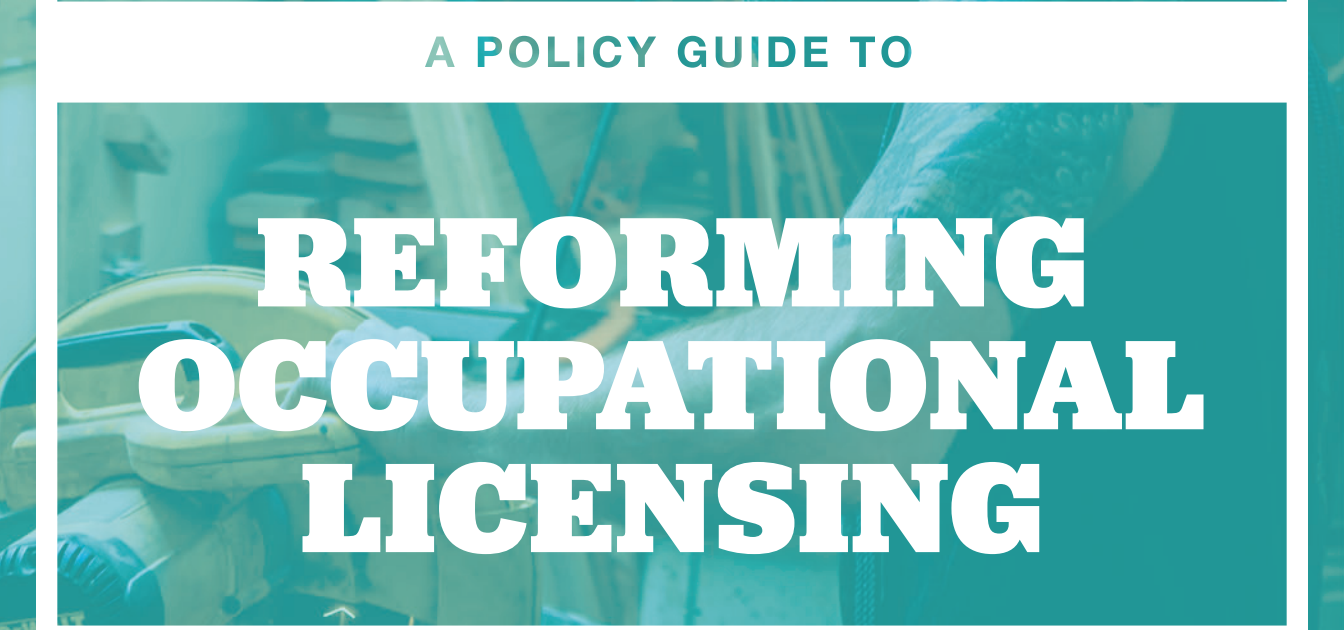




2022
UPDATED FOR

A POLICY GUIDE TO



REFORMING OCCUPATIONAL LICENSING

IN MICHIGAN



MACKINAC  CENTER
FOR PUBLIC POLICY

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POLICY PRIMER

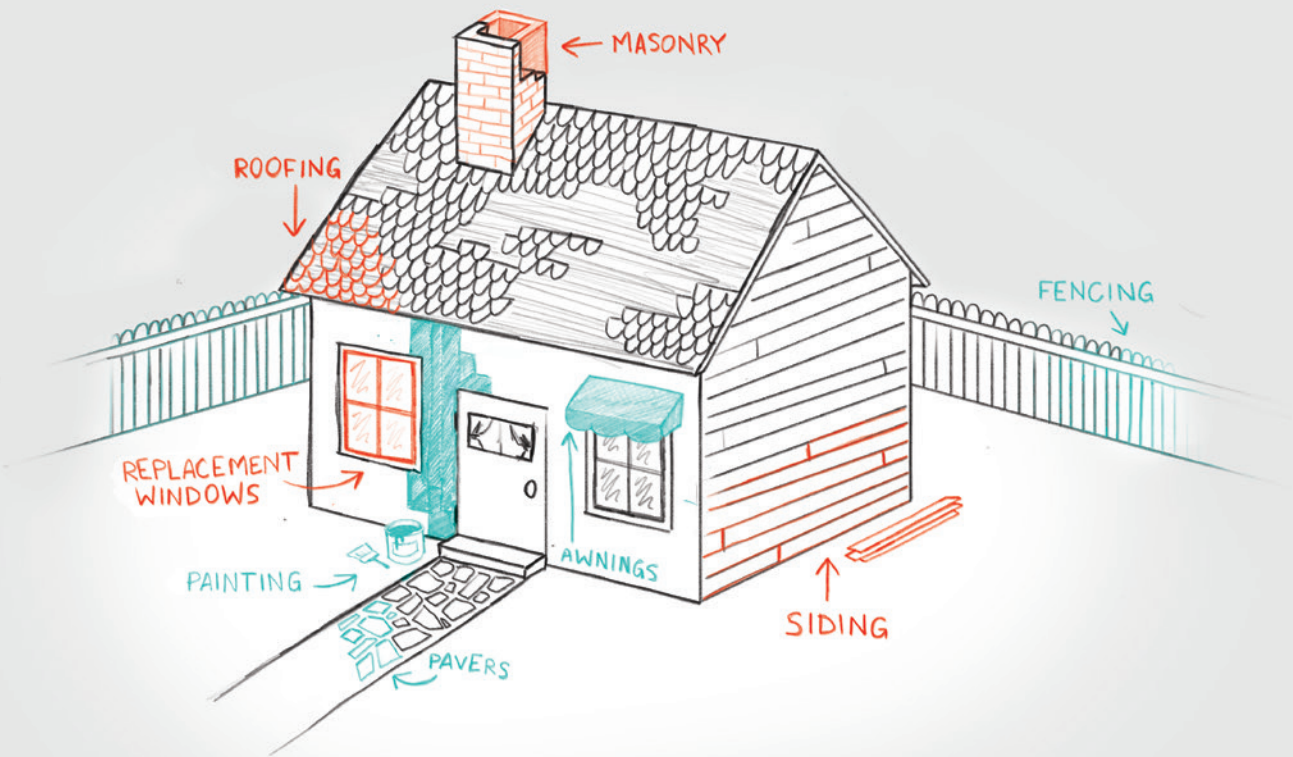
Summary

Occupational licensure — in which the government mandates training, tests and fees before someone can legally work — has a larger effect on the Michigan economy than any other labor policy. Licensing laws in Michigan increase prices for consumers by up to 30% and cost the state an estimated 125,000 jobs. All told, Michiganders pay \$10.4 billion annually in higher prices, or about \$2,700 per household, because of excessive licensing rules which prevent market competition. If that weren't bad enough, it costs the state \$150 million every year just to manage the bureaucracy needed to keep track of these licensing requirements.

According to experts across the spectrum — in the Mackinac Center; the Obama, Trump and Biden administrations; the Brookings Institution the Mercatus Center; and others — these mandates are often arbitrary, do little to enhance consumer safety, and have been created by special interest groups. Because most government licensing schemes restrict people with a criminal background from working legally, research also suggests licensing laws contribute to higher crime rates, as ex-offenders see higher unemployment and fewer work options.

 = 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 their most vocal proponents. Instead, licensing is almost always initiated by current practitioners of the occupation to be licensed, or their interest group. This suggests that its primary purpose is not consumer safety, but stifling competition by limiting access to who work legally.

Economists have studied this issue. They have failed to find any consistent link between recent 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 more effective and efficient ways to accomplish these goals. These other ways, furthermore, don't erect barriers around an occupation, as licensing laws do. Laws against fraud and abuse are on the books, for example, and federal and state agencies exist to snuff it out wherever they find it. Open marketplace competition helps, too: Low-quality operators lose business over time. The proliferation of online rating systems like Google reviews, Yelp, Angie's List and others help expose bad operators and inform consumers about products and service providers.

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

