

# Manufacturing Strategy

## For Jobs and a Competitive America

January 2011

Manufacturing Means ***JOBS!***



## **The Facts About Manufacturing in the U.S.**

- The United States is the world's largest manufacturing economy, producing 21 percent of global manufactured products. Japan is second at 13 percent and China is third at 12 percent.
- U.S. manufacturing produces \$1.6 trillion of value each year, or 11.2 percent of U.S. GDP.
- Manufacturing supports an estimated 18.6 million jobs in the U.S. — about one in six private sector jobs. Nearly 12 million Americans (or 9 percent of the workforce) are employed directly in manufacturing.
- In 2009, the average U.S. manufacturing worker earned \$74,447 annually, including pay and benefits. The average non-manufacturing worker earned \$63,507 annually.
- U.S. manufacturers are the most productive workers in the world — twice as productive as workers in the next 10 leading manufacturing economies.
- U.S. manufacturers perform half of all R&D in the nation, driving more innovation than any other sector.

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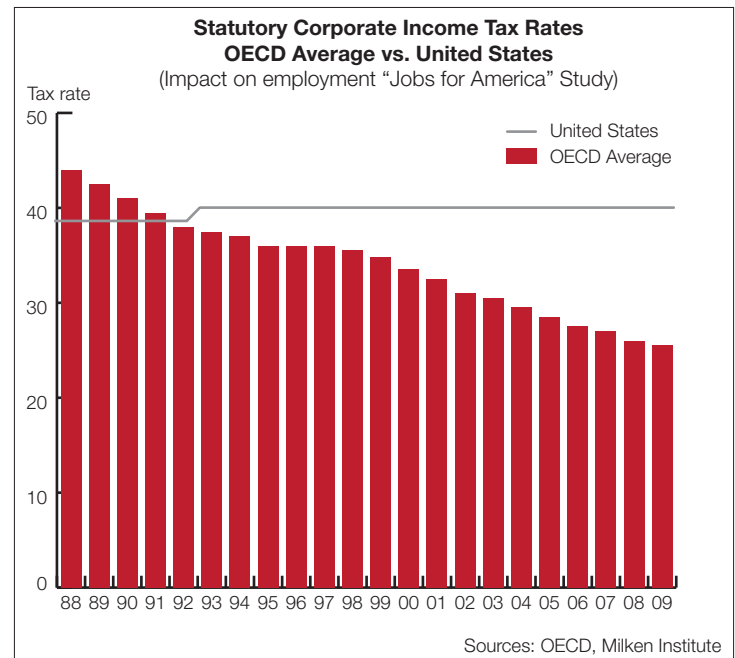
## The United States Will Be the Best Country in the World to Headquarter a Company.

Manufacturing today is global and mobile. Companies often enjoy an array of attractive choices when deciding where to locate their headquarters, do their research or build new facilities. While the use of government incentives is commonplace today, a country's or state's business climate itself ultimately determines where a company will be located.

As a springboard for future economic growth, investment and jobs, manufacturers believe the United States must seek to be the best country in the world in which to locate a manufacturing company's headquarters. To do so, the National Association of Manufacturers (NAM) supports these policies and actions:

✓ **Create a national tax climate that does not place manufacturers in the United States at a competitive disadvantage in the global marketplace. A pro-manufacturing tax policy must first acknowledge that when Congress raises taxes, it makes manufacturers in the U.S. less competitive:**

- Reduce the corporate tax rate to 25 percent or lower without imposing offsetting tax increases.
    - The United States now has the second highest statutory corporate tax rate among the major industrial countries in the Organization for Economic Cooperation and Development (OECD), trailing only Japan. Other countries have been regularly lowering their tax rates to encourage economic growth. A recent analysis by the Milken Institute, "Jobs for America," concluded that reducing U.S. corporate income tax rates to the current average of OECD countries would stimulate growth in the manufacturing sector and create more than 2 million jobs by 2019.
  - Promote fair rules for taxation of active foreign income of U.S. based businesses.
    - The United States is unique among major industrial nations in taxing a company's global income — as opposed to a territorial tax system. This feature of the U.S. tax code poses special challenges when it comes to global investment decisions and the return of foreign profits to the United States.
  - Institute permanent lower tax rates for individuals and small businesses.
    - Small businesses are responsible for the bulk of new jobs created in the United States, and tax policy should support the capital formation that encourages new businesses and expansion. Capital gains, accelerated depreciation and expensing and estate taxes are also areas where long-term lower tax rates strengthen manufacturing and job creation.
- ✓ **Encourage the dynamic labor market that is one of America's great competitive advantages. Companies must move quickly to meet the demands of a rapidly changing marketplace, and the continuing expansion of federal mandates and labor regulations undermines employer flexibility. In addition, increasing costs discourage the hiring of new employees. To encourage competitiveness, the United States should:**
- Reject new federal regulations that dictate rigid work rules, wages and benefits and that introduce conflict into employer-employee relations.
    - Oppose the Employee Free Choice Act in any form, including individual provisions such as forced arbitration and snap elections.
    - Resist National Labor Relations Board (NLRB) rulemaking that overturns the long-established balance in management-labor relations.



