

**BIG INSURANCE COMPANIES FACE YOUNG BOSTON WORKERS:
RESPONSES TO SKILL SCARCITY IN A CHANGING SERVICE INDUSTRY
AND IMPLICATIONS FOR SCHOOL-BUSINESS PARTNERSHIPS**

by

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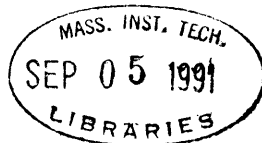
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ABSTRACT

Despite persistent concern for national economic competitiveness, education and youth, increases in funding and creation of new institutions for public education, skills development and children's health in the past decade have been limited. Why? Part of the puzzle may be addressed by examining how important it is for business that the education of poor youth be improved. Research into perceptions of and responses to skill scarcity can also suggest steps that could transform the interests in skill development shared by companies and youth into more meaningful programs of school-business collaboration.

These issues were explored specifically in Boston, where trends that characterize the national economy are strongly in evidence and have contributed to the current nature of skill scarcity: jobs shifting to the increasingly competitive service sector, a shrinking labor force more stratified by educational background, and increasing skill demands in the workplace. At the same time, executives of leading service-sector firms helped lead efforts in the city to improve Boston schools, but met with disappointing results.

The major effort of this thesis has been to develop an understanding of how several large Boston insurance companies have perceived and responded to skill scarcity. My strategy was to examine how businesses have dealt with skill scarcity in ways *other than* their involvement in school improvement efforts. With an overall understanding of business responses to skill scarcity, we can better understand the potential of business-sponsored job programs for youth to develop into a core part of more meaningful school-business collaboration.

In the three large insurance companies that I examined, people appear to have very similar perceptions about skill scarcity. Firms judge young workers as lacking in a variety of skills, including basic literacy and math skills, communication skills, office skills like typing, higher thinking skills, ability to work independently, and work ethic. A common perception is that the ability of the public schools to impart these skills has recently declined. Some see poor learning skills and self-esteem among youth as part of the underlying problem. Perceptions about communication skills, self-management skills and work ethic suggest some of the considerable cultural challenges that businesses face with a changing workforce.

Almost all of my interviews brought out a strong sense that jobs in the insurance industry are getting significantly more difficult as competition forces companies to adopt new computerized information technologies, to reduce the size of the workforce, and to provide less supervision for more complex tasks. Firms want employees to take on more responsibility — in business parlance, to be quality-conscious and customer-responsive. Human resource managers also believe that increasing skill demands in the workplace are aggravating skill scarcity.

Companies are meeting the challenge of diverse skill weaknesses through higher required levels of education, increased training of different kinds, and relocation of operations outside Boston. In response to changing workforce demography, companies have made efforts to better accommodate women and to make the workplace more hospitable to minority workers through training managers and recruiting workers of color into professional ranks. Firms did increase wage levels in some jobs when unemployment rates in Boston were very low, but established pay structures, the industry's competitive environment and already high labor costs have limited this response to the skills problem. While perceptions of skill scarcity appeared to be very uniform across the companies I studied, the responses varied considerably by company.

The firms I have studied have also been involved in efforts to improve the Boston Public Schools, some taking strong roles in the development of the Boston Compact school improvement agreement. While the commitment seems heartfelt, the programs have generally not developed far enough to bring far-reaching or systematic effect on the students or the problem of skills scarcity. The scale of financial contributions has been minuscule relative to the budget of the school system, and job programs have not included systematic development of work skills. Compared with the dimensions of the problems, these efforts are quite limited, appearing to bring only modest gains for the schools and very little economic benefit for the companies themselves. In a few instances, however, the efforts to help the schools are moving on to a new level of contribution to students' skill development and potential benefit to the company.

Despite some negative aspects of how companies have responded to skill scarcity, my findings indicate a number of areas in which more meaningful reciprocal agreements between companies and the schools can be created. Vocational academies and the new technical-professional preparatory schemes offer possibilities worth building on. With reservations, my research suggests a strong potential for the expansion of business-school collaboration to help the future of the Boston service economy and the role in it that graduates of the public schools can play.

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Much of the credit for my thesis belongs with my interview subjects, who shared their time and opinions. I suspect they informed me well.

Bish Sanyal, my reader, has provided intellectual and personal encouragement throughout my course of study here at MIT. Chris Tilly, my thesis advisor, helped me plan my research process and steer my sometimes errant ideas and prose into clearer form. He took the time to comment closely on draft material and often understood what I meant to say better than I did myself.

As I write, Genoveva Fruet and Anuradha Joshi, who struggled through this process months earlier, are still helping me to get my thesis into final form. Deep thanks for the friendship and love beneath.

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Chapter One

INTRODUCTION

I. THE BIG QUESTIONS AND BRINGING THEM DOWN TO BOSTON

Loud calls for increased investment in the education and training of our nation's youth have been heard and discussed in the United States now for a number of years. A common thread to the arguments is that we must improve our schools and training systems to increase the skills of our new workers to sharpen our national economic competitiveness. A more demographic and domestic perspective adds that the baby-boom generation will start retiring by 2010 and the growing numbers of elders will depend on a smaller generation of workers. This coming generation of working Americans will need well-developed skills to produce the wealth and provide the services that the new elders hope to enjoy.

Despite persistent concern for national economic competitiveness, education and youth, increases in funding and creation of new institutions for public education, skills development and children's health in the past decade have been limited. Meanwhile, the numbers of poor children in need of help to raise their earning potential have grown. High dropout rates, low literacy and low standardized test scores indicate that poor students are coming out of many schools with much lower levels of skill than students from schools in wealthier communities. Health statistics for poor children also indicate serious disadvantages and impediments to development. The larger questions that motivated my research were about why so much widespread eagerness to improve education and training of youth has coincided with an unwillingness to spend substantially more on schools, training and health services and to create new institutions even though many perceive that our national economic well-being is at stake. I wanted to understand why efforts to improve education and development of youth have produced such modest accomplishment. I wondered how important it is for businesses that the education of poor youth be improved. What steps could transform the interests in skill development shared by companies and youth into meaningful programs to improve the future economy and the role in it for graduates of the public schools?

These questions can be asked more specifically in Boston. In the lead city of New England, the downtown skyscrapers of powerful banks, insurance companies and other corporations almost cast shadows on the city's poor neighborhoods, and the most numerous

collection of higher learning institutions in a metropolitan area ring the deteriorated educational system of the venerable Boston Public Schools. The area shows in high relief some of the trends that characterize the transforming national economy. The city has a strong preponderance of jobs in the service sector while manufacturing suffers continued decline. A new wave of competition among financial service companies has spurred technological change, a new focus on customer service, a reduction of hierarchy, and downsizing, all of which have made new demands on the skills of employees. The area's many colleges pump large numbers of graduates into the workforce, so that Boston may point to where the national workforce is headed, with increasing numbers of workers with advanced schooling even while basic education for urban youth suffers. In the mid to late 1980s, when the economy of the Boston area was still booming, these larger trends coalesced and a scarcity of adequately prepared less skilled workers was considered a pronounced problem. Even without the pronounced shortage of workers at the height of the boom, the long-run trends — jobs shifting to the increasingly competitive service sector, a shrinking labor force more stratified by educational background and increasing skill demands in the workplace — have all contributed to the current nature of skill scarcity.

Meanwhile, executives of leading service-sector companies have been in the forefront of efforts in the city to improve the Boston schools. The more farsighted corporate leaders recognized even in the early 1980s that a failing school system in Boston could make the city a more difficult place to hire workers and conduct business. Some companies have tried to help through longstanding partnerships with individual schools and through strong participation in citywide programs to enhance school effectiveness instituted in the early to mid 1980s — the Boston Compact and the Boston Plan for Excellence. The Compact is an agreement of goals to improve the schools made among representatives of the city, the school system, colleges and universities, unions and the community of large Boston businesses. The businesses, universities and unions promised to meet goals of increased hiring and admitting Boston high school graduates, and the school system agreed to goals of student achievement, attendance and graduation. The most basic idea was that job guarantees for students and graduates would keep youth in school and that the schools could be on their way to reform and improvement. The efforts by business have continued despite the sharp shift in the Massachusetts economy from the boom of the 1980s to the bad recession of the early 1990s, which has eased companies' problems with short-term skill scarcity.

The results of school-business collaboration have been far from overwhelming. While the businesses have made and met commitments to hire students for summer and part-time jobs and graduates for permanent jobs, the schools have failed to show dramatic improvement. Roughly put, two-fifths of the students have been dropping out of high school,

the rest still perform decidedly below national medians on standardized tests and the majority of graduates who go on to four-year college drop out without a degree. The corporate efforts to help the schools appear to contribute only modestly to a weak school system that is not improving dramatically. While the companies show a deeply felt, sincere commitment to help the schools, their efforts have been largely philanthropic, yielding few tangible economic benefits to the companies in addressing their labor needs. The situation in Boston, where companies have been involved with the schools, may shed some light on the larger questions about how so much interest in improving the schools has led to such limited accomplishment.

Part of the puzzle can be grasped more clearly, I believe, by examining how businesses have dealt with skill scarcity in ways *other than* their involvement in school improvement efforts. An understanding of how companies view skill scarcity and respond to it — mostly within the firm — is needed to understand the context for which new efforts of more meaningful school-business collaboration will be proposed and tested. The major effort of this thesis, therefore, has been to develop an understanding of how several large Boston insurance companies have perceived and responded to skill scarcity. With an understanding of business responses to skill scarcity, we can also better understand the potential of the Compact job programs to develop into one core piece of a more comprehensive system of education and training.

II. LITERATURE REVIEW

The following review of the literature that provided my background in the theory and thought on human capital, education and skills development may be useful to readers unfamiliar with concepts in these areas. Those who don't find economic theory engaging or those already familiar with these areas will find their understanding of the thesis most helped by the sixth and final section of the literature review, a short examination of a few of the recent debates about the nature of skill scarcity.

1. Basics of human capital theory

Economists have shown a growing interest in education and training for the past thirty years. Schultz, in his 1961 article "Investment in Human Capital," suggests that economists had previously shied away from looking at investment in human beings because it offensively reduces people to capital goods or evokes the oppressive tradition of humans slave property. Schultz credits Smith, von Thünen, and Irving Fisher with concepts of capital broad enough to encompass education, but laments that "the main stream of thought has held that it is neither appropriate nor practical to apply the concept of capital to human

beings."¹ Schultz declares that "Laborers have become capitalists...from the acquisition of knowledge and skill that have economic value." He lauds human capital:

This knowledge and skill are in great part the product of investment and, combined with other human investment, predominantly account for the productive superiority of the technically advanced countries.

Soon appeared Gary Becker's *Human Capital, A Theoretical and Empirical Analysis with Special Reference to Education* (1964), and with this seminal work the floodgates of economic attention to human capital opened wide. A selected view of some of the currents in the tide suggests some issues to keep in mind.

As the theory of human capital was developed, the microeconomics of investment and capital was applied to education, then health care, then other services from which people receive delayed benefits. The benefits to individuals of educational programs have thus been documented in terms of individual returns to investment; the discounted stream of future earnings associated with a certain level of education less tuition costs and foregone earnings is compared with the current earnings and discounted stream of future earnings *without* the education. Debates have emerged over the assumptions and conclusions of human capital theory. Some have sought to modify the theory, others to challenge its basic ideas. A number of the resulting refinements and alternatives are relevant here.

2. Social versus individual benefits

A problem suggested by human capital theory is the inequality of individual benefits from educational investment compared with the social benefits. On the one hand, increased skill levels may benefit other people, not just the educated individual who earns more. For example, the increased skill may diffuse to others so that productivity and wages are raised even among those who did not invest directly in adding to their skills. On the other hand, one person trained to become, say, a mechanic may simply displace someone else who could have got the job without training. For education and training where social benefit exceeds individual benefit, public support is given additional economic justification. If individual benefit exceeds social benefit, then overuse of schooling is likely.

Indeed, some have seen education, especially formal education, not only as a possibly overproduced service, but even as a direct drag on performance. According to a review by Squires, some studies have found that in manual work more education is associated with

¹ Schultz, p. 3.

lowered productivity.² In this case education can help someone get a job, hence yields individual benefits, but social benefits are reduced through lowered productivity. Squires claims research does not establish that more education is rewarded with greater success or promotion within a job category, or that formal education predicts job performance very well.³

The tendency of employers to select people for jobs on the basis of official degrees instead of actual skills ("credentialism") can cause people to compete in the job market by seeking a higher level of schooling that adds little to their productivity. In some developing countries government subsidy of secondary education and requirement of specific schooling for public jobs have been criticized for creating large numbers of educated but disappointed job seekers.

The problem of education's private benefit exceeding its social benefit seems linked to unemployment: if the economy is operating below full employment then increments to the skills of labor may go unused or cause others to be displaced from the job market. Under conditions of unemployment education seems more likely to fall into credentialism because of high competition for jobs. Conditions of full employment could refocus hiring decisions on real skill and help increments to skill level be used productively. A more skilled worker could still displace a less skilled worker from a particular job, but the less skilled worker would have other job opportunities available.

