

MANUFACTURERS' AGENDA FOR ECONOMIC GROWTH AND AMERICAN EXCEPTIONALISM

COMPETING TO WIN



DREAM ▶ MAKE ▶ BUILD ▶ INNOVATE



UNITING FOR AMERICAN EXCEPTIONALISM

Shortly after the historic 2016 presidential election, then-Gov. Mike Pence visited the National Association of Manufacturers (NAM) to deliver a message from the president-elect. He pledged that the Trump administration “will work to bring manufacturing all the way back” —creating new jobs and new opportunities here in the United States.

To achieve this mission, he recognized the importance of the four core values that make America an exceptional nation and guided us at the NAM in crafting manufacturers’ policy agenda, “Competing to Win.”

The first of these is free enterprise: market forces that drive innovation and growth better than any system ever conceived.

The second is competitiveness: our ability to expand markets and succeed in the global economy.

The third is individual liberty: the creativity and entrepreneurship unleashed by protecting, defending and advancing our basic freedoms.

And the fourth, equal opportunity: our shared belief that every one of us can contribute to the success of our companies, our communities and our country.

As manufacturers, we live these values. And, as the vice president expressed, these ideals will make

America more competitive for manufacturing and business and will make our nation a more competitive place for more jobs. “Competing to Win” is the policy roadmap by manufacturers and for our nation that identifies how to put these values into practice—to lift everyone up and leave no one behind.

Change is coming to Washington, D.C., and that means our elected leaders have a tremendous opportunity to advance the promise of manufacturing in the United States and, therefore, the hopes and dreams and aspirations of all Americans.

Manufacturing is more than just technology and machines; our industry is about people and the potential we can unleash. Now is the time to embrace a new and better chapter for manufacturing to protect and preserve American Exceptionalism—the notion that more than any country, we are defined not only by our past but also by our future. That is what is at stake, and that is why we need the right agenda.

Jay Timmons
President and CEO
National Association of Manufacturers



MANUFACTURING SOLUTIONS

From our founding, the National Association of Manufacturers (NAM) has been in the business of being the solution.

In 1895, when the United States was in the middle of a deep recession, a group of the nation's manufacturing leaders founded the NAM to promote the exporting of our products to other countries. The NAM was instrumental in the founding of both the U.S. Department of Commerce and the U.S. Chamber of Commerce. And during the Great Depression, the NAM began a 13-year campaign to educate the country about the vital role of manufacturing. In the decades that followed, the NAM launched the television program "Industry on Parade." We led trade missions and helped drive the successful economic agenda of the 1980s.

Manufacturers always rise to the occasion. As leaders in the knowledge economy, we don't just identify problems; we innovate and build solutions. It is true on the shop floors, in research and development labs, at software firms and in the many other state-of-the-art modern manufacturing sites across America. And it is true at the NAM.

Today, following an election animated by Americans' support for manufacturing, our country has the chance to revitalize and reinvigorate manufacturing in the United States. And by doing so, we can ignite innovation, accelerate job growth and achieve sustained economic prosperity for generations to come.

We can bring people together around solutions that will upscale jobs and raise standards of living. Too often, our country feels divided. Manufacturers want to do our part to unite our nation—and to be the solution.

"Competing to Win" offers our leaders a clear direction forward. The policies outlined here will dramatically improve the business climate in the United States, helping to rebuild our country and securing our position as the strongest and greatest nation in the world.

It is time to get to work.

David Farr
Chairman and CEO, Emerson
NAM Board Chair

WHAT IS MANUFACTURING TODAY AND TOMORROW?

If manufacturing in the United States were its own country, it would be the ninth-largest economy in the world. Our industry contributes \$2.17 trillion to the U.S. economy annually, employing more than 12 million Americans and supporting more than 6 million additional jobs indirectly.

In short, it is hard to overstate manufacturing's importance to our nation, and we have a disproportionate responsibility to keep our economy humming.

But we are about more than facts and figures and bottom lines. We are the innovators, inventors, entrepreneurs and disruptors who are improving lives and transforming the world.

Today's manufacturing does not always look like yesterday's. Manufacturing means cancer-fighting and lifesaving medicines; it's new breakthroughs in food safety and new technology helping to feed the world.

Modern manufacturing means unmanned vehicles providing surveillance and disaster relief. It means the defense equipment keeping our men and women safe as they defend our country and our freedoms.

Modern manufacturing means everything from turning recycled materials into sustainable products to 3D-printing, robotics and the fascinating world of the Industrial Internet of Things—the network of “smart,” connected products that now includes our phones, our fridges, our cars and so much more.

Modern manufacturing encourages and values creativity, offers diverse career paths, lifelong learning and above-average salaries. And skilled manufacturing workers are in high demand, especially those with programming or technological expertise.

In short, keeping America strong means strengthening manufacturing in America, and that requires responding to the many challenges we face. They are difficult but not insurmountable.

Pursuing the right strategies and public policies, as outlined in this document, will empower manufacturers to offer amazing opportunities to a new generation. And it will ensure America continues to compete, to win and to lead the world.

 **Americans understand the importance of manufacturing to our country. Throughout our nation's history, innovation has unleashed new technologies that have transformed our world and improved our lives, putting millions of people to work and driving economic growth.”**

—Dennis Muilenburg, *Chairman, President and CEO, The Boeing Company*



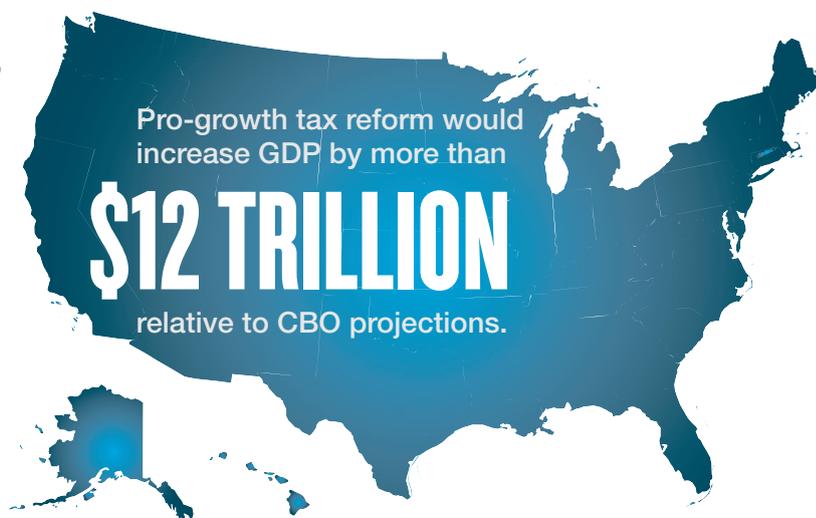
TAX:

