

**Alliance for Responsible Professional Licensing**

**Testimony and Supporting Materials**

**2022 Legislative Study Committee on Occupational Licenses**

**Wisconsin State Legislature**

**October 12, 2022**

October 3, 2022

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RE: Wisconsin Legislative Council Study Committee on Occupational Licenses  
Alliance for Responsible Professional Licensing Testimony and Supporting Materials  
Hearing date: October 12, 2022

Chair Stafsholt, Vice Chair Sortwell, and Members of the Committee:

Thank you for the opportunity to be here today. My name is James Cox, and I represent the Alliance for Responsible Professional Licensing or ARPL. Members of ARPL include the American Institute of CPAs, the American Society of Civil Engineers, the American Society of Landscape Architects, the Council of Landscape Architectural Registration Boards, the National Association of State Boards of Accountancy, the National Council of Architectural Registration Boards, the National Council of Examiners for Engineering and Surveying, and the National Society of Professional Engineers. ARPL members represent professions that are highly complex and technical and are licensed in 50-plus U.S. states and territories. These professions have established uniform education, examination, and experience standards as well as proven systems of cross-border practice and reciprocal licensure. The ARPL coalition promotes a responsible, balanced approach to the regulation of occupational and professional licensing and assists state policymakers in solving the challenges associated with licensure.

The national debate around licensing is an important one – and a critical one to get right. It has real ramifications for numerous professions and occupations and thousands of license holders. It impacts employers who need employees, but who also need those employees to be qualified. And last, but not least, it impacts the public-at-large who depend on – and put their trust in – the qualifications of professionals whose work impacts public health, safety, and welfare.

These stakeholders and their perspectives must be central to any discussion of licensing reform. Licensing reform done carefully and thoughtfully will serve all of these stakeholders well. Licensing reform done carelessly and with a broad-brush goes too far and will fail them.

There are three core arguments that make the case for responsible licensing systems and prove that when done correctly, licensing exists as a necessary value-add for license holders, businesses, and the public.

1. Licensure is associated with a measurable, financial benefit for all license holders.
2. Licensure ensures critical public protections are upheld by establishing a “minimum standard of qualification” for license holders.
3. Licensing done well removes barriers and supports license mobility. In fact, mobility already exists for many professions, and ARPL professions have models that work. These time-tested mobility models currently allow license holders to practice across state borders.

It is critical to understand the value of licensing for licensed professionals before entering into a discussion of reform. In 2021, ARPL commissioned Oxford Economics to produce a first-of-its-kind quantitative research study that examines the impact of professional licensing in highly complex, technical fields. The study, *Valuing Professional Licensing in the U.S.*, went deeper than previous research on the subject and provides the most current and comprehensive data available on the impact of professional licensing on license holders across a wide range of careers. This is critical because, as the research found, licensing has very different effects for complex, highly technical professions, and vocational occupations. Therefore, professional licensing should be understood and regulated narrowly at the profession- and occupation-specific level – not with broad-brush, one-size-fits-all proposals.

However, across all professions and occupations, the research found that licensing is associated with higher wages. And among professionals in technical fields, licensing substantially supports women and minorities move toward wage parity, as holding a professional license narrows the gender-driven wage gap by about one third and the race-driven wage gap by about half.

More specifically, minority engineers, surveyors, architects, landscape architects, and CPAs can expect an 8.1 percent wage increase on average after becoming licensed. And within those same professions, women can expect a 6.1 percent wage increase after becoming licensed.

The data proves that while the effects of licensing on individual professions and occupations varies, licensing invariably delivers meaningful economic benefits to license holders across all career fields. Licensing is a way up.

Licensing does more than provide an economic leg up for license holders. It ensures a baseline level of proven qualification and expertise to perform high impact work, such as building bridges and buildings, developing flood and stormwater mitigation plans, and auditing state budgets, pensions, and 401(k)s.

Not surprisingly, the public wants the people responsible for this high impact work to be qualified. In fact, we know from public opinion research that nationally, 75 percent of voters believe it's important to ensure qualifications for professionals in certain industries. And 67 percent of voters believe consumers are best protected by a system that regulates education, examination, and experience standards – or in other words, by responsible licensing.

