It's Time for Real Occupational Licensing Reform in Florida

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Occupational licensing is under fire in states across the country. Both the Obama and Trump administrations have pushed the case for reform, and the Federal Trade Commission recently created a taskforce to study licensing and educate state officials about its effects. At the state level, politicians in Nebraska and Virginia have already passed bills that reduce or eliminate some licensing requirements. In fact, some Nebraska lawmakers are proposing wholesale reform, and the Wall Street Journal touted their plan as a potential national model[1]. But

while progress is being made in some states, much more needs to be done, especially here in Florida.

Occupational licensing is a process by which governments establish qualifications for an occupation and legally restrict people who don't meet the qualifications from engaging in the occupation for pay. Supporters of occupational licensing argue that it improves consumer safety and welfare by establishing minimum skill requirements for workers. However, the amount and type of occupations that are licensed varies widely across states, and researchers have found little evidence that consumers are safer in states with more licensing. This calls into question the notion that licensing is primarily about consumer safety.

For example, one study finds that licensed opticians earn almost 17 percent more annually than similar unlicensed opticians, but that the higher earnings aren't associated with higher-quality service[2]. Another study finds that restricting the ability of physician's assistants to prescribe controlled substances increases outpatient care costs by 12 percent while having no effect on the actual level of care[3]. Other studies have shown that licensing increases the wages—and thus the costs to consumers—of barbers, massage therapists, and radiologic technologists[4]. According to one estimate, licensing increases the overall costs to American consumers by $203 billion, and these higher costs aren't accompanied by better quality or more consumer safety[5].

In addition to increasing costs for consumers, the entry restrictions created by licensing slow employment growth. One estimate is that the restrictions from occupational licensing reduce the number of jobs nationwide by almost three million[6]. Other research finds that employment growth in an occupation tends to be slower in states that require a license for that occupation relative to those that don't require a license[7].

Occupational licensing is especially burdensome to people from lower-income households. First, as was previously mentioned, it increases the prices paid for many goods and services by restricting competition. Second, there are the upfront costs of paying for training, license application fees, and license examination fees. These costs can total thousands of dollars, a significant financial hurdle for many people[8].

Finally, there are the opportunity costs. People who are training or going to school full time in order to get a license have fewer hours available for earning money at a job. Some of the training or schooling may involve internships, but these training wages are typically far less than what people can earn at other jobs. This foregone work and associated income can be a greater obstacle than the upfront costs, especially for single parents and others without a reliable secondary source of income.

There's also evidence that the upfront and opportunity costs of licensing are larger than the financial burden they impose. A recent study links occupational licensing to less economic mobility—which is measured by how likely it is that people move up the income ladder—and greater income inequality[9]. Thus, by making it harder to get jobs in occupations such as truck drivers, HVAC contractors, and dental assistants,

licensing prevents some people from climbing the income ladder.

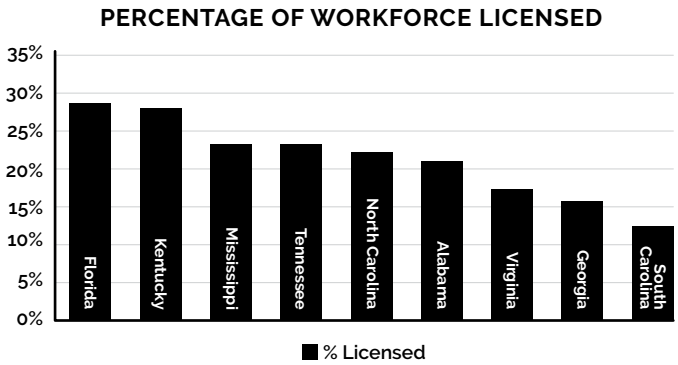
The empirical evidence clearly shows that occupational licensing increases costs for consumers, slows employment growth, and has little to no effect on product/service quality or consumer safety. There's also evidence that it reduces economic mobility and increases income inequality. Yet despite these negative effects, Florida's lawmakers have created one of the most licensed workforces in the country. The figure below displays the percentage of southeastern states' workforces that require a government license to do their job.

The percentage of the workforce in Florida that requires a license—nearly 30 percent—is higher than any other state in the southeast and is the 4th highest in the country, behind only Iowa, Nevada, and Washington. Kentucky is the only other state in the southeast where more than 25 percent of the workforce requires a license. Meanwhile, South Carolina's workforce is licensed at less than half the rate of Florida's workforce. Unless South Carolina is full of exceptionally risky people, it's unlikely that most occupational licensing in Florida is mainly about consumer safety.

