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The shrinking middle class is worrisome. Theories abound about why and what is causing increasing amounts of people to be pushed out of the middle class. They span from increasing income equality with a growing differential between the highest paid vs. everybody else; the stagnation of wages; the creation of new jobs being primarily those that are low paying; jobs lost to technology and/or cheaper overseas labor; the failure of wages to keep up with the high cost of housing; fulltime jobs cut to part-time or contract work; and the slow, uneven recovery from the Great Recession. If we want to see a strong economy, we need to address what is driving people out of the middle class into poverty, obstructing upward mobility and squandering our human capital. We try to find the causes and consider solutions in the article below.

Also in this issue, we welcome a new member, the Hospital Council of Northern and Central California, and fill you in on the latest and greatest things our members are doing. NBLC is proud to have the leaders of the North Bay showing the way each and every day.

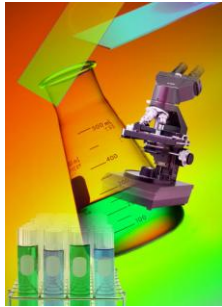
Best,

Cynthia

Where You'd Go Middle Class?

Eric Schmidt, Google Chairman, speaking at the World Economic Forum at Davos thinks the biggest cause of the shrinking of the middle class is the downward spiral of decreasing or flat wages leading to a decline in consumption, because U.S. GDP consists of 70% consumer consumption... In the Business Insider article, [Eric Schmidt Just Revealed a Key Truth About the Economy that Very Few Rich Investors and Executives Want to Admit](#) (by Henry Blodgett, January 24, 2014), Schmidt claims that “The stagnation of middle-class wages is not just a middle class problem. It’s an economic problem. And it’s one of the main reasons that global economic growth is so lousy... Middle class folks whose wages are stagnant are the global economy’s biggest spenders. And when they don’t have money to spend, their lack of spending hurts not just them but all of the companies that depend on them for their revenue. Put differently, one company’s expenses (wages) are another company’s revenues, so collectively, when companies are cutting wages, they’re also cutting their own future revenue growth.”



