number is calculated from an OLS regression controlling for race, citizenship, sex, citizenship, number of children, marital status, education, income, year, and state. Ages 25 to 65 were included.

...And Licensing Is One Factor That Has Contributed

Difference in Migration Rates of Workers in Most vs. Least Licensed Occupations



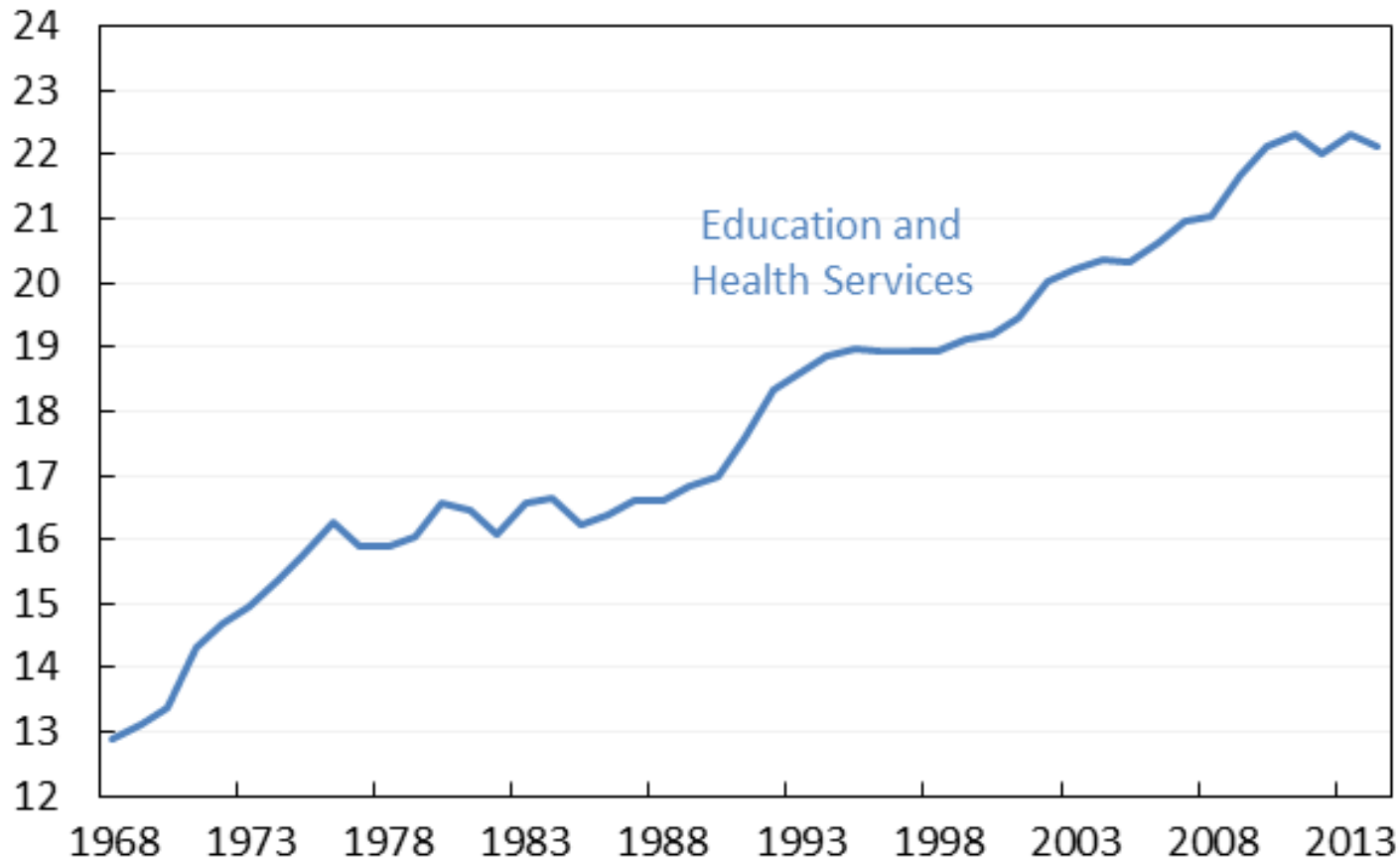
Source: Census Bureau, American Community Survey 2010-2013; CEA Calculations.