Employers also deeply value and depend on licensing. Licensing reform to weaken licensing standards and reduce requirements is often touted as a solution to workforce challenges. But here's the reality: businesses need employees, but they need those employees to be qualified. Businesses need to be able to assure their customers the architects or engineers or CPAs they use have the minimum qualifications to do the job right and to ensure the health, safety, and welfare of customers and the public. Licensing not only helps businesses identify and hire qualified professionals with confidence, but also mitigates business liability and risk.

Lawmakers must caution themselves against rushing down a path in which flawed proposals would create new problems for constituents and do not fully weigh or consider the importance of licensing to the public and employers who depends upon it.

Responsible licensing provides immense value. But, to be sure, there are areas that must be improved within some licensing systems. Licensing systems should allow individuals to easily practice their profession or trade if they move to a new state. It isn't right that a barber, who is licensed in multiple states, must obtain additional education hours to earn a living if he moves to another state. This happened to my friend Bryce. Bryce held licenses from three states and moved

to a new state. Unfortunately, that state did not recognize out-of-state licenses forcing him to get those additional hours before he could earn a living. This is wrong.

However, the good news is that mobility models that can ease hurdles to cross border practice already exist. The ARPL professions have long led the way with licensing systems that support mobility. ARPL member organizations have more than 100 years of combined experience in creating greater flexibility for professionals seeking to transfer their licenses to a new state. Moreover, these professions have developed systems of license reciprocity that allow licensees to service clients in other states. These are also professions that have enforced rigorous requirements for education, experience, and examination for license holders while removing artificial barriers.

Thoughtful reform must recognize that licensing impacts individual occupations and professions very differently – as proven by the Oxford Economics data. One size does not fit all. However, there are three common characteristics for achieving successful interstate practice reform:

1. Recognize mobility and reciprocity systems that already work (such as those developed by ARPL professions). Collaborate with state boards and professional associations. Don't dismantle what already exists before checking to see if it's already working.
2. Develop substantially equivalent requirements for education, examination, and experience (the "three Es"). Substantial equivalency helps ensure all professionals are licensed and regulated equally, regardless of where they practice or who employs them.
3. Provide adequate public protection by clearly defining enforcement and oversight functions. By ensuring uniformity of qualifications and maintaining oversight over licensed professionals, licensing boards instill public confidence.

Getting reform right from the beginning is important, but we also recognize the opportunities to build meaningful reviews of regulatory practices within any given state. The enforcement of sunrise and/or sunset review periods is an option to move away from burdensome legislation through the adoption of a balanced, rational, and methodical approach to reform the regulatory process. These also exist as a clear statement that broad-brush, one-size-fits-all approaches to reform do not serve the best interest of the public or licensed professionals.

According to the National Conference of State Legislatures, 16 states have formal sunrise processes, while 36 states have some form of regulatory sunset process for occupational licenses. One such state is Illinois. Enacted in 1979, Illinois' Regulatory Sunset Act requires all professions and occupations to undergo a review by the Governor and the General Assembly every 10 years. This review determines the need for, and public benefits derived from the regulation of a profession or occupation. Moreover, Illinois' sunset review examines potential barriers to entry, while considering how the absence of regulating a profession or occupation might impact the public health safety, and welfare. State-level ARPL professions in Illinois serve as partners when sunset provisions are considered, and they can do so here in Wisconsin.

In closing, ARPL believes licensing reform has lost its way, and we're grateful for the opportunity to be here with you today. A path forward, built on a more deliberate approach to licensing reform, can be found. The professions represented by our coalition can help policymakers develop smart, pro-business solutions to get licensing reform right. Do we have the silver bullet needed to fix the issues with the over regulation of some occupations? We do not.

However, we do have mobility models that have evolved over time to better serve licensees, consumers, and businesses while ensuring states are financially and structurally protected. Thank you, and I would be happy to answer any questions committee members may have.

# LICENSED TO MOVE

## THE ROADMAP FOR SUCCESSFUL INTERSTATE PRACTICE REFORM:



### **RECOGNIZE MOBILITY AND RECIPROCITY SYSTEMS THAT *ALREADY* WORK**

Look to proven mobility and reciprocity models, such as the time-tested systems for CPAs, engineers, architects, landscape architects, and surveyors. Work with professional associations and state licensing boards to become familiar with existing model laws, including those governing interstate practice systems.



### **DEVELOP SUBSTANTIALLY EQUIVALENT REQUIREMENTS FOR EDUCATION, EXAMINATION, AND EXPERIENCE—THE “THREE ES”**

Substantial equivalency is commonly described as jurisdictions requiring comparable amounts of education, the passage of a uniform national exam, and experience, the “three Es.” Substantial equivalency helps ensure all professionals are licensed and regulated equally, regardless of where they practice or who employs them.