No. Most licensing laws impose no quality control at all. The state agency that oversees licensing in Michigan does not assess the quality of businesses it issues licenses to. A low-quality provider could just as easily complete the courses, pass the tests and pay the fees as a high-quality provider.

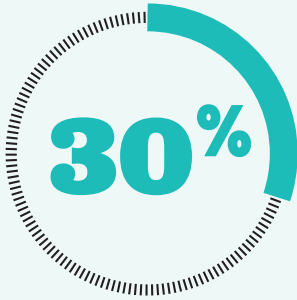
Without occupational licensing, how will consumers distinguish between low- and high-quality providers?

Most people do not ask about the licensing status of the service providers they hire, so, even if licensing leads to better services, it doesn't necessarily help consumers make better choices. Instead, consumers will continue making informed decisions based on the time-tested informal methods of word-of-mouth, references, reputation, brand recognition, and an ever-growing number 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 by running Blanca's Braids in Garden City. 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, and shampooing hair in Michigan requires a cosmetology license. Getting the license requires 1,500 hours of training, hundreds of dollars in fees, and taking a test.



Stephanie Brown owns a highly rated salon in Kalamazoo, which 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. The typical salon worker makes an annual salary of less than \$25,000 per year but is required to take training that involves 25 times the hours that residential homebuilders must take.



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 government-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 who once 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 Pol saved the life of a dog which had been hit by a car, even though there were no complaints from the dog's owners. Still, the state licensing board hit him with a fine and probation and tried to take his license from him before a court intervened.



Mike Grennan 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 he can't work for himself. Reuben has a low-level felony conviction from New York state, but he went through a rehabilitation program and was legally working as a licensed nurse there. But when he moved to Michigan, 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 carpenter who installs your floors
- D. The EMT who rushes you to the ER
- E. The police officer who carries a gun and is responsible for public safety
- F. The airline pilot who flies you to see family and friends
- G. The barber who cuts your hair

Don't feel bad if you don't know the answer. 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 to pay state fees, meet certain educational requirements and take exams before being able to provide a service legally. The worker's skill level and experience don't matter, and neither does what consumers want.

