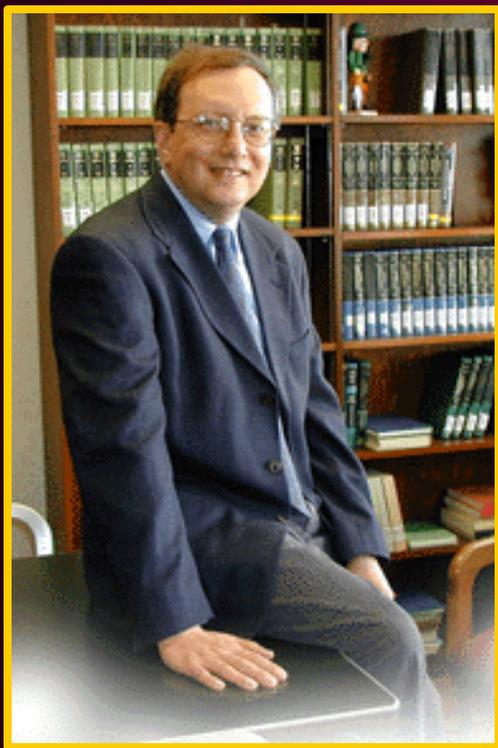


OCCUPATIONAL LICENSING AND HEALTH SERVICES: Who Gains and Who Loses?