### **PROVIDE ADEQUATE PUBLIC PROTECTION**

Clearly define enforcement and oversight functions. By ensuring uniformity of qualifications and maintaining oversight over licensed professionals, licensing boards instill public confidence. 67% of voters believe consumers are best protected by a system that regulates education, examination, and experience standards—all of which are overseen by a professional licensing board.<sup>1</sup>

## COMMON PITFALLS TO AVOID



### **FORCING ACCEPTANCE OF OUT OF STATE LICENSES, WITH NO ASSURANCE OF MINIMUM QUALIFICATIONS**

Include legislative language such as, “applicant has met standards substantially equivalent to or greater than required in this state.” Work with neighboring states when developing equivalency language to ensure consistency.



### **CREATING NEW BARRIERS TO INTERSTATE PRACTICE**

Establish minimum substantially equivalent requirements, such as one year of experience, a license in good standing, and no pending disciplinary actions — and stop there. Additional requirements unrelated to protecting the health, safety, and welfare of the public are unnecessary and counterproductive.

Licensing done right works. For more information, visit [responsiblelicensing.org](https://responsiblelicensing.org).

<sup>1</sup><http://www.responsiblelicensing.org/new-survey-consumers-concerned-about-rush-to-eliminate-professional-licensing/>

# LICENSED TO MOVE: Pathways, principles, and pitfalls for interstate practice

“THERES DIGNITY IN  
ALL WORK. AND  
WE KNOW THAT  
WHETHER YOU  
MAKE YOUR LIVING  
AS A PLUMBER, A BARBER, A  
NURSE, OR ANYTHING ELSE, YOU  
DON'T LOSE YOUR SKILLS SIMPLY  
BECAUSE YOU MOVED HERE.

Arizona Gov. Doug Ducey, upon signing  
AZ House Bill 2569, the nation's first  
universal recognition licensing legislation.

Gov. Ducey is correct that individuals do not lose valuable knowledge or expertise simply by moving across state lines. However, the public's trust in rigorous standards that lead to consumer health, safety, and welfare could be lost if interstate licensing is not designed correctly.

The Alliance for Responsible Professional Licensing (ARPL) supports policies and legislative initiatives that seek to build pathways to interstate practice for professionals in highly technical professions. ARPL represents professions and licensing boards that have more than 100 years of combined experience in creating greater flexibility for professionals and is uniquely positioned to offer best practices

that could be helpful as lawmakers work to achieve interstate practice for a broader mix of professions and occupations. This paper explores several examples of how states can responsibly accomplish flexibility and mobility.

## ONE GOAL, THREE PRINCIPLES

The demand for enhancing interstate practice is readily apparent and evidenced by a surge of legislative proposals during the past two years.<sup>1</sup> The marketing of Arizona House Bill 2569 as a “universal” pathway to deliver greater economic choice and liberty is undoubtedly attractive, with multiple motivating factors contributing to its appeal:

- a) Economic (e.g., ensuring an adequate supply of workers or meeting consumer demand for services);
- b) Ideological (e.g., a belief in limiting the encroachment of government); or
- c) Political (e.g., supporting certain constituencies such as military spouses or members of underserved communities).

However, underpinning this drive to “universality” is the application of a “one-size-fits-all” solution across myriad professions and occupations. This is not an indictment of the desire for uniformity. Uniformity is necessary to enhance

<sup>1</sup>In 2019 and 2020, 90 bills to create or expand reciprocal licensing were introduced across 33 states. Of these, only 20 passed, and the vast majority were applicable only to active duty U.S. military and their spouses.

interstate practice. **The problem is that applying a solution without first acknowledging the diversity between, and within, occupations and professions compromises time-tested models, frustrating, instead of enhancing, interstate practice goals.** The question at hand is how to avoid the unintended consequences of overly broad reform models. The first step is selecting an appropriate and suitable model.

There are several models available, depending upon the policy priorities a state is trying to achieve. For example, is the priority to construct an interstate mobility system that recognizes licensees from states with substantially similar requirements? Or, is it to facilitate reciprocity by requiring out-of-state individuals to obtain a new license through an expedited application process? Either model can create an occupation- or profession-appropriate model.

