
Stop! You Need a License to Do That Job!

Segment Length: 4:24 minutes

Lesson Description:

When you were a child, how many times were you asked, “What do you want to do when you grow up?” When you answered, did you think that you would need the government’s permission to do the job you wanted? Do your students? But now more than ever, we do need permission, in the form of a license or certification, to work. Why? This video looks at how licensing rules reduce competition and opportunities.

Concepts & Key Terms:

Conflict of Interest—A situation in which people are in a position to derive personal benefit from actions or decisions made in their official capacity.

Objectives:

Students will be able to:

- identify arguments for and against occupational licensing.
- discuss the benefits and drawbacks of occupational licensing.
- evaluate the arguments for and against job licensing requirements.

Preview Activity and Questions:

Have students answer the following questions in their notebooks:
Why do people need a license to do certain jobs?

Use Think, Pair, Share to have students answer the preview question. After a few minutes, poll the students and ask them to discuss their answers.

Viewing Guide:

It is recommended that teachers show the video twice: once to allow students to view it and focus on the issues presented, and once to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs sharing and verifying answers.

Answers to Viewing Guide

1. licenses
2. legally
3. cable
4. choices

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Viewing Guide

Name _____

Date _____

Class _____

Teacher _____

Directions: As you watch the video, fill in the blanks with the correct words.

1. All over America, people want to work but can't, because it's so hard to get proper _____.
2. Want to braid people's hair? This woman was told she couldn't do it _____ unless she spent thousands of hours to get a cosmetology license.
3. So the FCC limited _____ TV for years.
4. That's what the bottleneck does. It limits _____, thereby raising prices and enriching older business.

Now, take a few moments to reflect on the video and answer the questions below:

What do you think about Madison Root and the comment that she could beg for money but she couldn't sell mistletoe? _____

What do you think is meant by "bottleneckers"? _____

Why would some people want to limit their competition? _____

What is one lesson you got from this video? _____

Discussion and Analysis:

1. What is licensing?
2. How do licensing requirements make it harder for people to get jobs?
3. How would a licensing advocate argue that licensing benefits consumers?
4. How does keeping out unlicensed competitors help those who have licenses? How does this affect prices?
5. Why is a supporter of licensing more likely to argue that it helps consumers than that it helps established businesspeople avoid competition?
6. What argument did the hair braider make to the Mississippi cosmetology board?
7. Why does Dick Carpenter say the cosmetology board has a conflict of interest?
8. What are some jobs that you would only want done for you by someone who had a license? Why is this?
9. Does having a license ensure that a job will be done well? Why / Why not?
10. If other people are willing to pay for these services from someone without a license, should they be allowed to do that? Why / Why not?
11. Do you think someone needs to meet licensing requirements in order to satisfy consumers? Why / Why not?
12. What usually happens to business people or service providers who don't satisfy consumers? Why is this?
13. We learned from the video that today, more than a third of jobs requires some type of government license or certification. Two jobs mentioned were cosmetologists and funeral directors. What other occupations can you think of that require licenses or certifications. Why might bottlenecks be to blame?
14. Why would politicians feel the need to get involved with this issue? Why do politicians want to regulate? Are their motives to protect us? Are they trying to protect existing businesses? Is it cynical to suggest they are simply trying to get votes?

Discuss These Lines from the Video:

1. If people want to work, let them work.
2. In the 1950s, only about one in twenty Americans needed the government's blessing to do their job. Today, that number is more than one in three.
3. Licensing allows older businesses to profit, by keeping newcomers out.

4. Cosmetologists got together, and they went to the legislature, and they lobbied for the creation of a license.
5. You need to claim that there's some public interest, some way that the public's going to be protected by limiting the number of providers.
6. That's what the bottleneck does. It limits choices, thereby raising prices, and enriches older businesses.

Quotes for Discussion:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

– Adam Smith

While licensing can offer important health and safety protections to consumers, as well as benefits to workers, the current system often requires unnecessary training, lengthy delays, or high fees.

– White House Statement during the presidency of Barack Obama

Many people want the government to protect the consumer. A much more urgent problem is to protect the consumer from the government.

– Milton Friedman

[I] propose the general hypothesis: every industry or occupation that has enough political power to utilize the state will seek to control entry. In addition, the regulatory policy will often be so fashioned as to retard the rate of growth of new firms.

– George Stigler

When buying and selling are controlled by legislation, the first things to be bought and sold are legislators.

– P.J. O'Rourke

It is a general popular error to suppose the loudest complainers for the public to be the most anxious for its welfare.

– Edmund Burke

Activities:

1. Show the class the Stossel video: Eye Test Innovators.

http://stosselintheclassroom.org/videos/eye_test_innovators/

2. Conduct a classroom debate about occupational licensing. To get students to look at occupational licensing from a different perspective, consider having them argue from a view with which they disagree. Students should be given time to research their position prior to debating. (See link in the Resources section for a guide to conducting classroom debates.)
3. Find out which occupations in your state require licensing. Choose three of these licenses and report on what someone has to do to gain the license.
4. The Institute for Justice often brings legal cases against state licensing laws, arguing that they violate state constitutions or the U.S. Constitution in some way. Research one or more of the

IJ licensing law cases. Were their arguments successful? What court made the final decision? What constitutional provision did they argue about?

