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BODY:

Not many years ago, the corporate training community was insecure to the point of obsession with its own powerlessness. Training was always "the first thing cut." Trainers pined for "top management support," which never seemed willingly given. What they wanted was respect, and some recognition of what they knew to be true: A well-trained work force is a powerful competitive weapon.

Well, guess what? Somebody listened. More to the point, an important somebody: Bill Clinton. So carefully did he listen that he vowed during his campaign that if he were elected president he would force companies to spend 1.5 percent of their payrolls on training.

Imagine that. After decades in which the federal government cared only about the training of unemployed and disadvantaged workers, it is a dizzying experience to have a newly elected president speak so passionately of workplace training.

Yes, moral vindication sure feels good.

But let's be honest: A training tax would not only validate the practice of training, it would carry a nice little door prize. It would translate into the economic equivalent of a sonic boom for all those who make money in the training field--trainers who want jobs, consultants who want contracts and suppliers who want to sell training-related products.

In an interview before the election last fall, Anthony Carnevale, chief economist for the American Society for Training and Development (ASTD) and president of the Institute for Workplace Learning, told TRAINING that a 1.5 percent mandate could amount to a "full employment act for trainers" and would significantly increase the amount that U.S. organizations spend on training. That figure currently is $45 billion, according to TRAINING's most recent Industry Report, an annual, comprehensive survey of the amount and distribution of money spent on workplace training.

Last September Carnevale analyzed the costs and benefits of a 1.5 percent mandate and estimated that organizations could wind up spending an extra $21.4 billion on training. In addition, that new economic activity would ripple through the economy and create more jobs to support the ones directly created by the mandate. Carnevale estimated that the plan would generate about 1.3 million jobs when fully operational and another 1.3 million jobs within five years.

He based his projections on what was known about the mandate at the time, which was quite little. Clinton had proposed a "play-or-pay" system that would apply to organizations with at least 50 employees. If the company didn't spend 1.5 percent of its payroll on training, it would have to remit that sum to a special federal training fund. Also, organizations would be required to distribute the training money more "equitably"; front-line workers would have to receive their "fair share" of training hours.

Among the myriad questions this skeletal description raises are these: How would such a system be administered and monitored? How do you prevent a spate of useless training programs that accomplish little beyond meeting the 1.5 percent requirement? Should the quality of training be judged at all? If so, how might the judging be done without creating a new bureaucracy? Should trainee wages be counted within the 1.5 percent? What would the money in the federal training fund be used for?

These are all good questions that will be part of what is expected to be a national debate on the government's role in encouraging workplace training. Most experts expect the debate to commence in the coming year despite the fact that the Clinton administration began inching away from the 1.5 percent mandate even before the inauguration.

In late December, the Boston Globe reported that Labor Secretary Robert Reich would recommend that Clinton try to persuade companies to spend 1.5 percent of payroll on training rather than forcing them to do so. An aide to Reich confirmed that stance in late January when he told TRAINING that the labor secretary "feels strongly" that organizations should decide on their own to spend at least 1.5 percent on training. The aide also said that Reich "certainly hopes he doesn't have to use the big stick."

Later, Reich revealed some specifics of his plan of persuasion in an interview with The Wall Street Journal. He said he had asked the department's economist, Lawrence Katz, to determine whether "employee friendly" companies do better financially than companies with less progressive human resource policies. If the study confirms his suspicion that they do, Reich pledged to give the information to securities analysts and pension-fund administrators as proof that long-term investments in people pay off for companies.

He also vowed to find ways to team Labor Department officials with representatives from successful companies that have reorganized work and invested in training. He called this tactic a "crusade" to publicize those companies as corporate paragons. And he said he would use the department's existing partnership training budget to reward companies that have employee-friendly policies, as well as to punish those that do not. Reich did not elaborate.

All well and good, but why did Reich drop the stick and grab the carrot? If a training tax was so wonderful an idea that it could be used as a campaign tool, why isn't it a good idea now?

In a word, politics. Howard Rosen, director of the Competitiveness Policy Council in Washington, DC, a bipartisan commission created by Congress, says he believes the administration retreated because health care reform is a higher priority. If Clinton's plan includes mandated health care benefits for all employed workers, businesses will be in no mood to tolerate the expense of mandated training as well. They're already gearing up for a fight. The National Association of Manufacturers opposes the training tax, and the National Alliance of Business has announced its intention to find alternatives to a flat tax.

"I think (the training tax) is good policy," says Ray Marshall, former secretary of labor with the Carter administration. "However, what's good policy and what can get sold are two different things."

Even so, the 1.5 percent mandate may still have a pulse. Mary McCain, vice president for national affairs for ASTD in Alexandria, VA, monitors legislative action for the association and isn't yet willing to pronounce the mandate dead. "There's a lot of talk that it may be introduced into legislation simply to provoke discussion," she says. If Clinton doesn't propose it, Sen. Edward Kennedy may, she adds.

Last year, Kennedy introduced the High Skills and Competitive Workforce Act, which proposed funding for an apprenticeship program, federal grants for training and high-performance work reorganization, and a 1 percent play-or-pay payroll tax for training. A Senate hearing was held, but no action was taken by the House of Representatives.

Rick McGahey, economic policy adviser to Kennedy, says the senator has not yet decided his plan of attack on training issues this session. However, McGahey says: "Sen. Kennedy is very committed to pursuing the issues that were raised in the legislation he filed last year. What the best way is to achieve those goals strategically he hasn't decided. But it's one of the central set of issues he plans to be working on this session."

Reich may not have settled on the exact combination of sticks and carrots he wants to use, and none of the players may know yet when the issue will be launched in Congress, but the matter appears certain to get a vigorous hearing. That cheers fans of training.

Tom Peters, the well-known author and management consultant, has been a loud and vigorous supporter of workplace training. "I am excited about the clear-cut attention that Clinton, Reich and (Ira) Magaziner are obviously going to bring to the training issue," he says.

Magaziner, a White House economic adviser who was one of Clinton's main campaign advisers, is probably one of two people who persuaded candidate Clinton that a payroll training tax was the best way to raise the skills of the nation's work force. Magaziner was chairperson of the Commission on the Skills of the American Workforce, a blue-ribbon panel that produced the 1990 report "America's Choice: High Skills or Low Wages." The report called for a training tax as the most direct way to raise the skills of the work force.

Commission members worked in conjunction with The National Center on Education and the Economy, a nonpartisan research organization in Rochester, NY. That brings us to the second person who likely influenced the president's thinking on work-force training: his wife, Hillary Rodham Clinton. She is a trustee of The National Center, and believed so strongly in the recommendations of "America's Choice" that she testified to their importance during a Senate subcommittee hearing last year on Kennedy's bill.

Congress, too, is warm to the idea of some sort of legislation that will promote more workplace training. For the first time in 12 years, a Democratic Congress is matched with a Democratic president, making it more likely that Clinton's proposals will be enacted.

In addition, says ASTD's McCain, there is greater awareness in Congress that training is crucial for the country's economic health and competitiveness. "There is a growing segment of the Congress that is not only concerned with this issue, but has begun to understand it. I do think this will have a lot of high-profile discussion," she says.

Reich, the administration's point guard on training, is seen as a bulldog on this issue. "I think Bob Reich is the best news we've had in a long time for getting (the training issue) on the agenda," says John Robinson, manager of external relations and public policy for Motorola University.

Peters agrees that Reich may become the training community's best friend. "I think Bob's life is devoted to retooling the work force. I think this is one of the reasons he took this unusual assignment at Labor instead of heading the Council of Economic Advisers," he says. Reich, a former lecturer on public policy at Harvard's Kennedy School of Government, was one of Clinton's closest economic advisers during the campaign. It was widely expected that he would take a high economic post in the administration; Labor Department secretary was a surprise.

So all the stars and planets are in alignment. It seems as though workplace training may finally get a high-profile policy massage, possibly ushered in by the play-or-pay training tax. So how do policy wonks and the training community feel about a 1.5 percent training tax?

Ambivalent.

Bill Byham, president and chief executive officer of Development Dimensions International, a Pittsburgh, PA, consulting firm, is only half-joking when he says, "I think the more money they spend on training the better." It's true that consulting companies such as DDI would benefit from a 1.5 percent mandate, but ask Byham if a training tax is good policy and he sighs. Then he begins to recite all the problems and pitfalls that would be created by a mandate. Finally he says, "I'm not sure you can legislate making people work smarter," which should be the goal of all workplace training.

The issue is so fresh that the training community is not sure yet what the "right" position is. One consultant interviewed by TRAINING started out favoring a tax but had talked himself out of it by the end of the conversation.

