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EXPERT INSIGHT | Center for the American Worker

The Biden Administration's Anti-Worker Economy

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TOPLINE POINTS

- The Biden Administration's regulatory agenda has added nearly 280 million hours of paperwork and $447 billion in costs to American businesses. This equates to $2,847 in regulatory costs per American worker.
- Dozens of regulations have overburdened small businesses, restricted worker freedom, and pursued climate goals at the expense of jobs and basic goods.
- America needs a pro-worker economy that is focused on creating career opportunities for Americans, raising incomes, and improving affordability.

This month marks three years since President Biden took office, promising to empower workers, protect the middle class, and unleash economic prosperity across the nation. Unfortunately, the data tell the opposite story. Federal overspending has contributed to an 18 percent surge in prices, and inflation reached a 40-year high of 9 percent in 2022—more than four times its pre-2021 rate. When adjusted for inflation, household income was $4,000 lower in 2022 than in 2019, real wages remain 3 percent below 2021 levels, and credit card debt has ballooned to more than $1 trillion, with delinquencies steeply on the rise. With the average American household needing $11,400 more per year to afford the same standard of living as three years ago and with wages not nearly bridging that gap, it is no wonder that Americans are borrowing so much. The vast majority of Americans say that they are worse off under the Biden Administration's economic policies.

One major factor looming behind this cost-of-living crisis is the crushing regulatory burden that has come out of Washington over the last three years. It has forced businesses to divert precious time away from serving their customers and toward following bureaucratic rules from the federal government. In fact, the Biden Administration's regulatory agenda has added nearly 280 million hours of paperwork and $447 billion in costs to American businesses. This equates to $2,847 in regulatory costs per American worker. When you include regulatory costs from legislation backed by the Biden Administration, American households overall are already losing an extra $10,000 each year to cover the cost of Biden-era regulations.

Several of these regulations are aggressively anti-worker, including rules that overburden small businesses, restrict worker freedom, eliminate jobs, and push up utility costs in support of an aggressive climate agenda. As even more anti-worker regulations are set to go into effect in 2024, the outlook is grim for American workers and businesses.

Overburdening Small Businesses

Small businesses have been pessimistic overall about their economic prospects for the last 24 months. Inflation and labor shortages have certainly been significant issues, but overregulation is another major cause for concern. In general, all regulations are more costly for small businesses than for larger ones. Small businesses do not have teams of lawyers and consultants to manage their paperwork or navigate the complex tax and regulatory environment coming out of Washington. However, several of the Biden Administration's regulations are particularly burdensome for small businesses.

For example, the Biden Administration finalized a rule in October 2023 that expands the definition of a "joint employer" and will have a devastating impact on the franchise business model. Under this new rule, set to take effect in February 2024, most franchisors will become liable for more of the activity of their franchisees. Today, if a franchisee is accused of violating a labor law, it is typically handled between the employee and the franchisee because the franchisee operates as a small business that makes its own decisions. Under the new rule, the corporate franchise headquarters becomes liable, forcing headquarters to exercise more control over franchisees' decisions and turning franchisees into middle managers instead of small business owners. The current proposal from the Biden Administration is almost identical to a 2015 change that led to the loss of 376,000 jobs, a 93 percent increase in litigation, and more than $33 billion in added costs for franchise businesses. As a result, the U.S. Department of Labor changed this rule in 2020. Franchising is an excellent path to small business ownership, and this rule will likely crush that dream for millions of Americans.

The Financial Crimes Enforcement Network's (FinCEN) beneficial ownership reporting rule, which went into effect on January 1, is another regulation that specifically targets small businesses. The new regulation requires any company with 20 or fewer employees and $5 million or less in gross annual receipts to start reporting certain information to FinCEN. While the intent is to combat money laundering and financial crimes, the reality will be more time-intensive, costly paperwork for law-abiding small business owners, while bad actors continue to find loopholes. The National Federation for Independent Businesses projects that the compliance costs of this regulation will be nearly $23 billion in its first year alone and more than $5 billion per year after that.

Small businesses could also get caught up in the climate disclosure reporting regulation that the Securities and Exchange Commission has proposed for publicly traded companies. The rule is expected to be finalized in spring 2024. This proposed regulation would mandate that public companies report climate-related risks and emissions data, potentially including emissions that come from anywhere in a company's supply chain. While small businesses themselves would not be required to complete these reports, they may have to provide the information to any large public corporation in whose supply chain they participate, effectively imposing this requirement on small businesses or forcing them to stop working with larger companies.

