

## UNITED STATES

- Output per capita has exceeded the average of most advanced OECD countries by 10% or more over the past few decades. Per capita output has slowed during the recovery compared to the pre-crisis trend, reflecting demographic pressures on labour force participation as well as the drag on productivity growth from diminished capital deepening.
- Income inequality has continued to widen up to 2014 and remains higher than the OECD average not least due to a low share of national income accruing to the poorest.
- Limited progress has been made in structural reforms addressing *Going for Growth 2015* priorities. Some initiatives have been introduced to strengthen active labour market policies, including programmes designed to enable skill acquisition and retrain disabled workers. Previous initiatives to improve equality of opportunity and outcomes in education (such as Common Core and early education programs) have met only modest success. The government has chipped away at inefficiencies in the tax system, but meaningful progress will require legislation. No action has been taken to reduce producer supports for agriculture. Although further progress in that area is warranted, this priority has been replaced by the need to improve infrastructure, which is deemed to be more important in view of low labour productivity growth.
- Public infrastructure is not keeping pace with needs of the evolving economy and is contributing to congestion, urban sprawl, and environmental degradation, making actions to maintain and rationalise existing infrastructure, and build new infrastructure highly desirable. Sizeable segments of the population either lack opportunities to acquire and maintain skills valued highly by employers, or are constrained by childcare needs. These gaps could be bridged by measures to enable the acquisition of skills, improve educational outcomes, facilitate retraining, and enhance employment flexibility for parents of young children. The US devotes a much larger share of its resources on healthcare than other OECD countries, with little apparent gain in health outcomes. Enhancing healthcare sector efficiency could put resources to better use. Complexities in the US corporate tax system tilt the playing field against young firms, and, combined with high marginal tax rates, invite unproductive tax avoidance. Simplifying the tax code, broadening the tax base, and improving the design of tax incentives could help stimulate innovation and reinvigorate dynamism.
- Measures to improve public infrastructure and particularly mass transit, could also help limit environmental degradation and reduce carbon emissions.

### Going for Growth 2017 priorities

**\*Improve, maintain and rationalise infrastructure.\***<sup>1</sup> Public infrastructure provision is not keeping pace with the evolving economy and the poor co-ordination of decisions across jurisdictions is contributing to congestion, urban sprawl, and environmental degradation.

**Recommendations:** Boost investment in, and maintenance of, infrastructure. Promote mass transit, and use federal programmes to encourage co-ordination across State and local jurisdictions. Implement usage fees based upon distance travelled and congestion, to help fund transportation and to encourage users internalise the broader costs of congestion and pavement damage. Expand federal programmes designed to improve access to fixed broadband.

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an “\*”.

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## Growth performance and inequality indicators

## A. Growth

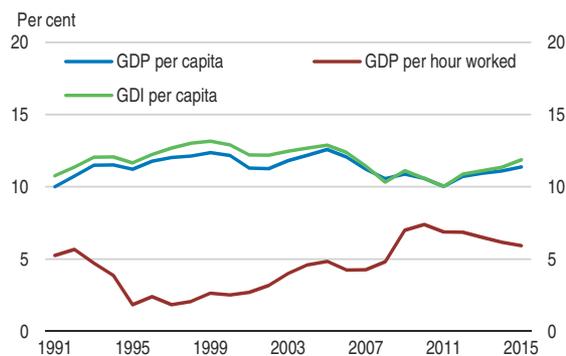
| Average annual growth rates (%)           | 2003-09 | 2009-15 |
|-------------------------------------------|---------|---------|
| GDP per capita                            | 0.5     | 1.4     |
| Labour utilisation                        | -1.0    | 0.3     |
| of which: Labour force participation rate | -0.2    | -0.6    |
| Employment rate <sup>1</sup>              | -0.6    | 0.7     |
| Employment coefficient <sup>2</sup>       | -0.2    | 0.2     |
| Labour productivity                       | 1.3     | 1.0     |
| of which: Capital deepening               | 0.5     | -0.4    |
| Total factor productivity                 | 0.9     | 1.4     |
| Dependency ratio                          | 0.2     | 0.2     |

