

# Is Education the Answer?: A Quick History of Debates About Skills and US Competitiveness

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# Skill Issues = a Recurring Theme in US Policy Debates

- The GI Bill (1944)
  - Help returning veterans find good jobs
  - Catalyst for mass higher education system
- National Education Defense Act (1958)
  - Catch up to Soviets in the Space Race through investments in STEM education
- *The Over-Educated American* (Freeman, 1976)
  - Evidence of sharp declines in returns to college graduates
  - Changed dramatically in the 1980s

## Focus on Most Recent 3 Waves

- *Wave 1: A Nation at Risk* (~1983-96)
  - Loss of firm competitiveness
- *Wave 2: The War for Talent* (1997-2001)
  - Skill shortages and demographic time bomb
- *Wave 3: The World Is Flat* (2001-)
  - Loss of US high-skill jobs

# Wave I. A Nation at Risk

- *“Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world. ... If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might have viewed it as an act of war. As it stands, we have allowed this to happen to ourselves. ... We have in effect, been committing an act of **unthinking, unilateral educational disarmament**”*

# Focus on Loss of US Firm Competitiveness

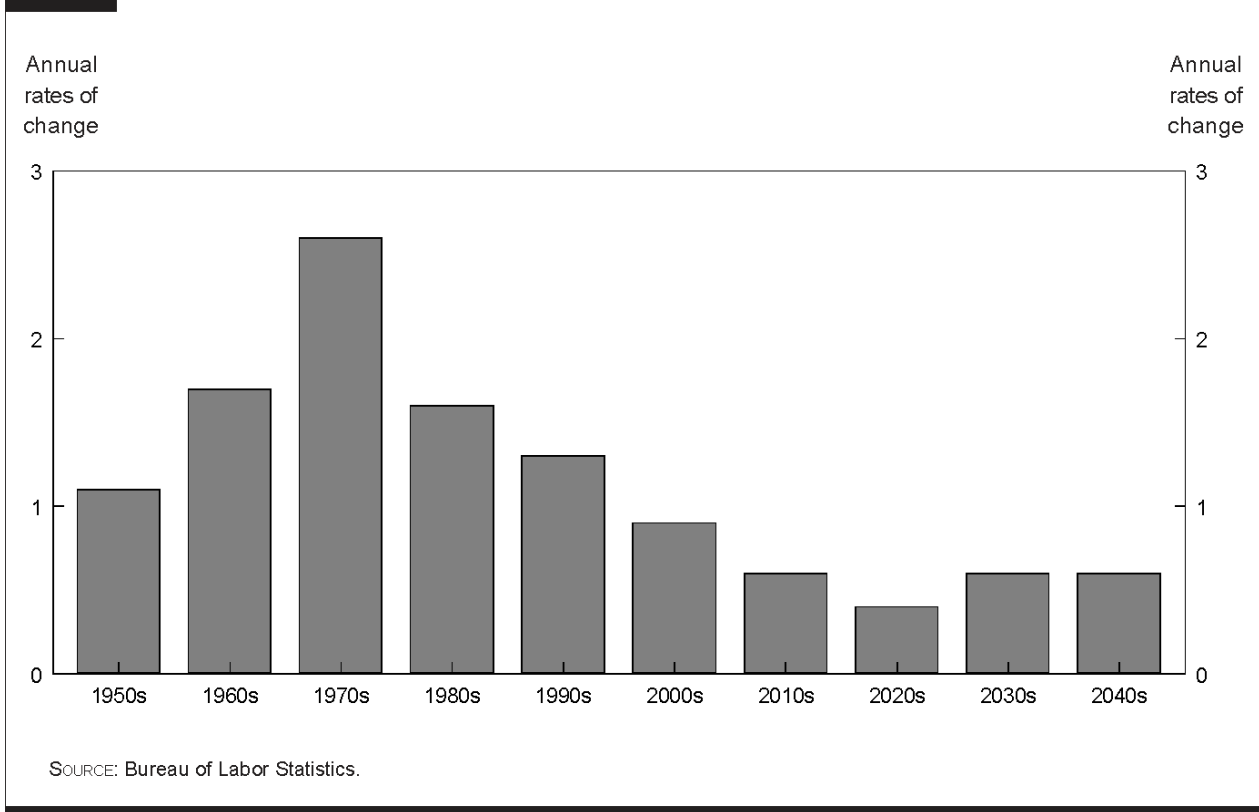
- Followed by *America's Choice: Low Skills or High Wages* (1990)
  - Share concern that poor worker skills was hurting ability to compete with Japan & Germany
- Prompted decades of education reform
  - NAEP, School to Work, No Child Left Behind
- But original problem appeared to fade away
  - Unforeseen issues for key competitors
    - German reunification, Japanese bubble burst
  - Underestimated adaptability of US economy
    - Growth in high tech
    - Growth in services
    - Restructuring of manufacturing

## II. The War For Talent

- Focus on skill shortages
  - Driven by demographics, Internet bubble and tight labor markets
  - Develop strategies for attracting, retaining and retraining managers and employees
    - McKinsey a particular focus on leadership talent
- Real issue for some competitors with low birth rates
  - Japanese population already shrinking
  - Major issue for many West European nations
    - Offset by EU expansion

