



Executive Summary of the Report

Unleashing Potential. The Burdens of Occupational Licensing and How It Can Be Reformed in Puerto Rico

Ángel Carrión-Tavárez, Dick M. Carpenter II and Edward J. Timmons

Occupational licenses are state regulations that set requirements for individuals to practice a specific trade or profession. These requirements may include formal education or training, work experience, passing exams, and payment of fees, among others. Occupational licenses function as a permit to work, as they prohibit individuals from practicing without holding a license. The purported purpose of occupational licenses is to set minimum quality standards of occupational practice to protect public health and safety (Timmons et al., 2022); for example, many jobs in the healthcare field require licenses due to the potential harm that subpar services could arguably cause to well-being and life.

Over the years, the requirement for occupational licenses has expanded to jobs that do not pose risks to health and safety. This has led to 30% of jobs in the United States currently requiring a license, compared to less than 5% in the 1950s (Goldman, 2018). These regulatory demands are considered a burden for individuals aspiring to work in low- and middle-income occupations such as recreational leader for the community, makeup artist, shampooer, travel guide, condominium administrator assistant, and electrical helper, among others. This is because the combination of cost, effort, and time required to obtain an occupational license can be a barrier for them to engage in a trade or profession.

Service Quality

Occupational licenses are believed to be necessary to ensure consumers receive quality service; however, studies have provided evidence that strict occupational regulation

does not guarantee high-quality service or yield significant benefits to public health and safety (Carpenter, 2011; Deyo, 2017; 2022; Hall & Horowitz, 2021; Kleiner & Koumenta, 2022; Peterson, Pandya, & Leblang, 2014; Timmons & Mills, 2018); in fact, a White House report published under the administration of Barack Obama states that, overall, “empirical evidence does not find that stricter licensing requirements improve quality, public safety or health” (Department of the Treasury Office of Economic Policy et al., 2015, p. 58).

Labor Force Participation

Obtaining an occupational license requires a combination of time, effort, and money, “which reduces the willingness of new workers to enter a license-gated occupation” (Common Sense Institute [CSI], 2022). Many labor-market regulations, such as occupational licensing, commonly lead to participation in the informal economy (Hoffer & Nesbit, 2020); when the government imposes onerous burdens for people to work and start small businesses, many turn to alternative routes that deviate from the legal framework (Montalbán Ríos, 2022). It is estimated that the economic transactions that go unreported to the government exceed \$17 billion in Puerto Rico, which represents more than 30% of the gross domestic product.

Personal Mobility

The process for an individual with a license from another jurisdiction to obtain the same license and be able to work in Puerto Rico could take several months or even years. An

example of this is the case of Dr. Elba Gerena, a physiatrist with subspecialties in neuromuscular medicine and clinical research in muscular dystrophy, who had to leave the Island after waiting two years for a license that had taken her around three months in other states. Like Dr. Gerena, 550,421 people migrated from Puerto Rico to the United States between 2011 and 2020 (Universidad de Puerto Rico, 2021). Streamlining the portability of occupational licenses held by Puerto Ricans in the United States could serve as an incentive for them to return to the Island.

People with Criminal Records

Individuals with criminal records face significant challenges in reintegrating into society, such as the stigma attached to a criminal record, the erosion of job skills, disruption of formal education, and the loss of social networks (Bucknor & Barber, 2016). If the demand or even the denial of occupational licenses is added to this, their chances of finding employment or starting businesses in regulated sectors are severely limited. It has been observed that states with more regulations and restrictions tend to have higher rates of criminal recidivism. From 2015 to 2020, 39 states and the District of Columbia reformed their occupational licensing laws to make it easier for people with criminal records to find work in licensed occupations.

Occupational Licenses in Puerto Rico

The exact number of occupational licenses in Puerto Rico and their burdens is unknown. According to a study from the University of Puerto Rico, over 140 occupations are regulated on the Island, of which at least 131 have an active occupational regulation. Puerto Rico has 34 occupational licenses that exist in fewer than 5 states and the District of Columbia—among them, 13 that exist only on the Island. These findings raise questions about the necessity of requiring licenses for occupations in Puerto Rico that, in the majority of states, are not required, meaning they are practiced in all or almost all jurisdictions in the United States without the need for regulation.