5. In recent years, there has been a political movement to persuade state legislatures to reduce licensing requirements. Write a research report on a state bill that has been proposed. Did it pass? What were the arguments for and against? Who brought pressure for and against the bill?

<https://obamawhitehouse.archives.gov/the-press-office/2016/06/17/fact-sheet-new-steps-reduce-unnecessary-occupation-licenses-are-limiting>

<https://www.vox.com/2016/6/20/11963748/obama-occupational-licensing>

6. The Democratic Obama administration and the Republican Trump administration have both advocated reducing the number of state licensing laws, although this is something the federal government does not directly control. Write a pair of two or three sentence arguments for reducing the number of licensing laws, one from a Democrat or liberal perspective and one from a Republican or conservative perspective.
7. Choose one of the following occupations and write a persuasive essay for or against a licensing requirement: a) barbers b) interior decorators c) funeral directors d) movers.
8. Read the article “Bottlenecks: The Origins of Occupational Licensing and What Can Be Done About Its Excesses.” Then write a summary using Cornell (two-column) notes.

<https://fedsoc.org/commentary/publications/bottlenecks-the-origins-of-occupational-licensing-and-what-can-be-done-about-its-excesses>

9. What other occupations have bottlenecks? How have they attempted to slow or stop progress?
10. Read and write a book report about: *Bottlenecks: Gaming the Government for Power and Private Profit* by Dick Carpenter and Chip Mellor.
11. Read and summarize the White House Fact Sheet published during the presidency of Barack Obama: New Steps to Reduce Unnecessary Occupation Licenses that are Limiting Worker Mobility and Reducing Wages

<https://obamawhitehouse.archives.gov/the-press-office/2016/06/17/fact-sheet-new-steps-reduce-unnecessary-occupation-licenses-are-limiting>

12. Read and summarize "Citing Adam Smith And Milton Friedman, Obama's Economic Advisors Back Occupational Licensing Reform" by Nick Sibilla.

<https://www.forbes.com/sites/instituteforjustice/2015/07/31/citing-adam-smith-and-milton-friedman-obamas-economic-advisors-back-occupational-licensing-reform/#28bad21582e8>

Name _____

Date _____

Class _____

Teacher _____

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Cloze Activity

Directions: Read the entire passage first. Then fill in the blanks with words from the box.

adverse	burden	workplaces	substantial
benefits	incompetent	jobs	solutions
licensing	observe	professions	market

Access to _____ is vital to economic opportunity. A fair and well-functioning labor market provides that access, allowing for individuals to exercise their talents and support their families.

Occupational licensing is the legal permission that many workers must obtain before working in _____ ranging from law and medicine, and even floral arrangement and landscaping. A license is a credential that a local, state, or federal government requires a worker to hold to practice in a given occupation.

Typically, customers face few _____ effects from low-quality work. For instance, customers can choose a tailor and decide whether the pant hemming done is satisfactorily. Potential problems arise, however, when work quality is difficult to _____ and harm from low-quality work is substantial. In economic terms, a problem of "asymmetric information" may result, with consumers unable to distinguish between high- and low-quality work. For example, an _____ surgeon may be hard to identify - at least ahead of time - and patients may suffer serious harms before having the opportunity to learn from repeated interactions.

There are a number of possible _____ to the problem of asymmetric information. Some are private: third party organizations with relevant expertise can attest to the competence of a worker, often through a private certificate. Reputational markets such as Yelp can help consumers share their experiences. Other solutions are public and involve some form of regulation: the government may issue its own certificate, require that workers be bonded or insured, or directly inspect _____, among other possibilities. Increasingly, governments issue licenses that workers are legally required to obtain prior to working in their occupations.

Licenses often require substantial time and money to acquire and are considered an especially stringent form of occupational regulation. In some cases - physicians, for instance - a certain amount of licensing is reasonable and necessary to protect public health and safety. In other cases, the necessity of _____ is more questionable.

The licensure barrier to entry provides wage benefits to licensed workers. But elevated wages are not the only benefits to licensed workers; increased chances of finding employment - the unemployment premium - also constitute an advantage. In most occupations, licensing appears to confer a _____ advantage in terms of being able to quickly find and retain employment.

How will workers choose between entering licensed and unlicensed occupations? Balanced against the costs of acquiring a license - both in time and money - are two principal _____: increased wages and greater ease of finding a job (i.e., lower unemployment).

In most occupations, licensing is associated with lower unemployment rates. Unlicensed workers, then, bear a greater _____ of unemployment. Licensing creates "crowding" in unlicensed occupations and labor scarcity in licensed occupations, driving a wedge between the unemployment rates in the two sectors.

Licensing plays an important role in determining workers' wages, employment, and mobility as well as the overall health of the labor _____. Lower wages and higher unemployment rates for unlicensed workers, as well as reduced migration rates for those with licenses, all suggest that licensing costs the public more than it seems.

This Cloze Activity is adapted from "Occupational Licensing and American Workers" by Ryan Nunn (https://www.brookings.edu/wp-content/uploads/2016/07/occupational_licensing_and_the_american_worker.pdf)

ANSWER KEY FOR CLOZE ACTIVITY

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Cloze Activity – Answer Key

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