

# Will America Choose High Skills or Low Wages?

*If America is to regain its competitive edge in the world market, education and industry must teach all workers high-performance skills.*

IRA MAGAZINER AND  
HILLARY RODHAM CLINTON

During the past two decades, the United States has watched as Singapore, Taiwan, and Korea grew from run-down Third World outposts to world premier exporters; as Germany, with one quarter of our population, almost equaled us in exports; as Japan became the world's economic juggernaut. During these transformations, America became the world's biggest borrower.

We have heard the excuses: The countries we beat in World War II are simply regaining their former places in the world. The Europeans and the Japanese are exploiting their low wages. Our competitors are class-ridden countries.

The truth is otherwise: Our former adversaries are doing far better in relation to us than they did before the war. A dozen nations now pay wages above ours. Our distribution of income is more skewed than any of our major competitors, and our poverty rate is much higher.

Our education statistics are as disappointing as our trade statistics. Our children rank at the bottom on most international tests — behind children



One suggestion from the Commission on the Skills of the American Workforce is work-study programs for non-college-bound students in which they could earn certificates for service and manufacturing vocations.

in Europe and East Asia. Again, we heard the excuses: They have elite systems, but we educate everyone. They compare a small number of their best to our much larger average. The facts are otherwise: Many of the countries with the highest test scores have more of their students in school than we do.

We are not facing the facts about our future. What we are facing is an economic cliff — and the frontline working people of America are about to fall off.

## A Drop in Productivity

From the 1950s to the 1970s, America's productivity grew at a healthy pace. The nation was getting richer, and workers lived better on what they earned. Since then, the rate of increase in productivity has

dropped dramatically. The distribution of income in the United States has been worsening. Those with college degrees are prospering, but frontline workers have seen the buying power of their paychecks shrink year after year. Since 1969, real average weekly earnings in the United States have fallen by more than 12 percent. And, during the past two decades, our productivity growth has slowed to a crawl. It now takes nearly three years to achieve the same productivity improvement we used to achieve in one year.

If productivity continues to falter, we can expect one of two futures. Either the top 30 percent of our population will grow wealthier while the bottom 70 percent becomes progressively poorer, or we all slide into relative poverty together.

If we are to avert catastrophe, we must make drastic improvements in our rate of productivity growth. But we cannot grow simply by putting more people to work. We must grow by having every American worker produce more. If we do not, our incomes will go into a free-fall with no end in sight.

### Going High Performance

We must work more productively and be more competitive. We cannot do this simply by using better machinery, because low-wage countries can use the same machines and still sell their products more cheaply than we can. Nor can we continue to organize work by breaking complex jobs into myriad simple rote tasks, because the world's best companies now use new high-performance work organizations, unleashing major advances in productivity, quality, variety, and speed of new product introductions.

Because most American employers organize work in a way that does not require high skills, they foresee no shortage of people who have such skills. With some exceptions, the education and skill levels of American workers roughly match the demands of their jobs. But if we want to compete more effectively in the global economy, we will have to move to high-performance work organizations.

To do this we must mobilize our most vital asset, the skills of our people — not just the skills of the 30 percent who will graduate with baccalaureate degrees from college, but those of the frontline workers — the bank tellers, farm workers, truck drivers, retail clerks, data entry operators, laborers, and factory workers.

We can do this only by reorganizing the way we work in our stores and factories, in our warehouses, insurance

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offices, government agencies, and hospitals. We can give our frontline workers much more responsibility, educate them well, and train them to do more highly skilled jobs.

If we do this, we can streamline work. We will need fewer supervisors, fewer quality checkers, fewer production schedulers, and fewer maintenance people, so organizations will become more efficient. Because they will be more efficient, they will be able to sell more. Because they will sell more, they can expand. Because they can expand, they can employ more people. Although each operation will require fewer people, society as a whole can increase employment and wages can go up.

### The Commission on the Skills of the American Workforce

With hopes of steering a new course for the U.S. before we face a crisis, the Commission on the Skills of the American Workforce came together in June 1989 to analyze the interplay between economic trends and population dynamics. The Commission

included a research team of 23 loaned executives from companies, unions, industry associations, and the U. S. Department of Labor.

The team probed into several industries both in the United States and abroad and concentrated on major markets of several states. In total, the team interviewed more than 2,000 people at 550 firms and agencies and analyzed many government and private reports.

The Commission's findings on American industry, labor policy, and education pointed in one direction: Americans are unwittingly making a choice that most of us would not make were we aware of its consequences. It is a choice that will lead to an America where over 70 percent of our people will see their dreams slip away.

