

NEW TOOLS FOR UNDERSTANDING HOW OCCUPATIONAL LICENSING MATTERS TO WORKERS

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FEDERAL RESERVE BANK
OF MINNEAPOLIS



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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



LICENSED OCCUPATIONS ARE ECONOMICALLY CRITICAL

- 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

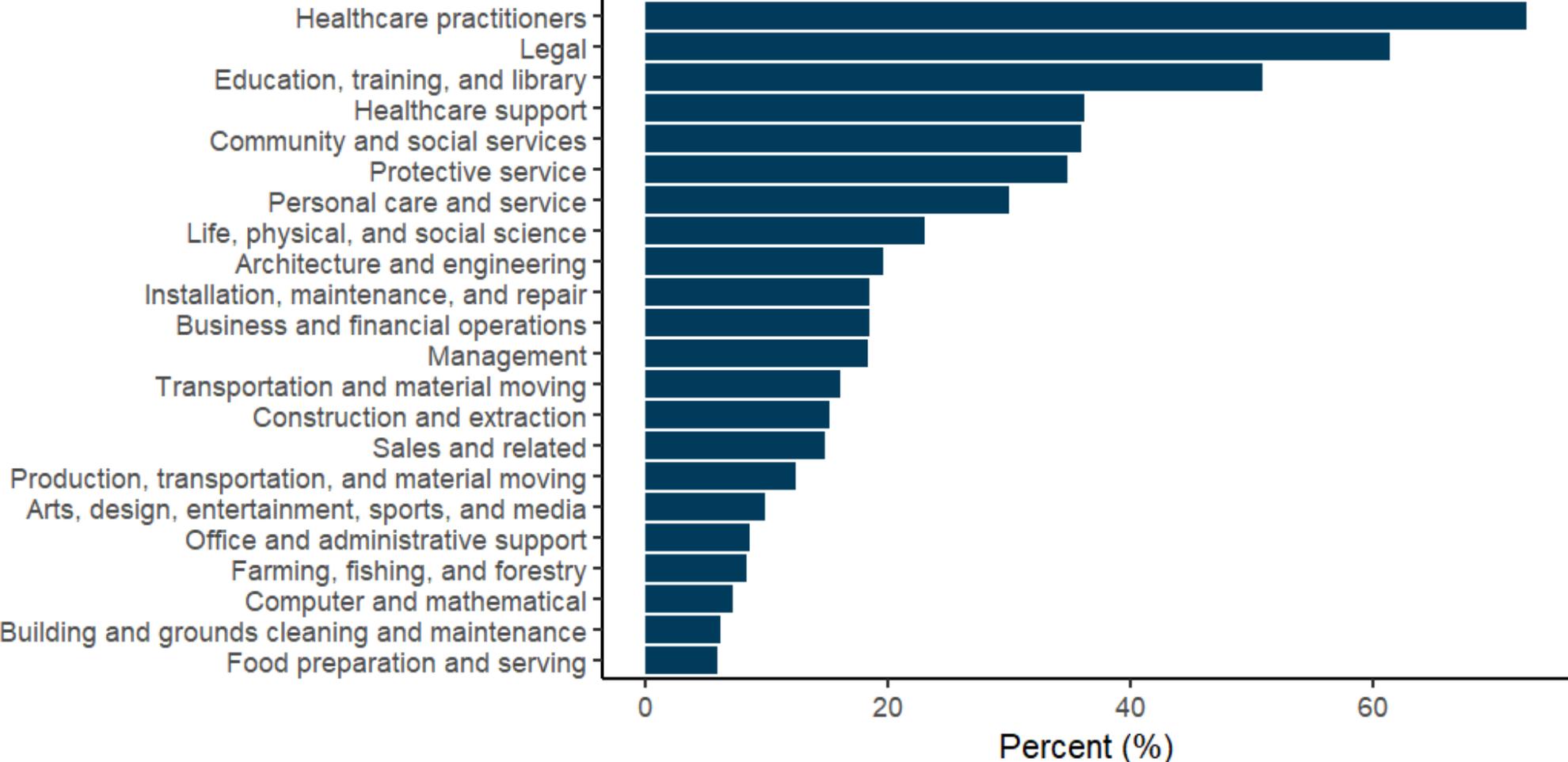


Who is licensed?

