

## OHIO SHOULD OPEN THE DOOR TO SKILLED WORKERS

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Ohio House of Representatives, State and Local Government Committee

October 27, 2021

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

Thank you for allowing me to testify regarding 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 affiliated scholar with the Mercatus Center.

The main takeaways of my comments are the following:

1. Ohio employers are struggling to find workers with the right skills, and the government should not create arbitrary barriers for potential new residents.
2. Research shows that rigid occupational licensing restricts mobility by 7 percent.
3. Ohio could benefit by emulating Arizona; more than 3,000 new professionals have entered that state after it universally recognized out-of-state licenses.

### THE STATE OF THE OHIO LABOR MARKET

Ohio's labor market lags several states and is currently in the bottom half nationally, with an unemployment rate of 5.4 percent.<sup>1</sup> For the labor market to bounce back, employers are going to need access to workers with a diverse set of skills and talents. Unfortunately, employers in Ohio are having a hard time finding the workers they need to fill current job openings.

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1. "Unemployment Rates for States," Bureau of Labor Statistics, last modified September 17, 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.<sup>2</sup> The 2020 Ohio Manufacturing Report also highlights this need—57 percent of respondents say that a skilled worker shortage is restricting business growth in the state.<sup>3</sup>

## 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 are that 18 percent of workers in Ohio are licensed.<sup>4</sup> 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.<sup>5</sup>

With regard to mobility, economic research estimates that stringent occupational licensing reduces geographic mobility by as much as 7 percent.<sup>6</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 across state lines.

## UNIVERSAL RECOGNITION

Ohio will not be going out on a limb if it recognizes the licenses from other states. Arizona passed such a reform in 2019.<sup>7</sup> Iowa and Missouri passed similar legislation in 2020.<sup>8</sup> This year, Kansas and Mississippi also passed similar legislation.<sup>9</sup> It is too early to estimate the effects of such legislation on the latter states, but Arizona has already seen some benefits: more than 3,000 skilled workers have moved to Arizona since the passage of the reform two years ago.<sup>10</sup>

Given the current state of Ohio's labor market, it seems counterproductive to force new residents to overcome 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, with unemployment rates more than a full percentage point lower, for guidance on how to improve the labor market with commonsense occupational licensing reform.

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2. Home Builders Institute, "As Worker Shortage in Building Industry Persists, Ohio Certifies Training in Trade Skills form 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. Vorochnikov, *At What Cost? State and National Estimates of the Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

5. Kleiner and Vorochnikov, *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](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 May 2021, <https://goldwaterinstitute.org/universalrecognition/>.