While all industries are suffering from overregulation, the manufacturing industry has been particularly hard-hit—the National Association of Manufacturers estimates that small manufacturing businesses are spending $50,000 per employee each year to comply with federal regulations.

All of these regulations have a direct impact on American workers. The cost of compliance diverts resources that could be invested in employee wages, benefits, and job training. Dollars that should be going into the pockets of hardworking American men and women are instead being directed toward helping manufacturers navigate confusing regulations, permit requirements, and paperwork. To top it off, compliance costs will also impact all American families and workers via price increases, which businesses are often forced to implement to remain profitable.

Restricting Worker Freedom

The Biden Administration continues to propose and finalize labor rules that chip away at worker freedom. One final rule, which will go into effect in March 2024, will severely restrict workers' ability to be independent contractors by imposing a strict test to qualify. This policy will have a devastating impact on millions of Americans who have gig economy jobs or side hustles, such as food delivery workers, tutors, music teachers, freelance writers, and others who set their own hours and choose their own clients. When a similar policy was enacted in California, self-employment fell by 10.5 percent and overall employment fell by 4.4 percent, meaning hundreds of thousands of workers lost their livelihoods and ability to support their families.

Another proposed rule would require employers to pay overtime to salaried employees who make less than $55,000 a year. In practice, businesses would respond to this rule by reclassifying salaried employees as hourly workers, reducing their wages to reflect expected overtime, and requiring them to track their hours—or worse, raising pay for workers closest to the threshold and eliminating lower-income jobs entirely. This rule would likely spur employers to restrict flexible work arrangements—it is difficult to monitor remote workers—and to micromanage how hourly employees spend every minute of their days. Overall, this regulation would lead to a worse job experience for most workers without any increase in pay and would disproportionately harm lower-income workers.

Lastly, the Biden Administration released a proposed rule overhauling the registered apprenticeship program in late 2023. Apprenticeships are an excellent opportunity for workers to acquire skills and receive on-the-job training while still earning a paycheck—a stepping stone for workers to become full employees and a guaranteed job for those who complete the program. The nearly 800-page proposed rule would make it much more expensive and time-consuming for businesses to hire apprentices by requiring employers to pay the same benefits to apprentices as they do to full employees, saddling employers with diversity, equity, and inclusion requirements, and requiring apprentices to complete at least 2,000 hours of on-the-job training—even if employers can fully train them in less time. This rule, if finalized, would limit apprenticeship opportunities for workers and make it harder for employers to fill their open jobs.

Eliminating Jobs and Raising Utility Costs to Advance Climate Goals

Finally, the Biden Administration has proposed and finalized several regulations in pursuit of aggressive climate goals that jeopardize jobs and drive up the costs of basic household goods.

To start, a proposed rule from the Environmental Protection Agency seeks to force Americans to buy electric vehicles (EVs) by implementing federal vehicle emissions standards that will be exceedingly difficult for traditional internal combustion engine vehicles to pass. The EPA's 2032 target market share for electric vehicle sales is 67 percent of all new purchases, even though only 5.6% of cars sold today are electric. If enacted, this rule is projected to kill more than 117,000 American auto worker jobs because EVs require fewer workers to assemble. Even worse, the Inflation Reduction Act pushed by the Biden Administration included hundreds of billions of dollars of EV subsidies to accelerate this shift to EVs and has been implemented in a way that makes EVs manufactured in adversarial countries such as China eligible for the tax credits.

The Biden Administration has also proposed and finalized dozens of regulations that drive up costs for basic household appliances, all in the name of increasing energy efficiency. Thus far, the administration has targeted gas stoves, gas-powered residential furnaces, dishwashers, washing machines, refrigerators, and more. Working families have seen their purchasing power decline immensely over the last three years. Regulations that further drive-up energy costs threaten to reduce workers' quality of life and ability to afford basic goods for their homes and families.

Conclusion

By replacing the wisdom and ingenuity of the American people with mandates and central planning, the Biden Administration has embraced the ultimate top-down economy. America is in desperate need of a pro-worker economy that is focused on creating career opportunities for workers, raising their salaries, and lowering their cost of living. To accomplish this, policymakers must roll back regulations that hurt small businesses, empower workers to find employment that fits their goals and lifestyles, and pursue an energy agenda that protects jobs and lowers costs for working families.