

---

# CHAPTER EIGHT

## EXPANDING BUSINESS OPPORTUNITIES AND EMPLOYMENT

---

### **1. Policy Recommendation: Help family businesses by repealing the death tax on estates**

In 1981, Washington voters approved Initiative 402 to repeal the state estate tax. The popular measure passed by more than a two-to-one margin.<sup>1</sup> The initiative authorized the state to collect a “pick-up” tax based on the federal estate tax, so that families paid two estate taxes.

In 2001 Congress repealed the federal estate tax, which ended Washington’s “pick-up” tax as well.<sup>2</sup> Washington continued to collect the estate tax until the state supreme court ruled the practice illegal in February 2005.<sup>3</sup>

In May 2005, however, state lawmakers passed a law that both repealed the voter-approved Initiative 402 law and overturned the state supreme court ruling, and instead imposed a stand-alone Washington estate tax. The stand-alone law survived a ballot initiative challenge in 2006, leaving the legislature’s estate tax in place.<sup>4</sup> That means that Washington is the only state that does not have an income tax, but does impose a death tax on estates.

---

1 “Initiative Measure No. 402, Shall inheritance and gift taxes be abolished...?” Initiatives to the People, Elections and Voting, Office of the Secretary of State, Washington State, November 1981, accessed May 23, 2016, at [https://www.sos.wa.gov/elections/initiatives/statistics\\_initiatives.aspx](https://www.sos.wa.gov/elections/initiatives/statistics_initiatives.aspx).

2 “H.R. 1836,” enacted at Public Law 107-16, passed May 2001 to phase out the federal estate tax by 2010.

3 *Hemphill et al v. State of Washington*, No. 74974-4, Supreme Court of Washington, February 3, 2005, at <https://caselaw.findlaw.com/wa-supreme-court/1077314.html>.

4 Initiative 920, “Washington estate tax repeal,” defeated November 2006.

The rate at which lawmakers impose the tax on a family with an estate varies between 10 percent and 20 percent, depending on the size of the estate. Washington’s maximum tax rate is the highest of any state in the nation.<sup>5</sup> Families are taxed if an estate’s assessed value exceeds \$2.193 million, with the threshold adjusted annually, usually upward, based on inflation.<sup>6</sup> Family farms are exempt, but there is no exemption for family-owned small businesses.

### **Most states do not impose an estate tax**

The policy of imposing an estate tax is becoming increasingly rare. Only 12 states and the District of Columbia impose one, and lawmakers in four states have recently repealed their estate taxes; Indiana in 2013, Tennessee in 2016, Delaware in 2017, and New Jersey in 2018.<sup>7</sup>

Leaders in these states recognize that the estate tax is unfair, because it imposes a second tax after death on earnings that have already been taxed during a person’s lifetime. It also puts a state at a competitive disadvantage compared to neighboring jurisdictions.

### **Estate tax falls hardest on small businesses**

In passing the 2005 estate tax, lawmakers imposed a significant tax burden on Washington citizens. The state Department of Revenue collected more than \$203 million in estate taxes in fiscal

---

5 “Does your state have an estate or inheritance tax?” by Morgan Scarboro, State taxes, Tax Foundation, April 5, 2018, at <https://taxfoundation.org/state-estate-tax-inheritance-tax-2018/>.

6 “Filing threshold and exclusion amounts, 2019,” Estate tax tables, Table W – Computation of Washington Estate Tax, state Department of Revenue, at <https://dor.wa.gov/find-taxes-rates/other-taxes/estate-tax-tables>.

7 “Does your state have an estate or inheritance tax?” by Morgan Scarboro, State taxes, Tax Foundation, April 5, 2018, at <https://taxfoundation.org/state-estate-tax-inheritance-tax-2018/>.

year 2018.<sup>8</sup> This special tax falls hardest on small businesses. Corporations do not pay the tax, and corporate ownership of a business can change at any time without incurring the estate tax.