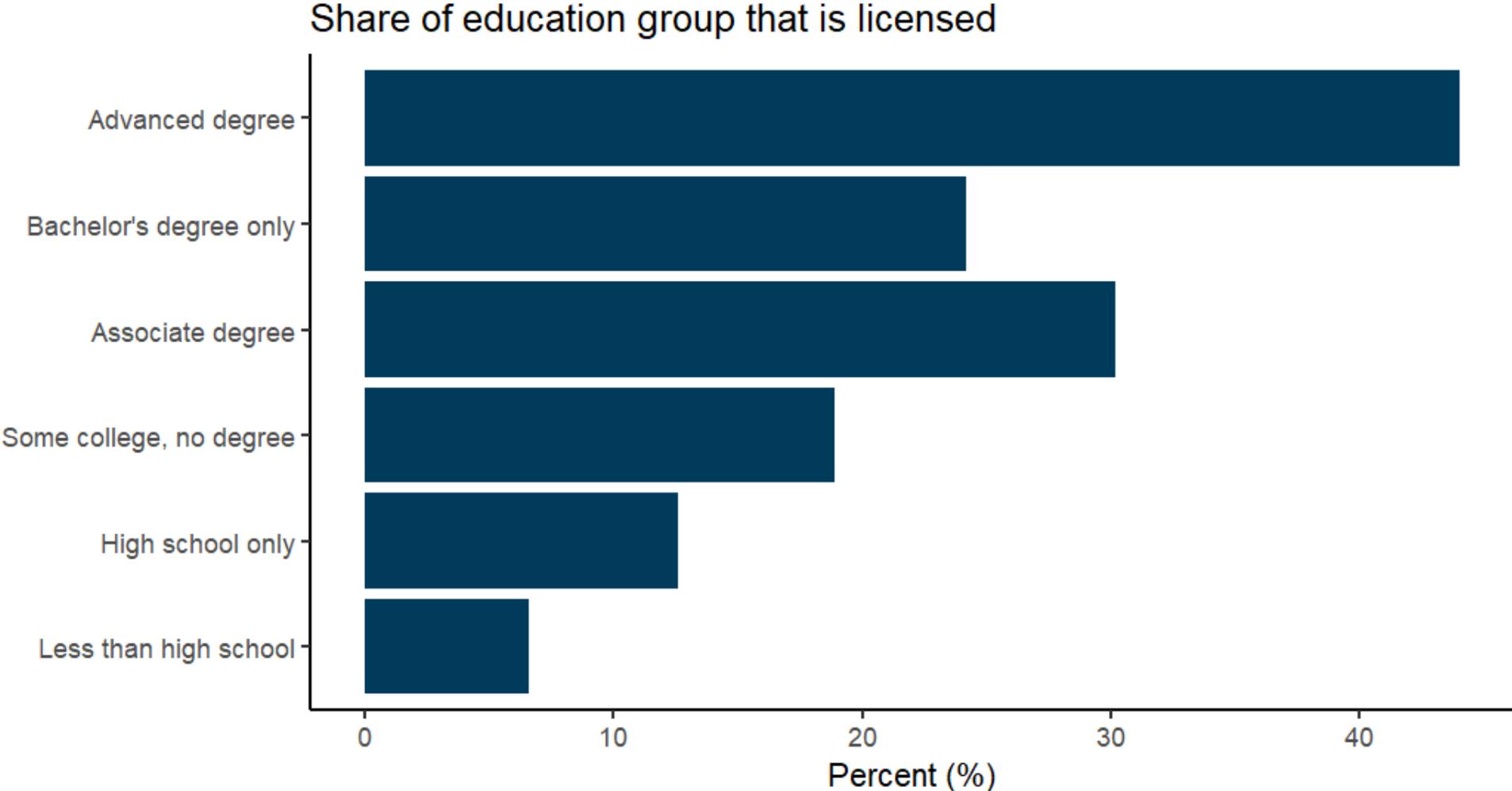


WORKERS IN MANY OCCUPATIONS ARE LICENSED

Share of occupation group that is licensed



WORKERS WITH MORE EDUCATION OFTEN LICENSED





THE OCCUPATIONAL LICENSING DASHBOARD



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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:

