

## NEW HAMPSHIRE SHOULD OPEN THE DOOR TO WORKERS

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New Hampshire House of Representatives, Executive Departments and Administration Committee

February 8, 2022

Chair McGuire, Vice Chair Rhodes, and all distinguished members of the House Executive Departments and Administration Committee:

Thank you for allowing me to testify on the regulation of beauty services and professionals in New Hampshire. 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 affiliated scholar with the Mercatus Center at George Mason University.

The main takeaways of my comments are the following:

1. New Hampshire has a shortage of workers and should not create arbitrary barriers for potential new residents.
2. Research shows that rigid occupational licensing restricts workers' geographic mobility by 7 percent.
3. Universal recognition of out-of-state licenses is an excellent way to attract workers to the state. Arizona has already had more than 4,000 new professionals enter the state since it enacted universal recognition.

Policymakers in New Hampshire should be commended for setting the state up for prosperity. New Hampshire has a relatively strong labor market: the unemployment rate was more than a full percentage point below the national average in December of 2021.<sup>1</sup> Unfortunately, employers in New Hampshire are having a hard time finding the workers they need to fill current job openings.

A recent analysis ranks New Hampshire third nationally with respect to the number of jobs per unemployed person. With more than 1.6 job openings for every unemployed person in the state, New Hampshire needs more workers.<sup>2</sup>

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1. "Unemployment Rates for States," Bureau of Labor Statistics, last modified January 25, 2022, <https://www.bls.gov/web/laus/laumstrk.htm>.

2. "States Most and Least Impacted by the Labor Shortage," Career Cloud, accessed February 3, 2022, <https://www.careercloud.com/news/labor-shortage>.

Estimates are that 16 percent of workers in New Hampshire are licensed.<sup>3</sup> Occupational licensing is the most stringent form of professional regulation. Licensure forbids New Hampshire 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 and reduces employment by as much as 27 percent.<sup>4</sup>

Economic researchers estimate that stringent occupational licensing also reduces geographic mobility by as much as 7 percent.<sup>5</sup> 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.

New Hampshire will not be going out on a limb if it unconditionally recognizes barbering, cosmetology, and esthetics licenses from other states. Arizona passed such a reform for all licensed workers in 2019.<sup>6</sup> Iowa and Missouri passed similar legislation in 2020.<sup>7</sup> Last year, Kansas and Mississippi also passed similar legislation.<sup>8</sup> It is too early to estimate effects for most of those states, but Arizona has already seen beneficial effects from enacting its reforms: more than 4,000 skilled workers moved to Arizona after passage of the reform.<sup>9</sup>

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

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3. Morris M. Kleiner and Evgeny S. Vorotnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, 2018).

4. 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.

5. 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.

6. 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](https://azgovernor.gov/sites/default/files/universallicensingrecognition1_0.pdf).

7. 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.

8. 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.

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