Note: Number is calculated from an OLS regression controlling for race, citizenship, sex, citizenship, number of children, marital status, education, income, year, and state. Ages 25 to 65 were included.

Employment Has Grown in Heavily-Licensed Professions

Share of Workforce in Education and Health Services

Percent of Civilian Labor Force

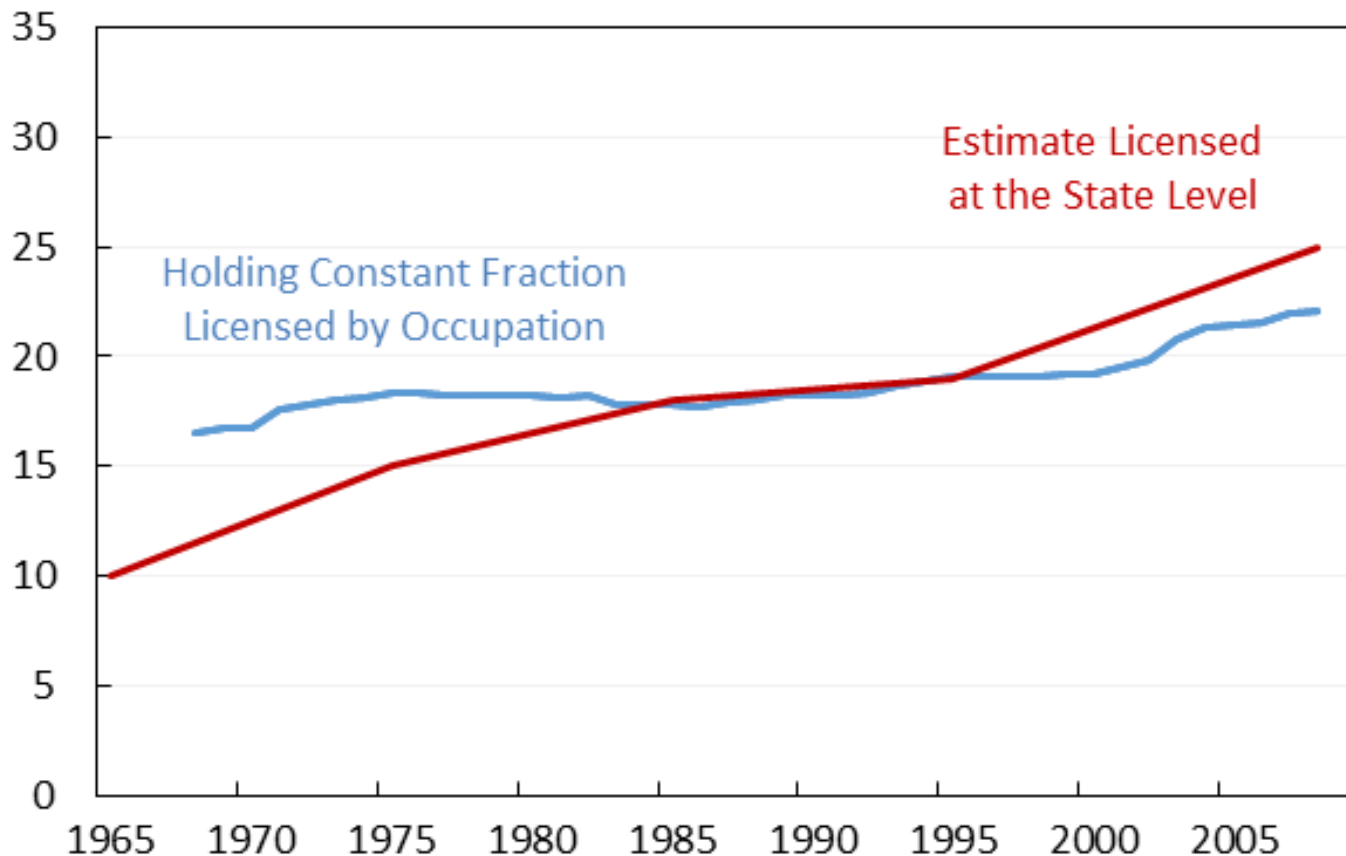


Source: Bureau of Labor Statistics; Current Population Survey, Annual Social and Economic Supplement; CEA calculations.

