



PROFILES IN LEADERSHIP, COLLABORATION, AND EMPLOYEE ENGAGEMENT INTERVIEW SERIES

INTERVIEW WITH ROBERT REICH



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I'm Steve Kraske, and this is the Overland Resource Group podcast series – "Profiles in Leadership, Collaboration and Employee Engagement." These are stories about the surprising results organizations achieve by experimenting with alternative approaches to working collaboratively, empowering employees and leading more creatively.

These stories are told by leaders of corporations, government agencies and the unions which represent their workforces as well as leading experts in the field of organizational change.

The series is underwritten by Overland Resource Group, a change leadership consultancy bringing transformative results to organizations for over 30 years.

STEVE KRASKE: Today, we're visiting with Robert Reich, who's out with his 14th book, *Saving Capitalism for the Many, Not the Few*. He was President Bill Clinton's labor secretary and served in two other administrations. Today, he's the Chancellor's Professor of Public Policy at the Richard and Rhoda Goldman School of Public Policy at the University of California, Berkeley, and senior fellow at the Blum Center for Developing Economies. Mr. Secretary, welcome. So nice to have you here.

ROBERT REICH

Thank you, Steve. It's great to be here.

STEVE KRASKE

Well, put yourself in the position of a CEO these days in a company, really, of any size. How concerned should the CEO be about this growing disparity between rich and poor in this country and what that might mean for the company?

ROBERT REICH

Very concerned. If I were a CEO, I would say, "Well, where are my customers going to come from if this trend continues over the next five or 10 years?" Because the vast middle class and the working class and the poor — they just don't have the cash to buy all the stuff that I'm producing. It's not in my interest as CEO to have a customer base that is getting poorer.



STEVE KRASKE

And given all that then, how should company presidents these days handle compensation? And how should they approach this idea of what's a fair wage for their workers?

ROBERT REICH

Well, it's very hard for any individual company to pay more than other companies are paying for workers. But I think that there's a way out of that. I think that companies ought to support a high minimum wage. They ought to support laws that basically put more money in the pockets of their employees. For example, putting a cap on the percentage of income that is subject to Social Security. Maybe the first \$15,000 of income should be not subject to Social Security, and you make it up by raising the cap at the other end, on the \$116,000 that now defines when you'd have to stop paying Social Security. That would be good for companies, because it means more money in more people's pockets.

STEVE KRASKE

You know, in your latest book, *Saving Capitalism*, you make several recommendations for how the country can reverse the ever-widening income gap. Among those are stronger anti-trust laws, strengthening labor unions and tying the regulatory benefits given to corporations to their own workplace practices. Let's talk about one of those. There seems to be more opposition to unions than ever before, yet you think that unions remain a major solution here. So what should unions be doing to get back in favor with the general public and with young people in particular who are so suspicious of them?

ROBERT REICH

I think unions can enter into win-win agreements with companies. That is productivity-sharing, profit-sharing. If the company does better, we workers are going to do better as well. It's very important that young people have a sense of history. They ought to understand that in the 1950s, 1960s, when over a third of private sector workers in the United States were unionized, that gave the middle class the bargaining power that the middle class needed to do better and better and better as corporate profits rose. And that helped the companies, because it meant more money in more people's pockets to buy stuff.

STEVE KRASKE

But boy, unions have a tough public relations issue these days. They're not very popular.

ROBERT REICH

They aren't not popular, I think, in part, because, in fairness, a lot of moneyed interests — a lot of big companies — don't like them. They want to keep unions out, or they want to push wages down. And I can understand, in the short term, if I were a CEO or I were a collection of businesses, a trade association, I would say to myself, "Well, one way of showing higher profits is to keep wages down." But if you take a slightly longer view, you realize that keeping wages down and pushing workers downward is going to be bad for business, because you're going to be losing customers.

You know, there's another issue along these lines. Many of the jobs that unions represent, Mr. Secretary, are the ones most often being sent off-shore. Meantime, the service industry jobs that remain are being reclassified as independent contractors. How would you propose addressing those barriers to organized labor's growth?

ROBERT REICH

Well, I'd say for one thing, in terms of big box retailers like Wal-Mart, or fast food workers for big chains, they should have the right to organize. They need to organize, because they need more bargaining power. That's where more and more businesses and more and more jobs are being created, and if they don't have bargaining power, they're not going to have higher wages. And if they don't have higher wages, you're not going to have a customer base to buy everything else in the economy. Secondly, it's very, very important to understand that the service economy jobs that we're creating don't have to be bad jobs. In fact, if we don't make them better jobs, if employers don't think of their workers as costs to be cut but start thinking of them as assets to be developed, then there's a possibility of, again, a win-win outcome.

STEVE KRASKE

You know, given the wage disparity you've written so much about, why haven't unions and organized labor made more of a comeback these days, because in some sense, the table is really set for them right now.

ROBERT REICH

I think they will make a comeback, particularly in the service industries, where you don't have to worry about foreign competition, because after all, most of those jobs have to be here. You're doing direct service. And you don't have to worry that much about labor-replacing technologies, because after all, when you're talking about retail or restaurants or hotels or hospitals or surface transportation, those things are going to be done by people. They're not necessarily going to be done by machines. So that's where we do need stronger worker power. Now it doesn't have to be necessarily in the form of a traditional trade union. It could be other forms of giving workers power. If you don't like the idea of the trade union or you don't like the organization of the trade union, but I think that undoubtedly, American workers deserve a raise, and they have to have greater bargaining power to get raises.

