



# POLICY SPOTLIGHT

## Burdensome Occupational Licensing Harms Vulnerable Populations

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For too many American workers, the costs of fulfilling licensing requirements (which can take months and hundreds or even thousands of dollars to complete) stand in the way of meaningful employment. One-third of workers need government permission to perform their jobs—a more than fourfold increase over the past 50 years. Worse, licensure largely fails to achieve its intended goals of preventing poor-quality service and protecting public health and safety.

Instead, the evidence shows that licensure is associated with higher consumer prices and worse employment prospects for certain populations. Low-income individuals are least able to afford higher prices, which means that licensure has a disparate effect on low-income households. Reforming occupational licensing can increase opportunity for disadvantaged and vulnerable populations, decrease living costs, and reduce income inequality.

### **CERTAIN POPULATIONS ARE MORE LIKELY TO BE DISPARATELY AFFECTED BY LICENSURE**

- Black or Hispanic interior designers are 30 percent less likely to hold a college degree than white designers. Licensing requirements mandating a college degree disproportionately exclude minorities from this occupation.<sup>1</sup>
- Licensing requirements for barbers reduce the probability of black individuals working as barbers by 17.3 percent.<sup>2</sup>
- Licensing laws requiring new teachers to pass an examination reduce the proportion of new Hispanic teachers by 2 percent.<sup>3</sup>
- Some licensing laws require English proficiency, making it more difficult for nonnative speakers such as some Vietnamese Americans to work.<sup>4</sup>
- States sometimes require aspiring professionals to have lived or worked for a number of years in the state, making it more difficult for immigrants to obtain a license.<sup>5</sup>
- Military spouses are more likely to work in licensed professions and more likely to move into new jurisdictions, making licensing an especially steep burden for them.<sup>6</sup>
- Many states impose licensing restrictions that make it difficult for prior offenders (even in professions that do not involve public safety) to reenter the workforce.<sup>7</sup>

## REFORM IN THIS AREA IS DIFFICULT BUT NOT IMPOSSIBLE

The consumers and aspiring workers hurt by licensure are numerous and typically politically unorganized. Industry insiders who benefit from licensure, however, are comparatively few and typically well organized. This circumstance makes licensing reform an uphill battle, even though experts across the spectrum tend to agree that current licensing laws are inefficient and anticompetitive.<sup>8</sup> Institutional reforms must permit policymakers to cast conspicuous votes in the general interest and limit the power of special interests to dominate the process.

## FIVE POTENTIAL LICENSURE REFORMS

1. Establish an independent commission comprising experts with no financial stake in the current regime. It should be charged with identifying and eliminating burdensome and anticompetitive licensing laws.
2. If a license is required to address current and substantial harms, policymakers should use the least restrictive regulation required to protect consumers from undue risk.
3. Recognize the right of individuals to pursue a chosen profession or business free from arbitrary or excessive government interference. Create a presumption *against* a state agency's authority unless the regulation is demonstrated to be necessary to specifically fulfill a public health, safety, or welfare concern.
4. Ease licensure burdens for specific categories of workers, such as those with criminal histories. Another approach is to waive the application fees of those below a certain income level.

5. Allow any state residents who are currently licensed by another state to obtain an occupational license in their state of residence.

These approaches are not mutually exclusive. They all reinforce one another and seek to correct for a natural imbalance that tends to favor industry incumbents. Together they can protect consumers, lower prices, and provide greater opportunities for employment, especially among more disadvantaged groups.

## NOTES

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