State officials, however, make families that own small businesses pay an extra tax when ownership is passed from one generation to the next, putting these families at an unfair disadvantage compared to their corporate competitors.

### **Tax targets family-owned businesses**

The state’s estate tax suppresses entrepreneurship, impedes economic growth and discourages family businesses from remaining in or relocating to Washington. Studies consistently show that estate taxes are among the most harmful to a state’s economic growth.<sup>9</sup> This outcome is supported by the Tax Foundation, which finds:

“Studies routinely find that estate taxes discourage entrepreneurship and lead to large tax compliance costs.”<sup>10</sup>

Estate taxes are unfair and inefficient. Grieving families note that, after a working lifetime of paying property, sales, business and other taxes, state officials are taxing their loved one again after death. Most importantly, the tax is seen as unfair because state lawmakers target family-owned businesses that can least afford to pay it, while their larger, corporate counterparts are exempt.

8 “Estate Tax, Total,” Net state tax collections by tax and fund, Table 5, Department of Revenue Collections, fiscal years 2017 and 2018, at [https://dor.wa.gov/sites/default/files/legacy/docs/reports/2018/Tax-Statistics\\_2018/Table5.pdf](https://dor.wa.gov/sites/default/files/legacy/docs/reports/2018/Tax-Statistics_2018/Table5.pdf).

9 “State death tax is a killer,” by Stephen Moore and Joel Griffith, Backgrounder #3021, The Heritage Foundation, July 21, 2015, at [www.heritage.org/research/reports/2015/07/state-death-tax-is-a-killer](http://www.heritage.org/research/reports/2015/07/state-death-tax-is-a-killer).

10 “Estate and gift taxes,” State taxes, The Tax Foundation, accessed October 9, 2019, at <https://taxfoundation.org/individual-and-consumption-taxes/estate-and-gift-taxes/>.

## Conclusion

Lawmakers should repeal the outdated death tax on estates to bring greater equity and fairness to the tax code, and to align Washington’s tax policy on the same competitive basis as most other states.

## **2. Policy recommendation: Policymakers should avoid the six common myths about the minimum wage**

Some public officials like to promote increases in the state-imposed minimum wage because it makes them feel generous. They are able to “give” workers a raise, without having to pay for it or take responsibility for the harm that it does to young workers, the unskilled, immigrants and the unemployed.

In promoting this political message, public figures often invoke six common myths about a high state minimum wage.

### **Myth #1. The purchasing power of the minimum wage has not kept up with inflation**

False. The Washington state minimum wage has more than kept pace with inflation.

When it started, in 1961, the state minimum wage was \$1.15 an hour. In 2019 it is \$12.00 an hour.<sup>11</sup> Adjusted for inflation, the 1961 minimum wage today would be \$9.90, meaning Washington’s

---

<sup>11</sup> “History of Washington minimum wage, 1961 – 2019,” Wage and hour rules, Washington state Department of Labor and Industries, accessed September 26, 2019, at <https://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/History/default.asp>. In some jurisdictions, like Seattle, the minimum is \$15.00 an hour, with certain exceptions. The state minimum wage is scheduled to rise to \$13.50 an hour on January 1, 2020.

minimum wage now is 20 percent higher than the rise in inflation over the same period.<sup>12</sup>

### **Myth #2. Minimum wage workers are worse off today than in the past**

False. Today federal income tax rates for low-wage earners are about half of what they were in the past. This is due in part to tax cuts enacted under Presidents Ronald Reagan, George W. Bush and Donald Trump, and due to increases in the Earned Income Tax Credit (EITC).<sup>13</sup> Low-income workers can receive up to a 45 percent percent EITC credit, meaning they pay no income tax and often receive a cash payment from the government.