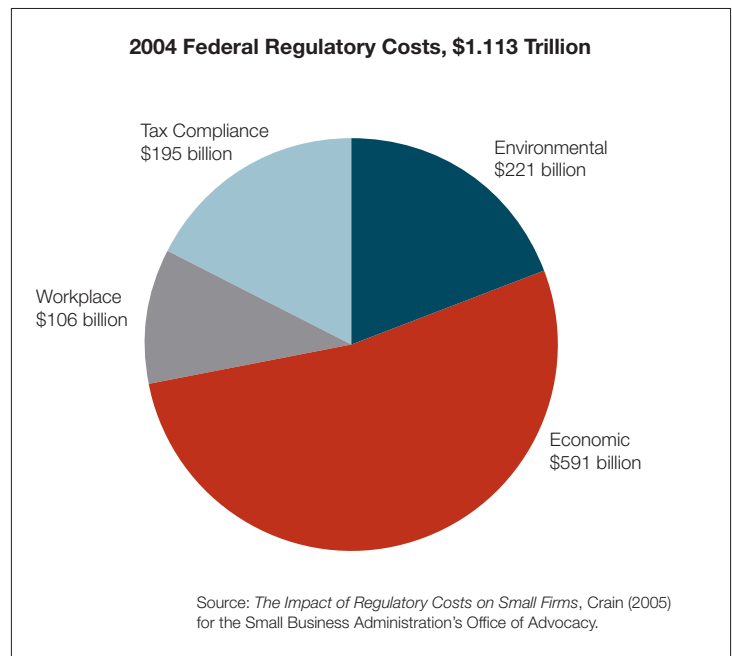
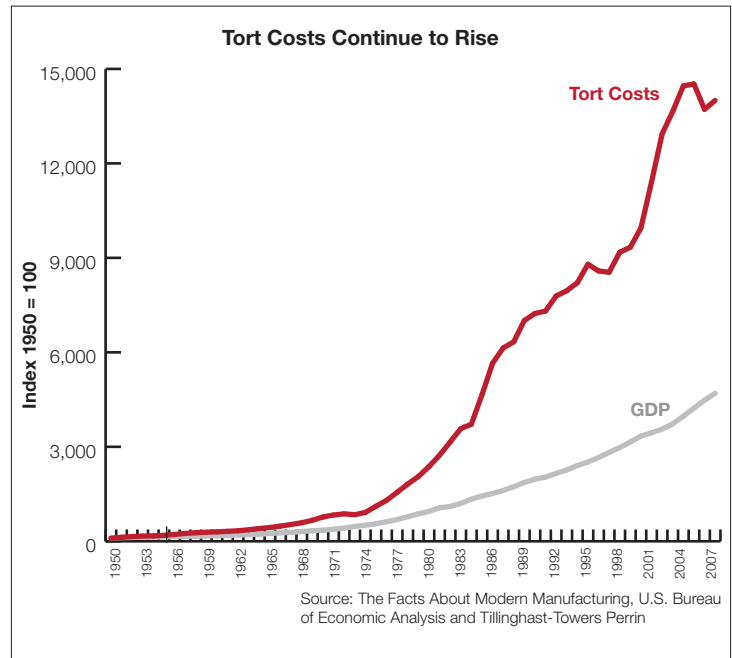
- Support initiatives at the Occupational Safety and Health Administration (OSHA) and other oversight agencies that encourage employers and employees to join in cooperative efforts for safer working environments.
- Recognize and promote the voluntary efforts of employers to meet the needs of individual employees through flexible work schedules and benefit arrangements.

