



Gov. Snyder's Much-Needed Move on Licensing

By Jarrett Skorup

Gov. Rick Snyder recently sent a letter to Michigan House Speaker Kevin Cotter and Senate Majority Leader Arlan Meekhof explaining some of the problems of occupational licensure. This is a much-needed move.

Regulatory rules in Michigan, particularly for small business owners, are onerous. Occupational licensure laws require people to pay a fee and complete state-approved training before they are legally allowed to practice a trade. The public benefits of these laws have widely been found to be dubious.

The governor summarizes some of the good work the Legislature has done, and lists the principles he'll use in "determining whether to support any legislation providing for additional occupation regulation." Here is the governor's list:

1. There must be a substantial harm or danger to the public health, safety, or welfare as a result of unregulated practice, which will be abated through licensure.
2. The practice of the occupation must require highly specialized education or training.
3. The cost to state government of regulating the occupation must be revenue neutral.
4. There must be no alternatives to state regulation of the occupation (such as national or third-party accreditation) which adequately protect the public.
5. The scope of practice must be clearly distinguishable from other licensed, certified, and registered occupations.
6. Regulation through registration or listing (as opposed to licensure) does little to protect public health and welfare, and is not an appropriate use of government resources.

These rules are very similar to recommendations the Mackinac Center has been making in recent years.

Typically when licensing rules are proposed, the Legislature hardly ever requires evidence of how licensing laws will actually protect public

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Summary

Gov. Rick Snyder has laid out principles that must be considered before adding new requirements for occupational licensing. This is a good first step toward helping consumers, especially the poor.

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When government approval is required for work.

health and safety. Usually, these mandates are initiated and supported by special interest groups who benefit directly when their competition is limited.

But perhaps the tide is turning. New research from the Brookings Institution urges reform of state licensing laws, and says if this is done, “evidence suggests that employment in these regulated occupations would grow, consumer access to goods and services would expand, and prices would fall.”

A new study from the Mercatus Center shows how licensing rules redistribute income from consumers to protected groups. And a series from the Pew Charitable Trusts looked at how special interest groups across the nation lobby to gain or maintain laws in order to block out competition and raise prices.

Texas Gov. Greg Abbot, who previously served as the state’s attorney general, rolled out a plan that would repeal many occupational licensing rules. The report states: “Regulation by licensure results in less competition, fewer choices, higher costs, and the potential to thwart innovation. These effects are not always visible to the consumer, but they are nonetheless built-in costs without justification in most instances.”

Of Gov. Abbot’s plan in Texas, the National Center for Policy Analysis notes something that equally applies to Gov. Snyder’s principles here in Michigan:

“Of all the proposals designed to help poor and lower-income people, this one deserves major kudos. It does not involve expansion of a massive government program, and it reduces the cost to those who wish to profit from their knowledge and skills. It will also boost economic growth and tax revenue, since studies indicate that such licensing reduces job growth by 20 percent.”

Gov. Snyder recognizes that licensing serves to protect groups from competition, which drives up prices for consumers and harms the poor the most. He should be applauded for his efforts. The Legislature, meanwhile, should be skeptical of proposals imposing new requirements on workers, and remove unnecessary licenses already on the books.

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