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# Occupational licensing reform in Minnesota



## STATE LAWMAKERS SHOULD:

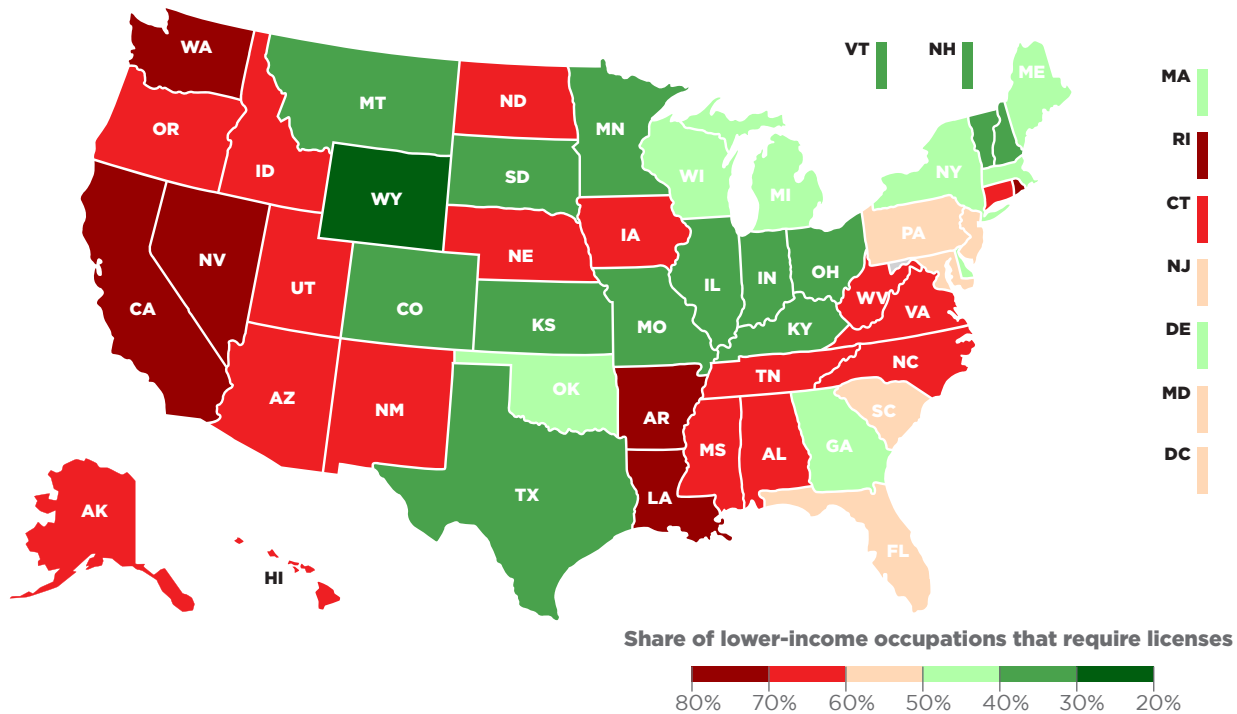
- **Enact universal licensure recognition**
- **Adopt registration, certification, and inspection for low-risk occupations**
- **Reinstate the Minnesota Sunset Act**

## Licensing in Minnesota

Approximately 1 in every 5 Minnesotans has an occupation that requires a license. According to a 2017 report by the Institute of Justice (IJ), Minnesotans spend on average \$238 in fees, write 2 exams and undertake 300 days of training to acquire an occupational license.

Compared to most states, Minnesota licenses fewer occupations. In 2017, Minnesota only licensed 34 of the 102 (33 percent) lower-income occupations studied by IJ, ranking the 46th most broadly and onerously licensed state, as shown in figure 1.

FIGURE 1  
**PERCENT OF 102 LOWER-INCOME OCCUPATIONS LICENSED BY STATE**



SOURCE: INSTITUTE OF JUSTICE

However, Minnesota’s licensing burden has been growing faster than that of other states. In 2018, the Mercatus Center at George Mason University ranked Minnesota 11th among the states for its increase in the breadth and burden of occupational licensing between 2012 and 2017. Additionally, Minnesota requires licenses for occupations rarely licensed in other states and does so onerously.

For example, Minnesota licenses dental assistants, a requirement in only 8 other states. And while dental assistants on national average pay

\$138 in fees, spend 92 days on education and experience, and write one exam, in Minnesota they pay \$681 in fees, spend 425 days on education and training, and write 3 exams.