Prof. Morris M. Kleiner

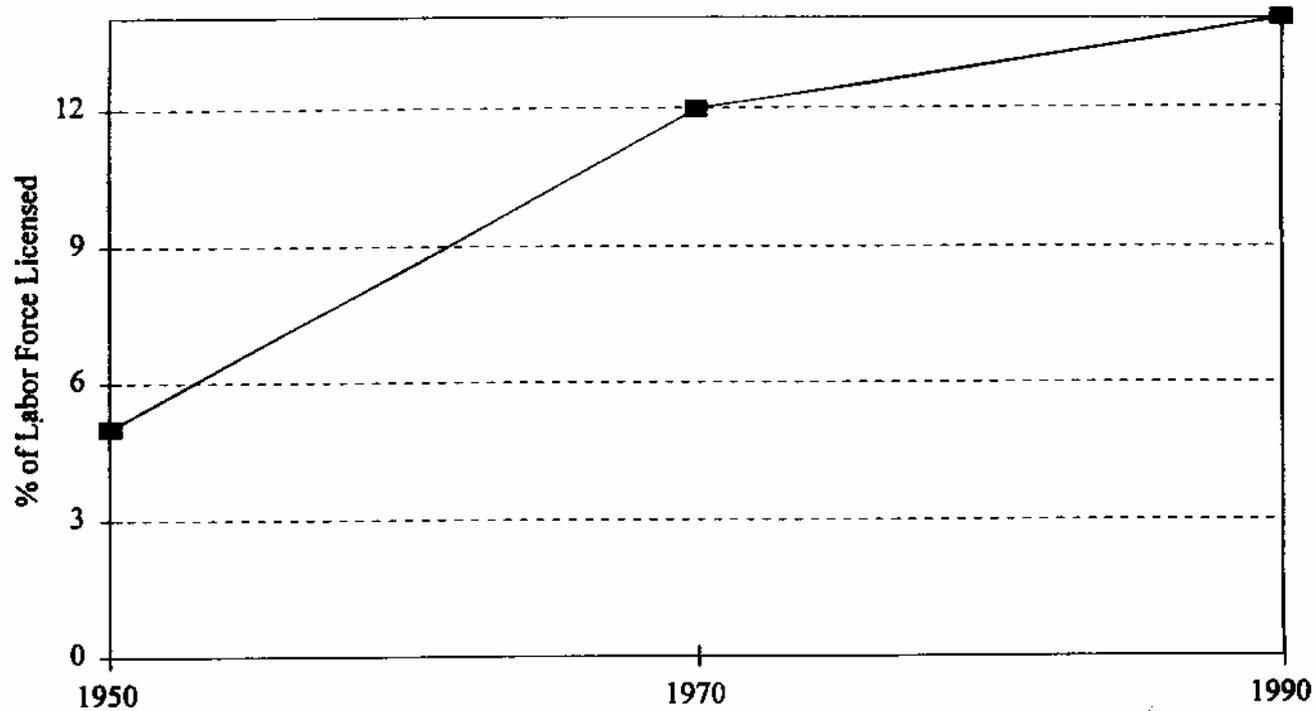
University of Minnesota

and the

**National Bureau of
Economic Research**

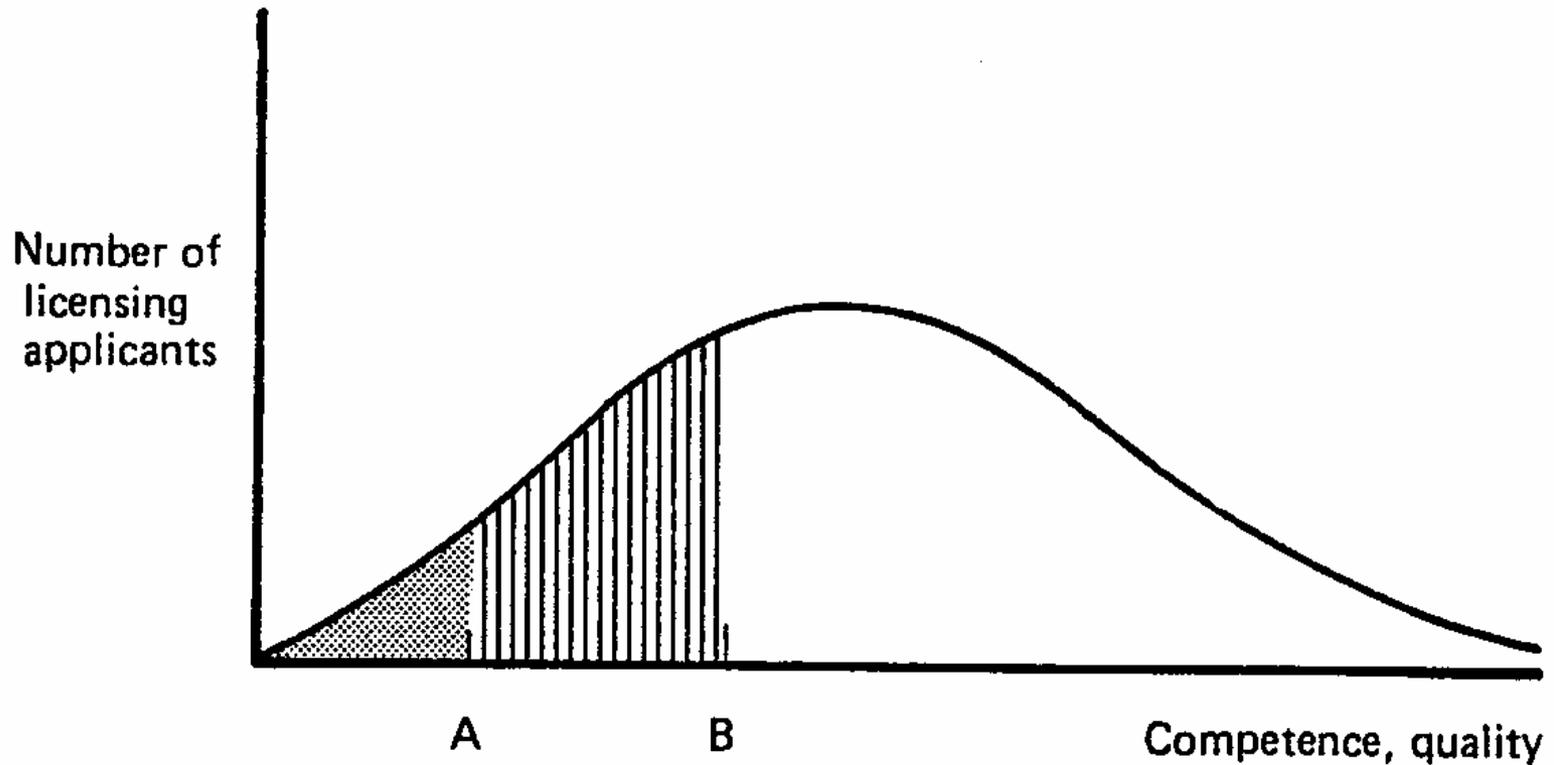
Occupational Regulation

Figure 1. The Growth of the Minnesota Labor Force that Requires State Licensing



