Skills Gap? What Skills Gap?

American businesses in the 1990s need not worry about declining worker skills, according to the National Center for Education and the Economy's Commission on the Skills of the American Workforce. Its report, *America's Choice: High Skills or Low Wages!*, presents a view of U.S. business and educational policy alternatives that is clearly designed to shock.

Contrary to the ominous rumblings that routinely emanate from the nation's economists and business pundits, the commission's July report contends that most of this country's current jobs *don't* require a vastly more versatile sort of worker, *don't* demand dramatically improved skills, and *don't* warrant wholesale reform of public-education and training systems. In short, the group maintains that if business-as-usual continues, the future will pretty much resemble the present.

If people took any comfort in that fact, it would horrify the commission's members, a group that includes Apple Computer CEO John Scully, Corning CEO James Houghton, Kodak CEO Kay Whitmore, United Automobile Workers President Owen Bieber, former Labor Secretaries (and commission co-chairs) Bill Brock and Ray Marshall, New York Governor Mario Cuomo, and former Governors James Hunt (North Carolina) and Thomas Kean (New Jersey).

Based on eight months of research, including thousands of interviews with workers and managers in the U.S. and other nations, *America's Choice* paints a bleak picture on a broad canvas.

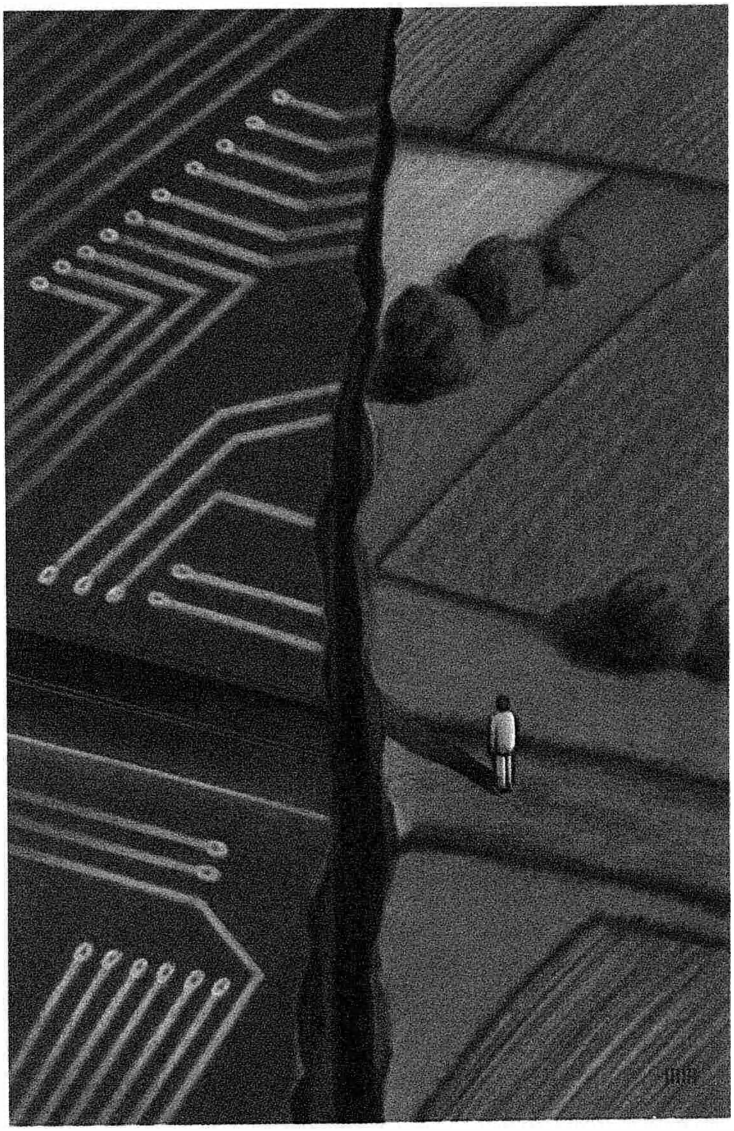
At the center is a warning from the Commission on the Skills of the American Workforce that if the U.S. continues down its current business path then the nation will "face a challenge similar to that faced by many Third World countries."

The U.S. will falter if it tries to compete with emerging nations, because they will be able to match machine capital spending while significantly undercutting American firms' labor costs. Americans will then face a continuing descent into a low-skill, low-wage, low-productivity economy.

