There is a strong connection between employment and poverty. It is intuitive that people who have access to full-time, year-round employment are less likely to be living in poverty and the data bears this out: In 2016, 5.8 percent of all workers ages 18 to 64 lived in poverty. Among all individuals who worked full time and year-round, 2.2 percent were living in poverty. By contrast, among those ages 18 to 64 who did not work at least one week during the calendar year, the poverty rate was 30.5 percent.¹

State policymakers who are interested in increasing employment and reducing poverty rates in their state can look to occupational licensing reform as a way to address both challenges. Occupational licensing requirements—including the need to pass exams, attend continuing education, and pay licensing and renewal fees—can present significant barriers to entering a licensed occupation. These barriers can reduce total employment in that profession, which in turn can increase the prices of goods and services.

The burden of paying for the education and fees required to obtain a license and paying higher prices for goods and services are disproportionally felt by those for whom money is tightest: Americans who are low-income, unemployed and/or dislocated workers. This policy brief outlines options for policymakers working to ensure that occupational regulations provide flexibility for licensed workers and ensures public safety.

What is an occupational license?
An occupational license is a credential that government—most often states—requires a worker to hold in certain occupations. Aspiring workers must meet state-specific educational, training, testing and other requirements to practice in a licensed profession. Occupational licenses are mandatory in the relevant jurisdiction, intended to set professional standards and ensure safety and quality of work, and are time-limited. Violation of the terms of the license can result in legal action.
### Demographic and Economic Information

<table>
<thead>
<tr>
<th>Population group</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income people²</td>
<td>People who meet the Workforce Innovation and Opportunity Act (WIOA) definition of low-income individuals have at least one of the following conditions:</td>
</tr>
<tr>
<td></td>
<td>• receives or is part of a family that receives cash payments from an income-based public assistance program</td>
</tr>
<tr>
<td></td>
<td>• has had an income in the past six months that does not exceed the poverty line or is 70 percent of the lower-living standard income level</td>
</tr>
<tr>
<td></td>
<td>• is a member of a household receiving food stamps or is homeless</td>
</tr>
<tr>
<td></td>
<td>• is a foster child</td>
</tr>
<tr>
<td></td>
<td>• is a person with a disability whose own income does not meet the criteria above but who is part of a family that exceeds the limits</td>
</tr>
<tr>
<td>Unemployed³</td>
<td>People are classified as unemployed if they do not have a job, have actively looked for work in the prior four weeks and are currently available for work. The federal government’s total unemployment figures cover more than the number of people who have lost jobs. They include people who have quit their jobs to look for other employment, workers whose temporary jobs have ended, individuals looking for their first job, and experienced workers looking for jobs after an absence from the labor force (for example, stay-at-home parents who return to the labor force after their children have entered school). It is important to note that people are only considered to be unemployed if they are actively seeking work and available to take a job, but have yet to find one.</td>
</tr>
<tr>
<td>Dislocated workers⁴</td>
<td>Dislocated workers can fall under the definition of unemployed. A person may be considered a dislocated worker if he or she:</td>
</tr>
<tr>
<td></td>
<td>• has been laid off or received a lay-off notice from a job</td>
</tr>
<tr>
<td></td>
<td>• is receiving unemployment benefits after being laid off or losing a job and is unlikely to return to a previous occupation</td>
</tr>
<tr>
<td></td>
<td>• is self-employed but is now unemployed due to economic conditions or natural disaster</td>
</tr>
<tr>
<td></td>
<td>• previously provided unpaid services to the family (i.e., a stay-at-home mom or dad), is no longer supported by a spouse, is unemployed or underemployed, and is having trouble finding or upgrading employment.</td>
</tr>
<tr>
<td></td>
<td>• Those who have given up looking for work.</td>
</tr>
<tr>
<td>Federal poverty thresholds and guidelines⁵</td>
<td>The poverty thresholds are the original version of the federal poverty measure. They are updated each year by the U.S. Census Bureau. The thresholds are used mainly for statistical purposes—for instance, estimating the number of Americans living in poverty each year. (In other words, all official poverty population figures are calculated using the poverty thresholds, not the guidelines.) Poverty thresholds since 1973 (and for selected earlier years) and weighted average poverty thresholds since 1959 are available on the Census Bureau’s website. For an example of how the bureau applies the thresholds to a family's income to determine its poverty status, see “How the Census Bureau Measures Poverty” on its website. The poverty guidelines are the other version of the federal poverty measure. They are issued each year in the Federal Register by the Department of Health and Human Services (HHS). The guidelines simplify the poverty thresholds for administrative purposes—for instance, determining financial eligibility for certain federal programs. The 2017 federal poverty guideline for an individual living in poverty is an annual income of $12,140.</td>
</tr>
</tbody>
</table>

