
LICENSE TO WORK

A National Study of Burdens from Occupational Licensing

3rd Edition



By Lisa Knepper, Darwyn Deyo, Ph.D.,
Kyle Sweetland, Jason Tiezzi, and Alec Mena

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INSTITUTE FOR JUSTICE

License to Work, A National Study of Burdens from Occupational Licensing, 3rd Edition

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Introduction

Occupational licenses are permits issued by a government or regulatory entity for a person to be able to work in certain fields. These licenses typically require the applicant to meet several education and experience requirements, as well as pass exams and pay fees. These demands are considered a burden for lower-income individuals, since the combination of effort, time, and cost can be a barrier for them to work in a trade or profession.

In 2022, the Institute for Justice released *License to Work: A National Study of Burdens from Occupational Licensing*. This report provides an updated snapshot of licensing's breadth and burdens for 102 lower-income occupations across all 50 states, the District of Columbia, and, in a first for this edition, Puerto Rico. It also presents an overview of major changes in licensing requirements for the 102 occupations that have been tracked since the 2017 edition.



The document before you is a compendium of *License to Work* focused on Puerto Rico. This collects all the information on occupational licenses on the Island included in the report. The purpose is to provide readers with a quick reference guide on the situation of occupational licenses in Puerto Rico. To learn about the study methodology and acquire comprehensive knowledge on this topic, reading the full report is recommended.¹

Ten years after the first edition and 5 years after the second edition, the third edition of *License to Work* finds licensing continues to be widespread, burdensome, and—frequently—irrational; but it also found some good news: Since 2017, states have eliminated more licenses than they created, and nearly 20% of licenses became less burdensome. Still, there remains much room, and need, for improvement, and *License to Work* also provides a roadmap for meaningful reform.

Occupational licenses are thought to be necessary to establish minimum standards for practice in a given profession or industry and protect consumers from unsafe or substandard services; but the evidence indicates that these licenses do not accomplish this, since they are only based on meeting certain requirements and not on demonstrating the person's competence. Instead, many end up limiting opportunities to find work or open a business.

Despite widespread acknowledgment of this reality, this study shows that licensing burdens remain high and pervasive. In Puerto Rico, there are 129 occupational licenses (not counting licenses for sports occupations), of which 49 were part of the sample examined in *License to Work*. The burden for these 49 licenses was 144 days of required education and experience, at least one exam, and \$228 in fees, on average. This does not include burdens from required schooling.

Among the occupational licenses in Puerto Rico whose education requirements are well above the minimum requirements in the United States, the following stand out: manicurists: 1,000 hours vs. 12 hours in Alaska; skin care specialists: 1,000 hours vs. 220 hours in Florida; electrical helpers: 500 hours vs. 0 in Minnesota, Iowa, and Maine—the only three states that have this license; the only three states that have this license; and pharmacy technicians: An associate degree and a 1,000-hour supervised internship, requirements that exceed those of all other jurisdictions.

There are cases of occupational requirements that do not correspond to the risk; on the Island, for example, almost eight months of preparation for cosmetology are required, including shampooers and makeup artists; while three months are required for an emergency medical technician to care for people in life-or-death situations. This leads us to question whether licenses are really designed to protect health and safety or guarantee the quality of a service.

“The most direct way to free workers and entrepreneurs from licensing red tape is to repeal licenses that are not needed and reduce barriers that are too steep. Lawmakers should also exempt services that are perfectly safe and prevent new licenses from getting on the books.”² The report's state-by-state results and online “Compare States”³ feature are resources available to lawmakers and others interested in reforming occupational licenses in Puerto Rico.

The inclusion of the Island in *License to Work* was the result of a study carried out by the University of Puerto Rico and the collaboration of the Puerto Rico Institute for Economic Liberty, Institute for Justice, and Knee Center for the Study of Occupational Regulation at West Virginia University. The results of this study and the *License to Work* report demonstrate that there is room to improve the occupational license legislation in Puerto Rico, for the benefit of society in general.

1 The full report can be downloaded at <https://ij.org/report/license-to-work-3/>.

2 Wimer, A. (2022, November 29). *New report: Licensing burdens creep downward yet still weigh heavily on too many Americans* [Press release]. <https://ij.org/press-release/new-report-licensing-burdens-creep-downward-yet-still-weigh-heavily-on-too-many-americans/>

3 The “Compare States” feature is available at <https://ij.org/report/license-to-work-3/license-to-work-3-compare-states/>



Executive Summary

Millions of Americans in low- and middle-income jobs like barber, landscape contractor, interior designer and many others need a government permission slip—known as an occupational license—to work. Securing one can take months or even years of training, one or more exams, hefty fees, and more. Proponents claim these licenses are necessary to protect consumers from unsafe or otherwise poor service. Yet most evidence indicates licenses do no such thing and instead impose heavy costs on workers, consumers, and the economy and society at large.