A FORWARD-LOOKING TAX POLICY IS AN ECONOMIC IMPERATIVE

Inertia on modernizing our nation's tax code is no longer an option. Indeed, standing still is causing us to fall further behind as a nation while other peer nations compete to attract and grow their tax base. While this realization has finally resulted in broad agreement that comprehensive tax reform is an economic imperative, it is still not yet a reality. In 2017 and beyond, policymakers must be committed to enacting pro-growth, pro-competitive, pro-manufacturing comprehensive tax reform, and that effort must begin as soon as possible.

In January 2015, the NAM released a study, titled *A Missed Opportunity: The Economic Cost of Delaying Pro-Growth Tax Reform*, showing that a comprehensive, five-pronged pro-growth tax reform package would substantially grow the economy and result in increased jobs and investment. Over a 10-year period, this pro-growth tax reform plan would:

- **Increase GDP by more than \$12 trillion relative to Congressional Budget Office (CBO) projections;**
- **Increase investment by more than \$3.3 trillion; and**
- **Add more than 6.5 million jobs to the U.S. economy.**



Today, manufacturers in the United States face the highest statutory corporate tax rate among OECD [Organisation for Economic Co-operation and Development] nations, and manufacturers organized as pass-throughs face similarly high tax rates. In addition, U.S. companies are still taxed domestically on income earned all around the world.

A TAX AGENDA FOR THE FUTURE MUST:

- ✓ Move past more than 30 years of outdated tax policies in exchange for a new focus on the economy of today by adopting a modern and competitive territorial international tax system that reflects the realities of our time;
- ✓ Encourage increased capital investment to achieve sustainable economic growth; and
- ✓ Reduce tax rates for companies of all sizes no matter how they are organized.

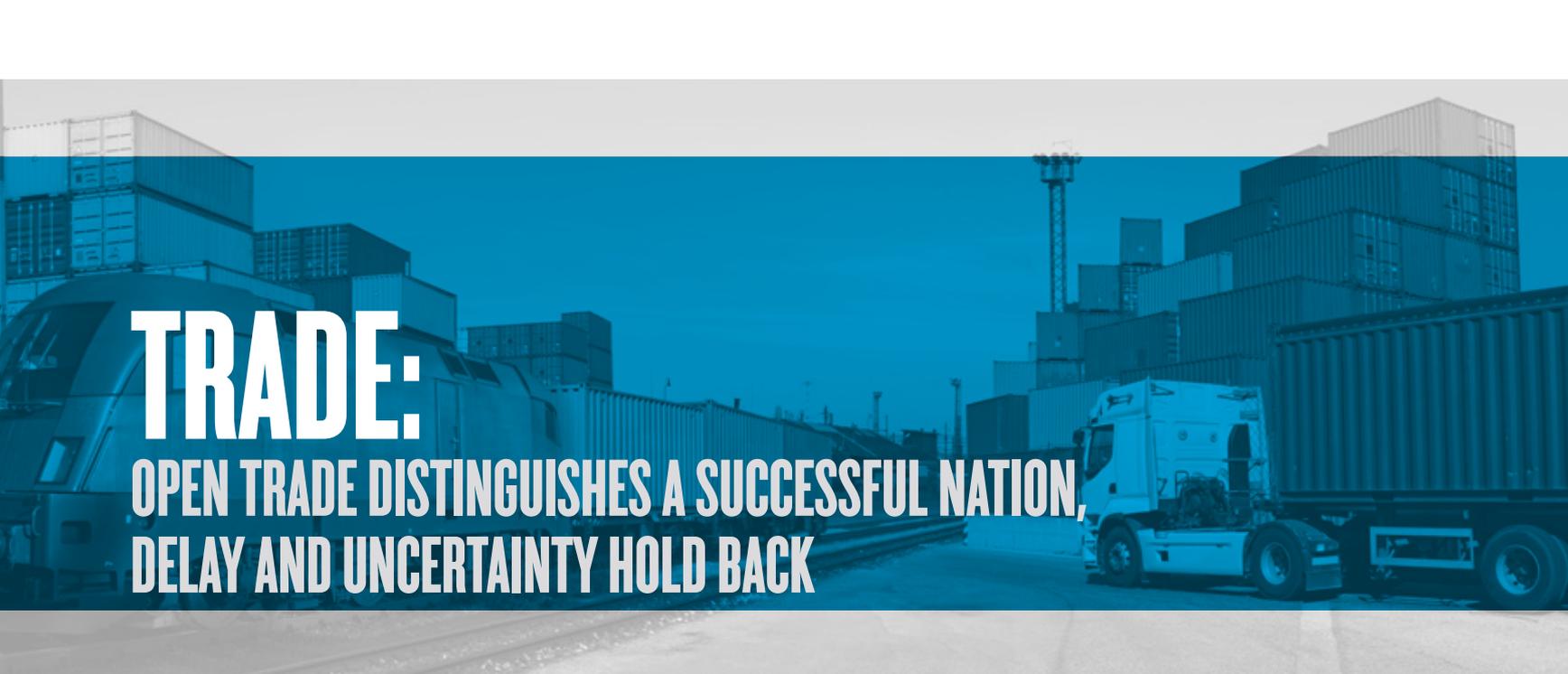


“ Comprehensive tax reform is essential for manufacturing’s continued success in America. The United States has the unfortunate distinction of imposing the highest corporate tax rate in the developed world. Imagine the expansion, investment and innovation we could unleash in America if we were more competitive with other nations.”

