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Summary

Occupational licensing boards often make licensing requirements arbitrarily difficult, limiting the competition within a profession. This drives up prices and keeps qualified individuals out of certain lines of work. Oregon should adopt a system of occupational certification, which give consumers the freedom to choose between certified and non-certified service providers.

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A License to Kill (Competition)

by Bruce Smith

Several jobs in Oregon needlessly require licensing. To become a barber, plumber or professional gardener, one must first pass an exam and pay a licensing fee. The stated purpose is simple: to shield consumers from unqualified service providers. Unfortunately, many licensing boards make little or no improvements in service quality. In fact, licensing boards often operate with the ulterior goal of eliminating competition, which drives prices up while making no assurances to quality.

One of the main problems with occupational licensing is that licensing board members are professionals in the fields they regulate, and it is in their interest to limit competition within the business. This is typically accomplished by making exams unreasonably difficult or by raising the standards one must meet to take the licensing exam.

The Oregon Board of Cosmetology, for example, requires 1,700 hours of training/education to take the exam for hair design. To put this in perspective, the Federal Aviation Administration only requires 40 hours of flight time to earn a private pilot's license. So who are we protecting by requiring veritable bachelor degrees to cut hair? It's not the consumers, but the hairdressers already in the trade. Understandably, they're unlikely to speak out against these licensing procedures. After all, they had to meet these standards, why should anyone else be any different?

It doesn't take a Ph.D. in economics to see what happens next. When the supply of licensed hairdressers goes down and demand is held constant, the price of a haircut increases. Most consumers would say that they are willing to pay more for superior service, but as several studies have shown, a license is no guarantee of quality. In fact, licensing exams are often poor gauges of actual ability. In 1983 it was found that fewer than half of the questions on the California Board of Landscape Architects' licensing exam had anything to do with public health or safety, several questions were prohibitively difficult for the entry level landscape architects that were taking the exam and many questions had nothing to do with landscape architecture at all.

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Still, many people assume licensing is a guarantee of quality work. By presuming a professional is competent simply because he or she is licensed, consumers are lulled into a false sense of security, making them less likely to scrutinize the real ability of a potential service provider.

Consumers aren't the only ones hurt by occupational licensing. Licensing acts as a barrier to entry, making it difficult for the young and the unemployed to enter/re-enter the workforce. For instance, all yard work totaling more than \$500 in labor and materials must be performed by a licensed landscape contractor. While this kind of work, which includes installing flowerbeds, building fences, and pruning small trees, can be done with a minimal amount of knowledge or training, the pool of "qualified" providers is kept artificially small. Because of the work's part-time nature, even if a person qualifies for the licensing exam, the time necessary to navigate the bureaucracy would likely seem too much trouble to a teen or discouraged worker.

As an alternative to licensing, the state could offer occupational certification. Certification would be similar to licensing except it wouldn't act as a barrier to entry. The consumer would be free to choose between certified and non-certified services. Take, for instance, organically grown produce. Farmers are free to market their crops as organic, but consumers may be willing to pay a higher price for crops that are certified organic.

Under a system of occupational certification, consumers would be protected from professional cartels. Service providers would not pursue an arbitrarily difficult certification process if it was optional, so there would be natural pressures to keep requirements fair. In the end, it would be up to consumers to decide what level of guarantee is appropriate for their needs.

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