But Two-thirds of the Increase in Licensing Is Driven by More Professions Being Licensed

Percent Licensed Over Time: Estimated and Counterfactual

Percent of the Workforce

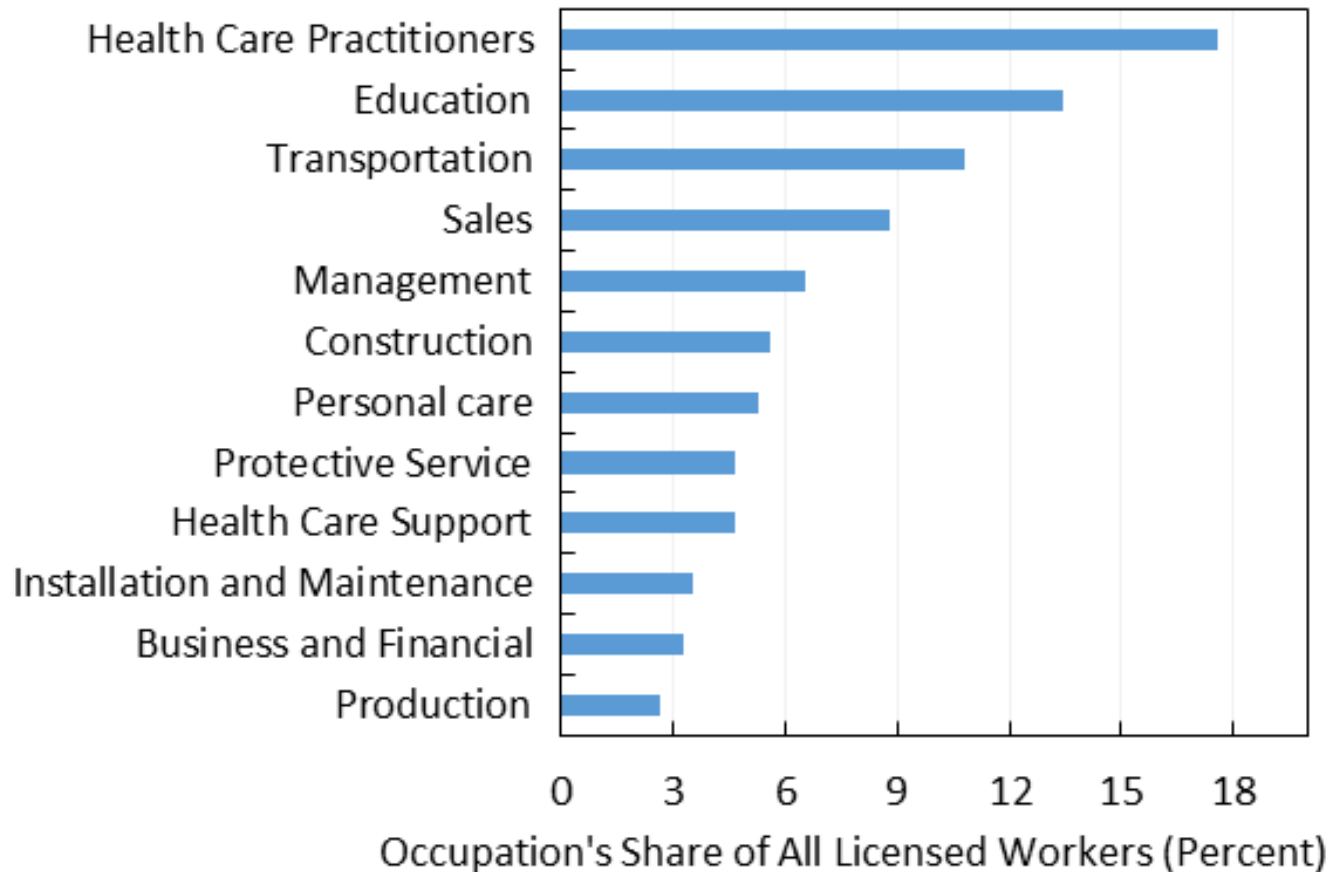


Source: Kleiner and Krueger (2013), Westat data; Bureau of Labor Statistics; Current Population Survey.

