



The Our American States podcast—produced by the National Conference of State Legislatures—is where you hear compelling conversations that tell the story of America’s state legislatures, the people in them, and the policies, process and politics that shape them.

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### **Jobs, Licensing and the Economy | Feb. 13, 2020 | OAS Episode 83**

Hello and welcome to “Our American States,” a podcast from the National Conference of State Legislatures. On this podcast, we’re all about legislatures: the people in them, the policies, process and politics that shape them. I’m your host, Ed Smith, and a new voice on this podcast.

In just a few minutes, we’re going to talk about occupational licensing, but first we wanted to check in with Gene Rose, who has been the voice of “Our American States” for the past three years. Gene, welcome.

Gene: Thanks, Ed, glad to be here.

*Time Marker (TM): 0:42*

Ed: Gene, tell us why you’ve decided to hand over the reins of “Our American States.”

Gene: Well, it’s kind of odd being on this side of the equation, Ed, but I was fortunate enough to be named Communications Director for NCSL, a position I actually had before, so I’m really glad to be back. But I have much added responsibilities, so I had to give up the podcast.

So, I thought we’d have to do a nationwide search to figure out who would replace me, but fortunately I had someone right next door, as you are retiring, and you agreed to take the podcast. I’m really looking forward to the changes that you have planned.

*TM: 01:18*

Ed: Well thanks, Gene. Yes, I’m leaving NCSL as Content Director and taking on this as my new part-time job in retirement.

I'm planning a few tweaks to the podcast. We're going to continue to look at public policy issues; we know those are important to legislators and legislative staff. But we also want to devote more time to leaders and leadership issues.

Another segment I hope to roll out in the next few months will be a monthly review of legislative topics in the news. We'll be bringing in NCSL experts to fill us in, and of course we're always looking for the voices of legislators and legislative staff to share their experiences, which is part of NCSL's mission.

*TM: 01:54*

Ed: Now, Gene, I've got a question for you. You've produced more than 80 episodes of the podcast. How do you think the podcast helps legislators and legislative staff tackle their jobs in capitols across the country?

Gene: The experts that we got were able to tell the story of their particular policy issues in a way that I think was really important for legislators and legislative staff to understand. We were really able to dive into some really serious topics like school bus safety and opioids and a lot of other issues that legislators and staff are really grappling with right now.

And I think that we designed it in a way for it to be about 20 minutes long, long enough for people who have to drive to the capitol that they could listen to it and get a good feel for the topics that we were covering.

*TM: 02:45*

Ed: So, Gene, I know I have a few of my favorite episodes you've done over the last three years. I loved hearing legislators talk about what they wished they knew when they first came into the legislature. And we've had some good ones on brain science and other professional development topics.

But I've got a question for you: Of all those that you've done, did you have a favorite?

Gene: Well, Ed, you're right. There were a lot of great topics. I particularly remember doing podcasts with Lisa Soronen about the Supreme Court and she was really able to give us some great information on what the Supreme Court was doing and anticipating what they were doing.

And we looked at other things: federalism and civil discourse. There were a lot of great topics that we talked about... talked with superstars like Frank Lund who is a national pollster.

But probably the person that I will remember the most is Doris Kearns Goodwin who just can tell a story in a way that nobody else I've ever come across, and that was a really great 20 minutes to spend one-on-one with her and learning about the history and how she goes about studying former presidents and analyzing what they do in a way that is applicable for what legislators are doing today.

*TM: 04:00*

Ed: Well, Gene, I know I have big shoes to fill and I want to thank you for the opportunity to become the voice of “Our American States,” and I’m sure you’re going to come back as a guest sometime soon.

Gene: I hope that happens, Ed. Thank you very much. I’m looking forward to hearing your podcast in the future.

Ed: Thank you, Gene.