Three guiding principles provide a simple roadmap for interstate practice reform:

- 1) Recognize mobility and reciprocity systems that work
- 2) Develop substantially equivalent requirements for education, examination, and experience — the “three Es”
- 3) Provide adequate public protection

By embracing these principles, states will have more predictable, implementable and sustainable interstate practice systems that benefit the public and the professions or the occupations being reformed. These guiding principles provide a framework for policies to support professional growth and mobility, and to ensure public health, safety, and welfare.

## **PRINCIPLE NO. 1** **RECOGNIZE MOBILITY AND** **RECIPROCITY SYSTEMS** **THAT WORK**

Both mobility and reciprocity are built upon state-based licensing. Either will accelerate interstate practice, but each is unique and may have varying costs and benefits, depending on the occupation or profession. The fact that these terms often are used interchangeably in proposals and testimony suggests there is confusion in the policy goals. Clearing up confusion on the front end helps to ensure clarity in the result.

All ARPL member professions (architects, Certified Public Accountants, professional surveyors, landscape architects and professional engineers) have clearly defined interstate practice systems in place. Professionals can obtain reciprocal licenses or have mobility



**Mobility**  
(also known as portability) allows licensees to practice their profession or perform duties in a different state without acquiring an additional license (e.g., CPAs use a mobility model).



**Reciprocity**  
(also known as comity or endorsement) allows states to grant a license based on all or portions of an applicant's qualifications used for initial licensure in another state (e.g., all five professions ARPL represents use reciprocity).





options, giving them the freedom to practice their profession anywhere in the country. For example, the standards for a uniform licensing system are already in place for engineering, surveying, and landscape architecture.

## ARPL MEMBER MODEL LAW EXAMPLES

Model laws can create specific statutory or administrative guidelines necessary to support a well-crafted interstate program beyond initial licensure. ARPL members employ model laws as the legal framework to implement uniform licensing requirements across all 50 states and territories.

### National Council of Examiners for Engineering and Surveying

The National Council of Examiners for Engineering and Surveying (NCEES) has been providing the Model Law as a resource for member boards and state legislators since 1932, updating it as needed to align with current practices. The Model Law reflects best practices as determined by the NCEES member boards and serves as a model for individual state or territorial practice legislation to promote uniformity and simplify interstate licensure for professional engineers and surveyors.

Changes to the Model Law typically go through a two-year process of committee study before being presented for debate and adoption by the full Council membership, which consists of engineering and surveying licensing boards in all U.S. states and territories. A majority of state licensing boards expedite the comity licensure process for engineers and surveyors who meet the Model Law requirements for education, experience and examination. In most of these cases, a license to practice in an additional state can be issued within only a few days.

Additionally, NCEES offers Model Rules, which complement the Model Law by explaining broad provisions stated in the Model Law and offering the details from an administrative

perspective. NCEES Model Rules are designed to assist member licensing boards, board counsel, and board administrators in preparing and updating board rules.

### Council of Landscape Architectural Registration Boards

Council of Landscape Architectural Registration Boards (CLARB) Model Law and Regulations are a resource for legislatures and licensing boards addressing a range of issues, from public protection to reciprocity. Similar to the NCEES Model Law, the CLARB Model Law promotes uniformity in licensing laws (affording predictability, commercial efficiency, and enhanced trust in the profession), establishes minimal standards of competence, and facilitates professional reciprocity.

Additionally, CLARB Certification facilitates interstate practice by expediting reciprocal licensure across the United States and Canada. CLARB Certification is a distinction that signifies an applicant has met broadly accepted professional standards that are based on state licensure requirements. CLARB Certification carries a recommendation that the applicant is granted licensure without further review. This industry-recognized tool enables licensing boards to fast track reciprocity and is used in almost every jurisdiction. CLARB Certification expedites the licensing process by verifying an applicant's credentials for meeting licensure requirements and reduces steps within the process.

## RECOMMENDATION

Lawmakers should look to the previously outlined models as examples of interstate practice systems that work and are lauded for their success. Legislators should also work with professional associations and state licensing boards to familiarize themselves with existing model laws, including interstate practice systems.

**PRINCIPLE NO. 2**  
**DEVELOP SUBSTANTIALLY**  
**EQUIVALENT REQUIREMENTS**  
**FOR EDUCATION, EXAMINATION,**  
**AND EXPERIENCE — THE**  
**“THREE Es”**

A high-functioning, interstate practice system depends upon “substantially equivalent” requirements and qualifications for initial licensing between states. Substantial equivalency is commonly described as jurisdictions requiring comparable amounts of education, the passage of a uniform national exam, and experience, the “three Es.”

