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Stubborn Skills Gap in America's Work Force

By [EDUARDO PORTER](#)

One of the few things that nearly everyone in Washington agrees on is that American workers are the best.

“More productive than any on earth,” President Obama has said of them. They “[build better products than anybody else.](#)”

Republicans, somewhat less exuberant, are nonetheless sure that American workers “[can surpass the competition](#)” on any level playing field. Even the United States Chamber of Commerce — not always a worker's best friend — asserts that, along with the nation's entrepreneurs and companies, America's workers “[are the best in the world.](#)”

Fact is, they are not.

To believe an [exhaustive new report](#) by the Organization for Economic Cooperation and Development, the skill level of the American labor force is not merely slipping in comparison to that of its peers around the world, it has fallen dangerously behind.

The report is based on assessments of literacy, math skills and problem-solving using information technology that were performed on about 160,000 people age 16 to 65 in 22 advanced nations of the O.E.C.D., plus Russia and Cyprus. Five thousand Americans were assessed. The results are disheartening.

Though we possess average literacy skills, we are far below the top performers. Twenty-two percent of Japanese adults scored in the top two of six rungs on the literacy test. Fewer than 12 percent of Americans did. We are also about average in terms of problem-solving with computers. Paradoxically, our biggest deficits are in math, the most highly valued skill in the work force. Only Italians and Spaniards performed worse.

Some 34 percent of adult Americans scored in the top three rungs of the assessment of numeracy, 12.5 percentage points less than the average across all countries. Thirty percent of Americans scored in the lowest two rungs — 10 percentage points r

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The O.E.C.D. study lands in the midst of a contentious debate over whether [the United States faces a skills shortage](#). Over the last couple of years, employers have been saying that they can't find enough skilled workers. [Economists](#) and [other commentators](#) have pointed out that employers would probably find them if they offered higher wages.

The report suggests that the sluggish employment growth since the nation emerged from recession probably has little to do with a skills deficit that has been a generation in the making. But it pretty forcefully supports the case that this deficit is an albatross around the economy's neck.

“The recession did not fundamentally change the structure of the economy in terms of the supply and demand for skills or education,” argues Jonathan Rothwell of the Brookings Institution, [who produced a study last year](#) about the education gap afflicting the job markets of America's largest cities. “Before the recession, inadequate education was a major problem. It continues to be.”

Mr. Rothwell says that the problem is getting bigger: while just under a third of the existing jobs in the nation's 100 largest metropolitan areas require a bachelor's degree or more, about 43 percent of newly available jobs demand this degree. And only 32 percent of adults over the age of 25 have one.

The O.E.C.D. puts this deficit into an international context. It finds that advanced economies are generating very few jobs for workers with middling skills. Yet while other countries seem to have gotten the message, racing ahead to build skills, the American skills set is standing still.

For instance, the youngest Koreans, age 16 to 24, scored 49 points more, on average, on literacy tests than the oldest cohort of 55- to 65-year-olds. Young Americans, by contrast, scored only nine points more than their elders.

While younger cohorts in other countries are consistently better educated than older ones, in the United States that is not always the case: 30-year-olds in 2012 scored lower, on average, in literacy tests than 30-year-olds in 1994.

“Unless there is a significant change of direction,” the report notes, “the work force skills of other O.E.C.D. countries will overtake those of the U.S. just at the moment when all O.E.C.D. countries will be facing (and indeed are already facing) major and fast-increasing competitive

This will be unsurprising to anybody who has been paying attention to the performance of American students in international tests run by the O.E.C.D. The mediocre skills exhibited by Americans in their early 20s today map precisely onto the mediocre scores recorded by American teenagers in 2000.

And yet, the report raises a couple of vexing questions. The highly skilled in the United States earn a much larger wage premium over unskilled workers than in most, if not all, other advanced nations, where regulations, unions and taxes tend to temper inequality. So if the rewards for skills are so high, why is the supply of skilled workers so sluggish?

“The human capital base in the United States is quite thin,” said Andreas Schleicher, the O.E.C.D, deputy director for education and skills. “The American economy rewards skill very well, but the supply hasn’t responded.”

The United States was the first country to provide for universal high school education. Today, one high school student in five leaves without a diploma, a weaker outcome than in most O.E.C.D. countries. The math and reading scores of American teenagers in O.E.C.D. tests have not improved over the last 10 years. And our college graduation rates have slipped substantially below those of other rich nations.

Schools do not appear to be adding much value. Nor do employers, which do little to train workers. Immigration by less educated workers from Latin America plays some role. But as the O.E.C.D. notes, two-thirds of low-skilled Americans were born in the United States. And the United States has a poor track record in improving immigrants’ skills.

Socioeconomic status is a barrier. Not only is inequality particularly steep, little is done to redress the opportunity deficit of poorer students. Public investment in the early education of disadvantaged children is meager. Teachers are not paid very well, compared with other countries. And the best teachers tend to end up teaching in affluent schools.

Indeed, the United States is one of only three O.E.C.D. countries in which socioeconomically disadvantaged schools have lower student-teacher ratios. But the skills deficit is not only a problem of poverty and marginalization. American college graduates, notes Mr. Schleicher, perform worse than their peers elsewhere: “looking at certificates, the United States looks much better than looking at skills.”

The other question is equally perplexing: if the supply of skilled workers is so poor, how can

...the United States remain such an attractive, comparatively high economy? In other words, even if the American skill set is poor compared with that of its peers, who cares?

Mr. Schleicher answered that question like this: today, the American labor market is good at attracting talented foreigners, offering them more money than they could make elsewhere.

Still, it might be risky to stake the nation's future on maintaining a steady stream of skill from abroad. What would happen if other countries started rewarding their talented workers? What would happen if America's influx of talent stalled?

Consider Japan, which has some of the most skilled workers in the O.E.C.D but uses them poorly. Regulations make it difficult for firms to hire and fire. Social mores keep companies from rewarding talent with higher pay. Many women are marginalized in the work force.

"Japan has fantastic human capital but uses it quite poorly," Mr. Schleicher told me. "The United States is the opposite. It has mediocre assets but is good at extracting value from them."

The question is, which country has the most difficult challenge? Mr. Schleicher says it's no contest. In Japan, all you have to do is liberalize labor market regulations and allow firms to exploit human capital to its fullest. Here, human capital has to be painstakingly built, one cohort at a time. That work cannot begin soon enough.