

Dear Red Tape Committee

I came upon this inquiry rather late and would like to make a brief submission in case it is not too late.

I wish to discuss alternative institutional arrangements to reduce red tape attributable to occupational licensing.

In general, occupational licensing (OL) is one of the least effective ways to deal with problems about trustworthiness including trustworthy delivery of a product of agreed quality and in a timely manner.

Historically, reputation in its various forms and shapes has played a pivotal role in managing problems of quality. That is one reason why [Adam Smith opposed occupational licensing for doctors](#) and preferred the market's own solution to remedy any quality problems.

Daniel Klein in his book, *Reputation: Studies in the Voluntary Elicitation of Good Conduct*, has explored this issue at length from the foundational perspective.

New technology has allowed a vast number of new mechanisms to strengthen reputational feedback. eBay and Uber are a few of the many companies that are using reputational mechanisms to drive business.

The Productivity Commission in its report on Shifting the Dial ([Paper 13](#)) has alluded to opportunities to use the internet to empower consumers. The Commission did not fully investigate this matter and the huge potential to supplement, if not replace occupational licensing.

I suggest the Committee consider opportunities to replace as much of occupational licensing with a voluntary reputational platform. In my view, after considerable thought, the government should initially build such a generic platform covering all licensed occupations. In due course such a platform could become commercially viable and be sold to the market.

The platform should ensure that only genuine consumers are able to provide feedback on individual professionals (say, doctors or builders). The professionals being rated would be in a position to read the names of the reviewers while the public would only see the review, not the reviewer's name. The professionals being rated would also have the right to provide their own view on any adverse situation reported by a customer. It is important that the professionals relinquish any recourse to defamation laws against consumers who provide honest feedback, as part of entering this platform.

Such a platform being voluntary would ensure that only good professionals step forward to be rated. Customers will, of course, not provide custom to anyone who is not willing to get himself/herself fated. Those who agree to be rated would also have an incentive to

provide excellent quality of service to ensure continued high ratings. This would improve the quality of services provided by the professionals. The last period problem would remain but it is likely to be relatively small, and other mechanisms could be designed to deal with it.

Such a platform can initially run in parallel with existing schemes and over time, after it is evaluated, it could allow the scrapping of such schemes.

We can call this platform Citizens Eye.

I suggest it is time to think of a new models that support the market instead of requiring major government involvement which merely increases inefficiency and monopolistic behaviour and makes things much worse for consumers. I speak from direct experience of a hugely dysfunctional scheme for licensing builders which has cost me very dearly. Occupational licensing red tape is one of the many inefficiencies. It is fundamentally inefficient.

I'm able to provide detailed response to any questions that may arise in this matter based on considerable thinking I've undertaken about this over the past few months.

Regards
Sanjeev Sabhlok