

Ohio Should Open the Door to Skilled Workers

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House State and Local Government Committee
December 13, 2022

Chair Wiggam, Vice Chair John, Ranking Member Kelly, and all distinguished members of the House State and Local Government 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 research fellow with the Archbridge Institute.

The main takeaways of my comments are the following:

1. Ohio has a weak labor market and should not create arbitrary barriers for potential new residents.
2. Research shows that rigid occupational licensing restricts mobility by 7 percent.
3. Arizona has already had more than 4,600 new professionals enter the state after universally recognizing out-of-state licenses.

The State of the Ohio Labor Market

Ohio's labor market lags behind several states and is currently in the bottom quintile nationally with an unemployment rate of 4.2%.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.

In Johnstown, Ohio it is estimated that 7,000 new construction workers are needed to complete a new Intel facility.² Employers will not be able to grow and expand with roadblocks to new workers in place. Slowing growth is no doubt contributing to Ohio's shrinking share of the US population and loss of nine Congressional seats over the last 50 years.

¹ "Unemployment Rates for States," Bureau of Labor Statistics, last modified November 18, 2022, <https://www.bls.gov/web/laus/laumstrk.htm>.

² The Associated Press, "Ohio seeks 7,000 construction workers to build Intel factories amid historic labor shortage," August 22, 2022.

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.³ By erecting barriers to entering professions in the state, occupational licensing imposes a multitude of costs upon consumers and eliminates more than 67,000 jobs in the state each year.⁴

Turning to mobility, economic research estimates that stringent occupational licensing reduces geographic mobility by as much as 7 percent.⁵ There is a simple intuitive explanation for this finding: not allowing Americans to transfer their licenses and practice the craft that they have already been trained to do dissuades Americans from moving. The needless burden of new exams or additional education before being permitted to practice is too great.

Universal Recognition

Ohio will not be going out on a limb if it recognizes the licenses from other states. Arizona passed this reform in 2019.⁶ Iowa and Missouri passed similar legislation in 2020.⁷ Last year, Kansas and Mississippi also passed similar legislation.⁸ It has been estimated that more than 4,600 skilled workers moved to Arizona after passage of the reform two years ago.⁹ Recent research also finds that universal recognition boosts tax receipts for states that pass the reform by \$1.7 million per county in border counties.¹⁰ Ohio can benefit in the same way and not be left behind these other states.

With the current state of Ohio's labor market, it seems silly to force new residents to complete arbitrary hurdles to begin working. Research shows that preventing occupational licenses from easily transferring reduces mobility. Ohio can look to other states, such as Iowa and Missouri, with unemployment rates more than a full percentage point lower, for guidance on how to improve the labor market with commonsense occupational licensing reform.

³ Morris M. Kleiner and Evgeny S. Vortnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

⁴ Kleiner and Vortnikov, *At What Cost?*

⁵ Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?," *American Economic Journal: Economic Policy* 12, no. 3 (2020): 347–73.

⁶ Office of the Governor of Arizona, *Arizona – First in the Nation: Universal Licensing Recognition*, n.d., https://azgovernor.gov/sites/default/files/universallicensingrecognition1_0.pdf.

⁷ Office of the Governor of Iowa, "Gov. Reynolds Signs Comprehensive Licensure Legislation," press release, June 25, 2020, <https://governor.iowa.gov/press-release/gov-reynolds-signs-comprehensive-licensure-legislation>; Cameron Gerber, "Parson Expands License Reciprocity in Missouri," *Missouri Times*, July 6, 2020.

⁸ Sarah Ulmer, "Governor Signs Bill for Universal Recognition of Occupational Licenses," *Y'all Politics*, March 25, 2021; Rebekah Chung, "Gov. Kelly Signs Military Spouse Occupational Licensing Bill," *KSNT*, April 21, 2021.

⁹ "Breaking Down Barriers to Work with Universal Recognition: Frequently Asked Questions," Goldwater Institute, updated March 2022, <https://goldwaterinstitute.org/universallicensing/>.

¹⁰ Darwynn Deyo and Alicia Plemmons, "Have license, will travel: Measuring the effects of universal licensing recognition on mobility," *Economics Letters* 219 (2022).