In the past, Florida policymakers have acknowledged the negative effects of occupational licensing. In response to the damage caused by hurricanes Frances and Katrina, Florida temporarily lifted licensing requirements for roofers[10]. The executive orders allowed non-Florida roofers and other in-state and out-of-state contractors not licensed as roofers to repair or replace roofs damaged by the storms. The language of the executive orders and newspaper stories at the time show that the orders were issued to increase the supply of roofers available to Floridians impacted by the storms, an explicit acknowledgement that licensing reduces supply.

Such reductions in licensing standards after storms are also at odds with the safety argument of occupational licensing. It's reasonable to assume that the high-demand period immediately after storms is also when consumers are most likely to receive low-quality work due to over-worked or unscrupulous contractors. Yet in the hurricane cases, government officials rightly decided that access to service was more important than trying to enforce quality or safety standards through licensing.

Reducing licensing requirements after storms is also an implicit recognition that consumers are capable of making their own decisions about quality, even under stressful conditions. Not allowing consumers to make the same decisions during normal, less stressful times doesn't make much sense. Florida



Data from Kleiner, Morris M., and Evgeny Vorotnikov. "Analyzing occupational licensing among the states." Journal of Regulatory Economics 52.2 (2017): 132-158.

lawmakers should formally acknowledge this discrepancy by reducing occupational licensing requirements during normal times.

Over the years, Florida lawmakers have introduced some bills that would modestly improve the state's occupational licensing system. Two bills introduced but not passed during the 2018 Legislative Session, HB 1041 and SB 1114, made it easier for incarcerated persons to apply for licenses for some occupations—such as barbers, cosmetologists, and many construction professions—prior to release[11]. They also required the appropriate licensing departments to clearly identify the crimes that would disqualify a person from receiving a license to alleviate uncertainty. Under the current system, convicted criminals and incarcerated people may pay for training and application fees only to be rejected after they've done so due to their convictions, which is an unfair waste of both their time and money.

Florida has also taken some small steps towards more licensing reciprocity with other states, which is important since studies show that occupational licensing hinders mobility between states[12]. State laws typically require new residents to obtain a license in their new state before they can begin working, even if they were licensed in their previous state. Since getting a new license is expensive and time consuming, it adds to the cost of moving and makes it less likely.

To address this, in 2017 Florida passed a bill that eliminates some licensing fees and training requirements for military spouses—who are often transferred across state lines due to their spouse's military service—as long as they had a license in their previous state[13]. While this bill makes it easier for military spouses to get a new occupational license when they move to Florida, it does nothing for the thousands of workers in non-military households who are in a similar position. There's no compelling reason why this reciprocity policy shouldn't be extended to everyone.

While these bills show that some lawmakers are trying to improve Florida's occupational licensing system, they also reveal that the state isn't doing nearly enough to reduce the substantial barriers occupational licensing imposes on Floridians who just want to earn a living. In fact, the state often takes one step forward and two steps back. Just over the last 25 years, Florida licensed dozens of occupations, including manicurists, security guards, travel agents, child care workers, gaming dealers, security alarm installers, and makeup artists[14]. And as indicated earlier, these actions have created one of the most licensed workforces in the entire country. Florida needs more than piecemeal changes to its licensing system if it wants to remain a great place to live and work.

Fortunately for Florida, states around the country are also dealing with occupational licensing and there have already been some broad reforms that Florida lawmakers can use as guides. Nebraska's Occupational Board Reform Act would make it state policy to use the least restrictive regulation necessary to protect consumers, including market competition[15]. If market competition isn't enough, other options that are less burdensome than licensing include periodic state inspections or state-required bonding or insurance. The

act also requires mandatory review of all occupational licensing laws and regulations every five years to makes sure they are working as intended.

Virginia is also taking steps to reduce the burdens of occupational licensing. Virginia's House Bill 883 requires the state's Department of Professional and Occupational Regulation to count and track the regulations it issues and then cut them by 25 percent over three years[16]. This bill is similar to a successful reform implemented in British Columbia, Canada in 2001 that reduced regulation and boosted economic growth, and Virginia is expecting similar results[17].

Florida performs well on rankings of economic freedom, fiscal responsibility, and tax policy, and it's generally recognized as a good place to live, work, and do business[18]. Contrary to these positive measures is the state's onerous system of occupational licensing, which has created one of the most heavily-licensed workforces in America. The results of all this licensing are higher prices for Floridians, slower job growth, and less economic mobility. Luckily, states like Nebraska and Virginia are showing Florida lawmakers a way forward. Reform won't be easy, but if Florida doesn't follow their lead it risks falling behind.

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