ASTD's McCain says that although the association won't take an official stance on a training tax until the outlines of the legislation are clear, ASTD's traditional position is that it supports any kind of policy that promotes more workplace training.

Self-interest alone is probably enough reason for many in the training community to support a training tax. But proponents say there are other reasons, both practical and noble.

A training tax might make CEOs begin to think seriously about training and what it can accomplish, says Allison Rossett, a professor of educational technology at San Diego State University.

Certainly, useless training would proliferate, no matter how the legislation is written. Experts believe most businesses would spend the money rather than giving it up to the federal government, and some surely would spend it on ridiculous seminars or Caribbean junkets for executives. But Rossett argues that eventually employers might learn to purchase training wisely. If organizations were forced to spend the money anyway, they might learn to spend it in ways that deliver what good training promises: greater productivity, better products and better customer service. Those are universal desires of every CEO.

If the federal government also establishes some sort of technical assistance program to help organizations choose training intelligently, so much the better. One idea being bruited about Washington is a network of technical assistance centers, similar to the existing agricultural extension service. These agencies could research and dispense information and advice to organizations that are interested in work reorganization and the best ways to use human resources and technological advances.

A 1.5 percent training tax, in short, legitimizes training as a basic element of doing business. "It does set a kind of standard--a floor," says Rosen of the Competitiveness Policy Council. "It says training is important and we expect companies to do a minimum amount of it."

Further, says Rosen, a training tax would point the country toward the notion of training as a "right," in much the same way that many employees view health care and pensions. True, those "rights" are being eroded swiftly, but they are not protected by legislation. A training tax would raise awareness of training among employers and employees alike, and could be the first step toward a national emphasis on lifelong learning, Rosen says.

Supporters also say that a training tax would eliminate the "free rider" problem. Free riders are employers that refuse to train their own workers; instead, they filch employees from firms in the same industry that do provide training. Advocates have no studies fixing the number of companies that actually do this on a routine basis, but they insist it's a big problem.

It would be misleading to imply that all those who can advance arguments in favor of the play-or-pay tax are solid supporters of the idea. Everyone has some sort of worry about the details. Everyone wonders whether legislation can be written to produce the desired results.

At the most basic level, they wonder how the system will be set up. Will there be a layer of bureaucracy created to monitor compliance and judge whether the training that's being delivered meets the standards set in the legislation? Almost no one relishes that thought.

"It's far better to have companies administer their own programs and report on them than to have armed training police standing at the door," says Motorola's Robinson.

The most likely scheme would be a reporting system tied to the firm's annual tax return. It could be set up in one of two ways. With one system, the tax would be levied automatically and businesses would have to submit a report detailing their training expenditures in order to get the money back. The other, more likely system, would require businesses simply to exempt themselves from the tax by means of an annual report describing what they spent on training. It would be sent in with the annual tax statement.

Both systems probably would be enforced through tax audits, so a new bureaucracy needn't be required. Businesses would comply for the same reason they pay taxes: fear of the penalties that could come from an audit.

But there are piles of vexing little details that would have to be discussed once the reporting and monitoring system was set up. For instance, what about organizations that spend 4 percent of payroll in one year, perhaps because of a work reorganization, but need to deliver just 1 percent the following year? Could they be allowed to "average" their training expenditures over several years?

How will training be defined? Must it be classroom-based training or can you count self-study courses? Figuring out the costs, as companies strive to document 1.5 percent, can be a jungle as well. Can indirect costs be counted, such as trainee salaries and lodging for off-site training sessions? How would you figure the costs of a self-study course? Can you count school-to-work transition programs? Can on-the-job training be included, and if not, why not?

"There isn't a company in the world that we couldn't go into today where we couldn't find 1.5 percent of (payroll being spent on) training if we're willing to include on-the-job stuff," Peters says. "What does 'training' mean? That's nightmarish."

There's more. What will be done with the money that organizations pay to the government in lieu of paying for training? Should the cash be used for upgrading the skills of those who work for tiny companies, those not covered by the law? Or should the employees of the companies that remitted the money be allowed to claim some of it to fund training for themselves? Should there be a way to judge the quality and appropriateness of training, and if so, who should do it?

Other concerns are so troubling that some experts who support the notion that companies ought to be doing more training can't bring themselves to back a mandate. They suspect a training tax is a seductive idea that will be virtually impossible to enact in a way that will do more good than harm.

Tony Sarmiento, assistant director of the AFLCIO's education department in Washington, DC, worries that training is being set up as a panacea. "Isolating training from other kinds of changes that need to take place in the workplace is kind of silly," he says. "To think that training is the independent variable that is going to drive all other kinds of change is unrealistic."

As vice president for policy and government relations for the National Alliance for Business in Washington, DC, Tom Lindsley has considered the ramifications of a training tax. There are serious problems with it, he says. "They want it to go to line workers primarily and to new work organizations and increased productivity, whatever that means," he says. "It's one of those broad policy ideas that has a lot of validity but when you try to implement it, it runs into a maze of problems."

Lindsley fears that it will produce a great deal of useless training that is delivered simply to meet the obligation, not to effect any change in the workplace.

Byham, too, is concerned that a mandate will allow all sorts of fly-by-night training firms to flower. They'll be only too happy to offer entertaining diversions that would allow an organization to comply with the letter of the law.

Almost everyone worries that if useless training becomes rampant, there may be a backlash against the very notion that training can be a competitive edge. Rossett worries, too, that the act of codifying 1.5 percent may make that the standard, instead of the minimum.

Sure, she says, there are plenty of companies, particularly large ones, that already spend much more than 1.5 percent on training and will continue to do so because the training is driven by the needs of the business. But it may give some other CEOs pause. "If an organization is spending 4.2 percent, it may not go to 1.5 percent, but it might drop down to 3 percent," Rossett says.

Lindsley also worries about the proposed requirement that companies even out the distribution of training within their organizations. Policy-makers are concerned about the perception that organizations typically give more training to managers and technical professionals than to front-line workers. However, according to TRAINING's 1992 Industry Report, the average U.S. organization with more than 100 employees that provided any training gave the most training to salespeople, each of whom received an average of 39 hours of instruction last year. Indeed, salespeople have come out at the top of the heap rather consistently in the 10 years the survey has been done. What's more, the survey does not show a significant training gap between front-line employees and managers or technical professionals.

In fact, customer-service employees received the second highest average number of training hours in 1992: 36. In order behind customer-service people were professionals, first-line supervisors, middle managers, executives, senior managers, production workers and administrative employees. Even though production workers were far down the list, only five hours of training separated them from the third-place professionals. Organizations are historically reluctant to train administrative employees, however. Last year, they were given an average of 20 hours a year, compared with the 29 hours given to production employees, in the next-to-last position.

If organizations are stingy with training for front-liners, DDI's Byham doesn't see it. In fact, he says, the major growth of business for the consulting firm in the past couple of years has been at the bottom of clients' hierarchical ladders.

Many in the training field question the wisdom of a blanket mandate requiring organizations to equalize training. It is a policy that seems to treat training as a perk or a welfare benefit, rather than a need arising from the business. What's the point of giving front-line workers more training if they return to the same old repetitive, dead-end jobs?

Recognizing the futility and frustration of such a decree, policymakers may try to tie the equity mandate to work reorganization in some way. That really scares Lindsley.

The prospect of the government decreeing high-performance workplaces "is really unprecedented in its intrusion into management policies," he says. "It would be the first time that the federal government has made a decision on how organizations ought to organize themselves in order to be profitable and competitive. Business leaders presume that they know how to run their businesses. There is a mood for them to be partners in public-policy initiatives. But this goes a little too far."

William Brock, former secretary of labor in the Reagan administration and one of the authors of "America's Choice," says government has no business forcing companies to adopt the principles of a high-performance workplace, a vaguely defined creature that, among other things, usually involves reorganizing work to give more authority to frontline workers. Work reorganization is not a one-size-fits-all miracle cure, Brock says. It can't be expected to work for every company.

Brock, who originally endorsed the call for a training tax in "America's Choice," now has some doubts. "I think the urgency about improving the viability of training for workers is obvious. Whether (the tax) is the best way to do that I'm not quite sure. Much depends on what else we do. The country simply has to commit to upgrading the skills of the work force. Government has a role. Whether that is best done by encouragement or incentives or taking the much more serious step of imposing taxes on those who do not is part and parcel of the debate the Clinton administration is having internally," he says.

Enough bashing. Are there any alternatives to a training tax? Sure.

The one that gets mentioned most often is a tax credit for training. This would operate in a similar fashion to the research-and-development tax credit, which was enacted to encourage organizations to do more R&D. ASTD's McCain says a tax credit for training would probably be a marginal credit, meaning that it would kick in only for new training, beyond what an organization is already doing.