Substantial equivalency helps ensure all professionals are licensed and regulated equally, regardless of where they practice or who employs them. Substantial equivalency signals the completion of minimal qualifications to boards and the public. In the CPA profession, the Uniform Accountancy Act houses the initial licensure requirements under substantial equivalency:

- 150 hours of education
- Passing the Uniform CPA Examination
- One year of work experience

**ACHIEVING THE THREE Es**  
**THROUGH MODEL LAWS**

Through model law recommendations, boards assist legislatures to establish the standards for the Three Es. In 1970, the National Council of Architectural Registration Boards (NCARB) published *NCARB Model Law and Regulations*. The document offers a guide for draft statutory and regulatory language and is a national model for architectural regulation. The NCARB Model Law and Regulations help the NCARB’s Member Boards carry out their mission to protect the public, by regulating the practice of architecture, and is a resource for jurisdictions as they update their practice.

NCARB’s Model Law and Regulations create a legal framework that is flexible, adaptable, and responsive to each jurisdiction’s constitutional authority in determining the appropriate level of protection for its citizens. Not all model language will be — or is expected to be — adopted by all U.S. architectural licensing boards. Instead, the document is designed to be a resource that

**THE FIRST MODEL LAW TO**  
**REGULATE THE PRACTICE OF**  
**PUBLIC ACCOUNTANCY WAS**  
**PUBLISHED IN 1916.**



provides a national model, which assists boards in navigating challenging areas of architectural regulation, offers consistent licensing and regulatory standards, is easily adapted to fit the diverse needs of NCARB's members, and will serve as the foundation for future enhancements to the reasonable regulation of the profession.

In ARPL's collective experience, model law development is best achieved when professional associations and licensing boards work alongside policymakers.

## RECOMMENDATION

We suggest including legislative language such as, "applicant has met standards substantially equivalent to or greater than required in this state" or "compare the authorized scope of practice in the state the applicant is licensed in."

Additionally, we strongly advise states to begin working with neighboring states, or states that might bring in an influx of applicants, when implementing substantial equivalency. This will mitigate the risk for states with more stringent requirements receiving applicants from states that do not have the same requirements.

## PRINCIPLE NO. 3

### PROVIDE ADEQUATE PUBLIC PROTECTION

Professional licensing statute enforcement is essential to ensure the protection of public health, safety, and welfare. Clearly defined enforcement and oversight functions of licensing boards instill confidence, from both licensed professionals and the public, in a state-sponsored regulatory system. Uniformity and oversight should not end at initial licensure; it should continue throughout the career of professionals.

### ROLE FOR PROFESSIONAL LICENSING BOARDS

The public is best served when state regulatory boards, duly constituted under state law, are free to regulate professional licensure on behalf of the public. In addition to public sector participation, boards are generally composed of qualifying individuals who have met appropriate education, experience, and competency standards for licensure and who adhere to the ethical practice of their profession. The public interest also is best served when the judgment of technical qualifications and the evaluation of professional competence is made by licensing boards that include members who are licensed in the profession.

ARPL members have their standards codified into state laws and regulations:



#### Model law and model regulations

Provide guidelines for establishing and updating laws, rules, and regulations that are common to all jurisdictions and facilitate reciprocity with provisions that allow for consistent requirements throughout all jurisdictions.



#### Model continuing education standards

Ensure that licensees remain current in the profession and allow them to continue to learn and expand their skills.



#### Model code of professional conduct

Ensure that licensees will practice in the best interest of the client and the general public.



State licensing boards are critical to maintaining professional accountability and guarding against unscrupulous practices. Boards are provided authority, by law, to investigate complaints, hold administrative hearings ensuring due process, revoke or suspend licenses, initiate actions for injunctions, or bring civil or criminal charges against licensees. These oversight functions are critical for protecting public health, safety, and welfare, not only at initial licensure, but throughout the career of the licensee.

## ACCOUNTABILITY GUARANTEED

Under an interstate practice system, licensing boards can exercise jurisdiction over any licensee practicing in their state or territory, regardless of where the license was issued. The licensee is still held accountable and to the same standards. Giving each licensing board automatic jurisdiction over any licensee practicing in their state enhances public protection and minimizes duplicative regulation.

