

# Caught in Red Tape: How Occupational Licensing Hurts Florida's Most Vulnerable



## Introduction

Access to gainful employment is essential to the economic success of Floridians and their families. An estimated 13.6 percent of people in Florida live below the poverty line, but the poverty rate is much lower among those who are able to find employment. In fact, just 5.1 percent of workers and 2.2 percent of full-time, year-round workers live below the poverty line, compared to 11.8 percent of all Americans.<sup>1</sup> Nevertheless, state-level occupational licensing policies make it harder for people to find work by blocking entry into many lower- and middle-income jobs. An occupational license is essentially a government-issued stamp of approval to enter licensed occupations including barber, athletic trainer, or pest control applicator. Typical requirements to obtain a license include fees, training, and examinations — each of which add to the burden of securing employment.

In the early 1950s, less than five percent of workers in the U.S. were required to hold a state-issued license.<sup>2</sup> Today, that figure has climbed to nearly 23 percent of full-time workers.<sup>3</sup> A White House report from the Obama administration found that the vast majority of this growth — roughly two-thirds — is attributable to an increase in the number of occupations requiring licensure rather than changes in workforce composition.<sup>4</sup> While licensing was originally intended to protect public health and safety, the same report found little evidence to suggest licensing improves quality. Moreover, many occupations that are licensed today do not present a clear threat to consumers.

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For example, Florida is one of only three states that license interior designers to work in commercial settings.

Licensing policies aren't just unnecessary; they also impose considerable costs on workers and consumers. A recent report estimated that occupational licensing costs Florida approximately 129,254 jobs and between

\$459.9 million and \$11.5 billion in deadweight loss and misallocated resources annually.<sup>5</sup> While deadweight loss refers to lost output, misallocated resources accounts for resources directed away from their most valuable uses which more accurately reflects the economic costs of licensing. Fortunately, wide variation in licensing policies across states suggests that there is ample room for reform. An analysis of state licensing laws by the Institute for Justice found that Florida has the 5th most burdensome licensing laws for lower- and middle-income occupations.<sup>6</sup> On average, licensure in Florida requires \$318 in fees and 693 days (days lost) of education and experience compared to the national average of \$267 and

one year. While \$318 might seem reasonable, it is more than three times the weekly grocery bill for an average Tampa household.<sup>7</sup> Florida could remove barriers to employment by eliminating unnecessary licenses and reducing the requirements for widely licensed occupations.

**Table 1. Economic Impact of Licensure in Florida**

Percent of workforce licensed	21.13%
Estimated Jobs Lost	129,254
Estimated Deadweight Losses	\$459.9 Million
Estimated Misallocated Resources	\$11,587.8 Million

Source: Kleiner, M. M. & Vortnikov, E. S. (2018) "At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing" Institute for Justice. [https://ij.org/wp-content/uploads/2018/11/Licensure\\_Report\\_WEB.pdf](https://ij.org/wp-content/uploads/2018/11/Licensure_Report_WEB.pdf)

## Hurting Those Most in Need

### LOW-INCOME WORKERS

Excessive occupational licensing requirements impose the greatest costs on the most vulnerable Floridians by creating barriers to entry into licensed occupations and raising prices for consumers. For example, one study found that more-burdensome licensing requirements increase barbers' wages by between 11 percent and 22 percent by restricting the supply of labor.<sup>8</sup> Consumers bear the cost of these wage premiums through higher prices. While barbers are licensed in all 50 states, aspiring barbers pay more fees in Florida than anywhere else in the country. Average fees for a barber's license in Florida are approximately \$428 compared to just \$30 in Georgia. Similarly, pest control applicators lose 533 days to training in Florida, but twenty-two other states require no training. In fact, licensing requirements are routinely more burdensome in Florida than other states. As a result, Floridians largely pay more for services from licensed workers.

