

OHIO SHOULD OPEN THE DOOR TO SKILLED WORKERS

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Chair Wiggam, Vice Chair John, Ranking Member Kelly, and all distinguished members of the House State and Local Government Committee:

Thank you for inviting me to testify regarding licensing reform in Ohio. I am a professor of economics and director of the Knee Center for the Study of Occupational Regulation at Saint Francis University in Loretto, Pennsylvania. I am also a senior affiliated scholar with the Mercatus Center at George Mason University. I have been involved with or led three federally funded grant projects exploring the effects of occupational licensing on the economy, workers, and consumers.

The main takeaways of my comments are the following:

1. Ohio has a shortage of skilled professionals and tradespeople 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 3,000 new professionals enter the state after universally recognizing out-of-state licenses.

THE STATE OF THE OHIO LABOR MARKET

Policymakers in Ohio should be commended for setting the state up for prosperity. Ohio has a very strong labor market: the unemployment rate was more than a full percentage point below the national average in March of 2021.¹ Unfortunately, the flip side of this fact is that employers in Ohio are having a hard time finding the workers they need to fill current job openings.

1. "Unemployment Rates for States," Bureau of Labor Statistics, last modified April 16, 2021, <https://www.bls.gov/web/laus/laumstrk.htm>.

The president of the Ohio Home Builders Association has recently noted a persistent shortage of skilled workers in the state.² The *2020 Ohio Manufacturing Report* also highlights this need: 57 percent of surveyed companies say that a skilled worker shortage is restricting their growth.³

OCCUPATIONAL LICENSING IN OHIO

Occupational licensing is the most stringent form of professional regulation. Licensure 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. By erecting barriers to entering professions in the state, occupational licensing imposes a multitude of costs on workers, which eventually get passed onto consumers. Estimates are that 18 percent of workers in Ohio are licensed.⁴ Occupational licensing is estimated to prevent the creation of more than 67,000 jobs in the state each year.⁵

Economic research estimates that stringent occupational licensing also reduces geographic mobility, by as much as 7 percent.⁶ 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.

UNIVERSAL RECOGNITION

Ohio will not be going out on a limb if it recognizes the licenses from other states. Arizona passed such reform in 2019.⁷ Iowa and bordering state Missouri passed similar legislation in 2020.⁸ This year, Kansas and Mississippi also passed similar legislation.⁹ It is too early to estimate effects for the latter states, but Arizona has already seen beneficial effects from enacting this legislation. It has been estimated that more than 3,000 skilled workers moved to Arizona in 2020 after passage of the reform.¹⁰

With the difficulty of finding available workers in state, forcing new residents to complete arbitrary hurdles to begin working seems counter to common sense and Ohio residents' best interests. Allowing occupational licenses to easily transfer across state lines increases worker mobility. Ohio can look to other states, such as Iowa and Missouri, for guidance on how to help alleviate persistent labor market vacancies with commonsense occupational licensing reform.

Thank you for the opportunity to share my research with you today. I look forward to answering any questions you may have.

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>.

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

4. 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).

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

6. 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.

7. 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.

8. 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.

9. 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.

10. "Breaking Down Barriers to Work with Universal Recognition: Frequently Asked Questions," Goldwater Institute, updated April 2021, <https://goldwaterinstitute.org/universallicensing/>.