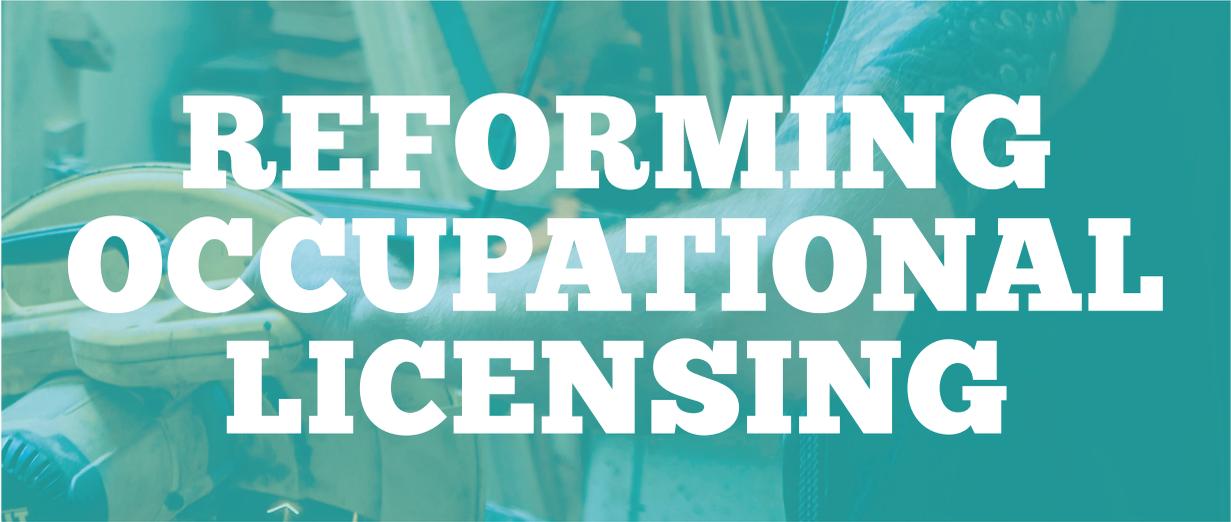




2020
UPDATED FOR

A POLICY GUIDE TO



REFORMING OCCUPATIONAL LICENSING

IN MICHIGAN



MACKINAC  CENTER
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POLICY PRIMER