There can be little doubt that the low wage and low productivity portions of the prophecy have already come true. Americans' real average weekly earnings have dropped 12 percent over the last 20 years, and a dozen nations now pay higher average wages. It now takes three years to make the same productivity gains the workforce used to achieve yearly before 1973. Economic growth, the report says, has only continued because baby boomers and women entering the labor market have boosted workforce participation from 40 percent in 1973 to 50 percent in 1989.

"If productivity continues to falter and real wages decline, we can expect one of two futures. Either the top 30 percent of our population grows wealthier while the bottom 70 percent becomes progressively poorer or else we may all slide into relative poverty together," the report says.

"To ensure a more prosperous future, we must improve productivity," it continues. The commission urges American employers to abandon "outmoded styles of work in which unskilled workers perform simple tasks by rote," and argues that a new system is needed, one



Matt McMullen

Most of today's jobs don't require vastly improved skills. Don't take any comfort in that fact

that prepares front-line workers to act as skilled professionals and technicians unencumbered by stifling bureaucracy. At the same time, schools must improve.

Americans will have to compete on the basis of superior skills rather than strong backs.

The commission found models for such a system when study teams toured Denmark, Germany, Ireland, Japan, Singapore, and Sweden. According to commission head Ira Magaziner, these nations "share an approach to the education and training of their workers and to high-productivity work organization that the United States lacks."

- They insist that virtually all of their students reach a high educational standard.
- They provide professionalized education to non-college-educated workers to prepare them for their trades and to ease the school-to-work transition.
- They operate comprehensive labor market systems that provide unemployed people with training, labor market information, job search assistance, and income maintenance.
- They support employer-based training through general revenue- or payroll-tax based financing schemes.
- They have built a national consensus around the importance of moving toward high-productivity work forms and of building high-wage economies.

America's Choice prescribes five proposals that the commission says will help the United States develop its own high-productivity work forms and high-wage economies:

1. Require students to attain a high national standard of educational performance by the age of 16.

Students who attain this standard, benchmarked to the highest world standards, would receive what the commission calls a "Certificate of Initial Mastery," qualifying them to continue on to college, technical and professional education, or paid employment.

The certificate would warrant that students have demonstrated the ability to read, write, compute, and perform at world-class levels in subjects such as mathematics, the physical and natural sciences, history, geography, politics, economics, and English. Also certified would be the capacity to learn, think, work effectively alone and in groups, and solve problems.

2. Assure that virtually all students achieve this certificate.

According to *America's Choice*, states should create and fund alternative learning environments for those who cannot achieve the standards of initial mastery in regular school. Federal funding would help states set up these alternatives.

3. Establish a comprehensive system of professional educational certifications for the majority of students and adult workers who do not pursue college degrees.

This proposal, aimed at smoothing school-to-work transitions and promoting ongoing work-related education, would have several elements. Nationally agreed-upon standards of occupational performance would be set with the cooperation of industry representatives, and a certification system would demonstrate various levels of mastery. Programs designed to build these occupational skills would operate in high schools, community colleges, trade schools, and other training institutions. Employers would support these programs by offering part-time paid jobs, much like an apprenticeship system.

Such an industry-based skill certification system would be attractive for many reasons, the commission contends:

"It would facilitate communication between schools and industry about employer and union expectations and goals. By setting criteria for hiring, it would help employers find qualified applicants. For employees, it would establish clear knowledge- and skill-based standards for career progression, help prevent hiring discrimination, and improve transferability of skills."

4. Have all employers ensure a high-skills future by allocating at least 1 percent of their payrolls to educating and training their workers and pursuing high-productivity forms of work organization.

Denmark, France, Germany, Ireland, Japan, Singapore, and Sweden all have laws requiring companies to invest at least 1 percent of payroll in internal or government-provided training.

The commission urges the U.S. to adopt a similar system, although it acknowledges that it would be unpopular with employers. Companies that fail to spend 1 percent of payroll on their own workers would instead have to pay 1 percent to a national Skills Development Fund, which would use the money to train dislocated and disadvantaged workers.

This use-it-or-lose-it incentive would encourage employers to think seriously about improving their internal training programs, the commission argues, simply because most companies would choose to spend money on their own workers rather than on somebody else's.