Rosen suggests that the government could marry a training tax credit with an investment tax credit, the better to encourage companies to combine trained workers and the latest technology as a lever to increase productivity. Alternatively, he says, maybe companies and individuals could share a tax credit. The point of this proposal is that if workers had some control over what's delivered, there may be less useless training.

Some of the same problems raised by a training tax are applicable to the tax credit. The what-is-training question will be hotly debated. But the major roadblock is that it would be a drain on federal revenues at a time when the budget deficit is not just a looming disaster but a huge political issue.

Peters believes that if there are going to be tax incentives for training, workers ought to get sole ownership. This would put them in charge of determining what kind of training they need. Peters says that, just as always, organizations will provide training to workers that enables them to do their jobs. His proposal is a "lifelong learning" approach that will help all workers, in particular those who receive the bare minimum of training from their current employers. Can workers be trusted to make wise training decisions? Peters has no doubts.

"The average employee who has a training credit or an interest-free loan is not going to pursue underwater basket weaving," he says. "The average individual is smarter than the average corporation about what kinds of skills are needed tomorrow."

Closely related to Peters' suggestion is one advanced in "America's Choice": individual training accounts. As sketched in the report, these would be analogous to individual retirement accounts. Students could make tax-deductible contributions and withdrawals to purchase training and education.

Another idea is modeled on the Malcolm Baldrige National Quality Award. Rossett and Peters suggest that the federal government could encourage organizations to do more training by shining klieg lights on those who do a masterful job of it. If the president would establish some sort of high-profile national award spotlighting companies that have used training to boost their fortunes, it might encourage others to do the same.

AFL-CIO's Sarmiento suspects that smaller demonstration projects will be a part--maybe even the centerpiece--of the ultimate package. They are much less expensive to the federal government than tax credits, and they probably wouldn't draw much opposition from business interests.

There may be other proposals that surface when the parties start to talk about workplace training. Brock believes that training should be addressed as one element of a complex system to create better workers, a system that starts in kindergarten. Everything should be on the table, he says, including the existing Byzantine system of federally supported training programs geared to unemployed and disadvantaged workers.

It is clear that reaching consensus on this issue is going to be time-consuming and difficult. Marshall says the administration should start talking with businesses to determine their objections and how they may be addressed in a way that does not produce a meaningless piece of legislation.

Byham urges that everyone in the training community get involved in this debate. Policy-making on something this integral to the field should not be dominated by business organizations and community colleges, which also have strong interests in the particulars of a training tax.

Be prepared. It may be an exciting, nerve-racking Congressional session.

A VIEW FROM ABROAD

If Congress eventually does consider and pass a 1.5 percent training tax, the event would be hailed--or reviled--as a significant step. Compared with most of the rest of the industrialized world, however, we're awfully pokey.

In doing its research for its report, "America's Choice: High Skills or Low Wages," the Commission on the Skills of the American Workforce examined the role of government in encouraging or funding training in some other countries.

In Germany, for instance, corporations contribute 2.3 percent of annual payroll to an unemployment insurance fund, an amount that is matched by employees. The money is earmarked for programs such as employment counseling, incentives for businesses to hire and train disadvantaged workers, and free training for unemployed workers.

In addition, German employers contribute 2.5 percent of payroll to help fund the country's much-admired apprenticeship program. Companies are also required to contribute some funds to their local chambers of commerce, which use much of the money to provide training for companies too small to do their own training efficiently.

In Sweden, the commission found that employers are required to contribute 2.5 percent of payroll to finance an agency that operates the national employment service and provides training and subsidized employment. In addition, some large companies are required to make a tax-deductible contribution of 10 percent of net profits to a fund. Companies can then withdraw money from the fund to pay for training that has been approved by the government and the unions.

The Danish government pays much of the cost of training unemployed people as well as underwriting a substantial portion of the training given to employed workers. Employers and employees each contribute the equivalent of about $82 per worker annually.

In Ireland, the commission discovered, employers are required to remit 2.5 percent of payroll to a fund that the companies can draw upon to finance training. The programs must be approved by the agency that administers the fund.

Employers in Singapore pay a 1 percent payroll tax to the government, which uses the money to partially reimburse companies for the cost of training that has been approved by the administering agency. However, companies receive twice the normal reimbursement for training in high technology and "economically critical" skills.

Japanese companies are required to contribute 1 percent of payroll to a fund that pays for unemployment compensation and three employment and training programs. Employer tax funds are also used to finance a government program that supports nearly 400 vocational schools, helps firms create their own internal training functions, and helps develop skill certifications and examinations.

According to the commission, the governments of most industrialized countries spend more on employment and training than does the U.S. government. Denmark spends 4.8 percent of gross domestic product, Ireland spends 3.4 percent, Sweden 2.5 percent and Germany 2.4 percent. The United States spends 0.6 percent.

Two other countries that showed upon that list--France with 3 percent and Australia with 1.3 percent--apparently were not investigated by the commission. But the two are sometimes mentioned as models for this country's proposed payroll tax.

Since 1971, France has had a training tax equal to 1.5 percent of payroll on companies with more than 10 employees. Employers who pay the tax have the money "held" for them for three years, during which time they can reclaim the funds. However, they must submit documentation that they have spent money on training, and the course must be approved by a government agency.

In 1991, France extended the tax to companies with less than 10 employees, but required them to pay just 0.15 percent of payroll. Bruce Duncan-Smith, sales and marketing director for Formavision, a training-video supplier based in Paris, says his company falls into that category. Since the company already spends more than 0.15 percent of payroll on training, this law shouldn't have been onerous, right?

Wrong, Duncan-Smith says. The law requires that the money be remitted automatically and can only be refunded if the proper documentation is submitted and as long as the agency approves the training. Duncan-Smith says he doesn't bother because it would cost more than the $518 tax to do the paperwork.

Having seen the French experience with a training tax, Duncan-Smith is not a fan. He believes the system is not set up to accomplish any obvious public purpose and is rife with corruption. In the 1970s and 1980s, he says, language institutes sprang up all over the country. They put on thousands of "full enrollment" courses and got paid for the total number of people registered. But if you had peeked in the door of any of the classrooms, says Duncan-Smith, you would have found very few students actually in the seats.

Australia also has a 1.5 percent training tax. All organizations with payrolls in excess of $222,000 are subject to the law. At the end of the year, each organization must document that it spent at least 1.5 percent on training during the year. Eligible training costs include all direct and indirect costs of structured--primarily classroom--training. Any organization that doesn't meet the 1.5 percent target must pay the difference into a national training fund.

Keith Ayers, managing director of Integro Learning Systems, an Australian consulting firm, says companies fear audits of their training declarations, because the auditing agency wants minute details. They'll ask for the strategic goals and outcomes for each course as well as for the name of each individual who attended a course.

Ayers, who is not a fan of a tax, says there has been no evidence so far that the three-year-old training tax is achieving important national goals. "There has been no attempt to link training with improved productivity," he says. "The motivation is simply to spend the money."

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BYLINE: John Hoerr

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As Bill Clinton decides how to carry out his "Putting People First" slogan, he might consider Frances Perkins's introduction to her new job in March 1933. On the day that she assumed her post as Franklin D. Roosevelt's secretary of labor, Perkins found the office of her predecessor, William N. Doak, surprisingly dingy and grimy. She opened a drawer to find the secretary's own desk infested with cockroaches -- symbolizing how Herbert Hoover's Labor Department had become a nest of corrupt inactivity.

Perkins quickly cleaned house and reorganized the department. As labor secretary, she played a major role in developing New Deal legislation that for the first time thrust government deeply into private employment matters: relief and public works programs, unemployment insurance, wage and hour laws, and Social Security. In 1935, though belatedly, Perkins and FDR supported the landmark Wagner Act, giving collective bargaining rights to workers.

Under Presidents Reagan and Bush, the Department of Labor may not have quite plunged to Hooverian depths -- but it was certainly shunted aside, along with its constituent workers and unions. Reagan did his best to emasculate unions, Bush ignored them, and both presidents abandoned workers -- unorganized as well as organized -- to market forces.

If Clinton is to pursue his widely advertised long-term strategy of economic growth based on high skills and high wages, he must do much more than resurrect the Labor Department and bring the outcast labor unions in from the cold. To make the U.S. more competitive in the global economy, the Clinton White House must lead the way toward major workplace and educational reforms such as greater worker participation in management, continuous employee training on the job, and a comprehensive apprenticeship system.

Moving in this direction will require the U.S. to adopt labor and employment policies more aggressive than any since the 1930s. Although the recent decline in U.S. living standards is not as abrupt as that of the 1930s, it is just as real. Between 1979 and 1989, the hourly compensation of American production workers fell at a rate of 0.6 percent a year, while equivalent wages and benefits rose in other industrialized countries.

