

Announcer: Ladies and Gentlemen, please welcome Chairman Hochberg and Secretary Thomas Perez, US Department of Labor.

Fred: Thank you. Thank you for your rapt attention all morning and I'm very fortunate to be here with not only a colleague but a person I've called a friend over the past few years, Secretary Tom Perez. I want to, again, in the spirit of our conference, get right into it. Just last night we had the first vote on trade promotion authority in the Senate Financial Services Committee, a top finance committee with a 20 to 6 vote, a very broad bipartisan vote and clearly the subject of the day is trade promotion authority and ultimately the trade agreement so we can support more jobs at home. Can you help our audience here better understand why that's so important to the United States? Why all the emphasis on this?

Thomas: It may seem odd to have the Secretary of Labor talking about that question. I've been very involved in this. The question presented is: we look at the past 6 years and the President set forth a very ambitious goal of doubling the number of exports and we met that. That translated into something like 1.7 or 1.8 million export-related jobs. We know that export-related jobs in the aggregate paid better than other jobs so if we're trying to address the issue of wage stagnation, the more export-related jobs you create the better.

For me the challenge here, and I speak as someone who has very close relations with my friends in Labor and they were my friends yesterday, they'll be my friends tomorrow, we've been having a lot of conversation about this. The question presented is: can we improve on the status quo? The status quo right now is that the playing field isn't level. I was out on the west coast trying to mediate the port dispute a couple months ago and we were able to bring that to a successful conclusion. One thing I learned there, talking to farmers for instance: their future markets are in Asia, and the playing field is not level for farmers. You want to export to Malaysia and you have significant tariffs. When you create a level playing field, you add more farm-related jobs. When you create a level playing field in the auto industry, whether it's Japan, for instance, where you have tariff and non-tariff barriers, you improve the outlook for more export-related jobs.

I spend a lot of time at the Department of Labor with our colleagues in the International Labor Affairs Bureau. We go to places like Geneva and advocate for robust ILO standards to make sure that people are treated fairly across the world and the status quo right now in countries like Vietnam, for instance, is that there is effectively no right to organize. The status quo in Mexico is that it is very hard right now, effectively, for an independent labor union to organize. For me the question presented is: can we meaningfully improve on the status quo? Can we build a trade regime that goes to school on the mistakes and the lessons of

history and NAFTA and builds a trade regime that truly puts American workers first and has meaningful labor protections and environmental protections built into the DNA of the agreements themselves? In NAFTA, for instance, a country's obligation was you have to enforce your own labor laws. Well, the labor protections in Mexico were next to nothing, meaning no disrespect to my friends there. Now what we're doing is we're baking ILO provisions relating to ...

Fred: Why don't you tell everybody what ILO is?

Thomas: The International Labor Organization. There are many, many standards there relating to fair treatment of workers, relating to minimum wage laws, relating to basic working conditions. What we have in TPP, baked into the DNA is these sorts of protections that every country would have to come by. When I go, and when our colleagues at our International Labor Affairs Bureau go to these conferences, we are often accompanied by our friends in organized labor who are saying, rightly, that we have to advocate to improve working conditions in places like Vietnam, in places like Mexico, in places like Malaysia. For me, TPP is the opportunity to do that at scale and to go to school, as I said, on the lessons and mistakes of history. That's why I think we can meaningfully improve on the status quo and build a trade regime that would have the impact when you are raising wages and work conditions. That's going to raise living conditions overseas and that in turn raises the cost of production overseas and that in turn is good for American workers.

Fred: So does the Trans-Pacific Partnership essentially correct some of the shortfalls in the NAFTA agreement that has gotten friends in labor so upset?

Thomas: Sure. The NAFTA agreement was our first effort at scale to address labor agreements but the problem with NAFTA was that labor agreements were side deals. They weren't baked into the DNA of NAFTA itself and so when you look at NAFTA and you look at the proposals that are baked into the Trans-Pacific Partnership, you now have labor agreements that are enforceable in the agreement. Labor is treated no differently than intellectual property. It's treated no differently than anything else in the agreement. Labor was the stepchild in NAFTA. Labor was a bit of an afterthought in NAFTA. Labor is now at the adult table in TPP and let me give you one example: under the NAFTA regime, if a country is violating a labor provision they can effectively pay a fine in perpetuity. So it's a cost of doing business.

