



# UNIVERSAL LICENSING RECIPROCITY: HOW TO WELCOME WORKERS TO OHIO

BY GREG R. LAWSON  
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## Introduction

Ohio's current occupational licensing regime hinders job growth across the state and keeps trained, licensed professionals from pursuing their careers here. Many workers come to Ohio already equipped with the essential skills and out-of-state licenses needed perform any number of licensed occupations. Unfortunately, minor state-imposed differences in education or training requirements often force newcomers to pay expensive fees or take expensive, extraneous classes that do not make them any more qualified for or capable of doing their jobs. Universal occupational licensing reciprocity can put an end to this broken system.

Ohio's own recent effort to pare back some "permission slip" policies demonstrate a laudable willingness to reduce bureaucratic burdens. In 2018, the General Assembly approved Senate Bill 255, one of the strongest occupational licensing review policies in the country.<sup>1</sup> This year, the General Assembly also made it easier for spouses of transferred military personnel to be licensed and continue working in Ohio.<sup>2</sup> But more can be done.

Arizona and Pennsylvania already have begun to blaze the trail to universal, unilateral licensing reciprocity and Ohio should follow their lead.<sup>3</sup> Recognizing out-of-state occupational licenses will allow more professionals to continue their careers and serve Ohio communities. Universal, unilateral licensing reciprocity will reduce barriers to Ohio's workforce, make it faster and easier for trained professionals to employ their skills, and make Ohio more worker-friendly without endangering the public. Allowing those with comparable out-of-state licenses in good standing to obtain an Ohio license without delay or additional training requirements will benefit workers and Ohio.

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<sup>1</sup> **Ohio Governor Signs The Buckeye Institute-Championed Best-in-the-Nation Occupational Licensing Reform Policy**, The Buckeye Institute press release, January 4, 2019.

<sup>2</sup> **Buckeye Institute-Inspired Policy Goes to Governor DeWine's Desk for Signature**, The Buckeye Institute press release, December 12, 2019.

<sup>3</sup> **Open for Business**, Office of Arizona Governor Doug Ducey press release, April 10, 2019.

## Occupational Licensing Hurts Workers

There is bipartisan consensus at the national and state levels that occupational licensing requirements harm American workers. The Obama Administration<sup>4</sup> and the Trump Administration, as articulated by former Secretary of Labor Alexander Acosta,<sup>5</sup> both have lamented the negative personal and economic impacts of onerous occupational licensing regimes. This consensus is also reflected in a recent report from the non-partisan National Conference of State Legislatures.<sup>6</sup> Professor Morris Kleiner, the AFL-CIO chair in labor policy at the University of Minnesota’s Humphrey School of Public Affairs, has testified that he and Alan Krueger, the former head of President Obama’s Council of Economic Advisors, calculated that licensing laws cost between a half and one percent of jobs nationally in 2010.<sup>7</sup> More recently, Dr. Kleiner and his co-author estimated that Ohio lost more than 67,000 total jobs—equal to Ohio’s average annual job growth—due to occupational licensing.<sup>8</sup>

Many of those lost job opportunities were likely among Ohio’s “blue collar” labor force insofar as workers without a college education are more likely to migrate to states with fewer licensed occupations in order to avoid barriers to employment.<sup>9</sup> Research has shown that the more occupations that require licensing in a state the lower the state’s economic mobility and the greater its income inequality.<sup>10</sup>

As The Buckeye Institute outlined in *Forbidden to Succeed: How Licensure Laws Holds Ohioans Back*, high fees and training requirements reduce an occupation’s job growth by 20 percent because prospective workers who cannot afford to enter the occupation remain unemployed or underemployed.<sup>11</sup> In its follow-up report, *Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio’s Workforce*, The Buckeye Institute explained that Ohio’s

<sup>4</sup> The White House, *Occupational Licensing: A Framework for Policymakers*, July 2015.

<sup>5</sup> Secretary of Labor Alexander Acosta, *Speech before the 44<sup>th</sup> Annual Meeting of the American Legislative Exchange Council*, U.S. Department of Labor, July 21, 2017.

