NEW TOOLS FOR UNDERSTANDING HOW OCCUPATIONAL LICENSING MATTERS TO WORKERS

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The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.
LICENSING IN THE U.S. LABOR MARKET

• Over time, licensure has been required for more jobs
  • From 5% of workforce to almost 25%
  • Combo of occupations newly becoming licensed + growth of service sector
• Important to understand who is licensed
  • Licensed jobs are unevenly spread across occupations and the country
  • Some demographic groups more likely than others to be licensed
• Growing evidence about effects of licensure policy
  • Consistent evidence that licensure reduces employment
  • We find that employment reductions are larger for immigrants
  • Licensing has an important public safety role—but details matter for minimizing costs
Relatively new BLS-Census data illuminate licensure at worker level

- Reveals that licensed workers tend to have more education, lower unemployment, and higher pay
- Licensure common in economically critical sectors like health care

Who is licensed?
WORKERS IN MANY OCCUPATIONS ARE LICENSED

Share of occupation group that is licensed

- Healthcare practitioners
- Legal
- Education, training, and library
- Healthcare support
- Community and social services
- Protective service
- Personal care and service
- Life, physical, and social science
- Architecture and engineering
- Installation, maintenance, and repair
- Business and financial operations
- Management
- Transportation and material moving
- Construction and extraction
- Sales and related
- Production, transportation, and material moving
- Arts, design, entertainment, sports, and media
- Office and administrative support
- Farming, fishing, and forestry
- Computer and mathematical
- Building and grounds cleaning and maintenance
- Food preparation and serving

Percent (%)
WORKERS WITH MORE EDUCATION OFTEN LICENSED

Share of education group that is licensed

- Advanced degree
- Bachelor's degree only
- Associate degree
- Some college, no degree
- High school only
- Less than high school

Percent (%)

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MINNEAPOLIS FED OCCUPATIONAL LICENSING DASHBOARD

• Motivation
  • Make publicly available data on licensure easily accessible to non-researchers
  • Highlight the prevalence of licensure across geography, occupation groups, and demographic categories
  • Allow exploration of labor market outcomes for different groups of workers

• Focus
  • Characteristics of licensed workers in a given state and occupation
  • Outcomes for all workers in a given state and occupation
Using the Occupational Licensing Dashboard

The Occupational Licensing Dashboard depicts the prevalence of licensure—across occupations and states—alongside a selection of worker and occupation characteristics. To begin, select an occupation or all workers from the drop-down menu. The map will then show the fraction of a state’s licensed population made up by that occupation’s licensed workers. Click a state to see state-specific statistics, alongside estimates for the entire U.S., in the accompanying figures to the right of the map.

Choose an occupation:

- Preschool and Kindergarten Teachers

Workers in this group instruct preschool-aged students, following curricula or lesson plans, in activities designed to promote social, physical, and intellectual growth.
Selected state: Minnesota
Selected occupation: Preschool and Kindergarten Teachers
Share of licensed employment from 2018-2022
Licensed population characteristics

Choose a characteristic:
Number licensed

Licensed workers by year

National licensed population
- 275k
- 270k
- 265k

National licensed population
- 5000
- 4500

Minnesota licensed population
- 2020
- 2021
- 2022

Note: Licensed population characteristics refer only to workers who report having an occupational license. Each data point is a 5-year pooled average.
Choose a characteristic:
Race

Share of occupation by race

Note: Occupation characteristics refers to all workers within a given occupation. Each data point is a 5-year pooled average.
Occupation characteristics

Choose a characteristic:

Foreign-born

Share of occupation by nativity

Note: Occupation characteristics refers to all workers within a given occupation. Each data point is a 5-year pooled average.
LICENSURE AND FOREIGN-BORN WORKERS
HEALTH-CARE SECTOR ACCOUNTS FOR ONE THIRD OF LICENSED FOREIGN-BORN WORKERS

Many licensed foreign-born workers are in health-care

- Other
- Financial Specialists
- Office and Administrative Support
- Construction
- Transportation and Material Moving
- Sales and Related
- Personal Care and Service
- Healthcare Support
- Management in Business, Science, and Arts
- Education, Training, and Library
- Healthcare Practitioners and Technicians

Share of licensed foreign-born workers (%)
FOREIGN-BORN WORKERS LESS LIKELY TO BE LICENSED

Foreign-born workers are less likely to be licensed

- Less than bachelor’s degree
- Bachelor’s degree
- More than bachelor’s degree

Percent licensed

Workers of color & indigenous workers
- Foreign-born
- Native-born

White workers
- Foreign-born
- Native-born

Workers of color & indigenous workers
- Foreign-born
- Native-born

White workers
- Foreign-born
- Native-born

Workers of color & indigenous workers
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EFFECT OF LICENSURE ON EMPLOYMENT

- Substantial effects of licensure on employment
  - 17-27% lower employment on licensed side of state borders
  - 30% lower employment in highly licensed state-occupations than unlicensed state-occupations
- Effect are on labor supply: cost to entering the licensed workplace
  - Licensing fees, paperwork burden, and cost of training
  - Extra costs for some groups:
    - People with criminal records
    - Foreign-born workers

Sources: Blair and Chung (2019); Kleiner and Soltas (2019); White House (2015)
EFFECT OF LICENSURE ON IMMIGRANT EMPLOYMENT

• Licensure reduces foreign-born employment in a state-occupation pair by nearly 20 percent relative to native-born employment

• This drives substantial negative employment effects for Asian and Latino workers in particular

• Wage premiums for licensed immigrants are larger than for licensed native-born workers, consistent with barrier to entry explanation

• Methods and results can be found in Boesch, Lim, and Nunn (2023)
In states that license an occupation, the foreign-born share of occupation employment is lower than in states that don’t license the same occupation.

What are the possible mechanisms?

- Language barriers
- Lack of credential acknowledgment

Other research and the upcoming panel discussion can shed light.

Community Development Working Papers (May 2023)

**Occupational Licensing as a Barrier to Entry for Immigrants**

Tyler Boesch, Katherine Lim, and Ryan Nunn

[Download PDF](https://www.minneapolisfed.org/research/community-development-working-papers/occupational-licensing-as-a-barrier-to-entry-for-immigrants)
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