THE BUCKEYE INSTITUTE

Interested Party Testimony Before the Ohio Senate Government Oversight and Reform Committee on Senate Bill 255

March 21, 2018

Greg R. Lawson, Research Fellow
The Buckeye Institute

Chairman Coley, Vice Chair Uecker, Ranking Member Schiavoni, and members of the Committee, thank you for the opportunity to testify today regarding Senate Bill 255 and Ohio's need for occupational licensing reform.

My name is Greg R. Lawson. I am the research fellow at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Ohioans should not have to ask the state for permission to earn a living. Yet, all too often, Ohio creates permission slip policies that make it harder—and sometimes impossible—for Ohioans or would-be Ohioans to pursue their careers and put food on the table for their families. Such policies must end.

No one denies that state licensing requirements are needed in some cases and industries to ensure public safety. Requiring appropriate education and training for physicians, healthcare providers, pilots, and truck drivers, for example, helps safeguard the general public in our hospitals and on our roads and runways. But these concerns fade quickly when applied to auctioneers, travel guides, and hairdressers—all of whom are subject to Ohio's byzantine licensing requirements.

Consider Jennifer McClellan. A new mother, a long-time professional, and a licensed massage therapist, Jennifer tried moving back to Ohio to be closer to her family, but the Ohio State Medical Board denied her license application because she was 10 days shy of the state's training requirements.[1] The board unduly discounted Jennifer's years of training and work experience, and would not honor the license she had already earned in Minnesota. Jennifer is not alone.

Tragically, such cases plague Ohio's minority communities—communities already facing daunting employment prospects. Nationally, the unemployment rate among African Americans remains much higher than among other demographics. According to the Bureau of Labor Statistics, the most recent unemployment rate among African Americans was 6.9 percent—nearly double the 3.7 percent rate for whites.[2] Unemployment confronts 27.2 percent of young African Americans between 16 and 19, compared to the 12.6 percent of young whites.[3] State permission slip policies that make it harder and more expensive to find work only exacerbate the problem, adding insult to injury in our job-deprived minority communities.

Recent scholarship across the political spectrum has highlighted the challenges presented by occupational licensing schemes, and has made clear that the burdens created by such bureaucratic requirements must be lifted.

For starters, according to the Heritage Foundation, occupational licensing requirements cost the average U.S. household a staggering $1,033 per year.[4] Even more troubling, however, are the

---

[1] Greg R. Lawson, **Goodbye, Ohio. A Talented Massage Therapist Forced to Leave State Because of Crazy Licensing Rules**, The Buckeye Institute, February 29, 2016.
[2] Bureau of Labor Statistics, **Table A-2. Employment Status of Civilian Population by Race, Sex, and Age**, U.S. Department of Labor (Last visited March 16, 2018)
[3] *Ibid.*
[4] Salim Furth, ***Costly Mistakes: How Bad Policies Raise the Cost of Living***, The Heritage Foundation, November 23, 2015.

adverse effects that licensing has on interstate mobility and the labor market itself. A new study by professors Janna Johnson and Morris Kleiner of the Humphrey School of Public Affairs, for example, found that the migration rate of workers in occupations with state-specific licensing exam requirements was 36 percent lower than rates for other occupations.[5] By contrast, occupations with national examinations showed no evidence of such a limitation on interstate mobility.[6] Put simply, state-specific licensure makes migration more difficult by closing occupational doors for people who want to move.

In testimony before the U.S. Senate Judiciary Committee, Professor Kleiner has stated that he and Alan Krueger, the former head of President Obama's Council of Economic Advisors, had calculated that licensing laws cost between a half and one percent of jobs nationally in 2010.[7] Those seemingly small percentages amount to tens of thousands of jobs across America that never came into existence—a claim bolstered by research out of the Brookings Institute's Hamilton Project revealing that stringent licensing requirements result in fewer providers of the services subject to the requirements.[8] Fewer providers means fewer employers and fewer available jobs.