<sup>6</sup> National Conference of State Legislatures, *The Evolving State of Occupational Licensing*, November 2019.

<sup>7</sup> Morris M. Kleiner, AFL-CIO Chair of Labor Policy at the Humphrey School of Public Affairs at the University of Minnesota, Testimony before the U.S. Senate Committee on the Judiciary, Subcommittee on Antitrust, Competition Policy, and Consumer Rights, “*License to Compete: Occupational Licensing and the State Action Doctrine*,” February 2, 2016.

<sup>8</sup> Morris M. Kleiner and Evgeny S. Vorotnikov, *At What Cost?: State and National Estimates of the Economic Costs of Occupational Licensing*, Institute for Justice, November 2018.

<sup>9</sup> Sean Mulholland and Andrew T. Young, “*Occupational Licensing and Interstate Migration*,” *Cato Journal*, Volume 36, Number 1 (Winter 2016) p. 17-31; and Janna E. Johnson and Morris M. Kleiner, *Is Occupational Licensing a Barrier to Interstate Migration?*, working paper, National Bureau of Economic Research, December, 2017.

<sup>10</sup> Adam Millsap, *Occupational Licensing Linked To Less Economic Mobility*, Forbes.com, April 11, 2018; and Edward Timmons, Brian Meehan, Andrew Meehan, and John Hazenstab, *Too Much License? A Closer Look at Occupational Licensing and Economic Mobility*, Archbridge Institute, April 10, 2018.

<sup>11</sup> Tom Lampman, *Forbidden to Succeed: How Licensure Laws Hold Ohioans Back*, The Buckeye Institute, November 18, 2015.

licensing requirements have prevented more than 7,000 people between the ages of 25-45 from pursuing licensed occupations in the state.<sup>12</sup>

### **Occupational Licensing Makes Cross-State Mobility More Difficult**

State licensing requirements can present significant challenges for already-licensed professionals attempting to move from one state to another. Licensing, training hours, and specific educational requirements often vary from state to state. Requiring licensed professionals moving to Ohio to comply with Ohio's unique licensing requirements deters professionals from moving here or continuing to work in their chosen field.

Even relatively minor licensing differences such as requiring a few additional hours of classroom instruction can prevent licensed transplants like Jennifer McClellan from working in Ohio.<sup>13</sup> In Minnesota, Ms. McClellan had completed 780 hours of training at a community college for her massage therapy degree and license. The same national company that employed her in Minneapolis wanted her to work in its Columbus salon. The Ohio State Medical Board, which licenses massage therapy in Ohio, denied her an Ohio license because although she had more than the required hours of practical application in massage therapy, she did not have the exact number of classroom hours that Ohio requires.

### **Regional Reciprocity Agreements Don't Solve the Problem**

Many states offer reciprocity for certain occupational licenses issued by other states. Typically, states offer such reciprocity through individual reciprocity agreements with other states for specific licenses. Although such agreements may improve the status quo and allow some license holders to remain at work, they do not go far enough.

First, because bilateral and multilateral reciprocity agreements are not universal and only apply to states that also offer reciprocity, they empower government bureaucrats to decide which agreements to sign and which licenses will receive preferential treatment. Second, even under reciprocity agreements, licensed professionals often still must complete additional coursework before Ohio grants them a license. Although reciprocity agreements may cut some bureaucratic red tape, they often do not eliminate it.

Similarly, some states have signed multi-state compacts that harmonize various state rules and regulations among participating states in order to facilitate easier licensure across state lines. Thus, a nursing licensure compact, for example, recognizes a nursing license issued by any of the states in the compact.<sup>14</sup> Like reciprocity agreements, such compacts may ease certain individual state licensing burdens, but they frequently do not eliminate them.

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<sup>12</sup> Orphe Pierre Divounguy, PhD, Bryce Hill, and Greg R. Lawson, *Still Forbidden to Succeed: The Negative Effects of Occupational Licensing on Ohio's Workforce*, The Buckeye Institute, December 18, 2017.