The commission also suggests that up to 15 percent of the required training investment be devoted to studying better ways of organizing work. Such activities as job redesign, departmental streamlining, and the development of cooperative work teams would thus be encouraged.

5. Create a system of Employment and Training Boards to organize and govern the new high-performance education and training system.

During its study of training systems nationwide, the commission identified hundreds of American programs that are as imaginative, effective, and efficient as any in the world. The U.S., however, lacks a cohesive system for linking together the education and training community's diverse and widespread elements. State-established but locally based and organized, Employment and Training Boards could be that link.

Current Private Industry Councils, organized under the provisions of the Job Training Partnership Act, could form the basis of a board network that would coordinate services at state and regional levels. The commission also proposes a national body organized at the Cabinet level that would coordinate federal training policy.

America's Choice acknowledges that enacting these proposals would involve a wholesale change in the way that American employers and policy makers approach education and training. But the commission argues that nothing short of wholesale change will enable U.S. companies to compete effectively with those based in other nations.

Although many of the proposals contained in the report seem unlikely to be adopted anytime soon, others are already in place. Several school systems, for example, now guarantee to employers that high-school graduates possess adequate basic skills, a concept akin in spirit to the Certificates of Initial Mastery proposed in *America's Choice*.

In addition, Secretary of Labor Elizabeth Dole recently convened a panel that will explore the idea of national competency guidelines for work readiness. Dole directed this group, headed by commission member Brock, to use the *America's Choice* proposal concerning industry-based skills certification as a starting point. The panel will work with school systems, labor groups, and businesses to determine how public education can actually ensure practical proficiency.

That *America's Choice: High Skills or Low Wages!* has already provoked action at the Cabinet level is an indication of the report's importance, and of the importance high-level decision makers are starting to place on skills as a competitive advantage. If only a handful of the ideas it contains actually come to fruition, the publication of *America's Choice* will mark an important milestone in the United States' march toward higher productivity and worldwide competitiveness.

To order a copy of *America's Choice: High Skills or Low Wages!*, send a check for $18 to National Center for Education and the Economy, Box 10670, Rochester, NY 14610. For more information, phone 716/546-7620.

Breaking With Tradition

By John Lawrie, *president of Applied Psychology, Inc., and a professor of industrial psychology at Wabash College in Crawfordsville, Indiana.*

Organizations, like people, are creatures of habit. Need proof? Consider HRD traditions—those management development programs that become de facto requirements for advancement in so many companies.

Sending successive ranks of fast-trackers off to the same yearly seminar can be a fine organizational habit—if the seminar remains relevant. But it should never be an unexamined habit.

HRD staff members need to make sure that young managers attending outside programs are doing more than just having their tickets punched. They need to make sure these HRD traditions continue to serve practical organizational needs.

Like other traditions, HRD traditions are handed down from generation to generation.

Someone who now enjoys considerable influence within the organization recalls a particularly powerful external program she attended early on. Her managers sent her to the seminar because they saw potential in her and thought the session would make her even more effective. And indeed, the program helped her skillfully take on new responsibilities. The program strengthened her; she now looks upon it as one of the pivotal events in her climb to the top.

Now her own subordinate has reached that same stage in his career, and the boss naturally thinks of the program that so greatly affected her own development. He comes back raving about the experience, and before long a tradition has taken root.

Participation in the program becomes an informal but powerful recognition of fast-track status, whether or not it actually contributes skills that lead to high performance. Thus the program becomes ever more highly prized and praised by those who go through it.

Of course, the program actually may be valid. Nonetheless, HRD people need to take a closer look, not as squinting auditors but as advisors who can help line managers spend their HRD dollars with care.

To begin an effective evaluation of an HRD tradition, sit down for a question-and-answer session with the executive who is in a position to pass on the tradition.

Four basic questions will help you—and most importantly, the executive—determine whether this particular program is appropriate:

- What does the program intend to change? Is it designed to develop knowledge? Skills? Attitudes? A combination of all three?
- Does the subordinate need to change in these ways? Does he or she need to develop the skills, knowledge, or attitudes the program purports to address?
- Will the training help the subordinate perform better in his or her current job, or is it designed to prepare for future assignments?
- How will we be able to judge the program's effect on the trainee?

In the case of programs with a lot of tradition behind them, don't be surprised if sponsoring executives resist digging into the issues these questions raise. If the program is a symbolic way of recognizing employees on the way up, many executives may have a hard time admitting their allegiance to tradition.