This choice is being made by companies that cut wages to remain competitive. It is being made by public school officials who fail to prepare our children to be productive workers. Ultimately, we are all making the choice by silently accepting this course.

We still have time to make the other choice, one that will lead us to a more prosperous future: we can opt for high skills rather than low wages. But to make this choice we must fundamentally change our approach to work and education.

### Problems and Solutions

The Commission set out to both identify the problems America faces and recommend feasible solutions. Based on its research, the Commission made several key recommendations for an education and training system.

*Problem 1:* Two factors stand in the way of producing a highly educated work force — we lack a clear standard of achievement and few students are motivated to work hard in school.





The Commission recommends that high school students meet nationally established performance-based standards that qualify them for highly skilled jobs. Such standards should be benchmarked to the highest in the world.

One reason that students going right to work after school have little motivation to study hard is that they see little or no relationship between how well they do in school and what kind of job they can get after school.

**Recommendation:** A new educational performance standard should be set for all students, to be met at or around age 16. This standard should be established nationally and benchmarked to the highest in the world.

Students passing a series of performance-based assessments that incorporate this new standard would be awarded a Certificate of Initial Mastery. Possession of the certificate would qualify the student to choose among going to work, entering a college preparatory program, or studying for a Technological and Professional Certificate, described below.

**Problem 2:** More than 20 percent of our students drop out of high school — almost 50 percent in many of our inner cities. These dropouts go

on to make up more than a third of our frontline work force. Turning our backs on those dropouts, as we do now, is tantamount to turning our backs on our future work force.

**Recommendation:** The states should take responsibility for assuring that virtually all students achieve the Certificate of Initial Mastery. Through new local employment and training boards, states, with federal assistance, should create and fund alternative learning environments for those who cannot attain the Certificate of Initial Mastery in regular schools.

All students should be guaranteed the educational attention necessary to attain the Certificate of Initial Mastery by age 16, or as soon as possible thereafter. Youth Centers should be established to enroll school dropouts and help them reach that standard.

**Problem 3:** Other industrial nations have multiyear career-oriented educational programs that prepare students to operate at a professional level in the workplace. America prepares only a

tiny fraction of its non-college bound students for work. As a result, most flounder in the labor market, moving from low-paying job to low-paying job until their mid-20s, never being seriously trained.

**Recommendation:** A comprehensive system of technical and professional certificates should be created for students and adult workers who do not pursue a baccalaureate degree.

Technical and professional certificates would be offered across the entire range of service and manufacturing occupations. A student could earn the entry-level occupation certificate after completing a two- to four-year program of combined work and study. A sequence of advanced certificates could be obtained throughout one's career.

National committees of business, labor, education, and public representatives should be convened to define certification standards for two- to four-year programs of professional preparation in a broad range of occupations. These programs should combine general education with specific occupational skills and should include a significant work component.

**Problem 4:** The vast majority of American employers are not moving to high-performance work organizations, nor are they investing in training their nonmanagerial employees for these new forms of work organization. The movement to high-performance work organizations is more widespread in other nations, and training of frontline workers is commonplace.

**Recommendation:** We propose a system whereby all employers will invest at least 1 percent of their payroll for the education and training of their workers. We further recommend that public technical assistance be provided to companies, particularly small businesses, to assist them in

moving to higher-performance work organizations.

**Problem 5:** The United States is not well organized to provide the highly skilled workers needed to support the emerging high-performance work organizations. The training system is fragmented with respect to policies, administration, and service delivery.

**Recommendation:** A system of employment and training boards should be established by federal and state governments, together with local leadership, to organize and oversee the new school-to-work transition programs and training systems.

We envision a new, more comprehensive system where skills development and upgrading for the majority of our workers becomes a central aim of public policy. The key to accomplishing these goals is finding a way to enable the leaders of our communities to take responsibility for building a comprehensive system that meets their needs. The local employment and training boards would serve as the vehicles for oversight and management of training and school-to-work transition programs, Youth Centers, and job information services.

### Implementing America's Choice

Since the release of the report in June 1990, the Commission has promoted awareness of the report's recommendations through speeches and briefing sessions with educators, business and labor leaders, government officials, and advocacy groups. As the report's findings have been disseminated, interest in implementing its recommendations has become widespread.

