

# Policy Brief: 2024 Update to the Survey of Universal Licensing Reforms in the United States

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Universal licensing recognition is an important and growing labor market reform that makes it easier for workers in good standing to transfer their occupational license to new states, increasing economic opportunity and reducing skilled labor shortages.

Occupational licensing, which functions like a government permission slip to work, covers about a fifth of U.S. workers. However, states have generally not recognized occupational licenses from other states and have required workers to complete re-licensing requirements, such as additional education or passing additional licensing exams, before they could go back to work. Now, more than half of U.S. states have passed universal licensing recognition, permitting workers with a license or, in some cases, years of experience in a state that did not license the occupation, to keep working after they move to a new state.

This update to the first Knee Regulatory Research Center report on universal licensing recognition<sup>1</sup> provides an overview of the changes to universal licensing recognition since the first edition, as well as an expanded update to the dataset. We find that 26 states have passed universal licensing recognition reforms since 2013, with eight new states passing the reform since the last edition of this report, and eight states significantly expanding the reforms over time. In this way, the legislative reform enables workers to have their occupational license recognized in much the same way that a driver's license is.

The updated edition of this report provides an important resource for researchers and policymakers interested in studying this important legislative reform, and includes a new set of variables, including whether the state exempts certain occupations from the reform, whether the reform relates to interstate compacts or reciprocity agreements, and requirements for licensing boards.

We first provide a background on licensing and universal licensing recognition, present the policy brief materials, describe trends and common practices in the reforms, and conclude with takeaways for researchers and policymakers.

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<sup>1</sup> Deyo, Darwyyn. "Survey of Universal Licensing Reforms in the United States." Knee Center for the Study of Occupational Regulation Policy Brief. 2022.

## **I.BACKGROUND AND REFORM OVERVIEW**

Over 800 occupations are licensed in at least one state<sup>2</sup>, and today about 22% of U.S. workers need an occupational license to do their job<sup>3</sup>, up significantly since the 1950s<sup>4</sup>. Common licensing requirements include mandating that aspiring workers complete months or years of education and training, pass practical and written exams set by the licensing board, pay nonrefundable fees to the licensing board, and meet citizenship requirements. States also often prevent workers with criminal records from obtaining any occupational license, regardless of the severity of the offense, the amount of time since the offense took place, or whether the offense was related to the occupation. Working without a license in an occupation that requires one can lead to fines or even jail time. Although some states have delicensed some occupations in recent years, the trend in most states is to retain or increase licensing requirements.<sup>5</sup>

Most studies of occupational licensing consider the effects of license to practice, or right to work in the profession, rather than the effects of license to title, that is, the right of the worker to refer to themselves by a specific occupational title but that does not prevent workers without the license from working in the occupation. Occupational licensing has generally been found to restrict the supply of workers in a profession, increase wages for licensed workers, and increase prices for consumers. Occupational licensing also has negative distributional effects, such as blocking women,<sup>6</sup> immigrants,<sup>7</sup> and more Black<sup>8</sup> workers from licensed occupations.<sup>9</sup> It also reduces mobility between occupations, making it harder for workers to make adjustments after transitions in life, such as becoming a parent. In addition, even though licensing is often passed in the name of protecting public health and safety, a growing body of evidence indicates that licensing may have no effect on quality, or may even worsen quality as providers face less competitive pressure from their peers.<sup>10</sup>

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<sup>2</sup> Kleiner, Morris, M. 2000. "Occupational Licensing." *Journal of Economic Perspectives*, 14 (4): 189-202. DOI: 10.1257/jep.14.4.189

<sup>3</sup> <https://www.bls.gov/cps/cpsaat49.htm>

<sup>4</sup> Kleiner, Morris and Alan Krueger. 2013. "Analyzing the Extent and Influence of Occupational Licensing on the Labor Market," *Journal of Labor Economics* 31 (2): S173–202. DOI: 10.1086/669060.