Other research on the effects of licensing laws suggests that states with more burdensome requirements have less economic opportunity—especially for lower-income communities. A study from the Goldwater Institute found that states with more licensing laws had lower rates of low-income entrepreneurship.<sup>9</sup> Another report found that the growth of licensing in Florida between 1993 and 2012 resulted in 3.72 percent less economic mobility and 8.60



percent more income inequality.<sup>10</sup> In other words, licensing reduces the ability of children from low-income families to achieve upward economic mobility.

In 2017, the Florida Legislature passed legislation waiving initial application fees for any person whose household income is at or below 130 percent of the poverty guidelines prescribed for the family's household size by the Department of Health and Human Services.<sup>11</sup> This action reduced the burden of licensure for some of the most vulnerable workers in Florida but failed to directly address the excesses of licensure. Further reform is necessary to eliminate onerous occupational licensing requirements like required education and examinations that prevent Floridians from finding secure, gainful employment and that also increase costs for consumers.

## FORMER CRIMINAL OFFENDERS

Access to employment is perhaps most important for Floridians with criminal records. Academic research by criminologists suggests that stable employment significantly reduces the likelihood that former offenders will be rearrested.<sup>12</sup> A recent JMI policy brief found that states with more-burdensome licensing requirements also had higher rates of recidivism. Another report found that laws allowing licensing boards to assess applicants' "good moral character" were also associated with increased recidivism — even

after controlling for changes in crime rates and labor market conditions.<sup>13</sup>

In 2018, the Florida Legislature passed legislation prohibiting licensing boards from denying applications on the sole basis of the applicants' criminal history and preventing boards from considering offenses committed more than five years prior to application. However, the reforms do not apply to forcible felonies like burglary and robbery. Considering that these are the offenses with the highest rates of recidivism in Florida, the effect on recidivism may be limited unless additional reforms are made. Reducing the overall burden of licensure as well as eliminating provisions that explicitly discriminate against former offenders could help more former offenders stay out of prison.

## INTERSTATE MIGRATION

The patchwork of occupational licensing requirements across states acts as a barrier to interstate migration. In an analysis of 22 occupations licensed across all 50 states, economists Janna Johnson and Morris Kleiner found that the average interstate migration rate for occupations with state-specific licenses was 36 percent lower than for other occupations.<sup>14</sup> They also found that reciprocity agreements between states to reduce the cost of re-licensure increase the interstate migration rate among lawyers. These findings suggest that licensing slows growth and dampens competition by

preventing more workers from moving to Florida. Recognizing licenses from other states without requiring additional training or fees would eliminate some of the burden workers face when they relocate.

Florida already has a broad licensure reciprocity program for military spouses.<sup>15</sup> Extending this convenience to all new residents could boost growth, reduce prices, and encourage greater competition. Arizona recently became the first state to recognize all licenses from other states. Workers licensed in other states still need to apply to Arizona licensing boards but won't have to repeat any training. To qualify, applicants must have been licensed in another state for at least one year, be in good standing in all states where they are licensed, pay applicable fees, and meet all residency and background requirements.<sup>16</sup> In some cases, applicants may be required to pass an additional exam covering Arizona state law.<sup>17</sup> Similar reforms could go a long way toward reducing obstacles to migration and employment in Florida.

## Alternatives to Licensing

In most cases, the best mechanism for ensuring the quality and safety of services is the free market. While licensing inherently limits consumer choice, the market leverages choice to give businesses an incentive to provide consistent quality service. If consumers are unsatisfied, they can take their business elsewhere in the future. They can also share their experiences with friends and get referrals for better providers. While businesses have always been subject to the forces of consumer choice, the internet makes it easier than ever for consumers to share information about the quality of service providers. As the role of online review services grows, businesses increasingly rely on customer reviews to appeal to consumers. These market-based mechanisms provide more reliable information because consumers are generally far more capable of assessing the typical quality of service providers than licensing boards.