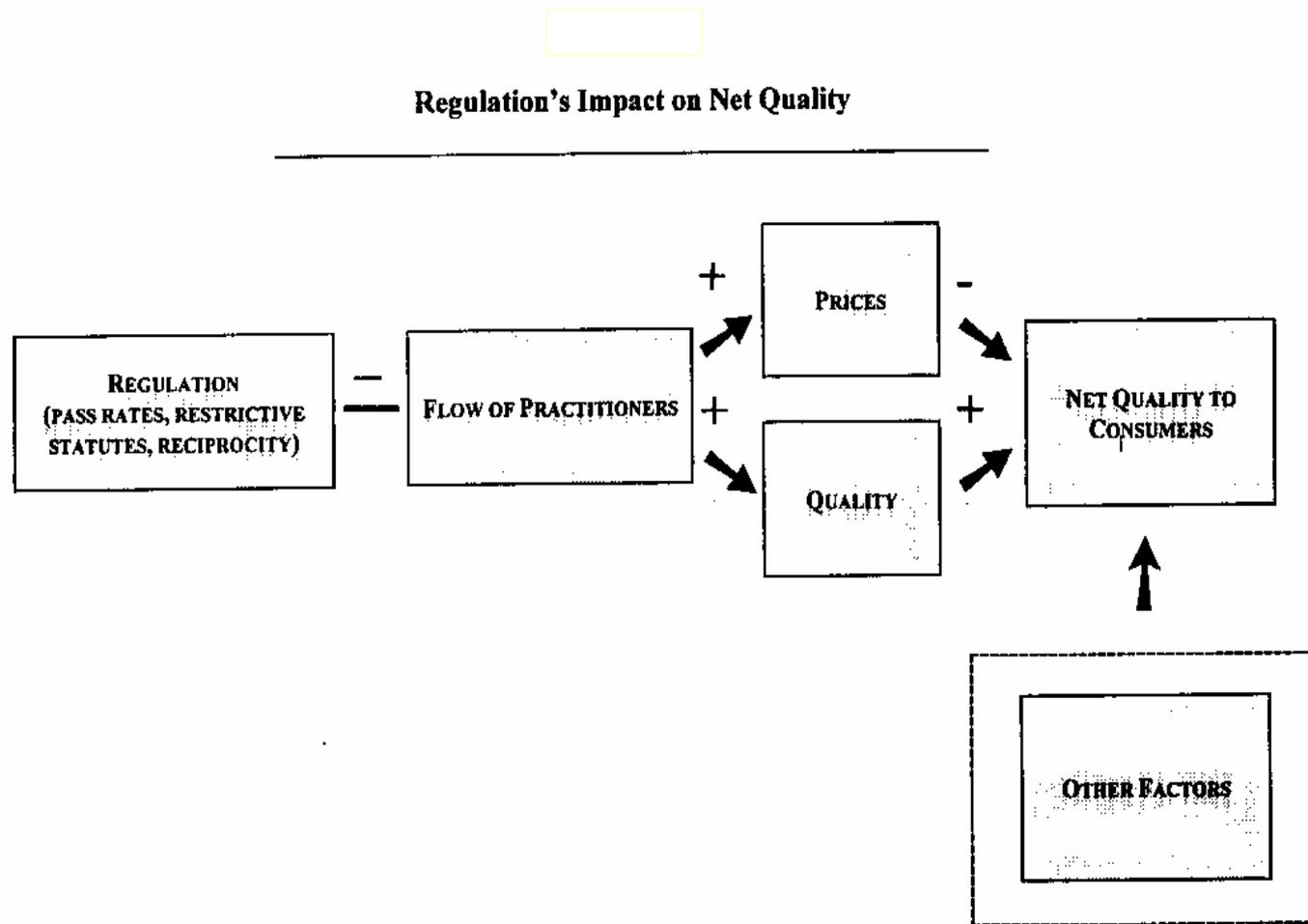
Impact of Tougher Licensing Standards*

*Holen, Arlene S. 1978. *The Economics of Dental Licensing*. Public Research Institute of the Center for Naval Analysis, Arlington, VA.