<sup>5</sup> Knepper, Lisa, Darwyn Deyo, Kyle Sweetland, Jason Tiezzi, and Alec Mena. 2022. "License to Work: A National Study of Burdens from Occupational Licensing," 3rd edition. Institute for Justice.

<sup>6</sup> Koumenta, Maria, Mario Pagliero, and Davud Rostam-Afschar. 2020. "Occupational licensing and the gender wage gap". Hohenheim Discussion Papers in Business, Economics and Social Sciences, No. 13-2020

<sup>7</sup> Kleiner, Morris and Meng Xu. 2020. "Occupational Licensing And Labor Market Fluidity Occupational Licensing and Labor Market Fluidity," *NBER Working Paper* 27568.

<sup>8</sup> Blair, Peter and Bobby Chung. 2019. "How Much of Barrier to Entry is Occupational Licensing?" *British Journal of Industrial Relations*, 57(4): 919-943. DOI: 10.1111/bjir.12470

<sup>9</sup> Chung, Bobby. 2024. "Effects of occupational license access on undocumented immigrants evidence from the California reform," *Journal of Regulation Economics*, 65, 64–83.

DOI: 10.1007/s11149-023-09468-9

<sup>10</sup> Kleiner, Morris M. and Maria Koumenta, eds. 2022. Grease or Grit?: International Case Studies of Occupational Licensing and Its Effects on Efficiency and Quality. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/9780880996877>

As state legislatures determine which occupations are licensed in their jurisdiction, and legislatures and licensing boards set requirements, occupational licenses have historically been state-specific. These state-specific licenses make it more difficult for licensed workers to move between states, as they often have to complete re-licensing requirements such as additional education or training, or pass additional licensing exams, despite their years of experience working in the profession. Workers moving from states that did not license an occupation faced an additional burden, as states generally did not recognize their years of experience either. Overall, occupational licensing may have reduced interstate mobility by up to 7%.<sup>11</sup>

Universal licensing recognition has emerged in response to this interstate barrier, with legislatures passing laws requiring licensing boards to recognize out-of-state licenses, as long as the worker was in good standing in their home state, and subject to some requirements. These states issue licenses by endorsement of the out-of-state license. The first universal licensing recognition bill was passed in New Jersey in 2013, with reforms following soon after in New Mexico in 2016, Nevada in 2017, Missouri in 2018, and Arizona in 2019. Today, 26 states have passed some form of universal licensing recognition in their state, with multiple states passing updates to their previous reforms. Universal licensing stands in contrast to similar reforms, such as interstate compacts and state reciprocity agreements. Whereas interstate compacts are usually occupation specific, such as the Interstate Medical Licensure Compact<sup>12</sup> and the Nurse Licensure Compact<sup>13</sup>, universal licensing recognition applies to all or most occupational licenses in a state. Similarly, whereas state reciprocity agreements entail two or more states agreeing to recognize each other's occupational licenses, universal licensing recognition permits workers from any state to have their out-of-state license recognized in the reform state. In this way, universal licensing recognition covers a much broader set of occupations and requires less coordination between different state legislatures than either interstate compacts or reciprocity agreements.

Academic research has found that universal licensing recognition increased migration from states without the reform to states with the reform, and increased income tax receipts in reform states.<sup>14</sup> These results track with increases in licenses issued to workers in Arizona and Montana. Since Arizona passed universal licensing recognition in 2019, it has issued over 8,000 licenses to workers with out-of-state licenses.<sup>15</sup>

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<sup>11</sup> Johnson, Janna and Morris Kleiner. 2020. "Is Occupational Licensing a Barrier to Interstate Migration?" *American Economic Journal: Economic Policy*, 12(3), 347–373. DOI: 10.1257/POL.20170704

<sup>12</sup> Deyo, Darwynn, Sriparna Ghosh, and Alicia Plemmons. 2024. "Access to Care and Physician-Practice Growth after the Interstate Medical Licensure Compact," Working Paper.