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Ed: Now let’s turn our attention to occupational licensing and our guest today, Dr. Morris Kleiner. Dr. Kleiner is an economist and a professor at the University of Minnesota’s Humphrey School of Public Affairs. He’s one of the nation’s preeminent experts on occupational licensing.

Dr. Kleiner, welcome to “Our American States.”

Dr. K: Well, I’m delighted to be with you. Thank you for the invitation.

*TM: 04:46*

Ed: Dr. Kleiner, you’ve been researching occupational licensing for quite some time. You’re considered a leading expert in the topic. Could you give us a brief overview of occupational licensing?

Dr. K: Yes. Occupational licensing has a legal and policy definition. Legally, it’s the ability to work for pay only if you have permission from government. And that differs, for example, for certification, which is a right to title.

So you might think of doctors being licensed, that is only someone who has achieved a certain level of proficiency according to the government would be able to perform those duties, where someone who is certified as a chartered financial analyst, that is only they can hold themselves out as having certain qualifications from the government, but other people can provide those services if they don’t use that title.

*TM: 05:54*

Ed: So, we’re talking here about higher level professional positions. But as I understand it, occupational licensing affects a wide swath of jobs.

Dr. K: Yes, somewhere between one-fifth and one-fourth of all workers in the U.S. are required to have permission in order to work for pay. And this includes many occupations such as barbers, cosmetologists who are virtually all licensed.

So that is the evolution of this particular labor market institution.

*TM: 06:35*

Ed: So, of interest to us here at NCSL is why occupational licensing has become such a hot topic among policymakers. So, can you tell us a little about how this topic has evolved and why it's of such keen interest now?

Dr. K: Well, licensing is really as old as the republic, but it was not nearly as pervasive in the 1800s. For example, in the 1830s, Alex de Tocqueville who was writing about the United States for world consumption, this new republic, said that the Americans find it very easy to change professions and they make the most of it.

Depending on the needs of the moment, you meet some of them who have been successively lawyers, farmers, merchants, evangelical ministers and doctors. Now what de Tocqueville found is not nearly as easy. Licensing really results in there being barriers to enter an occupation and to move across states.

*TM: 07:41*

Ed: So, what specifically are the policy issues state legislators and regulators are working on?

Dr. K: There have been a number that have evolved over time. For example, ex-offenders, individuals who have committed a violation or have been incarcerated oftentimes cannot get a license for a very long time, if ever.

Individuals who may have been trained in healthcare in the military, for example, an emergency technician in the military, have to go through the same requirements even though they met the military requirements and have been actively involved in the job.

In addition, geographic mobility has been a real problem. Individuals moving from state to state oftentimes have to retake a licensing exam.

And issues of what's called labor market fluidity or churning – the ability of the labor market and the economy to allow some areas to decline and move into other areas. So if you're trying to move into a licensed occupation, for example, a cosmetologist/barber, you have to go through a lot of requirements including paying tuition at a place like Aveda, which is fairly expensive, and completing up to 1500 hours of training in order to move into those occupations.

Consequently, individuals at the lower part of the income distribution either can't afford to pay the tuition or can't take the time away from their work in order to meet these new requirements that are set not by the occupation or by consumers, but rather by the government.

*TM: 09:42*

Ed: So, for those of you who have studied this topic, do you see licensing as a barrier to the middle class for some workers?

Dr. K: Yes. It is forming a barrier in terms of individuals who may have been, for example, a janitor, or may have been a tailor, which are not licensed, and they want to move into an occupation such

as a plumber or an electrician or a barber. Moving into those service occupations requires a lot of additional training and tuition and time away from work.

So, for individuals in the lower part of the distribution to move into the middle class takes a fair amount of time and money and individuals who are not making much money just can't afford it.

*TM: 10:37*

Ed: We know that legislators' concern about licensing stems from concerns about how to fix the overall economy in a state. Can you talk about that?

Dr. K: In terms of what's been happening, oftentimes licensing can reduce overall output in the economy. By serving as a barrier to entry, these services are not provided for those individuals that are in the occupation. It's good they can make more money, they have more opportunities, they have better benefits.

