

Testimony

HB 2101: Let People Prosper by Not Creating Government Barriers to Work *Testimony Before the Texas House Committee on Business & Industry*

by Vance Ginn, Ph.D., Director

Chairman Martinez Fischer and Members of the Committee:

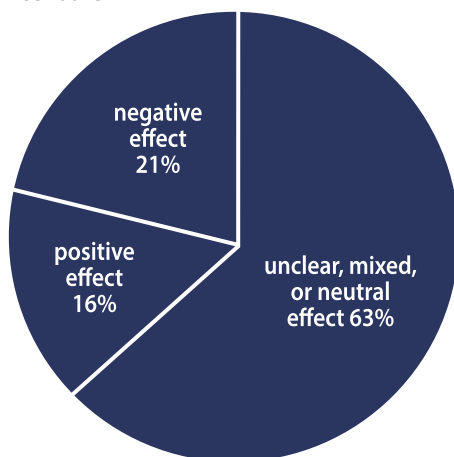
My name is Dr. Vance Ginn, and I am a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation. [I am testifying today](#) against [House Bill 2101](#).

[Economist Friedrich Hayek said](#), “Few people ever have an abundance of choice of occupation. But what matters is that we have some choice ... and that if one position becomes intolerable, or if we set our heart on another, there is always a way for the able ... to achieve his goal.”

In Texas, we understand Hayek’s emphasis on the importance of freedom to get a job so we can prosper. But government barriers to work keep too many Texans from reaching this goal. The most draconian is occupational licensing. While trying to protect Texans’ health, safety, and welfare is well-intentioned, most licenses do more harm than good.

Occupational licensing is rampant in Texas. [Texas’ licensing laws are ranked 21st most burdensome by the Institute for Justice](#), as the state has issued about 650,000 licenses statewide from interior decorators to cosmetologists to doctors. While licenses for hair braiders, shampooers, and eyebrow threaders have recently been repealed, there is more work to do. The upward licensing trend in Texas has been similar nationwide, with government licenses as a share of the workforce [quadrupling from 5 percent in the 1950s](#) to 21.5 percent in 2017 nationally. These licenses act much like unions do, creating unnecessary barriers to entry. The Foundation recently noted a [93 percent negative correlation](#) between the declining share of the workforce in a union and the increasing share of the workforce with a license. In right-to-work states like Texas that can reduce a union’s influence on an occupation’s market, workers have the option to join a privately run union. Workers in a licensed occupation do not have such an option because of governmental regulation that directly distorts those markets. With so many licenses issued in Texas, the result is high economic costs with questionable benefits.

Figure 1. Quality effect of occupational licensure



Source: [Mercatus Center at George Mason University](#)

Occupational licensing most often does not improve quality. A recent Mercatus Center meta-study showed that the vast majority of 19 studies found the [effect of occupational licensing on the quality of work to be insignificant or lower quality](#). This is not the affirmation needed to show licensing as a necessary conduit between workers and consumers.

Occupational licensing is an avoidable high economic cost. Licensing nationwide is estimated to result in a [total economic loss of \\$203 billion and a loss of 2.85 million jobs to Americans](#). And [occupational licensing costs tens of billions of dollars per year](#) contributing to an estimated 20 percent lower job growth rate. These adverse effects are particularly harmful to the poor, who often cannot afford the time and money to get the government’s permission slip.

Occupational licensing hurts the poor and military spouses most. The Foundation’s recent study highlights how [occupational licensing often keeps people poor](#). One cost is that a license acts as a barrier to entry in an occupation, preventing Texans from getting a permission slip to work at their desired job. With fewer workers able to join an occupation, competition decreases, resulting in [inflated](#)

continued

[wages of about 15 percent](#) for those lucky to have that job. But [licensing increases wages by no more than 5 percent for low-income earners](#) while it increases wages for high-income earners by up to 24 percent. Considering the poor have less disposable income, costs associated with licensing regulation constitute a large portion of their income, decreasing their opportunities to enter that occupation. Licensure in low- to moderate-income occupations is also associated with [reductions in absolute upward mobility and increases in income inequality](#). Licensing requirements are [especially harmful to military spouses](#). These spouses often work in licensed professions but the licensing requirements vary from state to state and are often not reciprocal. This means that military spouses have to complete the training requirements again, in a field in which they may already be licensed, every time they and their spouses relocate to a new state.

Occupational licensing is often unnecessary and self-serving. Most professions, such as geoscientists, accountants, land surveyors, plumbers, and realtors being heard, pose little to no danger to the public. Rather than have those wanting to work in these occupations go through an excessive licensing process and pay fees, their services could be examined through channels in a free market. For example, online services like Yelp and Google now allow consumers to rate their experience and pass along information to future consumers. For other jobs where some certification may be necessary, a private association may give a certification or registration that is monitored by the government. The regulatory capture phenomenon is strong among licensing boards. Although most advisory boards have consumers on them, [representation is highly skewed toward incumbent professionals](#) in the field. Incumbent professionals have a vested interest in limiting competition. Economist Milton Friedman noted this self-serving trend: “Licensure arrangements almost invariably involve control by members of the [licensed] occupation.”

Recommendation

The Legislature should not regulate reroofers (or roofers). While HB 2101 would not formally license reroofers, there is no reason for the government to get involved to mandate that reroofers (or roofers) register with the government and pay fees. This is because there is no clear indication that roofing creates risks for the public’s health and safety that are not already addressed by both the current legal system and market factors such as word of mouth or review services—even during and after natural disasters. In fact, during and after natural disasters, there is an increased need for roofing services and, consequently, competition. Government-mandated barriers to entry make tough situations such as natural disasters worse for families.

Licensing and registration are primarily signals for qualified workers, but there are many private market ways, like Yelp, to do this. Texas would do well to learn from Hayek’s wise words and let Texans flourish by getting a job and working toward their career aspirations. By reducing government barriers to work while upholding Texans’ health, safety, and welfare through market-oriented reforms, Texans can prosper.

Thank you for your time and the work you do, and I look forward to continued discussion on this topic. ★

ABOUT THE AUTHOR



Vance Ginn, Ph.D., is a senior economist and director of the Center for Economic Prosperity at the Texas Public Policy Foundation, a 501(c)(3) non-profit, non-partisan free market think tank based in Austin. He is a former college lecturer, and an expert on economic and fiscal issues with research to let people prosper by removing government barriers in Texas, D.C., and beyond.

