



Forbidden to Succeed: How Licensure Laws Hold Ohioans Back

By Tom Lampman

POLICY REPORT

A job is a stepping-stone to a better life for low-income Ohioans. Unfortunately, many moderate-income jobs in Ohio require hundreds of dollars in government licensure fees plus the completion of thousands of hours of training. It is reasonable to require extensive training for jobs that pose significant health and safety concerns, such as physicians and airplane pilots, but the same is not true of auctioneers, cosmetologists, and barbers. These requirements are significant barriers to employment, and for underprivileged Ohioans they can be insurmountable. Licensure requirements that are not rationally tied to consumer's needs needlessly hold back those Ohioans trying to climb the economic ladder for themselves and their families. These damaging regulations should be scaled back and in many cases eliminated.

Overview of Burdens in Ohio

To enter a licensed occupation in Ohio, a worker or entrepreneur must obtain the amount of training required by law and pay a licensure fee. Ohio does not license as many occupations as most states, but when it does the burdens imposed tend to be well above average.¹ Of the 31 moderate-income occupations requiring licensure in the Buckeye State, 15 require hundreds or thousands of hours training and experience.² Ohioans who want to become a makeup artist, auctioneer, or barber cannot spare thousands of hours if they are already living paycheck-to-paycheck. Taking time off from a minimum wage job to pursue cosmetology training will cost a worker \$12,000 in foregone wages before he or she satisfies the state's training requirements.³

Lost wages are not the only cost of obtaining a license. Training programs are not free; aspiring cosmetologists in Ohio can pay as much as \$10,000 for theirs.⁴ Once these costs are paid and training is completed,

1 The Institute for Justice, "License to Work: Ohio," The Institute for Justice, accessed August 25, 2015, <http://licensetowork.ij.org/oh>.

2 *Ibid.*

3 Ohio Rev. Code §4713.28.

4 American Association of Cosmetology Schools, "Careers in Beauty: Getting Started," American Association of Cosmetology Schools, accessed August 25, 2015, <http://beautyschools.org/careers-in-beauty/getting-started/>.

prospective workers still need to pay Ohio’s above-average licensure fees for many occupations.⁵ A fee in the hundreds of dollars may seem small, especially when compared to the cost of training and forgone wages, but to an impoverished Ohioan it is another significant financial hurdle to clear.

Impacts on Job Growth

High fees and training requirements reduce an occupation’s job growth by 20%, as prospective workers who cannot afford to enter the occupation remain unemployed or underemployed.⁶ Consequently Ohioans are deprived of opportunities and Ohio as a whole is deprived of needed services. For example, Ohio is projected to need more social services assistants over the coming decade, but licensure laws are projected to keep approximately 344 workers out of the field.⁷ (Ohio is one of only seven states that require a license for this occupation.) Heavy workloads are already a problem for social services assistants, and discouraging people from entering the field will make this problem worse.⁸

Not only does restricted job growth deprive workers of opportunities, it keeps entrepreneurs from starting or expanding businesses. Artificial barriers that keep workers out of an occupation limit the labor supply, driving up hiring costs. Investors are more likely to seek out states with more accessible and more affordable labor markets. Though Ohio does not license as many occupations as neighboring states, Ohio licenses almost always cost more time and money to get.⁹ Of Ohio’s neighboring states, only Kentucky has a more burdensome licensure system.¹⁰ Having the most expensive licenses in the region makes Ohio less attractive to investment and more hostile for entrepreneurs. Ohio cannot be the competitive job creator it should be when surrounded by more inviting, more accessible labor markets.