—Mary Andringa, *Chair of the Board, Vermeer Corporation and Past NAM Board Chair*

ACTIONS FOR LEADERS TO TAKE:

- Move from a worldwide to a modern territorial international tax system to make U.S. companies more competitive.
- Lower the tax rate for the two-thirds of manufacturers who pay taxes as pass-through entities.
- Lower the corporate tax rate to 15 percent to keep up with our overseas trading partners.
- Maintain a robust capital cost-recovery system to spur business investment and expansion.



TRADE:

OPEN TRADE DISTINGUISHES A SUCCESSFUL NATION, DELAY AND UNCERTAINTY HOLD BACK

Manufacturers of all sizes compete in a global economy, and many no longer rely on the U.S. market as the primary source of growth. To grow and thrive in today's competitive global markets, manufacturers need to see a fair and open marketplace, where competitors play by the same rules so that manufacturers can succeed both at home and increasingly reach new customers and seize new opportunities overseas.

Today, manufacturers face slow economic growth beyond our borders and increased competition from overseas, aided by the aggressive market-distorting foreign government trade abuses and the negotiation of new trade agreements that exclude and disadvantage manufacturers in the United States. Ensuring all countries and our competitors play by the same rules of fairness and equal opportunity and honor existing agreements, developing strong, predictable and transparent rules that foster business rather than stifle activity and opening new foreign markets are key principles of a robust trade agenda that are needed to advance American manufacturing competitiveness.

Over the past quarter century, hundreds of millions of foreign consumers have entered the middle class, contributing to an exponential increase in global trade and increased demand for made-in-the-USA exports. Yet, the United States is no longer alone as a global manufacturing hub, and our industries face substantial competition from overseas, some of it fueled by foreign market-distorting activities and trade barriers that help grow manufacturing overseas at the expense of jobs and communities in the United States. To succeed and compete in an increasingly tough global economy, manufacturers recognize that they need policies and agreements that achieve the following:

■ **Undo longstanding barriers to trade.** The United States has the most open market of any major economy, with more than two-thirds of all manufactured imports entering the country duty free in 2013. Unfortunately, our manufacturers face substantial tariffs and other barriers across the globe, from the Asia-Pacific and Europe to major emerging markets.

■ **Create more business.** With the world's most productive manufacturing sector in the world, but a domestic market that represents only 10 percent of global consumption, manufacturers in the United States need to tap into growth beyond our borders to promote a robust and growing sector. Notably, America's 20 free trade agreement (FTA) partners buy nearly half of all U.S.-manufactured exports because FTAs more aggressively eliminate barriers and establish strong standards.

■ **Sustain and create high-paying jobs.** More than half of U.S. manufacturing employment is tied to exports, boosted the actions to eliminate foreign trade abuses and forge new and stronger agreements to open foreign markets. Notably, jobs in the most trade-intensive manufacturing industries pay 56 percent more, on average, than those in the least trade-intensive industries.

A TRADE AGENDA FOR THE FUTURE MUST:

- ✓ Open markets; raise transparency, fair competition, intellectual property and other standards; and eliminate foreign market-distorting practices and trade barriers;
- ✓ Improve U.S. enforcement of global trade rules and lead by example. The United States must ensure that our competitors play by the rules and that our country has the tools to hold other countries accountable and keep the playing field level and fair. To lead effectively, the United States must also abide by its own international obligations; and
- ✓ Adopt customs, financing and export control policies and rules, including ensuring a fully functioning Export-Import (Ex-Im) Bank, that facilitate trade and improve our manufacturers' cost competitiveness in the global economies.



“Emerson and our 100,000 employees generate revenue at home and abroad—and support jobs and grow manufacturing in America when we have a level playing field. We need to work harder to eliminate foreign government market distortions and open new markets so that all manufacturers, large and small, can compete in a free and fair way.”

—David Farr, *Chairman and CEO, Emerson, NAM Board Chair*

ACTIONS FOR LEADERS TO TAKE:

- Improve mechanisms for the U.S. government to address and eliminate more effectively foreign market-distorting practices, to protect U.S. intellectual property and investment internationally, to enforce foreign commitments in trade agreements and to ensure that trade rules are enforced fully, fairly and in a timely manner at home.
- Strengthen coordinated commercial advocacy across the U.S. government to promote U.S. exports and small business access to overseas markets.
- Modernize U.S. and foreign customs operations to cut red tape and expedite legitimate trade in the United States and at foreign borders.
- Negotiate and implement smart, strong market-opening bilateral and other trade agreements, tariff-elimination agreements, such as the Environmental Goods Agreement, and other mechanisms with interested countries to level the playing field and grow the competitiveness of manufacturing in the United States.
- Continue to modernize the U.S. tariff code, including through enactment of a new Miscellaneous Tariff Bill, to advance manufacturing competitiveness and reduce the cost of manufacturing in the United States.
- Further modernize and streamline export control rules so that it will be easier to develop, manufacture and export high-tech products while ensuring the protection of U.S. national security.
- Improve U.S. export financing tools, including the U.S. Ex-Im Bank, and address imbalances in global export financing to ensure that manufacturers in the United States are not left at a competitive disadvantage.



ENERGY: STRENGTHENING MANUFACTURING BY CAPITALIZING ON THE ENERGY RENAISSANCE

Today's access to diverse, affordable and reliable energy was unthinkable 20 or even 10 years ago. Unleashing new and existing technologies to access and deploy a wide array of domestic energy sources was once an unrealized dream that many believed would not be possible in a lifetime. Today, manufacturers utilize and benefit from all forms of energy—oil, natural gas, coal, nuclear and renewables—while making smart investments to become more energy efficient.



However, policymakers have not advanced a comprehensive plan that ensures an energy future with continued certainty for manufacturers. In fact, some policies directly threaten what has been achieved over the past decade, and if unaddressed, manufacturers stand to lose.

A healthy and robust energy sector has helped fuel manufacturing and supports a new demand for U.S.-manufactured projects. Policymakers cannot look at energy policies and support for manufacturing as separate endeavors.

