

The **Cost** of Federal Regulation to the **U.S.** **Economy,** **Manufacturing** and Small Business

(Executive Summary)

President's Message:

Manufacturers are the backbone of our nation's economy and employ more than 12 million men and women who make things in America. To maintain manufacturing momentum and encourage hiring, the United States needs government policies more attuned to the realities of global competition. Our regulatory system produces unnecessarily costly rules, duplicative mandates, impediments to innovation and barriers to our international competitiveness. Despite many initiatives and efforts to reduce the unnecessary regulatory cost imposed on businesses, the cumulative regulatory burden continues to expand.

The National Association of Manufacturers (NAM) has issued a new report that shows the macroeconomic impact of federal regulations. The study also reveals the extent to which manufacturers bear a disproportionate share of the regulatory burden, and that burden is heaviest on small manufacturers because their compliance costs are often not affected by economies of scale. The analysis finds that the average U.S. company pays \$9,991 per employee per year to comply with federal regulations. The average manufacturer in the United States pays nearly double that amount—\$19,564 per employee per year. Small manufacturers, or those with fewer than 50 employees, incur regulatory costs of \$34,671 per employee per year. This is more than three times the cost borne by the average U.S. company.

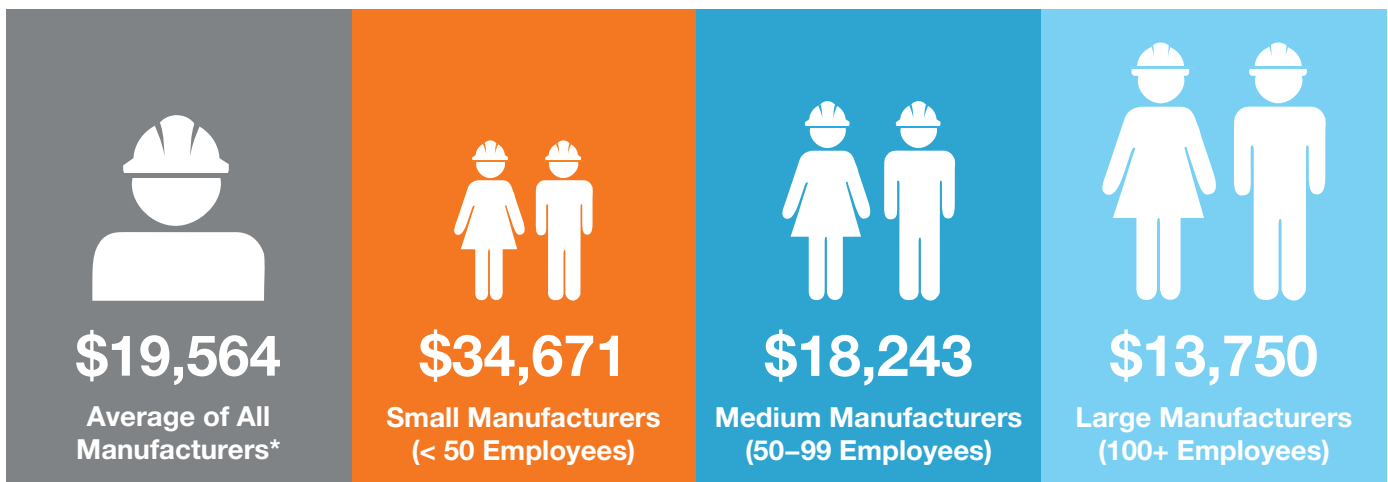
If we are to succeed in creating a more competitive economy, we must reform our regulatory system so that manufacturers can innovate and make better products instead of spending hours and resources complying with inefficient, duplicative and unnecessarily burdensome regulations. Manufacturers are committed to commonsense regulatory reforms that protect the environment and ensure public health and safety, while also promoting economic growth and job creation. The time is now for members of both parties to work together to reform our regulatory system.

Jay Timmons
NAM President and CEO

Some Key Findings:

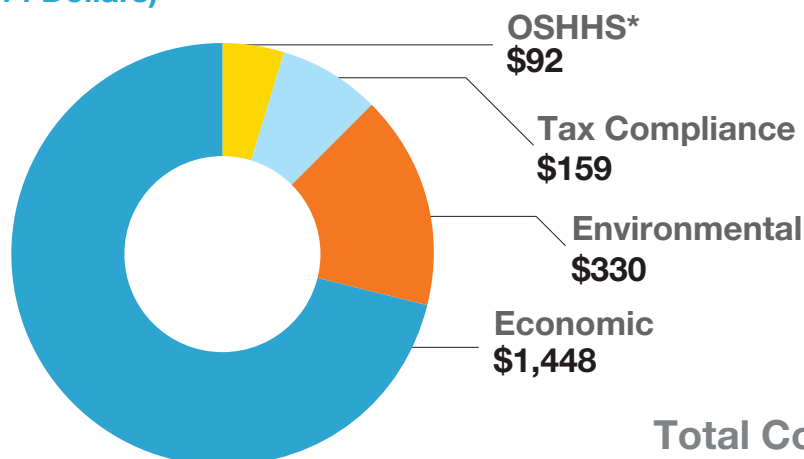
- **Total cost of federal regulations in 2012 was \$2.028 trillion (in 2014 dollars).**
- **The annual cost burden for an average U.S. firm is \$233,182, or 21 percent of average payroll.**
- **Eighty-eight percent of those surveyed say that federal regulations are a top challenge for their firm.**

Regulatory Compliance Costs per Employee per Year for Manufacturers, 2012 (in 2014 Dollars)



*The average compliance costs for manufacturers to comply with federal regulations (\$19,564 per employee per year) is nearly double the rate seen for all U.S. businesses (\$9,991 per employee per year). For small manufacturers with fewer than 50 employees, compliance costs per employee are more than three times the average of all firms.

