How to Cut Red Tape in Blue States

By Jared Meyer | December 15, 2016

For a start, restore sanity to licensing requirements.

For years, Wisconsin and Indiana policymakers have worked to lure businesses away from neighboring Illinois. Highway signs asked commuters if they were "Illinoyed" with the state's overbearing business regulations and high taxes. Many business owners packed up and left. As the Illinois Policy Institute points out, Illinois is one of only four states that have seen no private-sector job growth in the 21st century.

When Republican Bruce Rauner was elected as governor in 2014, his message was clear: cut job-killing red tape. Delivering on this promise, Rauner issued Executive Order 16-13 on October 17. The goal of this executive order, Rauner writes on the state's website, is "to reduce the amount of red tape, paperwork, and regulatory burdens by at least 25% over the course of the next two years, and save people from paying at least $250,000,000 in government fees."

To reach these goals, Rauner provides seven guidelines, including making sure that regulations are up to date, understandable, consistent, necessary, and not unduly burdensome. Each state agency must complete a review of its administrative rules to make sure they follow these guidelines. Regulations that fail to meet the new standards can be repealed or reformed.

To oversee these efforts, the executive order establishes the Illinois Competitiveness Council. The council is made up of Chairwoman U-Jung Choe and representatives from the governor's office and several regulatory agencies. Though there are many types of business regulation that are ripe for change, one of the welcome focuses of the council will be the reform of occupational licensing.

Occupational licensing requires people to first get government's permission before they may work in certain professions. These permission slips often come with hefty time and financial burdens that act as disincentives to work. As stated in the executive order: "Licensing rules cause those seeking a license a delay in pursuing their chosen profession and create anti-competitive barriers to entry into the marketplace."

Furthermore, licensing schemes disproportionately harm young and low-income Americans, a reality that President Obama acknowledged last year.

Occupational-licensing reform in Illinois is long overdue. In the Institute for Justice's comprehensive report on state licensing, Illinois ranked 30th in terms of overall requirements and burdens. Out of the 102 low- and middle- income occupations evaluated in IJ's report, 40 required a license in Illinois. Clearly Illinois's barriers to work affect far more professionals than highly paid doctors, lawyers, and accountants.

The number of licenses issued by the Illinois Department of Financial and Professional Regulations has increased 184 percent over the last 20 years. This follows the national upward trend in licensing that has occurred since the 1950s. University of Minnesota economist Morris Kleiner estimates that 25 percent of Illinois workers now require government's permission to work. For comparison, Indiana licenses only 15 percent of its overall workforce.

Many Illinois licenses do little to ensure public safety, as demonstrated by the less-burdensome standards in other states. For example, Illinois is one of few states that licenses pharmacy technicians. While Illinois mandates two years of training, this substantial time burden is difficult to justify when 39 states do not license the occupation at all.

Similarly, if California requires only 365 days of training and no tests to become a preschool teacher, there is no reason for Illinois to mandate five times more training (1,825 days) and three more tests to teach young children.

Additionally, there is often no correlation between safety risks and licensing burdens. Illinois makes cosmetologists complete 350 days of education and training while Emergency Medical Technicians need to complete only 26 days of training. While cutting, styling, and dying hair could warrant some level of government-approved competency, it is difficult to believe that cosmetology poses more of a safety risk than an occupation that literally requires professionals to hold lives in their hands.

One of the roadblocks to reforming overbearing licensing schemes is that those who are kept out of work have few ways to organize and make their voices heard. To remedy this problem, Governor Rauner's program created a Red Tape Reduction Portal where Illinoisans can flag state regulations that hold their businesses back.

Restoring sanity to licensing follows Rauner's overall message that government should stand in the way of someone's ability to earn a living only if doing so is necessary. The current licensing system in Illinois creates substantial time and financial barriers to work that often do little or nothing to ensure public safety. These barriers make it difficult for people to support themselves and those who rely on them. Rauner realizes that any successful push to reduce government overreach and dependency must also address barriers to work.

While cutting back regulation is never easy, there is reason to be optimistic about Illinois's reform efforts. Other states such as Arizona, Colorado, Florida, Indiana, Kentucky, Massachusetts, Michigan, New Jersey, and Wisconsin all recently reformed their business regulations. Perhaps the most significant takeaway from Executive Order 16-13 is that even if state legislatures refuse to make necessary reforms, governors can singlehandedly follow through on their promises to open more work opportunities.

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