

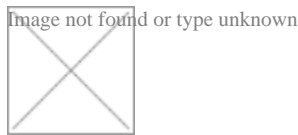
Insight



Regulation's Recipe for Failure Chokes Business and Hurts Students

SAM BATKINS | JANUARY 6, 2016

Recently, the acclaimed Le Cordon Bleu cooking [school announced](#) recent government regulations forced the closure of its U.S. campuses. Need proof? Here is the evidence from the school's website:



How could government regulation close 16 schools, force the layoff of 934 employees, and put the lives of more than 17,000 students (larger than all of [Georgetown University](#)) into disarray? It's not the first time regulation has had an impact on employment. As the American Action Forum ([AAF testified](#)) on in December, regulation can have a profound impact on industry employment, reducing wages and forcing layoffs. It has helped to decimate the coal industry, forcing thousands of layoffs across the U.S.

Here, the Department of Education's "[Gainful Employment](#)" rule, finalized last year, is the culprit behind the layoffs. The rule targeted for-profit colleges and demanded that those institutions guarantee certain professional achievements from students. This regulatory apparatus didn't apply to non-profit or local community colleges. As [AAF detailed last year](#), regulation leading to job losses and student transfers shouldn't be too surprising. The administration forecasted up to 330,000 students would be forced to transfer because of the rule and more than 110,000 students would drop out of higher education; at the high-end, there could be up to 173,000 dropouts annually, based on the administration's math. Someone must bear the burden of \$4.3 billion in costs and 6.9 million paperwork burden hours. Recently, the nation learned that 17,000 students would contribute toward the administration's grim estimates.

Of course, there are people behind these numbers. Teachers will suffer at least short-term income losses, incur burdens finding new employment or applying for benefits. Recent research from the University of Chicago suggests the cost of each unemployed worker is \$100,000 in lost future earnings. In other words, the cost of Le Cordon Bleu's announcement is \$93.4 million in lost wages for employees. These are wages some teachers may never recover. Students might completely forego higher education or incur costs by transferring to a new school. There are big numbers behind regulatory burdens, but there is a distinct human element that regulators often ignore.

Today, the Department of Education's paperwork burden stands at more than [90 million hours](#). The administration has already imposed more than [\\$710 billion](#) in regulatory burdens. The announcement from Le Cordon Bleu might be devastating to thousands of teachers and students, but these regulatory burdens often portend additional shocks to industry employment. Sadly, this news likely means even more layoffs in the future.

As the President of the Pasadena Le Cordon Bleu concluded, “I’m just talking to students and making sure they’re taken care of. We’re not closing for 21 months; my job is to look after the people we have.” He’ll have to; it’s clear regulators care little for students and teachers.