It is now widely accepted that the U.S. can no longer dominate world trade, or even its own domestic markets, with mediocre-quality, standardized goods and services produced by mass-production methods. With much better schooling and training systems, and a more productive organization of the workplace, America's competitors are taking these markets away from the U.S.

In most other advanced countries, work force entrants receive a basic education far superior to young Americans, and employers engage in extensive on-the-job training. By contrast, U.S. high schools turn out a poor product -- especially the bottom half of the class. About half of adults aged 21 to 25 cannot handle even moderately complex literacy problems. American business spends about $30 to $40 billion a year on job training, but most of these expenditures go to executive, professional, and technical employees. Less than 10 percent of training funds are allocated to blue-collar workers, who have the most influence over the quality of goods produced and services delivered.

The daunting challenge facing Clinton is to increase investment in both the classroom and the workplace, and -- more importantly -- to improve how these institutions fit together, emphasizing human skill as today's key competitive factor.

Ray Marshall, secretary of labor in the Carter administration, and educator Marc S. Tucker, in their new Thinking for a Living call this approach "human-resource capitalism." This model, Marshall and Tucker write, "abandons the notion that the key resources are natural resources and that the key policy factors are adequate consumer demand and slow growth in the money supply. Instead, the crucial factors turn out to be an adequate supply of high-quality human resources, business strategies that emphasize quality and productivity, and a pattern of work organization that fosters both of these goals."

Putting People First

What would a strategy of human resource capitalism really entail? For one thing, the Clinton administration must find a way to soften the hostility between management and organized labor at the national level. Unions have been demonized in some of the management literature as enemies of the new, flexible workplace. But, as we shall see, unions can be essential allies of a high-skill strategy.

The other elements of a Clinton human resource strategy can be discerned in his campaign themes. One central theme is lifetime worker training and upgrading. Under his "play or pay" worker-training idea, roughly modeled on a French program, all employers would be required either to invest 1.5 percent of annual payroll in their own training programs or to contribute a like amount to a training fund.

Clinton's plan to create over the long term a national youth apprenticeship system for occupations in all major industries could fill a gaping hole in the current nonsystem for school-to-work transition; it would help the 50 percent of high school graduates who do not attend college to learn skills for high-paying jobs.

The Clinton-Gore platform also included multifaceted plans to shore up manufacturing industries, promote the use of new technology, and help small businesses. One idea is to establish 170 Manufacturing Extension Centers around the country to help firms adopt new technologies, reorganize work, and set up employee-training programs. Partially funded by the federal government, the centers could build on existing state and local efforts in some areas and serve as "teaching factories." Unions and employees should be involved in planning the centers, the proposal says, and enhancing worker participation should be a goal along with modernizing technology. Industrial extension and worker training logically fit together. It takes better trained workers to work with advanced technology; plus it only makes sense to increase investment in worker training if industry is prepared to use it.

The crucial common element is democratization of the workplace and empowerment of workers. This involves far more than seating a few employees around a table and asking them how to get more work out of their colleagues. Rather, the work process itself must be revolutionized to allow workers significant control over what they do and how they do it. As Clinton himself said in a 1991 speech, "We need a whole new organization of work, where workers at the front lines make decisions, not just follow orders, and entire levels of bureaucratic middle management become obsolete."

The best-tested instrument of worker empowerment is, of course, a union.

High Skills or Low Wages?

As it happens, several of the famous "Friends of Bill" have a particular interest in the crucial connections between education, job training, workplace reforms, wage and skill levels -- and the payoff in improved competitiveness and living standards. These include, of course, Robert Reich and Ira Magaziner, but also Marshall and Tucker, and less well known thinkers like Thomas J. Schneider, who runs a labormanagement consulting company that works with unionized firms interested in improving work organization. Schneider authored a key campaign memo on workplace restructuring; he and Magaziner are influential sources of Clinton's workplace concepts. Magaziner, Marshall, and Tucker were central figures in the 1989-1990 Commission on the Skills of the American Workforce, which conceived much of the rationale for the high-skills, high-wage strategy adopted by Clinton.

The Commission had been established by the National Center on Education and the Economy, a nonprofit organization set up by the Carnegie Corporation of New York to link educational and workplace reform. The Center's president, Marc Tucker, was the principal author of a noted 1986 report, "A Nation Prepared: Teachers for the 21st Century." Tucker and his advisory board, which included Ray Marshall and Hillary Clinton, chose Magaziner to chair the commission. Two former labor secretaries, the Democrat Marshall and the Republican William C. Brock, were named cochairs. The rest of the membership also had a strong bipartisan cast and consisted of educators, union leaders, and company executives. Commission teams conducted some 2,000 interviews in the U.S., Germany, Sweden, Denmark, Ireland, Japan, and Singapore to compare policies on skill development in schools and workplaces.

In June 1990, the commission's aptly titled America's Choice: High Skills or Low Wages concluded that schools in general were unlikely to improve unless business, the biggest customer of the education system, demanded a better product. Although companies were grousing about the "poor attitudes" of newly hired workers, the great majority were not demanding higher technical and problem-solving skills because their production methods required only low-level, low-wage skills.

Despite their rhetoric, the commission found, most American companies were still caught in the old mass-production mode. They turned out mainly standardized goods, ignoring growing market demands for high-quality, customized products and quick delivery. The division of labor into narrow, functional tasks requiring little worker discretion and heavyhanded supervisory control -- first espoused a century ago by Frederick W. Taylor -- still holds sway in the U.S., while the most competitive companies overseas have switched to team production systems of one version or another in which front line workers perform many tasks and largely manage themselves.

These "high performance work systems," as America's Choice called them, required workers with good basic skills in math and English and, especially, the ability to learn continuously. Higher skills would mean higher wages. But only five to ten percent of American companies have embraced this approach. Without a reversal of course, the education system would have little incentive to improve the supply of workers, and the U.S. would increasingly become a low-skill, low-wage society.

In comparing the U.S. system with that of our most advanced competitors, the Skills Commission emphasized two main structural weaknesses: school-to-work transition and the inadequacy of skills training throughout working life. Nowhere is the U.S. further behind than in preparing high school students for the world of work. The most important recommendation in America's Choice is to begin building a national youth apprenticeship system much broader than the long-established apprenticeship programs used to train people for the construction trades and a few industrial occupations. Apprentices in these programs, currently about 300,000, have an average age of twenty-seven. The commission's new youth apprenticeships would help high school students make the transition from school to work in two-to-four-year programs combining classroom study and real work for an employer (as opposed to traditional "shop" work in vocational schools).

The youth apprenticeship movement has grown rapidly in the last few years, though strictly on a regional basis. Hillary Clinton, an education expert in her own right, has lobbied for the Skills Commission's apprenticeship proposals in Washington and several state capitals. Arkansas, Oregon, and Wisconsin already have passed legislation to start programs. In Arkansas, for example, about 245 student-apprentices are enrolled in training programs for various manufacturing and service occupations. Pennsylvania, moving without a law, is now in the second year of a statewide program with 105 students learning metalworking trades. Jobs for the Future (JFF), a nonprofit organization in Cambridge, Massachusetts, has funded 10 apprenticeship projects in various states. A total of 1,000 to 2,000 youth apprentices are now in training throughout the U.S., estimates JFF President Hillary Pennington.

The Skills Commission urged establishment of regional systems that could be fused into something resembling a national system with national testing and certification standards. Since American education is decentralized, local flexibility could be maintained by setting up local employment and training boards. With representatives from high schools, community colleges, companies, unions, and government agencies, these boards would manage the school-to-work transition in all its phases. For example, the boards would oversee youth centers for school dropouts and manage a labor-market information system to help guide student trainees into apprenticeship and job openings.

None of this will come easily. "Why should we assume that business will engage in structured learning for huge numbers of student-apprentices if it isn't engaging in structured learning for workers already on the job?" says Tony Sarmiento, of the AFL-CIO's Education Department. Unless existing workers can climb promotional ladders through training, he predicts, "youth apprenticeships could deteriorate into a source of cheap labor for employers on the low-wage path."

Moreover, Americans dislike the idea of formally "channeling" students away from college preparatory courses and into apprenticeship programs. For many decades, of course, high schools have used informal tracking systems to push students from lower income families into vocational schools. As Bill Clinton said at a 1990 conference on apprenticeships, "We're doing that already and we're doing it in the cruellest possible way -- by pretending we're not doing it." But in individualist America, most apprenticeship advocates insist that the academic component of apprenticeship training be rigorous enough to enable trainees to switch tracks if they choose and go on to a four-year college.

