



Scream for Yelp: Senate Bill 1185

Occupational Licensing Hurts Low-Income Communities

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Texas may revere the self-made man, but its occupational licensing laws often deny low-income workers the chance to access the market and pull themselves up to a higher standard of living. This remains the case even though advances in technology have diluted the concerns that precipitated and justified their passage.

According to the Texas Department of Licensing and Regulation, the combined Texas codes impose a licensing requirement on approximately 142 different types of economic activities.¹ A 2012 study by the Institute for Justice revealed that at least 34 of those requisites apply to occupations that typically act as stepping stones for minorities and Texans with lower levels of education. Although that number was less than most states, the study noted that Texas' regulations tended to be more burdensome, demanding on average \$304 in fees, 326 days of training, and two examinations.²

This decision by the state to act as both guard dog and gatekeeper has put a heavy dampener on Texans' upward mobility. Self-employment is well recognized as a proven path out of poverty, particularly for those with little education and/or work experience. By padding on additional costs, occupational licensing in effect raises the bar of entry beyond the reach of many Texans simply because they lack the right reservoir of capital and leisure time to meet what is increasingly becoming arbitrary benchmarks.

In other words, occupational licensing prevents Texans from attaining self-sufficiency and, therefore, the ability to provide their community with new jobs, services, and competitive prices. Indeed, a 2007 study of national trends determined that state licensing programs reduced rate of job growth by 20 percent. It then esti-

imated that the total “deadweight”—if one includes its rippling impact on prices, investments, availability of services, and discouraged innovation, etc.—amounted between \$34.8 and \$41.7 billion per year as compared to an unlicensed market.³

New Technology Makes Occupational Licensing Obsolete

State officials rationalize the costs of occupational licenses by invoking the need to protect consumers from a combination of bad business practices and public health concerns. The market, however, has evolved in such a way as to make government accreditation more and more obsolete. Over the last decade, improvements in technology have broken the information monopoly that producers and service-providers once had over Texas industries.⁴ Customers can now gain almost instant access to reports on a seller's qualifications, business reputation, nearby competitors, and interaction with regulatory agencies with a stroke of a keyboard.

More importantly, these services rely on the feedback of thousands of market actors responding in real time, which means that they can capture a more accurate and up-to-date picture than a fixed set of checked-boxes that are only revised once every few years. If innovations like Angie's List, Yelp, and Amazon Review continue, then Texas lawmakers will need to reevaluate whether the benefits of occupational licensing falls beneath the burden it imposes on aspiring entrepreneurs.

Senate Bill 1185 Offers a Reasonable Compromise

The Texas Legislature at present lacks a mechanism to systematically evaluate the need for occupational licensing laws. The Sunset Commission does provide some level of review, but the relevancy of specific occupational requirements is only a tangential subject and

not the primary focus of the commission's resources and attention. In addition, the information can easily get lost within Commission's finding since a typical Sunset report forwards an agency-wide assessment, of which licensing recommendations represent a small part.

Senate Bill 1185 proposes to fix these shortcomings and establish a detailed analysis of Texas' occupational licensing, where each requirement is guaranteed to be reviewed within a ten year period. It also offers law-

makers a middle path, which acknowledges the role that government plays in protecting consumers but allows the Legislature to tailor the state's licensure laws to fit the set of problem facing consumers today rather the concerns of yesteryear. In short, Senate Bill 1185 simply asks the state to reassess at regular intervals whether the reasons behind specific licensure requirements retain enough relevancy and persuasion to justify inhibiting the right of Texans to pursue an honest living. ★

Notes

- ¹ [Strategic Plan 2011-2015](#), Texas Department of Licensing and Regulations, Jun. 18, 2010, p. 4.
- ² [License to Work: Texas](#), Institute for Justice, last updated Apr. 24, 2012
- ³ Adam B. Summers, [Occupational Licensing: Ranking the States and Exploring the Alternatives](#), Reason, Aug. 1, 2007, p.11.
- ⁴ Alex Tabarrok and Tyler Cowen, [The End of Asymmetrical Information](#), Cato Unbound, Apr. 6, 2015; Christopher Koopman, Matthew Mitchell, and Adam Thierer, [The Sharing Economy and Consumer Protection Regulation](#), Mercatus, Dec. 8, 2014.

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