3. Quality of educational investment

Human capital theory has been challenged to incorporate variation in the quality of educational investment. Most empirical work until recently has focused instead on the *quantity* of education, that is on how for specific groups the years of formal education provide a return of increased future income; years of work experience is also typically included as a determinant of earnings. Jere Behrman and Nancy Birdsall have argued that unmeasured variations in quality among different schools probably cause an upward bias in the estimates of the rates of return to years of education, presumably since the students who spend longer years in school usually do so in better and more costly schools than students who spend fewer years.⁴ Behrman and Birdsall later concluded that sample rates

² *Education and Jobs; the Imbalancing of the Social Machinery* (New Brunswick N.J.: Transaction Books, 1979), p. 76.

³ Squires, p. 84.

⁴ "The Quality of Schooling: Quantity Alone Is Misleading," *American Economic Review*, vol. 75, no. 5 (December, 1985), p. 928.

of return to quality and quantity of education in Brazil were each around 10 percent, in contrast with the rates of return above 20 percent that are found using some methods.⁵

This **work** suggests that society has a choice and may benefit as much by investing additional resources in improving the education of a few rather than increasing the amount of education received by all. This conclusion may unsettle the comfortable belief that the egalitarian expansion of primary education is necessarily the best investment of educational resources. Gains for equity and productivity may stand in a trade-off rather than a synergy.⁶ Indeed, our society has perhaps made such a choice by investing great resources in the development of colleges, universities and high-school programs for the college-bound while doing little to create a strong education for the majority. However unjust this may be, it could be the most efficient investment in a society where a small minority manages the use of productive resources and creates the agenda for political decision-making.

Of course questions about the quality of education have stimulated great amounts of research among students of education. The question of whether increased spending can produce better educational outcomes proves to be more slippery than one might expect. Eric Hanushek summarizes the extensive literature in "The Economics of Schooling: Production and Efficiency in Public Schools." Hanushek is confident, on the one hand, that "Teachers and schools differ dramatically in their effectiveness."⁷

On the other hand, these differences cannot be statistically associated with increased educational spending or its common uses (reduced class size, more educated and experienced teachers), *provided* we correct for the influential differences of the students' "family backgrounds and other educational inputs."⁸ The education and income of a student's parents and the background of classmates appear to be crucial influences on the performance of individual students and groups of students:

The results are startlingly consistent in finding no strong evidence that teacher-student ratios, teacher education, or teacher experience have an expected positive effect on student achievement. According to the available evidence, one cannot be confident that hiring more educated teachers or having smaller classes will improve student performance. Teaching

⁵ "The Quality of Schooling: Reply," *American Economic Review*, vol. 75, no. 5 (December, 1985).

⁶ Behrman and Birdsall (1985), p. 928.

⁷ *Journal of Economic Literature*, vol. XXIV (September, 1986), p. 1159.

⁸ Hanushek, p. 1163.

experience appears only marginally stronger in its relationship.... *There appears to be no strong or systematic relationship between school expenditures and student performance.*⁹

Why, then, do communities focus so much on school expenditures? Alternative views of the functions of schooling suggest that goals other than academic performance may be important to students or those who pay for schools.

4. Alternative views on schooling

The screening hypothesis views schools largely as systems for identifying those who are more able or more desirable to employers, not as institutions for imparting skills. If this is the case, then the social value of schooling would be much lower than the private benefits.¹⁰ In the screening view of education, employers see an applicant's level of education as an indicator of attitudes and values that will fit into the workplace. Employers reward education with higher pay, but not because of specific skills needed for the job.¹¹

In a more critical extension of this view, education can be seen not as a democratizing force but as a mechanism that enforces class division. Specific work skills are provided on the job, and education becomes primarily "an agency of social control — to reconcile the class conflicts inherent in a capitalist economic system in such a way that the dominant classes could maintain that system and their positions in it."¹² Instead of more education being required because of increasing technological complexity, it is rather the increasingly bureaucratic nature of work that demands more inculcated souls. If income distribution is largely a function of the distribution of job opportunities and not of marginal productivities, when all become more educated then those at the bottom will be no better off. Economists including Arrow, Thurow, and Bowles and Gintis have pursued this screening approach to understanding education.

5. On-the-job training

If improving education is so difficult and its social functions are unclear, then attention to on-the-job training may help us develop more definite ideas about how skills are developed. A mid-1980s study reported that nearly \$60 billion was being spent annually on

⁹ Hanushek, p. 1162, italics in original.

¹⁰ Hanushek, p. 1153.

¹¹ Squires, p. xv.

¹² Squires, p. xiv.

corporate-run education, putting it on a similar scale as our system of national colleges.¹³ Studies suggest that training has significant effects on increasing wages and reducing turnover, boosting wages by 10 percent or more in the first year. Training provided by the company may be even more effective, boosting wages in one study by 17 percent in the first year. In both cases, observable wage benefits declined to zero after ten or more years.¹⁴

In the earlier views of human capital theory, Becker believed that firms would be eager to provide training in skills whose use would be limited to the firm (specific training) but would be loath to provide general training that workers could use elsewhere. If all firms provided general training, they would find productivity and hence market wages rising together, and they would be unable to recoup their investment. If only some firms provided general training they would have to lower wages to cover the cost and other firms could poach these more valuable workers away from them.¹⁵ Later students of human capital have challenged this view, arguing that because general and specific training are often mixed poaching is not necessarily a problem. Since firms and workers share the investment of effort and the benefits from specific training, workers are motivated to stay with the firm in order to retain the full benefits.¹⁶ The internal structure of firms, as described by Doeringer and Piore and others, may serve to increase the security of investment in training.

Yet firms have an advantage over workers in having the choice to invest in human or physical capital, the latter of which can also be rented or sold.¹⁷ In the control over the physical capital and the dominant say over the production process lie possible responses to perceived skill shortages, including automation and other paths to deskilling, increasing skill demands, and relocation of jobs. Despite the relative power of firms over training decisions and growing corporate involvement with public education, some hold a vision of labor-controlled training. Sheila Collins, for example, hopes that "worker literacy" can provide "an opportunity to develop a more critical, creative, and militant workforce."¹⁸

¹³ M. Feuer, H. Glick and A. Desai, "Is Firm-Sponsored Education Viable?" *Journal of Economic Behavior and Organization*, vol. 8 (1987), pp. 121-136.

¹⁴ Jeannette S. Hargroves, "The Basic Skills Crisis: One Bank Looks At Its Training Investment," *New England Economic Review*, September-October, 1989.

¹⁵ Feuer et al., p. 121.

¹⁶ Ibidem.

¹⁷ Feuer et al., p. 123.

¹⁸ "Workplace Literacy: Corporate Tool or Worker Empowerment?" *Social Policy*, Summer, 1989.

6. Skill shortages?

Anecdotal evidence of skills shortages is common, but convincing evidence needs to be sought in specific industries. The preponderance of repeated anecdotes and unsupported statements suggest that care should be taken to specify the skills perceived to be lacking and the observations supporting these perceptions.

It turns out that those who study education, the economy, labor or specific industries can mean many different things by the terms "skill," "skills shortage" or "skills mismatch." The *Workforce 2000* report, written for the U.S. Department of Labor, convinced many that the country faces a growing skills mismatch in years ahead as a slow-growing labor force increasingly composed of disadvantaged, less-skilled minority workers is unable to meet the greater skill demands of jobs that use higher technology and are more service-oriented.¹⁹ In this dominant understanding, skills mismatch is a serious problem now only beginning to be felt, the causes of which are long-term demographic and economic shifts.

More recent studies of workforce skills have cast strong doubts upon the validity of the *Workforce 2000* anticipation of a serious skills mismatch. Lawrence Mishel and Ruy Teixeira devote a long report, *The Myth of the Coming Labor Shortage: Jobs, Skills, and Incomes of America's Workforce 2000*, to systematically discredit the "conventional wisdom."²⁰ Through the standard Bureau of Labor Statistics employment projections used also by the authors of *Workforce 2000*, Mishel and Teixeira show that skill requirements will rise modestly in the 1990s but significantly less than they rose in the 1973-1986 period (one-third to one-fourth as much).²¹ The authors do not find evidence for "large-scale job enrichment," which seems to be created only by "'best practice' firms within certain industries." And although the proportion of white-collar jobs can be expected to increase, the shift of jobs from higher-paid industries to lower-paid ones will cause projected compensation to fall slightly by 2000, even as skill requirements are rising.²²

The report of the Commission on the Skills of the American Workforce, *America's Choice: high skills or low wages!*, reaches similar conclusions.²³ From investigation in a number of industries, the Commission found that the vast majority of companies organize their work process along traditional Tayloristic lines so that high levels of skill are not

¹⁹ William B. Johnston and Arnold E. Packer, *Workforce 2000; Work and Workers for the Twenty-First Century* (Indianapolis: Hudson Institute, 1987).

²⁰ Economic Policy Institute, Washington D.C., 1990.

²¹ Mishel and Teixeira, p. 9.

²² Mishel and Teixeira, pp. 1-2.

²³ National Center on Education and the Economy, Rochester, N.Y., 1990.

needed. With some exceptions, most companies don't perceive or foresee skill shortages of the type anticipated in *Workforce 2000*. The Commission argues that current trends of modest growth in skill requirements and education will *not* produce a significant skills mismatch in the years ahead.

The Commission does advocate a greatly expanded system of integrated study and on-the-job training to raise skill levels for the 70 percent of workers who don't go to college, but not because of imminent skills mismatch. Instead, much stronger development of worker skills is seen as a prerequisite for building high-wage job structures and high-performance work organizations. The concern expressed in *America's Choice* and *The Myth of the Coming Labor Shortage* is that the majority of the workforce faces continued stagnation of real earnings because most jobs offer neither the training to upgrade skills nor production processes that demand higher skill. For people to work more productively, employers must create work organizations that demand and use greater skill. The Commission sees dramatic skill improvements as a necessary base for a shift to "high-performance" work organization that could reverse the stagnant productivity growth and unequal income distribution of the past decade.

One challenge that some employers *are* confronting is a level of literacy and numeracy among some workers that is low enough to interfere with current job responsibilities. Concerns about reading skills have probably helped fuel business participation in school improvement programs, for example the Boston Compact, and in firm-provided literacy remediation. Those who reject the skills-mismatch hypothesis recognize limited literacy as a problem for some firms and some employees, especially less educated black and Hispanic workers, but they do not see a shortage of such basic skills as a main impediment to greater prosperity.

Another perspective on the nature of lacking skills, scattered through the literature on education and training, is that what employers are most eager to find and what they feel is most lacking in new hires is an assortment of traits that characterize "a good worker." These traits can include reliability, work attitude, enthusiasm, social skills or personality, and even neat physical appearance. One could view "good worker" attributes as skills or alternatively as an aspect of pliability that employers hope to take advantage of in the workplace. Some may see lack of good worker attitude as a reflection of cultural divisions in our society, falling respect for authority and a declining work ethic. For others, lack of good worker attitude may represent a failure of firms to provide work that is adequately paid, challenging and encouraging of the development of worker skill and responsibility.

III. METHODOLOGY

I chose the insurance industry for my case study for several reasons. Insurance is a large employer in Boston. Several large companies have had long-standing involvements in the Compact, unlike most companies in the high-tech, construction and real estate industries. While the industry has been affected by the increased competitiveness of the whole sector of finance, insurance and real estate, insurance in Boston has not been so hard hit by the recent downturn as has banking, where I thought my interview access might be more limited by concerns about survival and maintaining corporate image. Unlike health care, where employees are stratified by well-defined and certified occupational skills, insurance (like banking) demands a variety of loosely defined communication, cultural and basic skills that can be imparted, more or less, in traditional high schools.

My research strategy was to examine firms where a number of the variables were fairly similar (e.g. industry, size, location, technology available) so that I could more easily focus my investigation on skill perception and response. Over six weeks I studied three firms, interviewing at least four people at different levels in each firm. Most interviews were conducted in-person, at the firm, and taped. Interviews averaged over 45 minutes and explored a variety of topics, selected from a long list of possible questions depending on the interviewee's knowledge and interest. I subsequently transcribed the tapes, in most cases verbatim. I analyzed the transcripts by assigning statements to one or more of 40 topics, which were used to structure the description of findings.

In obtaining permission to tape interviews, I assured all subjects that I would not quote them by name or disclose the name of their companies. Hence almost all the names of interview subjects and all the names of corporate subjects that appear in the thesis have been changed to disguise identities. References to subjects by pseudonym, especially in footnotes, may help readers to build images of different interviewees; numbers following the pseudonyms refer to the page and paragraph in the interview transcripts, which will be held permanently by the author as part of the case study evidence. I have avoided extensive description of the insurance companies so that only people already very familiar with their school involvement would be able to identify the companies. The loss of context, I hope, is compensated for by the openness of the interviews.

Another dozen interviews were scattered among staff at the Private Industry Council, the Boston Plan for Excellence, the Boston Public Schools and people in government, academics, and human resource development. Some of these were in person, and were taped and transcribed, but most were by telephone and recorded only by written notes.

