



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

## ▶ EXECUTIVE SUMMARY

The National Association of Manufacturers has issued a new study that shows the macroeconomic impact of federal regulations. The total cost of federal regulations in 2022 is an estimated \$3.079 trillion (in 2023 dollars), an amount equal to 12% of U.S. GDP and larger than the manufacturing sector's entire economic output. The study also finds manufacturers bear a disproportionate share of the regulatory burden, and that burden is heaviest on small manufacturers. The analysis finds that the average U.S. company pays approximately \$13,000 per employee per year to comply with federal regulations. The average manufacturer in the United States pays more than double that amount, over \$29,000 per employee per year. The burden is even greater for small U.S. manufacturers, or those with fewer than 50 employees, which incur the highest regulatory costs of all U.S. firms: an estimated \$50,100 per employee per year. This is more than three times the cost borne by the average U.S. company.

For manufacturing firms, the cost of federal regulations is roughly \$350 billion, which is 26% higher than the inflation-adjusted cost of \$277 billion borne by manufacturers in 2012. The regulatory burden on the manufacturing sector is larger than the economies of 29 American states.

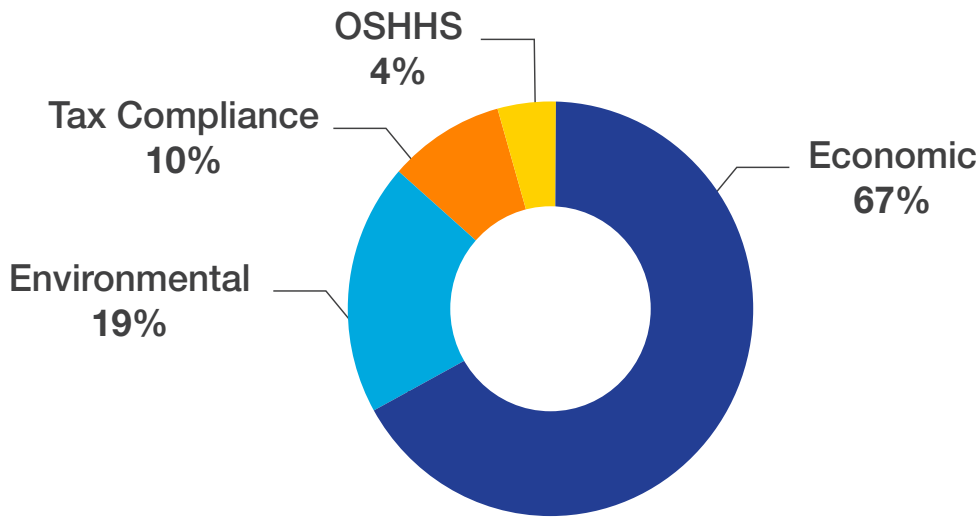
If we are to succeed in creating a more competitive economy, we must reform our regulatory system so that manufacturers are not exhausting time and resources to comply with inefficient, duplicative and unnecessarily burdensome regulations. Surveyed manufacturers indicate that they could enhance their competitiveness if the costs of federal regulations were reduced, reallocating current compliance funds toward employee compensation and hiring, investment, research and development, sales and marketing, enhancing price competitiveness and improving return on investment.

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.