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- 5 The Institute for Justice, “Occupational Licensing Report: Ohio,” The Institute for Justice, accessed November 13, 2015, <http://licensetowork.ij.org/oh>.
 - 6 Morris M. Kleiner, “Occupational Licensing: Protecting the Public Interest, or Protectionism?” W.E. Upjohn Institute for Economic Research, accessed August 25, 2015, http://research.upjohn.org/up_policypapers/9/.
 - 7 Ohio Department of Jobs and Family Services, “Occupational Profile for Social and Human Services Assistants,” Ohio Department of Jobs and Family Services, accessed August 25, 2015, <http://ohiolmi.com/asp/CareerEd/CareerDisplay.asp?SOC=21-1093&SOCTitleOut=Social%20and%20Human%20Service%20Assistants#Projections>.
 - 8 Bureau of Labor Statistics, “Occupational Outlook Handbook: Social and Human Service Assistants,” Bureau of Labor Statistics, accessed August 25, 2015 <http://www.bls.gov/ooh/community-and-social-service/social-and-human-service-assistants.htm>.
 - 9 The Institute for Justice, “Occupational Licensing Report: Ohio,” The Institute for Justice, accessed November 13, 2015, <http://licensetowork.ij.org/oh>.
 - 10 *Ibid.*

Impact on Consumers

Burdensome licensure laws hurt consumers by driving prices up without improving the quality of services. The cost of hiring a licensed worker is 15% higher than an unlicensed worker with the same level of experience doing the same job.¹¹ This is due to both the costs of licensure and the restricted supply of workers. Ostensibly these higher prices could be justified if the quality of services improved, but this is not the case among a wide cross-section of the labor market. Stricter licensure requirements have no demonstrated impact on the quality of dentists,¹² a highly skilled profession, nor on the quality of flower arrangers,¹³ a comparatively simple profession. Neither consumers nor malpractice insurers differentiate between licensed and unlicensed opticians, although licensed opticians set higher prices.¹⁴ Although Ohio requires cosmetologists to complete 250 more hours of training¹⁵ than Pennsylvania¹⁶ and 500 more than New York,¹⁷ it is not clear that cosmetology salons in Ohio are any safer or better. Consumers should not be forced to pay premiums for regulations that offer no appreciable benefit.

Recent Developments

Rather than removing barriers to employment, Ohio lawmakers have piled new licensure regulations onto more occupations. The 2016-2017 budget bill created a system of licensure regulations for pharmacy plan managers, who are administrative middlemen in the healthcare market.¹⁸ The new regulations extract more fees from pharmacy plans, restrict the medications health plans can offer, and create a one-size-fits-all system for setting price disputes. Robust competition in pharmacy plan management reduces medication costs 25% to 40%,¹⁹ but restricting competition with licensure regulations will only further inflate healthcare costs.

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- 11 Morris M. Kleiner, "Occupational Licensing: Protecting the Public Interest, or Protectionism?" W.E. Upjohn Institute for Economic Research, accessed August 25, 2015, http://research.upjohn.org/up_policypapers/9/.
 - 12 Morris M. Kleiner and Robert T. Kurdle, "Does Regulation Affect Economic Outcomes? The Case of Dentistry," The Humphrey School of Public Affairs, accessed August 25, 2015, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=225653.
 - 13 Dick M. Carpenter, "Blooming nonsense: Licensure and consumer protection." *Regulation*, 34 (Spring 2011): 44-47: <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2011/4/regv34n1-8.pdf>.
 - 14 Edward J. Timmons and Anna Mills, "Bringing the Effects of Occupational Licensing into Focus: Optician Licensing in the United States," The Mercatus Center, February 2015, <http://mercatus.org/sites/default/files/Timmons-OpticianLicensing.pdf>.
 - 15 Ohio. Rev. Code §4713.28.
 - 16 49 Pa. Code §7.32d.
 - 17 N.Y. Comp. Codes R. & Regs. tit. 19, § 162.4.
 - 18 Legislative Service Commission, "Amended House Bill No. 64," Legislative Service Commission, accessed August 25, 2015, http://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_131/bills/hb64/EN?format=pdf, p. 1514; *see also* Ohio Rev. Code Ann. §3959.01.
 - 19 Devon M. Herrick, "New Drug Plan Regulations Protect Pharmacies, Hurt Consumers," National Center for Policy Analysis, April 2015, <http://www.ncpa.org/pdfs/st365.pdf>, p. 10.

Similarly, SB 37, introduced in February 2015, subjects auto repair shops to cumbersome regulations and licensure fees of between \$150 and \$200.²⁰ If the 15% wage premium associated with licensure were entirely passed on to consumers, a brake line replacement that used to cost \$500 would now cost \$575.