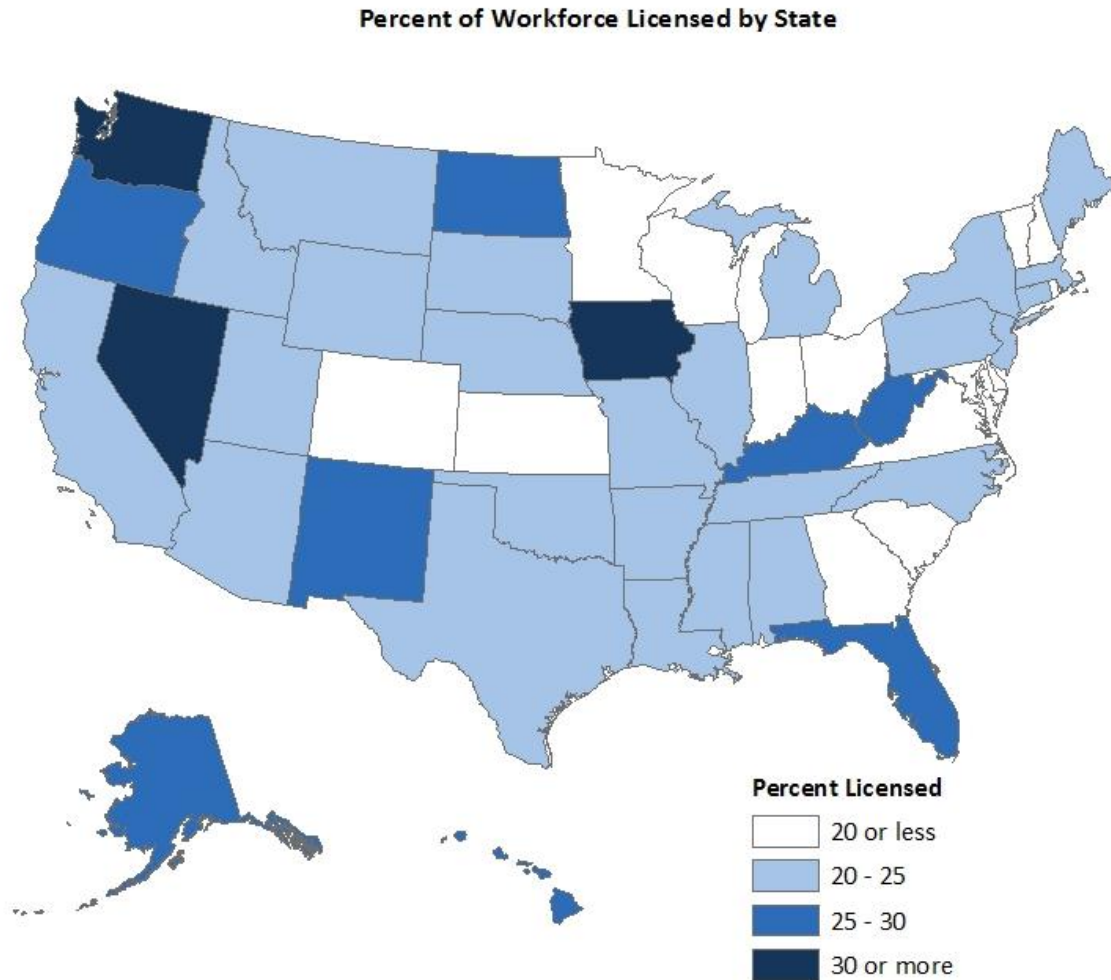
Note: To make the adjustment, we use Kleiner and Krueger's estimates of the shares of State-licensed workers in each occupation in 2008, and adjust for changes in occupational mix back to 1968, taking advantage of a historically consistent occupational classification system contained in the Integrated Public Use Microdata Series version of the Current Population Survey.