Summary

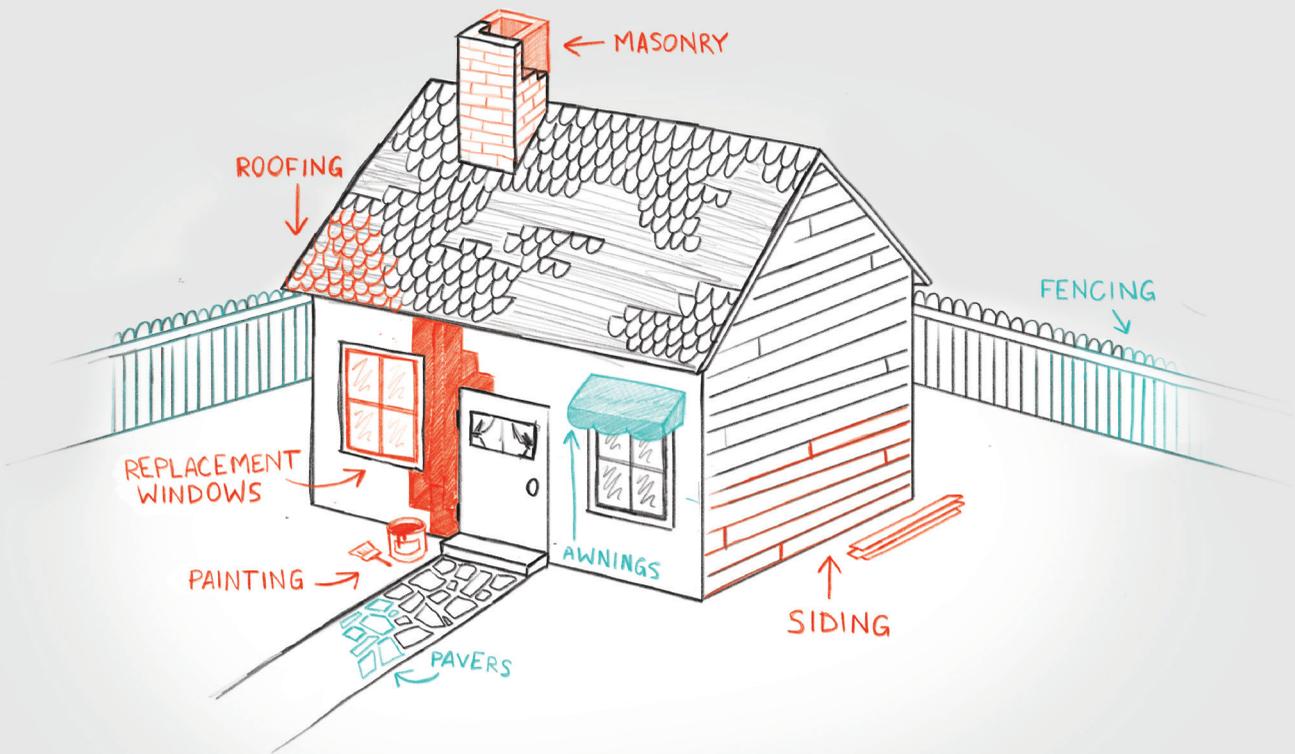
Occupational licensure — when the government mandates training, tests and fees before someone can legally work — has a larger effect on the Michigan economy than any other labor issue.

Licensing laws in Michigan increase prices for consumers by up to 30 percent and costs the state an estimated 125,000 jobs. All told, Michiganders pay \$10.4 billion annually in higher prices, or about \$2,700 per household. If that wasn't bad enough, it costs the state \$150 million every year just to manage the bureaucracy required to keep track of all of these licensing requirements.

According to research from experts across the spectrum — the Mackinac Center, the Mercatus Center, both the Obama and Trump administrations, the Brookings Institution and more — these mandates are arbitrary, created by special interest groups and usually do little to enhance consumer safety. And because most government licensing schemes restrict people with a criminal background from working legally, research suggests licensing laws contribute to higher crime rates.

 = DOES NOT REQUIRE LICENSE

 = REQUIRES LICENSE



These licenses require 60 hours of coursework, passing a \$160 test, a fee of \$125 and continuing education classes.

Frequently Asked Questions

Don't we need licensing to protect the health and safety of consumers?

If this were the primary purpose of licensing laws, consumers would be the most vocal proponents of licensure. Instead, licensing is almost always initiated by current practitioners or their interest group. This suggests that the primary purpose is not consumer safety, but to stifle competition by limiting access to who can do these jobs legally.

Further, economists have studied this issue. They have failed to find any sort of consistent link between occupational licensing laws and improvements in public health and safety.

Don't licensing laws protect individuals from fraudulent operators or those looking to exploit, abuse or otherwise take advantage of consumers?

Licensing laws may help to a limited extent, but there are many more effective and efficient ways to accomplish these goals without erecting barriers around an occupation as licensing laws do. Laws against fraud and abuse are on the books and there are federal and state agencies whose purpose is to snuff this out wherever they find it. Open marketplace competition helps here too: low-quality operators lose business in the end, and the availability of online rating systems like Yelp and Angie's List are only enhancing consumers' ability to choose a product or service provider.

Doesn't licensing ensure the quality of services provided in the marketplace?

Most licensing laws impose no quality control at all. The state agency that oversees licensing

in Michigan does not assess levels of quality for licenses that it hands out. A low-quality provider could just as easily complete the courses, pass the tests and pay the fees as a high-quality provider.

Without occupational licensing, how will consumers distinguish between low- and high-quality providers?

