ANNEX

Progress in structural reform

The objective of this Annex is to review action taken since the previous Survey (June 2014) on the main recommendations from previous Surveys.

A. Recommendations on monetary and financial policy

Recommendations	Actions taken since the 2014 Survey
Gradually reduce and ultimately remove monetary accommodation as the economy approaches full employment and inflation returns to the Fed's 2% target.	The process of raising policy rates began in December 2015, though policy remains appropriately accommodative.
Continue to roll out macro-prudential policy tools, including those associated with the Dodd-Frank Act and those addressing vulnerabilities in wholesale funding, repo market and money-market mutual funds.	Capital requirements for systemically important banks are substantially higher than before the crisis, stress tests have been implemented to reveal vulnerabilities, and regulations require systematically important institutions to form "living wills" to avoid a disorderly unwinding in the case of failure. New rules on securitisation and money market funds as well as enhanced transparency apply to the shadow banking sector.
Reform the housing finance system to ensure access to mortgage credit by creditworthy homebuyers while providing better guarantees of financial stability and avoiding again exposing taxpayers to costly bailouts.	Several housing finance reform proposals have been made, but none progressed past the committee stage in Congress.
Leave the securitisation of mortgages to the private sector. This would entail privatising the Government Sponsored Enterprises, cutting off their access to preferential lending facilities with the federal government, subjecting them to the same regulation and supervision as other issuers of mortgage-backed securities, and dividing these entities into smaller companies that are not too big to fail.	Fannie Mae and Freddie Mac remain under government stewardship. The Senate Banking Committee passed in May 2014 a bipartisan proposal ("Johnson-Crappo GSE reform") seeking to reform the housing finance system, create greater competition and reduce taxpayer risk, while ensuring affordable fair access to all creditworthy homebuyers. The proposal has not gone beyond the committee stage.

B. Recommendations on fiscal policy

Recommendations	Actions taken since the 2014 Survey
Fiscal policy needs to remain cautious and prepared to take actions to ensure longer-term sustainability.	There have been no large changes in fiscal policy.
Act towards rapid international agreement and take measures to prevent base erosion and profit shifting (BEPS).	The United States participated in the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, endorsed by the G20 Leaders in November 2015.
Increase reliance on consumption taxation.	No action taken
Make the personal tax system more redistributive by restricting regressive income tax expenditures.	The President's proposed FY2017 Budget has measures to limit regressive tax expenditures, reform capital income taxation, and reconcile different tax bases.
Replace the health tax exclusion (i.e., the exclusion from taxable personal income and payroll tax of compensation paid in the form of health insurance cover) with subsidies that do not encourage overly-generous health plans (subject to minimum standards of coverage).	The 2010 Affordable Care Act included an excise tax that will be levied on high-cost health insurance plans starting in 2018, but now delayed to 2020. The Administration is continuing to develop and implement regulations on the tax on high-cost health insurance plans, so called Cadillac tax.
Speed up the phased increase in the retirement age at which full social security benefits are paid from 65 to 67. Link the retirement age to active life expectancy thereafter. Reduce the replacement rate for higher earners and raise the Social Security tax cap.	No action taken. Recent research has revealed that life expectancy for low-income pensioners has remained static, undermining the case for an automatic link between average life expectancy and the retirement age.

C. Recommendations on innovation

Recommendations	Actions taken since the 2014 Survey
The federal R&D budget should be protected from the expenditure cuts. Make the R&D tax credit permanent	The R&D tax credit was made permanent in 2015.
Patent reform (America Invents Act) needs to be taken further by ensuring that courts grant injunction relief and damages awards for patent infringement that reflect realistic business practices and the relative contribution of patented components of complex products.	The Supreme court has allowed costs to be shifted in case of a lost appeal.
Tertiary education attainment in STEM fields needs to be increased. An important step in doing so is improving access to quality secondary education so that students are better prepared for STEM tertiary studies.	Every Student Succeeds Act was introduced in 2015. The 2017 budget proposal includes $4 billion in mandatory funding over three years for States to increase access to K-12 STEM coursework, and $80 million for a new, competitive program to promote the redesign of secondary schools with a focus on STEM-themed schools that expand opportunities for all students, particularly girls and other under-represented groups in STEM fields.
Establish a national innovation office to increase coherence and continuity in implementation of the national innovation strategy.	No action taken. Other OECD countries have established productivity commissions.

