



INSTITUTE FOR JUSTICE

May 25, 2021

Senator Terry Johnson
Chairman, Workforce and Higher Education Committee
The Ohio Senate
1 Capitol Square—2nd Floor
Columbus OH 43215-4275

Re: Support for SB 131.

Dear Chairman Johnson and Members of the Workforce and Higher Education Committee:

My colleagues and I ask you to support for SB 131 for three reasons.

First, licensing is big. You should shrink it.

Ohio law compels licensure at a rate significantly higher than the rate of union membership. More than 18 percent of Ohio workers need the government's permission before they can work.¹ That percentage is larger than the 13 percent of Ohio workers who are members of unions² and the 2 percent of workers who earn the minimum wage.³ In other words, **licensing is BIG**. Legislators who believe in small government, free markets or the right-to-work in Ohio should want to free workers from today's government-enforced guilds.

Secondly, there is little evidence that licensing protects consumers better than the providers' reputations.⁴ Sadly, there is great evidence that licensing unfairly benefits licensees by reducing the number of competitors.⁵ Shrinking the pool of labor and increasing unemployment allow licensees to raise prices.⁶ In short, research shows that licensing transfers undeserved wealth from consumers to providers, while burdening job growth. Said simply, **licensing is BAD**. Legislators who believe in good government and disdain regulatory capture should be skeptical of occupational licensing and its boards.

What research shows Americans know. Your constituents do not value licensing. They consider them as one of the least important considerations in selecting service providers.⁷

Thirdly, turning more specifically to SB 131, the bill addresses one of the distortions inherent in occupational licensing. Specifically, **most licensing is done by states**. Reflective of a national economy, the bill focuses on state boards recognizing licenses issued by other states. This is an important reform because each state uses its own licenses to regulate its own labor markets.

The Goldwater Institute has shown that Arizona benefits greatly from its enactment of HB 2569 in April 2019. In two years, the number of new workers—over 3,000—has skyrocketed.⁸

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

There are many reasons for Arizona's success. Some—like weather—are beyond your control. But there are things you can and should control. The recognition of licenses from other states is one thing you control.

Passing SB 131 is a good exercise of your authority because it helps Ohio overcome the inherent problem caused by licensing being mostly a state-by-state regulation.

By supporting SB 131, you also promote workers moving to Ohio in another and counterintuitive way. The bill 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 the number of workers and families who move to Ohio. Specifically, SB 131 signals to workers that Ohio is open to them. In fact, the bill's signal is made stronger by imposing a mandate on boards to evaluate their applications—and accept fees—before workers and their families move.

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

Very few. SB 131 wisely does not require residency but ultimately will cause families to, in fact, move to Ohio. In other words, the bill helps you to address a difficult-to-quantify aspect of licensing—the chilling effect that licenses have on people wanting to move and work in Ohio.

In summary, licensing is big, bad and state-based. My colleagues and I ask you to support SB 131 to reduce the detrimental effects of all three. Thank you.

Sincerely



Lee U. McGrath

Senior Legislative Counsel

¹ Morris Kleiner, Evgeny Vorotnikov, *At What Cost?* Institute for Justice (Nov. 2018), at 41, <https://ij.org/report/at-what-cost>

² U.S. Bureau of Labor Statistics, Union affiliation of employed wage and salary by state, Table 5 (2019-2020), <https://www.bls.gov/news.release/union2.t05.htm>

³ U.S. Bureau of Labor Statistics, Wage and salary workers paid hourly rates with earnings at or below the prevailing federal minimum wage, by state, 2020 annual average, Table 3 (2020), <https://www.bls.gov/opub/reports/minimum-wage/2020/home.htm>

⁴ Patrick A. McLaughlin, Jerry Ellig, and Dima Yazji Shamoun, “Regulatory Reform in Florida: An Opportunity for Greater Competitiveness and Economic Efficiency,” Florida State University Business Review 13, no. 1 (Spring 2014): 95–130. https://drive.google.com/file/d/1p9nYFIg35VRFeuQY0_NXwRe7FrSWUhy4/view

⁵ Morris Kleiner, *Licensing Occupations: Ensuring Quality or Restricting Competition?* Upjohn Institute for Employment Research, Kalamazoo, Michigan, (2006) https://research.upjohn.org/up_press/18/

⁶ Morris Kleiner, *Reforming Occupational Licensing Policies*, The Hamilton Project, The Brookings Institution, Discussion Paper 2015-1 (March 2015), at 17, https://www.brookings.edu/wp-content/uploads/2016/06/thp_kleinerdiscpaper_final.pdf

⁷ Public Opinion Strategies’ national online survey of 1,000 registered voters shows consumers do not value occupational licenses. Consumers rank licensing last on importance in their decision making. By contrast, consumers value significantly more reputations of providers, recommendations from friends, and word of mouth reviews. (Nov. 2020) Available upon request.

⁸ Goldwater Institute, *Breaking Down Barriers to Work with Universal Recognition: Frequently Asked Questions* showing Arizona has recognized over 3,100 licenses since HB 2569 went into effect on August 1, 2019, through May 2021, in professions ranging from medicine to engineering to cosmetology.