Most people do not inquire about the licensing status of the service providers they hire, so, even if licensed providers offered better services, it wouldn't necessarily help consumers make better choices. Instead, consumers will continue making informed decisions based on the time-tested informal methods of references, reputation, brand recognition and the ever-growing amount of online reviews and ratings.

Would eliminating licensing be unfair to those who went through the process to get a license?

In some ways, yes. But it's even more unfair to block people from earning an honest living by forcing them to spend time and money jumping through needless hoops, all for the purpose of protecting the already licensed from more competition.

State licensing hurts Michigan residents.



**Raises prices
for consumers by
up to 30 percent**

**Michigan spends
\$150m+
directly on licensing
individual occupations**

**-125,480
Michigan jobs**

**The growth of
exoffenders returning
to prison is**

5 times

**higher in states with
more licensing laws
than those with fewer**

**Michigan citizens pay
\$10.4 billion
annually in higher prices**

Real Stories and Real People: Why It Matters



Ntcharba Chabi is a hair braider trying to earn an honest living running Blanca's Braids in Garden City. But after a competitor complained that Chabi was not properly licensed, she received a "cease and desist" letter from the state and was charged a fine. Why? Because her shop had a shampoo bowl — shampooing hair in Michigan requires a cosmetology license, which takes 1,500 hours of training, hundreds of dollars in fees and testing.



Stephanie Brown owns a highly rated salon in Kalamazoo that also specializes in hair braiding. A nearby competitor complained to the state that one of her employees was washing clients' hair but did not have a license to practice cosmetology. "All it takes is someone who doesn't like you and then there goes your business," Brown said. The employee has since left, but Brown is still stuck paying the fines. Typical salon workers make an annual salary of less than \$25,000 per year but have mandated training 25 times that of residential homebuilders.



Austin Loose owes thousands of dollars for schooling and testing for an education he will never use. While other states allow massage therapists to work without mandated training, Michigan requires 500 hours and passing a

test. Austin and his twin brother Login went to school and graduated together, but Austin has a learning disability and could not pass the test. Login got his license, but Austin is stuck working lower-paid jobs.



Dr. Jan Pol is a veterinarian in rural Michigan and formerly starred in a reality TV show on a National Geographic channel. An out-of-state vet reported him for not wearing the proper surgical attire and failing to provide a warming pad for a dog. This stemmed from an incident where Dr. Pol saved the life of dog who had been hit by a car and with no complaints from the dog's owners. Regardless, the state licensing board hit him with a fine and probation and tried to take his license before being overruled by a court.



Mike Grennan (pictured) is a carpenter and Laurence Reuben a nurse. For both, their past criminal activity restricts them from getting a license in their fields.

Grennan can work for other people or on jobs billed for less than a certain amount of money, but can't work for himself. Reuben has a low-level felony conviction from New York state, but went through a rehabilitation program and was legally working as a licensed nurse. But then he moved to Michigan and the state denied him a license because of his criminal record.



Even though hat-wearing is no longer a popular fashion, Detroit still has an ordinance mandating businesses that wash hats get a license. The ordinance was written for a time when people would drop their expensive hats off at businesses that only cleaned hats, according to Kevin Jones, the manager of the city's Business License Division. Those businesses no longer exist in Detroit.

A Licensing Pop Quiz

Which person must do the most to fulfill the occupational requirements imposed by the state of Michigan?

- A. The chef who prepares your food
- B. The auto mechanic who installs your brakes
- C. The EMT who rushes you to the ER
- D. The painter who makes your house or barn look good
- E. The airline pilot who flies you to see family and friends
- F. The barber who cuts your hair

Don't feel bad if you don't know these answers. Most people know very little about the licensing laws the state of Michigan imposes on people wishing to work in certain occupations. The laws require someone holding any one of roughly 200 different jobs pay state fees, meet certain educational requirements and take one or more exams before they are allowed to provide a service legally. The worker's skill level and experience

don't matter, nor does the consumer demand for their services.

