

Reforming Occupational Licensing in Ohio

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Ohio Senate Workforce and Higher Education Committee

November 30, 2022

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 comment on licensing reform in Ohio. I am an associate professor of economics and director of the Knee Center for the Study of Occupational Regulation at West Virginia University. I am also a senior research fellow with the Archbridge Institute.

The main takeaways of my comments are the following:

1. Occupational licensing reform can help ease the costs of inflation for Ohio residents.
2. National rankings suggest Ohio is more stringent in its occupational licensing restrictions than most other states.
3. This stringent licensing costs the state 67,000 jobs each year.

Why Licensing Reform Helps Consumers

Consumers in Ohio are feeling the costs of rising prices. Although the Federal Reserve will shoulder the primary responsibility for fixing this crisis, licensing reform is one way that the Ohio General Assembly can ease the pain for its residents.

It is well known that occupational licensing increases the prices of services. A summary of the economic literature published by the Obama administration notes that licensing increases the prices of services by as much as 16%.¹ There is bipartisan consensus that occupational licensing reform can help ease the effects of inflation for consumers in the US. Former Treasury Secretary Larry Summers² and the Joint Economic Committee Republicans³ agree that occupational licensing reform can help ease the burden of inflation for consumers.

¹ US Department of the Treasury, Council of Economic Advisers, and US Department of Labor, Occupational Licensing: A Framework for Policymakers, July 2015.

² Goodkind, Nicole, "Former Treasury Secretary Larry Summers says chance of recession next year is substantial," CNN Business, October 20, 2022.

³ Joint Economic Committee Republicans, Policy Solutions to Reduce Inflation, November 2022.

The intuition for the link between licensing reform and the costs of inflation are clear—eliminating unnecessary licensing restrictions can help bring down the prices for key services thus easing the burden that inflation creates for Ohio citizens.

Assessing 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

There are two national rankings of the stringency of occupational licensing across all states. One ranking from five years ago ranks Ohio 20th with respect to the number and stringency of low-income occupations for which a license is required.⁵ A more recent analysis ranks Ohio as having the sixth most stringent occupational licensing regime in the United States.⁶ Ohio will not jeopardize the health and safety of its citizens by reforming licensing and moving down these national rankings.

More Reasons that Licensing Reform Matters

Ohio's stringent occupational licensing results in measurable costs for aspiring workers and consumers in the state. Economic research estimates that occupational licensing reduces employment by as much as 27 percent.⁷ There is a simple, intuitive explanation for this finding: the out-of-pocket costs associated with mandatory minimum levels of education are too onerous for many aspiring workers to overcome. For Ohio specifically, research suggests that occupational licensing imposes a multitude of costs upon consumers and eliminates more than 67,000 jobs in the state each year.⁸

With inflation continuing to burden Ohio residents and recent rankings highlighting the stringency of the state's occupational licensing restrictions, it is critical for policymakers to reassess the current regulatory approach. Research shows that burdensome occupational licensing requirements reduce employment. It is important for Ohio to make sure that occupational licensing restrictions are correctly balancing consumer safety with occupational freedom and economic prosperity.

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 Dick M. Carpenter et al., *License to Work: A National Study of Burdens from Occupational Licensing*, 2nd ed. (Arlington, VA: Institute for Justice, 2017).

⁶ 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).

⁷ 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.

⁸ Kleiner and Vortnikov, *At What Cost?*