✓ **Implement a common-sense, fair approach to legal reform. Direct tort costs account for almost 2 percent of GDP in the United States – the highest in the world – and our system of “jackpot justice” injects damaging risk and uncertainty into the business climate. A manufacturing strategy will bring legal costs under control to end that disadvantage:**

- Restore fairness in our legal system. Provide clear standards for liability and justice for all parties, including specific statutes of limitations, sanctions on frivolous claims and limits on punitive damages.
  - Preserve federal pre-emption for federally approved products in national commerce, preventing use of litigation in 50 state courts to function as de facto regulators.
  - Oppose special-interest legislation that incentivizes and subsidizes litigation against manufacturers, such as tax deduction for contingency lawsuits.
  - Maintain the force of the Class Action Fairness Act.

✓ **Create a regulatory environment that promotes economic growth. For laws that affect manufacturers, there are often scores of regulations that impose substantial compliance costs – burdens often never anticipated by the lawmakers who passed the legislation. The Small Business Administration’s Office of Advocacy has estimated that regulatory compliance costs amount to \$1.1 trillion annually. A pro-growth regulatory environment should:**

- Balance costs and benefits of regulation, preventing the imposition of regulatory burdens that are counter-productive or force businesses to close.
- Defend the policymaking role of Congress by opposing its circumvention through regulatory rulemaking. For example:
  - Reject the Environmental Protection Agency's (EPA) efforts to exceed its authority when it seeks to establish national economic policy through greenhouse gas regulations.
  - Resist expansion of the Federal Trade Commission’s (FTC) authority that would give the FTC broad new powers over nearly every sector of the U.S. economy.



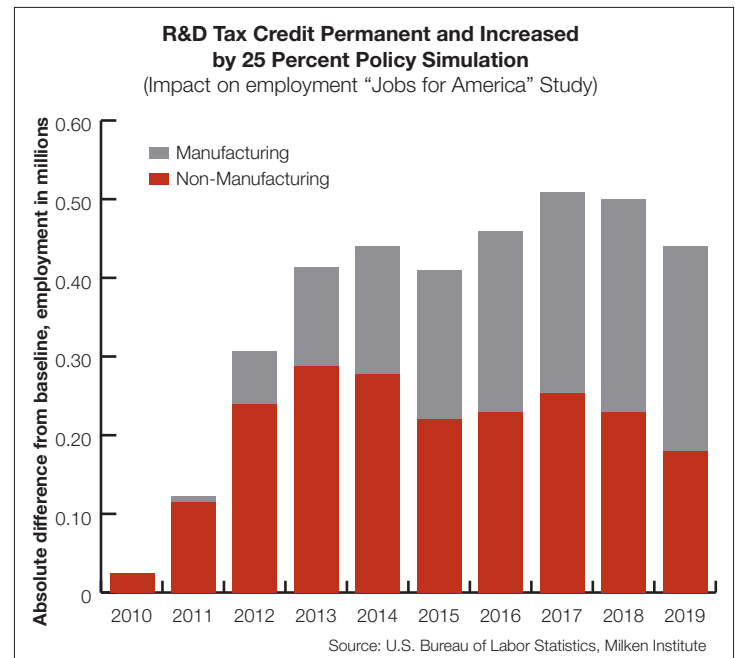
## The United States Will Be the Best Country in the World to Innovate, Performing the Bulk of a Company's Global Research and Development.

Innovation has long helped manufacturing in the United States maintain its global leadership. Between 2000 and 2006, manufacturing productivity increased annually by an average of 3.8 percent, primarily due to innovation and technological advances spurred by research and development (R&D).

A long-term *Manufacturing Strategy for Jobs and a Competitive America* will further investment in the research, ideas and people who produce innovation. R&D is, as the Commerce Department's Manufacturing Council phrased it, "the single most important source of technological advancement leading to higher productivity."

