

CENTER FOR AMERICAN PROGRESS ACTION FUND

**THE STATE OF THE AMERICAN WORKER:
TODAY AND TOMORROW**

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**TUESDAY, JANUARY 26, 2010
9:00 A.M.
WASHINGTON, D.C.**

*Transcript by
Federal News Service
Washington, D.C.*

JOHN PODESTA: Good morning, everyone. I'm John Podesta. I'm the president for the Center for American Progress Action Fund and I want to welcome you to today's event with Andy Stern and Anna Burger on the state of the American worker. We're very pleased to host these two leaders of the 2.2 million strong Service Employees International Union, the fastest-growing union in North America. This event is part of the American Worker Project speakers series and thanks go to the project's team, Karla Walter and Matt Sherman, and its director David Madland, who's sitting in the second row there, for their help in putting this discussion together and also of course thanks to Andy and to Anna for taking the time to join us this morning.

As you all know, we're bearing the effects of the worst economic downturn since the Great Depression. The overall economy is now just starting to recover thanks in part to the efforts of the Congress, the administration, the Federal Reserve Board, but for workers the news is still grim. Unemployment is now at 10 percent and the typical unemployed worker is taking over 20 weeks to find a new job while the share of the unemployed who are long-term unemployed, that is out of work and actively seeking a new job, for at least six months. So the long-term unemployed was 40 percent in December. Both of these figures are post-World War II highs.

The economy has shed 7.2 million jobs since the recession began in December 2007, and while the American Recovery and Reinvestment Act has played a key role in stopping the hemorrhaging of jobs remember that when President Obama signed the legislation in February 2009 just under a year ago, the economy was shedding almost 20,000 jobs a day. Last January, 700,000 – more than 700,000 jobs were lost.

We are looking at months of 700,000 job loss. We still haven't turned the corner. Employers continue to be unwilling, unable to hire. So last month's report, although the number was only a tenth of what it was a year ago, we were still losing jobs at this point.

This terrible economy comes after a long period where the economy wasn't working especially well for workers to begin with. The previous administration oversaw the weakest job, wage, and income growth since the end of World War II. Between March 2001 and December 2007, so before the current recession officially began, overall job growth was already the worst since any cycle since 1945. Wages made virtually no gains during that 8-year period. Median household income decreased for the first time since the mid-1960s, actually leaving the median household income several thousand dollars poorer – several thousand dollars poorer in 2007 than they were in 2000.

American households I think trying to tread water with no wage growth and median income loss piled up record high debt which of course burst with the housing bubble. Andy and Anna are here today to discuss these economic challenges and the opportunities for rebuilding our economy. We'll also have a chance to talk about the current proposals that are being put

forward during the course of the last couple of weeks and will be put forward in the president's State of the Union address tomorrow night and in the budget that will be put forward the following week.

As you all know, yesterday the White House released that it intends to embark on a so-called domestic spending freeze for 3 years starting in the next fiscal year. I was I guess amused, maybe that's not the right word, when I read the Republican reaction this morning to the president's attempts to actually get spending under control.

We can debate the merits of those but I just wanted to remind my friends on the other side of the aisle, if I can move one slide, this was the – they were chortling about the fact that spending had gone up under President Obama's term and particularly in his first year and particularly as a result of the American recovery act.

Eighteen percent of the increase in the deficit, by the way, was attributable to the so-called ARRA and if you look at that, that's only a quarter of what we lost in revenues as a result of the deep revenue loss that came about as a result of the economic policies of the previous administration and the deep recession we went into.

But, again, just to remind my friends on the other side of the aisle, outlays, the second line there, under President Clinton actually decreased by 3.7 percent. Under President Bush we went on a spending spree not only including wars in Iraq and Afghanistan but in expansion of the drug benefit, which was not paid for, expansion of domestic spending and military spending and we saw increases in outlays rise a tremendous amount during the course of the previous administration. So I think that what the president is trying to grapple with is a very difficult and broken balance sheet that he inherited from the previous administration.

Let me now introduce our speakers. Anna Burger is both the secretary-treasurer of the SEIU and the first chair of America's newest labor federation Change to Win. She has been hailed by Fortune Magazine as the most powerful woman in the labor movement and named one of Washingtonian's 100 most powerful women in 2006 and now again in 2009.

Anna is a long-time strategist who oversees SEIU's national political operations. In 2008 Anna led SEIU's grassroots election work which helped elect President Barack Obama and brought unprecedented victories for pro-worker candidates from across the country. She has also played a critical role in developing the infrastructure of the progressive movement by partnering with and helping development organizations and initiatives to deliver a sustained presence of progressive leaders at all levels of government.

In February 2009 Anna was named to the President's Economic Recovery Advisory Board, a diverse group of economists, academics, business and labor leaders tasked with helping to guide the president's economic recovery policies. To the extent that anybody wondered whether that enterprise had any effect, the president's recent announcement that he was going to move forward with the so-called Volcker fix I think was a result of the work that the Economic Recovery Advisory Board has had on this administration to separate the proprietary trading from

commercial banking activities, I think a major step forward in trying to regulate the two big fail risk.

We'll hear first from Andy Stern who is of course the president of the SEIU and a leading voice and aggressive advocate for practical solutions to achieve economic opportunity and justice for workers to ensure affordable quality health care for all, to promote quality public services, and to guarantee that globalization benefits not only big corporations but also working people.

To that end, Stern has spearheaded bold new partnerships with community allies, employers, and other organizations both here at home and abroad and he's helped elect officials of both major parties, called a different kind of labor chief and a courageous visionary, a leader who charted a bold new course for American unionism, Stern began working as a social service worker and a member of SEIU Local 668 in 1973 and rose through the ranks before his election as SEIU president in 1996.

I want to thank them both for joining us this morning and I'm now going to turn the podium over to Andy. Thank you.

ANDY STERN: Thank you, John. Good morning everybody, morning. At times like this when we're really focused on a specific subject like the state of the American workforce or a specific moment like the State of the Union, I always like to begin to put this in somewhat of a broader context. I love this country. I happen to think America is a gift and its greatest gift is people like my grandfather Louis come here from all over the world. All they ever expect is they're going to work pretty hard. All they every hope for is their work will be rewarded. But what my grandfather and so many others who came to the country dreamed about is their children and their grandchildren would live a better life than they do.

That is the unique, the enduring, the wonderful American dream and despite a Civil War, two World Wars, depressions, recessions, natural disasters, 44 different presidents, that dream has endured up until now. I want to just make sure we all understand what we mean when we talk about the American dream because workers get it.

It's about working hard and trying to get ahead. It's about having a decent job, owning your home, having affordable health care, education for your children, and retiring with dignity and security. Every poll that is ever taken who asks any workers about what the American dream is has most if not all of these elements in every person's answer and I'm here today to say that the state of the American workforce is this. The American dream is becoming an American nightmare for most Americans.

This first decade of the 21st century was a disaster, a disaster for American workers. We started the decade by importing a failed 20th century economic theory about market worshipping, deregulating, privatizing, trickle down, I got mine so long sucker, American economy. That's what we imported from the 20th century.

We now find that 79 percent of all Americans say that their children for the first time in American history will not do better than they do. That is a nightmare in itself that parents believe it. The bigger nightmare is that all the relevant facts say that they're actually right, that unless America does something fundamentally different, not going back, driving back into the future, not looking into their rearview mirror, unless we do something fundamentally different, have a new economic plan, this American dream will become a nightmare.

So let's just look at the very simple facts of the lost decade of George Bush. GDP growth down, not a single job was created. So now we have more and more people looking for less and less jobs and this was before the economic disaster. We have a change in household net worth, down. We have family income declined, down, even before the recession. So the American dream by every single factor that you look at has become the American nightmare for too many workers.

What that means now is we have 27 million Americans un- or underemployed and as we say this happened way before the arrival of President Obama and the economic catastrophe. It's equal to the population of eighteen states and Washington, D.C. Assume and think about having every single available working person in those states unemployed. That's what's happening in America today.

The employment outcome for 2010 we know remains bleak. Ten percent now, Mark Zandi would say going up to 10.6 percent before we take a turn and then we're coming to the elections in 2010. We have six workers looking for every single job opening in America, not great odds for people who are really trying to take responsibility for themselves and their families.

The fall in employment from 2007 levels have cost the American workers and then the American economy a trillion dollars in lost wages. We have homes underwater. If you want to see a frightening number look at the far left when you see the state of Nevada and appreciate that nearly 70 percent of the homes either have negative equity or near negative equity.

That is a huge problem for people who dreamed their whole life of owning their own home and retiring in it. We have retirement assets both in terms of defined contributions and in terms of actual retirement savings down. We have U.S. health-care costs. You can see we're up here in the far left corner. Our numbers are so high we can't even put them on the chart in comparison to other countries. The cost of education is rising far faster than the consumer price index and that is why the American dream has become an American nightmare.

By almost every single statistics about work, about health care, about jobs, about retirement, about college education, American workers today are way worse off than they were at the beginning of the decade and that's why President Obama was elected and that's why he began on a course to try to make change and I'm sure we'll talk more about this.

Let me just say one thing before I just talk a little bit about the changing nature of work and what we need to do here because I think it's important to understand. A lot of people want to treat the problems in the economy as if it's a natural disaster. The president inherited a forest fire that he tried to put out or it was like Katrina and I just want to make clear this was arson.

People burnt this economy to the ground with irresponsible speculative behavior and I would just say for the record that if American justice is really equal for everyone there are a lot of people that deserve to be called into account for what's taken place up until now.

As we think about where we need to go in terms of the future for work in America we need to understand a couple things that sometimes I think we try to reach for simple solutions to what's a very complex problem. In the next decade 90 percent of the new jobs will be in the service sector.

We should understand the health-care bill could add a million new jobs. So for all the people who are wondering where is the jobs bill, don't look any further than the health-care bill. It'll be the biggest increase in jobs that America could have if we could pass the health-care bill and these will be jobs in industries that we know about, about home care as people age, in retail and food preparation and customer service.

Only 1.4 percent of the jobs will require increased college education. So the idea that everyone should go to college is absolutely aspirational. It is everything about equal opportunity. It is not necessarily a job creation problem. The problem we have is not that we need more college educated people, and we certainly do particularly in certain fields, but we need better jobs for the people that do the work that our parents and grandparents did, whether it's in construction or food preparation or retail or home care or everywhere else.

We need to understand this very simple chart. Productivity is still going up. This is not a problem which people like to point to sometimes and say productivity in America is a problem. American workers aren't producing enough. They're not working more hours. They're working more hours than ever before and you can see the productivity line is spiking. The problem is the compensation line is not any more in parallel and the difference between productivity and compensation is why Wall Street and the elite are so rich, because they stole what used to be shared proceeds with American workers and instead of sharing in the wealth we trickled up instead of trickled down and unions used to be the way that people bargained that productivity into compensation and the growing weakening of unions, particularly in the private sector, is a major reason why we can't align anymore productivity and compensation.

There's only three ways to get those two lines together. One is the market. That has failed miserably. Two is the government which has limited opportunities to do this sort of site by site, industry by industry, and the third is union which is the only private sector way to get this job done that doesn't cost the government a dime, doesn't add to the budget deficit. It's just a necessary non-macro way to try to solve a very simple problem, that productivity is up and it's not being shared in compensation.

As we said according to the latest BLS report union membership stayed flat but it really masked the fact that the actual number of workers belonging to unions declined by nearly 771,000.

I'll let Anna talk about what we need to do with one last thing. I sat here about two years ago after I wrote a book called "A Country That Works" and I said America doesn't quite yet understand, and I'll repeat it today, the moment of history we're in. Our country and the rest of the world is living through the most profound, the most significant, the most transformative economic revolution in the history of the world.

That's a lot of words to say but no matter where you live in this economy, in the media, in public policy, the world is fundamentally shifting how it works. We've only had three economic revolutions in history. We had the agricultural. It took 3,000 years. We had the industrial. It took 300 years. This revolution, and this is the third economic revolution as we change from a manufacturing in our country to a finance, knowledge, green, energy economy and more importantly from a national to international economy, this revolution is only going to take 30 years.

This is not our father's and grandfather's economy and so today we need, when we think about a new American economy plan, to understand A, we have our first economy competitor in real history, modern history, and that's China and China's economic trajectory is for real. It is not fleeting or temporary. Two is this is not our father's or grandfathers economy. The one job in a lifetime economy that my grandfather Louis and my father lived is gone. My son who is 23 is expected to have nine to twelve jobs by the time he's 35. Employers therefore and employees are separating and getting a divorce.

The whole idea that your employer can manage your health care, your pension, your retirement is gone because no one's going to be in the same employer long enough and since only one out of every three employers because of the creative destruction that's going on because of the economic revolution will be viable in the next 25 years, even if you want to stay with your employers, two of the three employers won't be there for you to stay with at the end of all of this.

So I just want to end by saying American workers understand that change is inevitable. But what they also understand is progress is optional and to turn change into progress requires a plan and I would say a new American plan and for that let me turn this over to Anna Burger.

ANNA BURGER: Thanks, John and Andy. I'm actually glad it's 2010 and not 2009. I think last year was a challenging year and I think that we're all ready to move forward and try to figure out how do we do what we actually wanted to do after the election of 2008 which was to create an America that works for all of us. I think the reality is that across America people wake up every day and if you look at the statistics and put the faces on the statistics, they wake up every day and they worry about whether they're going to have a roof over their family, whether they can stay in a house, keep their kids surviving, and when you really think about it one out of every four kids in America, one out of every four kids in America is hungry every day.

One out of nine people in America is on food stamps. Every seven-and-a-half seconds someone loses their home to foreclosure. So every day people wake up and they really are worried and anxious, people who live on your street, people who live in your community, people who are in your families. Everybody in America, most people in America know somebody or is

somebody who is struggling with that and that's what this is all about and why we need dramatic action.

We don't need little fixes. We need big fixes. We don't need tinkering around the edges. We need dramatic action and I think that's what this administration needs to do and what we as a country need to do. We are, as Andy said and as John said, in the worst economic crises since the Great Depression and we need to move forward.

So what is the first step for the American families? I think it really is dramatic action and if you look across the country we know that we are not going to be able to borrow our way into the middle class, we're not going to be able to borrow our way out of this economic crisis. We need to earn our way out of it and the way we can earn our way out of it is to put America back to work again and we need to create jobs and across America what everybody – a drumbeat in people's homes, what they're talking about is how do we create jobs. I think it's really clear that people want dramatic action around creating jobs and they've been waiting a long time and they're angry because it hasn't happened yet.

Polls prove it. When you ask people, regardless whether they're Democrat, Republican, or Independent, people want jobs. It is the number one issue by far, overwhelmingly in every single category. So I think it's the four letter word that we need to keep working on, J-O-B-S. There are a lot of people who say you can't create jobs because you have to worry about the deficit.

The reality is voters aren't worried about the deficit. Lots of people in Congress can be worried about the deficit but voters aren't worried about the deficit. What they're worried about is job creation. What they're worried about is how money is being spent. They believe it's not being spent to help them. They think it was spent to just help Wall Street and the financial industry and they don't think that that's fair and that's why if they have their way our government would be spending money and it would be spending money on creating jobs for real people across America.

They actually know who's at fault for our economic crises. They believe it's big banks. Over and over again they think the financial industry, and they separate out big banks from community banks, they think the financial industry has run amok and governments let them get away with it and they are really angry about the fact that they believe the government is letting big banks and the financial industry who they bailed out to go back exactly to the bad practices that they had in the past and that they want something done about it.

For those who want to sit around and say we have to wait, we have to pause, we can't move too fast, inaction is a huge problem. If you think about the New Deal, after FDR put people to work and they paused because they thought they were doing too much and we slid right back into a recession. In Japan, same thing, start to spend and then stopped and then all of a sudden they slipped further and further behind. We don't – we can't do that.

So what I'd say to you is we need bold action and we need it in three different areas. We need it in jobs, jobs, jobs, jobs. We need it about the financial industry and banks and we need it

about financial reform. I want to talk just a little about what those things are and we think for jobs they are both short-term and long-term. We need to keep people working, we need to get people working, and we need to build the jobs and the industries for the 21st century so that we actually make sure that people keep on working in the future.

When we look at this we really do think about how we need to keep the safety net going, extend the UI, COBRA, and other social supports to keep those who are out of jobs okay while that's going on. We need to provide real relief for the states and local governments. Nine hundred thousand people will lose their job this year if we don't figure out a way of providing real relief to state and local governments. We can't afford to have 900,000 people who are doing incredible important services in their communities to lose their jobs too.

We believe that we need to create jobs program, that there are lots of jobs that we could put people in tomorrow or even today if we fund them that are really important jobs for our communities whether they are painting our schools, providing human services, filling the gap of human services in child care and elder care that we really need where there are long lines. So we think that a public jobs program is some of them are ready, some of them are just job ready. We just need to put people into them.

Then the whole issue of green jobs, we need to prepare our country for not just retrofitting homes but retrofitting public and commercial properties as well and then begin to build a green economy for our future. We believe that the whole idea of a green bank, where we use public dollars to pull in private dollars is a way of being able to get this economy going again both in the short-term and the long-term.

It gives us – if you think about the retrofitting opportunities – it gives us the opportunity to bring people out of the community, give them the skills to retrofit homes across our country and if you add on to that the public buildings and the commercial buildings it's expanded job skill programs that you can actually turn these jobs into really good jobs and keep them going and if we invest in sustainable energy and energy sources for the future we actually can begin to create the jobs that will be there in year five and year 10 as well.

We all know that in this room and across America that our roads, bridges, and water systems are crumbling and we need a real investment in that but we need investment also in technologies for the 21st century too. We need high-speed rail. We need to be able to invest in that and if we do a public/private partnership, an infrastructure bank, we can use public dollars and private dollars to be able to rebuild America for the 21st century.

I'd also say that across America we have in lots of our agencies different job training programs. A lot of those job training programs are about 20th century jobs not 21st century jobs. We need to retool all of that so we actually have a way of making sure that kids graduate from high school and can get into jobs. So we need school to work programs. We need training programs and we need lifelong learning programs. We need it around energy. We need it around health care. We need it around infrastructure. We need it around the 21st century.

Then we need to make sure we get small businesses going again. All the TARP dollars that went to big business hasn't trickled down to small businesses. It's small businesses that create jobs and hold jobs and we need to use TARP dollars to be able to create those jobs. We need to make sure that when there are cutbacks that people can share jobs and that there are incentives to doing that.

Then, two last things, finally on health-care reform, when we pass health-care reform and we will do that, we will do that, we will create – we will cover 36 to 46 million new people in health care. That means new kinds of jobs, additional jobs. It is a job enhancement program. We need to make sure that we recruit, develop, and train that workforce.

Finally I would say for all of the job creation we also need to make sure that we turn those jobs into good jobs and Andy talked a little bit about the importance of workers having a voice in their jobs so they can share in the prosperity of their companies and our country and the reality is that's why we need to make sure that unions are part of the solution and that why we need to do things like pass the Employee Free Choice Act so we can actually make sure that workers can be involved in their workplace and share in the prosperity so we can get monies going again and make these jobs into good jobs.

Second, banks; now, some people will say what does a financial CEO do? Do they create anything, build anything, do anything other than do lots of financial manipulations? Well, I think a lot of Americans thought that when we bailed out the financial industry last September, October, and November that we were actually – that they were then going to turn around and help rebuild Main Street but what we found is they didn't stop the foreclosures, they didn't lower their interest rates, they didn't come up with good products, they didn't get America going again. so we think that we actually have to make them do it because they will in fact not do it on their own and that's why we have a demand about foreclosures, about borrowing, about restoring small businesses, about making sure they change their abusive behaviors, and unless we do that they will not do it on their own and America will continue being ripped off.

Then on financial reforms, as Andy said this wasn't a forest fire. This was arson. We had an economic financial strategy that did us in and unless we turn it upside down and we actually do financial regulatory reform we will not be able to grow our way out of this or turn this around or make sure it doesn't happen again. We do need a consumer protection agency. Consumers deserve to be protected. No one else will protect them. We've seen that. If it's too big to fail then it's too big and we should break them up. We need to make sure we have a Fed that is more transparent. We need to make sure we regulate systemic risk. We need to make sure that we take away all of the shadowy business deals to make sure that financial industries cannot gamble with our future, with our jobs, and with our economy for their short-term gain at our long-term risk.

Finally, we need to pay for this and the good news is there's a way of paying for this. Our fee on bank liabilities to repay TARP, I thought the president's idea last week was a great idea and that puts some money into it. But why don't we have a financial speculator's tax? It could bring in huge amounts of money into our economy to actually put people back to work. So we think that we have four good ways that we can take on the financial industry who actually

brought us to our knees as a country to help them start paying for it so we can rebuild our country and put people back to work again.

So from our perspective we think that across America this is what people are waiting for. They're waiting for big bold action. They're waiting for somebody to stand up and say we're going to create jobs and not just say it but do it, that we're going to take on the banks and make them do right by America and by Main Street and that we actually clean up our financial industries, clean up our economy, turn the policies around so we actually have a country that works for all of us. Thank you.

MR. PODESTA: Well, thank you. That was a great tour of both where we are today and what we need to do tomorrow and in the future. I'm tempted to start right in on jobs and pick up on what Anna was talking about but I actually want to start in a slightly different place. I'm going to try to get a conversation going. We need to cover a bunch of different topics including health care and the outlook for the new Congress. But one of the things that CAP has focused on particularly over the course of the last year is the change in the composition of the workforce. We now have – we're about at the tipping point. Maybe we'll tip over this month, have more women in the workforce than men, two-thirds of households are now either the primary breadwinner or co-breadwinner are headed by women. You represent a lot of low wage women at the SEIU. That's put a tremendous stress on work/family questions. We issued a report about that yesterday.

When you sit with your members what are they looking for from their contracts and from the government? What's, when you're listening to what their needs are – obviously more jobs is going to create more pressure up on wages but what's the conversation like today? Anna, you want to start with that?

MS. BURGER: So I mean I think our members are like lots of other members. What they really want is health care. What they really want is a wage that can support their family and what they really want is to be able to figure out how to juggle all those things. Some of the occupations that we have actually – workers that we've been organizing are workers who actually help other women get by. They're childcare providers who help other women and men, who help take care of their kids while they're away at work. They're homecare providers helping take care of the elderly or disabled so other parts of the family, so they can be independent and aren't dependent necessarily on their other family members and it keeps our whole society going.

But a lot of those folks before we organize them have no access to health care. They have no access to decent pay and they have no sick leave. So they're just trying to figure out so when their kid gets sick they can't stay home with them. So I think what we have is a system right now that's really out of balance, that has as you said more and more women who are working but the social policies that enable them to have a decent life and take care of their kids and their parents too isn't there yet and that's something we have to create.

MR. PODESTA: Andy, you want to let me come to you on the jobs front. One of the I think dilemmas, particularly when you look at the list of 10 interventions that Anna had up on

the slide, is the fact that there is a public reaction against the interventions that have occurred over the course of the past year or more and CNN had a poll out this week that said two-thirds of the people thought that money in the recovery bill was wasted. I'm not sure they have any good sense from the reporting that goes on about the recovery bill about what actually was in the recovery bill but put that aside.

But right now you've got a sense I think amongst the public that it's hard to trust anything that goes on in Washington to actually deliver real goods and services to people back home. So when you look to try to shape those direct interventions, kind of what lesson do you take away from that? Where in that list can you make people actually feel like their tax dollars are actually working to actually increase jobs and what interventions are more likely to kind of build that trust that's more necessary to keep this going?

MR. STERN: Yeah, I mean I think one of the problems here is we're doing all these massive things that are really confusing and even though probably everybody in this room can explain it or know what it means we probably are not the right focus group inside of this city to do this. I think if you look at Anna's list you can imagine three ways the president or people could talk about it. One is ease the pain and that is all the COBRA, unemployment, things that I think state and local fiscal relief that I think people appreciate. We have to ease the pain. Everybody knows a neighbor whose unemployment is running out or someone who can't get healthcare.

There's a question about stabilizing the economy temporarily and I think there's a whole bunch of job creation activities. I happen to be much more inclined to do things that people can see the job the next day as opposed to what I think is the third piece which is what is our long-term job development where you look at the green bank and infrastructure and things.

I think we kid people when we say we're going to build roads the next day. People want to see who went to work in their community, in their neighborhood and one of the good things about whether it was when the president did CETA and when we did other programs is people saw people go to work and we think about the Roosevelt administration, the WPA put people to work and so I just think A, we've got to tell people we have to ease the pain; B, we have to sort of stabilize some short-term job creation and I think they have to be real jobs. I don't think they can be – we're doing the infrastructure bank and somehow it's going to rain down jobs in your community. I think we have to say we're going to weatherize the homes on Oak Street down the street and there are 20 people who are being hired to do it or that we're going to put some people into child care and home care so people get a little eased in their pain.

Three, I think we have to deal with the long-term job creation which are more around green jobs and infrastructure and education and things to set the stage and I think we've got to break this into pieces and make it simpler for people because I think it's been legitimately complicated but also questionable sometimes of whether when we gave all those senators, when we gave Jonny Isaacson \$15 billion in Georgia to do something, whether that really was job creation.

MR. PODESTA: Anna, you said in the so-called PERAB what's your advice in terms of the way to shape a job creation program and I noted that I think Andy noted Mark Zandi's slide that said that unemployment is expected to peak at 10.6 percent some time in sort of early fall or late summer. Is that the operating assumption now inside the conversations you're having?

MS. BURGER: I think some of the conversations I think I've helped start are the whole issue of how do we get people to work today, not two years from now. I remember, I can date myself, I remember Richard Nixon created the CETA program which was his jobs program and he was actually trying to figure out how to put people to work fast. It was a public jobs program. Ray Marshall when he came in with Jimmy Carter got 950,000 people to work in the first year using a public jobs program. So I think the whole issue about how do you really use tax dollars and half of those jobs will be publicly funded but private sector jobs. But they're fast jobs and I think that we need to do that.

But I would say that going back to your question about people think about the economy recovery program and they somehow didn't think it didn't work, I think there's a lot of confusion about what TARP money went to banks and what economy recovery money happened and I think that people with the outrageous behavior of the financial industry and their big bonuses and their refusal to deal with home foreclosures and their jacking up of interest rates that a lot of folks look at what we did last year and they look at that and they're furious and they don't think about the schoolteachers who are still working or the public workers who still are there. But I do think that keeping people in a job is really important but putting more people into those jobs is really important. So I would just say, and I've been a drumbeat, that we need fast jobs now.

MR. PODESTA: What about one of the things we've pushed along is trying to expand – accelerate the expansion of public service that the Congress already voted for on a bipartisan basis in the Kennedy bill to expand national service across the country which would actually put young people who are particularly affected by this recession and whose earnings will – the effects of that will last probably for a lifetime – into kind of meaningful work in their communities? Have you looked at that or thought about that?

MS. BURGER: I think it's actually one of the most important things. I think that the risk to this youngest generation is really scary because, as you said, for every year they're out of work their lifetime earnings are going to be down dramatically and so the whole issue about whether it's a national jobs service program, which I think we need to actually figure out, it's also about the school to work training programs. We can start preparing kids for health care or for other kinds of jobs where we know they'll be created and we can do it now. I think that is an incredibly focus that we have to have.

MR. STERN: When Anna talks about whether it's child care, home care, community service, weatherization, there's a perfect marriage here between the Kennedy structure which people seem comfortable with because it is short-term, it is focused on youth, and some of the other things we've talked about which is more where do those people go to work and the interesting thing about child care, home care, weatherization, ever community, every place, it's not like a bridge has to be running through your community to get a job. These are things that exist everywhere.

MR. PODESTA: Let's talk a little about health care and shift gears. I saw an editorial cartoon I think over the weekend which said the ball was on the one foot line. We're down 5-0 and the question was should we take a field goal or should we punt. I think that there's a consensus that changes need to be made to the Senate bill but that there's an avenue to do that which is try to get a smaller reconciliation package which would fix the bill done and then pass the combination through. But I guess Andy you spend an enormous amount of time on this. What do you assess the chances of that strategy to be? Is that the best way forward? I think that substantively it would be something we would all agree with but what are the political chances of getting that done?

MR. STERN: First of all I think people in Washington that say we should get the jobs and the deficit, we should not forget that you cannot get to jobs without passing health care if you really want to get the jobs because they're the only jobs that exist in every single community, rural, urban, you name it. There's a health-care facility. If you want to reduce the deficit we should appreciate that this bill actually does reduce the deficit and probably is the best hope we have to cutting the health-care trajectory even more over a long time. So it's interesting in Washington how we talk about let's go to the jobs and the deficit, except we have the biggest way to solve the jobs sitting at the five – the one foot line.

So it seems to me we should try to score and besides that it actually does a lot of good things about health care, about prevention, about wellness, about covering 31 million people. It's obviously not the bill none of us would have written on our own but we don't get those choices in a democracy. We have what we have.

It seems to me the easiest path, the only path forward to do something comprehensive both for jobs, the deficit, and health care is to take the Senate bill as it is as the foundation to find ways to whether through reconciliation or other legislative processes to fix the things that I think a lot of people agree need to be fixed both now in the House and the Senate. I think doing through reconciliation we don't have Ben Nelson and Joe Lieberman to kick around anymore so the other 58 senators get to decide some things they maybe didn't get to decide the first time around because of the hostage taking that was going on in the Senate.

So I think there's an incredible opportunity to create jobs, lower the deficit, and do something that's really important to our members which is they are part, many of them, in the new jobs that we've organized in health care and child care are the people that don't have health care and I can tell you they have no question about whether we should pass this bill. I mean they are fanatical about this is my only chance I'm ever going to have to have the security for the people in my family and my community. So for them it's not a question.

MR. PODESTA: What's the president need to do tomorrow night in the State of the Union, either one of you, in order to kind of set the stage for getting this thing across the goal line?

MR. STERN: He has to just go back and remind people why we started this. I think he did a fabulous job in the joint session when he addressed but I think he really has to emphasize

more this is a jobs bill, this is a deficit reduction bill, and without it we're going to be – and it's almost done and without it we're just going to be scrambling for better alternatives and more importantly for people that we represent their health-care bills are going to go through the roof in the next 10 years. There is no break in this market on health-care costs and we are going to sink with Medicare and Medicaid the American economy if we don't put a break on health care and Republicans certainly have no plan B.

MR. PODESTA: Anna?

MS. BURGER: I think he actually does have to remind people about how we got to this place where we're in, where we are and where we're going, and I think he has to be dramatic in terms of he was elected to clean up America and make it work for everybody and that we're going to do this by passing health care, by creating jobs, by getting the economy going again, and by taking on the financial industry that caused these problems to begin with. I think if he lays out a strong message of action as opposed to just anger then I think the American people will rally around him.

MR. PODESTA: You raised something that I think is probably at the heart really of the anger that was exhibited in the elections, both the off-year elections in November and the special election in Massachusetts, which is the dysfunctionality of the political system. We seem to have now a parliamentary system without majority rule and added to that was the recent Supreme Court decision that permits unlimited spending in political campaigns by corporations which we haven't seen since Teddy Roosevelt occupied the White House. What needs to happen to fix the politics in this country to let the country function again? Do you fear that the national government is going to follow the trajectory that we see in California where you just can't seem to get anything done?

MR. STERN: Yeah, I mean I think Washington has a completely toxic culture, probably even more toxic than that one the president ran against a year ago. The Democrats have proven that governance is not a matter of majorities alone. It's about personal behavior and responsibility.

Some could say we should rename the Senate the House of Lords, give them all wigs, and put them on the floor and let them speak all they want but voting doesn't seem to be something they're very good at or debating and they had a chance, a gift from the American people of 60 votes so they could for the first time in their life debate any single issue they chose to debate and they squandered it. They squandered it badly and I think they paid a price up in Massachusetts and will continue to pay a price if they don't stop, particularly in the Senate.

It continues to be a hostage taking – keep saying funnily I guess that we should send the national security people over and explain why we don't negotiate with terrorists because there's a lot of terrorist in the Senate how think we're supposed to negotiate with them when they have their particular needs that they want met.

So I think the Senate failed. The president proposed a broad agenda. No one said he proposed a limited agenda. In fact if there was any criticism it was too much not too little. The

House began to go to work on it. The Senate stalled completely and so I think it really raises questions of A, are the Senate rules really appropriate for a 21st century country where we can create gridlock by the very limited hard work.

Two is if we're going to have filibusters let's have a debate. At least make people get on the floor. Let's put the cots on the floor permanently if that's what people want to do. We can't have 70 percent of the bills that go in front of the Senate, someone screams filibuster and everybody says we can't do anything anymore. That's not what the American people want. They want someone to fight for them.

So I think yes, we have enormous problems particularly in the Senate that will be the death – change could easily die in the wells of the Senate and B, I think our political system has been corrupted by money, continues to be corrupted by money, and the Supreme Court guaranteed it will continue to be corrupted by money by its decision on Monday and I'm glad the president and Chuck Schumer and others are trying to rally at least within some context.

It's just so funny that a Supreme Court where we questioned Sotomayor about radicalism and living up to precedents just did the most radical unprecedented series of throwing out laws that existed and now we're going to let the Chinese and the Indians and the Venezuelans participate in our elections. I don't quite get how that is bound by the tradition of our founding fathers.

MR. PODESTA: Go ahead.

MS. BURGER: Everybody was shaken by Massachusetts but the reality is Massachusetts didn't vote against health care. They already have health care and as I've said to people I woke up Tuesday morning and we had 60 seats in the Senate and we couldn't count on 60 votes and I went to bed to that night and we had 59 seats and we still couldn't count on 59 votes. So why don't we just get to 51 from now on and stop the silliness?

I don't want to be light about it but we do need to really talk about how do we bring democracy back to the Senate again because it is outrageous when a few people can hold us up and not let anything get done and I do think that that on top of the Supreme Court decision kind of shows how out of control it is and how we have to get our country back again into the control of people.

MR. PODESTA: Do you worry that politics shifts, conservatism will be in majority again, the ability to slow down the initiatives that did so much harm to the economy will once again be fast-tracked if we move down that track?

MS. BURGER: I think that if Congress does not act then they will lose. There's no way that inaction is going to get us anywhere and so if we don't do things about jobs, if we don't do something about health care, if we don't do something about financial reform, that people will see and feel then 2010 is going to be a terrible election because people in fact voted for change and if they haven't gotten change they will go back and vote for the next change, whatever it happens to be.

So I don't think that we have just lost it to the conservatives and that we're going back in that direction. I think it was a wakeup call. I actually think in some ways, I hate to say this, but in some ways Massachusetts was good for everybody. It kind of hit us against the side of the head and said, wake up and do something, and now we have to see whether Congress has the guts to stand up and do what's right by America.

MR. PODESTA: Let me ask you – we'll open it up to the audience here in a little bit. But let me ask you a question about the status of the union movement today. We just had a new report out on the labor density in the economy that for the first time public sector unions outnumber private sector unions in the country.

That was a flip that was maybe coming but came as a result I think of the prep of the deep job losses particularly in the manufacturing sector and you've both at SEIU and Change to Win have been all about organizing. What's your reflection on where we stand at this point and particularly is this a particularly significant shift from going from the dominance of the private sector unions to more public sector than private sector unions. I'll ask both of you.

MR. STERN: I mean I would say it brings into focus what lots of us were watching for a long time and knew was an inevitable trend, that public sector unionism was flat or rising slightly and private sector unionism – I've been saying for years it was going to cross just like I'll say now that China will have a bigger economy than the United States way before anybody thinks it will because you can see the two trend lines and they're growing significantly faster than we are.

So what's really important is the chart that's up there about productivity and compensation because it's not about unions per se. It's really about how do people in America who do to work every day get ahead and the truth is the market has failed them. John Kennedy said, "A rising tide raises all boats," and now we know it's only the luxury liners and the rest of the boats have sunk or are sinking.

We try government but I'm not a big let's let governments pass laws about child care, pass laws about health care, pass laws about everything to try to regulate the workplace. I think it's not the most scientific thoughtful way and so we've had this system in America and around the world where a decentralized way of wage setting by sector called unions and it actually worked for a long time to share in the success and that's all we're trying to talk about is someone's success. We know how to share in the pain. We do that very well and employers make sure we do that very well. Sharing the gain has been the harder part for American workers.

MR. PODESTA: Let's go back to your productivity chart.

MR. STERN: Yeah, so I just think we have productivity going up. That's not the problem. We had GDP and other things going up. We just didn't have wages going up. What people need to appreciate in the George Bush lost decade, American workers didn't get a raise for five years, the longest period of economic stagnation in history. You can't borrow your way. You have to earn your way, as Anna said, out of this and unions are just a way to help share in

the wealth and it doesn't cost taxpayers a dime. The problem really is very simple. In the public sector employers let the workers make their choice. I don't care if you're an engineer, a principal, you name the job in the private sector that's non-union, it's union in the public sector. I don't care what high school you went, what college you went, you can do any empirical study you want. The truth is when people get a free choice they make one set of choices.

When people get no choice because the employers and the rules are all stacked against them, people make a calculation. "I'm going to lose my job. I'm going to lose my future. I'm going to be branded if I'm a union activist. I'm not going to do it," and so people make a very rational choice in the same way when all of a sudden foreign money comes into the country you watch what kind of different rational choices other governments and other corporations make in order to compete. The public/private sector is really a stalking horse for what happens when people get free choice versus what happens when employers dramatically harass, intimidate, and discourage unionization.

MR. PODESTA: And Employee Free Choice Act, right that balance or just a step down the road?

MS. BURGER: Well, no, that is exactly why we were fighting for the Employee Free Choice Act because we thought when you look at this, private sector workers have a union because when they want to have a union they can – or public sector. When private sector workers want to organize they get fired, intimidated, threatened. So they don't. It's not good for our economy. It's not good for public workers and it's not good for our private sector workers for private sector workers' wages to be held down, for them to not have benefits or share in the prosperity and there are lots of numbers out there that show a worker in a union has better health care, better pay, better job security, better opportunities for the future than if they're not when you compare one job to another job.

So if we really want to get this economy going again we need to figure out a way to pass the Employee Free Choice Act. Does 60 matter? Sure it matters. Is there a way that we can try to make the Senate understand that we have to do what's good for America, what's good for working families? I don't know. That's the challenge that we have because I think we have to figure out different mechanisms for making sure we level the playing field so that when workers want to have a union they can have one. It's as simple as that.

MR. PODESTA: So did we just take a step – I guess we certainly took a step backwards but –

MS. BURGER: We haven't stopped.

MR. PODESTA: We haven't stopped.

MS. BURGER: Figuring out the next strategy forward because there's no –

(Cross talk.)

MR. STERN: – I do think and I've said this before, for our members when elections come they have a lot of different elections that are important to them and the failure so far of Washington to act on the issues that are important to them like health care, free choice, jobs, makes people very inclined to go work on governor's races.

In 1994 we saw the dramatic effect of after NAFTA and the failed health-care bill of an electorate that wasn't really excited about going out to vote and I think we've seen that now in Virginia, New Jersey, and Massachusetts and I think unless something dramatic happens here these House and Senate members are going to have a hard time grabbing the attention of our activists and our members because they're going to work on the governors races where they think something's happening.

MR. PODESTA: We'll take some questions from the audience. Please identify yourself.

Q: Janet Adamy from The Wall Street Journal. In talking about health care you talked about the best option being for the House to pass the Senate bill and make the modifications. If they aren't able to do that do you think that Congress will pass a scaled back bill and if so what do you think that might look like? Thanks.

MR. STERN: No, I don't think they will because like everything else it sounds easy until you start to try to do it. So everybody says first let's just pass a bill that has preexisting conditions and no lifetime limits and then everybody says, well, how much is that going to affect my health-care plan because most health-care plans the insurance companies have to pay at the point there's no preexisting conditions and health-care plans that are self-insured will now pay a lot more money because there's no lifetime limit.

So we estimate that self-insured plans will pay seven to 10 percent more just lifting the lifetime limits and they don't get the advantage they had hoped to get which is the uninsured being covered so they can save the \$2,000 of cost shifting that's going on which helps offset.

So it all starts to tie together and what we saw was we couldn't pass electronic medical records as a simple singular bill until we stuffed it in the stimulus bill, right? Everybody said, god I hate going to the doctors and filling out all these forms. Why can I get anything on my Palm Pilot but my medical records? Why is my doctor – and we couldn't do it for five years.

So I think it's a wonderful theory that somehow we're going to craft these very discrete bills but I've seen the House and the Senate work and little discrete things become growing monsters and then everybody says, well, what about children, what about Medicaid, what about the doughnut hole, what about the doctor fix, and then we're off again.

So we are at the one foot line. The quarterback got to hunker down due to quarterback sneak and everybody got a push and we've got to get to the other side because I don't think – I think it is a great theory that has very little chance of being successful.

MR. PODESTA: Let's come over here.

Q: Thank you. It's Brian Beutler with Talking Points Memo. This is for all of you but to start with Mr. Podesta you said at the outset that you were surprised by the Republican reaction to the White House's proposed spending freeze and that you could debate that on the merits. Last week CAP's own Michael Linden said that those who claim that the solution is to freeze discretionary spending are just peddling fiscal snake oil. Where do you fall on the merits of both the message and the policy that the White House is proposing?

MR. PODESTA: Well, I think I'll step back and answer this more broadly. What we've argued for is that you need – and Michael Linden, Michael Ettliger, and I have all been up on the Hill quite a bit arguing for a path forward to deal with the long-term deficit and debt problem to try to create a pathway towards primary balance by 2014 which means that any programmatic expenditures would be covered – a dollar's worth of program covered by a dollar's worth of receipt, excluding only interest on the debt that was piled on by the previous administration, on a path towards a balanced budget by 2020. That's been our position. We've argued also that a domestic spending freeze doesn't get you there.

You need to do a combination of things including passing health care, which is the biggest contributor to the long-term deficit and debt outlook, that you need to look at – we've argued that the increase in spending, at CAP we've argue that work that Larry Korb has done that the increase in spending that is attributable to adding the cost of personnel, both the short-term cost of personnel in Afghanistan and the long-term wave on the veterans side should be paid for under the defense top line so we should take that out of the defense accounts.

I don't see that actually in the administration's proposal but I think that's doable and could be done. So it's a combination of those things, a balanced approach including looking at revenue, particularly at tax expenditures to try to find a balanced path forward. So I put that in that context. I think that the freeze, we await the details of it. I think that – I served in an administration that lived under discretionary caps and had a statutory pay-go. I think that worked. But I think that my own view is that if you just isolate one element of the budget you can't really get the job done.

So I think there's some merit in what they're trying to do in terms of making choices between discretionary spending, stuff that works, enhance, actually add to, stuff that doesn't, get rid of. I think I'm a believer that that's a smart way to approach governing and government, to try to increase investments where you think they're going to pay off in the long-term and get rid of the stuff that's not working and there's stuff in the federal government that we will put out in our own reports that we think could be cut or eliminated and we'll do that through the course of the year. But with respect to a long-term path it cannot be just – and in that context I'd stand behind what Michael Linden said – you can't get from here to there simply on the discretionary spending side even if you think that's an important input into it.

MS. BURGER: I would just say that I think I made it pretty clear in my presentation that we need to spend so that we can put people to work so that we can earn our way out of this and so I am much less worried about the deficit short-term. But I do think we need to deal with the deficit long-term and I think the fact that they're talking about doing this in the future really is a

clue that we're going to pass health care and we're going to deal with the health-care crises and the spending issues.

We're going to put America to work so that we can start earning our way out of this. We get the economy going again so that we actually can bring down the deficit. I think as John said we need to look at our government, as I said, even in the training programs. We need to look at what works, what works for the 21st century as opposed to what worked for the 20th century and make sure we set our priorities right.

MR. PODESTA: In the back?

Q: My name is Eddie Eitches. I'm president of AFGE Local 476 at HUD and I had a few points. The first is a lot of – we certainly need EFCA but we also need legislation, for example, to allow the federal employees to unionize. For example, TSA people cannot unionize. The BLS numbers were one-third of the government.

So actually a lot of – we just can't unionize. It's not that TSA wouldn't want to unionize. It's that they don't have a right pursuant to a statute or regulation. The other thing is I think in terms of unions we need to focus not only on working conditions but we need to focus on the mission. That is, we need to argue that unions help in the mission of either the agency or in the entity or making health care better. Finally I think we need to stop in-fighting, for example what's happening with SEIU in California and United here.

MR. STERN: I would say, one, is I totally believe, and there's always a question of what's national security and George Bush stretched that to the greatest extreme that people all over the world in government have rights to organize. We have a much more limited right in the United States than anyone else does and we need to deal with that.

Two I'd say is you didn't mean it exactly like this. I think we do need to argue the value of unions but more importantly I think we need to demonstrate it because I always used to say to many people I'm contesting in the business community that if you want to change your business image, change reality, and I think there are many places we've demonstrated exactly that and there's many places where we haven't, where we at times have not been as forward thinking about the challenges that our employers face, particularly in the private sector in terms of a changing environment and are we partners for quality or aren't we partners for quality. Are we partners for our own self-interest and our own self-interest is hard to be met.

We are very cognizant of that in health care. I mean we want to take this health-care bill and not be about anything else about how to create 21st century models with our employers. We have a partnership for quality care with all of them and we want to make America get those numbers up about child mortality, about readmissions for people that get sent out and back and out and back. We want to get people into prevention.

So we think this is not about arguments alone. It's about demonstrations and we have to lead because I think the auto workers saw the problem of waiting for your employer to make the change. You get run over when your employer doesn't act and you pay the price and I think

that's important and I think at SEIU we've clearly demonstrated we can stay incredibly focused on the change America needs despite whatever else goes on in our union day to day.

MR. EITCHES: Thank you.

MR. PODESTA: Yeah, a couple more right there.

Q: Thank you. Holly Rosenkrantz with Bloomberg News. Can you talk a little bit about how the Supreme Court decision impacts unions because it does open up new avenues for spending for labor unions? So what do you see as the path for that?

MR. STERN: I'd say that your giving someone a right is good but when the right can't be – that right doesn't really produce the result, it's a problem. So now we have the right to spend unlimited money apparently on ways we want. Unfortunately we don't have unlimited money and the people that do have unlimited money both have a right and a chance to get a result.

MS. BURGER: Lots of unlimited money.

MR. STERN: Right and so I think from a constitutional question is one issue. From a practical issue this is going to be the onslaught if nothing changes of unlimited corporatization of our economy and more importantly it has the potential of letting China and Brazil and Venezuela or whoever to participate in our elections. I mean this does not prohibit foreign corporations and many corporations are owned or set up by foreign governments. So I just think this is a moral disaster. It is a policy disaster and it is a practical disaster and I'm glad unions have the rights. I just wish someone tells me exactly where we're going to get the money.

MR. PODESTA: I would just note they didn't call it the Gilded Age for nothing. All right, last question.

Q: Matthew Vadum from The American Spectator. SEIU suspended its relationship with ACORN in the fall. Is it going to be resuming it now that the Harshbarger report has come out?

MR. STERN: I'd say from what I understand ACORN is reconstituting itself differently. So it'd be hard to know and many other local affiliates are sort of reforming themselves as independent entities separate from the national organization. I think it's unclear will there be a national organization, what kind of national organization –

(END)