Further, the greatest tax burden on low-income workers in Washington state is imposed by state and local elected officials in the form of regressive sales taxes, property taxes and special levies. Reducing the high state and local tax burden would do more for workers than increasing the minimum wage.<sup>14</sup>

### **Myth #3. Increasing the minimum wage will “lift workers out of poverty”**

Some politicians say the minimum rate is “a starvation wage” and that people are working hard but “...going nowhere in a

12 “CPI Inflation Calculator, 1961 – 2019,” Bureau of Labor Statistics, U.S. Department of Labor, accessed September 26, 2019, at <https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=1.15&year1=196101&year2=201908>.

13 “Reducing poverty via minimum wages, alternatives,” by David Neumark, Federal Reserve Bank of San Francisco Economic Letter, December 28, 2015, at [www.frbsf.org/economic-research/publications/economic-letter/2015/december/reducing-poverty-via-minimum-wages-tax-credit/](http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/reducing-poverty-via-minimum-wages-tax-credit/).

14 See for example “Revenue forecast shows it is time for a sales tax cut,” by Jason Mercier, Washington Policy Center, October 1, 2018, at <https://www.washingtonpolicy.org/publications/detail/revenue-forecast-shows-its-time-for-a-sales-tax-cut>.

hurry.”<sup>15</sup>

This is not true. Low wages are not the cause of poverty. The primary cause of poverty is the lack of a job. Of working age adults living in poverty, nearly two-thirds do not work. Of those who do work, only 10 percent work full time. Increasing the minimum wage kills job opportunities for low-skilled, low-income people, making it more likely they will live in poverty.<sup>16</sup>

#### **Myth #4. The average minimum wage worker is 35 years old**

False. Data from the Bureau of Labor statistics finds that “minimum wage workers tend to be young.”<sup>17</sup> Only 2.7 percent of hourly workers make the minimum wage, and half of minimum wage workers are under age 25.<sup>18</sup>

#### **Myth #5. Most minimum wage workers are supporting a family**

False. Research shows most minimum wage workers are young, work part time, have never been married, and live at home. Most minimum wage earners provide the second or third income in a

---

15 “It’s time for a national \$15 minimum wage,” by Senator Bernie Sanders and Senator Patty Murray, *The Seattle Times*, April 28, 2017, at [www.seattletimes.com/opinion/bernie-sanders-and-patty-murray-its-time-for-national-15-minimum-wage/](http://www.seattletimes.com/opinion/bernie-sanders-and-patty-murray-its-time-for-national-15-minimum-wage/)

16 “The effects of minimum wage on employment,” by David Neumark, Federal Reserve Bank of San Francisco Economic Letter, December 21, 2015, at [www.frbsf.org/economic-research/publications/economic-letter/2015/december/effects-of-minimum-wage-on-employment/](http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/effects-of-minimum-wage-on-employment/), and “UW study finds Seattle’s minimum wage is reducing jobs,” by Janet I. Tu, *The Seattle Times*, June 26, 2017, at [www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs](http://www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs).

17 “Characteristics of minimum wage workers,” Bureau of Labor Statistics, U.S. Department of Labor, April 2017, at [www.bls.gov/opub/reports/minimum-wage/2016/home.html](http://www.bls.gov/opub/reports/minimum-wage/2016/home.html).

18 Ibid.

household making more than \$50,000 a year.<sup>19</sup>

### **Myth #6. Minimum wage has not kept up with productivity**

Irrelevant. Measuring minimum wage policy against national productivity is meaningless.

Total productivity includes the value created by workers in high-tech, computer programmers, software engineers, skilled aerospace workers, highly-educated business executives, and trained professionals like teachers, doctors and lawyers. Meanwhile, the minimum wage sector comprises less than three percent of the labor force, mostly representing beginning workers who quickly move up in productivity, and wage income, as they gain experience.

The level of national productivity has no relation to what wages should be for low-skill and starter jobs.

### **Conclusion**

Many of the arguments that public figures make in pushing for a high minimum wage are not true. The state-imposed minimum wage is a price control; it sets the rate below which a worker cannot be hired, so that thousands of entry-level jobs are eliminated. The result is that many workers are artificially priced out of the labor market, because the law sets their effective minimum wage at zero.