D. Recommendations on education policy

Recommendations	Actions taken since the 2014 Survey
Improve quality secondary education to better prepare students for STEM tertiary studies.	The United States is taking policy actions to improve quality secondary education, based on a 5-year strategic plan for enhancing STEM education, including supporting state-led standards for secondary education; making investments toward the goal of preparing 100 000 more STEM-qualified teachers over the next decade; and initiating a STEM Master Teacher Corps. The 2017 budget proposal includes $4 billion in mandatory funding over three years for States to increase access to K-12 STEM coursework, and $80 million for a new, competitive program to promote the redesign of secondary schools with a focus on STEM-themed schools that expand opportunities for all students, particularly girls and other under-represented groups in STEM fields.
Greatly raise limits on Stafford loans, especially for unsubsidised direct loans, so that they cover the full cost of study. The interest rate on these loans should vary with the long-term bond rate. The default repayment plan should be income-contingent.	In August 2013 the Bipartisan Student Loan Certainty Act re-established interest rates for new Federal Direct Student Loans. Interest rates at origination are tied to the 10-year Treasury note, plus a margin, but are fixed for the life of the loan. For loans made between July 1, 2013 and June 30, 2014, the interest rate was 3.86% for undergraduates, 5.41% for graduate students, and 6.41% for PLUS loans. The bill also imposes a cap to ensure interest rates never exceed 8.25% for undergraduate students, 9.5% for graduate students, and 10.5% for PLUS borrowers. The Administration has expanded income driven repayment plans, allowing all who borrowed federal direct loans as students to cap their payments at 10 per cent of their monthly incomes.

E. Recommendations on improving work-life balance

Recommendation	Actions taken since the 2014 Survey
Provide support to parents with young children by expanding access to paid family leave nationally.	The proposed 2017 budget includes $2.2 billion to support the creation of State paid leave programmes as well as offer federal employees six weeks of paid leave Since 2014 some States, such as California, have introduced State-wide programmes and more than 20 cities or counties, such as San Francisco, require paid maternity leave.
Help States develop right-to-ask policies to support flexible working arrangements.	Since June 2014, all federal employees have such rights.
Increase access of low and moderate-income families to quality preschool and childcare.	The Preschool for All initiative would invest $75 billion over 10 years with the aim of providing access to high quality preschool for all 4-year olds from low and moderate income families. Support is included in the 2017 budget proposal.

F. Recommendations on disability and health care reform

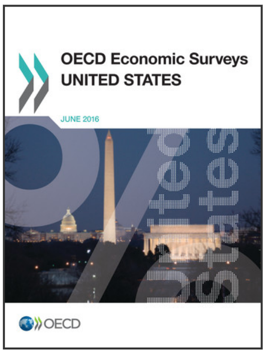
Recommendation	Actions taken since the 2013 Survey
Provide comprehensive work support to get disability recipients back to work.	The 2014 Workforce Innovation and Opportunity Act put some emphasis on states putting in place policies to improve employment outcomes for people with disabilities
Reform the individual and small-group market to facilitate greater risk pooling. To this end, require community-rated and guaranteed issue policies and make health insurance compulsory. Introduce means-tested subsidies to help low-income persons afford health insurance.	These were features of the Affordable Care Act of 2010.

G. Recommendations on business sector contribution to well-being

Recommendation	Actions taken since the 2014 Survey
Strengthen the portability and recognition of training by involving employers in programme design.	The Department of Health and Human Services introduced the Licensure Portability Grant Program to support State professional licensing boards cooperating in reducing statutory and regulatory barriers to telemedicine. The FY2016 Budget included $7.5 million to support efforts by a consortium of States to expand reciprocity for a range of occupational licenses. The proposed FY2017 budget also calls for a community college partnership tax credit. This proposal would provide businesses with a new tax credit for hiring graduates from community and technical colleges as an incentive to encourage employer engagement and investment in these education and training pathways. The proposal would provide $500 million in tax credit authority for each of the five years, 2017 through 2021. The tax credit authority would be allocated annually to states on a per capita basis and would be available to qualifying employers that hire qualifying community college graduates
Work with employers in preventing the negative effects of job strain on mental health, prolonged sick leaves, job loss and disability-benefit claims	No action taken.
Raise labour earnings at the low end by expanding the EITC, which would be more effective if supported by a higher minimum wage.	EITC expansions were made permanent in 2015 as were similar expansions made to the Child Tax Credit. The 2017 budget proposes to expand the earned income tax credit to workers without qualifying children. 14 States and over 30 cities and counties have introduced minimum wages that are higher than the federal minimum wage in 2014 and 2015.

H. Recommendations on environmental sustainability and energy

Recommendation	Actions taken since the 2014 Survey
Further lower emissions with efficient policy tools, as part of the climate-change strategy, notably by putting a price on greenhouse gas emissions, though well-designed regulation and investment in renewables also have a role to play.	The Clean Power Plan of 2015 aims to reduce greenhouse gas emissions from electricity generation, from reducing emissions from coal-fired power stations while promoting renewables.
Promote innovation in energy saving and low carbon technology.	The 21st Century Clean Transportation System would fund low carbon technology and infrastructure.
Ensure that trade restrictions do not hamper energy exports.	The ban on crude oil exports was lifted at the end of 2015



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