

Why Licensing Reform Matters in Ohio

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Chair Johnson, Vice Chair Cirino, Ranking Member Martin, and all distinguished members of the Workforce and Higher Education Committee:

Thank you for allowing me to testify regarding licensing reform in Ohio. I am an Assistant Professor of Economics at University of Cincinnati, Blue Ash. I am also a research affiliate with the Knee Center for the Study of Occupational Regulation at West Virginia University.

The main takeaways of my comments are the following:

1. Occupational licensing reduces access to jobs, and as a result hinders entrepreneurship.
2. Occupational licensing reduces opportunities for the most vulnerable workers.
3. Ohio's licensing requirements have prevented more than 7,000 people between the ages of 25-45 from pursuing licensed occupations and has discouraged people from migrating to Ohio to enter the job market.¹

Occupational licensing is designed to increase consumer protection, ensuring high quality of service and protecting buyers from adverse health and safety outcomes. However, by introducing several requirements like minimum qualifications, duration of training or education, and licensing fees to practice a trade or profession, occupational licensing also may create entry restrictions into these occupations. These potential barriers to enter the occupation reduce the supply of services and curbs competition. This reduction in the supply of labor created by occupational licensing has been shown to increase the price of these services and the profits of the incumbent firms.

Licensing acts as a major impediment to work

Nationally, the share of the workforce that is required to have an occupational license has increased more than fourfold in the past 50 years. As of 2015, nearly one in five working

¹ <https://www.buckeyeinstitute.org/research/detail/new-buckeye-institute-report-finds-occupational-licensing-hits-older-and-lower-income-workers-hardest>

Ohioans—18.1 percent of the state’s workforce—was required to be licensed.² Ohio was ranked sixth most stringent occupational licensing regime in the United States.³ Ohio’s stringent occupational licensing reduces employment by as much as 27 percent.⁴

As licensing burdens have increased nationwide, they seem to have depressed interstate migration of those in licensed professions. Economists Janna Johnson and Morris Kleiner estimate that between-state migration of those who are licensed is 36 percent lower than that of members of other professions.

Further, licensure may cost the US economy between 1.8 and 1.9 million jobs and result in between \$6.2 billion and \$7.1 billion in lost output each year, a misallocation of resources that costs the US economy between \$183.9 billion and \$197.3 billion annually. Focusing on Ohio, licensure costs nearly \$210 million in lost annual output and has created a \$6 billion annual misallocation of resources. It has also eliminated more than 67,000 jobs.⁵

According to my research⁶, (with Dr. Alicia Plemmons) the loosening of regulations will increase migration in between cities by 13 percent, increasing the probability of starting new businesses. Reform that lessens licensing requirements and shifts to a less restrictive approach (such as voluntary certification) can lead to higher economic prosperity for the society.⁷

² Morris M. Kleiner and Evgeny S. Vorotnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

³ William P. Ruger and Jason Sorens, *Freedom in the 50 States: An Index of Personal and Economic Freedom*, 6th ed. (Washington, DC: Cato Institute, 2021).

⁴ 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.

⁵ <https://ij.org/ll/at-what-cost/>

⁶ <https://journals.sagepub.com/doi/abs/10.1177/10911421221124577>

⁷ https://www.ncsl.org/Portals/1/Documents/employ/Occu-Licensing-2nd-Edition_v02_web.pdf