Occupational Regulation Reform

The reform of occupational regulation has been a matter of public policy for both Democratic and Republican administrations in the United States, aimed at promoting labor force participation, personal mobility, and economic development. The Barack Obama, Donald J. Trump, and Joseph R. Biden, Jr. administrations issued reports and executive orders to urge state and territorial governments to revise occupational regulations to make their requirements the least restrictive to competition.

Table 1.

Thirteen Licenses in Puerto Rico That Do Not Exist in Any State or the District of Columbia

License	Agency
Assistant Condominium Administrator Permit	Department of Consumer Affairs
Chemist	Department of State
Health Educator	Department of Health
Naturopathic Practitioner	Department of Health
Physician Authorized to Prescribe Cannabis	Department of Health
Planner in Training	Department of State
Professional Agronomist	Department of State
Professional Draftsman	Department of State
Public Events Promoter	Department of Treasury
Public Relations Specialist	Department of State
Recreational Leader for the Community	Department of Recreation and Sports
Recreational Leader for Older Adults	Department of Recreation and Sports
Tire Importer	Puerto Rico Department of Natural and Environmental Resources

Source: Own elaboration.

This is crucial in Puerto Rico—with a historically low labor force participation rate of less than 50% and 41.7% of people in poverty—to encourage more individuals to enter the workforce and start small businesses.

Occupational Licensing Reform in Puerto Rico

Reforming occupational licenses in Puerto Rico is imperative to align requirements with current evidence and needs, facilitate workforce participation, and promote overcoming dependency. The review of occupational licenses on the Island should be based on the strict adherence—by each of them—to public health, safety, and welfare objectives (Timmons & Norris, 2021). The reform of occupational regulation in Puerto Rico is, therefore, an opportunity to balance public protection with the creation of avenues for economic freedom that are more accessible and equitable for all. Achieving effective changes and the stated goals is a process that involves the following elements:

- (1) Elimination of occupational licenses;
- (2) Adoption of universal recognition;
- (3) Reducing restrictions for individuals with criminal backgrounds;
- (4) Foresight for new licenses; and
- (5) Review of existing licenses.

Conclusion

As this report has outlined, the barriers imposed by occupational licenses have become unwarranted hindrances for the practice of various trades and professions. These regulations, originally purported to ensure minimum quality standards to protect public health and safety, have extended to occupations where risks are minimal and the necessity of regulation is unjustified. Excessive regulation discourages labor force participation, restricts personal mobility, and creates economic barriers that disproportionately affect those with fewer resources; therefore, occupational regulation reform must not lose sight of individuals' right to work and earn a livelihood.

The right to earn an honest living is explicitly acknowledged in the Constitución del Estado Libre Asociado

de Puerto Rico. Article II, section 16 recognizes “[t]he right of every employee to choose his occupation freely,” which is similarly noted in section 20: “The Commonwealth also recognizes the existence of the following human rights: ... The right of every person to obtain work.” Section 20 further recognizes “[t]he right of every person to a standard of living adequate for the health and well-being of himself and of his family” (P.R. Const. art. II, §§ 16, 20), which is contingent upon the preceding rights of occupational freedom and obtaining work.

Those rights are too often burdened, if not denied, by unnecessary occupational licenses that inhibit or prevent workers from entering the occupation of their choice. The government of Puerto Rico has a duty to protect public health and safety, yet occupational licenses rarely fulfill such a duty and instead protect license holders from competition in the form of unlicensed practitioners. Reforming occupational licensing is an action that policy-makers in Puerto Rico have to stimulate the type of economic growth that would retain local workers and entrepreneurs; attract to the Island those who migrated; and generate opportunities for prosperity stemming from the creativity, talent, and innovation of such individuals.

At first glance, occupational licensing reform may seem only a small intervention amid Puerto Rico’s current economic challenges; however, it is a policy action with significant latent potential. This potential lies in its combined effects of transitioning work and workers from the informal to the formal economy, stimulating entrepreneurship, curbing costs and improving access to quality services for consumers, and reducing—if not reversing—the drain of human talent leaving the Island in pursuit of economic opportunities elsewhere. If, after all, Puerto Ricans can achieve prosperity in the United States, they can do the same in Puerto Rico if given the chance.

All references included in this executive summary are available in the report *Unleashing Potential. The Burdens of Occupational Licensing and How It Can Be Reformed in Puerto Rico*. To obtain a copy of the full report, please visit <https://doi.org/10.53095/13584009> or send an email to angel.carrion@ilepr.org.



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