Moreover, any licensee practicing across state lines can do so without being subjected to redundant compliance requirements, such as notices to the incoming state's licensing board and additional fees. For example, a landscape architect who is licensed in one state and practices in another would face disciplinary action for any wrongdoing from the boards of both states.

In a 2018 policy paper released by the Federal Trade Commission (FTC), *Options to Enhance Occupational License Portability*, the FTC recognized the accounting profession for utilizing model laws to achieve an interstate

practice system. These laws gave the state granting practice privileges and the state granting the original license oversight over the licensee.<sup>2</sup> At the National Association of State Boards of Accountancy's (NASBA) 111th Annual Meeting, Tara Isa Koslov, chief of staff to the Chairman of the FTC stated, "We recognize accountancy as having done mobility and accountability right." Koslov noted, "Importantly, you are providing disciplinary support beyond state lines."

## RECOMMENDATION

In a state-sponsored regulatory system, states should have clearly defined enforcement and oversight functions. Licensing boards instill confidence, from both licensed professionals and the public. Uniformity and oversight should not end at initial licensure; it should continue throughout the career of all professionals.



### Common pitfalls to avoid

Without careful attention to avoiding the most common pitfalls, poorly designed systems can fail the professionals they are intended to help and the public that trusts licensing to create minimum qualifications. Well-intentioned proposals to create interstate practice can easily go awry and cause more harm than good.

<sup>2</sup> Goldman, K. "Policy Perspective: Options to Enhance Occupational License Portability." The Federal Trade Commission, September 2018. [www.ftc.gov/system/files/documents/reports/options-enhance-occupational-license-portability/license\\_portability\\_policy\\_paper\\_0.pdf](http://www.ftc.gov/system/files/documents/reports/options-enhance-occupational-license-portability/license_portability_policy_paper_0.pdf)



## COMMON PITFALLS TO AVOID

### **PITFALL NO. 1** **FORCING ACCEPTANCE OF** **OUT OF STATE LICENSES, WITH** **NO ASSURANCE OF MINIMUM** **QUALIFICATIONS**

Well-functioning interstate practice models are built upon a foundation of substantially equivalent licensing requirements between jurisdictions. These requirements establish the minimum qualifications and competency to practice and are critical to protecting public health and safety. Confidence in the minimum level of qualification allows states to trust licenses from other states, which is an essential requirement for interstate practice.

For professions and occupations without uniform standards, minimum qualifications can vary significantly from state to state. In the absence of consistent, high standards, lawmakers risk creating a system in which their state must recognize out-of-state licenses without any assurance that the license qualifications are on par with their state's requirements. States have no assurance that license holders from other states have met a minimum level of competency. Moreover, the system lends itself to abuse by enabling someone to get licensed in a state with less stringent requirements, then use that license to practice in a state in which they otherwise would not be qualified.

### **RECOMMENDATION**

Model laws, such as those written by ARPL members, allow out-of-state applicants to complete necessary education, experience, and examination requirements and signal that all licensee who meet the requirements are minimally competent to provide professional services and protect public health and safety. If model language is not readily available, states should work with neighboring states to establish minimum requirements that adequately protect the public and to curtail the perverse incentive that leads some individuals to seek out states with low licensure standards.

### **PITFALL NO. 2** **CREATING NEW BARRIERS TO** **INTERSTATE PRACTICE**

A well-crafted policy should align with the stated objective of the policymaker. Or more simply put, licensing reform to encourage greater mobility should not create barriers that make mobility more difficult.

To illustrate, one-year residency requirements are being inserted into many of the "universal" recognition bills. It is unclear why the residency requirement exists, but it is particularly unnecessary when applied to highly technical

professions that have already solved the issue of uniform competency. For example, a licensed landscape architect, in good standing, can easily obtain a reciprocal license in other states without the residency requirement. More than half of landscape architects already practice in multiple jurisdictions. By instituting residency requirements, newly licensed landscape architects would encounter a barrier that precludes them from bidding on out-of-state projects.

## RECOMMENDATION

A better approach is to have minimum substantially equivalent requirements — such as one year of experience — a license in good standing, and no pending disciplinary actions, which help to ensure the public is adequately protected. Additional requirements, such as a residency requirement, unrelated to the health, safety, and welfare of the public, greatly hinders the existing mobility of out-of-state professionals and should not be included in legislation.