This third edition of *License to Work* provides an updated snapshot of licensing's extent and burdens by cataloging state licensing requirements for 102 lower-income occupations across all 50 states and the District of Columbia. It also provides, for the first time, a report on licensing requirements in Puerto Rico. In another first, this edition analyzes changes in licensing requirements since 2017. Key findings include:

Licensing Remains Widespread and Burdensome

- In all, this edition catalogs 2,749 licenses across the 50 states and the District of Columbia and our sample of 102 lower-income occupations.
- On average, the requirements to secure these licenses remain steep: 362 days lost to education and experience, at least 1 exam, and \$295 in fees.

- Interior designer remains the most difficult occupation to enter, though it is licensed by only two states and the District of Columbia.
- Among universally licensed occupations, barber and cosmetologist continue, despite reforms, to rank as some of the most difficult to enter.
- Louisiana still licenses the most occupations of any state, 77 of 102. Hawaii's licenses still rank as the nation's most burdensome, while Nevada is the most widely and onerously licensed state.

Modest Reforms Have Removed and Reduced Some Licensing Barriers

- Between 2017 and 2022, states created 16 new licenses across the 102 occupations but eliminated 26. While small, this net reduction of 10 licenses represents a reversal of the prior five-year trend.
- Nearly 20% of licenses became less burdensome, including sizable reductions to mandatory education and experience—the most burdensome type of licensing requirement. As a result, average days lost to education and experience requirements fell by 22 days across our sample.
- These burden reductions clustered in the contractor trades, particularly in Utah and Arkansas, as well as barbering and beauty occupations.

Questionable Licenses and Licensing Burdens Abound

- Just 12% of the 102 occupations are licensed universally, which means workers are likely practicing the other 88% safely in at least one state—and often many more than one—without a license.
- Despite having been delicensed by at least one state, 14 occupations continue to be licensed somewhere in the United States—by between 3 and 47 states.
- Licensing burdens do not always appear aligned with occupational risks: Workers in 71 occupations, including all the barbering and beauty occupations we study, face greater average burdens than entry-level emergency medical technicians.

- At least 13 occupations in our sample remain licensed in at least one state even though a majority of government studies have declined to endorse their licensure.

In short, there remains much room—and need—for licensing reform nationwide. Accordingly, this edition proposes five reform strategies for policymakers interested in slashing licensing red tape: (1) repealing and reducing licensing barriers, (2) preventing new licenses, (3) paring back broad “scopes of practice,” (4) removing barriers to mobility, and (5) easing licensure—and reentry—for people with criminal records.

Occupational licensing burdens remain widespread and burdensome, albeit a little less so than a few years ago. Five years after the second edition of *License to Work*, and 10 years after the first, this third edition makes the case, and provides a blueprint, for continuing the reform trajectory.

Methods

Measuring Burdens

In addition to measuring how widespread licensing is, this report measures the burdens states impose on aspiring workers through licensing.

We measure licensing burdens by looking at five common types of licensing requirements: fees, education and experience, exams, minimum grade completed in school, and minimum age. States also impose many other types of requirements, such as bonding, insurance, character references and minimum net worth. Such requirements are not common enough to serve as consistent measures of burden across the 102 occupations, so we have not sought to capture them.

Education and experience requirements take many different forms—hours, years, college credits and so forth—making it difficult to compare across occupations and states. To make comparisons possible, we converted all education and experience requirements into a common measure of “estimated calendar days lost.”

As many of the licenses we observe have multiple kinds of associated fees, education and experience requirements, and

exams, we combined these requirements by type. For fees and exams, we simply summed the fee amounts and the number of exams.⁴ For education and experience, we first converted each requirement into days lost and then added the days lost from each requirement together to get the total days lost to education and experience for licensure.

Undercounting Licensure and its Burdens

The 102 occupations we study are only a sample. Nationwide, there are many other occupations and job responsibilities that require a license. We consider only state licenses, not municipal, county or federal ones. There are many types of licensing requirements we do not record, such as bonding and insurance. In addition, we do not count the costs associated with required schooling or other forms of training, such as tuition or forgone income. These costs undoubtedly present hardships for lower-income workers hoping to find jobs in licensed occupations; however, these costs are highly variable and often indirect—and thus impractical to record.

4 For example, a barber license may require a practical exam and a written exam, along with an application fee, a license fee, fees for both exams and various other fees, including charges for application review and license issuance; background checks, credit reports and fingerprinting; recovery fund contributions; third-party certification; and certain fees for training courses. We would count two exams and sum all the fees.