<sup>13</sup> Shishir Shakya, Sriparna Ghosh, and Conor Norris. 2022. "Nurse Licensure Compact and Mobility," *Journal of Labor Research*, vol. 43(2): 260-274, June.

<sup>14</sup> Deyo, Darwynn and Alicia Plemmons. 2022. "Have License, Will Travel: Measuring the Effects of Universal Licensing Recognition on Mobility." *Economics Letters*, Volume 219, October (110800). DOI: 10.1016/j.econlet.2022.110800

<sup>15</sup> <https://www.goldwaterinstitute.org/universalrecognition/>



Similarly, after Montana passed universal licensing recognition in 2019, licenses issued by endorsement increased from 42 percent to 48 percent.<sup>16</sup> A recent working paper has also found that universal licensing recognition in 18 states increased geographic mobility and labor market activity of workers in licensed occupations.<sup>17</sup> Reducing similar labor market barriers has the potential to increase migration to reform states,<sup>18</sup> which may be especially important given the ongoing skilled labor shortages following the Covid-19 pandemic.<sup>19</sup> Military spouse licensing, which is a similar policy reform to universal licensing recognition but specific to military spouses, also reduces the incidence of skilled workers married to members of the military exiting the labor market after their partner is re-stationed to a new state.<sup>20</sup> In addition to enabling workers to stay in the labor force, these reforms also support household stability, as families are able to stay together in the same state, rather than giving up an income in order to stay together. These reforms may also particularly support women in the workforce, especially as licensing is disproportionately of predominantly female occupations.<sup>21</sup>

Common features of universal licensing recognition include residency requirements; requirements that the worker be in good standing in their home state and have no pending disciplinary actions; a requirement that the out-of-state license has substantial equivalency to the new state's occupational licensing requirements; a requirement that the out-of-state license has a similar scope of practice to the new state's scope of practice limits; occupations that are exempted from the reform, often for health care and education; and other restrictions. We discuss these and other variables in the dataset next.

## **II. POLICY BRIEF MATERIALS**

As of May 2024, 26 states have universal license recognition laws, as shown in Table 1. Eight states have been newly included since the last edition of this report: Arkansas, Florida, Georgia, Indiana, Louisiana, Nebraska, Ohio, and Virginia.<sup>22</sup> Also, eight states made significant changes to their initial law:

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<sup>16</sup> Boesch, Tyler, Ayushi Narayan, Mary Hogan, and Ryan Nunn. 2024. "Universal licensure recognition: A case study of Montana" Federal Reserve Bank of Minneapolis. <https://www.minneapolisfed.org/article/2024/universal-licensure-recognition-a-case-study-of-montana>

<sup>17</sup> Bae, Kihwan and Timmons, Edward, "Now You Can Take It with You: Effects of Occupational Credential Recognition on Labor Market Outcomes" (2023). Economics Faculty Working Papers Series. 70. [https://researchrepository.wvu.edu/econ\\_working-papers/70](https://researchrepository.wvu.edu/econ_working-papers/70)

<sup>18</sup> Plemmons, Alicia, and Sriparna Ghosh. 2022. "Business Regulations and Between-City Migration," *Public Finance Review* 50 (5): 579–96. DOI: 10.1177/10911421221124577.

<sup>19</sup> Whitaker, Stephan D. 2023. "Understanding Migration Trends to Prepare for the Post-Pandemic Future," Federal Reserve Bank of Cleveland Regional Policy Report. DOI: 10.26509/frbc-rpr-20230801

<sup>20</sup> Shakya, Shishir, Alicia Plemmons, and Conor Norris. 2024. "Military Spouse Licensing: A Case Study of Registered Nurses within Military Bases Proximity," Appalachian State University Department of Economics Working Paper, Number 24-09.

<sup>21</sup> Deyo, Darwynn. 2022. "Licensing Barriers for Women in the Workforce." Knee Center for the Study of Occupational Regulation Policy Brief.

<sup>22</sup> We did not include the 2021 Nebraska bill in the first edition because it only applies to some healthcare occupations. Our updated list of ULR laws in Table 1 include those applying to either healthcare or non-healthcare occupations but not both. See the following sections for details.