IV. SUMMARY OF FINDINGS

In the companies that I examined, people appear to have very similar perceptions about skill scarcity: people in all three firms perceive that in a variety of ways high school graduates are less skilled than they used to be. They also believe that increasing skill demands in the workplace are aggravating skill scarcity. While perceptions were consistent among the firms, responses have varied in important ways from firm to firm.

1. Skill scarcity

My interviews suggest that people in firms' human resource departments see a wide variety of skills in potential short supply. Firms judge young workers especially as lacking in skills, including basic literacy and math skills, communication skills, office skills like typing, thinking skills, ability to work independently, and work ethic. A common perception is that the ability of the public schools to impart these skills has recently declined. Some see poor learning skills and self-esteem among youth as part of the underlying problem. Perceptions about communication skills, self-management skills and work ethic suggest some of the considerable cultural and ethnic challenges that businesses face with a changing workforce.

These perceptions of the skills problem are based on the experiences of human resource personnel, line managers and top executives, all of which are reinforced by the broader, public concerns about the dangers of a growing skills problem in the workforce. The perceptions about skills lacking in the workforce appear to be very uniform across the three companies. While the shift of jobs from manufacturing to service and the new skill demand in the workplace may cause people to have an exaggerated view of decline in the schools, the perceptions appear to have valuable implications about the possible nature of expanded school-to-work transition programs.

2. New skill demands

Almost all of my interviews brought out a strong sense that jobs in the insurance industry are getting significantly more difficult as competition forces companies to adopt new computerized information technologies, to reduce the size of the workforce, and to provide less supervision for more complex tasks. Firms want employees to take on more responsibility — in business parlance, to be quality-conscious and customer-responsive.

Increased skill demands appear strongly to result from the competitive environment that demands more customer-focus, computerization and downsizing, rather than originating from a basic strategy of fostering skill development. The companies seem to be struggling

to bring workers' skills up to demands rather than seeing skill development as itself a competitive strategy in the first place.

3. Expectations about the labor market

The current sharp recession in Boston has drastically eased companies' labor market problems — they're hiring little and have plenty of qualified applicants for jobs they were struggling to fill just a couple years ago. Yet most people in employment or human resources expect to find themselves soon back in a more difficult labor market, as in the 1980s, and to be facing the growing skills shortage predicted in Johnston and Packer's *Workforce 2000*. Correctly or not, most people expect, continued increases in skill demands, a greater reliance on non-white workers, and a growing need to invest in training to help workers meet skill demands.

4. Responses

Firms can in theory choose among a variety of responses to skill scarcity, including: requiring higher levels of education or testable skills among new hires; offering higher wages to attract more skilled workers; training more within the firm; redesigning work processes to accommodate lower skills or to encourage skill development; getting involved in efforts to improve public schools; and relocating to an area where adequately skilled workers are less costly. In general terms, an employer can try to change who's coming in to the firm's workforce, improve the skills of the firm's current workforce, change the work process, help the skill development of workers before they are hired, or move to where skills are easier to hire.

Firms have in fact been addressing the problem of skill scarcity in different ways. The challenge of diverse skill weaknesses is being met through higher required levels of education, increased training of different kinds, and relocation of operations outside Boston. In response to changing workforce demography, companies have made efforts to better accommodate women and to make the workplace more hospitable to minority workers through training of managers and recruitment of workers of color into professional ranks. Firms did increase wage levels in some jobs when unemployment rates in Boston were very low, but established pay structures, the industry's competitive environment and already high labor costs have limited this response to the skills problem. While perceptions of skill scarcity appeared to be very uniform across the companies I studied, the responses were more varied by company.

The firms I have studied have also been involved in efforts to improve the Boston Public Schools, some very significantly. While their commitment appears heartfelt, the programs have generally not developed far enough to involve far-reaching and systematic

effect on the students or the problem of skills scarcity. The scale of financial contributions has been tiny relative to the budget of the school system, and job programs have not included systematic development of work skills. Compared with the dimensions of the problems, these efforts are quite limited, appearing to bring only modest gains for the schools and very little economic benefit for the companies themselves. In a few instances, however, the efforts to help the schools are moving on to a new level of contribution to students' skill development and expectation of benefit to the company.

Despite the negative aspects of some of my findings about how companies have responded to skill scarcity, I believe that my findings indicate a number of areas in which more meaningful reciprocal agreements between companies and the schools can be created. With reservations, my research suggests a strong potential for the expansion of school-business collaboration to help shape the future of the Boston service economy and the role in it that graduates of the public schools can play.

Chapter Two

PERCEPTIONS OF SKILLS SCARCITY: SKILLS LACKING IN THE WORKFORCE

INTRODUCTION

This chapter explores the perceptions in the insurance industry about the skills lacking among workers, especially among young workers. The perceptions can inform us about the particulars of the insurance industry here compared with conditions generally in the U.S. A knowledge of these perceptions may guide us in thinking about new initiatives to deal with skills problems. While we may lament skills that are lacking, they also point the way toward challenges and opportunities for school-business collaboration.

My interviews suggest strongly that people working in human resource departments of insurance companies see a wide variety of skills in potential short supply. Skills seen as weak among young workers include basic literacy and math skills; specific office skills like typing; higher level skills of analytic thinking and problem solving; communications skills; and work ethic and self-management. This chapter details my findings of the perceptions of skill problems in each of these areas.

The situations in Boston and specifically in the insurance industry differ from national conditions in some ways, as a comparison of national study findings and my own findings will suggest. After the detailed descriptions of my findings on perceptions of skill, a table compares my findings with those of *America's Choice: high skills or low wages!* Examining perceptions about skills in the insurance industry may help us understand how this industry resembles and differs from U.S. business in general and of how programs to address skills problems through school-business collaborations and school-to-work transition programs could be designed specifically for Boston where the insurance industry is a significant potential employer of high school graduates.

Of course, the perceptions of my interviewees, mostly people working in the human resource departments of three large Boston insurance companies, do not necessarily reflect the skill problems that a disinterested investigator might identify. To a large extent, I believe, the perceptions described here are a fair representation of the realities. It can also be important to know what people *believe* the problems are, because perceptions even if divergent from reality inevitably will play some role in determining how firms will address

skill problems and react to public initiatives. It should be kept in mind however, that perceptions of skills lacking may result as much from increased demand for skills as from declines in skill levels of the workforce. The chapter after this one will explore another side of skill scarcity by examining how changes in the workplace are increasing skill demands.

I. BASIC SKILLS

1. Math, literacy, and hidden deficits

A lack of facility with basic mathematics was one of the problems most commonly cited in my interviews. Because the insurance industry uses so much quantitative data, a lack of math skills can quickly prove a barrier to promotion. On the other hand, one basic skills trainer described how even managers sometimes admitted a need for remedial training in math. People of all ages, not just young workers, were described as deficient in basic math skills, for example in using fractions and finding percentages.

There are people at many levels. Many people have risen up in the organization, gotten where they are somehow but still don't know how to do percents. It happens across the board..¹

Yet it can be difficult to convince some managers that remedial work is needed. As a trainer said, "It's hard for bosses to acknowledge that they hired people who have problems with fractions."²

While many fewer people mentioned literacy as a problem compared with math, one trainer explained that among entry-level workers deficits in math are often tied to deficits in reading as a result of a general low level of success in school.³ Some of the more experienced human resource managers I interviewed described a denial about literacy problems among managers that diminishes understanding for the need to improve literacy training.⁴ Those who work in literacy have long appreciated the ingenuity with which illiterate people have disguised and worked around their difficulties. It appears that some are successful within business:

¹ Cindy Paige 2,1.

² Cindy Paige 2,6.

³ Some writers about education and the economy stretch "literacy" to workplace literacy, which can mean any kind of knowledge essential for a job. Here I mean only reading.

⁴ Yvonne Gordon 1,7; Jennifer Kendall.

There's no question that we have a literacy problem. I don't think our managers see it. Managers tend to deny that it's a problem in the company even if they know it's a national problem.⁵

While poor math and reading skills are likely more concentrated among entry-level workers, low levels of literacy and even functional illiteracy, like math deficits, are described as spread through most levels of workers, including managers whose illiteracy may be mistaken for stubbornness or inattention to memos or other written materials.⁶ This theme of hidden deficits will reappear in later sections discussing less basic skills and older workers.

2. Learning skills and self-esteem

Perhaps more fundamental than math and reading, the skill of learning itself was mentioned as one of the abilities that human resource managers most hope to find in workers.⁷ From the perspective of an insurance company, learning ability is essential since so few people enter the industry with previous training in insurance. Even though people are now hired with different levels of education, the traditional practice of promoting from within the firm is still strong. Because firms must develop workers over the years to understand the complexities of insurance products and company procedures, one of the most important skills is knowing how to learn. As a vice-president for human resources said:

If someone has the ability to learn, we'll take that person and give them the skills ourselves. So we're not expecting in many cases to get the finished product. We're expecting to get someone who has a basic educational understanding that we can then take and give the skills and have them practice.... particularly because we're a promote-from-within organization. We've always hired at the entry level and then brought people through the training process necessary for them to do their job.⁸

People whose math and reading skills are weak, said one trainer, are likely to have had little success in school, which can contribute to anxiety and reduce self-confidence about

⁵ Yvonne Gordon 1,7.

⁶ Jennifer Kendall.

⁷ Gordon, Ellington, DeSousa.

⁸ Yvonne Gordon 2,5.

learning.⁹ A recruiter of entry-level employees cited low self-esteem as one of the basic problems that limits Boston high school students in their efforts to make it within a large company.¹⁰ I gathered from a variety of remarks that a key quality for young workers is to exhibit self-confidence. Besides impressing supervisors, it can allow workers to ask questions that will help them perform tasks correctly.

3. Recent decline of schools and skills?

The common perception of human resource staff is that the skills of public school graduates have been in decline:

In terms of skills and the perception of shortage, people hiring in urban areas feel they're not getting the same level of skills, that the school system doesn't turn out the product it used to.¹¹

Some see the problem getting worse even in the past few years. One recruiter judged a trend of declining basic skills from falling scores on basic skills test that are administered to job applicants, and claimed that

"Education isn't what it used to be even five years ago, or three years ago frankly."¹²

Robert DeSousa is the training director at one of the companies that has been more aggressive about training less-skilled workers. He believes that weaker learning skills have required more class hours and much smaller classes in order to teach the material that once was covered more easily:

We found with experience that you can't teach math classes in traditional ways. People don't learn the same way or they have certain deficiencies. [Previously if there were] thirty people in a class, a majority would get it, 10 percent you could help further and they'd get it. But now classes are smaller yet the vast majority don't grasp it through traditional lectures, they need much more one-on-one work, they have phobias or disabilities in for example math..... I saw the goal as getting all 30 people to learn it, be able to use it on the job, and was very troubled to find that of 18 students, 12 were having trouble learning. At first I blamed my staff teachers, thought they didn't

⁹ Cindy Paige 2,7.

¹⁰ Marie Harris 5,5.

¹¹ Yvonne Gordon 1,5.

¹² Marie Harris 1,4.

know how to teach. It took a while to absorb that it was a different group of people.¹³

DeSousa is providing another possible view-point about skills scarcity. Instead of declining schools, the "different group of people" entering the companies may have been responsible for perceptions of falling skill levels.

Thus, the perceptions within the industry about the decline of basic skills may have been influenced by the demands of the Boston labor market in the 1980s. The shift of the national economy from manufacturing toward service has certainly been felt in the area. Traditional manufacturing and processing have left Boston over the past decades, and the growth of high-tech manufacturing in the Boston area has been more significant at the edges of the metropolitan area than in Boston itself. The boom and tight labor market of the mid and late 1980s in Massachusetts were fueled more by the growth of construction and services than by manufacturing, which showed statewide decreases in employment in the period.

As the service sector grew relative to manufacturing workers who previously would have found traditional blue-collar jobs were drawn to the service sector. This stream of workers might have been judged as less prepared for their jobs even if the schools were performing as well as they had been. Even with skill levels of the workforce holding steady, increased demands for skilled workers could aggravate skill scarcity and cause perceptions of the reduced skill supply.

4. Effects of basic skill deficits on firms and workers

Many observers of the U.S. educational system have bemoaned or tried to quantify the economic effects of basic skill deficits like illiteracy upon workers, employers and the economy as a whole. While lost productivity and wages are certainly important results, I have made no effort to quantify economic effects for the Boston insurance industry. My interviews do suggest, however, that companies believe basic skill deficits have limited the implementation of new information technologies.¹⁴ Lack of basic reading, math and learning skills is seen to impede workers' abilities to pick up new work systems.

From workers' point of view, the negative effects of basic skill deficits on performance, advancement and wages can be as important as they are for the employer. One recruiter observed that low levels of basic skills could not only could prevent Boston high

¹³ Robert DeSousa 2, 2 and 4.