Licensing Has Expanded into New Sectors

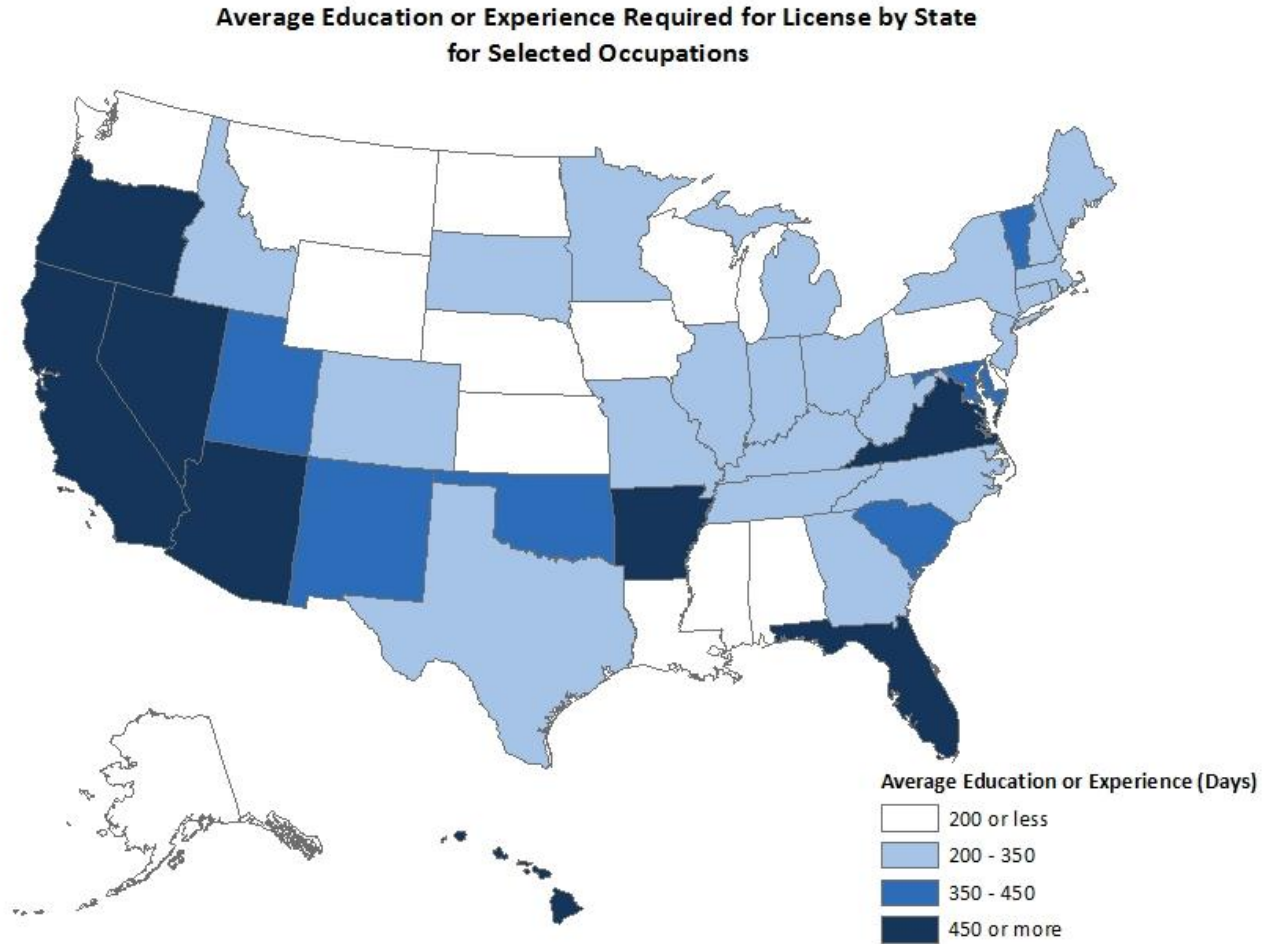
Share of All Licensed Workers in the 12 Occupations with the Most Licensed Workers