AN ENERGY AGENDA FOR THE FUTURE MUST:

- ✓ Recognize the United States is globally unique and has the potential to chart an energy future that benefits the entire nation, not just some regions;
- ✓ Ensure access to domestic and overseas markets;
- ✓ Commit to technology and innovation to ensure manufacturers will have access to all sources of energy while air quality improves and greenhouse gases are reduced;
- ✓ Remove regulatory barriers that slow access and improvements to traditional energy resources, electricity generation, renewable and alternative energy and the nation's privately funded energy delivery system;
- ✓ Expedite the onshore and offshore permitting process to allow greater access to domestic energy resources;
- ✓ Provide for a reliable electric grid that ensures manufacturers can access energy when they need it, even as policies and markets change; and
- ✓ Promote and continue an energy renaissance that advances research, development and deployment of new technologies that improve energy efficiency and support domestic energy production and manufacturing.

ACTIONS FOR LEADERS TO TAKE:

- Advance policies that support an “all-of-the-above” energy strategy.
- Address overly stringent energy regulations that harm manufacturing competitiveness and are contrary to a broad approach to energy access.
- Approve and build new oil and natural gas pipeline projects that improve energy access and enhance manufacturers’ competitiveness.
- Examine and repair the broken permitting process for energy projects to minimize delay.
- Expedite the processing of licenses to export liquefied natural gas and remove regulatory barriers to the export of nuclear, coal and clean energy technologies.
- Open more federal lands to responsible energy exploration.
- Support measures to enhance the deployment of energy-efficient technologies in the public and private sectors.





ENVIRONMENT:

ACHIEVING THE RIGHT BALANCE TO KEEP OUR ENVIRONMENT CLEAN AND OUR ECONOMY PROSPEROUS

Manufacturers have demonstrated a commitment to protecting the environment through greater sustainability, increased energy efficiency and reduced emissions. These improvements have helped usher in an era of cleaner air and a more sustainable environment. The United States has reduced its greenhouse gas emissions over the past decade more than any other nation in the world, led by manufacturers that have reduced their greenhouse gas emissions by more than 10 percent since 2005, while our value added to the economy grew by 19 percent.

Manufacturers have implemented important sustainability to limit the environmental impact of operations and final products. With the right policies and a balance between environmental ambition and commercial feasibility, we can have both a clean environment and a prosperous economy. However, when policymakers push beyond what is commercially feasible or adopt regulations that put manufacturers at a competitive disadvantage, the critical balance between environmental improvement and economic growth is lost, families lose, and jobs are lost.

According to a September 2014 NAM-commissioned economic study, *The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business*, environmental regulations:

■ **Cost the economy \$330 billion a year, which does not include the Environmental Protection Agency's (EPA) greenhouse gas and ozone rules, two of the most expensive regulations in U.S. history; and**

■ **Divert manufacturers' resources away from research, new personnel and efforts to grow businesses.**

Manufacturers face a barrage of policies and proposals in 2016, threatening the ability to lead the economy, keep up with global competition and support communities across the country. Moreover, policymakers must think more critically about the laws we have and recognize that old statutes designed for the environmental problems of the 1970s, 1980s and 1990s are not equipped to deal with today's current and emerging challenges.

AN ENVIRONMENTAL AGENDA FOR THE FUTURE MUST:

- ✓ Reform and modernize out-of-date laws and regulations so that these policies can better address 21st-century environmental challenges while minimizing costs and burdens;
- ✓ Fix regulations that unnecessarily limit fuel options for manufacturers and instead promote a true “all-of-the-above” energy strategy;
- ✓ Ensure strong oversight of federal agencies and eliminate duplicative regulations or regulations for which costs outweigh benefits;
- ✓ Apply good science and evidence-based approaches in new policy, regulatory and legislative proposals; and
- ✓ Recognize the United States as a global economic and environmental leader and maintain balance among these interests.

ACTIONS FOR LEADERS TO TAKE:

- Delay implementation of the EPA’s greenhouse gas regulation for power plants until all lawsuits challenging the rule have been resolved and allow states to opt out of compliance with the rule over electricity cost or reliability concerns.
- Allow states extra time to submit implementation plans for the most recent National Ambient Air Quality Standards (NAAQS) for ozone and extend the review period for new NAAQS.
- Enact and implement comprehensive reforms to the Toxic Substances Control Act.
- Commit to modernizing outdated environmental laws written in the 1960s and 1970s and making them perform better.
- Require federal agencies to perform an analysis of the impacts of any new major rulemaking on the reliability and cost of energy for manufacturers.



“ Every day, Fluor helps clients safeguard the environment, conserve energy, protect lives and strengthen the economies and social structures of communities in which Fluor and its clients’ employees work and live. At Fluor, leadership in sustainability is more than just a responsibility; it is a privilege. And it is a responsibility and privilege manufacturers all across the country undertake day in and day out.”

— David Seaton, *Chairman and CEO, Fluor Corporation, NAM Board Vice Chair*



TRANSPORTATION AND INFRASTRUCTURE: A PRIORITY NECESSARY TO COMPETE

Manufacturers need competitive infrastructure to thrive in today's global economy. Unfortunately, the nation's infrastructure is outdated and resting on a legacy built by previous generations.

According to the NAM infrastructure blueprint "Building to Win," there is a downward trajectory that correlates economic growth with infrastructure investment as a percentage of GDP. This trend is alarming because it will continue to harm America's future growth and overall economic activity.

For example, it took Congress almost a decade to enact a five-year surface transportation authorization in 2015. Seven years of delay preceded the Water Resources Reform and Development Act (WRRDA) of 2014, legislation that approved critical inland waterway and port dredging projects. While Congress returned to a two-year authorization cycle by passing the Water Infrastructure Improvements for the Nation (WIIN) Act in 2016, it punted a long-term solution with a short-term extension for the Federal Aviation Administration (FAA).

These long-awaited, start-stop efforts merely maintain the status quo. They do not provide the kind of momentum and vision the nation needs to restore and upgrade transportation systems around the country. The time is now. The United States desperately needs a targeted, substantial investment in revitalizing the nation's infrastructure.

“ As a leading designer, developer and manufacturer of high-quality cast, forged, machined and assembled components for the transportation and industrial markets, MPG works every day to strengthen America's infrastructure. But we also rely on that infrastructure to connect our customers with our products. Manufacturers' commitment to 21st-century infrastructure should be matched by an equally serious commitment from our leaders.”