## B. Inequality

|                                                             | Level      | Annual variation<br>(percentage points) |
|-------------------------------------------------------------|------------|-----------------------------------------|
|                                                             | 2015       | 2008-15                                 |
| Gini coefficient <sup>3</sup>                               | 39 (31.7)* | 0.2 (0)*                                |
| Share of national disposable income held by the poorest 20% | 5.4 (7.7)* | 0 (0)*                                  |

\* OECD average

## C. GDP per capita remains above the average of leading countries

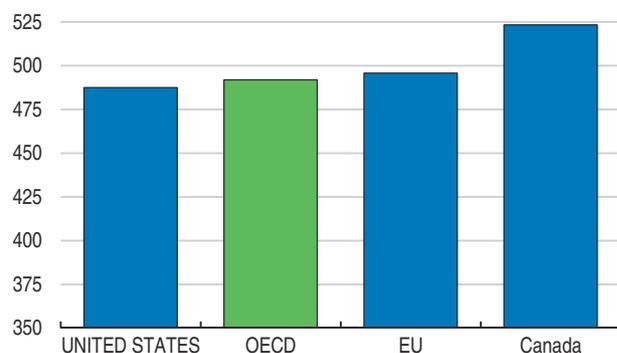
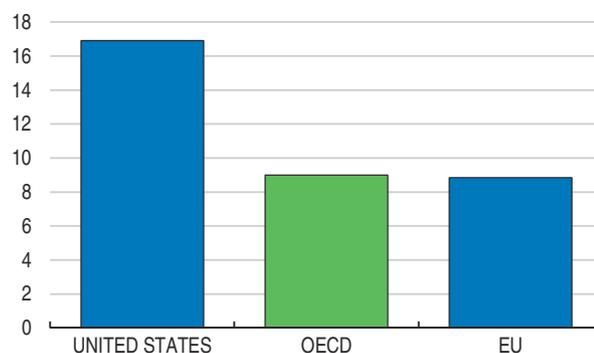
Gap to the upper half of OECD countries<sup>4</sup>

1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, *Economic Outlook No. 100 Database*; Panel B: OECD, *Income Distribution Database* (based on preliminary estimation); Panel C: OECD, *National Accounts and Productivity Databases*.

StatLink <http://dx.doi.org/10.1787/888933455356>

## Policy indicators

A. Student performance is relatively low  
Average of PISA scores in mathematics, science and reading, 2015B. Health expenditure is very high  
Percentage of GDP, 2015

Source: Panel A: OECD, *PISA Database*; Panel B: OECD, *Health Database*.

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**Strengthen active labour market policies.** Some displaced workers no longer possess skills that are in high demand from employers, and are likely to suffer long bouts of unemployment or exit the labour market.

**Actions taken:** Some new initiatives have been introduced to strengthen active labour market policies, including programmes designed to train workers in skills needed for available well-paying jobs (e.g. TechHire and UpSkill America were launched in 2015) and new federal funding for apprenticeship programs.

**Recommendations:** Expand funding for reskilling, building upon programmes that, in the past, have shown effectiveness in facilitating reemployment.

**Improve equality of opportunity and outcomes in education.** Some segments of the population still lack opportunities to acquire skills valued highly by employers and sustain employment, including children from poor families, females with young children, and persons with criminal records.

**Actions taken:** Initiatives have been introduced to improve early childhood education (such as the Head Start and Early Head Start), and funding for these programmes were increased in 2016 appropriations. Common core standards were introduced for primary and secondary education, but have been resisted by States.

**Recommendations:** Use targeted federal funding to reduce disparities in student opportunities and encourage States to be ambitious in lifting educational attainment. Require paid parental leave and improve access to quality childcare to help reduce wage gaps and improve career prospects. Expand the Earned Income Tax Credit and raise the minimum wage. Reduce pre-screening for employment on criminal records.

**Improve the efficiency of the health care sector.** The US devotes a much larger share of its resources to healthcare than other OECD countries, and these resources could be used more productively.

**Actions taken:** A number of programmes act to improve quality and reduce costs in government healthcare provisions as well as to facilitate risk pooling.