### ✓ Enact tax provisions that will stimulate investment and recovery, including:

- Strengthen and make permanent the R&D tax credit. Manufacturers in the United States need the certainty and incentives provided by a permanent and robust research and development tax credit.
  - The Milken Institute's "Jobs for America" analysis reported that increasing the R&D tax credit by 25 percent and making it permanent would enhance American innovation: By 2019, real GDP would rise by 1.2 percent (or \$206.3 billion) and 270,000 manufacturing jobs would be created. President Obama has called for a permanent R&D tax credit, and members of both parties of Congress support it.



### ✓ Encourage the federal government's continued critical role in basic R&D by:

- A continued focus by the federal government on basic R&D that expands the knowledge base, spurring private-sector R&D as well as later commercial development. Innovation is served by robust funding for federal research agencies as well as financial support for public- and private-sector research.

### ✓ Recognize intellectual property (IP) as one of America's competitive strengths that must be defended at all levels, domestically and globally. U.S. IP is worth between \$5 trillion and \$5.5 trillion, yet the continuing trade in counterfeit products results in the loss of hundreds of thousands of jobs annually. The Strategy should:

- Support enhanced efforts against counterfeiting through Executive Branch agencies, including Treasury, Justice and Customs and Border Protection.

### ✓ Attract the best talent from here in the United States and from the entire world:

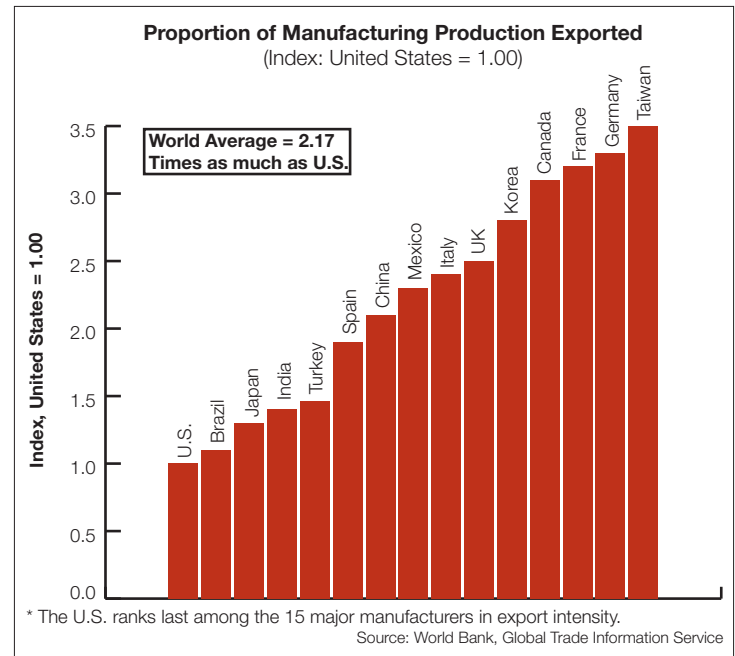
- Support substantial increases in the number of employer-sponsored visas.
  - Between 1995 and 2005, immigrants founded or co-founded 25 percent of all U.S. high-tech firms. Reform of U.S. immigration law regarding legal immigrants is essential to the nation's competitiveness. Such reform must include increases in the numbers of employer-sponsored permanent visas, streamlined and simplified procedures for the temporary or non-immigrant visas, and other changes to enhance flexibility in responding to employer demands.

## The United States Will Be a Great Place to Manufacture, Both to Meet the Needs of the American Market and Serve as an Export Platform for the World.

Manufacturing shipped a record \$5.8 trillion in 2008 (\$1.6 trillion in value added) and provided 11 percent of the nation's GDP. Exports of manufactured goods have driven the 2009-2010 economic recovery. An effective manufacturing strategy will promote domestic manufacturing that serves the U.S. and the increasingly integrated North American markets, while also supporting companies that export and expand abroad to serve foreign markets. In both cases, maintaining a strong manufacturing base requires a comprehensive energy strategy, robust infrastructure investment and skilled employees.

✓ **Promote progressive international trade policy that opens global markets, reduces regulatory and tariff barriers and reduces distortions due to currency exchange rates, ownership restrictions and various “national champion strategies.” Specifically, a progressive trade policy will:**

- Enact pending trade agreements and negotiate additional agreements in the Pacific area and elsewhere.
  - Fifty-seven percent of all U.S. exports of goods and services are manufactured goods. Trade agreements reduce the barriers to U.S. exports and are a proven benefit to manufacturers. Over the past two years, manufacturers in the U.S. sold nearly \$50 billion more in manufactured goods to our free trade partners than we bought from them.
- Promote a World Trade Organization (WTO) Doha Round result that will slash tariffs and non-tariff barriers.
  - The United States must become more engaged in negotiating and enacting trade agreements, while pursuing multilateral action (such as the WTO Doha Round negotiations) that comprehensively — and fairly — reduce trade barriers to manufacturing exports.