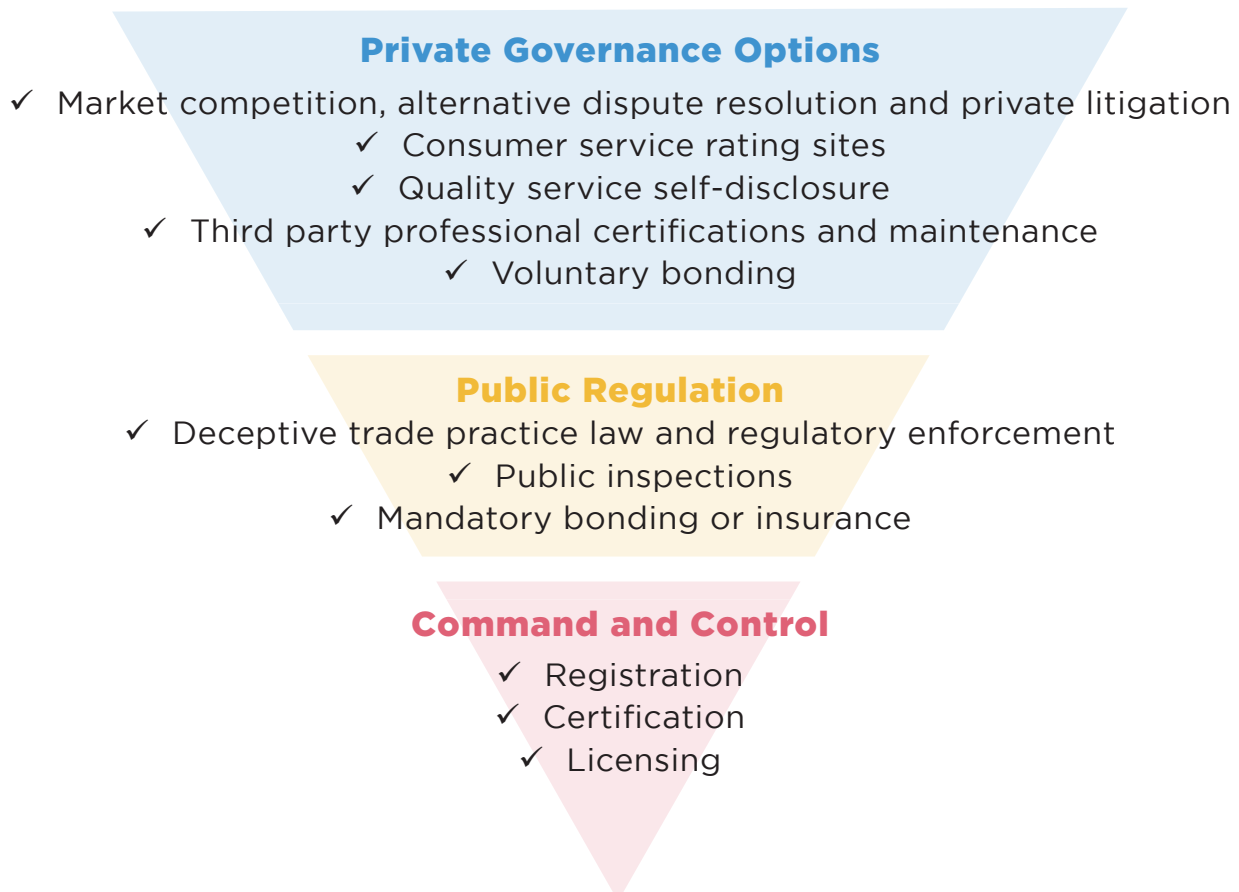
This is problematic for the state. Occupational licensing keeps low-income individuals out of lucrative professions; restricts supply and raises prices for goods and services; deters economic mobility; increases income inequality; and reduces geographic mobility. And there is little evidence to indicate that licensing improves quality or safety.

## Adopt universal licensure recognition

13 states have enacted universal licensure, starting with Arizona in 2019. Since enacting universal recognition, the number of licensed individuals moving to Arizona from other states has grown. At

a time when Minnesota is facing massive worker shortages with a labor force evidently smaller than before the pandemic, universal licensure laws could help attract out-of-state workers to our economy.

FIGURE 2  
**HIERARCHY OF OCCUPATION REGULATION OPTIONS**



SOURCE: CENTER OF THE AMERICAN EXPERIMENT

## Adopt Certification, registration, and inspection for low-risk occupations

There is a wide range of options between licensing and no licensing, as shown below by the hierarchy of occupational regulation options developed by Lee McGrath. Currently, there are numerous licensed occupations that would be served by less demanding regulations like certification, registration, and inspection. In cosmetology, for

instance, the biggest concern is sanitation. In that case, inspection would be a more appropriate regulation than licensing. With inspection, consumers can judge quality in the market without the state government placing an undue licensing burden on workers in the cosmetology industry.

## Reinstate the Minnesota Sunset Act

One useful tool that enables states to keep regulatory agencies in check is the use of sunset laws: statutes which require periodic reviews of agencies to show their continued relevancy. In

2011, the Minnesota Legislature voted to enact the Sunset Act, which created the Sunset Advisory Commission -- a legislative committee responsible for performing such reviews.

The Commission was responsible for reviewing agencies and recommending one of three options:

1. Sunsetting an agency if deemed irrelevant or ineffective;
2. Continuing the agency but with change; or
3. Continuing the agency unchanged.

Recommended changes to licensing might include providing less restrictive rules like certification or inspection or aligning licensing rules with those of other states. Before the Minnesota Sunset Act was repealed in 2013, the Commission

reviewed numerous agencies, some of which were abolished or changed by the legislature upon the commission's recommendation. The commission also recommended that Minnesota join the Nurse Licensure Compact to reduce redundancy.

The legislature should consider reenacting the Sunset Act, specifically to keep licensing boards in check and ensure that Minnesotans are not fraught by irrelevant and overly burdensome licensing rules currently in place.

## Conclusions

Minnesota's growing licensing burden is a threat to our labor market and imposes a heavy cost, especially on low-income residents. The legislature should consider enacting universal licensure recognition, adopting less restrictive rules, and reinstating the Sunset Act.

Licensing reform in Minnesota would improve innovation and entrepreneurship, enable low-income Minnesotans to join lucrative, low-risk pro-

fessions like cosmetology, increase the supply of services and reduce prices. Additionally, licensing reform would help push more individuals into the work force, from within and outside of the state, helping to ease workforce shortage issues.

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