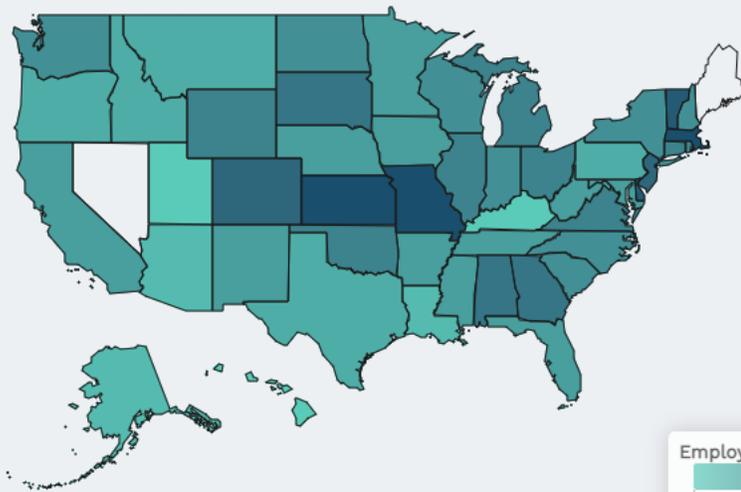
Preschool and Kindergarten Teachers ▼

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

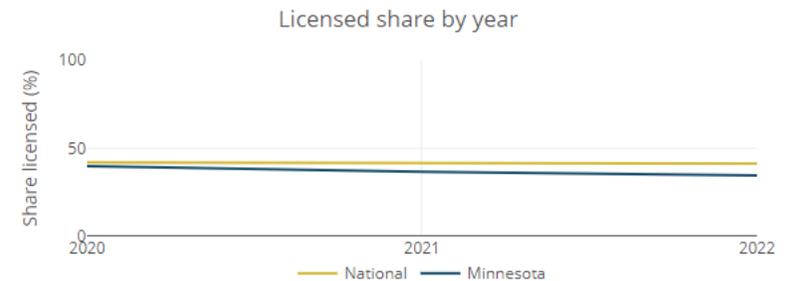
Share of licensed employment from 2018-2022



Licensed population characteristics

Choose a characteristic:

Licensure rate ▼



Note: Licensed population characteristics refer only to workers who report having an occupational license. Each data point is a 5-year pooled average.
Source: Bureau of Labor Statistics Current Population Survey January 2016-December 2022 (accessed via IPUMS-CPS).