Some recent legislation is aimed at correcting runaway licensure schemes. HB 227²¹ and SB 213²² both create exemptions in the heavily regulated practice of cosmetology. These bills redefine simple cosmetology services like hair braiding as “boutique services,” eliminating the need for prospective hair braiders to obtain a cosmetology license. Current licensure law requires between 200 and 1,500 hours of training before a worker can braid hair for a living.²³ Although these bills would make substantial reductions in the barriers to becoming a hair braider, they do not address the barriers to becoming a cosmetologist. Ohio would still make it harder to become a cosmetologist than Pennsylvania²⁴ or New York,²⁵ meaning these bills could go further in advancing opportunities for Ohioans.

Recommended Reforms

There are at least three ways licensure regulations could be reformed. The first and obvious reform is to end licensing systems that serve no purpose. There is no reason to charge a \$50 annual fee for the opportunity to be a travel guide in Ohio, much less to require a yearlong apprenticeship for the opportunity to be an auctioneer. Ohio is perfectly capable of joining the majority of states that do not license travel guides in any form.²⁶ Ohio is also in the minority of states that license dietetic technicians, opticians, gaming employees, and social services assistants. Following the lead of other states by ending useless licenses would be a reasonable first step.

The second avenue for reform is to scale back the training and experience requirements on all licenses. Nearly every Ohio license that requires training can be earned in less time in another state.²⁷ Ohio policymakers should look to be a leader in lifting burdens ahead of other states; at a minimum, it is reasonable to follow the lead of states that have found more efficient training programs.

20 Legislative Service Commission, “Senate Bill No. 37,” Legislative Service Commission, accessed September 16, 2015, http://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_131/bills/sb37/IN?format=pdf, p. 16-17.

21 Legislative Service Commission, “House Bill 227,” Legislative Service Commission, accessed October 21, 2015, http://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_131/bills/hb227/IN?format=pdf, p. 62-63.

22 Legislative Service Commission, “Senate Bill No. 213,” Legislative Service Commission, accessed October 21, 2015, http://search-prod.lis.state.oh.us/solarapi/v1/general_assembly_131/bills/sb213/IN?format=pdf, p. 62-63.

23 Ohio Rev. Code §4713.28.

24 49 Pa. Code §7.32d.

25 N.Y. Comp. Codes R. & Regs. tit. 19, §162.4.

26 The Institute for Justice, “License to Work: Ohio,” The Institute for Justice, accessed August 25, 2015, <http://licensetowork.ij.org/oh>.

27 The Institute for Justice, “License to Work: Ohio,” The Institute for Justice, accessed August 25, 2015, <http://licensetowork.ij.org/oh>.

The third, broadest reform is to replace rigid licensure systems with privatized, voluntary certification programs. This system is successfully used by auto mechanics, allowing consumers to identify skilled specialists in a wide number of fields.²⁸ These programs fulfill the ostensible purpose of licensure by informing consumers of what quality standards they can expect. Unlike mandatory licensure regulations, voluntary certification keeps the market open and competitive. Workers can choose whether to invest in the certification process and customers can choose whether certified workers are worth a higher price. Allowing more job growth and more consumer choice is a win for all Ohioans.

Conclusion

Occupational licenses are expensive to get, and for low-income Ohioans they can be impossibly expensive. Placing such insurmountable barriers on moderate-income jobs kills opportunities for Ohioans trying to lift themselves out of poverty. Entrepreneurs looking to enter an industry or expand an existing business are stifled by these artificial limits on available workers. Such a constricted market leaves consumers with fewer choices at higher prices.

Workers and consumers need policymakers to lift these barriers, to scale back or eliminate unnecessary licensure systems. There is no reason for counterproductive regulations to remain standing between consumers seeking more choices and workers seeking a better livelihood.

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28 Dick M. Carpenter II, Ph.D., Lisa Knepper, Angela C. Erickson, and John K. Ross, "License to Work: A National Study of Burdens from Economic Licensing," The Institute for Justice, May 2012, http://ij.org/images/pdf_folder/economic_liberty/occupational_licensing/licensetowork.pdf, p. 35.

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