Innumerable studies of industrial organization lend dramatic support to the Skills Commission's findings and the associated caveats. For example, in a study last year of twenty-four metalworking firms in Wisconsin, Joel Rogers and Wolfgang Streeck, codirectors of the Commission on Wisconsin Strategy, found that while all of the companies were trying to adjust to the new competitive environment, few had reorganized operations toward "decentralized automation and competence." Why? Largely because a highly trained work force was not available. "They were adapting their product strategy and strategy of work organization to a low-skill environment [emphasis added]," Rogers and Streeck concluded.

This is the chicken-and-egg problem that confronts America -- and Bill Clinton. Which comes first: skilled work or skilled workers? The answer is that both must be nurtured simultaneously.

In Thinking for a Living, Marshall and Tucker describe how the successful mass-production era laid a rock-hard foundation for harmful practices and beliefs that resist change in a new competitive atmosphere. Employers came to believe that price, not quality, was the key to profits; that machinery, not highly motivated and trained labor, was the source of productivity improvement; that prices could be maintained in a downturn by laying off workers; that authoritarian management produced the best results; and that frontline work should be deskilled and the skilled work be left to professionals and managers.

In this environment, unions had learned that steady rises in living standards for their members had little or nothing to do with workers' skills but everything to do with organizing and bargaining power. Educators had learned that they could get funding and public support "if half the students left school with only the equivalent of an eighth grade education." The administrators of government employment and training programs had learned that they were not expected to offer a comprehensive set of services to provide high-level skills to employers. And economists had learned that physical, not human, capital was the key to productivity growth.

Can the U.S. escape this systemless but still systemic trap? Possibly, but only through government action to create incentives and goals for all sides. The Wisconsin metalworking firms, for example, might not be expected to invest individually in expensive training programs, only to see competitors lure away the newly-trained workers with higher pay. But consortia of companies, schools, government agencies, and unions can eliminate the "poaching" problem by creating local and regional systems in which all firms invest in training. The Milwaukee-Waukesha Training Partnership, recently organized by Rogers and Streeck, is such a group. It will develop skills standards, training programs, and help member-companies (a half dozen at startup) redesign work systems. Yet it is unlikely that such regional efforts will reach their full potential without an overarching federal strategy of the sort envisioned by the Skills Commission.

To make the vision of humanresource capitalism a reality, Clinton will need to exercise real leadership to bring together business and labor. He also must develop a combination of macro- and microeconomic policies to deal with America's need for technological innovation and structural reforms in the workplace, coupled with continuous training of the existing work force. His most concrete proposal so far, the "play-or-pay" training plan, would send a mighty jolt through industry. But the question is whether this jolt would trip the right switches.

For one thing, it will be very difficult to guarantee the quality of training given by employers who choose to "play" by investing in their own training programs. Left to their own devices, managers likely will install a very narrow job-related training that suits the traditional hierarchical workplace instead of a broader career-related approach for workers. Moreover, since the economy is "stuck in a low-skill equilibrium," as Lawrence Mishel of the Economic Policy Institute puts it, it's not entirely clear what higher skills workers ought to be trained for.

A new commission was named in 1991 by the Labor Department to follow through on a recommendation in America's Choice for establishing national skill standards. The National Advisory Commission on Work-Based Learning concluded that it would be foolish to set such standards or mandate new business spending based on the low skills currently required in American industry. The same problem faces government-mandated training. Congress, of course, could write guidelines into the training legislation. But the more intrusive the regulations, the more employers will oppose footing the bill, estimated at $21 billion the first year.

For the best results, training should be driven by demand emanating from highperformance workplaces. To this end, the National Advisory Commission has refocused its sights on ways that government can promote workplace reform. Interestingly, this bipartisan group, which has many business executives among its twenty members and is headed by retired US West chairman Jack MacAllister, does want the federal government to take a strong leadership role in helping the private sector develop human resource policies and programs.

In the 1980s the highest echelons of the Labor Department became a political dumping ground. Of the five labor secretaries who served during the twelve Republican years, only one, Bill Brock (1985-87), displayed a knowledge of labor issues and tried to improve relations with unions. But the antiunion ideology in the White House hemmed him in.

Morale in the department plunged as Reagan and Bush scuttled many programs, including the Bureau of Labor Management Relations and Cooperative Programs. While never large or well-funded, the bureau had collected information about and promoted new work systems in the labor and business communities. It also upheld the idea that collective bargaining is good for the economy, resisting ideological guidance to the right under the Republican administrations.

"We at least kept the collective bargaining torch lit," says John R. Stepp, who once headed the bureau as deputy undersecretary. "But there was no intellectual argument in the Bush administration around the need to upskill the work force."

Elsewhere in the department, the stillembryonic Office of Work-Based Learning is collecting critical information about the most efficient ways to train workers. It appears that Clinton's choice of Robert Reich as Labor Secretary means that the post will have the same high policymaking status that it had when Frances Perkins held office in the New Deal.

Labor's Movement

Finally, how will the labor movement react to the new emphasis on human resources? Some employer groups, having recently come round to the view that workers should be trained and given more voice on the job (after a century of rejecting such demands), now contend that the U.S. should give up the corpse of unionism and allow management to impose these things on workers. But even managers now acknowledge that workers know best how to perform their own jobs, a knowledge that they also can use in redesigning work systems and training new workers. They are unlikely to share this knowledge if they suspect that management will use it to improve profits at their expense by displacing workers or lowering skills and wages. Unions have the unique ability to protect worker interests while tapping their job lore. Only a union-management partnership based on trust can make this happen.

A leading example of such an arrangement was negotiated by the United Steelworkers in the basic steel industry. A contractual provision setting up a national training institute states that the union and companies "are implementing a shared vision that workers must play a significant role in the design and development of their jobs, their training and education, and their work environment." Jointly administered training efforts also exist in the construction, auto, and communications industries and "represent the fastest growing segment in the nation's learning system," according to Anthony Carnevale, chief economist of the American Society of Training and Development.

There is also abundant evidence that workplace restructuring produces better results in unionized companies than in nonunion firms. Unions provide workers with an independent source of power and a meaningful voice in organizing largescale change efforts.

As Barry and Irving Bluestone observe in their new book, Negotiating the Future, if employee involvement "is promoted unilaterally by management, employee commitment is likely to be weak." The Bluestones's book should be read by all those, including some Democratic moderates, who contend that unionism represents backward thinking. The Bluestones, father and son, bring impeccable credentials to the argument that unions and managements can and must together modernize their relations to meet the global economic challenge. Irving Bluestone, the father, is a retired vice president of the United Auto Workers; he served as an assistant to Walter Reuther and later as the UAW's chief negotiator at General Motors. He bargained contracts in the days when the press never described union-management relations as "adversarial": they were that by definition.

Irving Bluestone, however, was far ahead of his time. In 1973, at his prodding, GM finally agreed to start a joint "Quality of Worklife Improvement" program in an effort to engage workers' brains as well as their hands. His son Barry, the well-known political economist and writer, is a professor at the University of Massachusetts, and coauthor with Bennett Harrison of The Deindustrialization of America.

Instead of viewing the company as a mortal enemy, the Bluestones urge, labor should focus its energy "on achieving a better life on the job while concurrently improving the competitiveness of the enterprise." In their vision of the future, the union and company would join in an "Enterprise Compact" to make their firm globally competitive in terms of productivity growth, quality, and constant innovation. Management would have to accept joint decision making, the Bluestones argue, on strategic issues at the board level as well as in shop-floor operations. There can be no full economic partnership if the partners do not have equal voice.

Negotiating the Future shows by example how this new form of labor relations is evolving, though much too slowly. Organized labor should play a much more aggressive role in demanding a more democratic, competitive workplace -- even if unions themselves must modify long-cherished work rules involving seniority and job classifications. The labor movement fought the introduction of Taylorism, then accepted it as part of the mass-production scheme, and now it must lead the way in de-Taylorizing factories and offices (with appropriate protections) for the good of their members and the country.

Some unions are moving in this new direction. Others are not, partly because of the implacable hostility that business, with the aid of U.S. labor law, displays toward unions, forcing them to fight defensively. Politically, this is one of the most difficult issues facing the Clinton administration.

Two days after the election, the AFL-CIO executive council endorsed many of Clinton's macroeconomic programs and called for early passage of the family medical leave bill vetoed by Bush, a law banning permanent striker replacements, and amendments to the Occupational Safety & Health Act (OSHA) and the Hatch Act, which prohibits political activity by federal employees. All are much-needed, particularly an OSHA change that would mandate establishment of worker-management safety committees in most work sites.