✓ **Modernize the United States' outdated export control system to encourage exports and strengthen national security:**

- The current export control system unnecessarily limits the development and sale of U.S. high-tech products commercially available elsewhere.
  - The Milken Institute's analysis, “Jobs for America,” reports that modernizing export controls on commercially available technology products could expand real exports of goods and services by 1.9 percent (or \$56.6 billion) and create 340,000 jobs by 2019.

✓ **Assist and energize exporting by small and medium-sized manufacturing through expanded export promotion programs as well as export credit assistance for both small and large firms:**

- The United States has many effective but underfunded tools to help manufacturers export, such as trade fairs, marketing assistance and the Export-Import Bank.

✓ **Create a comprehensive energy strategy that embraces an “all of the above” approach to energy independence:**

- Encourage production of baseload electricity — the dependable power that is critical to manufacturing processes — including traditional (coal, hydropower and natural gas), nuclear and renewable and alternative fuels.
- Reduce dependence on foreign energy by increasing domestic supply: Expand production of oil and natural gas by lifting the moratorium on Outer Continental Shelf development, and encourage development of shale gas.

✓ **Promote policies that protect the environment, encourage additional investment and innovation, and recognize the global scope of many environmental issues:**

- Establish federal climate change policies that reduce greenhouse gases while maintaining a competitive playing field.
  - A comprehensive approach toward reducing greenhouse gas emissions is critical. A unilateral, U.S.-only approach toward this global issue could have a severe, anti-competitive effect on manufacturers in the U.S. and the entire economy.
- Pursue legislation that pre-empts regulatory efforts, state and local laws, regional programs and related litigation.
  - Manufacturers need policies that remove market barriers to achieving energy efficiency and create incentives for emissions reduction at a net economic gain. EPA's regulation of greenhouse gas emissions under the Clean Air Act circumvents the policymaking branch of government and Congress and reflects an extreme approach that would damage the ability of manufacturers in the U.S. to create jobs and compete globally.
- Support the deployment and development of new, energy-efficient and environmentally friendly technologies that will add jobs while improving our environment.

✓ **Invest in infrastructure to help manufacturers in the United States more efficiently move people, products and ideas:**

- Support innovations that include capital budgeting, private investment bonding, environmental permit streamlining and flexibility to the states as part of a comprehensive infrastructure strategy.
  - The long-term reauthorization of surface transportation funding should be a priority for both immediate job creation and long-term competitiveness.
  - Authorize, invest in and accelerate the development of a satellite-based Next Generation Air Transportation System.
  - Encourage high-speed communications and innovation through broadband infrastructure investment.

The Milken Institute's Analysis,  
"Jobs for America"

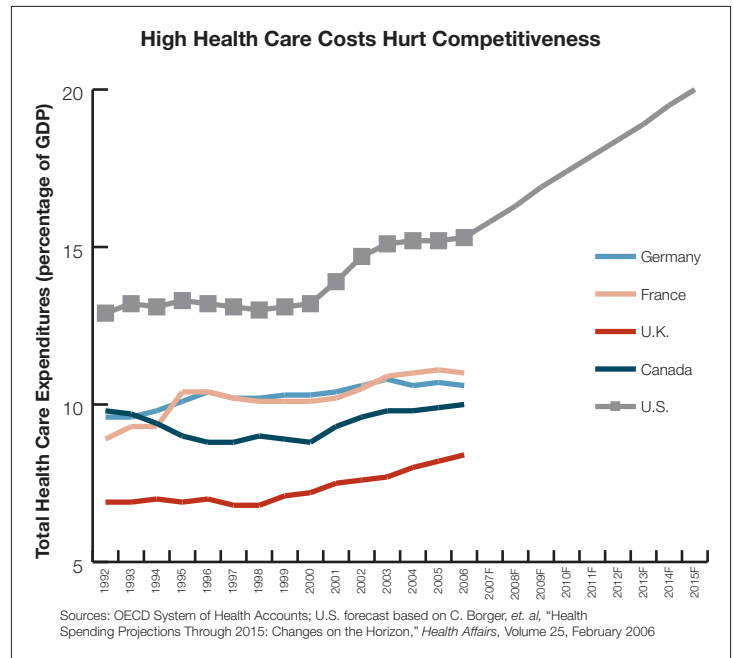
- Estimates that highway and transit investment of \$225 billion over three years will create a total of 6.2 million jobs, \$238 billion in earnings and \$775 billion in output.
- Projects that NextGen investment of \$10.4 billion over three years will create a total of 181,900 jobs, along with \$9 billion in earnings and \$32 billion in output.
- Estimates that broadband infrastructure investment of \$55 billion will generate a total of nearly 1.1 million jobs, \$44 billion in earnings and \$158 billion in output.

