



Private Certification as an Alternative to Occupational Licensing: Evidence from Teacher Quality in North Carolina

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Supporters of occupational licensing often argue that the practice has two notable benefits: first, licensing can convey information about the quality of services to consumers, and second, it can raise the earnings of individuals with licenses, encouraging them to develop their human capital.¹ But these benefits of occupational licensing come with steep costs for society, such as restricting employment opportunities for potential workers, reducing choice for consumers, and increasing the cost of services.² Today, occupational licensing affects nearly one-third of the workforce.³ In a recent paper in *Economic Inquiry*, Moiz Bhai and Irina Horoi show that private teacher certification in North Carolina has effectively accomplished the goals of occupational licensing without imposing many of the costs. Voluntary certification can signify quality of services and raise the wages of high-quality individuals without restricting entry or reducing consumer choice.

COSTS OF OCCUPATIONAL LICENSING

There are several ways in which occupational licensing negatively affects consumers. It increases the cost of services, reduces the number of professionals offering a service, and does not effectively improve service quality.

Basic economic theory suggests that, because licensing restricts the supply of professionals in an industry, it will tend to increase the price of the services they offer. In a survey of 19 studies, Patrick McLaughlin, Jerry Ellig, and Dima Yazji Shamoun found that licensure increases prices in occupations ranging from optometry and law to dentistry and cosmetology.⁴ Morris

M. Kleiner et al. found that requiring licenses for nurse practitioners increases the price of a well-child checkup by 3 to 16 percent,⁵ while dental hygienist licensing increases the price of a dental visit by 7 to 11 percent.⁶

Occupational licensing requirements also place a barrier between low-skilled workers and employment. Although licensing is framed as a protection against low-quality services that could cause substantial harm, it often restricts low-skill occupations. Professions such as bus driver, truck driver, and cosmetologist having licensing requirements in every state.⁷ Additionally, professions such as florist, interior designer, and taxidermist all have licensing requirements in at least one state.⁸ These jobs require little education and are perfectly suited to young workers who lack a college education. However, the required experience, tests, courses, and fees are prohibitively expensive to those young workers.

Finally, there is a lack of evidence to support the notion that licensing increases quality. Some economists have argued that restricting competition reduces the quality of the services provided.⁹ If they are correct, then the minimum quality standards established with licensing requirements become both a ceiling and a floor for quality. Because of the reduction in supply and competition, service providers do not have an incentive to innovate. This undermines the potential for improvements in quality by restricting supply to the highly qualified professionals. The academic literature finds that this undermining effect largely cancels out the ability of licensing to ensure quality, and McLaughlin, Ellig, and Shamoun's survey of the literature finds a neutral or unclear effect on quality in most studies.

SOLUTIONS TO QUALITY PROBLEMS

Because of the costs of occupational licensing, policymakers should look for alternatives that help ensure quality without increasing prices, favoring incumbents, or discouraging innovation. One possible alternative is voluntary certification. Under certification, free entry into a profession is allowed, but professionals are able to signal their quality with a certificate, which has similar requirements to licensing. Because certification allows free entry, it does not discourage innovation or restrict supply. In their study on the effects of optician licensing, Edward Timmons and Anna Mills found no evidence that certification of Texas opticians caused an increase in optician wages.¹⁰ They also found no evidence to support any difference in earnings or quality between certified opticians in Texas and opticians in unlicensed states.

Bhai and Horoi studied the voluntary certification of teachers by the National Board for Professional Teaching Standards (NBPTS) and the success of that certification in identifying teacher quality.¹¹ NBPTS certification provides a framework for how a voluntary certification program can achieve the same goals as occupational licensing without the costs to society that occupational licensing imposes. In order to be certified, teachers have to create a portfolio and complete an

assessment with four major components. These measures help evaluate how well teachers meet NBPTS’s five major goals (see table 1). This voluntary certification is costly to obtain, and many states provide additional compensation in exchange for having this certification. Thus, the costs of the NBPTS portfolio and the benefits of potentially higher wages incentivize high-quality teachers to apply for certification.