On the national level, key members of Congress, both Democrats and Republicans, have introduced the High Skills, Competitive Workforce Act of 1991 based on the Commission's recommendations. Without creating a

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needless new bureaucracy, this legislation (H.R. 3470 and S. 1790) goes a long way toward ensuring that U.S. businesses will remain competitive in the global marketplace and that American workers will continue to enjoy a high standard of living. The act supports national education and job-skill standards benchmarked to world-class standards. It provides grants to local communities to establish Youth Opportunity Centers aimed at bringing high school dropouts back into the education system to ensure that they, too, meet world-class standards. And the bill provides technical assistance to employers to help them train their frontline workers and make the shift to high-performance work organizations. To finance the training, the bill requires employers to invest at least 1 percent of payroll in training frontline workers or contribute to a national trust fund earmarked for training.

More than 20 states have expressed an interest in working with the Commission on implementation strategies. Oregon, Washington, New York, and Minnesota have already created legislative initia-

tives to implement the Commission's recommendations. And education groups are moving to do the same.

### New Standards for the Schools

Key national groups, including the President's Advisory Committee on Education, the governing board of the National Assessment of Educational Progress, and the National Education Goals Panel, have begun to advocate the development of an examination system consistent with the creation of a Certificate of Initial Mastery.

And recently, President Bush, in his education initiative, "America 2000," announced the development of a national examination system for the nation's K-12 school system. Numerous groups, including the New Standards Project, a partnership of the National Center on Education and the Economy and the Learning Research and Development Center of the University of Pittsburgh, have begun to develop a new student performance assessment system, putting into place



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Ohio Department of Education



the first steps to making this new system a reality.

### Recovering Our Dropouts

It will do no good to raise academic standards for school leavers if large numbers of high school students cannot meet them. The idea of Youth Centers, the Commission's strategy for recovering school dropouts and bringing them up to a high academic standard, is an essential component of the whole strategy for national human resource development.

The Commission is working closely with the William T. Grant Foundation's Commission on Work, Family, and Citizenship and others to develop a national network of Youth Centers. A bill has been submitted to the New York State legislature to create Youth Centers in that state. The Commission is also working to make information available to other states on the characteristics of successful alternative education programs for dropouts.

### Preparing Frontline Workers

Most employers in this country have never been seriously involved in setting industry standards for entry-level employment and have no established mechanisms for doing so. Neither do they have a tradition of offering formal, multiyear, on-the-job training programs to high school graduates.

Efforts are currently under way to change American employer attitudes and practices toward work force education. The U.S. Departments of Labor and Education are focusing on work force training and vocational education. The Department of Labor's Commission on Work-Based Learning serves as an advisory commission on workplace training and high-performance work organization.

The Commission on the Skills of

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the American Workforce plans to work with industry associations and key national business organizations to develop certification standards for their industries. This past summer, the Commission participated with the National Governor's Association and the National Council on Vocational Education in an NGA-sponsored conference on new forms of technical and professional preparation programs.

### Reorganizing Work

Setting standards must go hand-in-glove with a strategy to reorganize work. Under current forms of work organization, employers do not demand highly skilled workers. It is unlikely that this country will do what must be done about workers' skills unless there is a strong demand from business and industry for people with those skills. That will not happen until employers see the need to embrace high-performance forms of work organization.

The Commission has met with national business groups to begin a concerted campaign to promote an understanding of high-performance work organization. Plans are under way to develop an industry-led technical assistance network to help companies make the transition. Some

companies will have the international resources to develop the necessary training programs to upgrade worker skills, while others will need outside consultation.

### Building a Comprehensive System

Without a coherent labor market system that embraces national, state, and local government, the Commission's other recommendations will be less effective. Therefore, the Commission has put forth a legislative proposal that we believe is a first step toward uniting disparate pieces of the nation's existing labor market programs. In addition, we plan to publish papers on the elements of the system we believe should be put in place — from postsecondary data systems to a reborn employment service. Then, we hope to convene a working group of state, federal, and national government leaders with business, labor, and education leaders to begin discussions on implementation.

### Leaping Ahead

The system we propose provides a uniquely American solution. Boldly executed, it has the potential not simply to put us on an equal footing with our competitors, but to allow us to leap ahead, to build the world's premier work force. In doing so, we will create a formidable competitive advantage.

The status quo is not an option. The choice is between becoming a nation of high skills or one of low wages. The choice is ours. It should be clear. It must be made.

**Ira Magaziner** is President of SJS Inc., a business strategy and public policy consulting firm, 56 Pine St., Providence, RI 02903. **Hillary Rodham Clinton** is Co-chair for Implementation of the Commission and partner at the Rose Law Firm, 120 E. 4th St., Little Rock, AR 72201.

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