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## **Fact Sheet on EPI Paper, *Regulation, Employment, and the Economy: Fears of job loss are overblown***

April 12, 2011

Government regulations concerning everything from financial markets to offshore oil drilling to food safety are often criticized as too costly and a threat to job creation. These claims come from corporate lobbyists and their allies in Congress, and the new House majority has made curtailing regulations a priority in the 112<sup>th</sup> Congress.

In *Regulation, Employment, and the Economy: Fears of job loss are overblown*, authors Isaac Shapiro and John Irons of the Economic Policy Institute review studies that compare the benefits of regulations to their costs, investigate whether regulations negatively impact the economy, and assess the studies that the federal government uses when formulating specific regulations. The available evidence, as discussed in their paper, shows that **public protections "do not tend to significantly impede job creation."**

First, in discussing the broad effects of regulations, the paper points out that any perspective that focuses only on the costs of these protections is one-sided and ignores the fact that **over decades, the benefits of federal regulations have significantly exceeded their costs.** For example, the paper notes:

- "Many regulations have the explicit intention and effect of aiding the economy and strengthening particular industries, thereby securing jobs."
- "In particular, a wave of deregulation and the belief that financial markets can 'self-regulate' played a major role in the collapse of the housing bubble and the ensuing financial and economic crisis. Eight million jobs were lost in the Great Recession."
- Congress requires the Office of Management and Budget (OMB) to assess and report each year the costs and benefits of federal regulations reviewed by OMB. "The latest OMB report includes information from 2000 to 2010 and finds that in every year during this period the benefits of the major regulations it reviewed substantially exceeded their costs. On average, the data suggest the value of the benefits were about seven times the size of the costs." OMB's annual reports consistently show that the benefits of public protections far outweigh the costs.
- A March 2011 report by the U.S. Environmental Protection Agency (EPA) (mandated by Congress) on the costs and benefits of the 1990 Clean Air Act Amendments "found that the economic costs were significant, amounting to \$53 billion in 2010 (expressed in 2006 dollars), according to the central estimate. But the central estimate of the value of the benefits from the Amendments was \$1.3 trillion, or 25 times the value of the costs. By the end of 2011, an estimated two million lives will have been saved by these Amendments."

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Second, in assessing the impacts of regulations on the economy, the authors note that in addition to some regulations being designed to specifically aid the economy and particular industries, **regulations "can lead to investments that create jobs, improve worker health and thus productivity, and spur important technological innovations,** among other positive effects on the economy and employment."

- Most of the studies examining the economy-wide impacts of regulations have focused on the impact of environmental regulations. These studies "have consistently failed to find significant negative employment effects."
- Studies examining the impacts of specific regulations on specific industries show that some regulations have a net positive effect on some industries and have cost jobs in other industries. Overall, "the preponderance of studies of various industries suggests that regulations have had a close to neutral effect or a moderately positive effect on employment levels."
- Since 2007, government data on "extended mass job layoffs" indicate that "only a very tiny fraction of such job layoffs (about 0.3 percent of the 1.5 million such layoffs each year) were *attributed by employers* to government regulations/intervention. Similarly, a study that reviewed job layoffs due to environmental regulations in previous decades found that such regulations caused much less than one percent of extended mass layoffs."

Third, before agencies adopt major regulations with economic impacts, they are required to conduct detailed cost-benefit analyses. Agencies collect estimates of the compliance costs from the entities expected to be impacted by the regulations. The reliability of those cost estimates has been studied extensively. In reviewing those studies, the paper notes that:

- **"The studies indicate that debates over regulations have often relied on exaggerated estimates of the compliance costs they will produce."** For example, a 2000 study and a subsequent 2006 study by Resources for the Future concluded that the government's cost estimates tended to be overstated. In the cases where cost estimates were found to be higher than estimates of actual compliance costs, they were at least 25 percent higher than the estimates supplied for the proposed rule.
- The Office of Technology Assessment (OTA) studied rules adopted by the Occupational Safety and Health Administration (OSHA). "The OTA study found, for example, that OSHA's rule on vinyl chloride cost only about one-fourth the predicted amount while its cotton dust rule cost less than one-third the predicted amount."
- The report most often cited by opponents of regulations concludes that the annual cost of regulations was more than \$1.75 trillion in 2008. This report and others on which it builds are methodologically flawed. The findings of the report in question cannot be replicated, and the cost estimates used for environmental regulations "rely solely on the high end of the range of cost estimates used by OMB, even though OMB emphasizes the importance of the range of costs, and even though the government's own cost estimates tend to be overstated."

"Careful review of the available evidence indicates that regulations do not tend to significantly impede job creation. To the contrary, the **evidence shows that an emphasis on deregulation can contribute to enormous economic dislocation,** and regulations have generally and consistently struck a reasonable balance, with their benefits to health, safety, and well-being far exceeding their costs," Shapiro and Irons conclude.