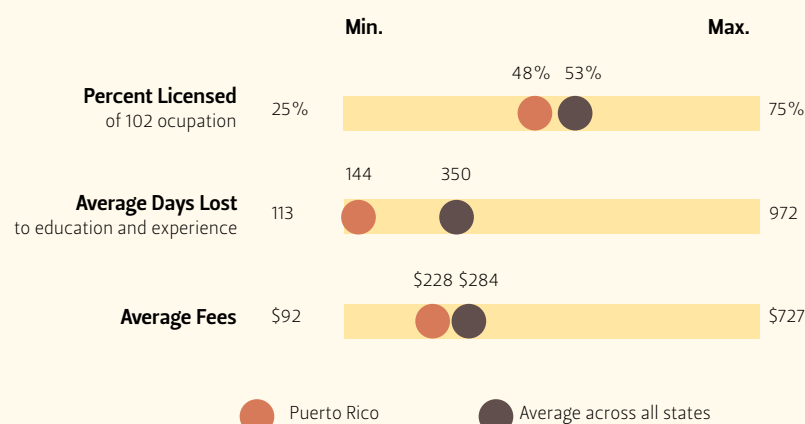
Licensing in Puerto Rico

This edition of *License to Work* is the first to capture licensing requirements for the Commonwealth of Puerto Rico, thanks to data collected by researchers at the University of Puerto Rico. To keep our rankings comparable between the second and third editions, we have not included Puerto Rico in them; however, here we summarize Puerto Rico's licensing requirements and show how its licensing burdens for *License to Work*'s sample of occupations compare to those of the 50 states and the District of Columbia.

Puerto Rico requires a license to work in 49 of the 102 occupations in our sample, five fewer than the average state. It is the only U.S. jurisdiction not to license water well drillers, pest control applicators or vegetation pesticide applicators. It is one of only two that does not license public preschool teachers and one of five that does not license head coaches for public high school sports. The 49 *License to Work* occupations the Commonwealth does license are far from the only occupations it regulates, however. Like the 50 states and the District, Puerto Rico licenses many occupations that are not part of our sample. Not counting "sporting occupation licenses" (such as boxing, wrestling and horseracing), Puerto Rico licenses a total of at least 129 occupations according to the University of Puerto Rico researchers.⁵

On average, the 49 licenses require 144 days of education and experience, about one exam, and \$228 in fees. While the Commonwealth's average exam and fee requirements are close to the other jurisdictions' averages, its average education and experience requirements are substantially lower than the 350 days required by the 50 states and D.C., as shown in Figure 12. Indeed, these average requirements are some of the lowest across the jurisdictions we study.

Figure 12: How Puerto Rico Compares



To put them in perspective, if we included Puerto Rico in our rankings, its licenses would be on the lower end of the burden ranking, as the 46th most burdensome in the nation, between Louisiana's and Alabama's. Taking both the number of occupations it licenses and its average burdens into account, Puerto Rico would rank between Michigan and Pennsylvania as 31st on combined rank, as shown in Table 10. Table 11 ranks the 49 occupations Puerto Rico licenses according to how burdensomely the Commonwealth licenses them.

⁵ A. J. Ruiz-Torres (personal communication, Aug. 2, 2022).

Table 10: Puerto Rico's Burden and Combined Rankings
Puerto Rico and Select States Ranked by Average Burdens for Licensed Occupations, 2022

Rank	State	Number of 102 Lower-Income Occupations Licensed	Average Fees	Average Estimated Calendar Days Lost	Average Exams	Average Min. Grade	Average Min. Age
43	Wisconsin	42	\$258	197	1	1	10
44	Mississippi	65	\$343	169	2	2	6
45	Louisiana	77	\$333	175	1	1	7
46	Puerto Rico	49	\$228	144	1	3	17
47	Alabama	63	\$374	154	2	2	5
48	Washington	76	\$230	171	1	1	6
49	North Dakota	65	\$151	113	1	1	13

Puerto Rico and Select States Ranked by Number of Licenses and Average Burdens, 2022

Rank	State	Number of 102 Lower-Income Occupations Licensed	Average Fees	Average Estimated Calendar Days Lost	Average Exams	Average Min. Grade	Average Min. Age
28	New Jersey	54	\$279	422	1	3	10
29	Massachusetts	50	\$331	511	1	3	11
30	Michigan	48	\$281	308	1	3	12
31	Puerto Rico	49	\$228	144	1	3	17
32	Pennsylvania	50	\$116	120	1	1	8
33	Maine	46	\$226	323	1	1	5
34	Delaware	42	\$230	495	1	2	10

While Puerto Rico's average burdens compare favorably with those of other jurisdictions, many of its licenses do not. Most notably, among Puerto Rico's 49 licenses, the most burdensome is that for pharmacy technician, and its requirements exceed those of all other jurisdictions. Aspirants must earn an associate degree and complete a 1,000-hour supervised internship, for a total of 905 days lost to education and experience. These burdens look especially steep considering that 15 of the 44 states that license the occupation do not require any education or experience.

Unlike most other jurisdictions, Puerto Rico also requires aspiring dental assistants and dispensing opticians to earn an associate degree, contributing to their ranks as the 3rd and 4th most burdensome licenses among the 49 examined here. Dental assistants are licensed by only eight states, and Puerto Rico's is the only license to require an associate degree. By contrast, four states require no education or experience at all, including Washington, which recently eliminated all required training. As for dispensing opticians, most states do not license them, and of those that do, two do not require any education or experience.

Puerto Rico's sixth most burdensome occupation is interior designer, licensed by only three other jurisdictions. Aspiring interior designers must earn 24 credits in general subjects and another 60 in specialized study, amounting to 588 days lost to education and experience. Though less burdensome than other interior design licenses—Louisiana, Nevada, and the District of Columbia each require six years of education or experience—Puerto Rico's requirements still appear needlessly onerous given that 48 states do not license interior designers, including Florida, which recently eliminated its license.