¹⁴ Yvonne Gordon 2,2; Robert DeSousa.

school graduates from moving up in the firm but also could keep them out of the industry entirely:

They didn't have a lot of the marketable skills that we needed to perform entry-level jobs in the corporation, and there was a large segment of the student population that was just left out in the cold. Individuals who were in the high end of being bright, able to go on to college, those kinds of kids are going to succeed in today's market. And there are those kids who don't have the skills to come into an entry-level job and they're, like, lost.¹⁵

II. OFFICE SKILLS

1. Office skills in the 1980s and '90s

While the subject of how the changing work environment has increased demand for skills will be covered in detail in the next chapter and this chapter focuses more on the perceived *supply* of skills, supply and demand can only be separated so far. A brief consideration of how office technology has increased skill demand will provide some helpful context for the further description in this chapter of how skill levels are perceived to be declining.

One of the most noticed specific skills shortages in the Boston service sector in the late 1980s was a shortage of skilled secretaries. A common explanation of the shortages of secretaries and nurses has been that women who traditionally chose such lines of work found other professions opening up to them that also demanded considerable preparation but were more rewarding. But a growing service sector and widening opportunities for women were not the only factors contributing to the scarcity of office skills.

The extensive automation of business offices over the past decade or so has of course redefined office skills. Traditional office skills of typing, shorthand, answering telephones and keeping records have expanded to include the operation of word processing equipment, facsimile devices and computerized data systems and spreadsheets. Office automation can eliminate or transform jobs; for example positions of filing clerks are eliminated while data entry positions are added. Automation can also allow certain tasks to be performed without the assistance of support personnel. For example, with word processing an executive can produce a memo or letter without assistance, causing a support worker to become less of a

¹⁵ Marie Harris 1,4.

secretary and more of an administrative assistant. Whether jobs are eliminated or changed, work in the office usually requires using more complex tools than were in use 20 years ago.

2. The decline of high school business education

The sea changes and tides in the waters of education have unsurprisingly had their effects on the small boats. If reading and math are two of the huge tankers lifted by the tide of attention on basic skills, then high school business education has been a capsized dinghy. Business education courses have for decades brought essentially secretarial training into high schools, especially for girls not bound for college. Courses in typing, shorthand and the like prepared girls for entry-level office jobs. In the past five year or so, however, business education courses have been cut back substantially, not only in the Boston Public Schools where the cuts have been severe, but in many other towns in the area as well.

The strong push toward basic skills that dominated educational reform efforts of the 1980s put business education in a vulnerable position. The antipathy toward business education probably resulted also from the underlying bias in the American high school away from vocational courses and toward academic or college-bound courses even in schools where only a minority of graduates enter and complete a four-year college program. One recruiter described the bias against business education as far back as the 1950s:

It was almost like a stigma; if you were in the business course you were a nothing. 'Everyone should go to college.' Those who were troublemakers or they couldn't make the college grade went to business. When I was in high school, I was in the business curriculum because I knew I couldn't afford to go to college. I graduated from a very small high school, and they had a very large business curriculum.¹⁶

The widening opportunities for women in the years since may have further reduced support for a vocational program that prepared mostly girls for the traditional woman's job of secretary.

In Boston, cuts in business education have certainly been sharp. Where individual high schools might once have had as many as a dozen staff teaching business ed courses, now there might only be a teacher or two. The development in the early 1980s of citywide curriculum guidelines and a promotional policy, both focusing on courses and tests for basic skills, helped to create a long, deep decline of business education in Boston:

¹⁶ Marie Harris 2,2.

What was once a vital part of the school system and a primary method of getting kids into jobs is not any more. It was more due to a change in attitude about business education, which was traditionally mostly female.... Because of very low test scores there was lots of pressure on teachers to pass citywide curricular tests to ensure that everyone is moving along together. At the high school level it fostered and ensured an elitist approach to education, that the only thing that counts is meeting the grade in terms of meeting high school requirements, and [there was] nothing on business education, keyboarding, or vocational education in the requirements.¹⁷

The goals encouraged administrators and principals to cut back on business education.

Meanwhile, computer education has moved into the Boston schools. The objectives of the instruction, however, have apparently been controlled by educators who have stressed conceptual understanding of the mathematical and technological aspects of computers and limited using the equipment as a tool for learning to use the keyboard. While the higher educational purposes may be well justified, learning how to type on a keyboard is a vital step toward writing with any speed through word processing. With computers proliferating in college-level education, in any job that involves writing and in technical jobs, knowing how to type is too basic to miss and no longer tracks students into a lower path.

Currently a modest program in business education with a couple dozen students survives within the human services division at Boston's Madison Park Humphrey Center High School. Madison Park is now the centralized site of vocational education programs that used to provide students citywide with vocational training (the old Humphrey Occupational Resource Center). It now operates as a vocational high school that students generally choose to attend before beginning ninth grade.

The fall of business education programs has led to this kind of course work moving up more to the community colleges and junior colleges in the post-high school system, where proprietary schools and women's colleges have long been providing similar kinds of training for those who could afford it. This development has increased the danger of wasteful credentialism, by which firms heavily favor job applicants with some post-high school credentials even when they are looking for skills that could have been gained in high school. In fact, as will be discussed later, a number of firms in financial services, including some that I investigated, have cut their hiring of high school graduates down close to nothing and focused for their less skilled jobs on graduates of two-year colleges. In addition, companies

¹⁷ Terri Thomas 1,2.

have increased training in secretarial and computer skills. The fall of business education and the demand for more advanced office skills combine to create one of the more simple opportunities for expanded school-to-work transition programs.

III. HIGHER SKILLS

The remaining sections of this chapter examines perceptions about more subtle skills. Beyond basic skills of math and literacy and office skills like typing and spreadsheets, human resource people claim that more sophisticated skills are equally important on the job, including analytic thinking, communications skills, work ethic and self-management. These more complex skills include abilities like problem solving and writing that almost everyone would agree to as proper goals of education.

But the development of the more subtle skills can also lead to delicate questions about the goals of public education and the proper role of business in shaping the agenda of the schools. To what extent would business try to limit the schools' attempts, for example, to teach students critical thinking skills that might help them to question authority? How much should the schools train students in behaviors and attitudes that will help them fit into the corporate world, including style of dress and work habits? Should schools teach students to speak a standard style of English that may differ from the English spoken in students' communities? Understanding different answers to such questions and developing a vision of school-business collaboration depend in part on appreciating the business perception of the more subtle skills in some detail, as outlined in sections III and IV. We also need to understand the increasing demands on these skills that result from efforts to re-structure the organization of work for increased productivity, as discussed in Chapter Three.

1. Problem-solving, analytic skills, and the big picture

In my interviews people talked about a number of distinct but related "thinking" skills. Some people spoke about the need for analytical ability, others about problem-solving skills, others about holistic thinking. What do these terms actually mean in terms of managers' hopes about workers' abilities? One aspect seemed to be employees' ability to work with little supervision. One recruiter explained that almost all entry-level jobs require some "technical analytical" skill, "being able to think on the job...being able to follow through on things without much supervision," and complained that high school students are "not coming out with that kind of skill."¹⁸ As will be discussed later, the "delayed" or less hierarchical firm needs workers who can perform with less supervision.

¹⁸ Marie Harris 3,2.

Requiring less supervision in turn demands workers to understand the larger picture of the work process, for example to understand what is happening with the information they are generating or to interpret data that they receive. Yet, as one training director sees it, the ability to see the larger picture is lacking among workers:

In general, the sad thing is that people don't know how to think, to combine data into a holistic picture.... People don't seem to know how to draw together information and reach a conclusion.¹⁹

From a trainer's perspective, however, the problem is not necessarily that people are not interested to develop their mental skills. One trainer described the enthusiasm for courses that focus on thinking skills. A course in reading and thinking critically "was so successful that I'm doing a creative problem solving course... Many have never had the chance and they're thirsting to learn about the thinking process."²⁰

The belief that schools have failed to develop the ability to think holistically, to understand the larger picture, was held strongly by the same training director. He complained that high school courses are still too compartmentalized, with too little effort made to draw connections, for example between history and literature, that would help students develop their ability to think holistically.²¹ While wishing for more business education in the schools, he showed a fairly enlightened hope for a broader education that can't be provided by corporate training:

I don't think you should study business in a void. Those classes should be taught by individuals who can build that holistic thinking, so if you have *A Tale of Two Cities* it's taught by a pragmatist...smart enough to read and interpret what Dickens means and get people to think to be more conscious and to see the correlations between that and the business world, the theme of economics. If some of that groundwork were laid when they came in....

I think they get more bang if they put them in a holistic way of learning about business education... I can't do that for them. I couldn't start off with

¹⁹ Robert DeSousa 2,5.

²⁰ Cindy Paige 2,2.

²¹ Robert DeSousa 2,5.

English literature here...that's something I can't justify. However, I think that's how you learn to think.

We're under the gun. We've had projects of groups of 20 people learning to become secretaries. You could care less whether the secretary comes back knowing Dickens, you're looking for typing x number of words per minute. Your plate is full. Whereas they spent all these years in school and it's a shame they come out of there and have no exposure to those things.²²

If holistic thinking is drawn out further however, it leads not only to the big picture of understanding the firm's operations but also perhaps to the still bigger picture of how the firm is treating its employees and what role the firm is playing in society. And critical thinking can extend from evaluating the validity of conflicting sources of data to questioning the legitimacy of corporate control and influence over public and private resources. If the public schools are to fulfill their triple role of training workers, preparing citizens and educating people of culture, then students must learn when and how it is appropriate to challenge authority, power and tradition. If cooperation between business and schools is to grow, then the question of how to reconcile the potential conflict between educating citizens and workers is sure to grow.

For some the answer lies in having unions as an equal partner with business and educators in developing curriculum or controlling funds for worker training and broader education. Where union organization is mostly lacking, as in insurance and other financial services, then the question demands again to be addressed in the development of programs that seek to integrate the work of schools and businesses.

2. Communication skills

The bland label of "communication skills" covers some unexpected issues of race and class. The controversy surrounds styles of speech, but let us first briefly address writing, which is more frequently cited in general discussions of education as a weak basic skill. Writing skills can probably be divided into two rather different levels. On the one hand are lower-level writing skills of spelling and punctuation that allow word processors, secretaries and other workers to more quickly produce cleaner drafts of memos, letters and customer information. One enthusiastic supporter of a company's jobs program for high school

²² Robert DeSousa 4, 1-5.

students earnestly described deficits at this level as significant: "Spelling is a terrible problem!"²³

At a higher level is the ability to compose memos, letters and reports. Compared with reading and working with numbers, many fewer workers need to be able to write, so the lack of writing ability is, in numbers of people, a smaller problem. Nor has writing ever been a task through which most literate Americans have breezed. As one training director explained, company courses to improve writing have been around for so long that they don't reflect much of a change in workers' skills or demands on these skills.²⁴ Said another training director:

Some of the assessments of students say they can't write, but the person writing the assessment can't write. It's like the blind leading the blind.²⁵

The much larger language issue that has drawn my attention is perceived problems in spoken communication, especially the racial and class aspects of perceived speaking skill differences. Several interviewees described the graduates of Boston Public Schools as particularly weak in oral communications skills.²⁶ The need for higher level communications skills was described as one of the main reasons that some companies have moved away from high school graduates to people with some post-high school.²⁷ From the company's perspective, speaking skills can be vital for interactions between the company and customers and for exchange of information within the company, both of which become more important as firms try to become less product-driven and more customer-focused. The circumstances, desires and reaction of customers need to be understood, then reported up the ladder to managers who can adjust products to better meet customer needs.

Interviewees readily described to me some problems with communications skills, though I came to suspect that the more fundamental problem is racial and class differences in language, an issue not readily understood or discussed. Workers speaking English as a second language (ESL) create a well recognized challenge which is being met by increased ESL classes. Cultural differences are also described almost as comfortably as the ESL

²³ Ann Barron 5,8.

²⁴ Lorraine Peterson 4,6.

²⁵ Robert DeSousa 3,5.

²⁶ Ellington 2,3 and Doane 3,1.

²⁷ Ron Ellington 1,6.

challenge. Twice in my research I heard that Haitian workers avoid looking supervisors in the eye as their proper way of relating to superiors. I also heard about modest East Asians' hesitancy to play themselves up in interviews, as well as their eagerness to study.²⁸ The comfortable manners in which these nice stories of comprehensible cultural difference were told contrasted with the cautious ways in which people discussed sensitive issues of language, race and class.²⁹

The more subtle but probably more important area of communications and cultural problems may lie in the verbal skills of native English speakers. One recruiter explained that she looks out for inability to make points directly, to explain clearly and to speak in complete sentences.³⁰ For another recruiter weak verbal skill is one of the important weaknesses of Boston high school students. She described interviews with Boston high school students as "a very tricky kind of thing, because the kids tend to be real quiet and a lot of them are not very articulate."³¹ My impression has been that the perceptions of poor communications skills reflect deeply held values about race and class by which the speech styles of people from lower-income backgrounds are discriminated against in the business world, and the speech styles of less educated black workers and job applicants are especially judged as undesirable in the workplace.