HRD staff can counter this reluctance by helping executives begin a new kind of tradition—one in which the decision to send subordinates to a training program is based on a clear analysis of the kind of training they actually need.

Random Stats

Ups and downs

The five types of businesses that grew the most in 1989: facsimile transmission services, moving supplies and equipment rentals, convenience stores, facsimile communication equipment, and yogurt.

The five types of businesses that declined the most in 1989: video recorders, automotive undercoating and rustproofing, microwave ovens, metal windows, and scalp treatment.

A company called American Business Information compiled the lists by tallying the number of advertisements appearing in Yellow Pages directories nationwide.

The bloom is off the rose

Bad news for last spring's freshly minted MBAs: Michigan State University reports that 1990 business grads rate starting salaries a mere 3 percent above 1989 levels, while job openings are up only 2 percent.

The 70,000 MBAs the nation's business schools will disgorge this year can expect to earn about $40,000 to start. Corporations' ongoing elimination of management layers and Wall Street's failure to recoup jobs after the 1987 crash have caused the slowdown, says the Michigan State study.

Well, It Beats the Unemployment Line

American workers feel no particular enthusiasm for their jobs, and they get their ennui from their bosses.

That's the damning conclusion John Parkington draws from a recent survey showing that only 36 percent of working Americans consider their companies anything more than "just a place to work."

Parkington, a consultant with The Wyatt Company, says his firm's poll demonstrates that worker interest and commitment tends to peter out over time. "People enter new jobs with high levels of enthusiasm and dedication," says Parkington. "But the novelty soon wears off and so does the enthusiasm. As the saying goes, the honeymoon is over."

Forty-three percent of first-year employees say they are highly committed, but that percentage starts dropping by the second and third years. After four years of service, employee commitment falls to a level of 34 percent, where it remains even for employees with more than 20 years with the same company.

While employee commitment is low, management commitment is not much higher. Only 46 percent of managers express high levels of commitment, according to the Wyatt survey, and that lack of interest and excitement filters down through the organization.

Parkington believes the key to high commitment is keeping it from flagging in the first place. "Companies are missing the chance to capitalize on the wealth of energy that newcomers offer," says Parkington.

He suggests several programs companies can use to sustain newcomers' momentum. Of obvious importance is leadership development. Management counseling can help managers encourage a positive working environment.

Innovative reward systems can motivate employees at all levels. Gainsharing, pay-for-performance, and other incentives put the focus on employees' contributions and create worthwhile goals.

Skills Shortages Show Up Later

Most people who are unable to read, write, or work with numbers are hired initially to do jobs that don't require these basic skills. In the great majority of cases, it is only later—when the employee receives a promotion or takes on new job duties—that a lack of basic skills comes to light.

That is a key finding from the survey conducted by the Society for Human Resources and the Commerce Clearing House.

Survey respondents say jobs that can be performed by people lacking basic skills still exist, mostly in the manufacturing sector. But companies have discovered that long-term employees who perform well at the jobs they were hired to do despite lacking basic skills often have trouble keeping up with changing technology. The result: fewer chances for promotions, pay raises, and even continued employment.

Forty-three percent of firms employing people who lack basic skills say they have discharged workers for poor performance due to substandard reading, writing, or computation skills.

Of the more than one thousand firms that responded to the survey, 63.5 percent say they have knowingly or unknowingly hired workers with basic skills deficits, and 92 percent of those firms report some of their current employees are unable to read, write, or comprehend English on the job, or apply computational skills at work.

According to human resource managers, illiterate workers can be harder to manage than their literate colleagues. Employees lacking basic skills cannot be promoted, according to 81 percent of the firms surveyed, and cannot be given effective performance feedback, according to 67 percent.

Despite those problems, few employers use training to mitigate skills shortfalls. Only 30 percent of the firms that admit to having illiterate workers provide them with basic skills training opportunities.

Forty-two percent of the companies that sponsor basic skills programs say they do so to upgrade the skills of entry-level workers, while 26 percent target workers already on board, and 23 percent gear their programs for non-English speakers.

"In Practice" *is edited and written by* **John Wilcox**. *Send items of interest to In Practice,* Training & Development Journal, *1630 Duke Street, Box 1443, Alexandria, VA 22313.*