Here's the answer to the quiz, they're in ascending order: Chefs need zero hours of mandatory training as there is no chef license. Auto mechanics take a six-hour course and one test. EMTs need 200 hours of training. Painters must have 60 hours of class time. Airline pilots flying commercial jets need 1,500 hours of flight instruction. And barbers must complete 1,800 hours of education.

This does not mean that the only training workers get is that which the state requires. Far from it. Most people work in jobs that do not require a license, but they still commonly get training that they may need to do their job, even if it is not mandated by government.

Rolling back licensing requirements will make it easier for people, low-income individuals in particular, to enter the workforce. Economic opportunity is key deterrent to both poverty and crime.



Needed Reforms

Lawmakers should reform occupational licensure laws and only require licensing in cases where it has proven successful at improving public health and safety. Here's the details:

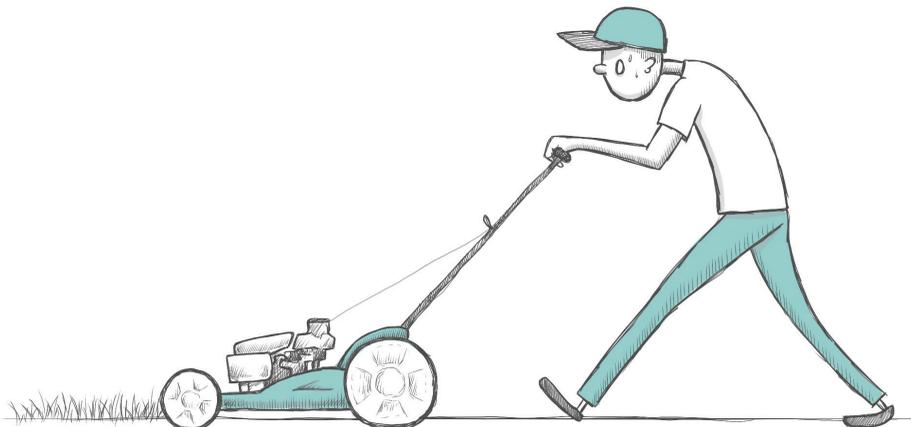
First, the state should set up a “sunrise” and “sunset” review process for current and proposed occupational licenses. An independent board should be empowered to analyze regulations already on the books, plus any proposed in the future, looking at them strictly from the standpoint of health and safety. A committee in 2012 analyzed occupational licensing and called for eliminating state requirements covering two dozen jobs and changing many others. The Legislature has adopted some of these recommendations, but a review of this kind should be a regular event.

Second, Michigan should get rid of “good moral character” provisions in its licensing system, as well as blanket bans on occupational licenses for people with criminal records. For occupations where licensing makes sense — like those in the medical field — people should still go through a background check, but they should only be denied a license if their crime is directly related to the area they want

to work in. Right now, the state denies licenses to exconvicts and even those who have committed only civil infractions. States with the highest licensing requirements have recidivism rates growing five times faster than those with the lowest mandates.

Third, the state should reciprocate licensing requirements with other states. Ideally, this means entering into an agreement that anyone licensed in any occupation in Michigan can also work in the other states without going through any more hoops. Similar to a law passed in the state of Arizona, Michigan should freely allow anyone licensed across the country to transfer and work in that job here — freeing up military spouses, those moving with family members or simply citizens seeking opportunity in the Great Lakes State.

The general approach should be to let a person who wants to offer a service to do so, without having to first get permission from the government and jump through a bunch of hoops. The government should only be involved if the nature of the work directly affects the health and safety of the public and it can be demonstrated that licensing the occupation will boost health and safety.







The Mackinac Center for Public Policy is dedicated to improving the understanding of economic principles and public policy among private citizens and public officials. A nonprofit and nonpartisan research and education institute, the Mackinac Center has grown to be one of the largest state-based think tanks in the country since its founding in 1987.

Additional information about the Mackinac Center and its mission to improve the quality of life in Michigan through sound public policy can be found at www.mackinac.org.