Other licensing burdens that stand out as uncommonly steep include those for electrical helpers and travel guides. Only three states license electrical helpers and none require education or experience, but Puerto Rico mandates 500 hours of accredited vocational education, amounting to 117 days lost, the result of legislation enacted in 2016.⁶ Of the 37 states that license travel guides, the majority do not require any education or experience, yet Puerto Rico requires 803 days, including specialized coursework and two years of experience, giving it the second most burdensome licensing requirements in the Commonwealth.

6 2016 P.R. Law No. 161; *Documentos requeridos: Perito electricista; ayu-dante de perito electricista*. (n.d.). Gobierno de Puerto Rico, Departamento de Estado. <https://pr.pcshq.com/?page=otherprofessions,PR-peritoselectricistas>

Table 11: Licensing in Puerto Rico

Burden Rank	Occupation	States Licensed	Fees	Estimated Calendar Days Lost	Education	Experience	Exams	Min. Grade	Min. Age
1	Pharmacy Technician	44	\$305	905	2 years	1,000 clock hours	1	12	18
2	Travel Guide	37	\$105	803	315 clock hours	2 years	2	12	18
3	Dental Assistant	8	\$40	730	2 years	None	1	12	18
4	Optician	22	\$295	730	2 years	None	1	0	21
5	Veterinary Technician	36	\$185	730	2 years	None	1	0	21
6	Interior Designer	3	\$310	588	84 credit hours	None	2	12	18
7	Massage Therapist	45	\$429	233	1,000 clock hours	None	1	12	18
8	Barber	51	\$320	273	9 months	None	2	0	18
9	Cosmetologist	51	\$310	233	1,000 clock hours	None	2	8	16
9	Makeup Artist	37	\$310	233	1,000 clock hours	None	2	8	16
9	Manicurist	51	\$310	233	1,000 clock hours	None	2	8	16
9	Shampooer	33	\$310	233	1,000 clock hours	None	2	8	16
9	Skin Care Specialist	51	\$310	233	1,000 clock hours	None	2	8	16
14	HVAC Contractor (Residential)	35	\$300	187	800 clock hours	None	1	12	18
14	HVAC Contractor (Commercial)	37	\$300	187	800 clock hours	None	1	12	18
16	Emergency Medical Technician	51	\$425	93	400 clock hours	None	2	12	18
17	Athletic Trainer	49	\$650	129	105 clock hours	450 clock hours	1	0	18
18	Electrical Helper	3	\$165	117	500 clock hours	None	1	12	18
19	Gaming Dealer	29	\$85	35	150 clock hours	None	1	0	18
20	Gaming Supervisor	31	\$165	35	150 clock hours	None	0	0	18
20	Slot Supervisor	29	\$165	35	150 clock hours	None	0	0	18
22	Security Guard, Unarmed	34	\$107	28	None	4 weeks	0	0	21
23	Gaming Cage Worker	30	\$85	35	150 clock hours	None	0	0	18
24	Weigher	24	\$125	0	None	None	1	0	18
25	Carpenter/Cabinet Maker Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Cement Finishing Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Door Repair Contractor (Residential)	29	\$240	0	None	None	0	0	18
25	Drywall Installation Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Floor Sander Contractor (Residential)	27	\$240	0	None	None	0	0	18
25	Glazier Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Insulation Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Iron/Steel Contractor (Residential)	30	\$240	0	None	None	0	0	18
25	Landscape Contractor (Residential)	48	\$240	0	None	None	0	0	18
25	Mason Contractor (Residential)	31	\$240	0	None	None	0	0	18
25	Painting Contractor (Residential)	27	\$240	0	None	None	0	0	18
25	Paving Contractor (Residential)	28	\$240	0	None	None	0	0	18
25	Sheet Metal Contractor, HVAC (Residential)	36	\$240	0	None	None	0	0	18
25	Sheet Metal Contractor, Other (Residential)	31	\$240	0	None	None	0	0	18
25	Terrazzo Contractor (Residential)	28	\$240	0	None	None	0	0	18
40	Truck Driver, Tractor-Trailer	51	\$120	0	None	None	0	0	21
41	Bus Driver, City/Transit	51	\$110	0	None	None	0	0	21
41	School Bus Driver	51	\$110	0	None	None	0	0	21
43	Travel Agency	5	\$200	0	None	None	0	0	18
44	Child Care Home, Family	44	\$25	0	None	None	0	0	21
45	Taxi Driver/Chauffeur	13	\$100	0	None	None	0	0	18
46	Truck Driver, Other	51	\$85	0	None	None	0	0	18
47	Fisher, Commercial	43	\$25	0	None	None	0	0	18
48	Bill Collection Agency	29	\$450	0	None	None	0	0	0
49	Pipelayer Contractor	27	\$240	0	None	None	0	0	0

Some of Puerto Rico's requirements also far outstrip national minimums. For example, the Commonwealth requires 1,000 hours of education, amounting to 233 days lost, for manicurists, while Alaska recently reduced its requirement to just 12 hours. Similarly, aspiring skin care specialists must also undergo 1,000 hours of education in Puerto Rico, while Florida requires only 220 hours. Puerto Rico's training requirements for entry-level emergency medical technicians, 400 hours of accredited coursework, amounting to about three months, are triple the requirements of most states.

