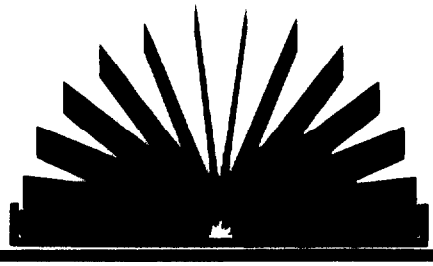
# Book reviews



## Setting new standards for skills in the workplace

Horst Brand

A commission chaired by former U.S. Secretaries of Labor Ray Marshall and William E. Brock has published the third, and in many ways, the most alarming of recent reports about the plight of the U.S. work force.

The report, *America's Choice: High Skills or Low Wages*, deals with workers without a college education (roughly 70 percent) and youngsters not college-bound—a group the commission calls the "frontline workers" who are "ill-equipped to meet employers' current needs and ill-prepared for the rapidly approaching, high-technology, service-oriented future."

The commission's concern is heightened by the fact that it found little awareness of these skills problems during visits to hundreds of firms in all sectors of the economy and interviews with thousands of employers, personnel managers, production supervisors, and ordinary workers.

Although more than 80 percent of employers did express concern about skills shortages, "they generally mean a good work ethic and social skills." The commission says that "only 15 percent of employers report difficulty finding workers with appropriate occupational skills," but these were in underpaid "women's" occupations and traditional craft trades. The commission found little evidence of a far-reaching desire for a more educated work force.

### Outmoded model

It is easy to determine why employers find their workers' skills and training adequate to the needs of the jobs being held. The commission reports that more than one-third of American workers have only an eighth grade education, and fewer than 30 percent are 4-year college graduates.

This, the commission argues, is adequate for an organization of work "largely modeled after the system of manufacture made famous by Henry Ford in the early 20th century," and conceived by Frederick W. Taylor—with complex jobs fragmented into many simple, repetitive tasks requiring little skill and education, albeit supervised by a knowledgeable planning and managerial staff.[1]

The Taylor system came to be virtually synonymous with mass production; its influence has not been limited to manufacturing but "still determines the way we organize our schools, our offices, our hospitals, and our banks."[2] But while the "America of the 1950's and 1960's prospered with the Taylor model," mass production has come to be outdated.[3] It is no longer adequate to today's needs, which require higher quality products and greater product variety. The automated systems spells greater complexity, and make it increasingly difficult for small groups of managers to centralize control in their hands. "The reason why we have no skills shortage today," writes the commission, "is because we are using a turn-of-the-century work organization."

As the report's title indicates, the commission views low wages as a major problem for American society. For the past two decades, it says, economic growth has stemmed mostly from additions to the labor force rather than from increases in productivity. "Because our economic growth has not come from improved productivity our...wages have not improved."[4] Moreover, the failure of real wages to rise—or their decline—has affected workers unequally, so that the gap between the upper 30 percent of earnings recipients and the lower 70 percent has widened over the past decade and a half. For example, the pay differential between white-collar professionals and skilled trades people has grown from 2 percent to 37 percent; that between professionals and clerical personnel from 47 percent to 86 percent.[5]

In arguing for a more participatory work force, the commission confines itself to detailing two examples of strikingly contrasting company work organizations. One company has sought to deskill its work force by replacing higher paid workers who have seniority, with younger, lower paid workers, and subcontracting work to overseas establishments. Unit costs were thus reduced but no clear gain in productivity was attained. The other company trained its work force to become "multiskilled" and enabled it to partake in shopfloor decisions hitherto reserved for management. It also reduced the ratio of support to "frontline" employees.[6] Higher productivity resulted, but at the cost of substantial investment in training. The large majority of American firms, as the report states, cannot afford (or believe they cannot afford) such investments.

The MIT Commission on Industrial Productivity characterized the mass production system as among the "outdated strategies" of American business, contrasting it, for example, with the Japanese automobile industry, which "is based on a system different in almost every feature from Detroit's mass production system." Being based on "technologies, product development methods, and patterns of workplace organization that allow them to reduce the volume of production and increase the speed with which new products are brought to market," this system "has required the creation of a highly skilled work force."[7] The MIT Commission calls for "cultivating a new economic citizenship in the work force," and states that "effective use of new technology will require people to develop their capabilities for planning, judgment, collaboration, and the analysis of complex systems."[8]

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### Human resource policy

The Skills Commission writes that". . . (W)ork organization is pivotal," and that "Work organization drives the demand for high skills."[9] The reasons it cites why American business has tended to adopt a low-wage rather than a high-productivity policy lie outside the realm of technology altogether; and its proposals for raising productivity focus entirely on human resource policy, examples of foreign success with such policy being given great weight in the argument. The commission's report suggests that human resource policy drives technological and hence productivity advance. And the commission's concerns are evidently fed by the conviction that social progress and political balance in the United States hinge on such advance and the elevation of the human factors that underlie it.