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## CONCLUSION

The highly technical and complex professions the ARPL represents have created and refined systems to provide for mobility in all 50 states and territories, while protecting the health, safety, and welfare of the public. The systems these professions have in place and the lessons ARPL has learned apply to other occupations. Policymakers should leverage the years of combined experience and expertise ARPL has acquired and used some of the best practice guidelines ARPL members produce.

The principles and recommendations outlined in this document provide a clear path to interstate practice. States can establish licensing systems that work for everyone by enacting responsible reform that recognizes proven mobility and reciprocity systems that work; developing substantially equivalent requirements for education, examination, and experience; and providing adequate public protection.

States can support employment growth and encourage consumer choice by establishing interstate practice systems that allow state licensing boards to grant licenses quickly to out-of-state applicants. For licensees, a well-designed interstate practice system allows an individual to seek out additional opportunities in a new location and to get to work more quickly.

# VALUING PROFESSIONAL LICENSING IN THE US

A REPORT FOR THE ALLIANCE FOR RESPONSIBLE PROFESSIONAL LICENSING

JANUARY 2021



# EXECUTIVE SUMMARY

Professional licensing is the process to become credentialed in a profession. Its main purpose is to indicate that a practitioner is capable of performing a certain type of work safely and competently, in order to protect public health, safety, and welfare. To become licensed, workers need to meet education, examination, and experience requirements, which differ by profession.

**1 in 4 workers**

holds a certificate or license in 2019 in the US



Over the past decades, the proportion of US workers holding an occupational license or certification has increased from about 5% of workers in the 1950s to about one in four (24%) workers holding a certificate (2%) or license (22%) in 2019, according to the Bureau of Labor Statistics. Licensing can provide significant safeguards and advantages to consumers, protecting them from low-quality providers and overpriced services. Nevertheless, critics and some legislators argue that the US licensing systems also create substantial costs, by artificially increasing licensing requirements beyond the skills needed for the job and in turn raising the price for the consumer.

Calls for deregulation, however, are often not narrowly tailored to address specific trades and vocations. Many of the current draft bills instead propose to discard licensing systems for all occupations—weakening or eliminating licensing standards for professions including **engineers, surveyors, architects, landscape architects, and certified public accountants (the licensed**

**professions represented by ARPL members and evaluated in this study).** Interestingly, unlike these blanket calls for deregulation, consumers seem to have a much clearer understanding of the difference between occupational and professional licensing. Some 75% of the respondents to a Benenson Strategy Group survey were supportive of licensing regulations for highly technical professions that have a direct impact on public health and safety.<sup>1</sup>

Against this backdrop, **the Alliance for Responsible Professional Licensing (ARPL) is seeking to deepen understanding of the full impact of professional licensing.** ARPL is composed of four national associations that represent the above-mentioned highly complex, technical professions, and their state licensing boards. Its mission is to promote a responsible approach to professional licensing, and this is achieved by educating policymakers and the public on the importance of high standards within their professions, as well as offering best practices and advocating for uniform qualifications and standards. To pursue this mission, ARPL commissioned Oxford Economics to undertake independent research to review the evidence base in this field, analyze characteristics of the professional workforce, and empirically show the effects of occupational licensing across the skill spectrum.

## LITERATURE REVIEW

The academic literature on professional licensing is extensive. On the one hand, theory suggests that licensing has the potential to protect the public against incompetent practitioners and create clear career paths for workers. It can also

<sup>1</sup> Benenson Strategy Group (BSG) and ARPL, "Exploring Public Opinion of Professional Licensing", available at: <http://www.responsiblelicensing.org/new-research-exploring-public-opinion-of-professional-licensing/>



help consumers distinguish high- and low-quality providers. On the other hand, scholars have argued that licensure reduces employment in the licensed occupation, and hence competition, in turn driving up the price of goods and services. This study reviews the impact of licensing on wages, mobility, and its effects on women and minorities.

The impact of licensure on salaries has been studied extensively. Most studies find that unlicensed workers earn 10% to 15% lower wages than licensed workers with similar levels of education, training, and experience. **Licensing can yield wage premia** for two theoretical reasons: 1) it functions as a signal of high productivity, similar to a university degree; and 2) it increases barriers to entry, thereby reducing the availability of practitioners and increasing wages. Koumenta and Pagliero (2019) estimate that the latter channel accounts for about one-third of the wage effect and the remaining is attributed to signaling. This finding suggests that the barriers posed by licensing programs play a much smaller role than many critics may think compared to the stronger productivity effect.