Other requirements appear too burdensome in light of the risks they pose to the public. Most notably, Puerto Rico requires almost eight months (233 days) of training for cosmetologists compared to three months for EMTs (which itself is far higher than average). And because makeup artists and shampooers must be fully licensed cosmetologists, workers in these occupations, too, need more than twice as much training as EMTs.

Finally, not only does Puerto Rico license occupations other jurisdictions do not—sometimes quite onerously—but it also imposes several licenses recently eliminated elsewhere, such as makeup artists, shampooers, residential painting contractors, taxi drivers, travel agencies and weighers, as well as interior designers.

Despite Puerto Rico's low average burdens overall, comparisons to other jurisdictions show there is likely room for reform. To rein in licensing burdens, Puerto Rico can follow the steps outlined in "How to Reform Licensing"⁷ starting on p. 56. In so doing, it will make the Commonwealth a freer, fairer place to live, work and do business.

⁷ These steps are available in *License to Work*, page 56 and at <https://ij.org/report/license-to-work-3/report/reform-licensing/how-to-reform-licensing/>.



Do Licensing's Burdens Make Sense?

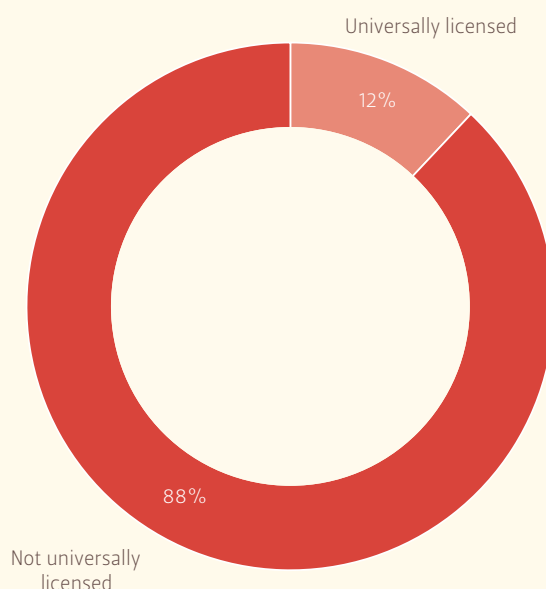
This report's data do more than highlight the breadth and burden of occupational licenses nationwide and show how they have changed over time. The data also provide evidence that many licensing requirements, despite some positive reforms, are too steep or even entirely unnecessary.

Questionable Licenses

The data from this edition cast doubt on the need for licensing in many occupations. Most of the 102 occupations we study are not licensed universally, as shown in Figure 14, which means workers are safely practicing them in at least one state—and often many more than one—without a government permission slip; thus, when any occupation is licensed less than universally, it is worth asking whether the states that do license it are doing so unnecessarily.

Also, highly suspect are licenses that other states have eliminated. If a state has gone to the trouble of delicensing an occupation, states that continue licensing it should reconsider. Figure 16 lists 14 such delicensed occupations that continue to be licensed by anywhere from three to 47 states.

Figure 14: Licensing Is Not Universal
Most occupations are unlicensed by at least one state



