



Reducing the Burden from Occupational Licensing Regulations Will Help Consumers

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February 1, 2018

As President Reagan famously noted, “The most terrifying words in the English language are: I’m from the government and I’m here to help.” The expanding reach of occupational licensing regulations exemplify this maxim.

People in a growing number of occupations now require the permission of the government to work in their chosen profession. Data from the Bureau of Labor Statistics (BLS) illustrate that 60 years ago about 1-in-20 jobs required an occupational license; today more than 1-in-4 do.

Ostensibly, occupational licensing regulations exist to protect consumers. Specifically, proponents of occupational licensing regulations assert that it is difficult for many consumers to recognize when a professional is qualified to provide the service he or she is selling, and when he/she is unqualified. Occupational licensing regulations create a standard that supposedly solves this problem.

By requiring service providers to obtain a state occupational license before they can perform a job, consumers no longer need to worry about whether the professionals they are hiring are qualified or not. Instead, service professionals are conveying that they have the requisite qualifications by having the proper state licensing.

All too often, the licensing requirements are an obstacle for qualified professionals to compete in these industries, rather than a quality signal to consumers, because the costs to obtain an occupational license are not insignificant.

According to a 2017 study by the [Institute for Justice](#), the average fee to obtain a license is \$267, however the fees for some licenses can exceed \$1,000 (e.g. the average fees to become a licensed interior designer or midwife). But, the actual license fees can often pale in comparison to the education and experience requirements, which average one year, but can require nearly three years for an HVAC contractor, four years for an athletic trainer, and six years for an interior designer.

The consequences from costly licensing requirements are higher costs, and fewer choices, for consumers; and, less economic opportunity for service providers. Perhaps worst of all, the service providers with the lowest income are disproportionately harmed because they are less likely to have the ability to devote the time and money necessary to obtain the licenses.

For many professions, such as interior designers, it is difficult to justify why occupational licenses are necessary at all. For other professions, the issue is more complex. In these instances, enabling licensing reciprocity across the states can help reduce these costs.

The insurance adjuster profession exemplifies the potential benefits from licensing reciprocity.

Insurance adjusters are responsible for investigating insurance claims, inspecting the damage, and determining payments to policyholders. In 34 states, insurance adjusters must obtain a state license to practice – even if he/she is licensed elsewhere. While several states will recognize licenses from other states (e.g. reciprocity), the reciprocity is not pervasive; and where it exists, adjusters must still comply with all the license application procedures.

Making matters worse, the costly obstacles created by state-based occupational licenses hinders the insurance market from operating seamlessly across the country. The problems created by Hurricanes Harvey and Irma, as well as the wildfires in California, exemplify the adverse consequences that result.

Following Hurricane Harvey's devastation of Texas (as well as nearby states such as Arkansas and Louisiana), Hurricane Irma thrashed Florida. Around the same time, California then faced one of the costliest wildfire seasons in 2017. Consequently, the demand for insurance adjusters in these locations spiked. Consumers suffered, however, because the national supply of insurance adjusters could not effectively respond to the local surge in demand – the occupational licensing regulations fueled costly delays for consumers who were trying to receive the insurance benefits they were entitled.

These delays illustrate that consumers are best served when insurance adjusters can seamlessly work across state lines. State-based occupational licensing regulations, coupled with the lack of effective reciprocity, obstructs the market from working efficiently, imposing unnecessary delays and costs on consumers.

Consequently, the obstacles created by the current patchwork of state occupational licensing regulations should be reduced by enabling effective reciprocity across those states. Effective reciprocity will create a more flexible supply of insurance claims adjusters that will promote a more efficient insurance market on both a day-to-day basis, and in response to the sudden increase in demand following large natural disasters.

There are many reasons to reduce the number of occupations that require state licensing. When these regulations are deemed necessary, however, reforms should reduce the adverse impact these regulations have on an efficient and competitive market. As the insurance claims adjusters example illustrates, licensing reciprocity across the states is an effective means to reduce these burdens.

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