Total Cost of Federal Regulations by Type, 2012 (in Billions of 2014 Dollars)



Total Cost: \$2.028 Trillion

*OSHHS stands for occupational safety and health and homeland security regulations.

i About the Study:

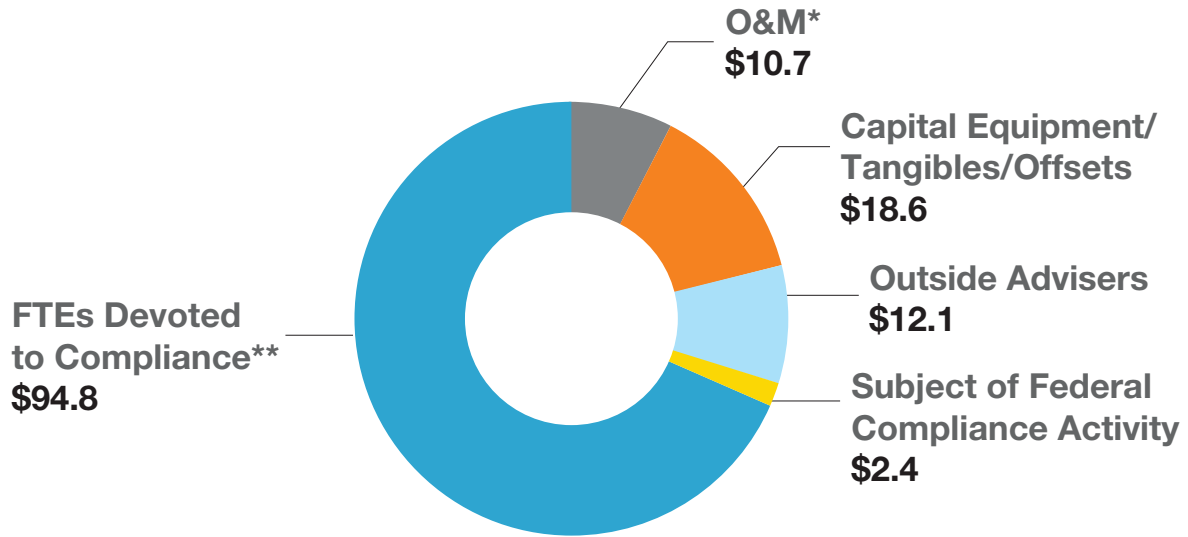
The NAM commissioned this analysis by economists Nicole V. Crain and W. Mark Crain, who estimated total federal regulatory costs reaching \$2.028 trillion in 2012 (in 2014 dollars). The conclusions identify significant burdens for manufacturers in the United States, particularly small manufacturers with fewer than 50 employees, who pay an estimated \$34,671 per employee per year to comply with federal regulations. The NAM study builds on previous analyses conducted by the authors for the U.S. Small Business Administration's Office of Advocacy. This study updates previous estimates of the cost of federal regulation using new and updated data and incorporates the findings of an extensive survey of NAM members that validate conclusions reached in the economic analysis.

Regulatory Costs in Small, Medium-Sized and Large Firms, 2012 (Cost per Employee per Year in 2014 Dollars)

Type of Regulation	All Firms	Firm Size		
		< 50 Employees	50-99 Employees	100+ Employees
Manufacturing				
Total	\$ 19,564	\$ 34,671	\$ 18,243	\$ 13,750
Economic	\$ 7,958	\$ 12,885	\$ 9,399	\$ 6,544
Environmental	\$ 10,497	\$ 20,361	\$ 7,625	\$ 6,239
Tax Compliance	\$ 295	\$ 378	\$ 346	\$ 269
OSHHS*	\$ 813	\$ 1,048	\$ 873	\$ 698
Totals (All U.S. Businesses)				
Total	\$ 9,991	\$ 11,724	\$ 10,664	\$ 9,083
Economic	\$ 6,381	\$ 5,662	\$ 7,464	\$ 6,728
Environmental	\$ 1,889	\$ 3,574	\$ 1,338	\$ 1,014
Tax Compliance	\$ 960	\$ 1,518	\$ 1,053	\$ 694
OSHHS*	\$ 761	\$ 970	\$ 809	\$ 647

*OSHHS stands for occupational safety and health and homeland security regulations.

Estimates of Direct Regulatory Costs on Manufacturers (in Billions of 2014 Dollars)



Compliance Expenditures: \$138.6 Billion

*O&M: operations and maintenance
 **FTEs: full-time equivalents

Source: NAM member survey

Survey of Manufacturers: What Would You Do with Funds Currently Allocated to Federal Regulatory Compliance?



*ROI: return on investment

Source: NAM member survey