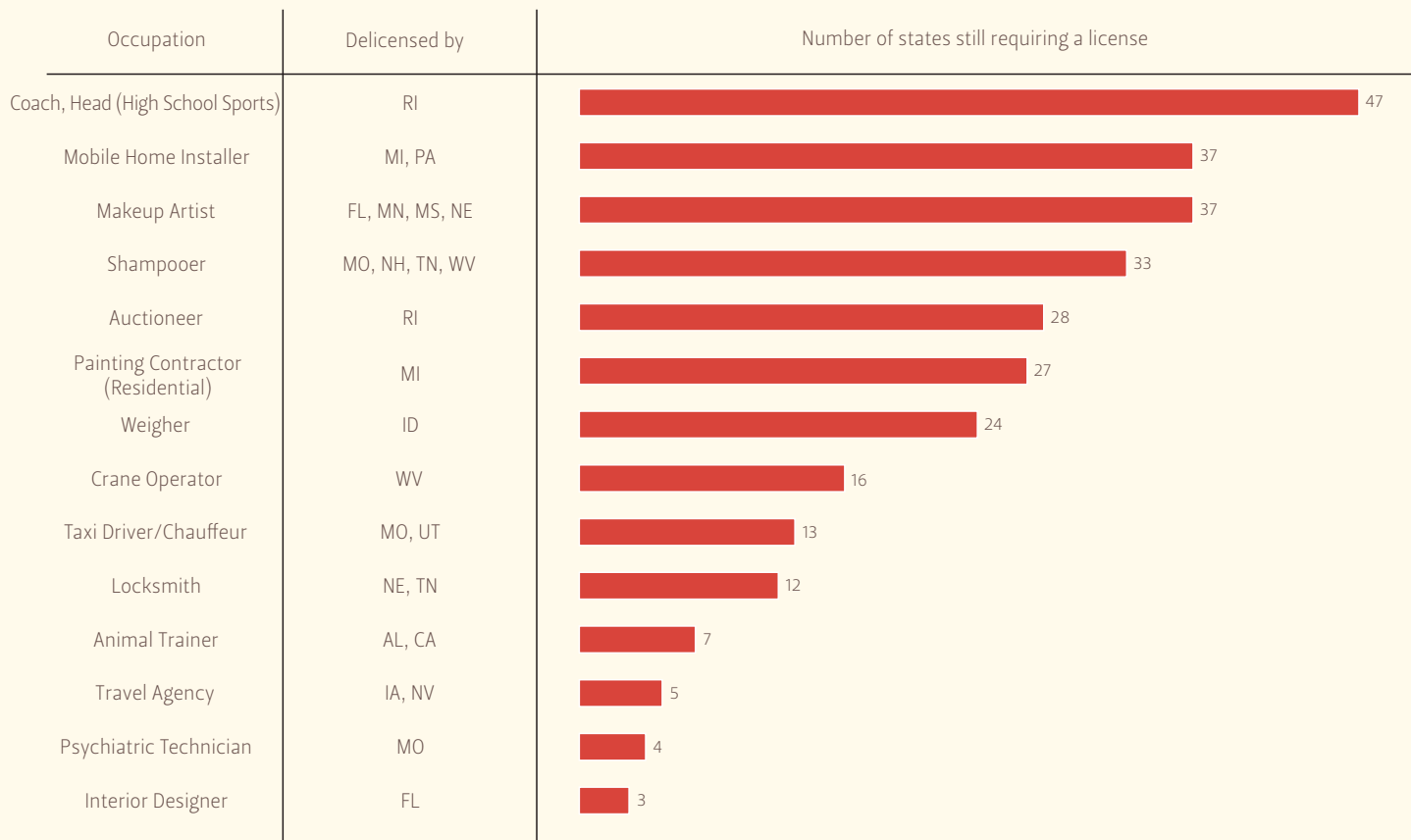
Other licenses that are likely unnecessary are ones government studies, prepared by nonpartisan research staff, have recommended against. In a number of states, proposed licenses and other occupational regulations are subject to “sunrise review,” a process intended to give lawmakers objective information about the need—or lack thereof—for new regulations.

Sunrise reviews inquire into occupational harms, regulations’ costs and benefits, and regulatory alternatives. They typically include a recommendation as to whether the proposed regulation, or any new regulation, is warranted. As a 2022 IJ study of nearly 500 sunrise reviews spanning 15 states and over 200 occupations found, these independent government studies usually recommend against licensure—or any new regulation.⁸

⁸ Sanchez, K., Pohl, E. S., & Knepper, L. (2022). *Too many licenses? Government “sunrise” reviews cast doubt on barriers to work*. Arlington, VA: Institute for Justice. <https://ij.org/report/too-many-licenses/>

Figure 16: Opportunities to Delicense

Since 2017, 14 occupations have been delicensed by at least one state, yet many other states still license the same jobs.



Questionable Burdens

Our data also suggests many licenses are, if not unnecessary, unnecessarily burdensome. First, many licensing requirements do not appear rationally related to public health and safety—the ostensible justification for imposing these burdens on workers. Some occupations pose little risk to consumers or the public at large and yet are subject to onerous licensing requirements. Makeup artist licenses, for example, require an average of 128 days of education and experience, 2 exams, and over \$173 in fees.

Some of these occupations are subject to more onerous requirements than others that pose greater risks to the public. Workers in 71 occupations face greater average burdens than entry-level emergency medical technicians even though EMTs' work is often a matter of life and death. For perspective, the average cosmetologist must complete nearly 10 times as much training as the average EMT (342 days vs. 36 days), while the average manicurist (the least burdensome beauty occupation we study) must complete more than twice as much (85 days vs. 36 days).

Second, states often impose wildly different licensing requirements on the same occupations even though occupational risks are unlikely to vary much across states. The most egregious differences often occur with education and experience requirements. Fifty-one of the 102 occupations studied see differences of more than 1,000 estimated calendar days lost between the minimum and maximum education and experience requirements.

Licensing's Negative Effects

Our results highlight the extent and frequent irrationality of licensing barriers that remain. A large body of research has shed light on the ill effects of such barriers to entry, documenting the costs to workers and entrepreneurs, to consumers, and to society and the economy at large. Meanwhile, there is a lack of hard evidence that licensing works to protect the public to a degree that would justify these costs—and a mounting body of evidence suggesting that licensing delivers no such benefit and instead serves primarily to protect private interests.

Heavy Costs for Workers

Licensing's most direct and obvious negative effects are the costs imposed on workers, both those in and those aspiring to licensed occupations. These costs can include not only the time and money we document here but also tuition—and often student debt—for required schooling; reduced employment and entrepreneurial opportunities; and even curtailed free speech rights.