✓ **Encourage innovation through education reform, improvement and accountability:**

- Invest in science, technology, engineering and math (STEM) education.
  - Manufacturing increasingly requires a skilled workforce able to build on strong fundamentals in math, science and analytical abilities to adapt to new technologies and rapidly changing manufacturing processes. Unfortunately, skills gap surveys consistently underscore how a majority of manufacturers in America are facing a serious shortage of qualified employees.
- Improve the quality of education in early childhood, primary, secondary and post secondary school systems.
  - Promote a system of nationally portable, industry-recognized skills credentials — an approach that provides employers with the certainty that they are hiring a skilled technical workforce, at the same time providing expanded opportunities for workers regardless of whether they are new or transitioning to new careers.

✓ **Support health care reform that drives down costs:**

- Contain the cost of health care by building upon the existing employer-sponsored health care system without jeopardizing or mandating plan design.
  - The health care law passed by Congress in 2010 must be continually assessed for its effectiveness, cost and unintended consequences.
  - Regulations to implement the law must be fully transparent and must not add new employer mandates and costs.



## The Future is Now

Each of the priorities and policy recommendations included in this *Manufacturing Strategy for Jobs and a Competitive America* would improve the ability of manufacturers in the United States to compete in the global marketplace. But the power of the recommendations grows when considered and enacted as a whole — as a comprehensive strategy.

The United States is the strongest, largest and most productive manufacturing economy in the world. But our competitors want to take our place, and their national governments dedicate themselves to this goal with resources and strategic planning. America must do better.

We want the United States to be the best place in the world to headquarter a business. The United States should be the best place to innovate and do the bulk of a company's global research and development. And the United States should be a great place to manufacture for the North American market and to serve as an export platform for the global market.

The United States should be the greatest place in the world to be a manufacturer and to be a manufacturing employee. If put into effect, the *Manufacturing Strategy for Jobs and a Competitive America* will help achieve this critical goal for our nation.

# Manufacturing Policy Checklist:

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- ❑ **Create a pro-manufacturing tax climate:** Reduce the corporate tax rate to 25 percent or lower, promote fair rules for taxation of active foreign income of U.S.-based businesses, institute permanent lower tax rates for individuals and small businesses
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- ❑ **Create a regulatory environment that promotes economic growth:** Balance costs and benefits of regulation, preventing the imposition of regulatory burdens, defend the policymaking role of Congress by opposing its circumvention through regulatory rulemaking

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- ❑ **Recognize intellectual property as one of America's competitive strengths that must be defended at all levels, domestically and globally:** Support enhanced efforts against counterfeiting through Executive Branch agencies
- ❑ **Attract the best talent** from here in the United States and from the entire world

## The United States Will Be a Great Place to Manufacture, Both to Meet the Needs of the American Market and Serve as an Export Platform for the World.

- ❑ **Promote progressive international trade policy** that opens global markets and reduces regulatory and tariff barriers due to currency exchange rates, ownership restrictions and various "national champion strategies"
- ❑ **Modernize the outdated U.S. export control system** to encourage exports and strengthen national security
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- ❑ **Promote policies that protect the environment,** encourage additional investment and innovation, and recognize the global scope of many environmental issues
- ❑ **Invest in infrastructure** to help manufacturers in the United States more efficiently move people, products and ideas
- ❑ **Encourage innovation** through education reform, improvement and accountability
- ❑ **Support health care reform** that drives down costs

