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Border Battles: The Influence of Occupational Licensing on Interstate Migration

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“Mobility . . . is basic to any guarantee of freedom of opportunity. The result would be a substantial dilution of the rights of national citizenship, a serious impairment of the principles of equality. Since the state statute here . . . involved such consequences, it runs afoul of the privileges and immunities clause of the Fourteenth Amendment.” —Edwards v. California (1941)

This quote from the U.S. Supreme Court decision in *Edwards v. California* focuses on the issue of whether states can establish monetary barriers to restrict citizens moving across state boundaries to pursue making a living. The Court also has noted in several decisions that “the right to move freely in search of economic betterment is a mark of national citizenship and fundamental in our system of constitutional guarantees” (Roback 1943). This article examines one such potential barrier—occupational licensing—to learn whether it restricts migration across state borders. To the extent that it does, I propose policy recommendations to minimize these barriers in order for individuals to be able to work in government-regulated occupations.

Occupational licensure, the legal process establishing qualifications to practice a trade or profession, has become one of the most significant labor market regulations in the United States. The percent of the workforce licensed at the state level grew from around 5 percent in the 1950s to almost 23 percent in 2008, with a 28 percent increase since 1980 (Kleiner and Krueger 2013). At the same time, migration rates within the United States have fallen dramatically, with a decline of 50 percent in the gross flow of people across states over the last 20 years (Kaplan and Shulhofer-Wohl 2015). Figure 1 shows the growth in occupational licensing coverage of the

workforce and the decline in interstate migration rates. During this early period, gross interstate migration was about 3.5 percent, but by 2014 it had declined to 1.5 percent, with the most rapid decline following 1985 (Molloy, Smith, and Wozniak 2011). To what extent has the growth in occupational licensing coverage of the workforce contributed to the decline?

Analysis of Occupational Licensing and Interstate Migration

The study of licensing and interstate migration has a well-developed history in policy analysis. Holen (1965) examines the relationship between state licensing arrangements and professional practices (specifically medicine, dentistry, and law) and how it affects interstate mobility and the allocation of professional labor resources. She finds that the empirical evidence is consistent with the hypothesis that professional licensing arrangements

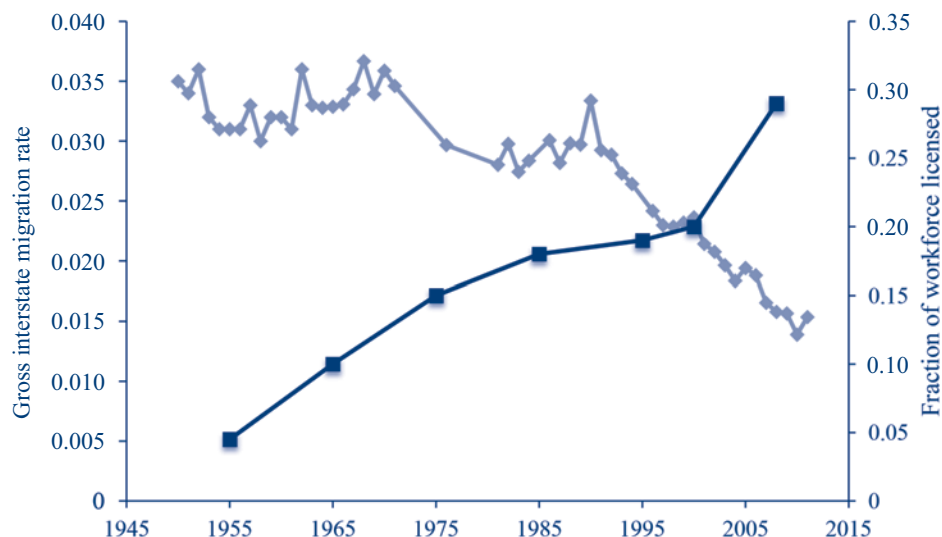
and practices in dentistry and law restrict interstate mobility among dentists and lawyers and distort the allocation of professional personnel in these fields. In a follow-up analysis, similar to Pashigian (1979), Kleiner, Gay, and Greene (1982) find that restrictive licensing may operate as a barrier to mobility, causing a misallocation of labor resources across U.S. states, with increased earnings for the practitioners in those states with the most restrictive barriers. These barriers

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may reduce the ability of the labor market to most efficiently allocate its human capital resources.

More recently, Federman, Harrington, and Krynski (2006) estimate the effects of licensing regulations on the entry of manicurist immigrants into the occupation in the United States. This is the first analytical study that examines the links between licensing and the migration patterns in a low-skilled occupation. Their findings show that the level of migration is influenced by the existence and restrictiveness (in terms of minimum entry standards) of

Figure 1 Occupational Licensing and Interstate Migration, 1950–2008



SOURCE: Johnson and Kleiner (2015).

state licensing regulations. In particular, they estimate that the requirement to have an additional 100 hours of training reduces by 4.5 percent the likelihood of having a Vietnamese manicurist, while states requiring some level of English proficiency were 5.7 percentage points less likely to have a Vietnamese manicurist.

