



Written Testimony
Committee on Small Business
Subcommittee on Economic Growth, Tax, and Capital Access
“Occupational Hazards: How Excessive Licensing Hurts Small Business”
United States House of Representatives
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Thank you, Chairman Brat and Ranking Member Evans, for the opportunity today to provide insight from our members on the impact occupational licensing has on the millions of self-employed and micro-business owners across the country.

As President and CEO, I am proud to be here to represent the National Association for the Self-Employed (NASE). NASE represents over 27 million self-employed and micro-business owners (classified as those with 10 employees or fewer), small business demographics that continue to experience growth. NASE is a leading resource and advocate for this unique small business demographic. We provide educational resources for those looking to start and grow their businesses, and serve as the chief advocate for America’s smallest businesses in all areas of public policy by ensuring policymakers truly understand the uniqueness of the self-employed sector of the small business community.

Before I begin, I think it is important to acknowledge at the forefront that there are professions and occupations that should have licensing requirements and continuing education credit

hours. We all know laws change and new best practices are introduced. These laws and practices inform millions of professionals on how they could do their jobs better, safer, and provide a value to their customers.

However, what concerns me regarding those job duties that require licensing are three-fold:

- 1) the licensing barriers of money and time;
- 2) the inconsistency of licensing requirements from state-to-state and locality-to-locality;
- 3) the impact on minorities and other vulnerable populations.

In an NASE snapshot survey for our members conducted last week, 70% indicated that they must adhere to some level of licensing tied to their profession. This trend of increased licensing requirements mirrors the findings of the excellent 2017 2nd edition *“License to Work”* report by the Institute for Justice. In the Institute for Justice’s report, they found that *“in the 1950s, about one in 20 American workers needed an occupational license before they could work in the occupation of their choice. Today, that figure stands at about one in four.”*

The NASE has been pleased to see the issue of licensing being tackled by the highest levels of our Federal Government, and we continue to be incredibly supportive of the *Economic Liberty Task Force* established by Acting Federal Trade Commissioner Chairman Maureen Ohlhausen. Chairman Ohlhausen continues to convene stakeholders to identify ways in which the Federal Government can safely advocate for decreased licensing requirements while supporting state initiatives that do the same.

As it relates to the financial burdens imposed on small businesses required to seek greater licensing, of the 102-occupational licenses reviewed and included in the 2017 Institute for Justice report, they found that on average it cost an individual \$267 in fees and nearly a year of education and experience. For an individual looking to enter the workforce or make a career shift, the financial costs of securing the appropriate licensing requirements is a significant barrier. It should be noted that both the Institute of Justice report and the *Economic Liberty*

Task Force, express concerns as to the impact of the financial barrier on the most economically disadvantaged citizens. The increased costs associated with greater licensing requirements creates a significant barrier to entry and mid-level jobs for disadvantaged citizens. This barrier presents a substantial impact on the livelihood of those individuals who may otherwise move into a new profession or seek greater career development.

The inconsistency of licensing requirements from state-to-state and locality-to-locality presents the greatest challenge for our dynamic population of entrepreneurs that are more mobile and creative in the way in which they work. The figures and stats are just overwhelming to an entrepreneur looking to move his or her business from one state to another. Especially, if that individual is looking to relocate say to the popular Golden State, California, which requires the largest number of occupational licenses and imposes steep requirements to attain proper licensing.

While the FTC has focused in on 23 occupations, ranging from dentists, electricians, and sellers of contact lenses, that could benefit from standardization, it really is going to require states to understand the importance of creating an environment in which entrepreneurs can easily traverse geographic areas without fear of running afoul of complex licensing requirements that are vary widely from state-to-state.

As I stated at the beginning of my testimony, some licensing requirements are necessary, but what has become evident in our own research is that for many of our members, nearly 68% in our recent snapshot poll, said that they find that the licensing requirements hinder their ability to operate their small business. What we don't know in our research, but given our long history advocating for self-employed entrepreneurs, is that for many Americans they likely do not pursue a profession or job because of the barrier that the licensing requirements pose.

As always, at NASE we pride ourselves on not simply identifying problems, but rather put forth creative solutions to those problems we identify. I would propose several ideas that I know are advocated for by many other organizations. Those, include:

- 1) Support and amplify the FTC's *Economic Liberty Task Force*;
- 2) Work to encourage associations and organizations to review their own licensing requirements, which will in turn, encourage state and local governments to review their licensing requirements;
- 3) Support scholarship and other avenues in which associations or states could provide financial recourse for costs related to licensing.

As we continue to move to a more dynamic and mobile economy, we will need to ensure that your physical location shouldn't dictate the work you are permitted to do. An entrepreneur-friendly economy is one that is designed to encourage mobility across state lines in order to conduct business in a safe way and provide customers with the best products available. In order to make that happen, it is essentially these small businesses are not unduly burdened in a way that could impact their business and livelihood.

Thank you and look forward to your questions.