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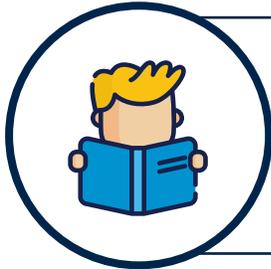
# Three State Policies To Make Way for Young Entrepreneurs

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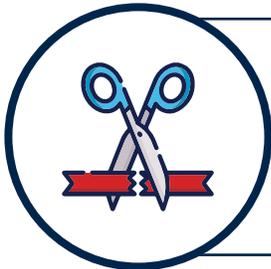
# KEY FINDINGS



**ENTREPRENEURSHIP IS ON THE RISE  
ACROSS THE COUNTRY.**



**LEARNING THE VALUE OF WORK AT AN EARLY  
AGE ENCOURAGES ENTREPRENEURSHIP.**



**STATES CAN CAPITALIZE ON THE RECENT SPIKE  
IN ENTREPRENEURSHIP BY MAKING IT EASIER  
FOR YOUNG PEOPLE TO WORK AND  
START THEIR OWN BUSINESS.**



**LAWMAKERS SHOULD ELIMINATE WORK PERMITS  
FOR YOUTH, PREEMPT LOCAL LICENSING,  
AND PROTECT HOME-BASED WORK.**

## THE BOTTOM LINE:

**STATES SHOULD MAKE IT EASIER FOR YOUNG PEOPLE TO  
LEARN THE VALUE OF WORK TO HELP FOSTER THE  
NEXT GENERATION OF ENTREPRENEURS.**

## Overview

Young people should have the opportunity to experience the value of work. First jobs teach important lessons like time management, personal finance, and responsibility. Real-world experience beyond the classroom can equip young people with the skills they need to become future entrepreneurs. And there is no better time for young people to learn the value of work to someday launch their own business.

Entrepreneurship is surging across the country, with the number of new start-ups sitting at levels not seen in over a decade.<sup>1</sup> A staggering 5.4 million business applications were filed in 2021—a record high.<sup>2</sup> People are recognizing the advantages of being their own boss, turning hobbies into their primary source of income.

Lawmakers should build momentum to encourage young entrepreneurship. Fortunately, there are commonsense policies to make it easier for young people to learn the value of work and then start a business: eliminate permit requirements for youth, preempt local licensing, and protect home-based work.

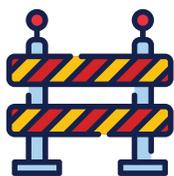


**A STAGGERING 5.4 MILLION BUSINESS APPLICATIONS WERE FILED IN 2021—A RECORD HIGH.**

## Youth Work Permits

Learning the value of work at an early age fosters entrepreneurship. But many states have created barriers to work by requiring young people to obtain a permit to legally hold a job.<sup>3</sup> Work permits (or “working papers” as they’re known in some states) may be issued by the school or the department of labor, depending on the state.<sup>4-5</sup>

While federal law doesn’t require a teenager to obtain a permit to work, most states do.<sup>6</sup> For example, to obtain a work permit in Wisconsin, young people aged 14 to 15 must provide proof of age, employer’s written intent to hire with job duties and hours, written consent of a parent, social security card, and pay a fee to a permit officer.<sup>7</sup> Notably, the employer must cover the fee by the first paycheck, adding more administrative steps and costs to business owners.<sup>8</sup> Missouri and West Virginia extend the permit requirement to homeschoolers, who must obtain a permit from the school district where they live.<sup>9-10</sup> And, like many states, Arkansas requires permits for youth employment at any time during the year, meaning that teenagers must get a permit to hold a summer job.<sup>11</sup>



**MANY STATES HAVE CREATED BARRIERS TO WORK BY REQUIRING YOUNG PEOPLE TO OBTAIN A PERMIT TO LEGALLY HOLD A JOB.**

Lawmakers should remove these types of administrative barriers to work to encourage a new wave of future entrepreneurs. School administrators and government bureaucrats shouldn't be involved in the decision-making process to obtain a job—that's reserved for parents and young people. Work permit requirements create needless red tape, delaying the hiring process for teenagers and holding back businesses.<sup>12</sup> In fact, some states don't require work permits at all, further demonstrating that permits are unnecessary.<sup>13</sup>

## Local Licensing Preemption

Obtaining a license takes time and money, making it more burdensome for a young person to experience the benefits of work.

