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# DO MORE REGULATIONS EQUAL LESS SAFETY?

American business must comply with a lot of rules. There are over 165,000 pages of federal regulations, almost 20,000 of which were added in the past four years. One of the chief rationales for many regulations is safety, and, as Congress expands regulators' mandates, regulators concentrate on writing highly detailed and specific rules to cover perceived gaps in the law. For the sake of protecting the health and safety of workers and consumers, the federal government accepts the significant drag regulatory compliance puts on the U.S. economy and the burden it places on all businesses, but especially small ones.

Psychology, economics, and organizational science, however, suggest that too many regulations—particularly highly detailed regulations—may make society less, rather than more, safe. In "Regulatory Overload: A Behavioral Analysis of Regulatory Compliance," occupational psychologists and economists look at the behavioral effects of regulatory overload on businesses. They find that too many, and too detailed, regulations can reduce compliance, discourage innovation, and fuel uncertainty, ultimately making Americans less safe.

Below is a brief overview of the study's key findings. To read the paper in its entirety and learn more about its authors, please click here.

## REGULATORY OVERLOAD

Regulatory overload occurs when too many, and too detailed, regulations swamp businesses. The effects of these regulations are reduced compliance, less innovation, and increased uncertainty.

*Reduced Compliance.* Workers subjected to too many rules—some of which are overly complex, contradictory, outdated, or inapplicable to their specific jobs—often forget, cannot prioritize, or simply ignore many of them.

- Helpful rules become harmful if they obscure more important rules. For example, road signs announcing important, but relatively minor, risks can distract a driver long enough to miss the stop light.
- Regulators often try to address a wide range of industries and situations by writing very detailed "command-and-control," or prescriptive, rules.
  - The length and legalistic language of the regulations make it hard for businesses to decipher if, or how, these rules apply to them.
  - The rules that do apply directly often fail to capture the complexity of the problems businesses face.
- Even if there has been full regulatory compliance, something bad happening in an industry or a specific business often spurs even more rules and exceptions, further increasing the complexity of, and difficulty of complying with, the parts of the regulatory code applicable to each situation.

- When workers no longer see regulations as a means of promoting safety, they are less likely to comply; when they do comply, they often focus on passing inspections, rather than improving safety.
- Workers who see an increasing number of regulations as irrelevant to their jobs become less motivated to comply with any of the rules.

*Less Innovation.* When there are too many rules, particularly command-and-control rules, businesses may respond by becoming rigid and reactive. Instead of anticipating and addressing safety concerns, businesses become so preoccupied with following the rules that they fail to pursue innovative solutions to improve safety. The failure to innovate leads to more mistakes, which spurs more regulations, less innovation, less safety, more mistakes, another round of rules, and so on. In addition:

- When something unexpected happens, reactive businesses are less capable of solving problems. Instead, they simply wait for inspectors to tell them what to do.
- Financially, it often is more cost-effective for firms to invest in legal experts, to ensure regulatory compliance at the lowest possible cost, than in experts who can find the best solutions to the business' specific challenges.
- Attempting to comply with too many rules is harder for small businesses. Large businesses manage by complex internal procedures and can dedicate resources to compliance. Small businesses without internal bureaucracies must be as flexible as possible and cannot arrange their business around rigid external rules.
- When large businesses lobby to have their procedures adopted as rules, small businesses bear a disproportionate compliance cost—at least 30% higher per employee—and may be priced out of the market. This reduces competition and innovation, both in general and in the realm of safety.

*Increased Uncertainty.* Businesses face an on-going climate of uncertainty fueled by too many vague, broad, and overly complex rules. This uncertainty suppresses investment and growth across the economy, and is particularly harmful for small businesses.

- The sheer volume of rules on the books today creates uncertainty; but the situation is made much worse by the fact that no rule ever is "final." Particularly when regulators use command-and-control techniques, there will be more rules that change more often.
- Uncertainty often leads to paralysis. Businesses delay investments, even in safety improvements, so as to see what regulators will do next. For example, a nuclear power plant might not install a new safety system because regulators might later specify a different, though not necessarily better, technical standard.

## SOLUTIONS

In the attempt to better protect workers, consumers, and the environment, regulators write ever more, and ever more prescriptive, rules. But evidence suggests that constantly expanding the regulatory code has the opposite effect: the difficulty of complying with such complex regulations makes Americans less safe.

Simplifying and clarifying the regulatory code would go a long way toward improving safety. Specifically, regulators can eliminate rules that are no longer needed and keep rule books shorter with clear compliance priorities. They also can focus on defining required *outcomes*, rather than detailing activities. This would return to businesses and workers the behavioral and financial incentives to find the best solutions for their specific, ever-evolving set of challenges—and the responsibility to do so.

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