### Key Findings:

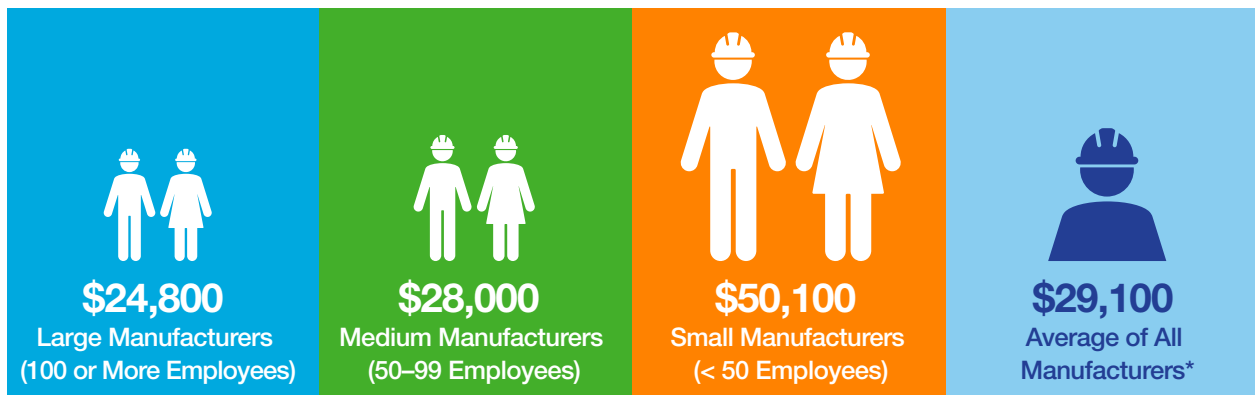
- ▶ The total cost of federal regulations in 2022 is an estimated **\$3.079 trillion** (in 2023 dollars), an amount equal to **12% of U.S. GDP**.
- ▶ The total annual cost of complying with federal regulations has risen by \$465 billion since 2012.
- ▶ The annual cost burden for an average U.S. firm is \$277,000, the equivalent of **19%** of the average firm's payroll expenses.
- ▶ A small manufacturing firm with 20 employees bears more than **\$1 million** in compliance costs.

Federal Regulatory Costs by Type, 2022 (in 2023 Dollars)



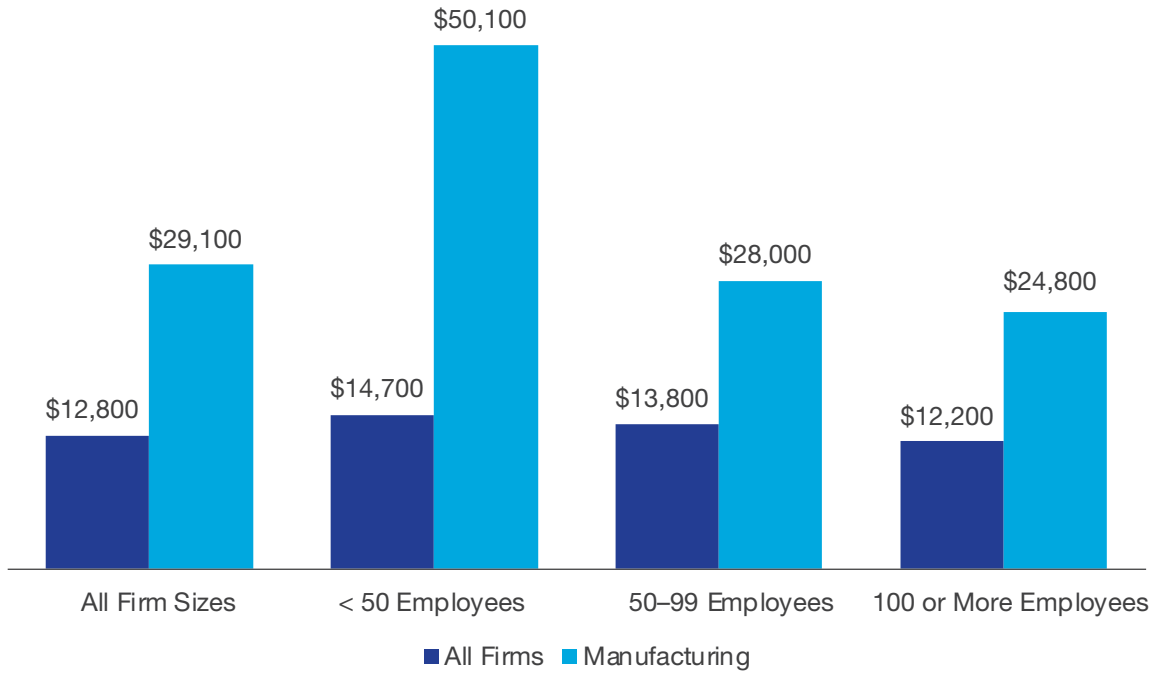
➤ Total Regulatory Burden = \$3.079 Trillion

Regulatory Compliance Costs per Employee per Year for Manufacturers, 2022 (in 2023 Dollars)



\*The average compliance costs for manufacturers to comply with federal regulations (\$29,100, per employee, per year) is more than double the rate seen for all U.S. businesses (\$12,800 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.