Yet there is a danger that a too aggressive pursuit of many traditional union objectives on a piecemeal basis will divert Clinton from the wider path leading to Marshall's and Tucker's human-resource capitalism. The ban on striker replacements, for example, could be rolled into a broader initiative for comprehensive labor law reform. A thorough rewriting of labor law is needed, not merely to remove unfair barriers to union organizing but also to modernize obsolete concepts dating from the 1930s to enhance U.S. competitiveness in the twenty-first century. Here are the seeds of a grand bargain with industry, if Clinton can bring it about.

Labor had little outward influence in the Clinton campaign, which resisted a visible union presence for fear of seeming beholden to a "special interest." As governor, he occasionally had angered union leaders in Arkansas. Like most southern states, it had a right-to-work law and a low rate of unionization, and Clinton sometimes seemed to take industry's side in disputes. Nor did the Clinton campaign enunciate a "labor policy," a term that in America implies a "prounion policy." Labor leaders crunch their teeth when they hear the special interest charge; no organized group in the country has done more to win legislation benefiting all American workers, union or nonunion. But unions also helped create the lingering public perception that "Big Labor" acts only out of self-interest. Union officials had to take a strong dose of political pragmatism to swallow their annoyance when Clinton seemed to ignore their problems.

Nonetheless, a few unions did sign on enthusiastically. One was the American Federation of State, County & Municipal Employees (AFSCME), most of whose national and district leaders endorsed Clinton even before the New Hampshire primary vote. He had appeared before the AFSCME executive board, as had Senators Bob Kerrey and Tom Harkin. Of the three, Clinton seemed the most "presidential" and the best prepared. Says one participant: "He made a stunning impression. He had charisma and broad shoulders and answered questions effectively and in depth." Clinton presented a letter of support signed by 840 AFSCME members in Arkansas and even displayed an AFSCME membership card showing that he himself was a paid-up member. In ensuing days, AFSCME President Jerry McEntee assigned three staff members to work for Clinton in New Hampshire.

Richard Trumka, president of the United Mine Workers, spent two days on the Clinton-Gore bus tour of Pennsylvania in August and talked privately with Clinton. Trumka discovered that as a lawyer Clinton had represented black lung victims in Arkansas. On broader issues, Trumka says, "Clinton understands the folly of a low-wage strategy. He understands that if you're serious about rebuilding the middle class, there's only one institution capable of delivering a higher standard of living, and that is collective bargaining. He understands that a strong worker group and a strong management group make better decisions than if one or the other is dominant." Lynn Williams, the progressive president of the Steelworkers, as well as McEntee of AFSCME came to essentially the same conclusion.

Clinton's strategy of courting Reagan Democrats based on pocketbook issues but keeping a polite distance from the labor movement paid off. The AFL-CIO's general board endorsed Clinton, and several unions worked hard for him in the final weeks of the campaign, organizing phone banks and get-out-the-vote drives. Several, including the USW and AFSCME, contributed large amounts of money. Exit polls on election day showed that about 60 percent of voters from union households voted for Clinton.

Unions, of course, had little choice but to go for Clinton. Yet as the campaign gathered momentum, many unionists supported him with mounting enthusiasm. More than any recent major party nominee or president, Clinton is well positioned to reject the false choice of a modernized workplace or a support for unionism. As the Bluestone and Marshall-Tucker books suggest, the labor movement and its friends understand the stakes, and in many cases they are well ahead of their management counterparts. Clinton, with the right team and the right strategy, could broker farreaching reforms that could revive both the competitive workplace and the union movement.

As Massachusetts Institute of Technology labor relations scholar Thomas Kochan urges, Clinton should lay out a broad agenda on human resource issues. He should make it clear that labor law must be reformed, with or without a labor-management consensus. "The strategy," Kochan argues, "should be to give workers a real voice in improving productivity and quality and ending business's protracted warfare with the labor movement." Moving the nation toward a high-skill, high-wage society requires a broad new vision, one that integrates an aggressive human-resource policy with technological innovation and economic growth for all Americans. That approach, not incidentally, would be very good for the labor movement too.

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America's Choice: High Skills or Low Wages

Setting new standards

for skills in the workplace

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 calss 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)

Human resource policy

The Skills Commission writes that"...(W)ork organization is pivota," 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' 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 professinalization 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)

(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.

Horst Brand is an economist formerly with the Office of Productivity and Technology, Bureau of Labor Statistics.

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HEADLINE: Skills gap? What skills gap?

BYLINE: Wilcox, John

BODY:

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!, present a view of U.S. business and educational policy alternatives that is clearly designed to shock.

Contrary to the ominous rublings 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 firm's 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 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 stream-lining, 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.

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Time

July 23, 1990, U.S. Edition

SECTION: INTERVIEW; Pg. 12

LENGTH: 1261 words

HEADLINE: Will Americans Work For $5 a Day?;
Former Labor Secretary WILLIAM BROCK warns that we must either provide better training for our workers or risk paying Third World wages

BYLINE: By GISELA BOLTE;
William Brock

BODY:

Q. Do we have a work-force crisis?
A. Yes, but it pales in comparison with the management crisis. Workers work with the tools they are given. Workers do not reorganize the workplace. Managers do. It has to tell us something if Japanese and German and Swiss firms come to the U.S., put up a plant, hire American workers and produce a competitive product that is better than one produced in an American plant. It happens too often.

We can make our workplace so much more fun, and we can get rid of so much overhead. We have as much bureaucracy in some of our businesses as we have in Washington, because by de-emphasizing the quality of workers, we have to increase the number of supervisors. What a waste.

Q. What kind of labor force does America need?
A. All my life people have talked about the global economy in prospect. Suddenly it is here. We are moving in the most fundamentally different world in history, a world in which individual nations are increasingly vulnerable. Governments are going to be faced with increasing pressures to deal with issues like global growth or the environment or drugs that are almost invariably subject only to an international solution.

In economic terms, the world is moving beyond multinationals to firms that are truly transnational. The successful firm will be one that is very fast on its feet, capable of short production runs, short product life cycles, very creative, very flexible. That will drive them to have a work force that is equally flexible and responsive and that can adapt to rapidly and even radically changing economic demands.

Q. We have had economic growth for seven years. Why worry?
A. We increased our production significantly. We did it in part by investing in more productive equipment. But the biggest single source of growth came from the surge of women, young people and immigrants into the work force. That pool of low-skill, low-wage labor is going to dry up. If we are going to have growth, it has to come from greater human productivity.

Q. And what has happened to productivity?
A. The rate of improvement is half of what it was 20 years ago. The only reason family income is up is because we've got two-earner families. Wages in real terms are lower today than in 1973. Business tried to pull wages down and put in laborsaving machinery because so many workers who are coming in from our educational system cannot read and write. The easy answer is to buy the most idiot-proof machinery so business can continue to compete.

Today every country in the world can buy the same machinery. If there are people in other parts of the world who will work for $5 a day and they have the same equipment as Americans who want $10 or $15 an hour, either we have to change the way people work here -- not only work harder but smarter, more effectively -- or we have to compete on the basis of wages. The choice is between high skills and low wages. We seem to be continuing to compete on the basis of wages, which means that the effort will constantly be to pull wages down instead of building skills up. We are making the wrong choice.

Q. What is the consequence of going the low-wage route?
A. We take on the characteristics of a Third World country after a while. We will gradually have less and less net real income in the U.S. Our savings will continue to be inadequate, and businesses will have to either shut down because Americans won't work for Third World wages or go overseas for their production. The net effect is an economy that goes downhill very fast.

Q. What are businesses doing about upgrading the skills of their workers?
A. Less than 1% of our businesses are spending 95% of the training money. Most are doing very little, and the ones that are doing very much are using their funds to train management. There is almost nothing in most companies for the great majority of workers, but the workplace is changing underneath their feet. The average young person coming out of high school today will have at least four to six jobs in his working life, two to three different careers. If workers are given continuing training and education by the firms they work for, that is not going to be a problem. If they are not, we are going to leave 15% to 30% off to the side of the road every year. We proposed in our Commission on the Skills of the American Workforce that those firms that do not train their workers pay a 1% tax so that we as a country can train them and that those employees are not disadvantaged by working for those companies.

Q. Is this the fault of the public schools?
A. We have put our emphasis on the college bound, who are 30% of our young people. We have the finest university system. We have public education at the elementary and secondary level that ranks below every industrial competitor we have in the world. Everybody knows what it takes to get into college. Has anybody ever told a teacher what it takes to be productive if you don't go to college? The answer is no. We have not dignified alternatives to college. We are the only country in the industrial world that says to 1 out of every 4 of its young people, We are going to let you drop out of sight; we are not going to give you the tools to be productive. No wonder they drop out, because the market signal says to them, We don't care about you, so leave school. If you haven't got anything, $4 an hour sounds like a lot of money. The trouble is that they are still making $4 an hour when they are 30, and then they cannot feed and clothe their own children.

