



# **OCCUPATIONAL LICENSING**

## **Top Policy Issues and Solutions**

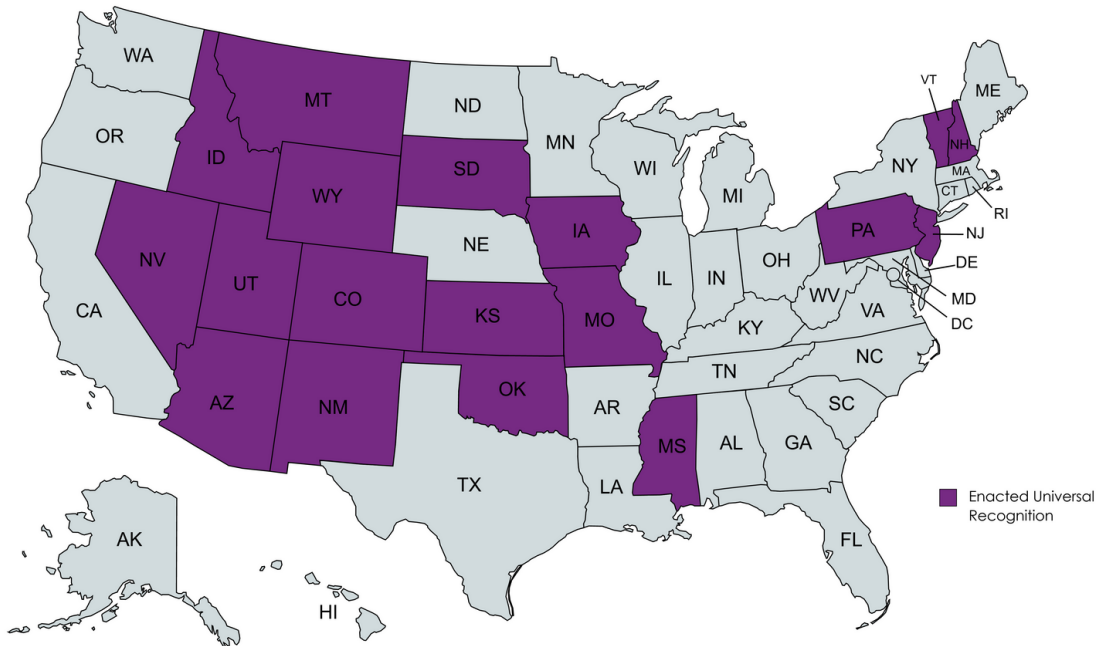
State occupational licensing laws have received more attention from researchers and legislators in recent years. This form of occupational regulation requires workers to acquire a state license to practice a trade. Data on occupational licensing has been scarce until recent years. But an increase in the availability of data and the increase in the number of studies that analyze the consequences of occupational licensing has revealed that licensing rules often create unnecessary burdens for people entering the workforce and also limit geographic mobility of existing license holders to move between states. Consequently, researchers and policymakers have begun to recommend reform.

Arkansas has one of the most burdensome sets of licensing laws in the United States, according to data from the Institute for Justice, which ranks the state as the 9th worst state as measured by the number of occupations licensed and the burdens imposed by the regulations. Our neighbors like Missouri and Mississippi score far better. During the 2019 Legislative Session, the Arkansas Legislature passed Act 600, which mandates that only “the least restrictive form of occupational authorizations to protect consumers from significant and substantiated harms to public health and safety” be used in state regulations. The Occupational Licensing Review (OLR) Subcommittee was created to fulfill this mandate. A similar strategy in Texas, in place now for decades, shows the effectiveness of this approach. The Texas Sunset Review Commission estimates that for every \$1 appropriated to the commission, \$18 has been returned to the state’s economy.

Unfortunately, the OLR Subcommittee has not yet had a similar effect in Arkansas. The subcommittee has been through two full rounds of licensing reviews, with little to show for it thus far. After the first round of reviews from late 2019 through 2020, the subcommittee produced five official recommendations, none of which ultimately became legislation. The second round, from late 2021 through the end of 2022, saw the committee produce no official recommendations.

The OLR Subcommittee has had a sluggish start in Arkansas, and while their work remains important, there are several other areas ACRE considers important to supplement a broader strategy of licensing policy reform.

# Universal Licensing Recognition



**Problem:** To continue practicing their professions, licensed workers from other states often must repeat the licensing process when moving to Arkansas. This unnecessary barrier could convince them to move to other states. Many states, including neighboring Missouri, Mississippi, and Oklahoma, have removed similar barriers through universal recognition. Universal recognition allows licensed workers from other states to automatically get a license, as long as they have one year of experience and are in good standing. Under the current status quo, Arkansas risks losing talented professionals to neighboring states with friendlier licensing recognition policies.

As of December 2022, 18 states have enacted universal licensing recognition legislation including Arizona, Colorado, Idaho, Kansas, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Oklahoma, Pennsylvania, South Dakota, Utah, Vermont, and Wyoming.

**Solution:** Arkansas should enact universal licensing recognition legislation comparable to laws passed already in the neighboring states of Missouri, Mississippi, and Oklahoma. A legal framework for universal recognition already exists in Arkansas, since Act 135 of 2021 was enacted in the legislative session of that year for the spouses of active duty military personnel. It makes sense that if universal recognition benefits military spouses, it would also benefit other individuals who are either interested or compelled to move states.