MINIMUM STANDARDS OF APPLICANT QUALITY

Net Effect of Occupational Licensing



Adapted from M. Kleiner and R. Kudrle "Does Regulation Improve Outputs and Increase Prices? The Case of Dentistry," NBER Working Paper 5869, 1997.

TABLE
Studies on Costs and Benefits of Licensing

COSTS

	<i>Study</i>	<i>Profession</i>	<i>Finding</i>
Consumers	Shepard (1978)	Dentists	11 of 12 common procedures are more expensive in states with more restrictive licensing.
	Bond, Kwoka, Phelan, and Whitten (1980)	Optometrists	Average eye exam and eyeglass prescription is 35 percent more expensive in cities with restrictive commercial practices for optometrists.
	Boulier (1980)	Dentists	Lack of national reciprocity restricts migration, resulting in a net loss in consumer welfare.
	Carroll and Gaston (1981)	7 Licensed Occupations, including Dentists and Optometrists	Although licensing increases the quality of individual practitioners, it lowers the quality of services received by lowering the total stock of practitioners.
	FTC Declaratory Ruling Concerning the Sale of Contact Lenses (2002)	Opticians	The average price of a six-lens multipack purchased via mail order was 19 percent less than the average price for lenses purchased from ophthalmologists, optometrists, and optical chains.
Practitioners	Boulier (1980)	Dentists	Restrictive licensing limits the mobility and affects the geographical distribution of dentists.
	Pashigian (1980)	Licensed Occupations	The most pronounced effect of licensing is the reduced interstate mobility of members in licensed occupations. Restrictions on the use of reciprocity reduce interstate mobility still more.
	Kleiner, Gay and Greene (1982)	14 Licensed Occupations, including six health professions	Licensing acts as a barrier to mobility, causing a misallocation of labor resources across states. A system of universal endorsement would increase gross immigration of the identified practitioners by over 60 percent.

BENEFITS

	<i>Study</i>	<i>Profession</i>	<i>Finding</i>
Consumers	Holen (1978)	Dentists	Licensing reduces the likelihood of adverse outcomes, and increases the quality of care.
	White (1980)	Registered Nurses	Licensing has no impact on pay or employment levels.
	Shapiro (1986)	Licensed Occupations	Licensing benefits the segment of consumers that values quality highly.
	Kleiner and Kudrle (2000)	Dentists	Tougher licensing has no effect on quality of outputs.
Practitioners	Wheelan (1998)	35 Licensed Occupations in Illinois including respiratory therapists	Professional organizations with political influence and financial resources are more likely to become licensed.
	Anderson, Halcoussis, Johnston, and Lowenberg (2000)	Physicians and alternative medicine practitioners	Physicians in states with stricter regulations on alternative medicine earn significantly higher incomes.
	Kleiner (2000)	4 Licensed Occupations, including Dentists	Earnings are higher for licensed occupations that require more education and training relative to comparable unlicensed occupations.
	Kleiner and Kudrle (2000)	Dentists	Practitioners in the most regulated states earn 12% more than those in the least regulated states.
	Kugler and Sauer (2003)	Doctors	For new immigrant doctors in Israel there are large returns to obtaining a medical license

Policy Implications of Occupational Licensing on Market Entry and Quality of Service

- 1) Tougher occupational licensing standards raises costs
- 2) Licensing also raises costs relative to certification
- 3) Practitioners on average seem to see economic benefits to tougher licensing but this varies a lot by occupation
- 4) Benefits are difficult to measure, but there is little evidence that they are large

Conclusions: Questions that Policy makers should ask

Are state occupational licensing laws reducing the price and quality benefits of health care?

Do these restrictions benefit consumers by protecting service quality?

Is the competency of the service enhanced through licensing? Do low income individuals lose relative to higher income ones?

Conclusions: Questions that Policy makers should ask

Are there unintended consequences to others such as the spread of disease of certification relative to the protections offered by licensing?

Are the Federal requirements usurping what states view as the optimal amount of regulation in their jurisdictions?

How should different or competing state statutes that impact regulated occupations be handled?

What is the enforcement mechanism to monitor and to impose the appropriate costs to individuals who choose to potentially violate the state statutes governing occupational licensing requirements?