Q. Why haven't the schools made better use of the money they have received?
A. Education is the most backward single institution in all the U.S. I don't know of an industry that spends less money on research and development. It is not for lack of money. It is a lack of intelligence and will and competence. It is a bureaucratic inertia that is unbelievable and inexcusable. Between 38 cents and 41 cents of our education dollar gets to the classroom. That is an act of irrationality. We are not putting our resources where the kids are. In the city of New York there are more school administrators than there are in all of France. In the state of New York there are more administrators than there are in all of the European Community, and the E.C. has 12 countries and 320 million people.

Q. You don't sound very optimistic.
A. It is way too early to condemn the U.S. to doom. We are dealing from strength, not weakness. We are still the most productive country in the whole world, in part because we are efficient in other things like distribution, marketing and all the services we have that are world class. We invested more in the past, and we are still living off those investments. We have the capacity to change, but it takes a conscious decision, and change is painful. The storm clouds are out there.

One of the nice things that has happened is that we have got international competition, and it is sending us urgent signals to get with it. The good companies have heard the message. Look at Xerox, Motorola. You can just see the surging excitement of those companies. They don't take any garbage. They are not going to take any unfair competition from overseas. They are willing to fight for their rights. But they have no fear about competing on any playing field anywhere with anybody, because they think they and their people are that good and they are willing to commit resources to research and development. But they are the minority, and that's the concern.

GRAPHIC: Picture, NO CAPTION descColor: William Brock., KURT WILSON

LANGUAGE: ENGLISH

Business Week

June 25, 1990

SECTION: LABOR; Commentary; Number 3166; Pg. 71

LENGTH: 1037 words

HEADLINE: BUSINESS SHARES THE BLAME FOR WORKERS' LOW SKILLS

BYLINE: John Hoerr

BODY:
THE LOW PRIORITY COMPANIES GIVE SKILLS
PRODUCTIVITY
Less than 10% plan to spur output by reorganizing work in a way that calls for employees with broad-based skills and adaptability
SKILLS SHORTAGES
Only 15% worry about shortages of skilled workers such as nurses and construction workers
SPECIAL TRAINING
Less than 30% are planning to have special programs for women, immigrants, and minority youth who will make up 85% of new workers
ATTITUDES
Over 80% are more concerned about workers' attitudes and personalities than about basic skills
DATA: SURVEY OF 400+ COMPANIES, COMMISSION
ON THE SKILLS OF THE AMERICAN WORKFORCE

America, once the home of the world's most skilled labor force, now may be throwing it all away. Schools continue to turn out poorly educated young people. Employers continue to reject the idea of spending large amounts of money to train workers and upgrade skills. The easiest -- but most damaging -- way to remain competitive is to downgrade skills and cut wages. Indeed, the U. S. is on a de-skilling binge for the sake of short-term productivity growth that could prove disastrous for business and the economy in the long run.

So concludes a major new study by a group called the Commission on the Skills of the American Workforce. Most companies, it finds, accept the idea that they must live with a low-skilled work force. Less than 10% of employers surveyed are creating jobs that call for workers with broad-based skills and the ability to adapt to fast-changing technology and markets. In other words, business by and large is not demanding -- and the society is not delivering -- the large-scale improvements in education and training that American industry needs.

The commission's study, titled "America's Choice: High Skills or Low Wages," will be issued on June 18. Established by the nonprofit National Center on Education & the Economy, the 32-member commission is a bipartisan group of business, academic, and labor representatives chaired by Ira C. Magaziner, a business strategy consultant who is president of SJS Inc. The commission co-chairmen are Ray Marshall and William E. Brock, who served as Labor Secretaries in the Carter and Reagan Administrations, respectively. The report is funded by the Carnegie Corp. of New York, New York State, Towers Perrin, and the German Marshall Fund.

'THE WORST.' The commission conducted in-depth studies of workplaces and education-training systems in the U. S., Germany, Sweden, Denmark, Japan, Ireland, and Singapore. It concludes that, except for Ireland, the foreign countries provide far better schooling and job training for noncollege-bound youth than the U. S. As a result, American youth rank near the bottom in comparisons of school performance. The other nations also have well-organized national systems for moving high school graduates into industry. The transition from school to work in the U. S. is described as "the worst of any industrialized country."

The study focuses on some 82 million jobs in the U. S. that do not require a four-year college education. These include skilled employees, such as nurses and construction workers, as well as line workers such as machine operators, assemblers, retail clerks, and health service employees. According to projections, most recruits for these jobs will be deficient in such basic skills as reading and writing. Even so, the skills commission found, relatively few employers plan to sharpen their employees' skills through remedial training. Although all the U. S. companies surveyed complained about a lack of skills, most were concerned more about workers' attitudes and personalities than educational skills (table).

In contrast, America's competitors tend to upgrade line workers' jobs and fill them with well-educated young people. Most important, a high percentage of foreign companies is achieving large productivity gains by reorganizing work to eliminate tiers of managers and give workers more of a say. The resulting "high-performance" workplace calls for multiskilled line workers who have good reading, math, science, and problem-solving skills. These workers can readily absorb new skills as technology and production requirements change. With workers who adapt quickly to new conditions, manufacturers can introduce new products on short cycle times and frequently switch production runs.

HIGH ROAD. In the U. S., however, the commission discovered that fewer than 10% of the 400-plus companies interviewed are reorganizing work in this fashion. Instead of investing in workers, most companies are pursuing other strategies to remain competitive: cutting wages, exporting production jobs to low-wage countries, or de-skilling jobs through automation. All of these methods are based on what Magaziner calls a "high-turnover, low-wage model." Many employers, he says, assume that the U. S. will have a large pool of uneducated, unskilled people. That being the case, the companies are using automation to create very simple work tasks -- jobs described by some critics as "idiot-proof" -- with low wages and no employment security.

Companies that take this path may be successful, but only in the short term, the commission says. The nation faces a choice. "We can choose forms of work organization which achieve cost competitiveness in the short run based upon low skills, low wages, and ultimately a society with a low living standard," Magaziner says. "Or we can choose forms of work organization which require more investment but which result in cost competitiveness based upon higher skills, higher wages, and a higher living standard."

The commission wants the U. S. to take the high-wage path. It recommends fundamental changes in the way the U. S. educates and trains the 70% of young people who will not graduate from four-year colleges. It urges the government to encourage companies to adopt high-performance work systems. Employers would be required to invest 1% of payroll in either their own training programs or a national fund to upgrade worker skills. These are controversial proposals, but the U. S. needs strong action to upgrade its work force to world-class standards.

URL: http://www.businessweek.com/index.html

The San Francisco Chronicle

JUNE 19, 1990, TUESDAY, FINAL EDITION

SECTION: NEWS; Pg. A1

LENGTH: 964 words

HEADLINE: US Worker Training Criticized
Panel urges joint assault on low level of education

BYLINE: John Eckhouse, Chronicle Staff Writer

BODY:

The United States will sentence the bulk of its workforce to a low-wage future unless it radically alters the way work is organized and students are educated, a panel warned yesterday.

The Commission on the Skills of the American Workforce said the nation has a choice between giving its workers high skills or low wages and that "gradually, silently we are choosing low wages."

The panel, chaired by two former secretaries of labor, proposed an idealistic, multibillion-dollar program -- to be financed by both government and industry -- to reverse the trend.

Already a dozen countries provide higher average wages than the United States. U.S. children rank at the bottom on most international educational tests and the U.S. poverty level is higher than in many industrial countries, the panel's report said. The only way out of the downward spiral is to increase U.S. productivity by upgrading the skills of U.S. workers, the report said.

"America today is faced with a workforce crisis that most of us are unaware of," said John Sculley, chief executive of Cupertino-based Apple Computer Inc. and chairman of the National Center on Education and the Economy, which created the commission.

Among other things, the commission recommended that:

* All U.S. companies spend at least 1 percent of their payroll educating and training workers.

* American students be compelled to reach the world's highest educational-performance level.

* To prevent students from dropping out of high school, those under the age of 18 should be prohibited from working unless enrolled in a program to meet the increased education standards.

* Extensive technical and professional training be provided for the 70 percent of the population that does not go to college.

An appendix to the report suggested the proposals could increase federal and state educational spending by $36.2 billion. Panel Chairman Ira Magaziner said corporate spending on training would jump by almost $25 billion to meet the 1 percent requirement.

Although few U.S. companies come close to spending the recommended 1 percent of payroll on training, Magaziner said, West German companies already are required to spend 3.5 percent, Swedish companies pay 2.5 percent and the governments of Singapore and Ireland require a 1 percent spending level.