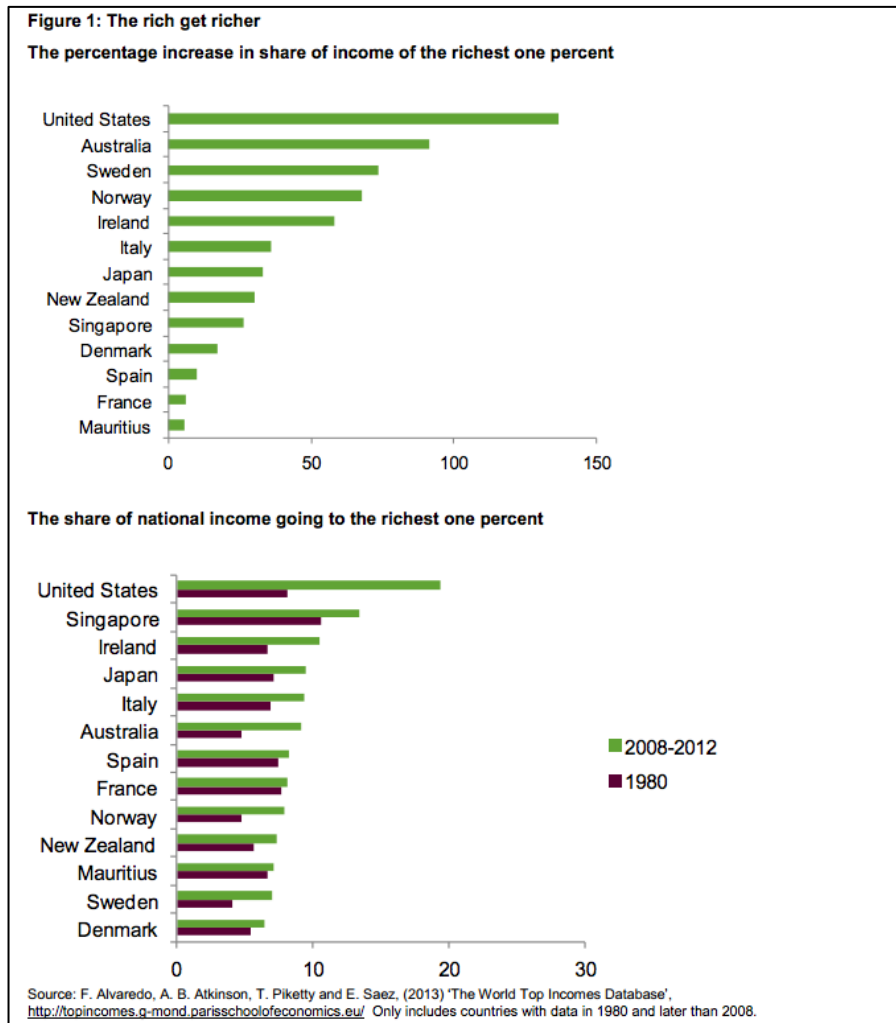


This downward spiral also effects the economy in other ways such as stifling innovation. In Can America Afford Innovation? (by Matthew Yglesias, Moneybox, Jan. 22, 2014), the author says, “Since the year 2000, inflation-adjusted hourly pay has been just about flat, but productivity has risen 23 percent. If those productivity gains had been more evenly shared, the typical American household’s income could easily be \$10,000 higher than it is today.

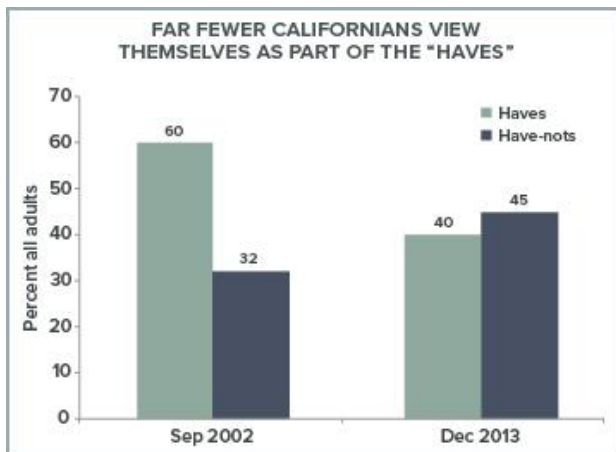
In assessing the ability of consumers to purchase, Yglesias says, “In a world where all the income gains are accruing to a tiny minority, the only reliable way to build a mass-market product is to make it free. Ad-supported social networks are the perfect innovation for a cash-strapped population. If you have to sell something, then it’d better be in the realm of computer hardware, where component costs are falling so rapidly that this year’s state of the art will be cheap in two years’ time.”

Yglesias recounts, “In his fascinating 2012 book *Great Leap Forward*, Alexander Field argued that the 1930s were actually a decade of amazing technological progress—the progress simply wasn’t evident to the people living through those years, because it was also the Great Depression and relatively few people were actually in the market for cool new stuff. Adoption rates of technologies ranging from automobiles to electricity stalled out. Things changed after World War II, when firm government commitments to full employment and broadly shared prosperity led to mass adoption of all the new conveniences. My guess is we’re living through something similar. Innovative product ideas languish in semi-obscurity or simply can’t get financing because in general we don’t have the kind of broadly rising incomes that would support new products.”

In California, there are other pressures pushing people out of the middle class. Home ownership is an integral part of middle class membership. The recession shut down construction of new homes, which even at the height of the recession were not being built to match the demand of the population increase. The shortage of homes is driving up the already high housing costs.



One demographic group particularly hard hit in the recession was the “Subprime Generation” which is those born between 1978-1982. In [The Boom and Collapse of America’s Subprime Generation](#) (by Chris Porter, Business Insider, January 23, 2014), it is revealed that for that age group, they went from having the highest rate of home ownership at ages 25 – 29 in 2007, to a dramatic drop by 2012 to the lowest homeownership rate of any similarly aged group before them. What happened? This age group was able to disproportionately buy homes at an earlier age, but when the recession hit, they ended up losing those homes to foreclosures more than any generation before them. Now these “wanna be” home buyers are forced to sit out one of the most affordable housing markets, adding to the dearth of entry level buyers today, but leading to a burgeoning demand for entry level housing in the future.



As the Public Policy Institute of California in their report [Are You a Have or a Have-Not? Californians’ Views](#), points out, “As the nation marks the 50th anniversary of the War on Poverty, it’s clear that income inequality is an issue that resonates with Californians today.” According to their latest survey, PPIC found that “a record high 66% of residents said the state is divided into haves and have-nots. When asked to characterize themselves Californians are split, with 40% saying they are part of the haves and 45% saying they are part of the have-nots. But this split obscures a striking change since 2002, when 60% viewed

themselves as part of the haves and just 32% viewed themselves as part of the have-nots.”

