A commonly cited argument for occupational licensing reform states that licensing results in restricted employment growth and higher wages for licensed workers, which in turn increases consumer costs. Higher wages benefit licensed workers, but wage disparity leads to inefficiency and unfairness, including reducing employment opportunities and depressing wages for excluded workers.

However, CSG's analysis of data from the Bureau of Labor Statistics (BLS) finds no evidence that licensing has any effect at all on wages and employment growth for electricians and massage therapists. Using original CSG time-series licensing data along with occupational employment data from BLS’ Occupational Employment Statistics (OES) program, this analysis compares wage trends before and after licensure, to a control state that does not license the occupation at all. Plotting wages for the licensed state and the control state, with hourly median wages on the vertical axis and year on the horizontal axis, while drawing a vertical line at the year of initial licensure shows any potential licensing effect. Deviations from wage trends prior to licensure can be attributed to licensing if the effect is similar across several state comparisons.

(SEE ATTACHMENT FOR PLOTTED DATA)

When comparing the time series data plotted for licensed and non-licensed states, there is no evidence that these occupations becoming licensed has an effect on wages and employment. The result is most convincing for electricians. When looking at the plotted time series data, the trend lines barely changes at all upon initial licensure. If a licensing effect did exist, we would expect the line to trend upward for wages and downward for employment after a state licenses electricians. However, when comparing with the control states that do not license, the trend lines hardly deviates at all upon initial licensure. This result is consistent across all three sets of state comparisons.

The result seems to hold even for an occupation within an entirely different industry. The trend lines for massage therapists are more erratic, but still do not seem to support a possible licensing effect. There must be other effects at work causing the wage and employment lines to shift, but these shifts do not occur in sync with the treatment state adopting a license requirement.

If most economists agree with the assumption that occupational licensing increases wages for licensed workers and decreases what are some possible explanations for this result? It may be the case that a licensing effect takes many years to be seen. The increase in wages and decrease in employment growth could be a slow, gradual process over the course of many years that eventually restricts entrants into the profession, but does not do so initially.

Secondly perhaps the licensing requirements adopted are not severe enough to deter an aspiring practitioner from entering the occupation.
The above tables from CSG, NCSL, and NGA’s Occupational Licensing Database [3] outline the licensing requirements for electricians and massage therapist in each treatment state where a license was adopted. Based on previous literature, if a licensing effect did exist for these occupations, you would expect the effect to be even more noticeable in the graphs for Nebraska and Iowa. The training and experience requirements for these two states are double the requirements for the other states who also recently adopted a license, yet the trend lines do not suggest that a more severe licensing effect exists.

This result is important to policy makers who are looking for new ways to grow their state’s economy. Occupational licensing reform has been a workforce priority of the two most recent presidential administrations with President Obama’s administration releasing a 76-page policy framework for state officials, and the Trump administration awarding large grants to enhance state occupational licensing portability of which CSG was a co-recipient [4].

Enhancing portability of state licensing and creating more a more equitable system for vulnerable populations like veterans and military families, people with criminal records, immigrants, and long-term unemployed workers is a crucial need. However, it is not clear from this evidence that deregulation will have the economic impacts that some believe.

If the result of a state adopting a license for certain occupations is negligible for these economic indicators, perhaps policymakers should focus their efforts on things other than deregulation when figuring out how to grow their state economies. Some argue that removing these licensing barriers will result in an influx of new practitioners into the occupation which will stimulate job growth. The evidence from CSG’s analysis does not show that this would be the case. If an occupation becoming licensed does not affect wages or employment, then deregulating an occupation likely won’t affect these outcomes either.