DePasquale and Stange (2014) examine the influence of the nurses' compact on mobility. The Nurse Licensure Compact, introduced in 1999, was created with the intent to provide greater mobility for nurses. It allows registered nurses and licensed practical nurses with licenses in one compact member state to practice in other states without obtaining a separate license. The authors find that nurses that live in a border metropolitan statistical area that crosses multiple state lines see a 1.2 percentage point increase in the probability of living in one state and working in another following their home state joining the compact. The authors also find that the reduction of licensing barriers on cross-state mobility appears to widen the geographic reach of the nurse labor market.

Johnson and Kleiner's (2015) more comprehensive analysis of five universally licensed occupations shows that, after controlling for demographic

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characteristics, individuals in these regulated occupations have lower interstate migration rates than their peers in other occupations, while the rate at which they move within states is similar. To establish whether or not licensing is behind these differences, the authors perform a difference-in-difference analysis using changes in state licensing laws. State policies on accepting those who fulfill licensing requirements in other states as qualified to practice in their state (called endorsement) and on forming agreements with other states on establishing licensing requirements

(called reciprocity) are amended often. For example, for lawyers, Johnson and Kleiner find that states that adopt these more flexible policies have higher migration rates compared to states with no such policies. They find that for these five universally licensed occupations, the additional costs placed on migration have restricted the movement of individuals in licensed occupations, accounting for part of the decrease in overall migration within the United States.

Taken together, these studies on interstate migration support the view that regulation may limit the number of practitioners in a country and that a policy of reducing barriers to interstate migration would provide benefits to workers and consumers. The ability to move across state lines with fewer impediments and have permission to work would allow individuals to more easily go to where there are jobs. This is particularly important because the growth in wage variation may make it more advantageous to move across state lines (Moretti 2012).

From Research to Policy

In a 2011 executive report, the Obama administration highlights the obstacles that occupational licensure regimes place on military spouses' careers when they move from state to state. In particular, the report lists as a priority developing "career and educational opportunities for military spouses . . . by reducing barriers to employment and services due to different state policies and standards" (U.S. Department of the Treasury and U.S. Department of Defense 2012). This issue continues to be a topic of discussion for the Joint Forces task force, an initiative led by Michelle Obama and Jill Biden to improve wellness, education, and employment opportunities for veterans and their families.

Some of the greatest variations in occupational licensing requirements influence teachers. For example, all 50 states and the District of Columbia have some sort of reciprocity or endorsement scheme for out-of-state teaching applicants. Within each category, though, the degree of reciprocity and

endorsement can vary immensely. For example, Maine endorses an out-of-state applicant for licensure who has taught for five of the last seven years as long as she has gone through a state-approved education program in another state. In North Carolina, an out-of-state teacher with the same amount of experience must be "highly qualified" in his current state and meet North Carolina exam requirements or have National Board Certification to be eligible for

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endorsement (Public Schools of North Carolina 2002).

The following commentary from a public school teacher illustrates the influence of interstate regulations on potential migrants' ability to move across state lines: "I had reciprocity in New Mexico from Louisiana, no problem. Now, I am moving to Illinois and having to test all over again. I've tried applying online to public schools, and they won't even let you submit without a license and have strongly worded warnings about contacting schools directly" (Arbury et al. 2015, p. 26).

Another illustration of the "border battle" comes from a high school principal: "It would be great if Minnesota and Wisconsin would have some sort of reciprocity agreement. I work in a border town, and we get a lot of qualified applicants from across the river. We can't keep them though, they have to go back to their state after their student teaching is over. I also think this pool of teachers could also fill content gaps" (Arbury et al. 2015, p. 27).

Policy Changes

Based on the legal and economic issues presented, state licensing standards should allow individuals to move across state lines with minimal costs for retraining or residency requirements.

When licensing is deemed to be in the public interest, weighed against the economic costs, states and localities should accept, as much as possible, licenses granted by other states. The Nurse Licensure Compact mentioned earlier is one example: all states party to the compact have agreed to accept nursing licensure applicants from the other party states without additional requirements. In the case of endorsement, a state will accept out-of-state applicants as long as the origin state has substantially equivalent licensure standards as the destination state (DePasquale and Stange 2014).

Recognition of occupational licenses across states may not benefit all licensed workers equally. For example, the decision to move often depends on both age and education, with younger and more-educated workers usually having the most to gain from migration. Calls to reduce occupational licensing

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barriers to interstate mobility have come from the executive branch of the federal government, including the U.S. Department of the Treasury and the U.S. Department of Defense (2012). The executive branch has made these policy recommendations because, owing to variations in state licensing laws, the families of some military personnel have had a difficult time pursuing their careers as they move between states. Recently proposed policy would more fully implement what the U.S. Supreme Court deemed crucial in *Edwards v. California* (1941): “mobility . . . is basic to any guarantee of freedom of opportunity.”

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