

OPENING NEW PATHWAYS FOR SKILL DEVELOPMENT IN OHIO

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Ohio House Commerce and Labor Committee

March 1, 2022

Chair Stein, Vice Chair Johnson, Ranking Member Lepore-Hagan, and all distinguished members of the House Commerce and Labor Committee:

Thank you for allowing me to testify regarding licensing reform in Ohio. I am an associate professor of economics and director of the Knee Center for the Study of Occupational Regulation at West Virginia University. I am also a senior affiliated scholar with the Mercatus Center.

The main takeaways of my comments are the following:

1. The weakness of Ohio's labor market is reflected in a relatively high unemployment rate that occurs simultaneously with shortages of skilled workers.
2. Occupational licensing reduces employment by as much as 27 percent.
3. Ohio will not be unique if it permits aspiring workers to satisfy licensing requirements via apprenticeships.

THE STATE OF THE OHIO LABOR MARKET

Ohio's labor market indicators lag those of several other states. Its current performance puts it in the bottom half of all states, with an unemployment rate of 4.5 percent, compared with 3.9 percent nationally.¹ For the labor market to bounce back, employers are going to need access to workers with a diverse set of skills and talents. Unfortunately, employers in Ohio are having a hard time finding the workers they need to fill current job openings, which limits the ability of businesses to grow and create more jobs and opportunity in the state.

The president of the Ohio Home Builders Association last year noted a persistent shortage of skilled workers in the state.² The *2020 Ohio Manufacturing Report* also highlights this need: 57 percent of

1. "Unemployment Rates for States," Bureau of Labor Statistics, last modified January 25, 2022, <https://www.bls.gov/web/laus/laumstrk.htm>.

2. Home Builders Institute, "As Worker Shortage in Building Industry Persists, Ohio Certifies Training in Trade Skills for Residential Construction; State's Secondary Schools Newly Eligible to Apply for Special Grants," news release, March 10, 2021, <https://www.prnewswire.com/news-releases/as-worker-shortage-in-building-industry-persists-ohio-certifies-training-in-trade-skills-for-residential-construction-states-secondary-schools-newly-eligible-to-apply-for-special-grants-301244492.html>.

respondents note that a skilled worker shortage is restricting business growth in the state.³ Sluggish growth has likely contributed to Ohio's shrinking share of the US population and loss of nine Congressional seats over the past 50 years.

OCCUPATIONAL LICENSING IN OHIO

Occupational licensing is the most stringent form of professional regulation. It forbids Ohio residents from working in a profession before meeting entry requirements, including achieving minimum levels of education, passing exams, and paying fees to the state. Estimates suggest that 18 percent of workers in Ohio are licensed.⁴ By erecting barriers to aspiring professionals in the state, occupational licensing imposes a multitude of costs upon consumers and prevents the creation of more than 67,000 jobs in the state each year.⁵

Economic research estimates that occupational licensing reduces employment by as much as 27 percent.⁶ There is a simple, intuitive explanation for this finding: the out-of-pocket costs associated with mandatory minimum levels of education are too onerous for many aspiring workers to overcome.

ALTERNATIVE PATHWAYS

Ohio will not be going out on a limb if it allows workers to obtain a license by completing an apprenticeship instead of minimum levels of education. Idaho and Iowa passed this reform last year.⁷ Alabama and North Carolina passed similar legislation in 2019.⁸

Given the current state of Ohio's labor market, it is vital to give aspiring job seekers in the state every opportunity to build their skills and contribute to shared prosperity. Research shows that burdensome occupational licensing requirements reduce employment. Ohio can look to other states, such as Idaho and Iowa, with unemployment rates at least a full percentage point lower, for guidance on how to improve the labor market with commonsense occupational licensing reform.

3. Magnet, *2020 Ohio Manufacturing Report: Technology, Talent, and Transformation*, 2020, 7.

4. Morris M. Kleiner and Evgeny S. Vorochnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

5. Kleiner and Vorochnikov, *At What Cost?*

6. 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.

7. H.B. 178, 66th Leg., 1st Reg. Sess. (Idaho 2021); IOWA CODE § 272C.16 (2022).

8. H.B. 570, 2019 Reg. Sess. (Ala. 2019); H.B. 770, Gen. Assemb., 2019 Sess. (N.C. 2019)