New threats to young entrepreneurship are a constant concern. As people innovate, local governments regulate. Part of the problem is that most states allow local governments to create occupational licensing requirements in addition to state-level requirements.<sup>14</sup> Additional requirements compound the negative effects of state licensure, creating even more red tape for entrepreneurs.

For example, while Kansas doesn't license massage therapists, the City of Wichita requires massage therapists to apply for a city-issued license and pay \$75 every two years in order to work.<sup>15</sup> That same massage therapist would have to navigate the licensing processes in the nearby cities of Andover, Derby, and Valley Center, and pay the requisite city-level fees to work with clients there.<sup>16-18</sup>



**Obtaining a license takes time and money, making it more burdensome for a young person to experience the benefits of work.**



But local overreach isn't limited to Kansas—the problem exists across the country. For instance, Pocatello, Idaho makes auctioneers apply for licenses and pay \$100 every year—despite the state not licensing the occupation.<sup>19</sup>

If an occupation truly needs to be licensed for public health and safety, then it should be regulated at the state level to protect residents and create uniformity and certainty. There's no need for local governments to pile on with additional requirements and fees.

To foster entrepreneurship, states should preempt local occupational licensing restrictions. Florida and West Virginia have enacted state preemptions, while states like Wisconsin, Tennessee, and Arkansas have passed limited measures that prohibit new local licenses and limit fees.<sup>20-23</sup>

## Home-Based Work

Local regulations need to be modernized to reflect the shift toward home-based entrepreneurs and remote work. More people are working from home because technology allows for more jobs to be done at home.<sup>24</sup> And just last year, applications to start a new business hit a decade high.<sup>25</sup>

Given that roughly half of businesses in the country are based out of the home, it's safe to assume the recent surge in entrepreneurship has bled into home start-ups.<sup>26</sup> Some of the most successful companies were started by young entrepreneurs from their home.<sup>27</sup> States can capitalize on the recent spike in entrepreneurship by making it easier for young people to start their own business.



**ROUGHLY HALF OF BUSINESSES IN THE COUNTRY ARE BASED OUT OF THE HOME.**

Local governments across the country have antiquated ordinances that make it more difficult to work inside the home. These ordinances often require permits to run a business or work from home, imposing standards to obtain the permit.

For example, Idaho Falls, Idaho prohibits people from using more than 20 percent of the floor space in their home for their business.<sup>28</sup> Overland Park, Kansas doesn't allow the use of a garage for a home-based business.<sup>29</sup> This means that someone couldn't set up a home office in their shed or storage building.

Green Bay, Wisconsin limits operating hours for home-based work from 7:00 AM to 9:00 PM.<sup>30</sup> So, a seamstress can't work late or get a head start on the workday, but she can throw a house party. Biloxi, Mississippi doesn't allow retail sales on the premises, meaning a working mom couldn't host a sample party to sell jewelry or makeup to supplement income.<sup>31</sup>

Fortunately, states are recognizing the need to protect home-based work. Just last year, Florida and Arkansas enacted statewide policies to prevent cities from enforcing outdated local regulations.<sup>32-33</sup> Florida designated a category of home-based businesses that may operate without a permit, while Arkansas placed some boundaries on local restrictions.<sup>34-35</sup>



**FLORIDA AND ARKANSAS ENACTED STATEWIDE POLICIES TO PREVENT CITIES FROM ENFORCING OUTDATED LOCAL REGULATIONS.**

Neighborhood issues like street parking and signage were unaffected. **Iowa and Missouri passed similar reforms this year.**<sup>36-37</sup>

Lawmakers in other states should follow suit to promote economic growth in local communities without overwhelming residential neighborhoods with incompatible business. Similar reforms would make it easier for young people to work from home or turn their passion into their livelihood.

## **THE BOTTOM LINE: States should make it easier for young people to learn the value of work to help foster the next generation of entrepreneurs.**

The American entrepreneurial spirit is alive and well, and lawmakers should pave the way for young people to learn the value of work so they may start a business someday. To foster entrepreneurship, states should remove existing barriers to work by eliminating youth work permits, preempting local licensing, and protecting home-based work.



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