Fred: Right.

Thomas: That is not a good regime. That's not a meaningful deterrent and in TPP we changed that so if you are continuing to violate a labor provision, then we have a system of graduated sanctions so that you can be held meaningfully

accountable. Again, it's called going to school on the lessons of NAFTA and I think we're doing that in TPP and it has the most protections, and, equally important Fred, we're dramatically revamping how we enforce because my friends in labor make a very good point when they say, "You have to do it faster." Justice delayed is indeed justice denied and that's why the President issued an executive order a couple years ago establishing an inter-agency council basically of trade prosecutors, folks who have expertise in this area. We're dramatically revamping how we do these things because we have to do these cases better and this administration has done more cases in the WTO than any other administration prior. We've won every case that we have brought. We've been very aggressive but we have to do even better and that's what we're committed to doing.

Fred: So what's the story that doesn't get out? I listen to you, we participate in a lot of meetings about why this is such a good thing, but it seems like we still have a credibility gap where we still have to push back against some long-held beliefs. How do we do that?

Thomas: I understand and appreciate the skepticism that some bring to the table in this because it's kind of a fooled you once, shame on you, fooled you twice, shame on me. You told me at NAFTA that this was going to be good for workers and there were winners and losers. You told me in CAFTA that it was going to be good and they'll feel like they're winners and losers, so I understand and frankly share some of that skepticism. The question to ask is, are we content with just doing nothing?

Fred: Right.

Thomas: Because if we do nothing, then foreign countries can trade with us and we have effectively little or no barriers, but we can't do the same thing there. I keep thinking about those farmers that I meet during the port dispute who want to expand their business even more but face an unlevel playing field. I want to fix NAFTA. The best way to fix NAFTA vis-a-vis Mexico is to do what we're trying to do in TPP: to address some of the weaknesses that currently exist. If you throw up your hands and say, "I can't do anything," then the status quo in many respects is not good for us here and is not good for American workers.

Fred: And the problem is, many of us, if you can't get what you want, they'd prefer the status quo then something else, which is a mistake.

Thomas: Again, I appreciate the fear and trepidation that folks have. That's why the President has taken the time that he has taken.

Fred: Right.

Thomas: I have a lot of faith in the President's commitment to making sure that we put American workers first and foremost and that's been his North Star.

Fred: We've talked at the last panel, Penny Pritzker mentioned it, others mentioned about STEM education, the importance of that so that we have American workers who actually can therefore compete globally. What's your thoughts on that and how do we also get more kids engaged in that?

Thomas: Sure.

Fred: I know you're the Labor Secretary, not education, but I bet you have an opinion.

Thomas: We're Match.com. That's what we do in the Department of Labor. Our job is to match job seekers who want a punch through ticket to the middle class with businesses who want to grow their business. Here's the good news: everywhere I go I have the same conversation with employers. I grew up in western New York. I'm looking at HSBC there. I grew up in Buffalo; been to the HSBC arena many times. I was in Syracuse recently talking to an advanced manufacturer there and had the same conversation with them which is: we have a global footprint. We want to grow our business and the biggest challenge is finding the skilled workers to do our business. They're actually taking some of their business to their UK factory right now because they don't have enough welders. Right now we have 5 million job openings as we speak right now. 500,000 or 1/10 are in IT-related jobs. You talk to folks in the IT sector: you can't get enough folks there. If you have a cyber-security certificate in the DC region, you have a job, because there's that much demand and the list goes on. The same thing in health care. What we're doing and what we need to do, Fred, and it frankly transcends STEM, is we have what I call an Eisenhower moment right now. Eisenhower brought us the interstate highway system. We're restructuring dramatically, we're transforming and building the skills superhighway.