Several scholars have attempted to determine **how licensing impacts different demographic groups**. The majority of the findings tend to find greater wage premia from licensing for female and minority workers, suggesting that entering a licensed occupation could help level the playing field for these groups, and even narrow or close wage gaps. For example, Bailey and Belfield (2018) find that, across college-educated workers, a license is associated with gains in earnings of 20% and 8% for female and male workers, respectively.

Another widespread subject in the licensing literature is **worker mobility**. The professions of interest in this study have made significant efforts to harmonize the system and make it easier for professionals to migrate across states. Architects with a National Council of Architectural Registration Boards (NCARB) Certificate, for example, can apply

for reciprocal licensure in all 55 US jurisdictions. Literature on the subject finds that regulatory harmonization increases cross-border labor migration, suggesting that it is not the licensing system per se that potentially discourages mobility, but rather the different state-level requirements.

**10-15%** lower wages paid to unlicensed workers compared with licensed workers with similar levels of education, training, and experience



## WORKFORCE CHARACTERISTICS

This study goes beyond literature reviews and dives deeper into the professions of interest to ARPL. We show that, across all professions, women and ethnic minorities (here defined as non-white) still tend to be underrepresented. Encouraging signs, however, come from the gender and ethnic composition of students and graduates in the relevant disciplines. Across the board, the intake of new talent appears to be much more diverse than the current stock of licensed workers, suggesting the future of the licensed workforce is likely to be more balanced across genders and races.

**Greater returns from licensing for female and minority workers**



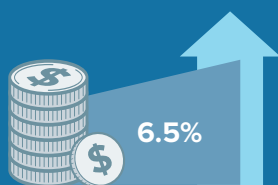
Clearly, occupational characteristics and competencies vary widely across different professions. Implications on socio-demographic access and equity, as well as broader public safety associated with very high-skilled professions, **require an approach that goes beyond much of the “one size fits all” found throughout much of the literature.**

## EMPIRICAL ANALYSIS

In the final section of this study, we therefore show that **licensing has very different effects for professions with high skill requirements and public impact compared to low skill occupations.** We first analyze how the wages of those with licenses or certifications compare with those without, across all occupations. In our baseline specification, the estimates suggest licensing is associated with approximately 6.5% higher hourly earnings, even after accounting for educational attainment, demographic, and occupational characteristics.

# 6.5%

increase in hourly earnings from having a license



We then look at the wage effects of licensing and certification by occupational skill level. We find that, while licensing and skills both increase wages, **licensing has a stronger wage effect at the bottom of the skill distribution.** This implies that both barbers and engineers are better off with a license, but to a very different extent, suggesting that equalizing all licensed occupations under one single regulatory framework could have potentially dangerous and unintended consequences.

# 5.6%-7.4%

License premium for men and women, respectively



Next, we estimate the occupational license premium across all occupations, allowing for heterogeneity by gender and race. We estimate the license premium for men is 5.6%, whereas

the license premium for women equals 7.4%, suggesting **the returns to occupational licensing are higher for women than men.** On the other hand, we find that licenses do not seem to significantly contribute to narrowing the race-driven wage gap among Black and Hispanic professionals across all occupations.

Finally, we attempt to account for differences in the licensing premia due to both gender/race and skill level. We find that a female engineer (an example of a high skill licensed profession) can expect better wage returns to gaining a license than a male engineer, all else equal. The opposite is true among low-skill workers, where men see better licensing returns than women. This finding suggests that **professional licensing among highly skilled professions** (such as that provided by ARPL members) **positively contributes to narrowing the gender-driven wage gap.** Similarly, highly skilled minority workers are found to receive greater returns from licensing than high-skill non-minorities, suggesting that professional licensing among highly skilled professions (including the ARPL professions) **can also positively contribute to narrowing the race-driven wage gap.**

Overall, this study points to the fact that professional licensing of highly skilled workers should be understood and regulated separately from occupational licensing of trades and vocations. This is because:

- Its wage impact is different in size from that of lower-skill vocations;
- It appears to substantially support women and minorities move toward wage parity, and this is only true among highly skilled workers according to our model findings; and
- The level of risk and responsibilities involved in these professions calls for greater scrutiny over these roles and the repercussions of blanket deregulation for public safety and welfare could be considerable.



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