But the result is that output is reduced because these barriers exist especially in the licensed part of the U.S. economy.

*TM: 11:22*

Ed: Are there some common misconceptions about occupational licensing?

Dr. K: One issue is that it may improve quality, that is: Does it enhance the quality of the workforce? And it may do so by additional training, but it reduces the services that are generally available and consequently, as I mentioned, would reduce output in the economy.

*TM: 11:47*

Ed: On that point, I know you've done your own research on the effects of licensing on transportation in the ride-hailing area. What have you found through this research?

Dr. K: I've done work in terms of licensing at Uber and have done the work in a number of different locations. For example, at Newark Airport, there are both licensed and unlicensed drivers, ride-sharing drivers. In New York, individuals who provide ride sharing are required to have a license, and that means they have to go through several weeks of training at the cost of several thousand dollars. In New Jersey, there are no such requirements.

So we examined in a random assignment individuals who are picked up, who are either licensed New York drivers or unlicensed New Jersey drivers, and we'd see if the quality of the ride measured by what the consumer or the rider gives a rating to the driver, or measures of safety such as: Did the ride result in lots of fast starts or fast stops? And what percentage of the rides resulted in these hard starts or hard stops?

And that's all measured through the app. And the result was we couldn't find any difference either in satisfaction or in safety as a consequence of being a licensed New York driver relative to an unlicensed New Jersey driver.

*TM: 13:32*

Ed: What are some of the best practices related to licensing and professional regulations that you see happening in states?

Dr. K: Well, the states are really involved in a lot of to-and-fro in terms of relaxing regulations. So, for example, Arizona has allowed anyone to move to the state who is licensed in another state, and if they're a resident, they have immediate reciprocity; that is, they can practice right away.

Florida, Pennsylvania, Nebraska and Ohio are also reexamining whether they should relax some of their occupational licensing rules. On the other hand, there are occupations such as music therapists, interior designers that are seeking and oftentimes getting licensing in other states.

In addition, you're finding occupations are ratcheting up requirements for entry. So, for example, physical therapists in the 1990s, all you needed was to get a bachelor's degree. Now to become a physical therapist and become licensed, new physical therapists need to be a Doctor of Physical Therapy.

Similarly, in the area of accounting, individuals in the past needed to go four years to become a licensed certified public accountant. Now you need to go five years to do the same thing.

So, many occupations are really ratcheting up the requirements in order to enter the occupation.

*TM: 15:14*

Ed: So, is that what you think we'll see in the 2020 legislative sessions and beyond, more of this to-and-fro type of legislation?

Dr. K: Yes. Some occupations, as I mentioned, are seeking to become licensed, the occupations I mentioned. Other areas are relaxing their occupational licensing requirements in order to allow the fence that has kept individuals out of these occupations to become not as high.

*TM: 15:48*

Ed: Well, thank you Dr. Kleiner. Before we wrap up, is there anything else you'd like to tell us about occupational licensing that we haven't covered?

Dr. K: Well, I think occupational licensing largely increases what might be the perceived demand for the service, but it restricts the supply of labor services and, as I mentioned, serves as a fence for those wanting to enter government-regulated occupations.

So, there are harms for workers: the barriers are more rigid in terms of getting into these occupations, and it also raises prices and reduces access to consumers relative to a market where these regulations do not exist.

Ed: Dr. Kleiner, thank you for taking the time to talk with us today.

Dr. K: Oh, thank you for the opportunity.

Ed: And that concludes this edition of our podcast. We encourage you to review and rate our episodes on iTunes, Google Play and Spotify. You may also go to Google Play, iTunes and Spotify to have these episodes downloaded directly to your mobile device when a new episode is ready. For the National Conference of State Legislatures, this is Ed Smith. Thank you for listening and being part of “Our American States.”

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