# II. Demographic Time Bomb

**Chart 1.** Labor force growth, by decades, 1950s to 2005 and projected to 2040s

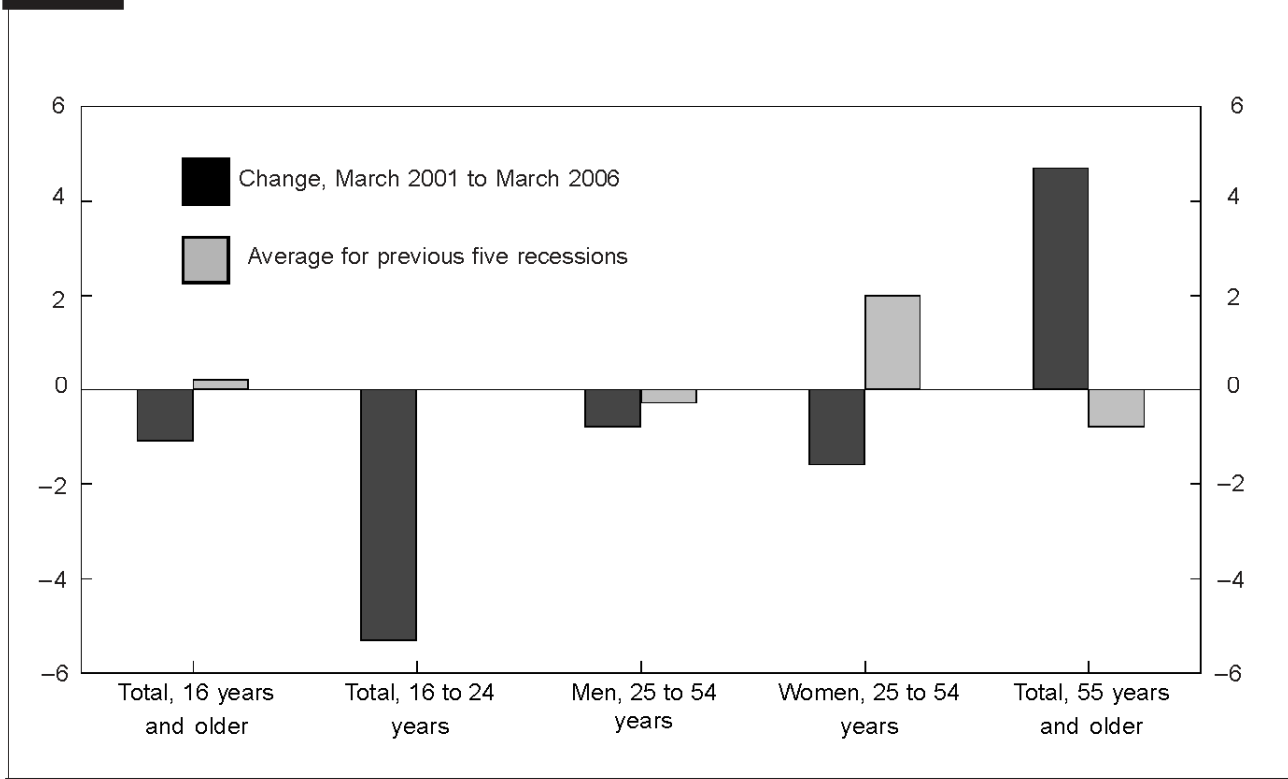


# The War For Talent

- US focus on War for Talent brought to an end by Dot-com crash and 9/11
- Underestimated labor market flexibility
  - Growth in labor supply
    - Women
    - Immigrants
    - Welfare-to-work programs
    - Rethinking retirement: healthy over-55s

# Surge in Over-55s' Labor Force Participation

**Chart 3.** Change in labor force participation rates around economic downturns, by age and sex



# Wave III. The World Is Flat

- Billions of new entrants to the global economy
  - China = low cost manufacturing+
  - India = high-skill services+
- US firms doing well, concern is future of good jobs for US workers
  - College degree no longer insures a good job
    - Estimates that up to 40 million information processing jobs are vulnerable
  - Individuals bearing more employment risk
    - Healthcare, retirement, contingent work
  - What careers advice do we give our kids?

# The World Is Flat

- Concerns that US lacks the skills needed for newest wave of global competition
  - Failure to provide strong educational foundation for large parts of the US population
    - Comparison of science & math test scores
  - Rapid narrowing of US higher education lead
    - Particularly in S&E graduates
  - Closing of the safety valve: reduced visas for high-skilled immigrants post-9/11
    - How is the H1-B program being used?
  - Reduced incentives for US firms to invest in US workers

# But US Retains Key Skill Advantages

- Home to most of world's top research universities
- Strong climate for innovation
  - IP protection, risk capital, infrastructure
- US population one of the first to treat education as a lifelong investment
  - Vital in rapidly changing knowledge economy with longer life spans
  - Other nations just starting to make this transition
- Top foreign talent still attracted to US
  - H1-B annual quota filled on Day 1

# Purpose of this Workshop

- Assess Wave III & beyond: Analyze future skill demands on the US workforce
  - How best to measure and meet these needs
- Part of wider debates on these issues
  - Other related National Academy Studies
    - IT R&D Ecosystem, Globalization of Innovation
  - Other countries' efforts
    - Britain just issued *Leitch Review*
      - National skills strategy for 2020
      - Planning for when 50% of young people have degrees