While Americans can be quite sensitive to either racial and class differences, the potential of the two together to create distance between people and shape behavior is quite powerful. Language acts, I believe, as a key way in which differences of race and class are expressed and appreciated. On the one hand black job applicants or workers who have learned to adopt the accent and speech standards of middle-class white speakers may be well received by Boston insurance companies, which from my interviews appear eager to hire and promote non-white workers. On the other hand those who do not express themselves well in white English are likely to be excluded or kept at entry-level jobs. As workers move up the corporate ladder, the need presumably increases for speech that sounds more middle-class, educated, and professional. As one developer of corporate training described it, her secretary feels she has to be "bilingual" to make it in the company.³² Issues of workforce racial demographics and language issues in school and workplace will be raised again in later chapters.

²⁸ Landen and Paige.

²⁹ Sonia Kumar and a speaker at a Boston skills conference.

³⁰ Landen.

³¹ Ellen Doane 3,1.

³² Jennifer Kendall.

IV. SELF-MANAGEMENT SKILLS AND WORK ETHIC

Self-management skills, including punctuality, reliability and dressing appropriately, were frequently mentioned to me as important skills that high-school age workers must learn in order to fit in to the business environment. Many interview subjects saw broader attributes like showing a positive attitude and putting in a strong work effort as particularly important traits that are often missing among young workers.

Frankly the skills they lack the most, and they're hard to define or teach, are attribute skills, the ability they have for attitude. I don't know what it is with students today. Attitude, dependability, flexibility, attendance — those are hard skills to teach anybody.³³

A problem often described to me as related to work ethic is turnover. Recruiters and others tend to see reduced work ethic as part of the reason why turnover was so high, especially in the late 1980s. On the one hand, people in the industry recognize that jobs in insurance are not perceived as very exciting; on the other hand, they judge young workers as expecting to get ahead too fast. Comparing insurance to the supposedly more exciting world of finance, one recruiter said: "Jobs here aren't sexy, not like Fidelity in its heyday. People have to learn to be patient."³⁴ The problem was perceived, especially in the late 1980s, as a scarcity of workers' willing to stay long enough to learn the job and work for some while, say two years or so. The perception continues that too many workers are expecting promotion and responsibility much sooner than it is available. As another recruiter said: "A lot of kids make the mistake coming in entry-level and they feel they need to grow and grow fast."³⁵ In the words of a business educator: "They all want to be chiefs."³⁶

One vice-president for human resources evinced a delicate balance of skepticism about the reasons for managers' complaints about the work ethic:

Is it [because] the work ethic is not the same?Many of the more traditional managers here a long time will say that things aren't the same as they used

³³ Marie Harris 3,2.

³⁴ Ellen Doane 1,6; Lorraine Peterson 3,4.

³⁵ Marie Harris 3,5.

³⁶ John McGrann.

to be, the work ethic has gone to hell in a handbasket, people don't work like they used to.

She then moved from describing other managers' perceptions that she does not hold to explaining managers' views she partly shares, partly doubts:

People have grown up with an entitlement mentality and think we will give to them but don't realize they have to do something in return. That's typical, as we get older, we tend to ascribe worse motivations to the young. I think that this is partly it, that people we're hiring now don't have the same sense of gratitude for a nice safe clean environment compared with people hired in the generation before. The world has changed.³⁷

V. COMPARISON WITH A NATIONAL SURVEY

It might be useful to summarize my findings on perceptions in Boston's insurance industry of lacking skills and put them in the context of the national findings reported in *America's Choice: high skills or low wages!* about employers' perceptions of skills. Check out the chart below:

National sample: <i>America' Choice.</i>	Boston insurance sample: my research.
80% primarily concerned with work ethic and worker attitude	all concerned with work ethic and attitude, but other concerns too
a few firms concerned with literacy and math	insurance is concerned, especially with math
educational level not usually a concern, but high school is often required as sign of staying power	advanced education is required for some jobs, and even for less skilled jobs post-high school is often required.
15% mention occupation-specific shortages	all have experienced shortages of secretaries

³⁷ Yvonne Gordon 1,3.

In terms of perceptions of skills, it would seem that the Boston insurance companies that I have investigated fit into the pattern of most companies with their strong concern with work ethic and worker attitude. But the insurance companies also showed considerable concern with general intellectual skills and specific occupational shortages, thus placing themselves among the minority of firms that are concerned about skill problems in the workforce beyond work ethic and attitude.

Insurance companies are also among those that actually are concerned with educational level, in part because they recruit substantially among graduates of four-year colleges. For lower-level jobs, insurance companies unfortunately also fit the pattern of many firms by using educational achievement more as a sign of staying power than actually being concerned with what has been learned. More than the average firm as described by *America's Choice*, Boston insurance companies have also tended to move the standard up, using attendance at a two-year college as a sign of staying power even though high school education used to be considered adequate for the job.

Chapter Three

PERCEPTIONS OF SKILL SCARCITY: NEW SKILL DEMANDS AND EXPECTATIONS ABOUT THE LABOR MARKET

INTRODUCTION

While industry perceptions of weak or declining skills in the workforce form an important side of perceived skill scarcity, the other side is the increasing skill demands placed on workers in a changing workplace. Changes in the workplace and new skill demands are so apparent to people in the industry that a number of my interview subjects brought up this issue on their own as part of their understanding of the skills problem.

Most of my interviews brought out a strong sense that jobs in the insurance industry are getting significantly more difficult as competition forces companies to adopt new computerized information technologies, to reduce the size of the workforce, and to provide less supervision for more complex tasks. Firms want employees to take on more responsibility and, in business parlance, to be quality-conscious and customer-responsive. Increased skill demands appear strongly to result from the competitive environment that demands automation and downsizing, rather than originating from a basic strategy of fostering skill development.

The current sharp recession in Boston has drastically eased companies' labor market problems — they're hiring little and have plenty of qualified applicants for jobs they were struggling to fill just a couple years ago. Yet most people in employment or human resources expect to find themselves soon back in the difficult labor market of the late 1980s and to be facing the growing skills shortage predicted by *Workforce 2000*. They expect, correctly or not, continued increases in skill demands, a greater reliance on non-white workers, and growing needs to invest in training to help workers meet skill demands. And so the understanding of the skills problem held by my interviewees is based not only on their experiences but also on the well-publicized concerns of labor economists about the likelihood of a growing skills mismatch.

The first half of this chapter examines in detail the new demands on skills. The second half looks at how expectations about the labor market help to determine understandings about skill scarcity.

I. NEW SKILL DEMANDS

1. The changing industry

For someone who has been reading about and discussing topics such as economic restructuring and flexible specialization, conducting interviews in the insurance industry in Boston brings a curious experience of moving from theory to reality. The decline of the internal labor market, the effects of new technology in the workplace and the economic difficulties of the service sector in Massachusetts are all living topics out in the business world. My surprise, however, came not only from seeing that people in the industry are in fact struggling with many of the issues that the students of the field write about, but also from how the best known studies in the field have, for better or worse, seeped into people's thinking about their work.

Fundamental to the changing industry is a sense that competition in insurance is sharply intensifying. In part this competition comes from the great growth in personal investment services that threaten the position of life insurance as a basic of American family finance. For the casualty and worker's compensation side of insurance, the current regulatory environment is seen as a key condition that makes achieving profitability extremely difficult.¹

A set of four related themes about how the insurance workplace is changing emerged repeatedly in my interviews: automation, customer responsiveness, downsizing, and delayering. I take the trouble to specify what I mean by these developments without documenting them in detail because, while they are not the focus of my study, they structure my understanding of how the insurance industry is changing and demanding increased skills.

1) Increased competition has spurred rapid technological change, especially **automation** of the vast data processing functions of insurance, which are moving from the paper-based systems of the past onto continually evolving computer-based systems.

¹ Yvonne Gordon 4,1.

2) Competition has also pushed management into an explicit effort to develop a quality orientation within the firm that stresses **customer responsiveness**. Customer responsiveness involves a more positive attitude and tone with customers, more diverse products and faster service helped by new information technology.

3) Competition and automation together have produced significant **downsizing**, that is, attrition and layoffs leading to a smaller workforce. Competition stimulates the desire to cut labor costs and automation is seen as a way to achieve the workforce reductions.

4) The push for improved customer responsiveness and downsizing have together encouraged **delaying**, or the reduction of levels of bureaucracy and an effort to shift responsibility down the hierarchy of the firm and to provide less supervision. It is unclear to me whether delaying is a strategic choice or a necessary result of customer responsiveness and downsizing.

All together technological change, customer responsiveness, downsizing and delaying have caused increasing skill demands. It should be remembered that the following observations about the effects of change within the companies are, in keeping with my focus on perceptions, the understandings of my interviewees.

2. Technological change and effects on skill demands

Automation of information processing can of course increase demands on workers to be able to use the new machines. This can be seen quite easily in terms of the number of courses being taught in computer systems and software for wordprocessing and spreadsheets. On the other hand automation can reduce skill needs if the old technique demanded more skill.

At the low-skill end, the big shift from paper-based information to computer-based has often led to the replacement of paper filing jobs with data entry positions. Some of the same data retrieval work can now be done by the users of information themselves, for example telephone sales staff entering their own sales data into a computer-based system instead of file clerks retrieving and returning files. New information technologies have likely also helped companies move the large form-processing operations or "factory work" of the insurance industry out of headquarter offices into satellites offices, thus reducing the demand for low-skilled clerical workers in Boston.

In sum, however, automation in the insurance industry seems to increase skill demands, in part because if the new technology is to save labor costs the laborer must handle more data and do so through a system that demands a more abstract understanding

of the information and how it is being handled. The worker needs to understand more, to have a more holistic understanding of the operation. One human resource director, asked about whether labor-saving technologies were reducing needs for skills, responded:

No, it's actually increased the skill. Because what we're talking about is instead of people processing with paper, filing paper, sending paper, we now have people who need to understand how that information gets processed through telecommunications, through computer systems and networks. While the skills out there seem to be going down...our skill needs are increasing.²

An employee who performed well under an older paper-based system of data processing, for example, might not have the conceptual understanding of the data to handle a paperless, computer-based system for the same information. The adoption of new technology can not only increase skill demands but also uncover pre-existing skill deficits, for example lack of holistic thinking. Some older workers were described by one training director as afraid of being discovered in their lack of understanding of their own work:

We've still got people coming in with deficiencies. But old standard routines are changing and people are getting found out. For example someone comes in to interview you about how something works to set up a system and you're *found out*. It's happening in many different ways. There's a group that is both afraid of new technology and of being found out that they don't really know what they're doing.³

The difficulties of implementing office automation can make managers aware of skills lacking among workers, or even among managers themselves in introducing new technology to the workplace. The vice-president for human resources, Yvonne Gordon explained:

Those who relied on people with flexibility to handle changing needs for office skills noticed that it was taking them a longer time with more people, or that things that we thought would shorten the time and we would be able to do things with less people was not really giving us the promise that we thought we were going to have. So, for example, if you put the tools on someone's desk, a computer, a fancy telephone etcetera, it doesn't seem to change the work. Is that because we haven't done a good job in introducing

² Yvonne Gordon 4,2.

³ Robert DeSousa 1,6.

change the work. Is that because we haven't done a good job in introducing people to those tools and showing them how to use them properly?...or is it because people lack the basic skills to be able to use those tools?⁴

Further skills demands are created by the rapid pace of changes being made in different departments simultaneously. Communications skills need to be stronger if changes in one part of a firm are going to be coordinated with changes in another part.

Integrating what you're doing in one department with what's going on elsewhere is harder because what others are doing is changing a lot, so you can't rely on what you knew they were doing last year.⁵

New technology, no surprise, is used not only because it can improve customer service, but also because it can cut costs.

Oh yes, no question about it. Labor is our biggest expense, and in an industry where... regulations control premiums and losses are not within our control, the only thing we have any measure of control over is expenses, primarily things and people, mostly people.⁶

3. Customer responsiveness, delayering and skills

Increased responsibilities for workers with customer contact is an aspect of both delayering and customer responsiveness. Demands on workers for communication and other skills are believed to increase as a result. In the thinking of one human resource executive:

Yes, most businesses are changing management philosophy. The idea that the big guys at the top make all the decisions and everyone else just follows orders is obviously not a very effective way of doing things, especially in a business that is focused around satisfying customers... The best people who know what that means are the people who deal on a daily basis with the customers. Most big companies like us are in some process of changing from traditional top-down structure to essentially turning that pyramid upside-

⁴ Yvonne Gordon 2,2.

⁵ Yvonne Gordon 3,3.

⁶ Yvonne Gordon 4,1.

down, becoming customer-focused and asking for much more communication feedback from the people dealing with the customer.⁷

In this way of seeing a company's challenge, customer responsiveness and delaying, especially pushing responsibility down, are intimately related.

Lorraine Peterson, a training director at a different company expressed the least concern among my interviewees about skill problems in the labor pool. She sees the push toward customer-focused service to be much more important than the perceived shortage of skills among entry-level workers:

The company's main focus at the moment is the revolution in customer service. If I were to say what's affecting the workplace, it isn't the entry-level scarcity, it's "Are our people customer-focused?" The issues are really business issues. What do we need to do to train people to be customer-focused?⁸

Peterson believes that "the changing business environment" is increasing the demand for "people skills," "flexibility" and "responsibility."⁹

Others, who judge the shortage of skills as more important, tend to view changes in corporate style and skills problems as being more interconnected. Someone at the same company who has done minority recruitment suggested that the new approach has increased the company's need for social, verbal and computer skills, while demand for traditional clerical skills has declined.¹⁰

A skills trainer at a third company emphasized how pushing responsibility down the hierarchy demands that workers use a wider variety of skills, including self-management:

In a job that requires you to deal with customers, you used to be able to shift problems to a supervisor, but now there's less supervision, they want you to handle it start to finish, and with a quicker turnaround. They want you to think more critically, be more independent.