In some cases, it may be more difficult for consumers to assess quality on their own. One alternative to mandatory licensing is for workers to obtain voluntary professional certifications from private organizations. Voluntary certification signals a minimum standard of quality to consumers without the costs of licensing. While state licensing boards have monopoly status, private certification organizations must compete to earn consumer trust. Where lack of competition in government often results in regulatory capture, market competition results in higher standards and more accurate information.

Despite the power of market forces, cases of negligence and error are inevitable — just as they are under regulation. In most instances, existing legal channels enable consumers to take legal action against service providers when there is demonstrable harm.

Voluntary bonding and insurance also help some service providers offset the risks associated with doing business. If these existing measures are considered insufficient to protect consumers, there are a number of alternative interventions less disruptive than government licensure. Periodic inspections of service providers could allow for oversight of quality without the administrative burden of state-run licensing schemes. Mandatory bonding and insurance could also be used in high-risk settings. Finally, regulators could require registration to work in certain occupations or issue state certifications as measures of last resort.

## Conclusion and Recommendations

Occupational licensing restricts entry into many lower- and middle-income jobs in Florida. As a result, consumers pay higher prices and fewer Floridians are able to find fulfilling work. Excessive licensing requirements impose the greatest burden on low-income communities. In fact, states with more-burdensome licensing laws have more inequality, less economic mobility, and lower rates of low-income entrepreneurialism. Licensing is also associated with higher rates of recidivism and lower rates of interstate migration.

Florida can reduce obstacles to employment and encourage greater competition through comprehensive licensing reform. While it could be argued that no licenses are necessary, some occupations are more widely licensed than others. A list of occupations licensed in more than 42 states is provided in the Appendix. Even if these licenses are retained, their associated fees and training requirements could be reduced. In many cases, requirements in Florida are far more burdensome than in other states. Among licenses that cannot be eliminated, fees should not exceed administrative costs and training should directly address health and safety concerns. Florida should also follow the lead of Arizona in recognizing out-of-state licenses.

Many of the occupations licensed in Florida are not widely licensed by other states. As a rule of thumb, occupations that are not licensed in at least eight other states should be eliminated (TABLE 2). Further interventions like inspections, mandatory bonding and insurance, registration and state certification should be avoided except for where they are the least burdensome alternative to occupational licensing. Finally, Florida can (and should) implement a mandatory sunset of all licenses after a period of years to be determined. Such a policy would ensure that licensing requirements directly address consumer safety and would provide regular opportunities to evaluate the need for government licensure rather than assuming its necessity in perpetuity.

## Comparison to Other States



**Table 2. Occupations Not Licensed in At Least 8 Other States**

Occupation	Number of States that Do Not Require a License
Animal Control Officer	43
Auctioneer	21
Bill Collection Agency*	19
Carpenter/Cabinet Maker Contractor	Commercial: 26 Residential: 21
Drywall Installation Contractor	Commercial: 26 Residential: 21
Farm Labor Contractor	40
Fire Alarm Installer	12
Gaming Cage Worker	21
Gaming Dealer	22
Gaming Supervisor	20
Glazier Contractor	Commercial: 25 Residential: 21
HVAC Contractor	Commercial: 14 Residential: 16
Interior Designer**	47
Iron/Steel Contractor	Commercial: 25 Residential: 21
Makeup Artist	10
Mason Contractor	Commercial: 25 Residential: 20
Midwife, Direct Entry	22
Milk Sampler	8
Mobile Home Installer	11
Optician	28
Pipelayer Contractor	24
Security Alarm Installer	14
Security Guard, Unarmed	17
Sheet Metal Contractor, HVAC	Commercial: 14 Residential: 15
Sheet Metal Contractor, Other	Commercial: 25 Residential: 20
Slot Supervisor	22
Travel Agency*	43

Note: These occupations are a subset of licensed middle- and lower-income occupations compared across all 50 states in Institute for Justice's (2017) "License to Work: A National Study of Burdens from Occupational Licensing." <https://ij.org/report/license-work-2/>

