

## North Dakota Should Open the Door to Skilled Workers

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Chair Wobbema, Vice Chair Axtman, and all distinguished members of the Senate Workforce Development Committee:

Thank you for allowing me to testify on licensing reform in the state of North Dakota. I am the director of labor policy at the Knee Regulatory Research Center at West Virginia University. The main takeaways of my comments are the following:

1. North Dakota has a tight labor market, making it difficult for businesses to fill job openings.
2. Research shows that state-level occupational licensing restricts geographic mobility by 7 percent.
3. Recognizing the experience of out-of-state workers is an excellent way to attract workers to the state without putting consumers at risk.

North Dakota is in a strong economic position, and policymakers should be commended for setting the state up for prosperity. North Dakota has a relatively strong labor market: in December, the unemployment rate was well below the national average and the labor force participation was above the national average.<sup>1</sup>

Unfortunately, employers in North Dakota are having a hard time finding the workers they need to fill their current job openings. North Dakota has one of the most severe worker shortages in the nation. With 30 available workers for every 100 job openings in the state, the inability of businesses to fill openings is holding back North Dakota.<sup>2</sup>

We estimate that 22 percent of workers in North Dakota require a license to work, one of the highest in the nation.<sup>3</sup> Licensing is the most stringent form of professional regulation. These laws forbid professionals from working until they meet licensing requirements. Education, hands-on

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<sup>1</sup> Lindsay Cates and Stephanie Melhorn, *Understanding America's Labor Shortage: The Most Impacted States*. (US Chamber of Commerce. December 13, 2024).

<sup>2</sup> *Understanding America's Labor Shortage*.

<sup>3</sup> 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, 2018).

training, and exams create barriers to entry into a profession. Research estimates that it reduces the supply of professionals by about 25 percent.<sup>4</sup>

Because licensing laws are the responsibility of states, they also create a barrier to entry for those considering a move to another state. Relocating often entails reapplying for a license, taking state-specific exams, and, in some cases, completing additional education or training. Moving is already a hassle, and licensing can make it even worse. Overall, licensed professionals are 7 percent less likely to move to a new state.<sup>5</sup>

It does not only impact licensed professionals. In two-income households, a professional who does not require a license may still decide not to move if their spouse needs to go through a long relicensing process.

Twenty-six other states have passed similar reforms to SB 2395. Arizona, an early adopter of the reform to recognize out-of-state licenses, has already seen beneficial effects from enacting this legislation. An estimated 6,500 or more skilled workers have moved to Arizona since passage of the reform.<sup>6</sup> States with universal recognition laws not only see increased employment, but they also see increased economic output.<sup>7</sup>

This would allow someone who has demonstrated their competence by working for years to obtain a license without being forced to undergo duplicative education and training.

This bill would also offer an alternative pathway to licensure, allowing experience to count when the applicant is moving from a state that does not license their profession. Ten states accept relevant experience when the applicant is moving from a state without a license requirement. Thus far, we have no reports of issues caused by this reform.

Given the difficulties of finding available workers faced by North Dakota businesses, forcing new residents to complete arbitrary hurdles to begin working is especially costly. Allowing professionals to bring their experience with them increases worker mobility while leaving consumer protections in place. This is no silver bullet to alleviate hiring difficulties, but a commonsense reform to help those looking to move to North Dakota.

*Cener Morris*

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<sup>4</sup> Peter Blair and Bobby Chung, "How Much of Barrier to Entry is Occupational Licensing?," *British Journal of Industrial Relations* 57, no. 4 (2019): 919–43

<sup>5</sup> Johnson, Janna E., and Morris M. Kleiner. "Is occupational licensing a barrier to interstate migration?." *American Economic Journal: Economic Policy* 12, no. 3 (2020): 347-373.

<sup>6</sup> Curry, Heather, and Vance Ginn. "Thousands Free to Work: The Power of Universal Recognition in Arizona." Goldwater Institute Policy Report. (2023).

<sup>7</sup> Bae, Kihwan, and Edward Timmons. "Now you can take it with you: Effects of occupational credential recognition on labor market outcomes." (2023).