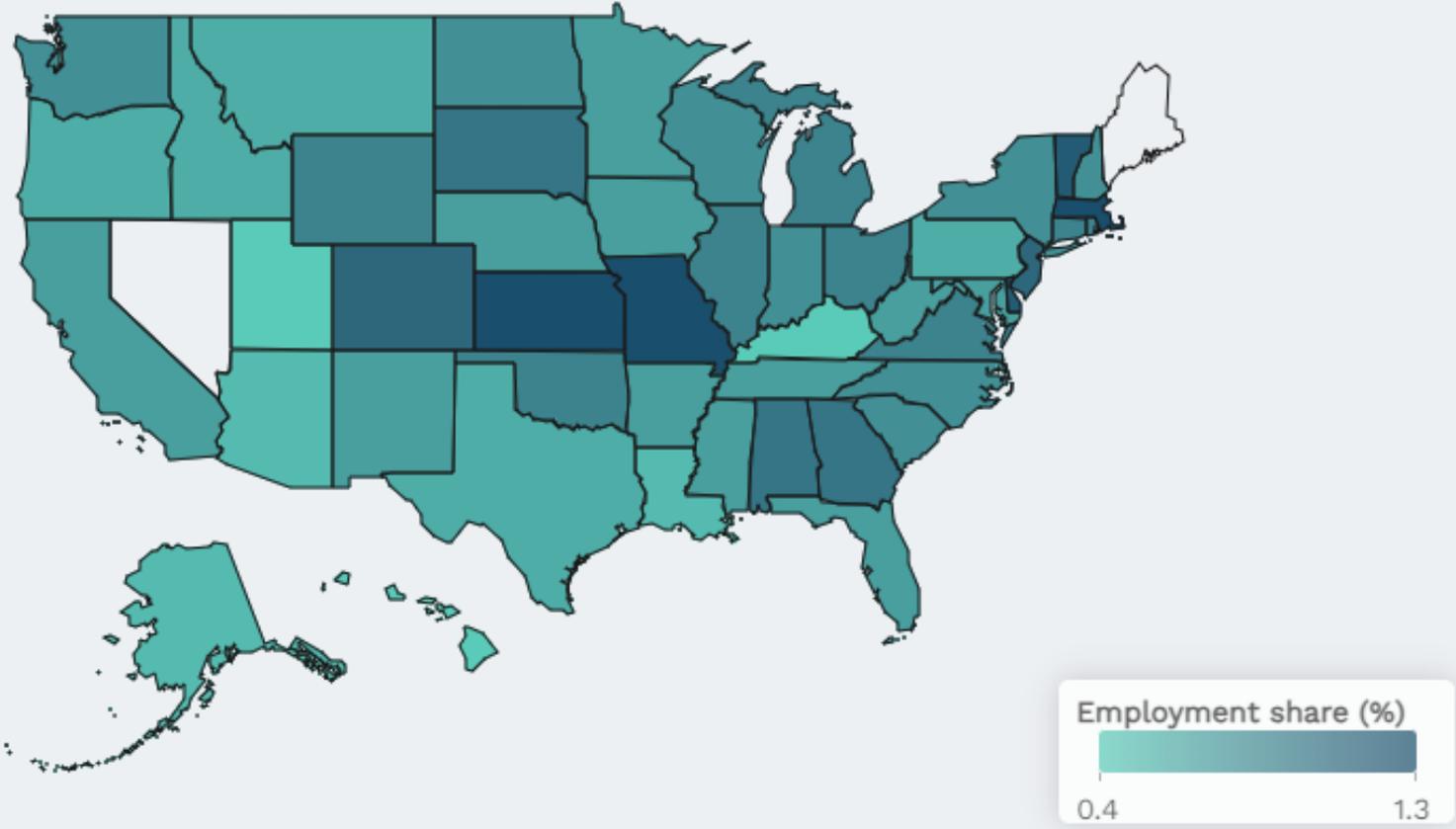
Occupation characteristics



Selected state: Minnesota

Selected occupation: Preschool and Kindergarten Teachers

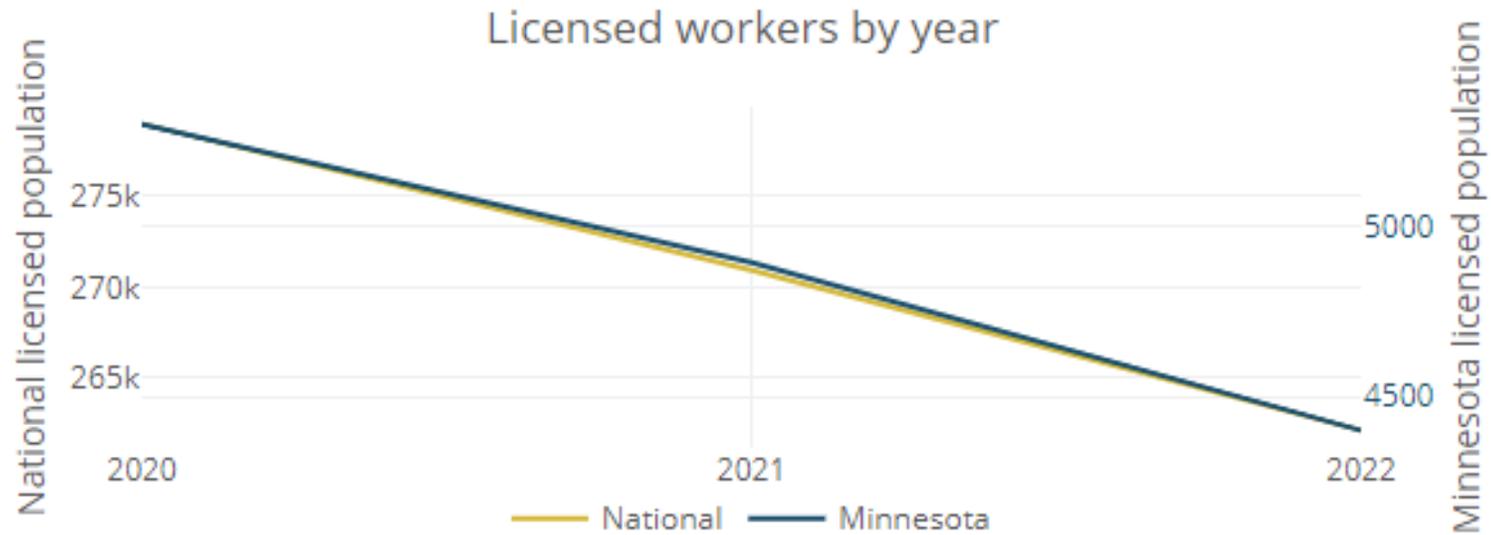
Share of licensed employment from 2018-2022



