

## No Winners Circle Under New Labor Regulation

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The equine industry is coping with a trifecta of challenges—lingering effects of inflation, weather patterns that jeopardize forage and feed supplies, and now a new regulation issued by the U.S. Department of Labor which will cause hardship to many workers and employers.

What's at stake is how the government defines employees versus independent contractors. Many stables and equine-related businesses employ a mix of the two worker categories. Successfully. That may not be the case after March 11, 2024, when the [Employee or Independent Contractor Classification Under the Fair Labor Standards Act](#), kicks into effect.

The regulation replaces the previous, simpler, process of employee classification with a complex, confusing and subjective [six-point checklist](#) to determine if workers should be reclassified as employees or independent contractors. For employers this means significant increases in payroll costs to cover overtime pay, minimum wage, unemployment insurance and Social Security benefits. For workers, it means a loss of flexibility, portability, and training opportunities.

The Department of Labor believes employers were taking advantage of workers under the prior regulation. They claim the new standards will reduce the risk of misclassification of independent contractors while providing a consistent approach for businesses that engage with individuals who are in business for themselves.

Perhaps a well-intentioned concern, it is a solution in search of a problem. The fact is, federal and state governments currently have the ability to adjudicate labor disputes. What they seemingly don't have is a grasp of how employers and workers can sort out compensation and benefits in a mutually beneficial manner without government interference.

Take for example, our industry. According to the 2023 American Horse Council (AHC) Economic Impact Study, the equine industry added a total value to the U.S. economy of \$177 billion and accounts for 2.2 million jobs. Within the recreational sector, our footprint is significant. The Bureau of Economic Affairs ranks equestrian recreation in the top 10 conventional outdoor recreation activities by current dollar value added for 2021-2022. Independent contractors are a major part of this equation. Some of the jobs that would be most affected by this new regulation include farriers, trainers, jockeys, braiders, veterinarians and others who provide services to stables and the small businesses that support the industry.

It is impossible to predict the burden of this regulation on all segments of the equine industry, but there's no doubt it will result in additional compliance costs and financial expenditures. There are also indirect costs for re-organizing business operations.

AHC reached out to several sectors asking employers and workers about their expectations of how this regulation may impact them. We came back from these conversations with a great deal of concern. For example, what will this regulation mean for apprenticeships? The farrier sector

relies heavily on apprenticeships, where aspiring farriers learn the trade by observing and assisting under a watchful eye. If farriers are compelled to re-structure apprenticeships, the number of opportunities for critical on-the-job training will dry up. As one farrier said, “There are also consequences for horse welfare. If we have to limit apprenticeships, it’s the horses that will suffer.”

Another unintended consequence is how the reclassification would impact employment opportunities for small and family enterprises. A barn owner in Ocala, Florida responded, “I think this law will encourage small farms to hire more undocumented workers. It’s no longer possible to hire someone for part-time work or by the job. We have a hard enough time paying our own health insurance, let alone retirement benefits.”

There are ramifications for younger workers. Training barns rely on working students to help condition and care for horses. These programs offer opportunities to gain knowledge and skills to decide if working with horses is a suitable career path. Often, part of their compensation is access to top trainers for themselves and their horses. These are wonderful opportunities that may be denied to a new generation of young equine professionals. AHC is also concerned about how it might impact vocational training programs offered by community colleges and other preparatory educational organizations that place students in paid internships.

A study by the CATO Institute, [Empowering the New American Worker](#), puts it into perspective, with the observation that “complex federal, state, and local rules governing employee compensation can deny workers the ability to determine the mix of pay and benefits that best reflects their priorities. Even worse, these laws and regulations can result in less total compensation, less schedule flexibility, fewer employment opportunities, and decreased mobility—thus harming the very workers the policies are intended to help.”

Opposition to the regulation is growing. Senator Bill Cassidy, M.D. (R-LA), ranking member of the Senate Committee on Health, Education, Labor and Pensions announced he is pursuing revocation of the regulation through the Congressional Review Act. Businesses have formed a coalition and filed a legal challenge seeking to block implementation.

The starting gun has been fired in our race to obtain relief from this regulation. Hopefully, we’ll soon return to the winner’s circle of providing employment opportunities that make sense to both employers and workers.

The American Horse Council represents individual members, small businesses, and more than 130 equine organizations before Congress and federal regulatory agencies.