If we want to see a strong economy, we need to address what is driving people out of the middle class into poverty, obstructing upward mobility and squandering our human capital. It is good to see a bipartisan recognition of the problem. However, there is a split over what should be done to create better jobs and close the income gap. The end of unemployment payments for the long-term unemployed is one debate. The Pew Research Center found in its study, [Most See Inequality Growing, but Partisans Differ Over Solutions](#) (January 23, 2014), “By a 66% to 26% margin, most Democrats think aid to the poor helps because people can’t get out of poverty until their basic needs are met. But by a 65% to 28% margin, most Republicans believe these programs do more harm than good by making people too dependent on the government.” The same study also found that 73% of the public favors raising the federal minimum wage from \$7.25/hour to \$10.10/hour.

It also found that, “by a 60% to 36% margin, most Americans feel the economic system unfairly favors the wealthy, as opposed to being fair to all.” Yet, the same amount of people feel that hard work pays off.

Correcting wage inequality and maintaining the middle class will require a concerted effort by government, business, labor and educators. Given the polarity in Congress, and the beliefs of each party, it will take a big push from the other stakeholders to see an increase in economic opportunity that produces the widespread benefits we so need at this time. When 85 people have same wealth as 3.5 billion people, there is a problem to be solved.

Hospital Council of Northern & Central California is New Member of NBLC



Excellence Through Leadership & Collaboration

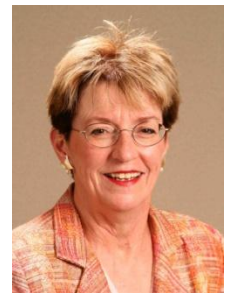
NBLC welcomes its newest member, the Hospital Council of Northern and Central California. The Hospital Council is a nonprofit hospital and health system trade association established in 1961, representing 185 hospitals in 50 of California's 58 counties—from Kern County to the Oregon border.

The Hospital Council's membership includes hospitals and health systems ranging from small, rural hospitals to large, urban medical centers, representing more than 38,000 licensed beds. Brad Bollinger, NBLC's chair and publisher of the North Bay Business Journal said, "The hospitals represented by the Hospital Council represent a critical sector of our regional economy. The addition of the Hospital Council will further inform NBLC's public policy work as we seek ways to make the North Bay one of the healthiest regions in the state."

The Hospital Council delivers services geographically through sections, each with specially designated staff. The structure provides members with opportunities to pursue common goals and efforts that may be county-specific and/or regional in nature. The Healthcare Foundation of Northern and Central California, the non-profit public charity supporting the Hospital Council, carries out a wide range of health care related programs including:

- Patient Safety Collaboratives
- Programs to reduce impact of frequent users on emergency departments
- Community based resources to reduce impact on emergency departments and hospital overcrowding such as respite centers, mental health services, and temporary housing

Suzanne Ness, Regional Vice President of the Hospital Council serving the North Bay counties, is the member representative. Her experience includes statewide higher education policy advocacy in Washington and California, project management and business development for land use development and environmental management, academic foundation management, statewide biomedical research advocacy and association leadership. Ms. Ness earned her master's degree in Urban Planning from Texas A&M University and a bachelor's degree in Journalism and Mass Communications from the University of Minnesota.



How to Create the Corporate Culture You Want



In [The Science of Happiness: How to Create a Killer Culture](#) by Globoforce, the authors say, "Happy employees are what make a culture great. How do we know this? An increasing body of research, for one thing. Consider this recent research posted by the Wall Street Journal and the iOpener Institute. Happy employees:

- Stay twice as long in their jobs as their least happy colleagues
- Believe they are achieving their potential 2x as much
- Spend 65% more time feeling energized

- Are 58% more likely to go out of the way to help their colleagues
- Identify 98% more strongly with the values of their organization
- Are 186% more likely to recommend their organization to a friend

Unlike culture itself, we have hard numbers on the science of employee happiness and how to directly increase it. It all leads to one conclusion: Concentrating your efforts on making employees happy is the most direct and powerful way to impact your organizational culture.

