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Overregulation Harms American Manufacturing Workers

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TOPLINE POINTS

- The wave of overregulation coming from the Biden Administration is hurting American workers in manufacturing by leading to fewer jobs, lower pay, and a worse outlook for the future.
- The Biden Administration shows no signs of changing strategies, with more federal rules anticipated and an administration-wide push to convince Americans that "Bidenomics" has been a successful economic agenda.
- The Biden Administration should focus on what manufacturers are worried about: hiring, training, and retaining a high-quality workforce.

Introduction

While the highest-profile members of the Biden Administration tour the country touting the success of "Bidenomics," the president's economic agenda from the last two and a half years, businesses and workers across the country tell a different story. Record inflation and sky-high energy prices have cut into workers' paychecks, and it shows—only 34% of Americans approved of Biden's handling of the economy in June 2023 (Associated Press-NORC Center for Public Affairs Research, 2023).

On top of these issues, the wave of overregulation coming from the Biden Administration is hurting American workers. Federal regulations cost the United States $1.927 trillion every year, according to a report from the Competitive Enterprise Institute (Crews, Jr., 2022). During the Biden Administration alone, rules finalized through the end of 2022 cost nearly $10,000 per American household – more than during the Obama Administration (Mulligan, 2023). Over the last few years, the Securities and Exchange Commission has issued rules requiring companies to study their impact on the climate, as well as the impact of others in their supply chains; the Department of Labor has proposed a rule that would outlaw many forms of freelancing; and the Environmental Protection Agency has pushed aggressive emissions regulations that will force more Americans to subsidize the production of electric vehicles, just to name a few.

For small businesses, the cost of complying with all federal regulations is higher, and the risks of noncompliance are greater—about $11,724 per employee for small businesses in 2014, compared to $9,083 for businesses with more than 100 employees (Crain and Crain, 2014). It has only increased since then. Small businesses often do not have teams of lawyers and consultants to help them comply with reporting requirements, fill out paperwork, and navigate overcomplicated permitting processes. Overregulation can drive them out of business or prevent some from opening in the first place.

Impact of Overregulation on American Manufacturing Workers

American workers bear the brunt of this harm—their salaries are lower, job opportunities less plentiful, and cost of goods higher (Mulligan, 2023). Every dollar that employers spend on compliance with these regulations is a dollar that cannot be spent on expanding their businesses, hiring more workers, and improving salaries and benefits for employees.

American workers in manufacturing are particularly impacted. In June 2023, 131 manufacturing organizations launched the Manufacturers for Sensible Regulations coalition to push back against the volume of regulations from the Biden Administration (National Association of Manufacturers, 2023a). The companies, according to National Association of Manufacturers (NAM) CEO Jay Timmons, have "never seen this level [of regulation] before in any administration" (Fox News Channel, 2023).

In a letter addressed to the White House, the manufacturers stated that "the onslaught of new regulations…is chilling manufacturing investment, curtailing manufacturers' ability to hire new workers and suppressing wage growth, especially for the small and medium-sized manufacturers that are the backbone of the supply chain."

In survey results NAM released in June 2023, manufacturers of all sizes made it clear that overregulation from the Biden Administration is crushing their businesses. Manufacturers are more concerned about federal regulation and a generally unfriendly business climate than they have been in six years (NAM, 2023b). Over 63% of manufacturers say that they spend more than 2,000 hours per year complying with federal regulations—and nearly one in five spends more than 10,000 hours (NAM, 2023b).

One small Texas-based energy manufacturer cited reporting and filing requirements as a drain to its business: “One frustrating thing we have to deal with every year is reporting to the EPA regarding methane emissions. These are complicated filings, so we have to retain a consulting firm to make sure our reporting is correct. So far this year, we have spent over $10,000 on these consultants. That may not seem like a lot, but it is to a small company like ours” (NAM, 2023c).

An agricultural manufacturer in Colorado tells a story of a visit by overzealous Occupational Safety and Health Administration (OSHA) bureaucrats: “Our most recent OSHA visit . . . focused on forklift safety. The only thing OSHA could find were some stickers they claim are missing on our forklifts. Our forklift maintenance contractor insists those stickers are not even required or provided by the forklift manufacturer. However, it’s quicker and less expensive to pay the $3,000 fine than to devote the expensive resources to fight it. It’s so wrong that bureaucrats can be the investigator, prosecutor, judge and jury” (NAM, 2023c).

For many of these rules, regulators would be hard-pressed to prove that they actually advance worker or consumer safety. Further, when consultants, lawyers, and lobbyists rake in tens of thousands of dollars to “help” businesses navigate a complicated regulatory environment, it is clear who benefits. The Biden Administration has an uphill battle to defend these regulations to the American public. Instead of doing so on the merits, the Office of Management and Budget has proposed changes to the way they study the costs and benefits of regulations that will artificially inflate the benefits (Rauh, 2023).

In addition to hampering productivity and businesses’ overall success—with benefits that are dubious at best—overregulation directly harms American workers. Nearly half of manufacturers responding to the NAM survey said they would increase compensation for their workers if the federal regulatory burden decreased, and 43% said they would hire more workers (NAM, 2023b). Dollars that should be going directly into the pockets of hardworking American men and women are instead going toward pointless fines and consulting firms that help navigate confusing regulations.