Colorado, Indiana, Iowa, Missouri, Nebraska, New Mexico, South Dakota, and Utah. Figure 1 demonstrates that the policy has been diffusing from West and Northeast regions to Midwest and South regions over time.

First, almost all states require that an applicant has been in good standing. Seven states recognize a license only if an applicant is required to establish residency in the state.

States also recognize an existing license based on different requirements, including attempts to determine if the licensing requirements in the issuing state are similar to those in the original state. Nine out of 26 states include a substantial equivalency requirement, while 15 states include the similar scope of practice requirement. Substantial equivalency indicates that the level or type of requirements between the states are similar, while scope of practice determines whether the professional activities covered by the licenses are similar, such as for licenses issued by a cosmetology board that may cover anything from hairstyling to shampooing. Substantial equivalency and scope of practice are almost mutually exclusive policies in that only Colorado and Georgia include both. Also, about two-thirds of states with universal licensing recognition require an applicant to have practice experience with an existing license in the origin state.

Notably, ten states have a clause for licensure by work experience when an applicant comes from a state that does not use occupational licensing to regulate a licensed occupation in the state (“experience recognition”). The experience recognition typically requires three years of practice experience in the same occupation. Additionally, three states have a special provision for licensure based on military occupational specialty for people with military backgrounds (“military specialty recognition”).

About half of U.S. states allow the licensing authority to require a jurisprudence exam on state laws or rules relevant to the license for license recognition.

Beside variations in requirements, universal licensing recognition differs in which occupations are eligible - or exempted - for the process. Sixteen out of 26 states only apply the law within the title or chapter of the state code that codifies it. In these states, several large occupations, such as teachers, lawyers, insurance agents, and emergency medical technicians (EMTs) are excluded from the policy. Nineteen states also restrict the applicability of the law within a certain set of occupations. As a result, among 29 occupations reviewed in our dataset that are licensed in most states, about a quarter are not eligible for universal recognition.

Finally, there are several provisions that are important for the operation of and compliance with the policy. Nineteen universal licensing recognition laws include a coordination clause with interstate licensure compacts or existing reciprocity rules. Eleven states specify a response window for the licensing authority of 7 to 180 days to increase the compliance of the licensing authority and expedite

the procedure of license recognition, while nine states provide a foundation for a temporary license for varying reasons. In seven states, the laws stipulate a periodical review on the operation of the procedure and five states include a website publicly posting the policy.

### **III. NEW TRENDS AND PRACTICES IN THE REFORMS**

There have been several notable changes in universal licensing recognition laws in recent years. First, a growing number of states now allow license recognition without the substantial equivalency requirement. Only one out of eight new states in the updated list (Georgia) requires substantial equivalency. Instead, seven new states ask for a similar scope of practice. Two existing universal licensing recognition states (Missouri and New Mexico) have removed this restrictive requirement, and Colorado has added a new way of license recognition based on similar scope of practice while keeping the existing one based on the substantial equivalency. Conversely, no existing state has added the substantial equivalency requirement.

Next, experience recognition has increasingly become popular as an extension of license recognition. License recognition may be incomplete for occupational credential recognition because an experienced practitioner can come from a state that does not use licensing to regulate the occupation. To fill the loophole, four new states (Arkansas, Nebraska, Ohio, and Virginia) recognize work experience, as well as an existing license, to issue a license to experienced practitioners without an existing license due to the difference in regulation across states. Similarly, two existing states (Idaho and Utah) have amended their initial law for experience recognition. As another extension of license recognition, three states (Arkansas, Colorado, and Missouri) recognize a military occupational specialty to issue a license.

Third, there are diverging changes in the coverage of universal licensing recognition between new and existing states. Five new states severely restrict the set of occupations eligible for universal licensing recognition. The laws in Arkansas, Georgia, and Virginia only apply to non-healthcare occupations, while those of Indiana and Nebraska's 2021 bill only apply to healthcare occupations. By contrast, four existing states (Missouri, New Mexico, Utah, and South Dakota) and Nebraska have substantially expanded the list of covered occupations since their initial law. In particular, teachers have become eligible for license recognition in these states, except for New Mexico.