Jim McNerney and I have had this conversation many times. When I visited his plant in Washington, roughly a third of their workforce there is within 7 years of retirement so this issue right now is front and center in their conversation: succession planning at scale. What we need to do is build a skill superhighway. We need to construct on-ramps and off-ramps. One of the main on-ramps, and we've had many conversations at Siemens about this: we need to construct or reconstruct the on-ramp of apprenticeship. I've traveled to Germany, I've traveled to the UK, and I'm travelling to Switzerland next month and when you're a 15 or 16 year old young man or young woman, you have that fork in the road and you have the apprenticeship fork or you have the higher-end fork and both those forks lead to the middle class and we have, as a nation, over a series of decades, and this is not a partisan comment, this is an indictment on all of us: we have devalued this. We have done it to our detriment. An apprenticeship is

not simply something that applies in the skilled trades. You go to Germany and you see apprentices in IT, you see apprentices in healthcare. You go to UPS today, you see apprentices in logistics. So we need to construct that on-ramp and by the way, when you get an apprenticeship certificate, it doesn't preclude higher ed. I refer to apprenticeship as the other college, except without the debt.

Fred: That's a good thing.

Thomas: We need your help because this is a dramatically helpful on-ramp that we can construct that will help just about everybody in this room who wants to grow their business. Those are examples of on-ramps and off-ramps so what we're doing is working with all of our partners in the federal government. We're working with Arne Duncan to construct career pathways to really reinvent how we address STEM issues and this is really ground zero to ensure that we maintain our global competitiveness.

Fred: Which countries, you've mentioned Germany, you've mentioned you've done a lot of travel, which countries do you think might give us some clues of things we might do differently here? Is it that apprenticeship, higher-ed fork?

Thomas: Certainly Germany is one. It's not a coincidence that the youth unemployment rate in Germany is less than half of what it is here in the United States. 14 and 15 year olds have career pathways. You go to Switzerland. We have what we call a leadership program. We stole it. I've seldom had an original idea in my life. I go to different places, I talk to business owners, I talk to labor leaders, I talk to local government leaders, I look at their good ideas and then we steal and scale. That's what we call it.

Fred: I like it. Steal and scale.

Thomas: Steal and scale. So we've created a Leaders Program and this is stolen from the UK. I should use a different word from steal because that sounds a little ... we appropriate, we replicate these things. Sector by sector there's a remarkable advancement in your factory. Buhler, Swiss-based: they have a US footprint, Minnesota and North Carolina. They have exported their apprenticeship model to the US and now they're evangelizing ...

Fred: So these pay, apprenticeships?

Thomas: Absolutely. Apprenticeship is the earn while you learn model. Frankly, I've said this to business, and other businesses like Buhler have said this to businesses, we have to have more skin in the training game. I just met with the leadership of the organization of the OECD. They're based in Europe and that's whatever we have, 3 dozen countries or so that are members of the OECD. You look at the US's

investment, the federal government investment in human capital relative to other OECD nations and the good news is we're lapping Italy and Spain. The challenge is, we're getting our butts kicked by the rest of the OECD. We underinvest at our peril. That is why The President has been so committed to his skills agenda that's why we've been working with business like Siemens and others to ramp up our efforts to invest. Cannibalization, business are discovering, that's a zero-sum HR strategy. I steal your good person at HSBC and then they're going to go back to JP Morgan and they're going to steal ours. And it's a zero sum game.

Fred: Right.

Thomas: We've got to work together and the big difference, and this is good news, is sectors coming together understanding that we need to train more STEM workers. Sectors coming together understanding that, let's pool our resources on whether it's apprenticeship, whether it's other investments. So that we can indeed meet the good situation we have which is that we have a wind at our back as a nation here and this is a critically important challenge.

Fred: Are there particular companies or industries you think do a better job of this? I know that Wichita, Kansas, we have a lot of general aviation. Around Charlotte where Siemens is located, there's a lot of people in power technology. Are there some industries or companies in particular that are doing a better job with this?