Licensed population characteristics

Choose a characteristic:

Number licensed



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

Source: Bureau of Labor Statistics Current Population Survey January 2016-December 2022 (accessed via IPUMS-CPS).

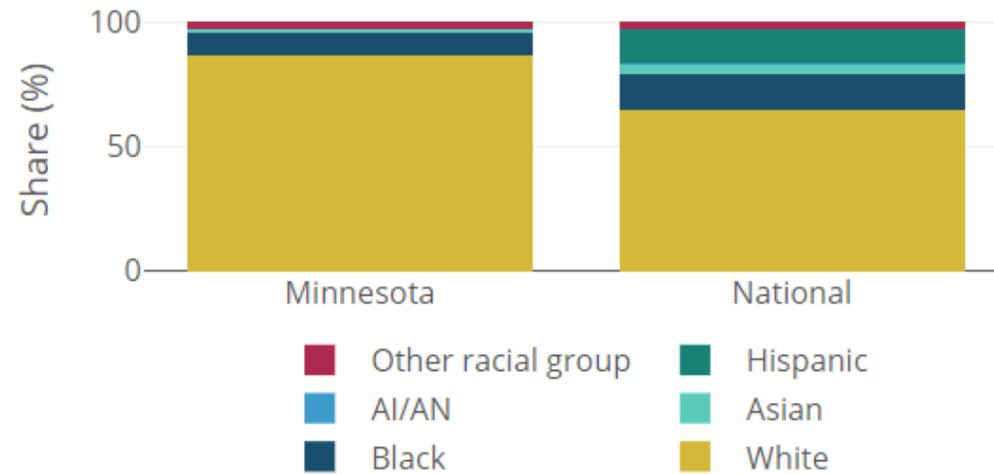


Occupation characteristics

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.
Source: Bureau of Labor Statistics Current Population Survey January 2018-December 2022 (accessed via IPUMS-CPS).

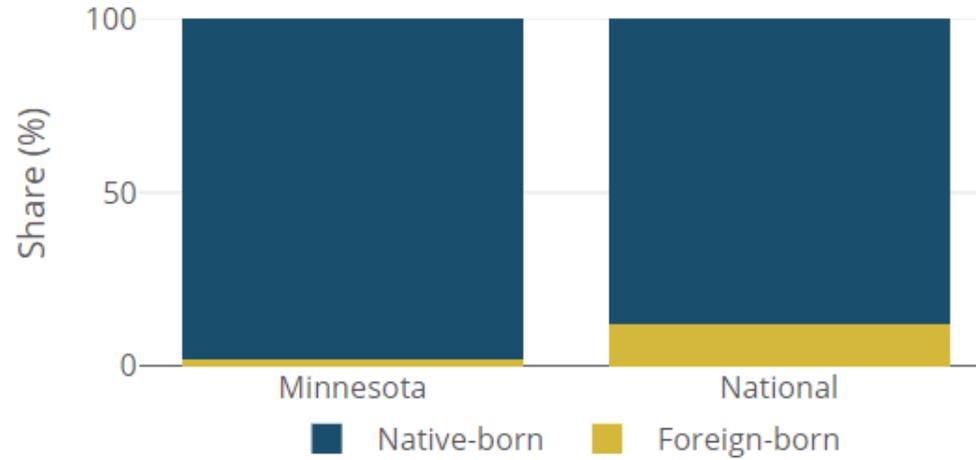


Occupation characteristics

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.
Source: Bureau of Labor Statistics Current Population Survey January 2018-December 2022 (accessed via IPUMS-CPS).