It is important to note the specific definitions of poverty, low income (using the WIOA definition noted above) and unemployed as they each represent unique groups. Additionally, the connection between poverty and access to stable employment is notable and relevant to discussions about barriers to employment.
Unemployed workers

Unemployed workers tend to have lower education and skill levels, be younger, and live in certain concentrated geographic areas.

**Poverty Rates by County, 2016**

- 3.4%-10.6%
- 10.7%-14.7%
- 14.8%-19.1%
- 19.2%-24.4%
- 24.5%-32.4%
- 32.4%-48.6%

*Source: U.S. Census Bureau*

Unemployment impacts various age groups differently, and access to licensure can affect unemployment rates in different ways based on an individual’s age. For adults ages 18 to 35, the unemployment rate for people with neither a license nor a college degree is 9.9 percent, whereas the unemployment rate for individuals ages 18 to 35 with a license but no degree is 5.2 percent. When workers older than 45 lose a job, they are unemployed for longer periods of time than younger workers. This is compounded for older workers without a license, who have periods of unemployment lasting 40 percent longer than older workers with licenses.7

Unemployment rates by age group:
- Ages 16-19: 827,000
- Ages 20-24: 1,127,000
- Ages 25-34: 1,647,000
- Ages 35-44: 1,143,000
- Ages 45-54: 1,060,000
- Ages 55-64: 835,000
- Ages 65+: 343,000

*Source: Bureau of Labor Statistics*
Impacts of Occupational Licensing

Occupational licensing requirements can pose unique burdens on unemployed and low-income people, including obtaining an initial license and relocating to another state to seek new employment in a licensed field. While some aspects of licensing requirements may benefit low-income individuals, particularly those who are able to obtain a license, it is important to consider the costs and benefits of licensing in specific occupations for this population.

The costs of licensure can be particularly burdensome for low-income, unemployed or dislocated workers who may lack resources to pay for the necessary education and training, as well as licensing fees and other costs. The Institute for Justice’s 2017 License to Work report found that, on average, becoming a licensed worker takes almost 12 months of education or training, a passing score on an exam, and payment of more than $260 in fees across the 102 occupations they studied. In many states, these requirements are significantly higher, with large variances in the cost and training required for some occupations. Time to completion can also be formidable for people who need income now and may not have flexibility in their schedule or budget to simultaneously pursue the training they need while working elsewhere or looking for another job.

The training required to obtain a license may be overly onerous relative to the skills needed to practice some occupations. Significant variations across states in the training hours required to obtain a license for many occupations suggest that some states may require more training than necessary for a given occupation. Additionally, training requirements can be unrelated to the skills needed to successfully practice an occupation. For example, some states require people seeking to provide hair braiding services to obtain cosmetology licenses, despite the fact that hair braiding skills are not part of the training for a cosmetology license.

Work experience requirements may also pose unique barriers to unemployed and dislocated workers, particularly if relevant opportunities are not available in the labor markets in which they currently reside. This requirement can pose particularly high burdens for the long-term unemployed, as evidence suggests they have a much harder time obtaining employment than those with shorter unemployment tenures. Education costs related to licensure are often mitigated by means-tested financial aid programs, but dislocated workers may have trouble establishing eligibility based on recent earnings. Entrepreneurship is another possible solution for some unemployed and low-income workers. However, licensing requirements may restrict their ability to create new businesses.

Dislocated workers who are licensed—especially those who are unemployed due to a lack of demand for their skills in their labor market—may have trouble transferring their licenses across state lines. While they might be willing to move from a distressed labor market to another state with better job prospects, they may experience barriers to obtaining an equivalent license.
What is the impact of licensing on geographic mobility?