Licensing also reduces employment and entrepreneurial opportunities, and it does so by design. Aspirants who cannot meet requirements or who cannot afford—or choose not to spend—the time or money to get licensed are simply shut out. The effects can be significant. A 2018 IJ study coauthored by licensing expert Morris Kleiner estimated that licensing costs the national economy 2 million jobs each year.⁹ As for entrepreneurs, recent research indicates more burdensome licensing requirements make for a less attractive business climate as firms are more likely to locate in states whose licensing laws are less restrictive.¹⁰ Licensing also serves as a barrier to workers moving across state lines¹¹ and to those changing occupations¹²—findings that come as little surprise given the wide variation in licensing requirements documented here.

Licensing may also reduce employment for racial and ethnic minorities and women in licensed fields. In addition, those trying to reenter society after a conviction face limited employment opportunities thanks to licensing.

Steep Consumer and Economic Costs with Limited Benefits

Licensing's negative effects are not limited to workers. They also impact consumers and the wider economy, though these effects operate indirectly and thus can be harder to see. They stem, however, from the direct effects of limiting opportunities for workers. Indeed, one of the most consistent findings in licensing research is that by limiting entry, and thus competition, licensing leads to higher earnings for licensees¹³ (earnings that, as noted above, nevertheless may not fully cover the costs of becoming licensed); and ultimately, consumers pay the price for those higher earnings through higher costs, limited access to services or both. Studies across multiple occupations have used consumer ratings as a measure of service quality and found that licensing (or stricter forms of it) does not improve quality.¹⁴

9 Vorotnikov, E. S., & Kleiner, M. M. (2018). *At what cost? State and national estimates of the economic costs of occupational licensing*. Arlington, VA: Institute for Justice. <https://ij.org/report/at-what-cost>

10 Plemmons, A. (2022). Occupational licensing's effects on firm location and employment in the United States. *British Journal of Industrial Relations*, 1–26. <https://doi.org/10.1111/bjir.12661>

11 Johnson, J. E., & Kleiner, M. M. (2020). Is occupational licensing a barrier to interstate migration? *American Economic Journal: Economic Policy*, 12(3), 347–373. <https://doi.org/10.1257/pol.20170704>

12 Kleiner, M. M., & Xu, M. (2020). *Occupational licensing and labor market fluidity* (Working Paper 27568). Cambridge, MA: National Bureau of Economic Research. <https://www.nber.org/papers/w27568>

13 Blair and Chung, 2019. See also Ingram, 2019; Kleiner and Vorotnikov, 2017, 2018; Gittleman, M., Klee, M. A., & Kleiner, M. M. (2018). Analyzing the labor market outcomes of occupational licensing. *Industrial Relations*, 57(1), 57–100. <https://doi.org/10.1111/irel.12200>; Kleiner and Soltas, forthcoming. Full references to the works cited in this compendium are available in “Appendix C: Recent Research on Occupational Licensing” of *License to Work*.

14 Deyo, 2017, 2022b; Erickson, A. C. (2016). *Putting licensing to the test: How licenses for tour guides fail consumers—and guides*. Arlington, VA: Institute for Justice. <https://ij.org/report/putting-licensing-test/>

Why Licensing Fails

First, licensing may not lead to better quality in some occupations because it shuts out high-ability candidates as well as low-ability ones. Not all aspirants can afford the time or money it costs to fulfill licensing requirements, especially when the economic returns are in doubt. Others can perhaps afford to become licensed but opt not to because their opportunity cost is too high—that is, because they have other opportunities available to them at a lower cost. This may be a particular problem with respect to high-ability aspirants, who are likely to have an abundance of other career choices.

Second, higher prices from licensing may force some consumers to go without services for which providers are subject to licensure or force them to settle for second-best options.¹⁵ Third, other factors—such as businesses' desire to keep their customers and win new ones—may already be working to promote safe, quality service. And fourth, it is possible that many licensing requirements simply are not attuned to quality—in other words, that many licensing requirements do not make workers better at their jobs.¹⁶



15 Carroll, S. L., & Gaston, R. J. (1981). Occupational restrictions and the quality of service received: Some evidence. *Southern Economic Journal*, 47(4), 959–976. <https://doi.org/10.2307/1058155>; Hotz and Xiao, 2011.

