



**AMERICANS FOR
PROSPERITY**

OCCUPATIONAL LICENSING

What are occupational licenses?

Occupational licenses are government approvals for who can work in certain fields. These licenses were once associated with professions such as doctors and lawyers, but recently they have expanded to occupations such as hair braiders, athletic trainers, and even florists. In fact, while just 5 percent of workers were licensed in the 1950's, that number is around 20 percent today.¹ Currently, there are legislative proposals across the country to include interior designers, drama therapists, and pool service workers. These licenses are often governed by state boards, which make sure educational requirements are met but often also unnecessarily restrict entry into the profession for the benefit of current license holders.

What is the problem?

These licenses are a barrier to opportunity for workers who want to enter into occupations, particularly workers in the trades or without a college degree. Licenses are also especially harmful to the poor, minorities, and women who want to enter an occupation.

A growing body of research suggests that licensing imposes substantial costs that may, on balance, outweigh the purported benefits. These costs include costs to aspiring workers and entrepreneurs themselves, costs to consumers, and costs to society and the economy at large.

While professions such as doctors and pilots have important credentials and levels of competency to obtain, in reality many of the professions that now require licenses have little or no impact on public health and safety.² There is ample evidence that these policies have a profoundly negative impact on people experiencing poverty, block employment opportunities, and raise the cost of the goods and services for millions of ordinary Americans.

How do occupational licenses impact ordinary Americans?

Licensing requirements are particularly challenging to overcome for those experiencing financial hardship as they seek career paths and critical services for their families. Research shows that in more onerously licensed states, entrepreneurship³ rates are lower among low-income residents and recidivism⁴ rates are higher for ex-offenders. Economic models suggest “occupational licensing can result in up to 2.85 million fewer jobs nationwide, with an annual cost to consumers of \$203 billion.”⁵

Do all occupational licensing requirements actually promote public safety?

Patterns in occupational licensing requirements contradict the idea that licensure is primarily used to protect public safety. Occupations that are less likely to involve risk to the public are often more highly controlled than riskier occupations. Moreover, inconsistencies across state lines undermine the argument that certain occupations pose inherent safety risks.⁶ Take just one example: while someone must complete 34 days of training on average to become an Emergency Medical Technician (EMT), aspiring cosmetologists must on average complete 386 days of training before gaining government permission to practice.⁷

1. https://ij.org/wp-content/uploads/2018/11/Licensure_Report_WEB.pdf
2. https://www.brookings.edu/wp-content/uploads/2016/06/THP_KleinerBrief_final.pdf
3. <https://goldwaterinstitute.org/article/bootstraps-tangled-in-red-tape/>
4. <https://uca.edu/acre/files/2019/02/Slivinski-Snyder-Licensing-and-Recidivism-DIG-ITAL.pdf>
5. https://www.brookings.edu/wp-content/uploads/2016/06/THP_KleinerDiscPaper_final.pdf
6. <https://www.mercatus.org/publications/study-american-capitalism/effects-occupational-licensure-competition-consumers-and>
7. https://ij.org/wp-content/themes/ijorg/images/tw2/License_to_Work_2nd_Edition.pdf

What are the solutions?

1. States can enact structural, comprehensive licensing reform by creating sunrise and sunset review provisions for all licenses and requiring the attorney general or legislature to provide active supervision over licensing boards to ensure that the least restrictive labor measures are used to address valid health and safety concerns.
2. Additionally, state legislatures can consider removing “good moral character requirements” banning formerly incarcerated individuals from obtaining an occupational license (when the crime has nothing to do with the respective profession).
3. For guiding principles when evaluating occupational licensing reform, please consider:⁸

Guiding Principles for Occupational Licensing Reform	
Begin with a blank slate	Consumer tastes, technology, and prices change, so analysts should not be beholden to past practices and should approach their task as if they were starting anew.
Define the nature of the problem	Is there a systematic market failure that need to be addressed? If not, occupational regulation is probably not the answer. Keep in mind that entrepreneurs have an incentive to come up with their own solutions to market failures.
Identify alternative solutions to occupational regulation	This should include the alternative of deregulation. It should also include reliance on both private governance (competition, bond posting, reputation feedback mechanism, third-party evaluation, etc.) and public governance (deceptive trade practice law, registration, certification, etc.).
Identify the potential costs of regulation	These include higher consumer prices; inconveniences such as diminished access to products and services; higher entrance fees, exam costs, education costs, etc.; rent-seeking waste; productive inefficiencies that arise when firms and providers are protected from competition; and dynamic losses that accrue over time as protected firms and providers are less likely to adapt and innovate.
Identify the potential benefits of regulation	What systematic market failure is the regulation intended to address? Remember that the profits of incumbent firms and their employees are not legitimate benefits of regulation since these gains come at the expense of consumers and would-be competitors.
Measure the costs and benefits	Whenever possible, an objective measure of costs and benefits should be produced. When that is impossible, analysts should acknowledge that certain judgements are subjective.

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8. https://www.mercatus.org/system/files/mclaughlin_mitchell_philpot_and_snyder_-_mop_-_the_state_of_occupational_licensure_ar_-_v1.pdf