Lastly, state legislatures have increasingly been interested in the compliance to or effectiveness of the policy. Five new states (Florida, Indiana, Louisiana, Ohio, and Nebraska's 2024 bill) and New Mexico's amended policy require the licensing authority to respond to an application within 7 to 60 days. Arizona has also made several amendments to require the licensing authority to post information on the availability of universal licensing recognition on their website, to obtain the governor's review before denying an application, and to submit an annual report on applications. New Mexico has also adopted similar provisions for web posting and annual reporting.

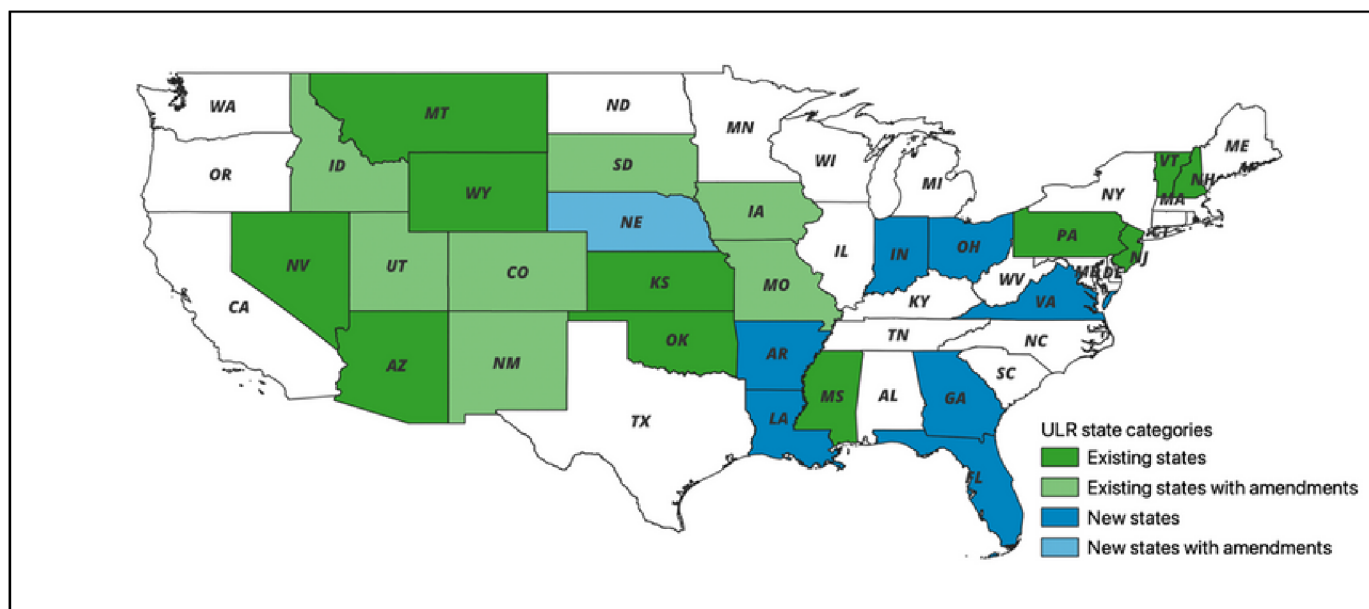
#### **IV. TAKEAWAYS**

A majority of U.S. states have now passed universal licensing recognition, enabling aspiring workers to pursue economic opportunities and mitigate skilled labor shortages in these states. The evidence also suggests that workers are taking advantage of these opportunities, with an increase in migration to reform states. Reform states benefit from an expanded workforce, an active labor market, and greater economic productivity. States with universal licensing recognition may also be better situated to recover from the labor market impacts of the Covid-19 pandemic, opening their doors to workers instead of cutting themselves off from a much larger workforce.