Lawmakers should be aware of how the wage mandate harms young, low-skill and immigrant workers because a high minimum

---

19 “The Effects of a \$12 Federal Minimum Wage.” Dr. William E. Even, Miami University, and Dr. David Macpherson, Trinity University, for Employment Policies Institute, March 2016, at [www.minimumwage.com/wp-content/uploads/2016/07/MinimumWage101\\_PolicyBrief\\_July.pdf](http://www.minimumwage.com/wp-content/uploads/2016/07/MinimumWage101_PolicyBrief_July.pdf).

wage stifles job opportunities and increases youth unemployment.

#### **4. Policy recommendation: Allow a youth training wage**

The overwhelming majority of economic studies show that a high minimum wage has the greatest negative effect on people with low-skills, such as teen workers entering the workforce. This principle is conceded by state policymakers, who already allow a starter training wage for very young workers, as described below.

#### **Increasing barriers to employment**

In 2016, voters passed Initiative 1433 to increase the state minimum wage to \$13.50 by 2020.<sup>20</sup> That may seem like great news for the state's minimum wage earners, but the initiative increases barriers to employment. It is doing particular harm to young, inexperienced and unskilled workers who typically try to get entry-level jobs that pay the minimum wage.

#### **The risk of hiring young workers**

Hiring a 16-year-old who has no work history or marketable skills is a gamble for an employer. When the minimum wage is low, it is a risk many employers are happy to take. The lower wage justifies the extra work employers must put in to teach a 16-year-old how to be a productive employee.

As young people gain work experience they generally earn a raise, or move on to a higher-paying job. They also learn core character lessons that lead to lifetime success; how to be on time,

---

20 "Initiative Measure No. 1433, Concerning Labor Standards," ballot measures, Washington Secretary of State, passed November 8, 2016, at <https://results.vote.wa.gov/results/20161108/State-Measures-Initiative-Measure-No-1433-concerns-labor-standards.html>.

how to have a positive attitude, how to follow directions, how to take initiative, how to be part of a team, and how take pride in shared accomplishments in the workplace.

### Shutting out young workers

When the minimum wage is too high, such on-the-job training becomes too expensive for employers. Many business owners stop hiring young workers, favoring applicants with more experience and proven skills instead.<sup>21</sup>

This is not just an opinion. Economic research shows a high minimum wage has the greatest negative effect on people with low skills, such as teen workers trying to enter the workforce. Seattle, for example, would have 5,000 more jobs available, mostly for youth, if it did not impose a high minimum wage.<sup>22</sup>

The University of Washington researcher studying Seattle’s \$15 minimum wage law explains:

“...If they [employers] are going to be paying as much as they have to pay they are not taking a chance on a teenager, they are looking for a more experienced worker to fill that job.”<sup>23</sup>

### Washington lawmakers have increased the minimum wage

21 “U.W. study finds Seattle’s minimum wage is costing jobs,” by Janet I. Tu, *The Seattle Times*, June 26, 2017, at <https://www.seattletimes.com/business/uw-study-finds-seattles-minimum-wage-is-costing-jobs/>.

22 Ibid.

23 “Report on the impact of Seattle’s minimum wage ordinance on wages, workers, jobs, and establishments through 2015,” by Jacob Vigdor et al., The Seattle Minimum Wage Study Team, University of Washington, July 2016, at <https://www.documentcloud.org/documents/2997999-Seattle-Minimum-Wage-Final-Report.html>, and “Sawant, U.W. researchers clash over impact of \$15 minimum-wage law,” by Daniel Beekman, *The Seattle Times*, September 21, 2016, <https://www.seattletimes.com/seattle-news/politics/sawant-uw-researchers-clash-over-impact-of-15-minimum-wage-law/>.

to one of the highest in the nation. Since then Washington has consistently ranked among the states with the highest youth unemployment.