Table 1. The Five Core Propositions of the NBPTS	
PROPOSITION 1	Teachers are committed to students and their learning.
PROPOSITION 2	Teachers know the subjects they teach and how to teach those subjects to students.
PROPOSITION 3	Teachers are responsible for managing and monitoring student learning.
PROPOSITION 4	Teachers think systematically about their practice and learn from experience.
PROPOSITION 5	Teachers are members of learning communities.

Source: *What Teachers Should Know and Be Able to Do* (Arlington, VA: National Board for Professional Teaching Standards, 2016), 1.

Bhai and Horoi compare student achievement within twins and within siblings, and they examine the proportion of NBPTS teachers at a particular grade level to measure the effect of NBPTS certification on student achievement. Separating the effect of teacher quality from the sorting of students to schools and even within schools is a fundamental challenge in education economics. Bhai and Horoi’s family design reduces these concerns because twins and siblings share the same parents and common backgrounds.

Bhai and Horoi show that NBPTS teachers raise student achievement on end-of-year subject exams. For math, they find that an NBPTS-certified teacher raises average achievement by 0.03 to 0.04 standard deviations. For reading, they find that an NBPTS teacher raises achievement by 0.01 to 0.03 standard deviations. Overall, they show that NBPTS certification is successful in identifying teachers that can significantly benefit student outcomes.

The success of the NBPTS in identifying superior teachers highlights the ability of voluntary certification programs to act as a signaling device for higher-quality professionals. When voluntary certification is costly enough to discourage inferior professionals, but not costly enough to discourage high-quality professionals, consumers will be able to use the certificate as a measure of competency. While consumers will still be free to choose the lower-quality, uncertified professionals, those seeking the higher-quality ones have the knowledge to find them. Meanwhile, the low-skilled workers who are prevented from working by licensing requirements can still work without a certificate, earning money and learning the skills necessary to eventually become certified.

CONCLUSION

The case of NBPTS certification shows that concerns about quality can be addressed through market-oriented solutions. The need to measure the quality of teachers created an opportunity for organizations such as the NBPTS to create and provide certification. Since teachers, parents, and principals value this information about quality, a market for NBPTS teachers emerged. The main takeaway from their study is that less costly mechanisms than occupational licensing can provide consumers with information about quality without the restrictions and costs of occupational licensing.

ABOUT THE AUTHORS

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NOTES

1. Morris M. Kleiner, "Occupational Licensing," *Journal of Economic Perspectives* 14, no. 4 (2000): 189–202.
2. Kleiner, "Occupational Licensing."
3. Matthew D. Mitchell, "Occupational Licensing and the Poor and Disadvantaged" (Mercatus Policy Spotlight, Mercatus Center at George Mason University, Arlington, VA, September 2017).
4. Patrick McLaughlin, Jerry Ellig, and Dima Yazji Shamoun, "Regulatory Reform in Florida: An Opportunity for Greater Competitiveness and Economic Efficiency," *Florida State University Business Review* 13, no. 1 (Spring 2014): 95–130.
5. Morris M. Kleiner et al., "Relaxing Occupational Licensing Requirements: Analyzing Wages and Prices for a Medical Service" (NBER Working Paper No. 19906, National Bureau of Economic Research, Cambridge, MA, February 2014).
6. Federal Trade Commission, *Restrictions on Dental Auxiliaries: An Economic Policy Analysis*, 1987.
7. Mitchell, "Occupational Licensing and the Poor and Disadvantaged."
8. Dick M. Carpenter II et al., *License to Work: A National Study of Burdens from Occupational Licensing*, 2nd ed. (Arlington, VA: Institute for Justice, 2017).
9. Morris M. Kleiner, "Introduction and Overview," in *Licensing Occupations: Ensuring Quality or Restricting Competition?*

(Kalamazoo, MI: W.E. Upjohn Institute for Employment Research), 1-15; Edward J. Timmons and Anna Mills, “Bringing the Effects of Occupational Licensing into Focus: Optician Licensing in the United States” (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, 2015).

10. Timmons and Mills, “Bringing the Effects of Occupational Licensing into Focus.”
11. Irina Horoi and Moiz Bhai, “New Evidence on National Board Certification as a Signal of Teacher Quality,” *Economic Inquiry* 56, no. 2 (2018): 1185–1201.