Please read the full article but here is a quick synopsis of what the authors' recommend:

- Get into Alignment
- Accentuate the Positive
- Keep the Wheels of Progress in Motion

Employee happiness is not a cakewalk. According to the Conference Board, it is in the tank. Their research shows that worker happiness has fallen every year for the last 25 years. Companies need to put into place programs that draw out these principles of alignment, positivity, and progress that can move the needle for happiness and build a killer culture.

A strategic recognition program is a great start on achieving all three of these objectives—offering a way for employees to better understand and practice company values, offer continuous positive feedback, appreciate and be appreciated and a way to be rewarded for the progress they make toward their goals.



Business Edge Briefing

"North Bay Exporters Grow Globally - You Can Too!"

Learn practical tools from North Bay business executives and the key to their successful exporting

Panel Speakers

Erik Andersen, Remedy Interactive
 Kevin Merritt, GCX Corporation
 Laurie Hyman, Green Toys

Moderator: Elizabeth Krauth director, North Bay U.S. Export Assistance Center at Dominican University

MCs

Dr. Denise Lucy, Dominican University
 Cynthia Murray, NBLC

Tuesday, February 11, 2014

7:00 - 9:00 a.m.

Creekside Room, Dominican University

For more information on panelists and registration please click [here](#)

Join Us in the Great Race for Clean Air!



Join us for The Great Race for Clean Air, an annual, friendly competition between Bay Area businesses to encourage employees to try alternatives to driving alone.

During the last Great Race for Clean Air, employees from 93 Bay Area companies logged their daily air-friendly commutes using an online commute diary developed by 511 Rideshare. These commuters saved approximately 1,273,276 pounds of CO₂ by carpooling and vanpooling, taking transit, telecommuting, biking and walking to work. This is equivalent to taking 120 passenger vehicles off the road – for a year! Participants were also eligible to win great prizes in weekly drawings.

For more information or to register your company visit <http://sparetheair.org/Get-Involved/Great-Race-for-Clean-Air.aspx>

The Great Race for Clean Air runs March 1 through April 30, 2014. If you would like help getting your commute program in shape for the Great Race, please contact Stephanie at sanderson@communityfocus.org

Members in the News

We support the Lucas Cultural Arts Museum

Not too long ago in a galaxy of our own, George Lucas went into retirement. With the sale of his own galaxy/production company to The Walt Disney Company just over two years ago, Mr. Lucas showed signs that he was far from done creating.

Sutter Invests \$8.15 Million in Telehealth Company MDLive

Sutter Health, one of Northern California's biggest health care systems, invested \$8.15 million in MDLive, a national Sunrise, Fla.-based telehealth company.

Agilent to be Renamed Keysight

Agilent Technologies Inc. (NYSE: A) today announced the name of the electronic measurement company it expects to spin off in early November 2014 as Keysight Technologies.

BioMarin to Buy San Rafael Corporate Center for \$116.5 million; Plans to Build Two More Buildings

San Rafael-based BioMarin Pharmaceutical Inc. has signed an agreement to purchase the San Rafael Corporate Center for \$116.5 million.

St. Joseph Health Taps Carvolth to Oversee Sonoma County

St. Joseph Health on Monday said it named Richard Carvolth, M.D., as its chief medical officer for Sonoma County operations, which include two hospitals and a number of clinics and other care facilities.

Autodesk Ranked #1 of 100 Public Companies for its GHG Target-Setting Methodology ("C-FACT")

#1 rank in the world's first science-based carbon rating by Climate Counts.

PG&E EMPLOYEES PLEDGE \$6.5 MILLION TO LOCAL COMMUNITIES

Annual "Campaign for the Community" Raises Funds for Nonprofit Organizations

AgCredit plans 120,000-square-foot 'ag center'

American AgCredit is moving forward with a long-held vision to cast its new Santa Rosa headquarters as a hub for other agriculture organizations, more than doubling the planned size with a single 120,000-square-foot office building near Charles M. Schulz–Sonoma County Airport.

Midstate Construction Builds the Burlington Coat Factory Facade Renovation

Owner Kimco Realty Corporation and general contractor Midstate Construction Corporation recently completed the Burlington Coat Factory Facade Renovation at the Westlake Center in Daly City.

Sonoma Raceway Hosts More than 200 Children at their ‘Race to the Holidays’ Christmas Party

More than 400 people enjoyed a day of holiday cheer at Sonoma Raceway on Saturday at the 9th annual Race to the Holidays Christmas Party.

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 44 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call

707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org