Today, the state unemployment rate for teen workers is 20 percent, over five times higher than the general unemployment rate of 3.5 percent.<sup>24</sup> It is obvious that high mandated wages kill jobs for youth.

The best remedy is to allow a starter wage that is lower than the costly minimum, to counteract the job-killing effect of the Washington minimum wage law on youth employment. Research shows that lowering the minimum wage for young workers can help them find work.

### **The law already allows a limited training wage**

State lawmakers already recognize the value of a training wage for very young workers. The strict wage mandate is eased for young people below age 16, so that employers can hire 14- and 15-year-old workers at 85 percent of the minimum wage. Officials understand that almost no one will hire a 14- or 15-year old at the high wage rate required by the state.

But the same barrier extends to hiring 16- and 17-year-old workers with no skills or experience; the high-wage mandate ensures their earnings are zero, because these unskilled workers can't get hired in the first place.

### **Legislation is not needed to ease hiring restrictions**

The state Department of Labor and Industries has the regulatory

---

<sup>24</sup> “Youth unemployment rate, figures by state – Washington,” Data, Economy and Finance, Governing.com, based on U.S. Bureau of Labor Statistics data, accessed October 10, 2019, at <https://www.governing.com/gov-data/economy-finance/youth-employment-unemployment-rate-data-by-state.html>.

authority to expand the benefits of a training wage to all workers under age 18; no new legislation is required.

Failing this, however, lawmakers should pass a bill to the same effect. Such bills have been introduced in the past, and serve as models for action lawmakers can take to increase job openings for youth.<sup>25</sup>

## Conclusion

Policymakers should legalize a training wage for teen workers. Easing hiring restrictions would provide employers with an incentive to take a chance and hire young, unskilled and inexperienced job seekers. Such a policy would reduce the harm the state's high minimum wage has on blocking job opportunities, especially for young people.

## 5. Policy Recommendation: Reduce the regulatory burden by requiring legislative oversight of agency rulemaking

Washington is one of the most heavily regulated states in the nation. A study by the Pacific Research Institute ranks Washington as the 8th most regulated state.<sup>26</sup> Another study, by the Mercatus Center at George Mason University, using different measures, ranks Washington as the 13th most regulated.<sup>27</sup> Both rankings

25 See for example SB 6471, "Creating a teen summer employment wage," sponsored by Senator Michael Baumgartner, introduced January 28, 2014, Washington state legislature, at <https://apps.leg.wa.gov/billsummary/?BillNumber=6471&Year=2013&Initiative=false>.

26 "The 50-State Small Business Regulation Index," by Wayne Winegarden, Ph.D., Pacific Research Institute, July 2015 at [www.pacificresearch.org/leadadmin/images/Studies\\_2015/SmBusinessIndex\\_UpdatedVersion2\\_web.pdf](http://www.pacificresearch.org/leadadmin/images/Studies_2015/SmBusinessIndex_UpdatedVersion2_web.pdf).

27 "Freedom in the 50 States; An Index of Economic Freedom," by William P. Ruger and Jason Sorens, Mercatus Center at George Mason University, 2013 edition, at <http://freedominthe50states.org/about>.

demonstrate a regulatory environment in urgent need of reform.

### **Washington's harsh regulatory burden**

Business owners agree. They increasingly identify Washington's harsh regulatory burden as the major obstacle to business growth and job creation.

Even state agencies acknowledge the regulatory problem in Washington. In recent years the Department of Commerce, the State Auditor, the Department of Revenue and the Washington Economic Development Commission (WEDC) have issued reports describing the morass of regulations employers must know, understand and obey in order to do business legally in our state.