Licensing rules limit geographic mobility for licensed workers, which can be particularly burdensome for unemployed and dislocated workers who could realize significant benefits by moving to a stronger labor market. Low-income workers may also have more difficulty affording both a move and the training costs and delayed earnings needed to begin work in a new state with different licensure requirements. This is because these costs represent a larger share of their income than they do for higher-income workers. Additionally, low-income individuals with spouses or other family members that would need a new license to relocate may face similar barriers. Increases in licensure rates have correlated with decreases in gross migration rates. Migration rates of workers are significantly lower, particularly for younger workers, in the most licensed occupations compared with the least licensed. Mobility barriers may prevent workers from matching with the jobs best suited to their skills, which in turn results in a less efficient labor market, reducing overall productivity and wages.

While occupational licensing requirements may pose barriers to employment for unemployed and low-income workers, the context for these barriers is important, and in some cases, they may be offset by other benefits for these populations. Workers in licensed occupations earn higher wages relative to other unlicensed occupations that require similar skill sets. And licensed workers have significantly lower unemployment rates, higher rates of full-time work, and longer tenures in their positions. This suggests that if low-income workers are able to obtain a license, they stand to benefit relative to their pursuit of work in non-licensed occupations. Additionally, the wage premiums of obtaining a license are particularly strong for black and Hispanic workers, as well as for women, though some research suggests that these effects may be less significant if controlling for other factors. Licensing requirements may also benefit workers without access to strong social networks and decrease barriers to entry unrelated to licensure. For example, higher proportions of minority workers were employed as paralegals in California after the state added licensure requirements, which may be due to employers focusing more on objective qualifications than relationships from their network.

Impacts of Licensing for Low-Income Consumers

In addition to the labor market, occupational licensing laws also impact consumers. Research suggests that licensing increases the costs of some services, which can affect low-income consumers who are particularly sensitive to price changes and have less disposable income. This finding is intuitive, based on the higher wages earned by licensed workers and limits to supply that licensing requirements can impose. Reductions in the supply of service providers can also result in geographic disparities in service availability, with providers focusing on higher-income areas to the detriment of lower-income areas.

However, low-income consumers are also particularly sensitive to costs that may arise from service providers who deliver deficient services and have less access to remedies. Licensure can play a role in ensuring quality and consequences for bad actors. In cases of information asymmetry between providers and consumers, licensure can play an effective role in ensuring that unqualified actors are excluded from the market. Context is important, as research suggests that licensure has little impact on quality in some occupations, but other research shows positive effects on quality for certain occupations, including midwives, dentistry, nurse practitioners and teaching.
Policy Options

Occupational licensure reform may include broad changes that impact multiple occupations and regulatory governance structures or address specific occupations. Broader reforms include enacting sunrise and/or sunset reviews of licensing statutes and rules, or adjusting governance structures and oversight mechanisms for relevant boards and agencies. Occupation-specific reforms include entering into interstate compacts or reciprocity agreements, altering specific licensing requirements for a profession, or reducing regulation of an occupation (such as lowering requirements for registration or certification). A selection of policy changes that may impact low-income and unemployed people are as follows:

Targeted approaches

REDUCE OR WAIVE FEES

Costs associated with paperwork processing, background checks and coursework required for licensure can be high for those in the workforce. Some states also rely on these fees as sources of revenue for other state activities, which results in higher fees that disproportionately burden low-income individuals. States can reduce these costs directly by limiting what can be charged, or indirectly by streamlining the administration of licensing to reduce budgetary demands. One option to address this is by waiving licensing fees for qualifying low-income or unemployed people.

- **Example:** Legislation proposed, but that failed to pass, in 2017 in Arizona would waive initial licensing fees for first-time applicants whose family income does not exceed 200 percent of the federal poverty guideline.20

ALIGN LICENSING CRITERIA WITH WORKFORCE SUPPLY AND DEMAND

States may choose to create specific criteria for licensing all occupations in order to balance competing interests and goals and ensure that standards are applied more consistently. To address low-income and unemployed workers, this can include ensuring that requirements impose minimal barriers to entry and/or are aligned with state-supported workforce training and education. To benefit dislocated workers seeking to move to or from the state, benchmarking requirements with those in other states may also be part of a broader reform. Occupations with higher-than-average expected job growth could be a target of this approach to boost the number of low-income or unemployed individuals who could find work in expanding fields. On the other side, occupations for which supply is not meeting demand could be another target for this approach. Easing licensure burdens may lead to unemployed and low-income people entering these occupations at a higher rate, alleviating shortages while also improving employment for these vulnerable populations.