—Douglas Grimm, *President and COO, MPG, Inc.*

A TRANSPORTATION AND INFRASTRUCTURE AGENDA FOR THE FUTURE MUST:

- ✓ Deliver on the president's promise to upgrade and modernize infrastructure so that American infrastructure is "second to none." This requires comprehensively addressing highway, transit, port, inland waterway, aviation, rail, water, energy and broadband infrastructure needs;
- ✓ Seek new forward-looking solutions that prioritize and inventory the growing backlog of essential infrastructure projects needed to make system-wide improvements to our transportation networks;
- ✓ Robustly fund infrastructure as a high priority because congestion and deteriorating road conditions are real threats to manufacturers' competitiveness;
- ✓ Reform a broken permitting and approval system that adds years of delay and costs to projects while ensuring appropriate review; and
- ✓ Keep transportation regulatory agendas in check so that critical transportation services that manufacturers rely on are not hampered by additional red tape.



ACTIONS FOR LEADERS TO TAKE:

- Build on the completion of recent transportation authorization bills and pass the FAA reauthorization by approaching its legislative deadline with solutions to achieve improvements and results.
- Secure long-term funding for infrastructure that enhances domestic and global competitiveness, including a reliable, user-based, long-term funding stream for the Highway Trust Fund.
- Address long-term funding challenges and support a user-fee approach to funding infrastructure while preparing for an eventual transition to a next-generation way to fund transportation investments.
- Recognize the important federal role in overseeing, maintaining and investing in the nation's transportation network so that the nation does not fall further behind on its infrastructure obligations to the broader economy.
- Build on the successes of public-private partnerships as this financing solution continues to be a viable option for some infrastructure projects while recognizing that creative financing cannot replace public responsibilities.
- Support alternative funding and financing solutions to help modernize aging drinking water and wastewater systems.



LABOR: ADAPTING LABOR POLICIES FOR A 21ST-CENTURY WORKFORCE

The United States will not maintain its mantle of economic leadership unless all labor stakeholders work together to ensure the best and most productive workplaces. Employees, organized labor, management and lawmakers should collaborate in search of outcomes that deliver a positive work environment, opportunities for employee professional growth and safe and healthy facilities. Labor law and workplace regulations do not reflect the changing dynamics of modern manufacturing and instead were designed for a previous era.

Recently, the executive branch has shifted the role of the federal government from one of unbiased adjudicator to advocate. Policymakers should work to restore balance and advance labor and workplace policies that are based on outcomes. The manufacturing workforce and its employers are constantly evolving and adapting to the

demands of a 21st-century economy to stay safe, productive and competitive. It is time to abandon long-held and often misplaced approaches that reflect an out-of-date view of the workplace.



A LABOR AGENDA FOR THE FUTURE MUST:

- ✓ Return to a balanced and fair approach to labor policies and regulations;
- ✓ Eliminate regulatory burdens from complicated and outdated labor policies;
- ✓ Adapt to the changing needs of the modern manufacturing workforce and the changing attitudes individuals have toward their work;
- ✓ Focus on outcomes, encourage collaboration and highlight successful approaches manufacturers take with their employees and at their facilities; and
- ✓ Engage and work to align all stakeholders—employees, union officials and management—to develop achievable solutions that yield a safety culture, productivity and economic growth for the nation.

“ We strive every day to provide the best work environment and benefits

for our employees. It can be frustrating and costly when outside forces—especially government agencies—try to micromanage or impose one-size-fits-all policies on us. We can be a more competitive employer when we offer more flexibility, taking into account employees’ unique situations and the unique demands on our business.”

—Kellie Johnson, *President and CEO, ACE Clearwater Enterprises*



ACTIONS FOR LEADERS TO TAKE:

- Support initiatives that will codify and re-establish labor law precedent with respect to union organizing, appropriate bargaining unit sizes and definitions of key labor terms.
- Promote 21st-century workplace ideas to incentivize employees to remain in the manufacturing sector, such as options of compensatory time off and other flexible work arrangements.
- Re-establish collaborative approaches with employers and create effective federal advisory councils to address workplace safety needs, equal employment opportunities and a diverse workplace.
- Overturn harmful National Labor Relations Board (NLRB) precedent, such as the “ambush elections” rule, the new definition of “joint employer” and the standard for what constitutes an appropriate size of a bargaining unit.
- Ensure meaningful and effective oversight of the Occupational Safety and Health Administration, Department of Labor and NLRB to prevent regulatory overreach.
- Oppose legislation that hampers employer work and leave arrangement flexibility.