Thomas: I think there are great examples in every sector. Obviously in the auto sector, Ford and the big three auto makers have been doing this and now, smaller businesses in their supply chain are working with them because the big three have scaled and so they can do that. Siemens has exported their model and we've worked very, very closely with them and the BRT, we've been working very closely more generally. Every sector, there are great examples. Again, the logistics sector, UPS has done great work in this. In the healthcare sector: healthcare has been a recession-proof industry. You look at the Bureau of Labor statistics data, during the depths of the recession, we were still adding healthcare-related jobs. What we're doing is working very carefully to understand what the emerging needs are. That's where community colleges have played a vital role. To me, community colleges are that secret sauce of success. I talk about the Department of Labor as Match.com, well the secret sauce in that match very frequently is our community colleges, who are very deft at responding to industry need and developing credentialing programs that get people on that skill superhighway and you stack one credential on top of another on top of another and then you have incumbent worker investments from business and what you have are the key to the 21st century's success.

Fred: We're closing up on time. I was actually at the Wall Street Journal the first Friday of April and meeting at 8:30. At 8:28 there was almost a ticker tape watching the

time come down for the jobs number. The jobs number the first Friday of every month seems to have such an ability to move markets and a lot of power. That feels like a change from the past. Do you have any thoughts on that? Are we also counting the right number?

Thomas: We count many numbers. We have 6 different measures of unemployment. On every single measure, whether you use the broadest or the narrowest, the unemployment rate has been coming down. 61 consecutive months of private sector job growth to the tune of 11, 12 million jobs. That's real progress. And that's not the only indicator of success. We also do a report every month on turnover because one of the best indicators of a robust economy is churn. When people have confidence to voluntarily leave their job, that's a sign of good economy. Last month, roughly 2.8 million people voluntarily left their job and in the depths of the great recession it was roughly half of that. We have 5 million job openings now, another bellwether of a well-functioning economy. Obviously the challenge that remains here, Fred, is to make sure that the wind that's at our back results in shared prosperity because the job numbers that I'm citing, we haven't seen this robust growth since the late 90's. The difference between the late 90's and now is that the growth we saw in the late 90's lifted more boats, resulted in more shared prosperity. I talk to people across the ideological spectrum, people everywhere who understand that when we don't have shared prosperity, that hurts everyone, because 70% of GDP growth is consumption. When people don't have money in their pockets, they don't spend it. One of the most frequent things I hear from business owners is that this has been a consumption-deprived recovery.

I speak periodically with Lloyd Blankfein at Goldman and he's somebody who has been conspicuous as anyone in this country in talking about how inequality is a threat to everyone. Making sure that our growth results in shared prosperity is, I think, the major piece of unfinished business. I agree with Lloyd wholeheartedly. To bring it full circle to the trade discussion, when you increase exports, you increase wages. There is no one panacea to address the issue of wage stagnation. We need multiple strategies, but one good strategy is to make sure that we have jobs that pay well. The jobs at Boeing, which is one of our nations biggest exporters if not the biggest exporters ...

Fred: The biggest.

Thomas: Those are pretty damn good jobs.

Fred: Good jobs.

Thomas: The jobs at that advanced manufacturer I met outside of Syracuse ... I grew up in Buffalo and the lament of my parent's generation is that so many of their kids

had to leave because the economy dried up. I spend time in central New York. It's become a nano tech hub. I talk to people there and they say, "My son and my daughter are going to be able to stay here. You know, I'm not going to have to go visit them somewhere because we're bringing back good jobs." That's what it's all about and that's why I have, with enthusiasm, been engaged in TPP efforts and skills efforts. There's so much that unites us. Making sure that this wind at our back results in shared prosperity is in my mind, and I think in the President's mind, the number one domestic piece of unfinished business and everyone in this audience is playing a critical role in that effort.

Fred: I see that our time is up so let me thank you for taking time out of your day to join us today. I really appreciate it.

Thomas: My pleasure. Thank you for your time.

Fred: Thanks so much.