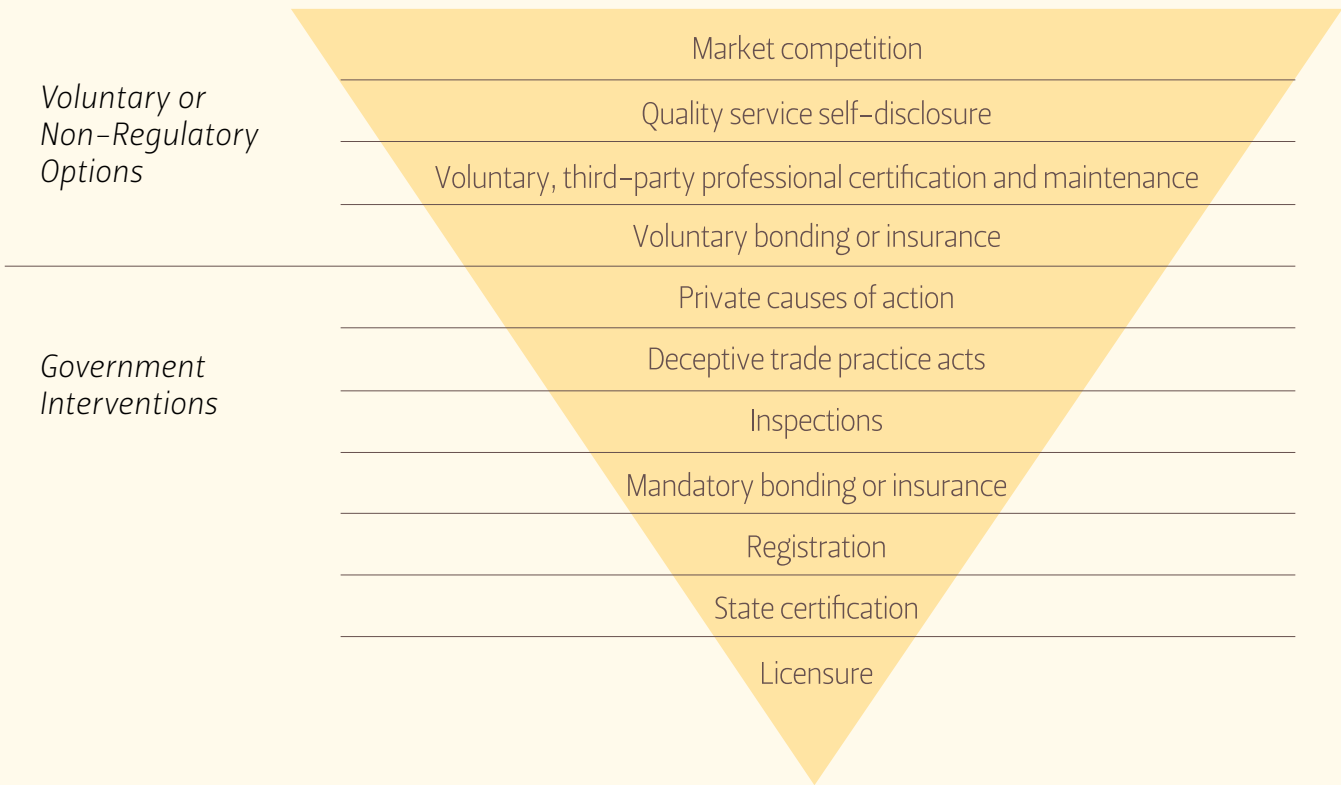
16 See, e.g., Carpenter, D. M. (2010). *Blooming nonsense: Experiment reveals Louisiana's florist licensing scheme as pointless and anti-competitive*. Arlington, VA: Institute for Justice. <https://ij.org/report/blooming-nonsense-2/>; Carpenter, D. M. (2012). Testing the utility of a licensing policy: Evidence from a field experiment on occupational regulation. *Journal of Applied Business and Economics*, 13(2), 28–41. http://m.www.na-businesspress.com/JABE/CarpenterDM_Web13_2_.pdf; Erickson, 2016.

Alternatives to Licensing

Occupational regulation is often thought of as an either or choice between licensing and no regulation. But there is, in fact, a whole range of alternatives that can keep the public safe without licensing’s high costs. Stretching back to the 1970s, states with sunrise programs have recognized that less restrictive alternatives should be preferred to licensing, often explicitly listing them in guiding statutes and regulations.¹⁷

Such alternatives can be thought of as an inverted pyramid with less restrictive alternatives at the top and more restrictive alternatives—culminating in the most restrictive option, licensing—at the bottom, as in Figure 23.¹⁸

Figure 23: A Hierarchy of Alternatives to Licensing



17 See Sanchez et al., 2022; *Sunrise, sunset and state agency audits*. (n.d.). Nicholasville, KY: Council on Licensure, Enforcement and Regulation. Hentze, I. (2018). Improving occupational licensing with sunrise and sunset reviews. *LegisBrief*, 26(25). <https://www.ncsl.org/research/labor-and-employment/improving-occupational-licensing-with-sunrise-and-sunset-reviews.aspx>

18For more information about the inverted pyramid, see Hemphill, T. A., & Carpenter, D. M. (2016). Occupations: A hierarchy of regulatory options. *Regulation*, 39(3), 20–24. Ross, J. K. (2017). *The inverted pyramid: 10 less restrictive alternatives to occupational licensing*. Arlington, VA: Institute for Justice. <http://ij.org/report/the-inverted-pyramid/>; Carpenter, D. M., & McGrath, L. (2014). *The balance between public protection and the right to earn a living* (Resource brief). Lexington, KY: Council on Licensure, Enforcement and Regulation. <https://ij.org/report/the-balance-between-public-protection-and-the-right-to-earn-a-living/>

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