Follett, T., Herman, Z., and Hentze, I. (2021). Universal licensure recognition. National Conference of State Legislatures. <https://www.ncsl.org/research/labor-and-employment/universal-licensure-recognition.aspx>  
Deyo, D. and Plemmons, A. (2022). Have license, will travel: measuring the effects of universal licensing recognition on mobility. Economics Letters. 219.

# Lowering Educational and Training Barriers to Licensing

**Problem:** Many professional licenses in Arkansas have disproportionately high education or training requirements relative either to the demands of the profession or to standards in other states. For example, fire alarm installers in Arkansas must undergo a two-year apprenticeship -- that's 4,000 working-hours -- before earning their full licenses. That's compared to completing a 22-hour course in South Carolina and a 28-hour course in Mississippi. The financial burden of licenses can also be very high, acting as a barrier for some individuals who might otherwise pursue a career in the licensed profession. Prospective massage therapists in Arkansas must pay a fee of \$216.50 every other year to legally practice, compared to just \$55 in Oklahoma. While these fees and training requirements may not seem to create a large barrier on their own, combined with the other difficulties of entering a new profession they can be significant deterrents, particularly for low income individuals.

**Solution:** The Occupational Licensing Review Subcommittee should make it a priority to match Arkansas's licensing requirements to those of the least restrictive state's requirements. If other states can effectively protect public health and safety with lower licensing requirements, then it stands to reason that Arkansas can do the same. In circumstances where the least restrictive state requirements come from a state with significant economic differences than Arkansas, the state should match the least restrictive regional licensing requirements neighboring or other Southern states use.

Table 1.

<b>Occupation</b>	<b>Arkansas req.</b>	<b>Other state's req.</b>
Fire Alarm Installer	2-year apprenticeship	22-hour course (SC)
Manicurist	600-hour course	150-hour course (VA)
Auctioneer	\$334 fee	\$52 fee (MO)
Landscape Contractor	\$200 fee	\$35 fee (FL)

Source: Deyo, D., Knepper, L., Sweetland, K., Tiezzi, J., and Mena, A. (2022). License to work: A national study of burdens from occupational licensing. 3rd Edition. Institute for Justice. <https://ij.org/report/license-to-work-3/>

## ALTERNATIVES TO OCCUPATIONAL LICENSING

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**Problem:** Licensing is the heaviest form of regulation that state governments apply to certain jobs, often creating significant barriers to people trying to enter the workforce. Most people are aware that doctors and lawyers are licensed, but licenses cover many more areas of work, ranging from landscapers and roofers to acupuncturists and massage therapists. Licensing has also grown dramatically in recent decades. In 1950, roughly five percent of occupations were licensed, but these days it's closer to 25 percent. While licensing can be useful in some areas, there is growing research to suggest that much of the time it is overkill and can actually be harmful by raising the cost of services and artificially limiting the number of service providers without providing any clear additional benefits to public health and safety.

**Solution:** There are many other strategies the government can, and does, use to regulate professions and ensure consumer health and safety. These alternatives include registrations, certifications, inspections, and voluntary associations. For example, restaurants, which have a major impact on public health and safety, are regulated through inspections rather than by requiring cooks and servers to get licenses. Licenses most often require significant fees and education ranging from hundreds to thousands of hours. Certifications are similar, but typically require much lower fees and fewer hours. Registrations often consist of paying a small fee and adding one's information to a registry. Voluntary associations and bonding can provide financial protections and signal quality of service to consumers without relying on government intervention. There are many licenses where these lesser forms of regulation could be sensibly applied, while still maintaining sufficient oversight to protect public health and safety.

A combination of voluntary and regulatory strategies can be used in most cases to ensure protection of public health and safety. The table below illustrates these options.

Table 2.

<b>Consumer Concern</b>	<b>Voluntary/Regulatory Response</b>
Consumers can't easily assess quality	Consumer reviews, self-disclosure, voluntary certification, voluntary bonding or insurance, government certification
Fraud	Consumer reviews, self-disclosure, voluntary bonding or insurance, deceptive trade practice acts
Injuries/Third-party injuries	Voluntary bonding or insurance, private causes of action
Hygiene/Sanitation	Consumer reviews, inspections
Fly-by-night providers	Consumer reviews, self-disclosure, voluntary/mandatory bonding or insurance, voluntary certification, registration

The Occupational Licensing Review Subcommittee should use the above guidelines to form new regulation procedures that are less burdensome than licensing. Licensing is best suited as a last resort for cases in which the above solutions are insufficient. The vast majority of professional regulatory concerns can be adequately addressed using the methods listed above. For some occupations, these committees can once again look to other states to see if they use registration or some other form of regulation, rather than licensure.

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Source: Ross, J. (2017). The inverted pyramid: 10 less restrictive alternatives to occupational licensing. Institute for Justice. [https://ij.org/wp-content/uploads/2017/11/Inverted-Pyramid\\_FINAL\\_cover.pdf](https://ij.org/wp-content/uploads/2017/11/Inverted-Pyramid_FINAL_cover.pdf)