

## Michigan Should Untangle Beauty Professionals from Unnecessary Regulations

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Chair Carter, Vice Chair Liberati, Vice Chair Mueller, and all distinguished members of the House Regulatory Reform Committee:

Thank you for allowing me to testify on the regulation of beauty services and professionals in the state of Michigan. I am the assistant director of the Knee Regulatory Research Center at West Virginia University. The main takeaways of my comments are the following:

1. Licensing minimum education requirements can be costly for aspiring professionals.
2. Licensing in Michigan reduces economic mobility and increases income inequality.
3. Since 2017, 7 states have decreased, not increased, esthetician and/or manicurist minimum education hours.

Occupational licensing is one of the most common forms of professional regulation and the most stringent. These laws prevent Michigan 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 from harm from low-skilled professionals, which is an important goal. However, licensing is not the only form of regulation that we can use to protect consumers.

Licensing can be costly, and we have to weigh both the costs and the benefits of licensing. Licensing laws create barriers to entry that make it more difficult to enter a profession. Economic research estimates that licensing reduces the number of professionals by up to 27 percent.<sup>1</sup> Economists consistently find evidence that licensing laws act as a barrier to entry for beauty professions, like barbers and cosmetologists.<sup>2</sup> There is also evidence that licensing requirements tend to disproportionately exclude minorities.<sup>3</sup>

Many professions that do not require a traditional, 4-year college degree do require a license. These professions offer an avenue for entrepreneurship and meaningful employment for non-

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<sup>1</sup> 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

<sup>2</sup> Adams, A. Frank, John D. Jackson, and Robert B. Ekelund. "Occupational licensing in a "competitive" labor market: The case of cosmetology." *Journal of Labor Research* 23, no. 2 (2002): 261-278.; Timmons, Edward J., and Robert J. Thornton. "The Licensing of Barbers in the USA." *British Journal of Industrial Relations* 48, no. 4 (2010): 740-757; Zapletal, Marek. "The effects of occupational licensing: evidence from business-level data." *British Journal of Industrial Relations* 57, no. 4 (2019): 894-918.; Timmons, Edward J., and Robert J. Thornton. "The Licensing of Barbers in the USA." *British Journal of Industrial Relations* 48, no. 4 (2010): 740-757.

<sup>3</sup> Mitchell, Matthew. "Policy Spotlight: Occupational Licensing and the Poor and Disadvantaged." Mercatus Center Policy Brief. (2017).

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 found that licensing laws increase income inequality and decreased economic mobility—making achieving the American Dream that much more difficult.<sup>4</sup>

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.<sup>5</sup> We are also unable to find evidence that licensing improves the quality of beauty professions in particular.<sup>6</sup>

Unfortunately, estheticians and manicurists face difficulties from current education requirements. While esthetician and manicurist education hours are shorter than cosmetology program hours, they are still notoriously long. Just one third of beauty school students graduate on time and their tuition costs far exceed what is appropriate for their career earnings.<sup>7</sup> Unsurprisingly, the Department of Education considers a majority of these programs to be predatory.<sup>8</sup> Esthetician and manicurist program students are straddled with high student loan debt compared to their earnings, which takes years to pay off.

As a result, there has been a growing movement in recent years to reduce licensing requirements for beauty professions. Since 2012, 19 states have reduced education requirements for cosmetologists, at least 7 states reduced education for barbers, and states have exempted 17 separate niche beauty services from licensure in recent years.<sup>9</sup> Since 2017, 6 states have reduced education hours for estheticians and 5 states have reduced education hours for manicurists. None of these states have experienced a deterioration in safety, and none have chosen to reverse course and increase education requirements.

Although licensing laws are designed to protect consumers from harm, they are not always appropriate or effective. Aspiring professionals suffer, facing roadblocks to meaningful work. Individuals should not be prevented from entering a profession unless there is evidence of a need for regulation. Michigan should not make it more difficult for aspiring estheticians and manicurists to find work.

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<sup>4</sup> 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.

<sup>5</sup> "Occupational Licensing: A Framework for Policymakers," White House, July 2015, [https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing\\_report\\_final\\_nonembargo.pdf](https://obamawhitehouse.archives.gov/sites/default/files/docs/licensing_report_final_nonembargo.pdf)

<sup>6</sup> Deyo, Darwynn. *Licensing and Service Quality: Evidence Using Yelp Consumer Reviews*. George Mason University Working Paper. (2016); Deyo, Darwynn. *Testing Licensing and Consumer Satisfaction for Beauty Services in the United States*. SJSU ScholarWorks (2022).

[https://scholarworks.sjsu.edu/cgi/viewcontent.cgi?article=2953&context=faculty\\_rsca](https://scholarworks.sjsu.edu/cgi/viewcontent.cgi?article=2953&context=faculty_rsca)

<sup>7</sup> Menjou, Mindy, Michael Bednarczuk, and Amy Hunter. "Beauty School Debt and Drop-Outs: How State Cosmetology Licensing Fails Aspiring Beauty Workers." *Institute for Justice* (2021).

<sup>8</sup> Lurye, Sharon and Collin Binkley. "AP analysis: Most beauty school programs would be in jeopardy under US proposal." Associated Press. (May 18, 2023). <https://apnews.com/article/private-college-debt-gainful-employment-1aa8f695f75d20f2cc6a5d18654808f6>

<sup>9</sup> Menjou, Mindy, Michael Bednarczuk, and Amy Hunter. "Beauty School Debt and Drop-Outs: How State Cosmetology Licensing Fails Aspiring Beauty Workers." *Institute for Justice* (2021).