



INSTITUTE FOR JUSTICE

Sen. Bill Coley
Chairman
Senate Government Accountability and Reform Committee
State of Ohio
1 Capitol Square, 1st Floor
Columbus, OH 43215

December 11, 2017

Dear Chairman Coley:

Occupational licenses restrict the ability of Ohio citizens to earn a living and support their families. According to a report published last month by the Institute for Justice, *License to Work*, the average license for low- and moderate-income occupations in Ohio forces aspiring workers to pay \$188 in fees, complete 350 days of education and experience and pass one exam.¹

There is little evidence to suggest that licensing protects consumers better than a provider's reputation—that is spread increasingly easier and faster over the internet and on rating services. Instead, licensing laws restrict competition, increase unemployment and lead to higher costs for consumers.

SB 129 and HB 189 would counteract this trend. If enacted, the bills would halve the number of required hours needed to an esthetician, hair designer and manicurist license and would reduce the required hours for cosmetologists from 1,500 to 1,000 hours.

Lowering the burdensome requirements for those licensed occupations is certainly a step in the right direction. But when evaluating an occupational regulation, lawmakers should ask themselves the following two questions:

First, is there any actual evidence of widespread, substantial and permanent harms from the practice of an occupation? Second, if there is documented proof of a genuine threat to consumer welfare, what is the least-restrictive regulation that would both address that problem and minimize the impact on workers, consumers and the economy at large?

As part of its efforts to enact licensing reform nationwide, the Institute for Justice has developed an “inverted pyramid” of least-restrictive regulatory options.² For instance, to address concerns that consumers are subject to fraud, lawmakers could seek to enhance the state's deceptive trade practice act. If the issue is unsanitary facilities, requiring (or increasing) the number of inspections of a provider's facility could more effectively promote the health and safety of the general public.



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Finally, if the problem is asymmetrical information or a knowledge gap between suppliers, the appropriate legislative response is state certification, which acts as an effective signal to customers of training and competence. But unlike mandatory licensing, state certification is voluntary and does not impose higher prices and greater unemployment.

At the very nadir lies licensing as a regulation of last resort. Only when an occupation's harms cannot be mitigated by one of the less restrictive alternatives should licensing be implemented.

The Institute for Justice applauds the Senate and House authors for their leadership to reduce barriers to entry. But it is vital to see these bills for what they are—incremental steps forward. The legislature should build on these efforts and commence a systematic review of the state's occupational licensing laws and protect the right to earn an honest living.

Yours Truly,

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¹ Carpenter, D.M., Knepper, L., Sweetland, K., & McDonald, J. (2017). *License to Work: A National Study of the Burdens from Occupational Licensing*, 2nd edition. Arlington, VA: Institute for Justice.

<http://ij.org/report/license-work-2/>

² Hemphill, T.A., & Carpenter, D.M. (2016). Occupations: A Hierarchy of Regulatory Options. *Regulation*, 39(3), 20-24. <http://ij.org/wp-content/uploads/2016/09/hierarchy-of-regulations-carpenter.pdf>