The Daily Dish

Checking in on the Regulatory Reforms

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Eakinomics: Checking in on the Regulatory Reforms

One of the least-appreciated aspects of the Trump Administration has been the remarkable extent to which it has stopped the onslaught of new regulations. While the Obama Administration increased the regulatory compliance burden by a cumulative $890 billion, the Trump Administration has brought this to a standstill. As noted by AAF's Dan Goldbeck, total costs so far from final rules in 2017 add up to $32.9 billion. For perspective, that's roughly one-fifth of the $148 billion in total regulatory costs imposed through the first week of November in 2016.

Much more work is scheduled for 2018. In his original executive order, President Trump tasked his Office of Management and Budget with developing a single, uniform framework for agencies to use when assessing the costs of a new regulation. This was intended to be a part of the effort to rein in regulatory expansion by assigning to each agency a regulatory budget; i.e., a maximum allowable increase in regulatory costs. As yet, these have not appeared, even though fiscal 2018 started on October 1, 2017. One anticipates that they will shortly, along with the Unified Agenda that lays out the comprehensive plan for regulatory and deregulatory activity.

Of course, not all regulatory reforms can be done by the executive branch alone. Comprehensive reforms like the Regulatory Accountability Act will require Congress to pass legislation. The same is true of some targeted regulatory changes. Eakinomics readers will recall that in an August 2015 decision the National Labor Relations Board (NLRB) created a legal and economic mess when it broadened the standard for "joint employer." It would be desirable to return to the former standard of requiring "direct control" before an employer-employee relationships was recognized.

The new "indirect control" standard threatens the franchise model, and franchises have been among the most dependable sources of job creation in the United States. An AAF report found that since 2010, franchise jobs have grown 3.4 percent annually, while in the rest of the private sector jobs have increased only 2 percent per year. In a follow-up report, AAF found that the new standard has been harmful to hotel employees, over one third of whom work for franchises. In the years leading up to the NLRB's decision, hotel employment grew 1.9 percent per year. After the decision, hotel jobs rose by only 1.1 percent — a 0.8 percentage point drop. Moreover, this decline was driven by a sizable drop in franchise job growth. Jobs in hotel franchises went from growing 1.8 percent annually in the years before the new standard, to growing just 0.4 percent after. Likewise, hotel worker wages, hours, and total compensation have all suffered since the NLRB's decision.

As emphasized by AAF's Ben Gitis, Congress needs to pass a law restoring the direct control standards. That would be a visible contribution, to join other soon-to-be-visible actions by the Administration, and ending the current regulatory lull.