- **Examples:** Tennessee passed legislation that implemented several reforms to improve employment opportunities in licensed professions (Senate Bill 2469 and House Bill 2201, 2016). The Right to Earn a Living Act requires state agencies to limit licensing requirements to those needed to protect public health, safety and welfare. Especially pertinent to the population groups discussed in this report, this legislation declares that the “burden of excessive regulation is borne most heavily by individuals outside the economic mainstream, for whom opportunities for economic advancement are curtailed.”

Arizona Governor Doug Ducey issued an executive order in March 2017 mandating that state licensing boards conduct a full review of all existing licensing requirements. It also requires the licensing boards to provide economic justifications for any standard that is more burdensome than the national average and for any license that is not required by at least 25 other states. The Arizona Legislature followed suit by passing SB 1437, or the Right to Earn a Living Act, which bars licensing boards from writing regulations that restrict entry into a profession if a public health or safety benefit cannot be proven. The new law also empowers individuals to petition a board for further review of a licensing requirement.
OFFSET COSTS RELATED TO TRAINING AND LICENSING FEES

As noted previously, the costs of licensure can be significant when factoring in both training costs and licensing fees, and these costs can be particularly burdensome for low-income and unemployed individuals who may not have a steady source of income. States can offset some of these costs by paying some or all of them on behalf of individuals. States may be able to leverage employment and training resources available both federally and through state programs to offset licensure costs.

• Example: The Workforce Innovation and Opportunity Act (WIOA), administered by the U.S. Department of Labor, allows states and local areas to offset the full cost of training—including tuition, licensing and testing fees, and supplies—for eligible individuals pursuing opportunities in high-demand occupations. States and local areas have significant flexibility in setting policies related to total funding, allowable expenses and eligible occupations. However, WIOA funds are widely used to offset costs for people pursuing occupational licenses (as well as for training in occupations that do not require a license).

As states consider occupational licensing policy options, data collection can also be an important tool. Collecting applicants’ demographic data can help identify who is excluded from licensed work. Data collection also allows states to understand the effects of the licensing policy and identify and address any gaps that may arise.

Conclusion

The economic burden of paying for occupational licensure is disproportionately felt by those for whom money is tightest: Americans who are low-income, unemployed, and/or dislocated workers. For state policymakers interested in decreasing these burdens, there are a variety of policy options they can consider. These include reducing or waiving fees, aligning licensing criteria with workforce supply and demand, and offsetting costs related to training and licensing fees. Examples of these policies from a variety of states, including legislation and executive orders, can be found in the table below.
## Selected Recent Actions in the States

