

The effects of occupational licensing on labor market outcomes

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In recent decades, the share of workers who are members of labor unions has been declining. At the same time, a different labor market institution—that of occupational licensing—has grown in importance, as both the number of occupations requiring a license from the government and the percentage of workers who are licensed have been on the rise. Among the occupations for which licenses are typically required are registered nurses, physicians, teachers, barbers, and cosmetologists. Motivated in part by the trends in licensing requirements, some researchers have sought to assess the impact of occupational regulation on labor market and other economic outcomes. Understanding the effects of licensing is a key part of assessing the costs and benefits of such regulation.

Occupational regulation refers to mechanisms that impose minimum standards (often educational standards) for entry into and continued work in an occupation. These regulations range from less restrictive (e.g., requirements to register one's name, address, and qualifications with a government agency) to having an exclusive right to a title, known as certification, to very restrictive (i.e., licensure, where it is illegal to practice an occupation for pay without meeting government standards). A lack of suitable labor market data to perform analyses of the effects of occupational licensing has hindered researchers.

In [“Analyzing the labor market outcomes of occupational licensing,”](#) published in the January 2018 issue of *Industrial Relations: A Journal of Economy and Society*, authors Mark A. Klee, Maury Gittleman, and Morris M. Kleiner take advantage of better data that had recently become available to address important licensing issues. Specifically, they analyze the 2008 panel of the Survey of Income and Program Participation (SIPP). This panel is a large, nationally representative data set covering the period May 2008 through November 2013. The 13th wave of the 2008 panel, collected between September and December 2012, included a professional certifications, licenses, and educational certificates topical module. This was the first time a large government survey specifically asked questions about licensing and certification attainment. (Beginning in January 2015, the Current Population Survey included three questions on certification and licensing. The data collected in 2015 from two of those questions were made available for public use beginning in April 2016.)

Relative to previously available data, the SIPP data set has larger sample sizes, richer sets of person-level characteristics, and more details on occupational licensing attainment. The authors find that, all else equal, people with a license earn higher pay, are more likely to be employed, and have a higher probability of being offered employer-sponsored health insurance. According to their estimates, if a government-issued license is required for the job, such a credential raises hourly wages by about 7.5 percent. In addition, in contrast to labor unions, licensing does not appear to reduce overall wage inequality.