"Yes, it will cost, but I think the return will be far beyond whatever is paid," said commission Co-chairman William Brock, a Washington consultant and former secretary of labor. Two former governors, James Hunt Jr. of North Carolina and Thomas Kean of New Jersey, said they thought state governments would back the proposals.

The panel suggested that the government could pay to train workers and then be repaid through a 1 percent income-tax surcharge levied on the people who receive the training.

Brock said the commission's eight months of research and more than 2,000 interviews conducted at domestic and foreign companies produced one major finding that startled him.

"We thought we had a severe shortage of skilled workers, but we found something much different and much more troubling," he said during a New York press conference that was broadcast to several other cities. "Managers are largely satisfied with the skill levels of their workers, because most jobs require low skills."

That creates a vicious cycle, according to the report. Business defines jobs narrowly and requires little real skill, and consequently little is required of U.S. schools.

Achieving a high-school diploma today means little in the way of educational achievement, commission members stated in the report and reiterated at the press conference. A diploma simply indicates to employers that the holder had the intestinal fortitude not to drop out of school -- the national dropout rate is 20 percent -- and thus might be reliable on the job.

BLUE-COLLAR FOCUS

The panel called for a major reorganization of work practices. It would give much more responsibility to blue-collar workers, who would receive a far better education and more on-the-job training than they get now.

That, in turn, is supposed to sharply increase productivity by reducing the number of supervisors, quality checkers, production schedulers and maintenance people.

The commission criticized what it described as the shortsightedness of business management which, it says, spends little on training workers or upgrading their skills. Only 8 percent of blue-collar workers in the United States receive training, and most of that is basic orientation and safety instruction.

Albert Shanker, president of the American Federation of Teachers, who was specially invited to attend the press conference, called the report "the richest and most important" of the more than 100 educational-reform proposals he has read, because it deals with the relationship between the economy and education.

FIVE STEPS

The Commission on the Skills of the American Workforce's five recommendations for ways to educate and train a highly skilled, productive workforce:

Require every U.S. student to meet by age 16 educational standards as high as those of any other country.

Ensure that virtually every student achieve this level by creating and paying for alternative learning environments as necessary. Prevent dropouts by prohibiting children under the age of 18 from working unless enrolled in a program to meet the educational performance requirement.

Provide extensive technical and professional training for the 70 percent of the population that does not go to college.

Require every employer to spend at least 1 percent of its payroll to educate, train and improve the skills of its workers.

Create a single federal-state system to manage the proposed new education and training system.

LANGUAGE: ENGLISH

The Associated Press

June 18, 1990, Monday, AM cycle

SECTION: Business News

LENGTH: 792 words

HEADLINE: Commission Calls for Radical Overhaul of U.S. Job Training

BYLINE: By LEE MITGANG, AP Education Writer

DATELINE: NEW YORK

BODY:

A majority of U.S. workers could face lifetimes of low-paying jobs and America will lose its global economic race unless drastic changes are made in training average workers, a commission warned Monday.

"What we are facing is an economic cliff of sorts. And the front line working people of America are about to fall off it," said the bluntly-worded study produced by a 34-member Commission on the Skills of the American Work Force.

The commission was led by Bill Brock and Ray Marshall, respectively U.S. labor secretaries under presidents Reagan and Carter.

Seventy percent of the workforce - the clerks, secretaries, machinists, drivers, farm workers and other non-college educated "front-line" workers - "will see their dreams slip away" unless society invests far more in improving their skills in school and on the job, concluded the report.

The report - "America's Choice: High Skills Or Low Wages!" - called on business, schools and government to totally overhaul the "haphazard, incoherent and bureacratic" system of job training now in operation.

Among key recommendations:

-A federal requirement that all U.S. firms devote at least one percent of payroll to skills training;

-A mandate that no one under age 18 be allowed to hold a job until meeting a new set of national educational standards as tough as any in the world;

-Establishment of a network of "youth centers" designed to ensure that dropouts and others unable to meet the standards on time in regular schools are helped to do so later on.

Such a system of alternative education centers could cost $$8 billion annually if all current dropouts were served, the report estimated.

The study was co-written by international business expert Ira Magaziner, and Marc Tucker, president of the National Center on Education and the Economy, a Rochester, N.Y.-based group widely credited with shaping the current direction of U.S. school reform.

It was based on 2,000 interviews at more than 550 companies and agencies since July in the United States, Germany, Sweden, Denmark, Ireland, Japan and Singapore.

Business groups, education leaders and politicians immediately hailed the report as a landmark.

Albert Shanker, president of the American Federation of Teachers, called it "the most significant report of the whole reform movement."

"In terms of breadth, accuracy and complexity, it has no match," said the president of the nation's second largest teacher's union.

"The Commission on the Skills of the American Workforce has found the necessary remedies for America's lagging productivity," said Stephen Blair, president of the National Association of Trade and Technical Schools.

"I believe governors and legislators will particularly welcome the suggestion of national standards for educational performance," said James B. Hunt, former governor of North Carolina and a commission member.

The study was funded with $$500,000 in grants from the Carnegie Corporation of New York, New York state, and Towers Perrin, a New York-based consulting firm.

The commission found that foreign education systems were generally much better than U.S. schools at setting high standards for all students, not just the college-bound.

"We have the worst system of any major country for educating the non-college bound," Marshall told reporters.

The report recommended that all students be required to work toward a "Certificate of Initial Mastery" that would certify high levels of competence in math, English and other job basics. Students would demonstrate their skills through specific tasks rather than standardized tests.

U.S. firms spend $$30 billion a year training workers, but only one-third is spent on non-college educated employees, the report found. About 15,000 companies, less than 1 percent of the total, provide over 90 percent of corporate-based training in this country, the study said.

The report found that a majority of U.S. firms cling to outmoded production models where workers have little decision-making authority and are trained only for low-paying, dead-end jobs.

The result: U.S. worker productivity is less than half what it was 15 years ago, the report said, and buying power of wage earners has declined. Married women have been forced to work to maintain the standard of living of U.S. families, and Americans are borrowing at unprecendented rates.

By contrast, the approximately 100 foreign corporations in the study were generally more inclined to avoid layoffs and provide worker training than U.S. firms.

Many workers with limited skills thus face job loss as U.S. firms struggle to cut labor costs to stay competitive with foreign companies.

"Higher skills means the jobs stay at home," instead of overseas plants, the report said.

U.S. Newswire

June 19, 1990

SECTION: NATIONAL DESK

LENGTH: 456 words

HEADLINE: STATEMENT OF AFT PRESIDENT ALBERT SHANKER ON "AMERICA'S CHOICE: HIGH SKILLS OR LOW WAGES"

CONTACT: Kate Krell or Barbara Pape of the American Federation of Teachers, 202-879-4458

DATELINE: WASHINGTON, June 19

BODY:

Following is a statement issued today by American Federation of Teachers President Albert Shanker on "America's Choice: High Skills or Low Wages:"

Of all the reports issued since the beginning of the education reform movement, "America's Choice: High Skills or Low Wages" is by far the richest and most insightful. In terms of breadth, accuracy and complexity, it has no match.

Other reports shocked the nation, lamented the quality of teachers or detailed the plight of disadvantaged students. This is the first report, however, to deal with the inter-relationship between the state of the economy and what goes on in this country's schools.

Education reform efforts in the U.S. perpetually swing between calls for high standards of performance or low ones. Neither extreme works. Too many students are forced to drop out when high standards are in fashion. Low standards devalue the high school and college diploma until both become meaningless. The authors suggest significant remedies to stop this pendulum swing. They call for a new educational standard to be met by all students. For those who cannot achieve this initial mastery standard in regular schools, youth centers are created to ensure that all students attain a certificate.

The report also discusses the importance of lifelong-learning; not just for students who plan to attend college, but also for the non-college-bound youth. In this case, the proposed lifelong- learning system is based on the world's most ancient form of job training -- apprenticeship.

An apprenticeship program recognizes that people learn best by doing, not by abstract analysis or classroom lecture. Providing incentives for business to invest in the further education and training of their employees, as suggested in this study, will go far to develop workers who can think, take responsibility, use their judgment and make decisions.

America's Choice also goes a long way to emphasize the transition from school to work -- a transition that has been dreadfully neglected by both educators and the business community. Students want to know why they need to learn certain subjects, facts, rules. Those going to college may see some linkage between their high school courses and the subjects they will eventually study. For the student pursuing a job after graduation, however, the connection is not so clear. If the business community were to reward good grades with good jobs, for example, students would be motivated to perform to their highest standard.

"America's Choice: Higher Wages or Low Skills" goes a long way to provide, not simply another report to be dusted from the shelves, but an action plan for government, business and the schools.