Federal Regulations Continue to Increase

Unfortunately, the crushing amount of regulation coming from the White House shows no sign of slowing down. The Biden Administration’s release of the Spring 2023 Unified Agenda of Regulatory and Deregulatory Actions showcases the wide range of proposed rules on track to be finalized in 2024 (see examples in the table on p. 4). Many of these new rules are part of the Biden Administration’s green energy agenda (Politico, 2023) and will have job-crushing impacts. New regulations from the Environmental Protection

Agency (EPA) alone could put 852,100 to 973,900 current manufacturing jobs at risk (NAM, 2023d).

Table: A Sample of the Biden Administration's Proposed and Final Rules

Agency	Rule	Status
Council on Environmental Quality	Undo Trump's Reforms to the NEPA Process	Final Rule
Department of Energy	Limit Use of Gas Stoves	Proposed Rule
Department of Homeland Security	Allow More Immigrants to Utilize Government Welfare Programs	Final Rule
Department of Labor	Limit Independent Contracting	Proposed Rule
Department of Labor	Allow Fiduciaries to Consider ESG Factors in State Pension Investments	Final Rule
Environmental Protection Agency	Force Automakers to Increase Electric Vehicle Sales	Proposed Rule
Federal Housing Finance Agency	Increase Mortgage Fees for High-Credit Homebuyers to Subsidize Low-Credit Homebuyers	Final Rule
Securities & Exchange Commission	Require Publicly Traded Companies to Disclose Climate-Related Financial Metrics	Proposed Rule

One-third of U.S. manufacturers said that the outlook for the future of their firms right now was somewhat or very negative—an increase from earlier this year and the most negative reading of manufacturer sentiment since mid-2020, during the COVID-19 pandemic (NAM, 2023b). More than half expect a recession in the next year (NAM, 2023b).

Recent data from S&P Global confirmed these fears and showed that the manufacturing sector contracted in June 2023, in large part due to a lack of new orders from customers (S&P Global, 2023). The latest industrial production data from the Federal Reserve confirms that manufacturing output has declined for the last two months (Federal Reserve, 2023). Even more recently, in September 2023, the Institute for Supply Management released data that indicated a tenth straight month of contraction in manufacturing (Institute for Supply Management, 2023a). The group has suggested that the manufacturing sector might settle permanently at lower levels of production (Institute for Supply Management, 2023b).

These trends—and the lack of confidence they inspire—have a direct impact on manufacturers' plans to hire more workers and increase their pay. Manufacturers' predictions for growth in full-time employment, as well as pay increases, are the slowest they have been in two and a half years (NAM, 2023b).

An America First Agenda Promotes Workers and Businesses

An America First agenda focuses on unleashing the private sector to benefit both workers and their employers, especially small businesses. This starts with reducing the onslaught of federal regulations, which have sharply increased under the Biden Administration.

During his first month in office, President Trump issued an executive order requiring any agency proposing a new rule to identify two regulations that it would eliminate at the same time (Executive Order 13771, 2017). During its first year, the Trump Administration proposed the fewest rules on record and in 2019 recorded the lowest number of final rules in any administration since records have been kept (Crews, Jr., 2022). President Biden, on the other hand, rescinded Trump's deregulatory executive order on his first day in office, and the executive branch has produced economy-crushing new rules left and right for the last two and a half years.

The federal government must make a conscious effort to reduce red tape and work with American businesses to remove burdensome regulations that are shrinking workers' paychecks. Permitting reform—simplifying the process to apply for a permit and speeding up the approval process—would also be a significant benefit. Three-quarters of manufacturers stated that permitting reform would help them "hire more workers, expand their business or increase wages and benefits" (NAM, 2023b). America's regulatory environment should provide a level playing field for all businesses and allow workers to focus on producing the goods and services that grow the American economy, not on filling out paperwork or navigating complex new laws.

Along with making a concerted effort to reduce regulations, executive branch agencies should focus on what businesses are worried about: hiring, training, and retaining a high-quality workforce. Nearly three-quarters of manufacturers cited workforce needs as their top challenge (NAM, 2023b).

An America First agenda puts workers first, providing pathways to a fulfilling career for all Americans. This starts by expanding career and technical education and vocational training at the K-12 level, so that schools are introducing youth to a wide variety of career options—including many that don't require a four-year degree. The federal government should also streamline apprenticeship regulations to encourage industry to develop new apprenticeship programs, and states should invest in and promote these programs as excellent paths to well-paying jobs.

President Trump founded the National Council for the American Worker, a group that included administration officials, trade associations, private businesses, and labor representatives, to develop a national strategy for training and retraining workers. During the Trump Administration, 461 companies and trade groups signed the Pledge to America's Workers, "committing to expand programs that educate, train, and reskill American workers from high-school age to near retirement" (White House Archives, 2020). By signing the pledge, these companies committed to providing more than 16 million new education and training opportunities for American students and workers. This is the kind of action America needs: innovation and creativity from the private sector, not more government rules.

For occupations that require licenses, states should be sure not to require overly burdensome and unnecessary education and training for workers to obtain them, and they should easily recognize all licenses from out of state. Contracting regulations should allow workers and businesses to negotiate terms freely and privately, without government interference—individuals know what kind of employment situation will work best for them and their families.

Conclusion

The wave of overregulation coming from the Biden Administration is hurting American workers in manufacturing by leading to fewer jobs, lower pay, and a worse outlook for the future. Manufacturers of all sizes are spending more time worried about complying with new federal rules than they are on innovating, expanding, and hiring American workers. To reverse the tide, rather than continuing to propose new and harmful regulations, the administration should focus on cutting red tape and providing education and training opportunities for workers so that American manufacturing can thrive.

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