Perhaps unsurprisingly, given Mr. Krueger and Professor Kleiner's findings, the Obama Administration released a detailed report in 2015 calling for nationwide reforms to occupational licensing.[9] Echoing bipartisan support for such measures, the Trump Administration's Secretary of Labor has since said, "Americans want principled, broad-based reform. If licenses are unnecessary, eliminate them. If they are needed, streamline them. And, if they are honored by one state, consider honoring them in your own state. Americans looking to enter the workforce deserve no less than our most ardent efforts to remove regulatory barriers so that they can have a job."[10]

Focusing less on national trends and more on Ohio's own licensing concerns, The Buckeye Institute's report, *Forbidden to Succeed: How Licensure Laws Hold Ohioans Back*, showed not only that Ohio's licensing burdens are well above the national average, but also that nearly every Ohio license that requires training can be earned in less time in another state.[11]

Our subsequent study, *Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce,* confirmed the disturbing and stubborn fact that Ohio's licensing

[5] Janna E. Johnson and Morris M. Kleiner, ***Is Occupational Licensing a Barrier to Interstate Migration?,*** National Bureau of Economic Research, December 2017.
[6] *Ibid.*
[7] Morris M. Kleiner, **License to Compete: Occupational Licensing and the State Action Doctrine**, Testimony before the U.S. Senate Committee on the Judiciary, Subcommittee on Antitrust, Competition Policy, and Consumer Rights, February 2, 2016.
[8] Morris M. Kleiner, ***Reforming Occupational Licensing Policies***, The Hamilton Project, March 2015.
[9] The White House, ***Occupational Licensing: A Framework for Policymakers***, July 2015.
[10] Secretary of Labor Alexander Acosta, **Speech before the 44th Annual Meeting of the American Legislative Exchange Council**, U.S. Department of Labor, July 21, 2017.
[11] Tom Lampman, ***Forbidden to Succeed: How Licensure Laws Hold Ohioans Back,*** The Buckeye Institute, November 18, 2015.

requirements erect higher barriers to employment for those most in need of quality jobs: middle-aged and low-income workers, and those without a college degree.[12]

Senate Bill 255 takes several steps toward fixing Ohio's occupational licensure problem. First, for the first time in state history, policymakers would be required to use the least restrictive regulation when displacing competition, and the bill identifies various licensing alternatives—listed from least restrictive to most restrictive—that the state could pursue if confronting a verifiable public safety risk. Second, Senate Bill 255 establishes a process for legislative panels to use when weeding through Ohio's overgrown thicket of licensing boards. Under this process, boards that the General Assembly does not proactively reauthorize would simply dissolve. Taken together, these provisions give lawmakers a much-needed tool for uprooting bureaucratic thistles that deprive Ohioans of the potential fruits of their labor.

In addition to its sunset provisions, Senate Bill 255 also creates a sunrise review process to be used whenever a new licensing bill is introduced. This provision will require the Legislative Service Commission (LSC) to assess the potential consequences of any new licensing legislation with respect to employment opportunities, consumer choices and costs, market competition, and costs to the government. Additionally, under S.B. 255, the LSC must assess 20 percent of the occupations regulated by the state each calendar year beginning in 2018, assess all occupations at least once before 2022, and continue such assessments on a five-year rolling basis after 2022.

These are all positive strides for a state still struggling to create new jobs. Ohio still has not rebounded fully from the tech bubble burst and remains down by almost 93,000 private-sector jobs from its peak in March 2000—now 18 years ago.[13] The state's labor force participation has improved in recent years, but remains slightly below the national average. Occupational licensing hurdles only make Ohio's full recovery more difficult.

Every licensing requirement raises a new red-taped obstacle for workers to clear before earning a living or starting a new career. Every hour of unpaid training needed to satisfy bureaucratic requirements is an hour not spent earning tips, impressing a boss, serving a customer, or opening a business. Those are hours of lost productivity, hours of opportunity that young, low-income workers sorely need, but that the state continues to take for itself.

Senate Bill 255 begins the overdue effort of reforming the state's occupational licensing regime and ending a misguided permission slip policy that has stood in the way of growth and prosperity for far too long.

Thank you for your time and consideration. I welcome any questions that the Committee might have.

# # #

[12] Orphe Pierre Divounguys, PhD, Bryce Hill, and Greg R. Lawson, ***Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce***, The Buckeye Institute, December 18, 2017.
[13] Bureau of Labor Statistics, **Ohio Economy at a Glance**, U.S. Department of Labor (Last visited March 16, 2018).

About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

The Buckeye Institute is a non-partisan, nonprofit, and tax-exempt organization, as defined by section 501(c)(3) of the Internal Revenue code. As such, it relies on support from individuals, corporations, and foundations that share a commitment to individual liberty, free enterprise, personal responsibility, and limited government. The Buckeye Institute does not seek or accept government funding.