STEVE KRASKE

Are you seeing signs that those service unions are going to be begin forming and attracting new members?

ROBERT REICH

Yes. In fact, some of the fastest-growing unions right now — the Service Employees International Union for example —

STEVE KRASKE

Huge union.

ROBERT REICH

Very large and it is growing, because service workers are becoming unionized. And the other thing I want to say, just to give context here, is that we've got

big companies that are consolidating more and more — health insurance, big high-tech. You see it in almost every aspect of the economy — big agriculture. So you have anti-trust laws that are not really stopping those big companies from consolidating, and yet at the opposite end, when workers want to get together and increase their bargaining power, you have a lot of people coming forth, a lot of companies, saying, “No, no. You mustn’t do that.” Well, if the big companies are consolidating and gaining bargaining power, but workers are not consolidating and can’t gain bargaining power, well, you can tell what that means. That means greater, greater inequality, CEOs being paid more and more and more, and average workers, average families on a downward escalator.

STEVE KRASKE

HUGGY RAO

STEVE KRASKE: You talk in *Saving Capitalism* about this need for a countervailing force — using your word -- to push against the moneyed interests in this country. But political activism like we had in the 60s seems so very far away these days. Or do you see it differently?

STEVE KRASKE

HUGGY RAO

ROBERT REICH: It does seem very far away. But, you know, if we were having this discussion, Steve, in 1900, we would be seeing many of the same things we see today. That is, huge consolidations and monopolies, robber barons who are corrupting politics, a lot of poverty, a middle class that was getting increasingly cynical about politics. But then what happened in 1901 was an upsurge of populist sentiment. People said, “We’re tired of this. We’re going to put aside ideology. It doesn’t matter whether we’re called Democrats or Republicans. We want to be at the table. We understand this is fundamentally about power, and we are going to change the rules to make sure that we have not just a voice but that the economy is working for all of us, and our democracy is working for all of us.” And we had the progressive era, starting in 1901 through 1916. Very important. It will happen again.

STEVE KRASKE

HUGGY RAO

STEVE KRASKE

STEVE KRASKE: But the ideology of 1901 and the ideology of 2015 are two very, very different things. So many folks — and you’ve heard this a million times — say we’re so entrenched. Can we change that? Or is it too late to change that?

HUGGY RAO

ROBERT REICH: Never too late to change that. I mean American history is, well, the logic of American history is at least four times, people have organized and mobilized and energized themselves to take back our democracy and take back our economy. We don’t do what other nations have done. When capitalism gets off track, and people start getting stressed and unhappy and cynical, some other nations, like what happened to Spain and Italy and Germany in the 1930s, they move toward fascism. Or other nations, like Russia in the early part of the 20th century went toward communism. Well, we don’t do that here. We get very pragmatic, we roll up our sleeves, and we do what needs to be done. I think we’re going to do it again. We have to do it

again, because we don't have choice.

Look, more and more of the nation's income and wealth are going to the top. At the same time, more and more Americans are feeling less and less economically secure. That sense of economic insecurity is causing so many people to lose faith in the system. And that is the first step toward either major reform or demagoguery. I don't know which one it's going to be.

STEVE KRASKE

You suggest it could be dangerous if things go off the rails here.

ROBERT REICH

Well, it could be dangerous. The two forms, historically, of populism — one is fundamental reform populism, the other is authoritarian populism, kind of a totalitarian dictator. Now, we don't do the latter in this country. We have not done the latter. We don't elect dictators, but if people get increasingly frustrated and stressed and upset, it is conceivable that they may say, "Well, just give us a strong man who's going to just do it, and ride roughshod over democracy."

STEVE KRASKE

You know there are all manner of fights over raising the minimum wage in this country right now. You advocate it, but the argument is that it still will result in inflation and higher costs for consumers and that we'll wind up paying, you know, brand new workers, high school kids really, a rate they don't deserve, because they have no work experience. What about that?

ROBERT REICH

Most minimum wage workers today are not high school students. They're not teenagers. Most minimum wage workers are major breadwinners for their families. And if we just had the same minimum wage we had in 1968, adjusted for inflation, it would be well over \$10 today. If we adjusted also, given productivity improvements since 1968, we would have a minimum wage that was well over \$20 an hour. Now I'm not suggesting that. But it seems to me entirely reasonable that something around \$13, \$14, \$15 is necessary. It is morally necessary. It is economically necessary, and I understand Kansas City is moving in that direction. I hope that the state allows it to. I think it's absurd for a state to say, "One of our cities can't do something." I mean that doesn't seem to me — now I don't want to sound presumptuous, Steve — but it doesn't sound to me very democratic.

STEVE KRASKE

The fact that we don't have it — is that one more example of the big, moneyed interests winning?

ROBERT REICH

Well, the big, moneyed interests would rather we not raise the minimum wage, because that means, for them, less profits. But if the long-run interests, even of those who are CEOs and at the top of the entire industrial order, understood their long-term interests, they would say, "We want to raise the minimum wage, because that gives us better and more affordable products and customers. We need people to be able to buy our products."



STEVE KRASKE

Mr. Secretary, thanks so much for your time.

ROBERT REICH

Thank you.

STEVE KRASKE

Robert Reich's latest book, *Saving Capitalism for the Many, Not the Few*. This Profile in Leadership, Collaboration and Employee Engagement Interview was brought to you by Overland Resource Group. For a transcript or more information, visit their website at www.orginc.com or email them at WorkingTogether@orginc.com.