Here's the answer to the quiz: The occupations are listed in ascending order of required training. 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 194 hours of training. Carpenters must have 60 hours of class time. Police officers work through a 594-hour curriculum. Airline pilots flying commercial jets need 1,500 hours of flight instruction. Barbers? They must complete 1,800 hours of education.

None of this means that workers get training only because the state requires it. Far from it. Most people work in jobs that do not require a license. Even then, they typically get the training they need for the job, even if it is not mandated by the government.

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



Past Reforms and Those Still Needed

Lawmakers should reform occupational licensure laws and only require licensing when it has proven successful at improving public health and safety. There are five main reforms all states should consider, some of which have been completed in Michigan.

Past reforms

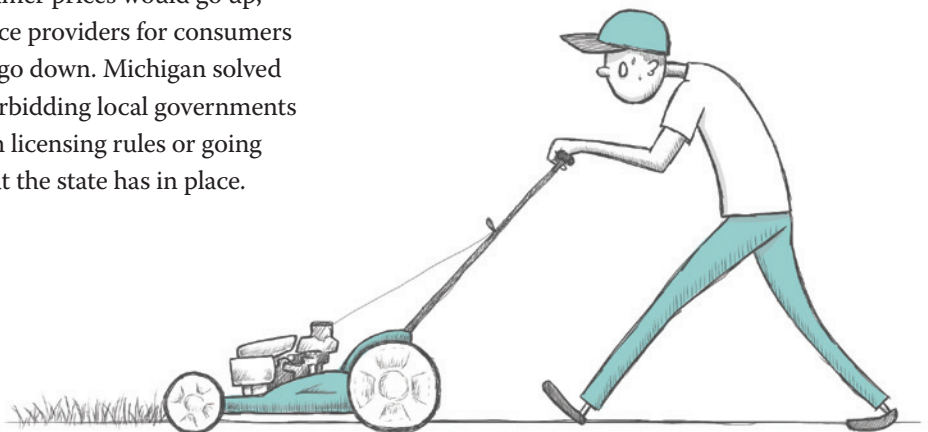
Forbid local governments piling their own licensing rules on top of state ones

The state of Michigan licenses electricians, home builders, roofers and many others. Should cities be allowed to add their own mandates? And should they be able to impose licensing requirements on an occupation when the state doesn't do it? There are many occupations that the state doesn't license, such as driving a snowplow or operating a batting cage. Should municipalities be allowed to impose extra costs on entering or staying in an occupation if state lawmakers don't see them as necessary? If they could, this would create a patchwork of licensing requirements and increase compliance costs for anyone who offers services across the state. Consumer prices would go up, and the supply of service providers for consumers to choose from would go down. Michigan solved this issue in 2018 by forbidding local governments from passing their own licensing rules or going above and beyond what the state has in place.

Redefine restrictions based on criminal backgrounds

Nearly one million jobs in Michigan require a license, and the vast majority of those licenses have “good moral character” provisions, which effectively block anyone with a criminal record of any kind from qualifying. Still other licenses just flat out ban people with certain criminal convictions from working. 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.

States with the most stringent licensing requirements have recidivism rates growing five times faster than those with the lowest mandates. In 2019, Michigan lawmakers mostly completed this reform by redefining “moral character” to ensure it blocks a license only for significant crimes or those directly related to the occupation in question. This gives more people the ability to work and more businesses the ability to hire them.



Let military members and their families use their existing licenses and experience

Ever ask someone from a military family where home is? You get a lot of interesting answers. Military families are transient — they move around and get restationed frequently — and they tend to be highly trained. In 2021, Michigan began allowing military members, veterans and their families to use their training hours and out-of-state licenses to fulfill licensing requirements here.

Reforms still needed

Review what's on the books

There are about 150 occupational licenses on Michigan's books. Many of them exist in other states, but some are unique to Michigan. Many of the requirements are reasonable and ensure a basic level of proficiency for the licensed workers. But some requirements here involve training and costs way above and beyond what people face in other states. The state should set up a "sunrise" and "sunset" review process for current and proposed occupational licenses. An independent board should have the power 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; it also called for lessening the rules for many others. The Legislature adopted some of these recommendations, but a review of this kind should be a regular event.

Embrace universal recognition of state-issued licenses

For years, there have been complaints about a lack of workers for many jobs. There have been media reports about a teacher shortage, not enough road builders, and that we need more construction workers. Medical costs, meanwhile, are up from a lack of doctors, nurses and dentists. This is economics 101 — supply and demand. And a major restriction on the supply of medical professionals is the state's licensing scheme, which makes it more difficult than it needs to be for many workers from other states to move here and work in licensed industries. That's why Michigan needs to pass a universal recognition - or reciprocity - law where we recognize licenses, certifications or job training from other states. This would give businesses the opportunity to hire more workers and encourage people to move and seek opportunity in the Great Lakes State.

When it comes to occupational licenses, the default position should be to let a person who wants to offer a service do so without having to first get permission from the government by jumping 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 number of occupations subject to licensing has grown significantly, often without any public benefit. This isn't working. Michigan policymakers should build on our past reforms to do more.



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.