According to the commission, American business has followed the "low-wage" path over the past two decades for three reasons: (1) The initial investment for retraining personnel and upgrading technical skills required by the "high productivity path" is costly, and companies run the risk of losing this investment when trained employees leave. (2) Such investment, moreover, demands a long-term horizon, but this approach is vitiated by the "perverse short-term financial horizons by which most American companies operate." (3) There is the overarching problem of the lack of a public policy commitment to full employment, which encourages the low-wage path by making it easier for business to employ part-time or temporary workers who can be laid off at will.[10]

### Education and training

The commission presents a brief analysis and critique of the educational preparation for work in the United States. "The educational performance of those students who become frontline workers is well below the average performance of their counterparts in some newly industrializing countries where labor costs are only a small fraction of our own. Our frontline workers. . . are fast becoming unemployable at American wage levels."[11] American high school students "anchor the bottom" on most international tests. In Japan, close to 80 percent of the students take algebra, and score at the top; in the United States, little more than 40 percent of students choose algebra, and score the lowest. The American educational system, the commission asserts, "is almost wholly oriented towards the needs of the college-bound," and the property tax, which mostly funds the system, favors those most likely to go to college.[12] Almost one-half of all high school students are relegated to general curriculum courses, which are of little value to their subsequent pursuits. One-fourth of these students attend vocational courses, with only a small proportion going into occupations that relate to these courses. Employers as a rule do not even expect particular proficiencies of high school graduates applying for jobs; "most employers look at the high school diploma as evidence of staying power, not academic achievement."[13]

Furthermore, the commission says, no assistance is offered to youths not bound for college in their transition from school to work; many of them mill about in the labor market from dead-end job to dead-end job. Guidance services are inadequate, there are no employment services to aid them, and there are very few apprenticeship programs. By the time they reach ages 24 or 25, they are "no match for the highly trained German, Danish, Swedish or Swiss youth of 19."[14]

The education and training (or retraining) of more seasoned workers is also lagging, according to the commission. Of the estimated $30 billion spent by employers on formal training, about one-third is apportioned to frontline workers, and only 8 percent of them benefit by it. Moreover, approximately 15,000 firms account for nine-tenths of business spending on training, and fewer than 200 firms spend in excess of 2 percent of their payroll for this purpose. "The fact that employers in this country do not spend much money on training of frontline workers is not surprising. The 'Taylor'

## Three commissions studied the work force

*America's Choice: High Skills or Low Wages! The Report of the Commission on the Skills of the American Workforce.* Rochester, NY, National Center on Education and the Economy's Commission on the Skills of the American Workforce, 1990. $18 from the Center, 39 State Street, Suite 500, Rochester, NY 14614.

*Investing in People: Strategy to Address America's Workforce Crisis.* Report by the Secretary of Labor's Commission on Workforce Quality and Labor Market Efficiency. Washington, 1989. $3.75, Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. The monographs underlying the report are titled *Investing in People, Background Papers*, Vol. I and Vol. II, and are also available from the U.S. Government Printing Office.

*Made in America: Regaining the Productive Edge*, by Michael L. Dertouzos and other members of the MIT Commission on Industrial Productivity. Cambridge, MA, The MIT Press, 1989.

The concerns expressed in these three reports have been shared throughout the 1980's by a number of public and private bodies. Particularly notable are:

*Workforce 2000: Work and Workers for the Twenty-First Century.* By William B. Johnston and Arnold E. Packer. Indianapolis, IN, Hudson Institute, 1987. *Workforce 2000* was written at the initiative of the U.S. Department of Labor.

*Building a Quality Workforce.* A joint initiative by the U.S. Departments of Labor, Education, and Commerce. Washington, U.S. Department of Labor, Employment and Training Administration, 1988.