\* Requirements to run one's own agency; \*\* License not required in residential settings

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# Appendix

## Occupations Licensed in More than 42 States

Occupation	FL Fees	FL Days Lost	Lowest Fees	Fewest Days Lost	States with Lower Fees	States Requiring Less Training and Education
Child Care Home, Family	\$70.00	8 Days	\$0.00: VT	0 Days: AR, CA, CT, HI MN, MT, MO, NE, NM, ND, OR, TN, UT, VT, WV	24	28
Fisher, Commercial	\$25.00	0 Days	\$2.00 WI	0 Days	6	0
Massage Therapist	\$350.00	116 Days	\$140.00 HI	0 Days ME	25	1
Pharmacy Technician	\$105.00	245 Days	\$25.00 KY, RI	0 Days: AL, AK, AR, CA, CT, GA, ID, IN, IA, KS, KY, ME, MI, MN, MS, MO, MT, NE, NJ, NC, OH, OR, SC, SD, TN, TX, VT, VA, WY	19	43
Coach, Head (High School Sports)	\$75.00	63 Days	\$0.00: AK, CA, CT, DE, ID, IL, IN, KS, LA, ME, MD, MA, MI, MN, MS, MT, NV, NC, ND, OR, SD, TN, TX, VT, WA, WV, WI	0 Days: AL, AK, CA, CO, DE, ID, IL, IN, KS, ME, MS, MT, NV, NH, NM, NC, ND, OR, SD, TN, TX, UT, VT, WA, WI, LA, MA, MI, WV	35	34
Landscape Contractor (Commercial)	\$25.00	0 Days	\$0.00: DE	0 Days	2	0
Landscape Contractor (Residential)	\$25.00	0 Days	\$0.00: CT, DE, MS	0 Days	4	0
Athletic Trainer	\$525.00	1,460 Days	\$320.00: PA	1,460 Days	37	0
Manicurist	\$70.00	56 Days	\$51.00: OH	23 Days: MA	2	5
Preschool Teacher, Public School	\$555.00	1,460 Days	\$51.00: SD	730 Days OH	31	2

Occupation	FL Fees	FL Days Lost	Lowest Fees	Fewest Days Lost	States with Lower Fees	States Requiring Less Training and Education
Skin Care Specialist	\$70.00	60 Days	\$51.00: OH	60 Days: FL	2	0
Barber	\$428.00	280 Days	\$25.00 WA	53 Days: NY	49	12
Bus Driver, City/Transit	\$82.00	0 Days	\$18.00: NM	0 Days	21	0
Cosmetologist	\$90.00	280 Days	\$51.00: OH	233 Days: NY	6	1
Earth Driller, Water Well	\$150.00	732 Days	\$38.00: NE	0 Days: AK, IN, KS, NE, NY, OH, PA, RI, WY	8	31
Emergency Medical Technician	\$115.00	25 Days	\$0.00: NC, VT	23 Days: MO	30	2
Pest Control Applicator	\$760.00	533 Days	\$0.00 MO	0 Days: AK, CT, GA, ID, IN, IA, KS, ME, MI, MT, NE, ND, OH, OK, OR, PA, RI, SD, UT, VT, WA, WY	48	38
School Bus Driver	\$62.00	1,834 Days	\$18.00: NM	0 Days: CO, IL, MN, NY, ND, SD, TN, VT, WI, WY	13	49
Truck Driver, Other	\$75.00	0 Days	\$18.00: NM	0 Days	16	0
Truck Driver, Tractor-Trailer	\$75.00	0 Days	\$18.00: NM	0 Days	16	0
Vegetation Pesticide Applicator	\$760.00	533 Days	\$0.00: MS	0 Days AL, AK, AR, CA, CT, GA, ID, IL, IA, KS, KY, LA, ME, MI, MN, MO, MT, NE, NC, ND, OH, OK, OR, PA, RI, SC, SD, UT, VT, WA, WY	48	45

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