

Reducing barriers of occupational licensing: insights from nursing

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Hundreds of occupations in the United States are subject to licensing in at least one state. The obvious upside of this practice, which has expanded considerably over the last few decades, is the added regulatory assurance that the services offered by licensed professionals would meet the high standards of quality and safety expected by consumers. But state-level licensing also carries potential costs, such as limiting the movement of workers from one state to another, curtailing employment in licensed occupations, and creating geographical imbalances in labor supply. Given these possibilities, one might ask whether the harmonization of licensing requirements across states could alter the migration and labor market outcomes of workers.

This is the puzzle addressed by Christina DePasquale and Kevin Stange in their article [“Labor supply effects of occupational regulation: evidence from the Nurse Licensure Compact”](#) (National Bureau of Economic Research, Working Paper 22344, June 2016). The authors zero in on a single, high-demand occupation—nursing—and examine the labor market impacts, or lack thereof, of the Nurse Licensure Compact (NLC), a regulatory regime launched in 2000 to allow registered nurses to practice their trade in all states members of the compact. Using data from the 1990 and 2000 censuses and the 2001–12 American Community Surveys, DePasquale and Stange adopt a two-pronged empirical strategy, estimating both difference-in-difference models, which compare nurses in NLC member states with those in nonmember states, and triple-difference models, which include non-nurse healthcare practitioners as a control group.

Perhaps surprisingly, the study’s results defy the intuition that removing licensing barriers among states would influence the migration and labor market experiences of nurses. DePasquale and Stange find no statistical evidence that NLC adoption has had any significant impact on those workers’ labor force participation, employment, hours worked, wages, and work-related cross-state migration. This broad observation does not waver even if one focuses on those who should, in theory, be most affected by the mutual recognition of occupational licenses—namely, nurses in counties adjacent to the lines separating contiguous NLC member states. Although the authors do find a small positive effect of regime adoption on the movement of young and very mobile workers, they caution that this effect is imprecise.

These findings come with potentially important caveats and, hence, should not be taken as a definitive or final verdict on the merits of regulatory harmonization. DePasquale and Stange note that their measures do not capture alternative work arrangements, such as telenursing or simultaneous working in multiple states, which are covered under the NLC. They also point out that their results are based on current regime membership (25 states) and could be different if the compact were fully national. Finally, readers are reminded that empirical insights for workers in a single occupation may not hold for people employed in other trades regulated at the state level.