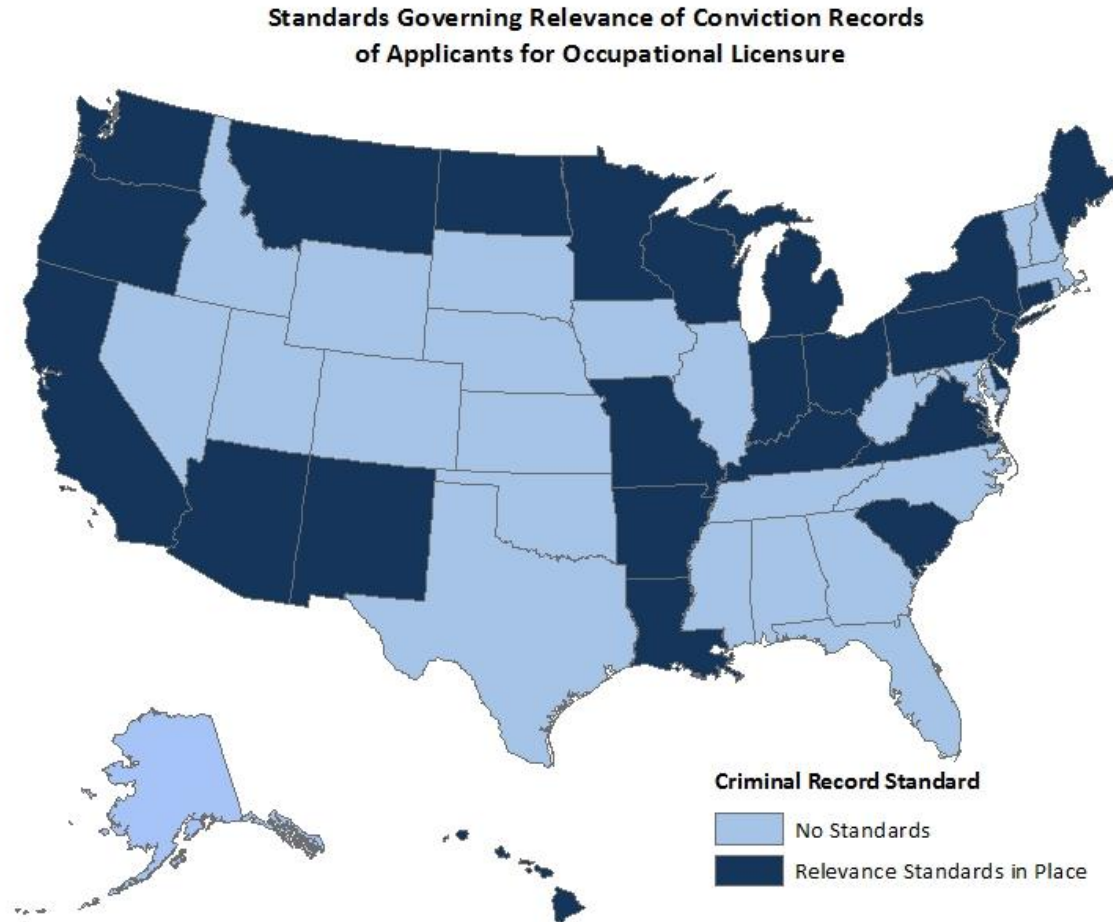
Licensing Is Very Uneven Across States



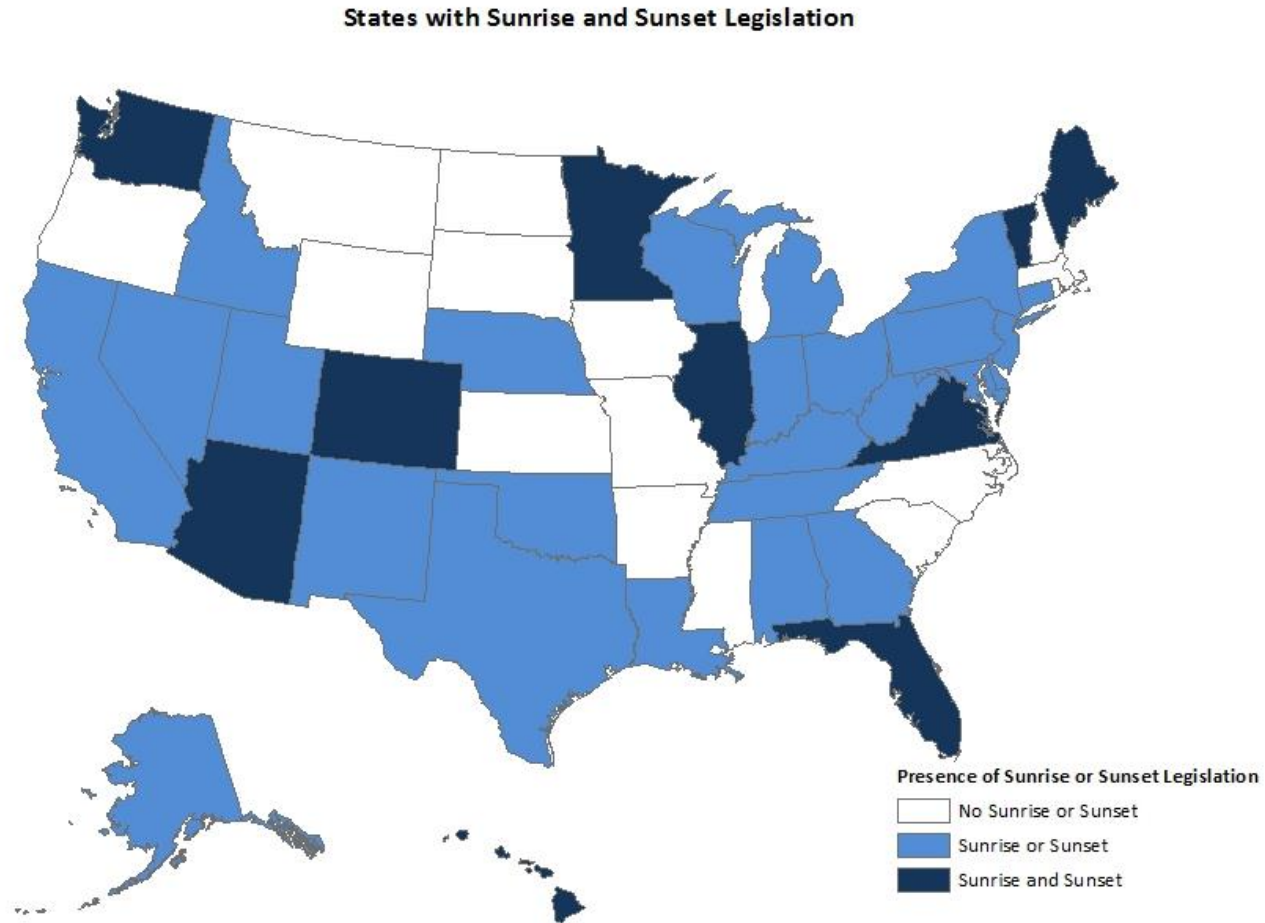
States Also Differ in the Requirements for their Licenses



Only Some States Have Standards Governing the Relevance of Conviction Records



Only Some States Have Sunrise and Sunset Review Processes for Licensing Laws



The Obama Administration Is Collaborating with States to Make Progress on this Issue

- **The White House report** released in July provides policymakers with information and best practices.
- **The President's FY2016 Budget** includes \$15 million in new discretionary funding at the Department of Labor to identify and address areas where licensing requirements create barriers to labor market entry or labor mobility.
- **The Military Credentialing and Licensing Task Force** has helped service members to earn civilian occupational credentials and licenses through partnerships with national certifying bodies.
- **First Lady Michelle Obama and Dr. Jill Biden** issued a call to action to governors to streamline State licensing for service members, veterans and their spouses.

The Administration is Also Encouraging States to Adopt Best Practices for Occupational Regulation

1. Ensure that Licensing Restrictions are Closely Targeted to Protecting Public Health and Safety, and Are Not Overly Broad or Burdensome

- Remove certain blanket exclusions for the formerly incarcerated
- Consider replacing some licensing requirements with less restrictive alternatives, such as State certification

2. Establish or Strengthen Sunrise Review Processes

- Subject new licensing proposals to cost-benefit analysis

3. Reduce Licensing's Barriers to Inter-State Mobility

- Form new inter-State compacts that apply to a range of professions
- Harmonize licensing requirements across State lines

Occupational Licensing and Economic Rents

Jason Furman

Chairman, Council of Economic Advisers



The Brookings Institution

November 2, 2015