<sup>13</sup> Jennifer McClellan, *Jennifer McClellan to the State of Ohio*, The Buckeye Institute, February 25, 2016.

<sup>14</sup> *Nurse Licensure Compact*, NurseCompact.com (Last visited on November 14, 2019).

## New Paths to Follow

Arizona has found a simple solution to these licensing challenges. In April 2019, Arizona became the first state to allow unilateral and universal occupational licensing reciprocity.<sup>15</sup> House Bill 2569’s significant departure from bilateral reciprocity agreements and compacts between states requires Arizona’s licensing boards to recognize licenses from other states automatically as long as the individual has been licensed for at least one year and is in good standing in all states in which they are licensed.<sup>16</sup> The new law also eliminated any duplicative training requirements.<sup>17</sup> Arizona still requires background checks and some tests due to state-specific content, but Arizona has established a clear, easy-to-understand policy for out-of-state licensed professionals.<sup>18</sup>

Pennsylvania also recently passed general licensing reciprocity legislation that improves on bilateral reciprocity agreements and compacts.<sup>19</sup> The Pennsylvania law would grant reciprocity for licenses from other states that have substantially equivalent licensure requirements and if the license holder can demonstrate professional competency through experience or continuing education for at least two of the preceding five years.<sup>20</sup> The out-of-state license holder also must not have been disciplined by the original licensing state.<sup>21</sup>

Unlike Arizona, Pennsylvania’s new “substantially similar” requirement gives greater latitude to the state’s licensing boards to determine which out-of-state licenses will receive reciprocity. This latitude risks empowering bureaucrats to erect or maintain barriers to entry for licensed professionals. Pennsylvania’s “no disciplinary action” requirement is also more restrictive than Arizona’s new regime, which only requires that out-of-state license holders be in good standing. Under the Pennsylvania rule, an out-of-state license holder currently in good standing in other states could be denied reciprocity in the Keystone State due to an old, resolved sanction.

## Conclusion

Ohio’s Senate Bill 255 began reforming the state’s burdensome “permission slip” policies and charted a path for paring back unnecessary licensing requirements. But Ohio can and should go further by joining Arizona in adopting universal, unilateral occupational licensing reciprocity. Unfortunately, Ohio remains a top ten state for outbound migration. This exodus could be reversed by streamlining the inherently bureaucratic licensing process and making it clear to out-of-state employers and professionals that Ohio is open for business.

<sup>15</sup> **Open for Business**, Office of Arizona Governor Doug Ducey press release, April 10, 2019.

<sup>16</sup> Matthew Shafer, **Understanding Arizona’s Universal Occupational Licensing Recognition Bill**, The Council of State Governments blog, June 20, 2019.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

<sup>19</sup> Matthew Shafer, **Pennsylvania Joins Arizona in Universal License Recognition**, The Council of State Governments, July 31, 2019.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

Opening the door to universal licensing reciprocity will make Ohio more attractive to already-licensed professionals, eliminate superfluous and expensive burdens on newcomers, and continue the ongoing effort to end the “Mother-may-I?” approach to earning a living in Ohio.

## **About the Author**

Greg R. Lawson is the research fellow at The Buckeye Institute.

In this role, Lawson works with all members of the Buckeye research team with a particular focus on occupational licensing, local government, and education issues. He is also Buckeye's primary liaison to the Statehouse where he educates policymakers in both the legislative and executive branches on free-market solutions to Ohio's challenges.

Prior to his position at Buckeye, Lawson served in the Ohio General Assembly as a Legislative Service Commission fellow. He then went on to several government affairs roles focusing on numerous public policy topics, including Medicaid, school choice, transportation funding, and Ohio's Building Code. He also has a background in PAC fundraising, grassroots organizing, and communications and served for five years on the boards of two Columbus-based charter schools.



**THE BUCKEYE INSTITUTE**

88 East Broad Street, Suite 1300

Columbus, Ohio 43215

(614) 224-4422

[BuckeyeInstitute.org](http://BuckeyeInstitute.org)

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