Each of these agencies recommends that state officials provide regulatory relief in order to retain and attract businesses. In a strongly worded condemnation of our state's regulatory climate, commissioners at the WEDC concluded:

“Washington's overly burdensome regulatory system must be addressed as a top economic development priority.”<sup>28</sup>

### **15,000 pages of new rules**

State agencies have replaced the legislature as the primary vehicle for day-to-day lawmaking. Unelected agency officials increasingly use the rulemaking process to impose onerous regulations that normally would not be approved by the elected legislature. In 2017, state agencies filed 1,487 new rules that fill 15,509 pages. They adopted 1,052 of those rules, amending 2,937

---

28 “Driving Washington's prosperity: A strategy for job creation and competitiveness,” Washington Economic Development Commission, March 2013, at [www.wedaonline.org/documents/Con2014/2013StrategicPlan.pdf](http://www.wedaonline.org/documents/Con2014/2013StrategicPlan.pdf).

sections of the Washington Administrative Code.<sup>29</sup>

When unelected bureaucrats create so many rules there is significantly less public accountability, transparency and debate than when elected representatives in the legislature pass new laws.

In addition to the large volume of rules is the problem of imposing regulation without public accountability or representation. Requiring legislative approval of all regulations issued by state agencies would hold unelected officials accountable for the regulations they want to impose on citizens, and would hold lawmakers accountable for supporting or opposing those regulations.

### **Require a roll call vote on regulations**

Agency officials routinely point to legislative mandates as cover for the rules they want to impose, even when the proposed rules go far beyond what lawmakers intended. Requiring a clear roll call vote on new rules would make lawmakers responsive to the public for the regulations they have directed agencies to implement.

### **Conclusion**

Lawmakers should require legislative approval of agency regulations to prevent agency officials from unilaterally imposing regulations with no concern for the consequences. The result would be to increase public accountability, foster relief for hard-working citizens, and provide a much-needed check on agency rulemaking activity.

---

<sup>29</sup> “Agency rule-making activity,” Office of the Code Reviser, State of Washington, Table 1, 2017, at <http://leg.wa.gov/CodeReviser/Documents/rulactiv.pdf>.

## **6. Policy Recommendation: Provide for the automatic repeal of outdated regulations**

It is difficult to imagine the sheer bulk of state regulations that are imposed every day on the people of Washington state. State regulations fill 32 thick volumes, comprising thousands of pages and forming a stack of paper over five feet high. These rules have the force of law, and they strictly control and limit the day-to-day activities of every person in the state.

Government rules are clearly needed in an orderly society. Regulations protect public safety, promote public health, assist needy families, help the jobless, protect the civil rights of all residents, and guard against consumer fraud. This need was recognized by the founders of the state, who recommended “a frequent recurrence to fundamental principles,” which is “essential to the security of individual rights and the perpetuity of free government.”<sup>30</sup>

### **Regulations last forever**

The problem is that under the current system of governing most state regulations are written to last forever. State rules often last far longer than their intended purpose. In fact, regulations usually outlive the state officials who created them, and go on limiting people’s lives long after anyone can remember why they were imposed in the first place.

Within the limits of ordered liberty, it is the right of citizens to live as they see fit, not as officials in government direct. When people in state government overstep their bounds by regulating the smallest details of lawful activities, they increase their own power by hindering the vibrant economic and social life of the community.

---

30 Constitution of the State of Washington, article 1, Section 23.

## Review rules every five years

To solve the problem of regulations that are practically immortal, policymakers should require all agency rules and regulations to carry a sunset provision – a date on which they will automatically expire. Expiration dates could be set so that state agency rules would come up for review every five years on a regular schedule and, if still needed, would be reauthorized by the legislature.

Agency managers would notify the legislature of approaching expiration dates a year in advance, giving lawmakers time to hear from the public and to review regulations to see if they are still needed.

## Conclusion

The default assumption of officials should be that reducing regulations should favor citizens, not state agencies. If the legislature does not act to continue a rule, it should expire automatically, freeing citizens to make their own decisions in an area once constricted by the government.

Rules that are really necessary and enjoy broad community support should be renewed, based on proven effectiveness and genuine public need, and should continue in force until the next review period.

