



Ohio Should Open the Door to Skilled Workers

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

Thank you for allowing 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, PA. I am also a senior research fellow with the Archbridge Institute. I have been involved with or led three federally funded grant projects exploring the issue.

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 relatively strong labor market—the unemployment rate was more than a full percentage points below the national average in April of 2021.¹ Unfortunately, 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 May 21, 2021, <https://www.bls.gov/web/laus/laumstrk.htm>.

The president of the Ohio Home Builders Association² has recently noted a persistent shortage of skilled workers in the state. The 2020 Ohio Manufacturing Report also highlights this need—57% of respondents note that a skilled worker shortage is restricting business growth in the state.³ 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.

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.⁴ 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.⁵

Turning to mobility, economic research estimates that stringent occupational licensing 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 this reform in 2019.⁷ Iowa and Missouri passed similar legislation in 2020.⁸ This year, Kansas and Mississippi also passed similar legislation.⁹ It is too early to estimate for the latter states, but Arizona has already seen the effects from passing this legislation. It has been

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.

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, 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, for guidance on how to help alleviate persistent labor market vacancies with commonsense occupational licensing reform.

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