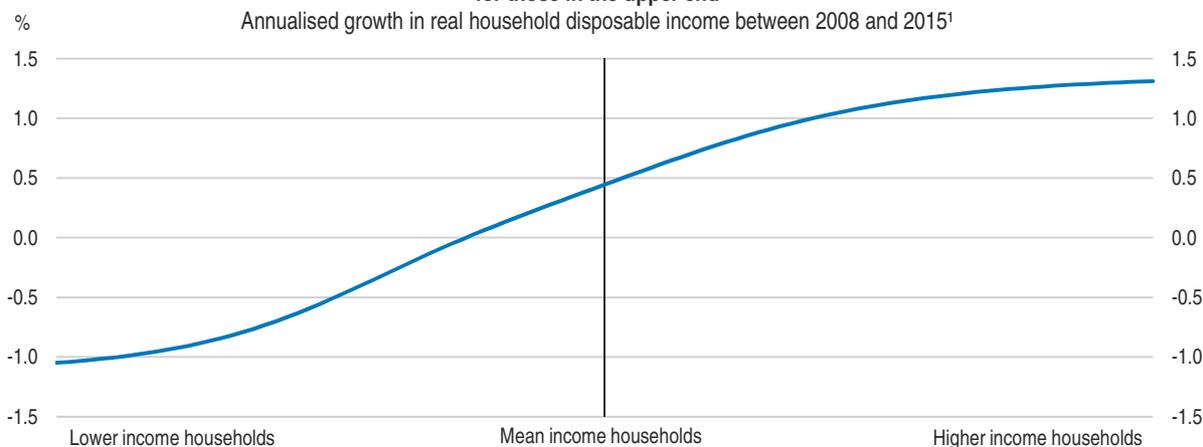
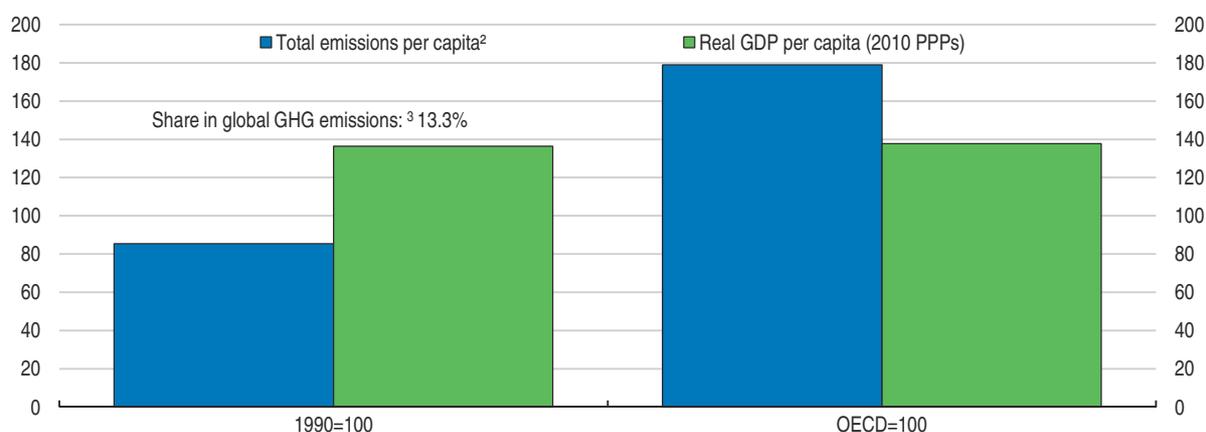
**Recommendations:** Continue to conduct pilot programmes of Medicare provider payment systems, assessments of utilise research by the Patient-Centered Outcome Research Institute and others that compares the effectiveness of different prescription drugs and treatments. Ensure that cost-saving measures thus identified are rolled out, and monitor their impact. Monitor developments in the increase of coverage.

**Reduce distortions in corporate taxes.** Corporate income tax is outdated and penalises US competitiveness and young firms. Statutory rates are high and combined state and federal rates are the highest in the OECD while the base is narrow.

**Actions taken:** No actions taken.

**Recommendations:** Adopt legislation that cuts the statutory marginal corporate income tax rate and simplify corporate taxes and broaden the tax base. Make R&D tax credits refundable for new firms. Continue with measures to prevent base erosion and profit shifting.

## UNITED STATES

**Beyond GDP per capita: Other policy objectives****A. Income fell for households at the lower part of the distribution and increased for those in the upper end****B. Emissions per capita are below the 1990 level but well above OECD average**

1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2015. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database* (based on preliminary estimation); Panel B: OECD, *National Accounts and Energy* (IEA Databases, United Nations Framework Convention on Climate Change (UNFCCC) Database).

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