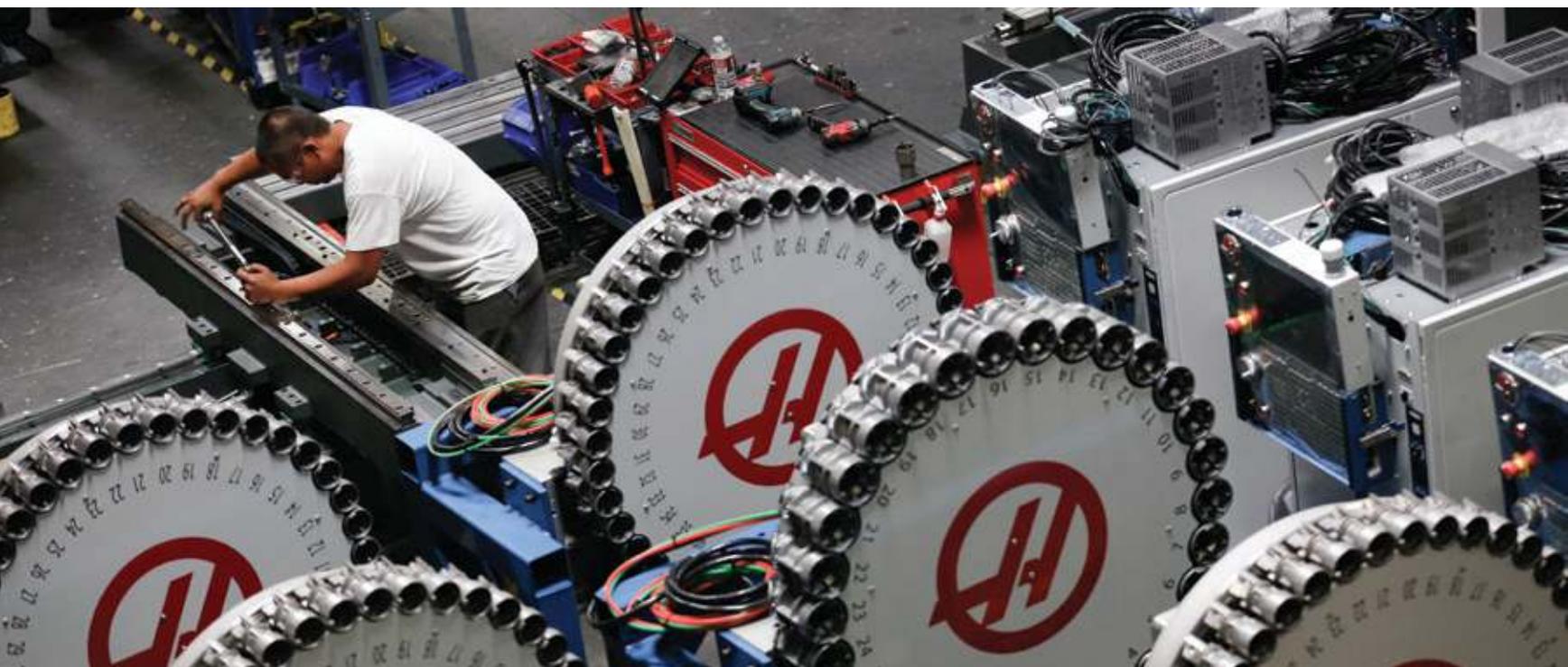


IMMIGRATION: COMPREHENSIVE IMMIGRATION REFORM STRENGTHENS MANUFACTURING

Comprehensive immigration reform holds the power to transform not only manufacturing but also our nation and economy to new heights. Unfortunately, political inertia has held us back from achieving progress and needed reforms.

For a country built by immigrants and a nation where immigrants thrive more than anywhere in the world, it should not be this way. The current system is driving down competitiveness by ensuring that foreign-born talent, often educated in the United States, is forced to move abroad to work, manufacture and innovate.

Reforms to U.S. immigration laws are essential to our nation's competitiveness as well as the ability to grow our economy and foster an innovation culture. Manufacturers urge policymakers to advance an approach that fixes all parts of our broken immigration system.



AN IMMIGRATION AGENDA FOR THE FUTURE MUST:

- ✓ Ensure manufacturers have reliable access to talented individuals at all skill levels;
- ✓ Offer opportunities to keep talent onshore;
- ✓ Address the estimated 12 million undocumented workers in the United States;
- ✓ Advance a rigorous and fair employment verification system to ensure employers have confidence in hiring workers; and
- ✓ Institute a border security plan that allows for free trade of goods while improving safety and security at all border crossings.

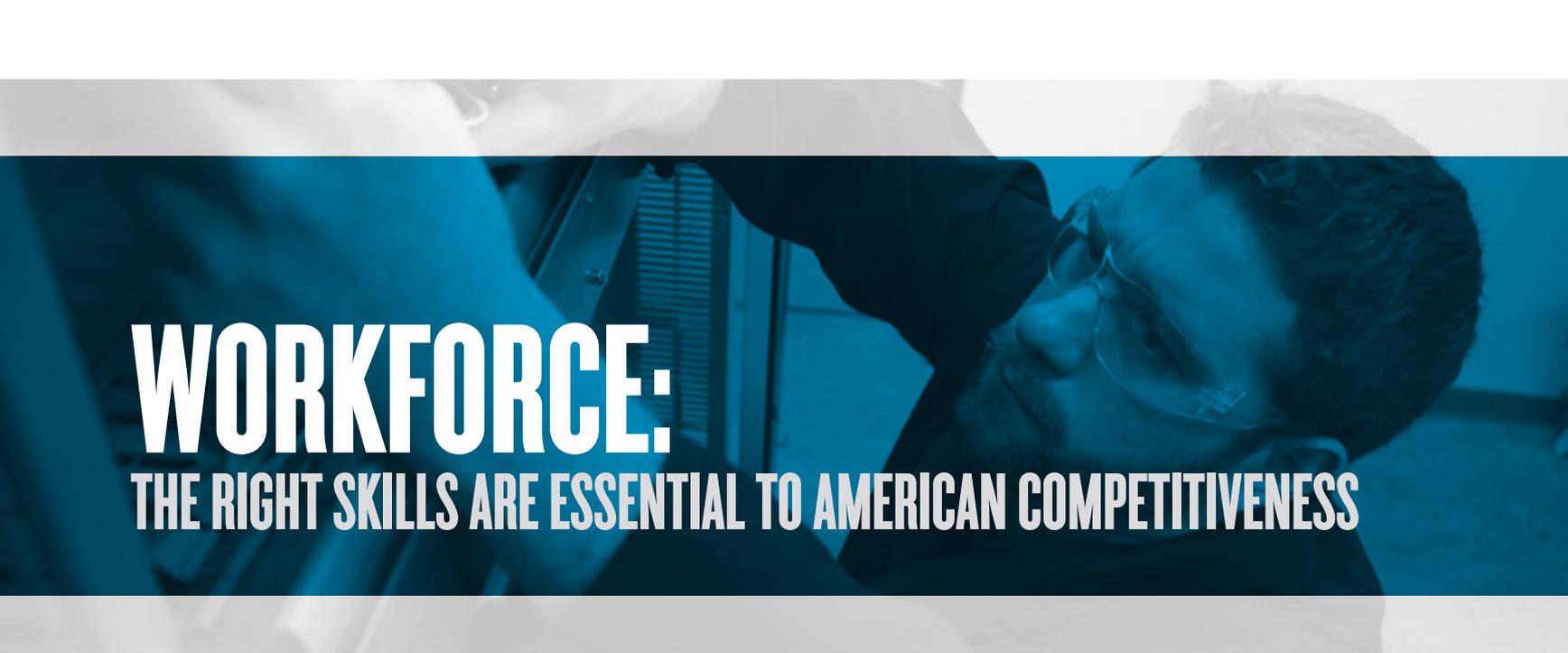
“America is the best country—the best place to work and the best place to provide a better future for your kids. It’s given me a world of opportunity, and I want to share it.”