⁷ Yvonne Gordon 3,2.

⁸ Lorraine Peterson 1,8.

⁹ Lorraine Peterson 4,7-8.

¹⁰ Ron Ellington 1,6-2,1.

Many jobs require you to do five or six different things or may be very complex, for example [working with] different policies.... Many jobs are more project-oriented. Where you used to do a piece, for example type something, now it's Pagemaker [the desktop publishing software] and you put out the whole thing and get a flyer together, not a single rote function.¹¹

The importance of skills lacking in the labor market and the connection between new skill demands in the workplace and skills shortage appear to be understood in different ways by different interviewees. Yet as I spoke with more senior people I formed the impression that, at least in the short run, the re-orientation of corporate culture is seen as a broader, more daunting challenge than the skills shortage in the external labor market. In part, this is because companies must adapt in the competitive environment largely by changing the attitudes and practices of their existing workforces. Hence efforts to push the whole workforce to embrace more responsibility, customer responsiveness and attention to quality appear widespread in the companies.

These efforts include training of top and mid-level managers and supervisors as well as programs to propagate the new spirit throughout the workforce with pamphlets, posters, training and, perhaps most important, new work practices. A casual remark suggests how the push for a changed culture has dripped down from one company's business strategy into the hallway conversation. As I walked from one interview to another, I overheard a man joke to a woman that someone was calling him, "John Q Williams, Q for *quality*."

4. Delaying and downsizing

Just as technological change can support both customer responsiveness and cost-cutting, so delaying appears as a strategy both for better service and for cutting the wage bill. Delaying can simply be the other side of a coin with downsizing. Downsizing and delaying seemed intimately related to one trainer:

The basic push is to make people more independent. Everyone seems to feel they have more put on them but less supervision. It's a direct result of downsizing. Everyone has to do some more and there are fewer people to get supervisory help from.¹²

¹¹ Cindy Paige 1,3 and 4.

¹² Cindy Paige 3,7.

Thus companies may push responsibility down the levels of a flatter hierarchy and ask workers to perform a wider variety of tasks not only because this contributes to customer-responsiveness but also because it saves money by allowing the company to retain fewer people responsible for the old workload.

With reduced numbers of employees, the workload must be concentrated on the remaining hands and heads. Delayering and downsizing work together to cut labor costs. The result, it would certainly seem, is again increased skill demands. In addition, delayering reduces vertical mobility within the firm, which makes it more difficult to motivate workers with the possibilities of promotion. Said Peterson:

There is definitely going to have to be lateral movement, growth that is not promotion, other rewards for hard work. We have a lot of baby boomers, a very young company with constraints about where you can go. There's going to have to be lateral transfers, rotations, creative solutions.... And that's an education issues for managers. How do you keep people challenged who are good and you want to keep but you can't promote?¹³

All three companies that I investigated have had significant workforce reductions over the past few years. One company, for example, cut its home office staff from about 3,500 employees in 1985 to a current level of 2,600, a drop of one-quarter. The lower level clerical jobs, which high school grads used to get, were among the most reduced; even with a shrinking overall force, the number of "professional" job positions rose significantly. This shift was understood to increase the need for people with strong social and verbal skills.¹⁴

Another, somewhat larger company has shed slightly larger number of workers at its Boston home office over the 1980s, for a 20 percent reduction, with proportionally similar cuts in the large field workforce.¹⁵ Downsizing has sometimes been pursued aggressively, with substantial layoffs at one time, while other downsizing has been accomplished more gently through attrition and limited replacement of departed workers. Said Peterson: "Now it's always asked, do we need to replace in this position?"¹⁶

¹³ Lorraine Peterson 3,4.

¹⁴ Ron Ellington 2,1.

¹⁵ Robert DeSousa 2,6.

¹⁶ Lorraine Peterson 2,3.

II. EXPECTATIONS ABOUT THE LABOR MARKET

People in human resource departments have several futures to think about: the short-term condition of the labor market, say over the next six months; the medium-term market conditions, say over the next one to three years; and the more remote future of the labor market to the year 2000 and beyond. I didn't elicit much talk about the short run, which may be too close for people to imagine much departures from current circumstances.

I focus here, therefore, on the medium term, where the cyclic nature of the Boston economy is probably the main source of change, and on the long term, where workforce demographics come into play as an additional variable. My sense overall is that my interviewees tend to judge the future with two questionable assumptions: that the Boston economy is eventually headed back to its glory days of the mid-late 1980s, and that the predictions of national demographic changes in the workforce are directly applicable to the Boston labor market.

1. Cyclic nature of the Boston labor market

Interviewing people during the pits of the recession of 1991 helped bring out a curious mix of reactions to economic conditions that seem particular to personnel and human resources. On the one hand, recruiters were quite happy about how much easier their work has become since the very tight labor market of the mid-late 1980s has given way to the painfully loose market of the current recession. At the same time, recruiters seemed to see themselves as human resource developers, eager to help people into jobs and careers that will meet workers' needs.

Recruiters' pleasure about the current ease of finding good applicants is tempered both by their sympathy for the difficult conditions that job seekers face and by their expectation that the job market will swing back to favor job seekers. Recruiters know the market not only by their own efforts to hire but also from information they gather about other firms. My first interview immediately provided some of the mixed flavor of the recruiter's view:

It was harder [to find skilled applicants] but now we're reaping the benefits. People are applying who under *normal circumstances* wouldn't apply. Five people for a filing clerk's job, \$12,000 a year. But the problem is going to resurface. It's tempting to say now we have no problem because of the bounty....

It *was* more difficult to get people...and now you say nineteen five [\$19,500] and they say great... We're always doing salary surveys, I mean every year, even more often, looking to other companies within the industry.¹⁷

The idea of "normal circumstances" is apparently held by another recruiter, who sees the current situation as "artificial":

There certainly has to be change. We're now in Massachusetts pretty hard hit by recession. We're flooded by qualified candidates and there's not a lot of hiring. As recruiters, we all know this is an artificial market, and those that are going on beyond it, looking at ways to get the appropriate labor force in the future are those that are going to survive in the future. We all know that.¹⁸

The same recruiter, speaking of the unusually high level of skills that can now be found among temporary workers:

Right now, artificial as it may be, they have a high level of skill but they're performing at a very low level for their skill level. It works to my advantage that I can get them for the money that I want. But I'm sure that's artificial. I'm sure there will not be that luxury in the future.¹⁹

It may be fair to expect that economic conditions in Boston are inevitably headed for improvement. But the people I interviewed seemed to feel that the city's economy would fairly soon be headed back to the kind of situation that prevailed in the mid to late 1980s — extremely low unemployment with immigration limited by high housing prices, together producing a very difficult labor market for employers. My reading, however, of the recent literature on the Massachusetts economy and the figures about how different sectors of the state economy have fared over the past decade casts doubt on this expectation.²⁰ The very high levels of employment in the past decade seemed to be based in part on an unusually

¹⁷ Ellen Doane 1,5 and 2,3, emphasis added.

¹⁸ Marie Harris 1,3.

¹⁹ Marie Harris 7,1.

²⁰ For example, Richard F. Syron and Lynn Browne, "One View of What the Future Holds for New England" *New England Economic Indicators*, 1989, pp. iv-xiii; Bennett Harrison and Jean Kluver, "Deindustrialization and Regional Restructuring in Massachusetts," in *Deindustrialization and Regional Economic Transformation: the Experience of the United States*, edited by Lloyd Rodwin and Hidehiko Sasanami (Boston: Unwin Hyman, 1989), pp. 104-131.

expansive construction sector that boomed tremendously even after core manufacturing had been sliding for years.

While the anticipated spending on big capital projects such as the Central Artery, Third Harbor Tunnel and cleanup of the harbor should help the economy some, especially boosting wages in the construction sector, it may also produce some negative effects on manufacturing, especially of goods exported from the state, which may be sensitive to the bidding up of wages. Further, any improvement of the national economy may not be felt so greatly in Massachusetts, especially if the minicomputer industry based here remains weak, defense spending stays level or declines, and the state remains cautious in its overall spending and contribution to economic development. In banking and financial services, local economic weakness and increased national competition spurred by deregulation may pose further challenges to the state's large service economy. It seems more likely that the state is headed to a position at or below the national average in economic performance — its usual position in this century — than back to the boom years of the '80s.

2. Workforce demographics

The composition of the Boston-area workforce, in terms of gender, race and educational background, is seen by my interviewees as a critical context for their efforts to recruit and develop personnel. I would agree that area demographics help determine the kinds of solutions companies use to address their skill problems. Perceptions of the demographics matter too, affecting how companies choose between different approaches such as relocating, training, requiring different educational levels, or focusing recruitment on different segments of the population. Some of the expectations about workforce demographics, however, may be more due to the literature on national demographic trends and not so relevant to the Boston insurance industry.

A rough sketch of the current workforce in the insurance industry gives us a sense of what the companies are working with. In general, the firms could be described as typical for large U.S. businesses. White men hold a preponderant share of mid-level management positions and older white men dominate in the ranks of top management. A strong tendency to promote from within has created a substantial core of employees with long tenure who in earlier years enjoyed rather secure jobs, albeit with modest pay, in a fairly unpressured environment. The new competitiveness and innovation in the industry have increased hiring mid-level people from outside the firm, reduced job security and increased pressure on workers.

Large numbers of young women, many commuting in from the neighborhoods and nearer suburbs of Boston, work in the industry's middle and lower levels, some working

their way up or into secure positions for longer careers, others planning for shorter periods of employment until they have children to care for. Both women and black workers are over-represented at the lower levels of the job ladders and under-represented at higher levels of the firm.

The large insurance companies, like the banks, are concentrated in downtown Boston, though some of the largest are clustered around Copley Square instead of the financial district itself. The area is well connected by public transportation to the nearer suburbs, and, as New England downtowns go, is a fairly attractive place for commuting, and lunchtime eating or shopping. Driving into and parking in downtown Boston, however, is neither a joy nor an inexpensive outing, nor is a longer train ride on the commuter lines a fast, cheap ride. As one trainer put it:

For lower level production or mailroom workers, food service, records services, microfiche, my guess is we still rely heavily on Boston workers. There aren't too many people who are going to ride in from Salem on a T pass to do that kind of work. You've got to rely more closely on the center of town.²¹

On the educational side, Boston is known for good suburban high schools, a poor public system in the city itself, and a very large system of private four-year and two-year colleges, supplemented by a number of public state and community colleges. Substantial numbers of students come to Boston to attend school, not only the big name universities, but the *scores* of small institutions in the city and scattered around the area. The plentitude of higher learning institutions and the feeling that Boston is a hip place to stay and work after college means that many college graduates enter the Boston labor pool.

The expectations of almost all my interview subjects about workforce demographics seem to have been substantially affected by *Workforce 2000*, whose predictions were described to me repeatedly. One recruiter described the implications for her company's personnel policy:

We know what our future labor force is going to be like. We know it's going to be predominantly women and minorities. We know that we're going to have to target the inner-city school kids.²²

²¹ Cindy Paige 1,5.

²² Marie Harris 3,4.

Yvonne Gordon, the human resource vice-president, scoffed at people who hadn't yet seen the future:

I know we have a lot of disbelief about what the changing workforce will be. I don't know why we have that level of disbelief, since all the people coming into the workforce over the next ten years are already born.²³

These kinds of expectations may make sense from a national perspective, but the Boston situation seems different enough to merit more careful consideration. For one, the *Workforce 2000* predictions about the future workforce have sometimes been exaggerated by the focus on *net* changes in the workforce that make the decline of the dominant white male worker seem much more dramatic than it might actually be. While the number of white men entering the labor market may barely exceed those retiring and the number of non-white men entering will proportionately surpass non-white retirees in greater numbers (hence strong net effect), the majority of workers will still be white. And having a workforce that is nearly half women, while it poses challenges to companies in terms of day care and parental leave, probably does not pose the same kind of challenge involved in greatly increased racial diversity and reliance on traditionally less educated urban minority workers.

The reports and debates at a national level have certainly worked their way into the consciousness of firms in the industry, for better or worse, and shaped interpretations and expectations of the labor market. New initiatives will have to contend with this background. Yet new initiatives in school-business collaboration will also have to contend with the realities of Boston — perceptions of human resource managers notwithstanding. I suspect that graduates of the Boston Public Schools will remain an important component of skilled positions in Boston service sectors only if they can gain basic and more advanced skills they need to compete with more advantaged workers. Modestly good times will not be enough to make for good job opportunities in the highly skilled Boston labor market.