A stylized eagle logo in light blue and white, featuring a circular border with stars, set against a teal background. A thick yellow diagonal line runs from the top left towards the bottom right, separating the teal background from the white background.

LICENSURE AND FOREIGN-BORN WORKERS



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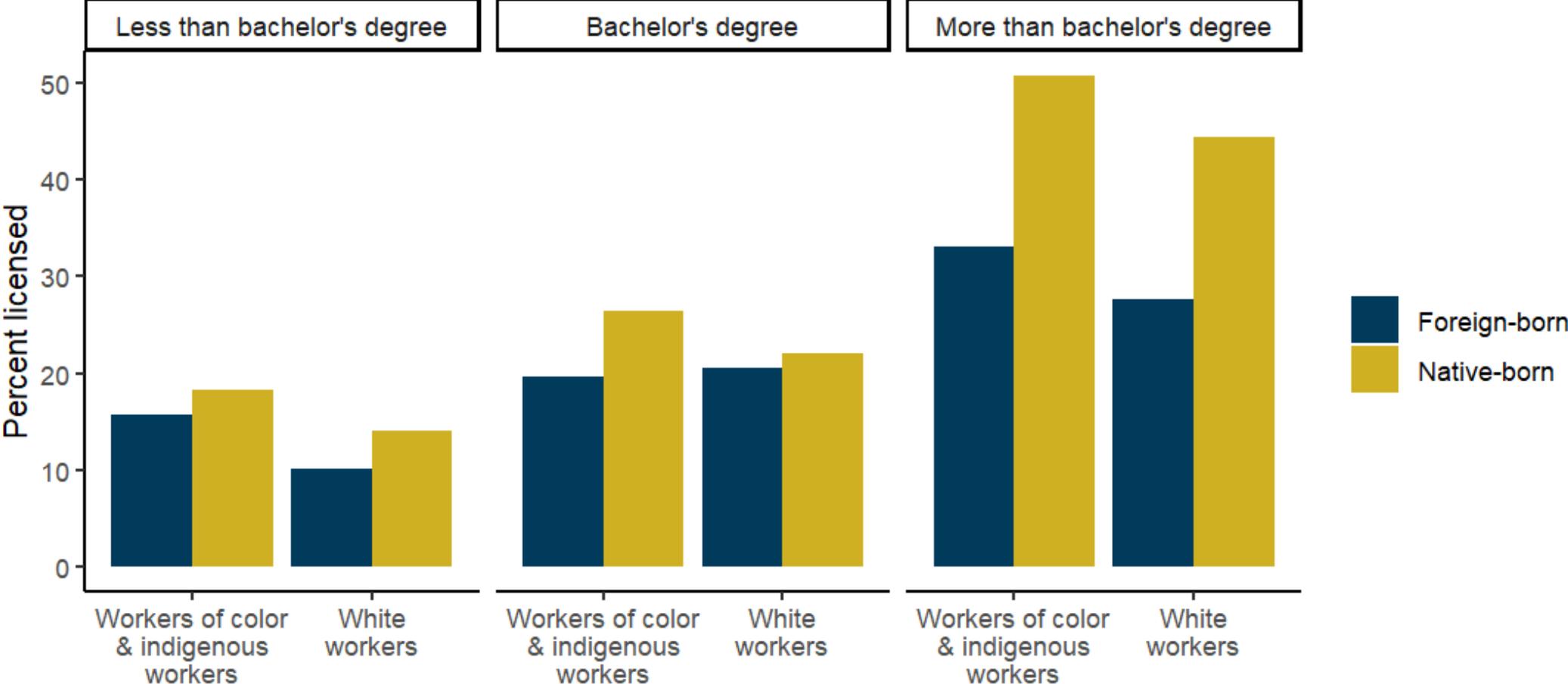
HEALTH-CARE SECTOR ACCOUNTS FOR ONE THIRD OF LICENSED FOREIGN-BORN WORKERS

Many licensed foreign-born workers are in health-care



FOREIGN-BORN WORKERS LESS LIKELY TO BE LICENSED

Foreign-born workers are less likely to be licensed



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



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)



EFFECT OF LICENSURE ON IMMIGRANT EMPLOYMENT

- 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>



THANK YOU

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