## **7. Policy Recommendation: Cut occupational licensing rules so people who want to work are allowed to work**

Washington state requires occupational licenses for many entry-level jobs which often require hundreds, even thousands, of hours of training. These strict regulations lock people out of

job opportunities, and there is bipartisan agreement that reform is necessary.

### **Bipartisan support for reform**

Republicans have long supported cutting barriers to work opportunities, and many Democrats recognize the problem too. The Obama Administration released an excellent overview of the need for reform in 2015. The report notes:

“Lower-income workers are less likely to be able to afford the tuition and lost wages associated with licensing’s educational requirements, closing the door to many licensed jobs for them.” Further, the report noted that, “in many cases, the training or experience that these immigrants acquired overseas does not count toward fulfilling the relevant licensing requirements.”<sup>31</sup>

### **Irrational requirements**

First many of the licensing requirements are excessive and irrational. In Washington state, a manicurist must pay for 600 hours of training to qualify for a license. A license for “hair design” requires a minimum of 1,400 hours.<sup>32</sup>

By way of comparison, a tattoo artist requires zero hours of training. State rules that require people who need a job to spend hundreds of hours and thousands of dollars make it more difficult

---

31 “Occupational Licensing: A framework for policymakers,” The White House, prepared by the Department of the Treasury Office of Economic Policy, the Council of Economic Advisors, and the U.S. Department of Labor, July 2015, at [https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing\\_report\\_final\\_nonembargo.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf).

32 “How to get your WA license: Graduate of a school or apprenticeship program,” Washington State Department of Licensing, accessed September 2019, at [https://www.dol.wa.gov/business/cosmetology/get\\_school.html](https://www.dol.wa.gov/business/cosmetology/get_school.html).

for them to become self-sufficient.

### **Not delivering health and consumer protection**

Second, research shows occupational licenses do not deliver the health and consumer protection that their backers claim. The White House report found that, “Stricter licensing was associated with quality improvements in only 2 out of the 12 studies reviewed.” Additionally, the Brookings Institution noted in a 2015 study, occupational licensing has impacts that, “impose net costs on society with little improvement to service quality, health, and safety.”<sup>33</sup>

Finally, research shows that licensing boards do not enforce health and safety guidelines. The Obama Administration report points out,

“There is also evidence that many licensing boards are not diligent in monitoring licensed practitioners, which contributes to a lack of quality improvement under licensing. These boards often rely on consumer complaints and third-party reports to monitor practitioner quality.”<sup>34</sup>

Most third-party complaints come from current, licensed workers trying to block competition from unlicensed workers. More complaints are registered with the Better Business Bureau or online with Yelp than with the state licensing board.

33 “Reforming Occupational Licensing Policies,” by Morris M. Kleiner, The Hamilton Project, Discussion Paper 2015-01, March 2015, at [https://www.brookings.edu/wp-content/uploads/2016/06/THP\\_KleinerDiscPaper\\_final.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/THP_KleinerDiscPaper_final.pdf).

34 “Occupational Licensing: A framework for policymakers,” The White House, prepared by the Department of the Treasury Office of Economic Policy, the Council of Economic Advisors, and the U.S. Department of Labor, July 2015, at [https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing\\_report\\_final\\_nonembargo.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf).

Legislators should take four important steps to help provide job opportunities.

First, Washington should remove barriers to people with criminal records. Research from Arizona State University found:

“...government-imposed barriers to reintegration into the labor force – particularly occupational licensing requirements – can be among the most pernicious barriers faced by ex-prisoners seeking to enter the workforce.”<sup>35</sup>

States like Illinois<sup>36</sup> and Tennessee adopted reforms saying that licensing boards:

“...shall not deny an application for a license, certificate, or registration, or refuse to renew a license, certificate, or registration, solely or in part due to a prior criminal conviction that does not directly relate to the applicable occupation, profession, business, or trade.”<sup>37</sup>

Currently, Washington state law says unrelated criminal convictions do not immediately disqualify a job applicant, but a past conviction for any offense may be considered in the hiring process.<sup>38</sup>

---

35 “Turning shackles into bootstraps: Why occupational licensing reform is the missing piece of criminal justice reform,” Policy Report, No. 2016-01, Center for the Study of Economic Liberty at Arizona State University, by Stephen Slivinski, November 7, 2016, at <https://research.wpcarey.asu.edu/economic-liberty/wp-content/uploads/2016/11/CSEL-Policy-Report-2016-01-Turning-Shackles-into-Bootstraps.pdf>.