III. VARIED PERCEPTIONS, BY LEVEL NOT BY FIRM

In this section I first discuss what conclusions can be drawn about the relationships between firms' perceptions of the skills problem and their responses to the problem. I then examine an alternative way of analyzing firm behavior that evolved as I organized my observations — looking at how perceptions differ at the various levels of the firm.

²³ Yvonne Gordon 4,3.

1. Uniform perceptions and the link with responses

The more theoretical part of my original research purpose had been to test the hypothesis that a firm's responses to skill scarcity depend in part on the firm's perceptions of skill and skill scarcity. I hoped to see how perceptions could have a role somewhat independent of some of the more narrowly defined economic variables, such as location, mobility, market position and strategy, workforce composition and so on. Recognizing that these other variables could influence responses, I tried to limit their variation by choosing for study only firms in one industry, headquartered in Boston, and of large size.

I found, however, that while firms' responses to the skills problem have varied in significant ways, as we shall see in the next chapter, their perceptions of the problem and its causes are remarkably similar. People in all three companies perceive skills in short supply, including basic math and reading skills, office skills, broader thinking skills, communications, and self-management and work ethic. While different individuals emphasized different aspects, the range of the views expressed in each firm suggested that very similar understandings of the problem were operating in all the companies. Because these perceptions were found to be similar in all the companies, I have no basis in my evidence to support my original hypothesis that responses vary with perceptions.

Instead, my research has helped me to see how the perceptions of aspects of the problem vary *at different levels of the firms*. I also found other ways to explain why the firms' responses differ.

2. Perceptions at different levels of the firm

While my interviews were largely confined to people in human resource departments, I formed some understanding of how perceptions and decisions differ at the various levels of a firm. Information about this is found in different sections about perceptions and responses, including sections on basic skills, new skill demands and the impetus for training.

Perceptions about falling skill levels that came to be widely held in the companies originated sometimes with recruiters in their interactions with job applicants, at other times with middle managers. From my interviews I know that the perceptions of middle managers were shared with human resource people. Judging from the public statements and educational involvement of two of the three companies' top executives, the perceptions of both were passed up the hierarchy to top managers, who would have the least direct experience of skill levels among young workers. Who first became aware of skill deficits seemed to vary depending on the type of skill. For example, weakness in broader skills of conceptualization were noticed by managers who had difficulty getting workers to understand and use new equipment or procedures. And managers have certainly reported their perceptions

of weak work ethic to people in human resource departments. But recruiters seemed more aware of weak skills in communications, which could readily be perceived in interviews. Trainers tended to be very aware of basic skills deficits, which middle managers may fail to appreciate.

The top managers at insurance companies that have been actively involved in trying to affect the Boston Public Schools through the Boston Compact have gained perspectives in addition to what they might learn from information coming up the hierarchy. The efforts to help the schools have been persistent, but also frustrating, with some top executives most involved showing signs of disappointment with the limited results to date. While companies that have made big efforts are continuing their involvement, top executives now are more aware that improving the schools is a daunting task. The realistic among them must realize that they may need to learn to live with both a demographic squeeze and a poor school system by further developing their other options: more selective hiring, more recruitment of high-skill minorities, more family benefits, more training and more relocation of jobs.

People in human resource departments are perhaps most inclined to think about the demographics of the future workforce, which is expected to become more composed of workers of color over the next decades. The anticipated further decline in numerical dominance of white male workers of the workforce has presumably pushed human resource managers to develop the firm's potential to tap all sectors of the labor force, including workers of all backgrounds and women of all ages. These expectations, especially as they are shared by top management and communicated to middle managers, should contribute to a firm's efforts to recruit high-skill minorities, to promote sensitivity to cultural or ethnic difference, to help workers improve English language abilities, and to improve the schools that educate large numbers of minority youth.

The aspect of skill scarcity where top management should have had more awareness than any other level of the firm is in the increasing demands on workers caused by new strategic directions. The business strategy that included aggressive technological change, increased customer focus, and delayering and downsizing had to be approved and then pushed by top management. Of these changes, all would clearly demand greater skills except for the technological changes, which conceivably could have caused upskilling or deskilling. In practice, however, technological changes have overall increased skill demands. In discussions between top managers and human resource managers, the various implications of increasing skill challenges for recruitment, training and promotion must have been addressed.

One of the largest shifts was away from hiring mostly high-school graduates for gradual promotion and training to the higher levels of the firm toward a system of hiring many more graduates of four-year colleges and professional schools. And then standards were also raised even for less skilled jobs. With a higher proportion of workers in professional ranks, more professional level salaries would have to be dispensed. These more educated recruits could join the workforce with greater preparation and proven learning ability to fit the demands of the new business strategy, including more people trained in marketing, computer systems, investment, and actuarial studies that would be needed for the growing array of products and technology. While the reliance on external training was increasing through the recruitment of college instead of high-school grads, a need for more internal training could also have been anticipated by top management. The skills and values of current managers, professionals and less skilled workers would need to be adjusted for the new business.

We would need more indirect evidence or interviews with top managers to know how they came to understand the implications of strategic changes for the less skilled portion of the workforce. Some might have failed to consider how changes in business strategy would challenge less skilled workers, while others might have expected that most workers would adapt without much difficulty or recognized that significant actions by the company would be needed. In the company that is just getting into full gear with its push toward increased worker responsibility, I could see that the new strategy had caused increased awareness of the challenge created by changing business culture. The training director remains uncertain about how workers will adapt to more challenging responsibilities and whether increased training for managers and supervisors will be adequate to help workers make the transition.

Chapter Four

RESPONSES TO THE SKILL SCARCITY WITHIN THE FIRM

INTRODUCTION

Firms have a great variety of ways in which they can respond to the perceived problem of scarce skills. Before conducting interviews, I had identified six possible kinds of responses:

- 1) requiring new hires to have higher levels of education or testable skills,
- 2) offering higher wages to attract and retain more skilled workers,
- 3) doing more training and informal skill development within the firm, especially for less skilled workers,
- 4) redesigning work processes either to accommodate lower skills or to encourage skill development,
- 5) relocating some operations to an area where skilled workers are less costly, and
- 6) participating in efforts to improve public schools.

I understood these responses as efforts focused on different points of the process by which a company hires, trains, deploys and retains workers. In general terms, an employer can try to change who's being chosen to join the firm's workforce, to improve the retention of proven workers, to increase the skills of the firm's current workforce, to change the work process, to move to where skills are easier to hire, or to help the skill development of potential workers before they are hired.

From my research, it appears that five of the six general strategies have been used in at least one of the firms that I chose to study. My interviews have led me to believe that my original conceptions of the firms' option failed to anticipate specifically some of their actual responses. The unexpected responses, however, seemed to fit into my more general

understandings of the responses focusing on different aspects of a firm's labor relations. For example, while offering higher wages to attract and retain more skilled workers was not strongly emphasized in any of the companies, a variety of other efforts was being made to help attract and retain workers, for example offering strong family benefits, improving career ladders and providing more training. And while some firms have changed how they choose who enters the firm by requiring higher levels of education, they also have made special efforts to recruit high-skill workers of color and have used temporary workers as a pool of workers to recruit from.

The one strategy that apparently none of the firms I studied have used is redesign of work processes to accommodate lower skills or to encourage skill development. Redesign of work processes (described in Chapter Three as changing technology, improving customer responsiveness and delayering) was always described as a **cause** of increased skill demands that was itself required by increased competition. No one suggested that change in the work process is itself a strategy to address low skill levels. Despite what I heard, it may be that firms are reorganizing in order to reduce use of less skilled people, who are perceived to hinder the push toward customer responsiveness. That is, a firm's response to skill scarcity among lower skill workers may be to automate away from them and to operate with smaller numbers of more skilled workers. In the absence of evidence to support this, however, this view remains speculative.

In this Chapter four of the remaining five responses are discussed, with the following Chapter 8 focusing on participation in efforts to improve public schools. This chapter is divided into four sections that examine how firms have been screening potential new workers, attracting and retaining good workers, training to improve worker skill, and relocating to where skilled workers can more easily be hired. A final section considers what conclusions can be drawn about the relationships between firms' perceptions of the skills problem and their responses and discusses what other understandings of the skills problem were gained from my research.

I. SCREENING WHO'S TRYING TO JOIN THE WORKFORCE

Many efforts are being made to affect who enters the firms' workforces, to different degrees in different firms: requiring new hires to have higher levels of education, testing, recruiting better educated workers of color, limited increases in wages and benefits. This section examines how firms are trying to identify the workers they should hire.

1. Levels of education

In the past five years, insurance companies have dramatically cut back their hiring of high school graduates. Two of the three companies I studied have stopped hiring high school graduates almost entirely. "The Class of 1988, A Follow-Up Survey" suggests a drop in the number of Boston high school graduates employed after graduation by the insurance industry. In the year after completing school, only two percent of the surveyed graduates from the class of 1988 who were working were employed in the insurance industry, much less than the nine percent of the 1985 class that was working in the industry.¹ Employment in banking also fell: from eleven percent of those working from the class of 1985 to seven percent from the class of 1988. These decreases were balanced by increases in graduates working in retail (25 percent to 31 percent) and education, largely daycare (4 percent to 19 percent).

My interviews suggest that this sharp reduction was caused not only by the downsizing in the industry, as suggested in "The Class of 1988," but also by a clear shift, at two of the three firms, away from the old practice of hiring college graduates for some jobs and high school graduates for others. The new practice continues and expands recruitment of college grads but focuses on graduates of two-year junior and community colleges to the exclusion of high school graduates. Said a recruiter at one company: "It's pretty rare to hire someone right out of high school." Only occasional exceptions are made for a few students who have already proven themselves in the part-time jobs offered to the company's partner high school.

The challenging question about such a higher educational standard is, how does the standard serve a company's needs? Students of the economics of education warn of the dangers of credentialism, by which firms favor job applicants with more schooling not because higher skill levels are needed for the job but because the higher standard helps screen out job seekers less likely to stay on the job. The higher diploma suggests more "staying power," not more intellectual or technical skill. Even worse, completion of more education can be seen as merely a sign of greater socialization to keep quiet and follow directions. In both views, additional education is wasted because it serves to identify people with desired qualities, not to actually develop skills. Alternatively, completion of a two-year college program could be seen as a way to develop abilities to do more independent unsupervised work or of specific abilities like office or accounting skills. In this way, increased education at two-year college programs may be helping expectations of high school to fall as traits or abilities once developed there are now being pushed off to college; or it may simply be

¹ Boston Private Industry Council, January 1990, Chart 13. The 1988 data were based on a survey of 81% of the graduating class of 2600. About 40% of the class had dropped out.

helping students to learn more advanced skills they need in a more highly skilled labor market.

From some interviews I got the impression that firms feel they need to hire people with greater general skills, while from others I understood that firms want workers who are more mature and motivated. For example, the need for general skills was emphasized by an equal opportunity officer who argued that the need for advanced communication skills has limited the firm's ability to hire high school graduates.² The link between skill demands and higher educational requirements was suggested by a recruiter who used to target Boston youth for jobs that required only a high school education and now laments the disappearance of low skill jobs:

Those jobs are really dwindling down to non-existence. Even three years ago we had a lot of jobs for high school kids, mail room, delivering, photocopying, things that didn't need a lot of skill. We don't have those jobs anymore. They're non-existent.³

On the other hand, the phrasing a training director used perhaps gave some support to the darker view of education's social role to identify those who can better conform themselves to limited roles of student and worker. Without specifying task-related skills that were needed, she explained that as high school graduates have faded as an important source of workers, two-year colleges have become more important, "because some of our factory work, the processing of forms, needs a *junior-college type person*."⁴ From repeated references to employees unrealistic expectations about the opportunities for upward mobility and from the tone of remarks about worker maturity and attitude in various interviews, I sensed that firms favor graduates of two-year colleges in part because it helps them screen for workers with the desired staying power and ability to fit into the bureaucracy of the firm.

What is so striking about the increase in educational standards is that the firms stuck with the new approach even though the labor market got so tight. When hiring workers was difficult in the mid-late 1980s, the higher standard must have aggravated the problem of finding workers at the offered wages. Normally, higher standards would lead to higher wages, greater recruiting costs and longer job vacancies. The downsizing through attrition and slower hiring, however, relieved this pressure somewhat. And by no longer considering high school graduates, screening could help companies reduce the costs of interviewing,

² Ron Ellington 1,6.

³ Marie Harris 2,6.

⁴ Lorraine Peterson 3,6, emphasis added.

hiring, training and monitoring workers who were less likely to work out. Thus, while higher standards might add to the pressure of the company's labor scarcity, screening can function to reduce the costs to of finding and training the workers the company wants to retain.

