

# Wisconsin Should Open the Door to Skilled Workers

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Speaker Vos and all distinguished members of the Wisconsin State Assembly:

Thank you for allowing me to comment regarding licensing reform in Wisconsin. I am an associate professor of economics and director of the Knee Regulatory Research Center at West Virginia University. I am also a senior research fellow with the Archbridge Institute.

The main takeaways of my comments are the following:

1. Wisconsin has had difficulty attracting workers and is experiencing a skilled worker shortage.
2. Research shows that rigid occupational licensing restricts mobility by 7 percent.
3. My research shows that universal recognition increases in-migration by almost 50% and also improves the labor market for existing residents.

## The State of the Wisconsin Labor Market

Employers in Wisconsin are having a difficult time finding and recruiting new skilled workers. Over the last decade, Wisconsin has had a net of zero in-migration into the state.<sup>1</sup> Although a number of efforts have been taken to recruit workers, it is also important to reconsider existing laws and regulations to make sure that they are not dissuading new residents from moving to Wisconsin or blocking existing Wisconsin residents from meeting their full potential in the labor market.

## Occupational Licensing in Wisconsin

Occupational licensing is the most stringent form of professional regulation. It forbids Wisconsin 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 18 percent of workers in Wisconsin are licensed.<sup>2</sup> By erecting barriers to entering professions in

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<sup>1</sup> <https://wisconsinexaminer.com/2024/01/10/state-labor-secretary-reviews-efforts-to-expand-the-workforce-in-wisconsin/>

<sup>2</sup> Morris M. Kleiner and Evgeny S. Vortnikov, *At What Cost? State and National Estimates of the*

the state, occupational licensing imposes a multitude of costs upon consumers and eliminates more than 37,000 jobs in the state each year.<sup>3</sup>

Turning to mobility, economic research estimates that stringent occupational licensing reduces geographic mobility by as much as 7 percent.<sup>4</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. The needless burden of new exams or additional education before being permitted to practice is too great.

## Universal Recognition

Wisconsin will not be going out on a limb if it recognizes the licenses from other states. Arizona passed this reform in 2019.<sup>5</sup> Iowa and Missouri passed similar legislation in 2020.<sup>6</sup> Last year, Ohio, Arkansas, and Virginia also passed similar legislation.<sup>7</sup> In total, 21 states have passed some version of this reform.

Research by myself and colleagues at the Kneer Regulatory Research Center has estimated the effects of states passing this reform. One paper finds that universal recognition boosts tax receipts for states that pass the reform by \$1.7 million per county in border counties.<sup>8</sup> My own research shows that passing universal recognition boosts employment of licensed workers by nearly a full percentage point.<sup>9</sup> Existing Wisconsin residents will have an easier time finding work and our research projects unemployment will decrease and that labor force participation will increase in the state following the passage of universal recognition. Further, our work suggests that states on average experience a 50% increase in in-migration and I would expect that Wisconsin can benefit in the same way and not be left behind states that have already passed the reform.

With the current state of Wisconsin's labor market, 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. Eliminating these barriers improves the labor market for both new and existing residents. Wisconsin can look to other states, such as Iowa and

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*Economic Costs of Occupational Licensing* (Arlington, VA: Institute for Justice, November 2018).

<sup>3</sup> Kleiner and Vorotnikov, *At What Cost?*

<sup>4</sup> 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.

<sup>5</sup> 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).

<sup>6</sup> 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.

<sup>7</sup> <https://reason.com/2023/01/18/ohio-to-honor-occupational-licenses-from-other-states/>;  
<https://www.cato.org/blog/arkansas-alabama-make-much-needed-progress-occupational-licensing-reform>;  
[http://www.dpor.virginia.gov/news/NewsReleases\\_UniversalLicenseRecognition](http://www.dpor.virginia.gov/news/NewsReleases_UniversalLicenseRecognition)

<sup>8</sup> Darwyn Deyo and Alicia Plemmons, "Have license, will travel: Measuring the effects of universal licensing recognition on mobility," *Economics Letters* 219 (2022).

<sup>9</sup> Bae, Kihwan and Timmons, Edward, "Now You Can Take It with You: Effects of Occupational Credential Recognition on Labor Market Outcomes" (2023). Economics Faculty Working Papers Series. 70.

Ohio, for guidance on how to improve the labor market with commonsense occupational licensing reform.