36 State of Illinois, “SB 1688 Enrolled,” Concerning state government, at <http://www.ilga.gov/legislation/publicacts/100/PDF/100-0286.pdf>.

37 State of Tennessee, “Senate Bill 2465,” To amend the Tennessee code, at <http://www.capitol.tn.gov/Bills/110/Bill/SB2465.pdf>.

38 Revised Code of Washington 9.96A.020, “Employment, occupational licensing by public entity – prior felony conviction no disqualification – exemptions,” at <https://app.leg.wa.gov/RCW/default.aspx?cite=9.96A.020>.

Second, lawmakers should significantly reduce the license requirement in many areas of work. Requirements for many occupations do not reflect the risk of the job and are instead used by incumbents to lock out competition. This is true of many cosmetology licenses, where hour requirements could be replaced with a test of safety and health knowledge.

Hourly requirements could be replaced by an online portal with independent consumer ratings. Such a system would be more public and would more effectively publicize questions about health and safety than the existing system.

Third, require regular review of occupational licenses. Nebraska recently adopted legislation that required “present, significant, and substantiated harms” that warrant government intervention, and that legislators must first consider a regulation that is the “least restrictive” and imposes the lowest burdens and costs while still protecting consumers from the harm.<sup>39</sup> The law also has a “sunset review” where legislative standing committees examine one-fifth of the state’s occupational regulations to identify any rules or laws that should be repealed or modified.

Finally, Washington state should recognize occupational licenses from other states. Military families, migrants and others who relocate should not be required to start over when they have already demonstrated knowledge and skill in performing a particular job. Arizona recently passed legislation recognizing out-of-state licenses for those with at least one year of experience.<sup>40</sup>

---

39 “Nebraska Governor signs landmark reform for occupational licensing,” by Nick Sibilla, Press Release, Institute for Justice, April 23, 2018, at <https://ij.org/press-release/nebraska-governor-signs-landmark-reform-occupational-licensing/>.

40 State of Arizona, “House Bill 2569,” Relating to occupational licensing, 2019, <https://www.azleg.gov/legtext/54leg/1R/bills/HB2569H.pdf>.

## Conclusion

Occupational licenses are intended to promote public health and safety. They should not be used as a mean-spirited barrier to deny work to immigrants, criminal offenders, and workers seeking to gain new skills. Washington should reform and reduce these barriers, to give people the opportunity to earn the dignity and happiness that comes with self-sufficiency and earned success.

## Additional Resources

“Why I hate and love the free market,” by Jim Boulanger, President, Patriot Fire Protection, Inc., Policy Notes, Washington Policy Center, January 2019

“Six common myths about the minimum wage,” by Erin Shannon, Policy Brief, Washington Policy Center, December 2017

“Cities are starting to see the harsh reality of high minimum wage laws,” by Erin Shannon, Policy Notes, Washington Policy Center, December 2017

“This editorial should be required reading for every policymaker,” by Erin Shannon, Washington Policy Center, May 1, 2017

“Remove obstacles to the American dream, including absurd professional licensing laws,” by Todd Myers, Washington Policy Center, guest op-ed in *The Seattle Times*, March 27, 2017

“Reducing the burden of the death tax on families,” by Jason Mercier, Legislative Memo, Washington Policy Center, December 2016

“SB 6396 would bring review and accountability to agency rule-making,” by Erin Shannon, Legislative Memo, Washington Policy Center, February 2016