—Olga Ortiz, *Test Engineer, Click Bond, Inc. and 2015 STEP Ahead Award Honoree*



ACTIONS FOR LEADERS TO TAKE:

- Achieve long-lasting and structural changes to federal immigration statutes to reverse the negative direction of the current patchwork system.
- Substantially increase the employment-based visa cap and allow for unused visas to roll over from year to year.
- Streamline the employment-based green card system to allow foreign-born talent to remain in the United States and improve outcomes for workers seeking to become permanent U.S. residents.
- Design and implement a reliable, accurate and efficient employment eligibility verification system that provides fair enforcement of the laws.
- Develop a legal system to hire essential and needed employees who are not included in the current visa definitions.



WORKFORCE:

THE RIGHT SKILLS ARE ESSENTIAL TO AMERICAN COMPETITIVENESS

The skills gap is widening, and over the next decade, 3.4 million manufacturing jobs will need to be filled. The severe shortage of manufacturing skills in the United States has the potential to impede the trend of steady growth in our nation's manufacturing.

Through community engagement, manufacturers are making strides toward a more competitive workforce, but the manufacturing industry cannot solve all of its talent challenges on its own. Federal and state governments also play a role in mitigating the talent shortage by emphasizing programs featuring industry-recognized credentials, promoting opportunities for work-based learning and encouraging partnerships with educational institutions.

In 2015, The Manufacturing Institute released a study, titled *The Skills Gap in U.S. Manufacturing: 2015 and Beyond*, detailing the broad skills gap issues facing manufacturers in the United States and the problems the sector will face unless the skills gap is pursued aggressively as a priority issue in our country.

■ **Eighty-two percent of manufacturing executives indicate they believe the skills gap will impact their ability to meet customer demand.**

■ **Seventy-eight percent believe the skills gap will impact their ability to implement new technologies and increase productivity.**

■ **Eighty percent of manufacturing executives report they are willing to pay more than the market rates in areas with an acute shortage of talent.**

Manufacturers are actively engaging with local educational institutions at all levels to better communicate the skills needed and the certifications that are in demand. In 2014, the NAM Task Force on Competitiveness & the Workforce released an action plan, titled "Overcoming the Manufacturing Skills Gap: A Guide for Building a Workforce-Ready Talent Pipeline in Your Community," which provides a guide to creating a sustainable manufacturing workforce development program in virtually any community or region.

A WORKFORCE AGENDA FOR THE FUTURE MUST:

- ✔ Organize manufacturers to speak with one voice regarding the workforce needed to sustain and grow manufacturing;
- ✔ Engage and align key stakeholders—community leaders, education institutions and local and state officials—to take action and build momentum; and
- ✔ Build a system that delivers a sustainable pipeline of strong, mid-skilled manufacturing talent.



“Modern manufacturing is dramatically different from your grandfather’s manufacturing. More and more, it requires advanced skills. The pay for these high-tech jobs is well above average, but we are currently facing a shortage of appropriately skilled manufacturing workers, and if something doesn’t change, that shortage will escalate in the near future.”

—John Lundgren, *Special Advisor to the Company, Stanley Black & Decker, Inc. and Past NAM Board Vice Chair*

ACTIONS FOR LEADERS TO TAKE:

- Promote the use of industry-recognized credentials awarded at the secondary and postsecondary levels.
- Encourage industry partnerships to better align curriculum and apprenticeship, internship and work-based learning opportunities.
- Support efforts to better articulate credit transfers from high schools to community colleges and from community colleges to four-year institutions.



HEALTH CARE: KEEPING MANUFACTURERS HEALTHY AND PRODUCTIVE IN A POST-AFFORDABLE CARE ACT WORLD

Escalating health care costs continue to be one of the top concerns for manufacturers. In spite of recently enacted two-year suspensions of the employee benefits tax and the anticompetitive tax on medical devices, the Affordable Care Act (ACA) continues to impact manufacturers by adding costs and making critical health care services and treatments even more expensive for employees of manufacturers. Recent increases in health care premiums have deepened the frustration.

Manufacturers urge policymakers to focus efforts on solutions that will eliminate the costliest and most problematic aspects of the ACA because the challenges ahead—increased health care expenditures, the burdensome 40 percent employee benefits tax as well as other mandated taxes, onerous administrative requirements and upward pressure associated with medical liability costs—will never be addressed without careful and thoughtful action.

In July 2015, the NAM released a white paper, titled “Shaping Up: Manufacturers Seek Flexible Health Care Options to Reduce Costs,” revealing that health care spending remains on the forefront of top concerns for manufacturers, and the ACA has created a new set of issues that must be addressed soon. Manufacturers are facing:

- Health insurance premium increases of 7.9 percent on average;
- An additional 40 percent tax on employee benefits, known as the “Cadillac” tax, continuing to loom on the horizon and will add an expensive surcharge on family and individual benefits; and
- Unaddressed medical liability costs that exceed \$55.6 billion annually.

As health care inflation continues to increase, manufacturers across the nation are faced with the unending challenge of providing quality care for employees while addressing rapidly rising health costs.

A HEALTH CARE AGENDA FOR THE FUTURE MUST:

- ✓ Decrease costs—fees, taxes, administrative paperwork, reporting requirements, benefit mandates and other policies stifle innovation and make it more expensive than necessary for employers to provide health coverage to employees;
- ✓ Encourage flexibility—expanding coverage options and enabling innovative models of care are essential for manufacturers' efforts to maintain a healthy workforce and provide competitive benefits; and
- ✓ Take on the challenge of reforming our medical liability system.

ACTIONS FOR LEADERS TO TAKE:

- Permanently repeal the ACA's 40 percent excise tax on high-value, employer-sponsored health plans, which will increasingly capture plans with average levels of benefits.
- Permanently repeal the anticompetitive excise tax on medical devices.
- Raise federally determined contribution limits for health savings accounts to further incentivize savings for both health-related events and expenses.
- Eliminate needless restrictions placed on employer-sponsored wellness programs.
- Reduce ACA-mandated reporting requirements, which have added costly administrative burdens.
- Enact policies that allow employers to use innovative approaches to providing coverage for their employees.