The MIT study summarizes numerous related policy studies in Appendix I (see especially p. 309 ff.), while *Building a Quality Workforce* features a selected bibliography bearing upon the themes it discusses.

model of work organization still followed by most of our companies does not require skills from the vast majority of their workers."[15]

The force of the commission's argument regarding the inadequacy of the education and training of frontline workers is to an extent lessened by its review of the many initiatives that have been taken by the Federal Government and many States to overcome such inadequacy. Its survey of these initiatives—for example, the community college system that began in 1947; Pell Grants and Guaranteed Student Loans for postsecondary education; the Job Training Partnership Act; and the many "customized training" efforts made by individual States to attract industry—is all too brief, and its criticism that "The network of public training activities. . . has. . . been created as a result of unrelated educational, social and economic development goals rather than from any overall vision of human resource development" is not argued in sufficiently searching detail.[16]

The commission's recommendations draw upon the relevant programs and policies in Germany, Japan, Sweden, and Denmark, outlined in one of the report's chapters. First, the commission would set a new, national educational performance standard for all students, to be met by age 16. Based on an assessment of the student's performance in meeting the standards, a Certificate of Initial Mastery would be awarded. This certificate would be required for all subsequent schooling, and would attest to the student's ability to read, write, compute, and, generally, perform "at world class levels" in general school subjects.[17]

The States would be responsible for its students achieving the certificate, and would also create and fund alternative learning environments for youths unable to meet the standard at age 16. This inability often arises from a youth's preference for taking a job to earn money over continuing his or her education. Hence, local employers should provide jobs for such youth on the condition that their education continue. The commission is particularly concerned that the problem of high school dropouts be overcome, in part, by establishing strong ties between educational achievement and the provision of private or public employment.

At the center of the commission's vision of a coherent human resource policy lies the professionalization of the work force not bound for college or college-educated, by means of a system of educational certificates, associate degrees, and part-time work and training by cooperating employers as part of a general curriculum. The certification system would be supervised by a national board setting standards, and serving under the Secretaries of Labor, Commerce, and Education. The program would encompass all occupations as defined or redefined by the proposed board. The commission strongly argues for governmental financing of its recommendation, citing the G.I. Bill as having paid for itself many times over in increased income. "Our goal is to establish a structure that will give our frontline workers the systematic skills, professional qualifications, and respect that their counterparts enjoy in other countries."[18]

The final recommendation would integrate American business in the proposed national education and training effort. It would do so by requiring all employers, regardless of size, to spend an initial sum of at least 1 percent of their payroll on certified education and training programs; or to remit that sum to a national skills development fund, devoted to training disadvantaged or dislocated workers.[19] It cites a number of foreign examples in amplifying this recommendation. For example, German corporations contribute close to 3.5 percent of their payrolls to training and employment schemes through the national unemployment insurance fund, the apprenticeship system, and to local chambers of commerce (which often mandate such schemes as a condition of membership). Likewise, Japanese firms contribute 1 percent of payrolls to the National Employment Insurance Fund; and about one-half of the tax goes to finance employment and training initiatives.[20] The commission also urges government-run technical assistance services to promote the high-performance work organizations which it believes necessary to supersede "Taylorism."[21]

It is patent that the commission's recommendations would radically revamp existing institutions of education and training, and require new ones as well. Those recommendations are perhaps more far-reaching than any others pertaining to the advancement of the majority of the American work force that is not bound for college.[22] Although other responsible panels that have examined the issues discussed here may not agree with the commission's recommendations, all seem to agree that fundamental changes in human resource policy are urgently needed. The MIT Commission on Industrial Productivity put it this way: ". . . without major changes in the ways schools and firms train workers over the course of a lifetime, no amount of macroeconomic fine-tuning or technological innovation will be able to produce significantly improved economic performance and a rising standard of living."[23] □

## Footnotes

[1] *America's Choice: High Skills or Low Wages!* The Report of the Commission on the Skills of the American Workforce (Rochester, NY, National Center on Education and the Economy's Commission on the Skills of the American Workforce, 1990), p. 37.

[2] *Ibid.*

[3] *Ibid.*, pp. 37, 38.

[4] *Ibid.*, p. 19

[5] *Ibid.*, p. 20.

[6] *Ibid.*, p. 31.

[7] See Michael L. Dertouzos and others, *Made in America: Regaining the Productive Edge* (Cambridge, MA, The MIT Press, 1989).

[8] *Ibid.*, pp. 134–35.

[9] *America's Choice*, pp. 41–42.

[10] *Ibid.*, p. 40.

[11] *Ibid.*, p. 43.

[12] *Ibid.*, p. 44.

[13] *Ibid.*, p. 45.

[14] *Ibid.*, p. 46.

[15] *Ibid.*, p. 50.

[16] *Ibid.*, p. 53.

[17] *Ibid.*, p. 69.

[18] *Ibid.*, p. 77.

[19] *Ibid.*, p. 82.

[20] *Ibid.*, pp. 115, 117.

[21] *Ibid.*, p. 84.

[22] *Ibid*, p. 84.

[23] Dertouzos and others, *Made in America*, p. 82.