**Annual Regulatory Cost per Employee (in 2023 Dollars)**



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



\*ROI: return on investment

Source: NAM member survey

## Average Sectoral Regulatory Costs, 2022 (in 2023 Dollars)

Type of Regulations	Total Costs (Billions of Dollars)	Cost per Firm (Dollars)*	Cost per Employee (Dollars)**	Cost as a Share of Payroll (Percentage)
<b>Manufacturing</b>				
Total	\$ 349	\$ 1,458,000	\$ 29,100	40%
Economic	125	523,000	10,400	14%
Environmental	206	861,000	17,200	24%
Tax Compliance	6	24,000	500	1%
OSHHS	12	49,000	1,000	1%
<b>Trade</b>				
Total	\$ 186	\$ 203,000	\$ 8,500	17%
Economic	144	157,000	6,600	13%
Environmental	-	-	-	0%
Tax Compliance	22	25,000	1,000	2%
OSHHS	19	21,000	900	2%
<b>Services</b>				
Total	\$ 704	\$ 208,000	\$ 10,900	15%
Economic	536	159,000	8,300	12%
Environmental	1	300	18	0%
Tax Compliance	107	32,000	1,600	2%
OSHHS	60	18,000	900	1%
<b>Health Care</b>				
Total	\$ 124	\$ 184,000	\$ 5,800	9%
Economic	91	136,000	4,300	7%
Environmental	3	4,000	100	0%
Tax Compliance	12	18,000	600	1%
OSHHS	17	26,000	800	1%
<b>Other</b>				
Total	\$ 356	\$ 355,000	\$ 24,900	34%
Economic	137	137,000	9,600	13%
Environmental	172	171,000	12,000	17%
Tax Compliance	33	33,000	2,300	3%
OSHHS	14	14,000	1,000	1%
<b>U.S. Totals (All U.S. Businesses)</b>				
Total	\$ 1,718	\$ 277,000	\$ 12,800	19%
Economic	1,033	167,000	7,700	12%
Environmental	382	62,000	2,800	4%
Tax Compliance	181	29,000	1,300	2%
OSHHS	122	20,000	900	1%

**Notes:** Economic regulations are rules that govern decision-making in market transactions. These include markets for final goods and services; markets for physical and human resources; credit markets; and markets for the transport and delivery of products and factors of production. Environmental regulations would primarily be those regarding environmental protections. OSHHS stands for occupational safety and health and homeland security, and the costs expressed here are for the regulations in that space. Columns might not total due to rounding.

\* Rounded to nearest 1,000.

\*\* Rounded to the nearest 100.

## **i** About the Study:

The NAM commissioned this analysis by economists Nicole V. Crain\* and W. Mark Crain, who continued a three-decade effort to analyze the total cost of federal regulations and how the burden is distributed across sectors and firm sizes. Two approaches are employed: The first is a survey of NAM members, conducted from July 20 to Sept. 1, 2023, to collect information about operational expenses dedicated to regulatory compliance, extrapolating these findings to the sector; the second approach derives estimates based on an aggregation of federal agency cost estimates, combined with regression analysis that measures the impact on overall economic output. The cost allocations by sector and firm size rely on data from the Bureau of Economic Analysis, the Bureau of Labor Statistics, the Census Bureau and the Internal Revenue Service.

*\*The views expressed in this study are those of the authors and do not reflect the official policy or position of the National Defense University, the Department of Defense or the U.S. government.*

