

KANSAS SHOULD OPEN THE DOOR TO SKILLED WORKERS

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Chair Olson and all distinguished members of the Senate Commerce Committee:

Thank you for inviting me to testify regarding licensing reform in Kansas. I am a professor of economics and director of the Knee Center for the Study of Occupational Regulation at Saint Francis University in Loretto, PA. I am also a senior affiliated scholar with the Mercatus Center at George Mason University. I have been involved with or led three federally funded grant projects exploring the issue.

The main takeaways of my comments are the following:

1. Kansas has a shortage of skilled professionals and tradespeople and should not create arbitrary barriers for potential new residents.
2. Research shows that rigid occupational licensing restricts mobility by 7 percent.
3. Arizona has already had more than 1,200 new professionals enter the state after universally recognizing out-of-state licenses.

THE STATE OF THE KANSAS LABOR MARKET

Policymakers in Kansas should be commended for setting the state up for prosperity. Kansas has a very strong labor market—the unemployment rate was more than 3 percentage points below the national average in December of 2020.¹ Unfortunately, employers in Kansas are having a hard time finding the workers they need to fill current job openings.

A report from the Kansas Department of Labor estimates that in 2019, Kansas had more than 56,000 vacancies and not enough workers to fill the open jobs.² Nearly all industries in the state had vacancies, and many of the industries required workers to be licensed.

1. “Unemployment Rates for States,” Bureau of Labor Statistics, last modified January 26, 2021, <https://www.bls.gov/web/laus/laumstrk.htm>.

2. “2019 Kansas Job Vacancy Survey,” Kansas Department of Labor, accessed February 22, 2021, <https://klic.dol.ks.gov/gsipub/index.asp?docid=772>.

OCCUPATIONAL LICENSING IN KANSAS

Occupational licensing is the most stringent form of professional regulation. It forbids Kansas 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 16 percent of workers in Kansas are licensed.³ By erecting barriers to entering professions in the state, occupational licensing imposes a multitude of costs upon consumers and eliminates more than 29,000 jobs in the state each year.⁴

Turning to mobility, economic research estimates that stringent occupational licensing reduces geographic mobility by as much as 7 percent.⁵ 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.

UNIVERSAL RECOGNITION

Kansas will not be going out on a limb if it recognizes the licenses from other states. Arizona passed this reform in 2019.⁶ Iowa and bordering state Missouri passed similar legislation in 2020.⁷ It is too early to estimate for Iowa and Missouri, but Arizona has already seen the effects from passing this legislation. It has been estimated that more than 1,200 skilled workers moved to Arizona in 2020 after passage of the reform.⁸

With the difficulty of finding available workers in state, it seems silly to force new residents to complete arbitrary hurdles to begin working. Research shows that preventing occupational licenses from easily transferring reduces mobility. Kansas can look to other states, such as bordering state Missouri, for guidance on how to help alleviate persistent labor market vacancies with commonsense occupational licensing reform.

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, November 2018).

4. Kleiner and Vorotnikov, *At What Cost?*

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.

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. Mark Flatten, "1,200+ Arizonans Get Freedom to Work under State's New Universal Recognition Law," Goldwater Institute, June 15, 2020, <https://goldwaterinstitute.org/freetoworksuccess/>.