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Senate Committee on Government Operations

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Chair Collamore, Vice Chair Vyhovsky, and all distinguished members of the Senate Committee on Government Operations:

Thank you for allowing me to testify on the regulation of early childhood educators in the state of Vermont. I am the Director of Labor Policy at the Knee Regulatory Research Center at West Virginia University. The main takeaways of my comments are the following:

1. Licensing is not always the appropriate form of regulation because of significant costs.
2. Licensing in Vermont reduces economic mobility and increases income inequality.
3. Increasing licensing requirements for early childcare educators increases the cost of childcare considerably, but is unlikely to improve quality.

Occupational licensing is one of the most common forms of professional regulation and the most stringent. These laws prevent Vermont residents from working in a profession until they meet certain entry requirements, which often include education, training, and passing exams. Licensing is designed to protect consumers and the general public from harm from low-skilled professionals, which is an important goal. However, there are other, less costly ways to protect consumers.

Licensing can be costly, and we have to weigh both the costs and the benefits when we consider licensing a profession. The entry requirements designed to protect consumers also create barriers to entry that make it more difficult to enter a profession. Economic research estimates that licensing reduces the number of professionals by 25 percent.¹ Licensing laws also tend to disproportionately exclude minorities from licensed professions.²

Many professions that do not require a traditional, 4-year college degree do require a license. These professions offer an avenue to meaningful employment for non-college graduates, if they can afford to meet the licensing requirements. Unfortunately, because of the time and money it takes for training and education, many are unable to enter these professions. Research finds evidence that licensing laws increase income inequality and decrease economic mobility—

¹ Peter Blair and Bobby Chung, “How Much of Barrier to Entry is Occupational Licensing?,” *British Journal of Industrial Relations* 57, no. 4 (2019): 919–43

² Mitchell, Matthew. “Policy Spotlight: Occupational Licensing and the Poor and Disadvantaged.” *Mercatus Center Policy Brief*. (2017).

making achieving the American Dream that much more difficult.³ This is especially true for a state like Vermont that already licenses over 120 different professions.⁴

Despite the fact that licensing laws have such an impact on aspiring professionals, we find limited evidence of any improvements in the quality of services due to licensing.⁵ For childcare providers, a single course in early childhood care has a positive effect on child outcomes.⁶ But beyond that, more stringent licensing requirements do not seem to improve quality.

Childcare is expensive, creating a significant burden for Vermont families. Unfortunately, regulations add to those costs. Something as simple as requiring a high school diploma for the lead teacher increases costs by \$3,000 per year.⁷

Childcare centers are struggling to fill open positions and hire more staff. If enacted, this law will likely decrease the number of early childcare educators, worsening the shortage of childcare staff.

Ensuring that families have access to high quality childcare is important, and this bill is designed with the best intentions in mind. Unfortunately, licensing early childcare educators is not the best way to achieve that goal—it will be costly and ineffective. Aspiring professionals will be forced to overcome greater barriers to entry, while consumers will be forced to pay higher prices for services that are not better than before.

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³ Timmons, Edward, Brian Meehan, Andrew Meehan, and John Hazenstab. "Assessing growth in occupational licensing of low-income occupations: 1993-2012." *Journal of Entrepreneurship and Public Policy* 7, no. 2 (2018): 178-218.

⁴ Trudeau, Noah, Edward Timmons, and Sebastian Anastasi. "2024 State Occupational Licensing Index." *Archbridge Institute*. (2024).

⁵ Norris, Conor, Alex Adams, and Edward Timmons. "How do licensing boards provide oversight? An Idaho case study." *Economic Affairs* 44, no. 3 (2024): 527-539.

⁶ Blau, D. M. "The Production of Quality in Child Care Centers." *The Journal of Human Resources* 32 (1997): 354–387.

⁷ Gorry, Devon, and Diana W. Thomas. "Regulation and the cost of childcare." *Applied Economics* 49, no. 41 (2017): 4138-4147.