<table>
<thead>
<tr>
<th>State</th>
<th>Type</th>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK</td>
<td>Legislation, enacted</td>
<td>Senate Bill 51—Eliminates the requirements for manicurists to receive 250 hours of instruction from a school of manicuring or hairdressing if applying for a license to practice.</td>
<td>6/22/2017—Signed</td>
</tr>
<tr>
<td>AZ</td>
<td>Legislation, enacted</td>
<td>Senate Bill 1029—Eliminates the requirement of an exam to reapply for licensure as a pharmacy technician.</td>
<td>3/29/2017—Signed</td>
</tr>
<tr>
<td>AZ</td>
<td>Legislation, enacted</td>
<td>House Bill 2372—Waives initial licensing fees for first-time applicants whose family income does not exceed 200 percent of the federal poverty guideline.</td>
<td>5/22/2017—Signed</td>
</tr>
<tr>
<td>AZ</td>
<td>Executive Order</td>
<td>EO 2017-03—Mandates that all state licensing boards perform a full review of all existing licensing requirements. It also requires the licensing boards to provide economic justifications for any standard that is more burdensome than the national average and for any license that is not required by at least 25 other states.</td>
<td>3/29/2017</td>
</tr>
<tr>
<td>AZ</td>
<td>Legislation, enacted</td>
<td>Senate Bill 1437—The Right to Earn a Living Act bars licensing boards from writing regulations that restrict entry into a profession if a public health or safety benefit cannot be proven. The new law also empowers individuals to petition a board for further review of a licensing requirement.</td>
<td>4/6/2017—Signed</td>
</tr>
<tr>
<td>CO</td>
<td>Regulatory review</td>
<td>Under CO Revised Statutes, Section 24-34-104.1, the Colorado Office of Policy, Research and Regulatory Reform performed a sunrise review of proposed licensure for language interpreters, concluding that governmental intervention in the marketplace concerning language interpreters was not justified.</td>
<td>10/13/2017</td>
</tr>
<tr>
<td>State</td>
<td>Type</td>
<td>Description</td>
<td>Date</td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>DE</td>
<td>Legislation, enacted</td>
<td>Senate Bill 59—Replaces the current multistate nurse licensure compact with an enhanced version that allows registered nurses and licensed practical nurses to have a multistate license, with the privilege to practice in their home state and other compact states.</td>
<td>6/30/2017—Signed</td>
</tr>
<tr>
<td>DE</td>
<td>Executive Order</td>
<td>Exec. Order No. 61—Creates an executive committee to identify ways to prevent the proliferation of barriers to entry and increase opportunities for all Delawareans, with specific references to reducing barriers that may prevent “the disadvantaged and underemployed from improving their lot in life.”</td>
<td>4/20/2016</td>
</tr>
<tr>
<td>IL</td>
<td>Legislation, pending</td>
<td>S.B. 2439 – Prohibits state agencies from referring a licensee’s student debt performance to the licensing authority, for the purpose of influencing the status of an occupational license.</td>
<td>1/30/2018—Introduced</td>
</tr>
<tr>
<td>IL</td>
<td>Legislation, pending</td>
<td>House Bill 5208 — Reduces the minimum age requirement for licensure in several occupations from 21 to 18 years old.</td>
<td>2/15/2018—Introduced</td>
</tr>
<tr>
<td>PA</td>
<td>Executive Order</td>
<td>EO 2017-013—Directs the Department of State to review the state’s professional licensing process to ensure that it is not overly burdening residents, especially low-income Pennsylvanians.</td>
<td>10/24/2017</td>
</tr>
<tr>
<td>TN</td>
<td>Legislation, enacted</td>
<td>Senate Bill 2469—The Right to Earn a Living Act requires state agencies to limit licensing requirements to those needed to protect public health, safety and welfare.</td>
<td>4/28/2016—Signed</td>
</tr>
<tr>
<td>TX</td>
<td>Regulation</td>
<td>Under TX Occupational Code, Chapter 51, Subchapter D, the Texas Commission of Licensing and Regulation finalized a rule to reduce licensure fees for 12 occupations and professions, saving workers an estimated $9 million each year in total.</td>
<td>11/21/2013</td>
</tr>
</tbody>
</table>
Notes


4. Ibid


7. Ibid.


This series of four publications is part of the Occupational Licensing: Assessing State Policy and Research Project. These documents focus on the unique challenges and barriers specific to four population groups when they wish to enter a licensed occupation and practice a licensed occupation across state lines. Each report outlines specific state policy options to address the unique challenges faced by the individual population.

Overview of Occupational Licensing

Occupational licensure is a form of government regulation that requires a worker to hold a credential to practice or operate in a certain occupation. To receive an occupational license, applicants are often required to meet specific criteria in the form of education or training, fees, and testing. Licensing boards generally granted the authority to establish these requirements and are the final arbiter of market entry for a licensed occupation. These boards are usually comprised of a combination of industry professionals and state officials.

Licensed workers now comprise nearly 25 percent of all employed Americans. States vary not only in the share of workers with a license, but also in the requirements to obtain a license in the state. While licensing laws were created with the intent of protecting public health and safety, research suggests that some licensing can have negative consequences for job growth, employment and consumer prices.

Licensing regulations have created unique barriers and challenges for certain populations who are entering the labor market or moving across states lines. This Barriers to Work series focuses on the specific barriers for four different population groups:

- Immigrants with work authorization
- Individuals with criminal records
- Long-term unemployed persons
- Veterans and military spouses

Occupational Licensing Learning Consortium

In 2017, the U.S. Department of Labor’s Employment and Training Administration awarded the National Conference of State Legislatures, in partnership with The Council of State Governments and the National Governors Association Center for Best Practices, funding on a three-year project to: 1) ensure that existing and new licensing requirements are not overly broad or burdensome and don’t create unnecessary barriers to labor market entry; and 2) improve the portability for selected occupational licenses across state lines. The national partners are producing research, including these reports, convening state policymakers and experts in the field of occupational licensing, and delivering technical assistance to states. Through a competitive application process, 11 states were selected to participate in the consortium. Those 11 states are: Arkansas, Colorado, Connecticut, Delaware, Illinois, Indiana, Kentucky, Maryland, Nevada, Utah and Wisconsin.