

# POLICY SPOTLIGHT

Occupational Licensing and the Poor and Disadvantaged

MATTHEW D. MITCHELL | SEPTEMBER 2017

Nearly one-third of American workers need government permission to do their jobs.<sup>1</sup> Many of these workers earn below-average incomes, and their jobs are an important part of their self-sufficiency and upward economic mobility. For many of these workers, however, onerous licensing requirements stand in their way. While licenses may be intended to prevent poor-quality service or to protect public health and safety, the evidence suggests that they do not provide those benefits.<sup>2</sup>

Occupational licensing raises the cost of goods and services and often hurts those who simply want to find meaningful employment. Licensing is especially harmful to those who are excluded from these licensed professions, inhibiting their ability to improve their lives and support their families.

## LICENSING RESTRICTS LOW-SKILLED EMPLOYMENT OPPORTUNITIES

By placing barriers to entry on jobs that could otherwise be performed by individuals with limited training, licensing often reduces opportunities for the most vulnerable workers and those who need these jobs the most.<sup>3</sup>

- In some entry-level occupations like bus driver, truck driver, pest control applicator, and cosmetologist, an occupational license is required in all 50 states plus the District of Columbia.
- These licenses impose significant education or experience prerequisites. Cosmetologists, for example, must accrue an average of 372 days of relevant training to procure a license to style hair.

## LICENSING RAISES COSTS FOR CONSUMERS, ESPECIALLY THE POOR

These licensing requirements raise costs for consumers. Because many licensed professionals offer products or services that are bought by low-income individuals, licensing laws hit the poor twice—once in the form of limiting job opportunities and then again in the form of higher prices.<sup>4</sup>

- State nurse practitioner licensing is estimated to raise the price of a well-child checkup by 3 to 16 percent.<sup>5</sup> Dental hygienist and dental assistant licensing is estimated to increase the price of a dental visit by 7 to 11 percent. Optician licensing is estimated to increase the price of eye care by 5 to 13 percent.

- One particularly onerous example is child daycare. Daycare providers are subject to a number of regulations, including many occupational licensure laws. The various state regulations include prescribing maximum child-staff ratios and requiring staff members to have high school diplomas.<sup>6</sup>
- The high costs of licensing often price low-income families out of the childcare market. Moreover, regulation may deter qualified teachers from working at childcare centers.

## LICENSING DISPARATELY AFFECTS MINORITIES

Licensing has also been found to disparately affect ethnic minorities and other specific populations.<sup>7</sup>

- For example, black or Hispanic interior designers are 30 percent less likely to hold a college degree compared to white designers. Licensing requirements that mandate a college degree disproportionately exclude minorities from this occupation.
- Licensing of barbers reduces the probability of a black individual working as a barber by 17.3 percent. Licensing laws requiring new teachers to pass an examination reduce the proportion of new teachers who are Hispanic by 2 percent.
- Some licensing laws require English proficiency, making it more difficult for nonnative speakers to obtain a license.<sup>8</sup>
- States sometimes require aspiring professionals to have lived or worked for a number of years in the state, making it more difficult for immigrants to obtain a license.
- Military spouses are more likely to work in licensed professions and more likely to move into new jurisdictions, making licensing an especially steep burden for them.

- Many states impose licensing restrictions on those with prior convictions—even in professions that do not involve public safety—making it difficult for prior offenders to reenter the workforce.

## LICENSING EXACERBATES INCOME INEQUALITY

While licensing may raise the wages of licensed professionals, the practice also makes it more difficult for unlicensed ones to earn a living.<sup>9</sup> Even if license holders do benefit from such laws, those laws redistribute wealth away from people who cannot afford the costs of licensure. Countries with more regulatory restrictions tend to experience higher levels of income inequality.<sup>10</sup>

## NOTES

1. <http://www.nber.org/papers/w14308.pdf>
2. [https://www.mercatus.org/system/files/mclaughlin-occupational-licensure-wisconsin-mop-v1\\_1.pdf](https://www.mercatus.org/system/files/mclaughlin-occupational-licensure-wisconsin-mop-v1_1.pdf)
3. <https://www.mercatus.org/system/files/derugy-occupation-licensing-final-pdf.pdf>
4. <https://www.mercatus.org/system/files/Horwitz-Breaking-Down-Barriers.pdf>
5. <https://www.mercatus.org/system/files/mercatus-mclaughlin-occupation-licensure-illinois-mop-v1.pdf>
6. <https://www.mercatus.org/system/files/Horwitz-Breaking-Down-Barriers.pdf>
7. [https://www.mercatus.org/system/files/McLaughlin\\_RegulatoryReformFlorida\\_v1.pdf](https://www.mercatus.org/system/files/McLaughlin_RegulatoryReformFlorida_v1.pdf)
8. [https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing\\_report\\_final\\_nonembargo.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf)
9. <https://www.mercatus.org/system/files/Horwitz-Breaking-Down-Barriers.pdf>
10. <https://www.mercatus.org/system/files/McLaughlin-Regulation-Income-Inequality.pdf>

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