State policymakers interested in universal licensing recognition can refer to the templates of model legislation in other states, and researchers can use this updated dataset when developing studies on the effects of universal licensing recognition. Although reducing licensing barriers within a state would expand labor market opportunities for even more workers, and more quickly reforms that retain the licensing system, universal licensing recognition has significant and growing potential for expanding economic opportunities for aspiring workers across the United States.



Figure 1. Map of Universal License Recognition States



*Note: Existing states are the 18 states with universal license recognition reviewed in the last edition of this report, and the eight new states passed the policy since the last edition. States with amendments refer respectively to the seven existing states and one new state that significantly expanded their initial policy reforms.*



Table 1. Legislation Status Overview: Initial Laws and Major Amendments

State	Year Passed	Bill	Substantially equivalent requirements	Similar scope of practice	Residency requirements	Experience recognition	Coverage (0-29)
AR	2023	SB 90	N	Y	Y	Y	11
AZ	2019	HB 2569	N	Y	Y	N	23
CO	2020	HB 1326	Y	N	N	N	20
	2022	SB 116	N	Y	N	N	18
FL	2024	SB 1600	N	Y	N	N	25
GA	2023	HB 155	Y	Y	Y	N	8
IA	2020	HF 2627	N	Y	Y	Y	29
	2022	SF 2383	N	Y	N	Y	29
ID	2020	SB 1351	N	Y	N	N	29
	2023	HB 74	N	Y	N	Y	28
IN	2022	SB 5	N	N	N	N	16
KS	2021	HB 2066	N	Y	Y	Y	25
LA	2024	SB 60	N	Y	Y	N	28
MO	2018	SB 840	Y	N	Y	N	15
	2020	HB 2046	N	Y	N	N	23
MS	2021	HB 1263	N	Y	Y	Y	26
MT	2019	HB 105	Y	N	N	N	24
NE	2021	LB 390	N	N	Y	N	7
	2024	LB 16	N	Y	N	Y	21
NH	2018	SB 334	Y	N	N	N	24
NJ	2013	AB 1545	Y	N	N	N	22
NM	2016	SB 105	Y	N	N	N	17
	2022	HB 191	N	N	N	N	24
NV	2017	SB 69	Y	N	N	N	24
OH	2022	SB 131	N	Y	N	Y	26
OK	2021	HB 2873	Y	N	Y	N	24
PA	2019	HB 1172	Y	N	N	N	23
SD	2021	HB 1077	Y	N	N	N	12
	2023	SB 76	Y	N	N	N	27
UT	2021	SB 23	N	Y	N	N	22
	2022	SB 43	N	Y	N	Y	22
	2023	SB 35	N	Y	N	Y	24
VA	2023	HB 2180, SB 1213	N	Y	N	Y	4
VT	2020	ACT 152	N	N	N	Y	21
WY	2021	SF 18	Y	N	N	N	19

*Note: The 2022 Colorado amendment requires either substantially equivalent licensing requirements or similar scope of practice. The Florida bill requires "a similar scope of practice" for healthcare occupations and "applying for the same or similar license" for other occupations, which we interpret as a similar scope of practice requirement. The 2024 Nebraska bill is not an amendment of the 2021 bill on healthcare occupations but a new bill on other occupations. The New Hampshire bill is described as licensing reciprocity but the substance of the bill fits the definition for licensing recognition. 2021 amendments (2021, 91:184 HB2, 197:123 SB58) adds a clarification clause on universal licensing recognition and substantial equivalent licensing requirements. The Ohio bill requires "a substantially similar out-of-state occupational license", which we interpret as a similar scope of practice requirement. The Virginia bill ranks the lowest in the coverage index but still covers several large groups of occupations including beauticians (cosmetologist, barber, nail technician, esthetician), real estate workers (real estate sales agent, broker, and appraiser), and contractors (electrician, plumber, HVAC technician, elevator mechanic, etc.). The Stata dataset includes additional details on the bills.*