



INSTITUTE FOR JUSTICE

May 5, 2021

Representative Scott Wiggam
Chairman
State and Local Government Committee
The Ohio House of Representatives
77 South High Street-13th Floor
Columbus OH 43215

Re: Support for H.B. 203.

Dear Chairman Wiggam and Members of the State and Local Government Committee:

Thank you for the opportunity to submit written testimony in support of H.B. 203. Please allow me to focus on the fact that occupational licensing is the biggest labor-market institution in Ohio. Its existence has a chilling effect on people wanting to move and work in Ohio.

Ohio law compels participation in that institution at rates that are 60% higher than the rate of union membership. More than 18% of Ohio workers need the government's permission before they can work. That is larger than the 11% of Ohio workers who are members of unions and the 2% of workers who earn the minimum wage.

Sadly, there is little evidence that licensing protects consumers better than providers' reputations. Even more sadly, there is great evidence that licensing benefits licensees by reducing competitors. Shrinking the pool of labor allows licensees to raise prices. In short, research shows that licensing transfers unearned wealth from consumers to providers, while burdening job growth.

What research shows Americans know. Your constituents support occupational licensing reform as demonstrated by the fact that they consider government-issued licenses one of the least important considerations in selecting service providers.

Turning to H.B. 203, Representative Powell's bill is worthy of your attention because it addresses one of the distortions caused by Ohio's use of occupational licenses. Specifically, the bill focuses on state boards recognizing licenses issued by other states. This is an important reform because it removes one of the barriers for workers joining Ohio's work force.

As testimony from the Goldwater Institute shows, Arizona has benefitted greatly from its enactment of HB 2569 in April 2019. The number of new workers—over 3,000—has skyrocketed.

Why haven't a similar number of workers moved to Ohio?

There are many reasons for Arizona's success compared to Ohio. Some factors—like weather—are beyond your control. But there are other factors you do control. The existence of licenses and the recognition of licenses from other states are two factors you control and should fix.

Secondly, H.B. 203 promotes workers moving to Ohio. Counterintuitively, it does this by not requiring that workers first establish residency in Ohio before they apply for recognition of their licenses from other states.

The absence of a residency requirement is consistent with your goal of increasing workers and families moving to Ohio. Specifically, H.B. 203 signals to workers that Ohio is open to them. In fact, the signal is so strong that boards will consider their applications—and accept their fees—while workers and their families arrange other aspects of their lives before they move.

Put differently, who will move first and then bet on a board's approval of their application?

Very few—but if you do not require residency, you will have eliminated this barrier—which you control—to moving to Ohio.

For these two reasons, my colleagues and I ask you to support H.B. 203. Thank you.

Sincerely



Lee U. McGrath
Senior Legislative Counsel