“ Companies like Pfizer are at the forefront of discovering new cures and manufacturing high-quality health care products that provide value for our patients. The policies coming from Washington have the potential to directly affect patient access to our medicines and our ability to continue producing new breakthrough therapies. It is imperative that we collaborate and support policies that expand access to reliable, affordable health care around the world.”

—Anthony Maddaluna, *Executive Vice President, President of Pfizer Global Supply, Pfizer Inc. and NAM New York Regional Vice Chair*



RESEARCH, INNOVATION AND TECHNOLOGY: POWERING A MANUFACTURING RENAISSANCE

Manufacturers in the United States have created an innovation engine that has delivered new technologies and processes that have brought us energy independence, new lifesaving medicines and medical devices, more efficient automobiles and countless other everyday products that make lives better and secure our nation's global leadership position in manufacturing.

Powering this innovation engine are investments in new technologies and processes. Manufacturers in the United States perform more than three-quarters of all private-sector research and development (R&D) in the nation. Manufacturing has been awarded more patents than any other industry. Manufacturers are now driving the digital economy in the 21st century.

However, this current global leadership position is not guaranteed. Forward-looking federal policies that prioritize investment and innovation are needed to drive continued growth and job creation. Other nations are eager to take our place and have created pro-investment environments that include more competitive tax codes than in the United States.



A RESEARCH, INNOVATION AND TECHNOLOGY AGENDA FOR THE FUTURE MUST:

- ✓ Adopt policies that will attract and retain investment in activities that drive innovation;
- ✓ Include cybersecurity policies that draw on the best industry practices; and
- ✓ Vigorously protect all forms of manufacturers' intellectual property;
- ✓ Foster the growth of connected technology across all manufacturing industry segments.

ACTIONS FOR LEADERS TO TAKE:

- Enhance the R&D incentive so that manufacturers can continue to innovate successfully across all industrial sectors.
- Develop a clear process on how manufacturers can engage the government to defend themselves against trade secret and intellectual property theft.
- Maintain a strong mechanism for the public and private sector to share real-time cyberthreat information that includes liability protections.
- Ensure strong intellectual property protections as international trade agreements are negotiated.
- Enact policies that curb abusive patent lawsuits while respecting the intellectual property rights of all industry segments.
- Modernize our nation's communications laws to reduce unnecessary regulations and drive investment in our nation's information and communications technology infrastructure.



“Unnecessary and unfettered government overreach will prevent us from unleashing the potential of new manufacturing innovation powered by Big Data and the cloud. There is so much potential, especially from the Internet of Things and all the valuable data it is creating for manufacturers and fueling their ability to grow and serve their customers and consumers. The IoT will truly change everything.”

—Thomas Riordan, *President and CEO, Neenah Enterprises, Inc.*



REGULATORY AND LEGAL REFORM: REDUCING BARRIERS TO ECONOMIC GROWTH

A more competitive economy demands a reform of the nation's broken legal and regulatory systems. While both operate separately and require different sets of reforms, our legal and regulatory structures have become barriers to economic growth, hindering innovation and slowing productivity. Time and resources are spent complying with inefficient, duplicative and unnecessarily burdensome regulations.

Our legal system is more than twice as expensive as our major competitors, such as Japan, France, Canada and the United Kingdom. Tort claims and related litigation costs divert resources away from investments in human capital, new equipment and other opportunities for manufacturers to grow and compete.

In 2014, an NAM-commissioned report, titled "The Cost of Federal Regulation to the U.S. Economy, Manufacturing and Small Business," showed the macroeconomic impact of federal regulations. The report found:

■ **The total cost of federal regulations in 2012 was \$2.028 trillion (in 2014 dollars);**

■ **Manufacturers bear a disproportionate share of the regulatory burden, and that burden is heaviest on small manufacturers (fewer than 50 employees) who pay \$34,671 in regulatory compliance costs per employee per year; this is more than three times the costs borne by the average U.S. company; and**

■ **The annual regulatory cost burden for an average U.S. firm represents 21 percent of average payroll.**

Policymakers need to address these structural costs and consider fundamental changes to how our legal and regulatory systems function. Manufacturers are committed to commonsense legal and regulatory reforms that protect the environment and ensure public health and safety; however, these goals can be accomplished in tandem with economic growth and job creation.

A REGULATORY AND LEGAL REFORM AGENDA FOR 2017 AND BEYOND MUST:

- ✓ Approach regulations with a focus on outcomes and relying on best-available science;
- ✓ Improve the quality of regulatory analysis to better inform regulators and agency leaders;
- ✓ Deliver a reformed regulatory system that efficiently meets regulatory objectives and minimizes unnecessary burdens;
- ✓ Seek proven strategies to reduce the abuse of our legal system; and
- ✓ Restore basic fairness in our legal system.

ACTIONS FOR LEADERS TO TAKE:

- Strengthen and codify sound regulatory principles to improve regulatory outcomes and increase accountability.
- Streamline the regulatory system through meaningful retrospective review and sunset outdated and ineffective regulations.
- Conduct rigorous oversight and hold independent regulatory agencies accountable to improve transparency and the quality of the rules they issue.
- Establish a regulatory review function in Congress similar to the Congressional Budget Office.
- Support clear standards for liability, including specific statutes of limitations and limits on punitive damages.
- Reinstate mandatory penalties for lawyers who file frivolous lawsuits.
- Maintain and support legislation that guarantees federal preemption for federally approved products and services in national commerce.
- Oppose legislation that incentivizes and subsidizes litigation against manufacturers.
- Oppose efforts to prohibit binding arbitration clauses in employment, consumer and commercial contracts.
- Prevent abuses of the class action and mass torts systems.



“ If we’re really serious about higher growth in America, then we have to own the future of manufacturing.

The sector is going through an incredible period of change. American manufacturing is coming back, and that could produce the middle class for a whole new generation.”

—Jeffrey Immelt, Chairman and CEO, General Electric Company



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