



Legislative Testimony

House Bill 169

Occupational Licensing

March 3, 2020

Chairman Shaw, Chairman Thompson, and members of the House Military & Veterans' Affairs Committee,

House Bill 169 contains multiple components, all of which relate in various ways to occupational licensing. As such, I'd like to provide some background on this practice, and point to recent studies that are relevant to the topic.

As recently as the early 1950s, very few U.S. workers were covered by state occupational licensing laws. But by the year 2000, studies found that 20% or more of workers were subject to these laws.

One of the common reasons given for the growth of occupational licensing laws is a desire for consumer protection from fraud or poor quality service. Consumers, it is claimed, want the protection that occupational licensing brings; the claim, in other words, is that consumers want to be sure that the people working in a given field are qualified. And yet, as pointed out by a Hoover Institution economist, there are virtually "no example[s] where consumers were the driving force" for creating occupational licenses.ⁱ Further, a recent study conducted by a Stanford University economist jointly with academics from Boston University, MIT and Harvard, found that consumers really don't care about licenses.ⁱⁱ Consumers of today rely upon other factors like customer reviews and ratings.

The other common justification given for occupational licensing is health and safety. To that, there is definitely some merit. Specific jobs certainly warrant some degree of oversight to protect the health and safety of both workers and consumers. But there is more to unpack here.

First, licensing is only one type of oversight that government can employ to protect health and safety, and it is generally the most onerous. There are many other interventions that government controls which can protect health and safety, and in fact

are used in other non-licensed industries. These include random inspections, bonding, certification, and registration, all of which are less burdensome than licensing.ⁱⁱⁱ

Additionally, while it sounds good in theory, the data shows that licensing doesn't necessarily protect health and safety in the real world. In the words of Brookings Institute scholars, "Evidence of safety improvements caused by licensure is difficult to find."^{iv}

So if licensing has only negligible effects on health and safety, and consumers don't care about it, what does it do? The clearest result is that it restricts employment opportunities. Multiple bodies of research find that employment growth is consistently lower in places where occupations are strictly licensed.^v

Beyond the vocational requirements for licensing, states have created another hurdle: the costs to become licensed. The higher the costs, the fewer individuals who can afford to make that employment shift, even if they are perfectly qualified. If Alaskans are trying to climb the economic ladder, sometimes they cannot afford the initial fees required to get a license. A policy reform which waives initial fees is good practice. This would allow them to enter the career field and begin earning income to take them up the economic ladder.

When veterans leave full-time military service, sometimes their military experience and jobs translate directly into civilian careers, but in plenty of cases, that does not work. In my personal case, I worked in military operational intelligence. That's a very hard career to convert into civilian life. Many veterans need to find new career fields but they are hindered by expensive licensing fees.

Any policy reforms that the legislature can make to reduce licensing burdens, including waiving initial fees and allowing paid apprenticeships in lieu of costly classroom training, will result in more Alaskans being able to find gainful employment. I encourage the committee to embrace policies that give Alaskans opportunities to make better lives for themselves.

Thank you for the chance to testify on this important issue.

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ⁱ <https://www.hoover.org/research/occupational-licensing-bad-idea>

ⁱⁱ <https://news.stanford.edu/2020/01/13/value-occupational-licensing-dims-online-world/>

ⁱⁱⁱ <https://ij.org/report/license-work-2/report/to-license-or-not-to-license-a-false-choice/>

^{iv} <https://www.brookings.edu/blog/up-front/2019/04/26/what-explains-occupational-licensing/>

^v https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf