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Discussion after the Speech of Phyllis Eisen

Discussion

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DISCUSSION AFTER THE SPEECH OF PHYLLIS EISEN

QUESTION, *Professor King*: Let me play the devil's advocate so that you get the other side of the picture. What the American worker sometimes sees in headlines, as it was with Scott Paper and AT&T, is a lot of people being laid off. The chairman walks away with a huge bag of money, which he may not deserve. The money is given to him by directors, which he may have selected. So, the problem is trying to instill some optimism in the human psyche. What are you doing about communicating your vision to America?

Many of us would agree with the approach that you are taking. But these headlines are destroying the concept of the American dream. The problem is beyond the control of the people and bosses do not care. How do you instill optimism and caring in CEOs? Is there any check-point or hurdle that they have to pass before they can do what it is that they do?

ANSWER, *Ms. Eisen*: Like they say about lawyers, we need to shoot all the CEOs. Shooting will not help lawyers or CEOs, however. We would just replace the lawyers with more lawyers and the CEOs with more CEOs. Part of it is telling the truth about what is really happening. I am going to stay off the area of executive compensation, which is a fascinating one and is being looked at throughout all industry at this point, and I am sure we will hear a lot more about that. But in terms of downsizing, restructuring, and layoffs, one of the great restructures of all times, and I am not sure of the exact number of jobs lost, was in our federal government.

COMMENT, *Dr. Caravatti*: 205,000.

COMMENT, *Ms. Eisen*: 205,000. That is a little bit more than AT&T and Scott Paper. There has been little education, training, and connections given to some of those people who have been laid off from the federal government. So we have to look at everybody and what they are doing.

Going back to the two companies you talked about, there are tens of thousands of jobs being created out of the restructured AT&T. Yes, they announced they were laying off 40,000 people, and it was terrifying. They may need a new PR director. That may be the first thing. But out of that restructuring, which is all about survival, has come incredible new jobs in the telecommunications industry and the industries that support telecommunications, for example, the cable industry. So there are a lot of new jobs coming out of the initial layoffs.

The same goes for Scott Paper. There is some reshuffling going on now. There will be even more jobs hired back after the layoffs as they are looking at expanding in a couple of other areas.

So perhaps the answer is for us to look at the data a little bit more carefully to see what is really happening. I think the media is a bit to blame. Layoffs are a sexy story today. Rather than turning it around, we should look at what opportunities are coming out of some of these downsizings. For example, seventy percent of those who have been downsized and restructured out of major corporations have new and often better jobs. In this country Sun Systems, and many of the other high-tech companies, tell us they cannot fill jobs. There are 2,000 jobs at Sun Systems. They cannot find enough qualified workers in our country to fill those jobs. They are looking overseas.

QUESTION, *Mr. Pascoe*: There are a lot of employers who, when they go shopping for skills, find that the best place to look is overseas. There is also a very strong current in the United States that American-based jobs should be for Americans. What do you think is an appropriate balance?

ANSWER, *Ms. Eisen*: I think we always have to have a flexible, open immigration policy. That is what made this country strong and will continue to make this country strong. I think we need to shop for talent wherever we can find it, bring it into the country, and have them create even more jobs.

As mentioned, Sun Systems alone, interestingly enough, was founded by two immigrants. They have grown tenfold. They are one of the leading companies in the country right now. If we had not had the policy that had let in those immigrants, in fact, encouraged them to come in, look what we would have lost.

There does need to be a balance, however. The American immigration policy is very specific. Employers have to jump through all kinds of hoops in order to bring in skilled talent. They have to certify that there is no American talent for those jobs, and then they can bring them in.

QUESTION, *Professor King*: How about our competitors? Do you see any reaction from their standpoint as to what we are doing?

ANSWER, *Ms. Eisen*: They would like to have the kind of employment growth that we have; they would like our jobs. They do understand it does not matter how much education and training we do. Education and training do not make jobs. Business makes jobs. Growth policy makes jobs. You can have all the training in the world, but if there is no real job sitting there that someone can go apply for, it is meaningless. There are a lot of very highly skilled people with no place to go. So you have to match the supply and demand.

They like their safety net, their welfare system. Talk to any Dane, any German, any Swede; they like the way they live. They know those days are numbered. And they would like to get more of the balance that we have here, though they think we are fairly mean-spirited. But they know that those days will soon be over.

The CEO of one Danish pharmaceutical company told me, and I believe every word he said, that their company has ninety-five percent of the world's Insulin production. He said, "when we get our welfare system together, when we get it restructured, which we will, we will eat you for lunch because we have always believed in education and training. It is not the flavor of the month or the song of the year, we know it. We knew it decades before, more than decades." Good education, good training, and lifelong training is ingrained in their culture. They think that they are going to be fiercely competitive with us in terms of jobs, and in every other way.

QUESTION, *Mr. Halpern*: Your organization announced in today's paper that wage stagnation is not as bad as has been reported because inflation has been overstated. Can you comment on that or give some explanation as to how you came up with that?

COMMENT, *Professor King*: The question is about wage standards. The NAM commented on that. You might explain what he said. Is it the question of the inflation factor?

ANSWER, *Ms. Eisen*: We responded quite forcefully with the fact that there is job anxiety and that there is reason to be concerned. We understand why people are concerned. We do not think there is a wage stagnation out there as it has been portrayed both by the press and the administration. We think that although wages have not gone up dramatically, there has been an enormous increase in compensation packages, and people who have jobs today, for the most part, are doing fairly well. It is believed that perhaps the whole CPI has been miscalculated. If the overstatement of inflation is taken into account, and we believe it is a one-percent overstatement, then wages have actually risen about fifteen percent since 1979, not fallen slightly, as many agree. In addition, even without adjusting for the overstatement of inflation, total compensation has risen 14.4%. When the CPI adjustment is factored in, total compensation has been a healthy twenty-three percent since 1979. Calculation of this wage stagnation was figured during a very interesting time. The United States was beginning to see a much more prosperous time in 1979. These figures were calculated between 1979 and 1992, and 1992 was also the beginning of a new recovery here. So it was done during a very interesting economic period.

QUESTION, *Mr. Langmack*: We hear a lot about corporate downsizing in the papers, and the media really does a good job on it. But they do not tell the public what you have told us; that with every one of these downsizes, they are creating more jobs and they are good jobs. How do you explain this?

ANSWER, *Ms. Eisen*: Good times are not as sexy as bad times. We are going to be working on it. We are going to try to get on as many programs as Secretary Reich can get us on. It is better to blame problems on anxiety, but it means that no one is a victim. Being a

victim is easier. Then you get to blame the other party. It is not that complicated; it is just politics.

COMMENT, *Mr. Langmack*: I guess in this particular year we have had more and more of that.

QUESTION, *Mr. Barrett*: From what we have heard today, employees have been treated very well, and there is not much to be concerned about according to statistics. I am reminded of the old adage there are lies, there are damn lies, and then there are statistics.

Whether we agree with the percentage this morning that two percent of businesses are engaged in a high-benefit approach or is it a five percent, twenty-five percent increase, it is still pretty small in terms of total corporations.

Corporate salaries and business salaries, upon what do you base them? I do not know if your statistics are based on line worker salaries or executive salaries. I imagine there is a heavy executive component in there. That is where most of the gain has been.

That brings me to what my reason for standing up. Executives can negotiate good packages. They are trained; they have benefits; they are in demand; there are not enough of them. They also are in a position to control decisions. So they are in fine shape.

Shareholders are, more or less, going to be okay because there is an absolute corporate duty in this country of loyalty to them. So managers will look out for themselves, but they will also look out for the shareholders, so they will not get sued.

However, there is no legal duty to look out for the rank-and-file employee, and I guess that is what concerns me. Instead of saying this is about survival, who is really surviving; who are we worried about? Is it time to start saying there are some duties owed beyond the duty of the shareholder to maximize profits and productivity at all costs?

ANSWER, *Ms. Eisen*: The answer is yes. The short answer is yes. We all owe a lot of responsibility to each other. How many people in this room are shareholders of some company or another through their 401-K or pension plans? Probably almost everybody. If you are not, you are in trouble. Last year was a great year in the stock market.

The American public owns American business at this point, again, through their pension plans, through increased 401-K plans, through stock options through companies. It is a very changing world of compensation. Many of them are doing pretty well in choosing these financial options for themselves, and companies are actually increasing those benefits.

Since there are no more lifelong jobs, there has got to be some bond of loyalty somewhere. One bond can be formed through education and training. Companies know if they give their workers more training so they have more portability, when the company downsizes, the employee can go down the street. Even though companies know that when

they train their workers or pay for them to go to school, the employee can walk out and get poached off by another company, but employers are not concerned with that. They know training creates company loyalty, and they feel it is their responsibility to give that kind of training. They are opening up their money pots to their workers more and more, and you will see this over the next decade where every worker is going to have the option to become a millionaire. And I used the word millionaire because I know two small companies, Oregon Rubber and Universal Dynamics, who have made their workers all millionaires, literally, with their stock options. These are just your rank-and-file workers.

The executives are taking care of themselves, but let me tell you, they are in some trouble, too. It is not easy being an executive. They can get chopped off at the knees if that quarterly report does not look good. I see it all the time. And their salaries are under direct spotlight now. This is a situation that is not going to continue.

But I think that there is some responsibility to workers, and I think we see it happening. As we increasingly empower workers to make companies more productive in a high-performance workplace that will continue because it makes the company richer, not because it is a great idea. High-performance work organizations are only a tool. Teaming is only a tool. All of these things are tooled to keep companies more productive and keep them growing and keep those jobs going because, as I say, it is very unromantic after a while.

I had a company executive tell me that if he thought he could paint a room purple, some magic color of purple, and throw some pixy dust up, and that would make his company more productive and richer, he would do that and call it high-performance work. All of this stuff is a tool to get to the end result so that people have good jobs so they can have a dignified way of living, and we can all have a strong economy.

Kennedy said that the rising tide raises all boats. We still think that is true and we are still seeing evidence of it. And I do not think all workers have it wonderful; I think they have increasing opportunities, though, to get better.