One recruiter who advises several junior colleges on their business education programs argued that the shift toward applicants with post-high school education has resulted directly from the decline of education in the high schools. In this view, the decline there has pushed the acquisition of basic and business skills once acquired in high school up into the two-year colleges. A Boston public schools administrator with long experience with business education concurred.⁵ Asked if two-year schools are beginning to function like the high schools used to, but with a little more sophistication, the recruiter said:

No, they're less sophisticated, because I think they're lowering their standards. If you look at the community colleges and the junior colleges, anyone can go there now. You don't need grades because they're desperate for enrollment, so they had to lower standards and... the curriculum they're teaching them. I've seen their curriculum change drastically. They're teaching what the high school kids learned five years ago.⁶

My own conclusion is that increased skill demands in the workplace and perceptions of declining school achievement together can do much to explain increased educational requirements. Lower standards and expectations at two-year colleges may partly follow from low quality high school and partly result from social problems of poverty, family and community instability, limited job opportunities and public budget problems that are dragging down achievement at different levels of the education system. It appears that firms are also looking for proof of more staying power and ability to fit in. Two-year college programs provide a valuable way for firms to identify who has the skills and the attitude that the firms desire. As we shall see later, the perception that the Boston schools have recently been in decline may result more from changes in the labor market and increased schooling beyond high school than an actual decline.

The shame, of course, is that high schools do not appear to have risen to the challenge of training youth to handle the tougher service jobs, and firms may have taken the easy way of using the two-year college programs to meet their needs, reducing the pressure

⁵ Terri Thomas

⁶ Marie Harris 4,5.

on the schools to produce the skills high school grads ought to have. On the other hand, the shift from hiring high school grads suggests room for agreements between business, schools and colleges that would increase the potential of school-to-work transition programs that involve cycling between the latter years of high school, work in the industry and college study.

2. Testing versus credentials

In theory, testing of general skills could be used as an alternative to raising educational requirements. Testing of this kind could reduce unnecessary extra years of schooling and create work-related, economic incentives for students to work harder in high school.⁷ The firms I studied ran a gamut of possibilities of combining educational requirements and testing. While in two of the three firms that I studied, hiring of high school graduates was clearly described as *passee*,⁸ recruiters and managers at one firm said they were still hiring high school graduates for some jobs. Special care is taken to detect basic skill deficits in job applicants so that the company can avoid hiring illiterate workers. For example, applicants must complete forms at the personnel office to show that they can understand the forms without assistance.⁹ The VP for human resources explained that they were eager to avoid wasteful or discriminatory screening by educational credentials:

We've tried to stay away from what we perceive may be invalid educational requirements and tried to test skills. For people who are doing office jobs....we do typing tests, spelling, basic math tests. We try not to make assumptions based on educational requirements. You can get someone smart in school credentials but who doesn't necessarily have the ability to do the job. You can get into a real trap with high credentials rules that can screen out disadvantaged groups, minorities, who may be qualified for the job, and we really don't want to do that.¹⁰

As with communications skills and the changing composition of the labor force, racial issues are again seen as an important aspect of the various factors involved in hiring practices.

At one of the companies that now hires few people with only a high school education, the approach is opposite: hardly any tests are used beyond typing tests for secre-

⁷ See e.g. Robert Reich, "Reorganizing a partnership to help local schools," *Boston Globe*, June 23, 1991, p. A31.

⁸ Doane 2,3; Barron, Harris.

⁹ Company materials.

¹⁰ Yvonne Gordon 2,5.

tarial positions. In contrast, the other company that now hires few high school grads combines higher educational requirements with considerable testing, including tests for typing, word processing and data entry as appropriate.¹¹ To my surprise, the second company even uses aptitude tests:

All applicants coming in for a permanent position are given an aptitude test, which gives us an indication of what level to be seeking for them and where they will succeed, what area might be best for them.¹²

It would certainly be interesting to see how this aptitude test identifies job-related skills and how the specific skills firms are testing compare with educational objectives of the schools.

One other way that companies can screen workers is the use of temporary employees. In one company, a temp pool managed by the personnel office allows recruiters to get information about how potential permanent hires function within the firm.¹³ While the use of temporary workers in Boston service industries was almost certainly on the rise in the 1980s, my sparse evidence on this subject in the insurance industry itself does not suggest that this was an important strategy designed to address skill scarcity. Nor do the diverse approaches to testing suggest an industry pattern of skills strategy.

3. Overqualification

Insurance companies must struggle not only with finding people who are skilled enough but also with avoiding people who are overqualified. Because insurance suffers from the reputation of being unexciting, managers fear that well-educated employees will move on if they have the chance. One recruiter, asked about the tendency to prefer applicants with more education, said that there is also a "push in the opposite direction."

Jobs here aren't sexy, not like Fidelity in its heyday. People have to learn to be patient.... We're very careful about what kinds of grads we hire; it's not [a policy] in writing but in the judgement category. We look at a lot of state schools, local schools, we don't look at MIT for example. Even say at Boston College, we wouldn't favor a business major there, we'd prefer someone who majored in English or sociology. And we take a long hard look at junior colleges...because for a lot of our jobs you don't need a college degree. Their standards and expectations are going to be very high, probably beyond what

¹¹ Doane 1,9; Harris 6,8.

¹² Marie Harris 6,6.

¹³ Marie Harris.

we can give them, so it's not realistic to bring them in. It might be OK in our investment area, but not in customer service. You talk to customers, enter data, get to know the products, but it gets repetitive; someone from Tufts is not likely to like it for so long as someone from Salem State, [where there's] a different kind of student profile.¹⁴

The graduates of better colleges may leave too soon for flashier finance jobs to be worth the investment of hiring. Thus, an opposite credentialism — screening out people who have too fancy an education — sharpens the focus for a considerable segment of jobs on those who have some, but not too much, post-high school education. This focus, I believe, bodes well for the potential of school-to-work transition programs, since firms want to hire people with some variety of educational attainment within the range of what such programs can provide. Firms hire many people without experience or industry-specific training in insurance, so they expect to make considerable investments in their employees. They want to hire employees who can learn but who are not so highly skilled in general that the investment will be lost. Robert DeSousa, the training director summed it up well:

It may be worthwhile training people [with lower initial skill] rather than taking in people who are too qualified and you lose them. It's a tightrope...I don't know if you want to attract the cream of the crop.¹⁵

Yet judgements about what kinds of education make someone appropriate or overqualified may vary with race. Early in my interviews, I heard hints of how recruitment and expectations of employees are influenced by race. At one company one recruiter is avoiding graduates of the more competitive schools and even the business majors at a second-tier college; meanwhile, the affirmative action officer at the same company is recruiting for minority applicants at more academic schools, like Boston College, Boston University, the University of Massachusetts and Howard University.¹⁶

I wondered if perhaps firms are using a double standard by which higher academic standards are considered necessary to establish applicants of color as worth hiring and training compared with white applicants, for whom such education might even cause them to be overqualified. Perhaps these contrasts simply reflect recruitment for different kinds of jobs.

¹⁴ Ellen Doane 1,6 and 1,10-2,2.

¹⁵ Robert DeSousa 2,5.

¹⁶ Ron Ellington 1,4.

I asked for opinions on this question in several interviews. One coordinator of youth job programs suggested that the double standard is a problem:

I know there are some companies in Boston that make a real effort, for example, to go to Florida A&M, which has evidently an excellent business program and serves a lot of minorities.... When they're consciously seeking black candidates, they do go to the stiffest most prestigious programs, rather than to RCC [Roxbury Community College], where the standards are not really that great. So they probably equate [a candidate from a school like Florida A & M] with a white candidate coming through from one of the lesser colleges that may not be quite so stiff.¹⁷

Said Yvonne Gordon about the double standard:

That's always something that's irritated me. Whenever you talk about people who are nonwhite who don't fit into the mold we have traditionally hired from, for some reason when you mention blacks people start talking about qualifications. People never talk about qualifications when you talk about white males.

There is an inherent assumption that blacks aren't as qualified.... You hear this kind of thing all the time. There's an assumption of qualification until proven otherwise for white males. There's an assumption of *lack of qualification* for blacks unless proven otherwise.¹⁸

Yet she claims that she has tried to do things differently:

We don't expect higher levels of qualification from whites than from blacks. It's hard enough getting people in the first place.

II. ATTRACTING AND RETAINING GOOD WORKERS

Attracting and retaining desirable workers can help a company address skill scarcity, but cost is likely to be a problem. In this section we examine first the use of wages and benefits, then efforts to recruit high-skill non-white workers.

¹⁷ Joe Benet 4,2.

¹⁸ Yvonne Gordon 5,5.

1. Wages, benefits etcetera to attract and retain workers

A curious aspect of the supposed shortage of skilled workers has been the role of employers in its creation and aggravation. The shortage was to some degree created by the policy of labor buyers to not increase wages very ~~much~~ to attract and retain more skilled workers. On the one hand, complaints were widespread in boomtime Boston that there was a shortage of skilled workers. These complaints were echoed in my interviews. But when asked if significant wage increases had been made in various positions to bring in the labor and skill needed, people answered no. Significant wage increases had been made only in a few job categories, notably for skilled secretaries, of whom the shortage was most sharply felt.

For the idealizing neoclassical economist, a market equilibrates supply and demand *unless* some distorting influence, say a price ceiling, prevents their equivalence. It seems that the "skills shortage" consisted more of firms dissatisfied with the skills they were hiring, but unwilling, for most positions, to pay significantly more to attract more skill. Instead, companies found a variety of other ways to attract and retain workers who could provide needed skills. Perhaps companies feared getting stuck with elevated wages when the labor crunch eased.

One recruiter explained how rigid job structures could limit wage adjustments to attract good job applicants.

It's often difficult when you have a fairly large company, big enough to have all kinds of salary structures...you can't just say we really like her so we want to pay her more, so we want to start her at twenty-two [\$22,000/year] and everyone else is slugging it out at nineteen five.¹⁹

Robert DeSousa, the training director, seemed to suggest that the company was saving on wages in the short run but hurting itself by hiring less able workers. Said he, after dramatically turning off my tape recorder to emphasize his point, "You get what you pay for," with the implication that his point of view often went unheeded in hiring practices.²⁰

The insurance industry has mostly had a fairly modest wage pattern. The industry has provided secure jobs, on the one hand not demanding too much of workers, on the other hand not paying very high salaries. By hiring from within, companies gain some insulation from the pressures of the external labor market:

¹⁹ Ellen Doane 2,3.

²⁰ Robert DeSousa 2,5.

It's one of the trade-offs of being promote-from-within, we have not had the reputation of paying above-market wages. We haven't been way behind, but we haven't had to raise wages to attract mid-career hires because our traditional way of hiring is to hire people out of college who have never made money before really.²¹

When the scarcity of skilled labor became most extreme, however, some wage response was necessary. One area in which shortages were pronounced in the mid to late 1980s and wage increases were required was skilled secretarial positions. According to one recruiter:

When secretaries were a shortage their salaries all increased. Internally too, we gave every secretary a raise, to hold onto them. Like programmers, they're on their own salary.²²

But ways other than large pay increases were also found. The same recruiter described how refining job ladders could also be used to help retain people:

In '86 or '87 when the market was really tight and we could not get skilled secretaries for the price we could afford, our managers were yelling that they couldn't get a secretary to stay, because if they had the skills they wanted to be promoted up. So we looked at the [job] structure, and I looked at the outside market and decided it would be good to have a job description or family of job descriptions: when you learned more about the product line, were involved in more customer service, or more technical, you could go up levels.²³

By dividing one job level into several more finely distinguished levels, small promotions could be used to enhance workers' sense of growth after small increments in knowledge and responsibility that might previously have gone unrecognized.

Family benefits have also been used to help make jobs more attractive as part of corporate efforts to bring in and retain women who can assume some of the higher-level jobs

²¹ Yvonne Gordon 2,6.

²² Marie Harris 7,4.

²³ Marie Harris 3,7.

that men have dominated. One company has an on-site child care program with 200 slots, flex time, and even a program of field trips and other activities during school vacations for employees' children.²⁴ At another company, demographic projections in *Workforce 2000* encouraged consideration of improving not only diversity training, but also childcare benefits.²⁵

Training, which will be discussed more extensively below as a way to improve skills, is also seen as a benefit for workers that helps to keep wages under control.

The notion here is that we're paying people at the low end of the scale for that job because you're not experienced at doing that job. We're also giving you some value by giving you the training to do the job.²⁶

A training director described work-related college courses paid for as a benefit as something that "helps us get employees in the door."²⁷

Training can, however, give employees a little too much added value; then they're gone, especially in a tight labor market. Asked about poaching, one recruiter said it had been a problem in better times, but is much less significant now:

That's always going to happen....We have a very nice — the best — [computer] programming training class and we were losing them out the door. But it hasn't happened in a long time.²⁸

2. Recruiting high-skill non-whites

One of the important challenges human resource managers face is to recruit non-white workers into an industry that has in the past had few black workers in managerial ranks. Part of the solution is to train managers to supervise and help minority workers with more sensitivity. And by recruiting more high-skill workers of color, firms not only can meet Equal Employment Opportunity guidelines but also can make their companies seem more hospitable to minorities and can better take advantage of skills in the workforce that have previously gone underused. Because demographic projections suggest that black and

²⁴ Marie Harris 7,2.

²⁵ Lorraine Peterson 1,5.

²⁶ Yvonne Gordon 3,1.

²⁷ Lorraine Peterson 4,5.

²⁸ Marie Harris 7,3.

Hispanic workers will become a more important part of the workforce, the sense has grown that firms need to improve their ability to attract workers of color.

Part of the effort to use minority workers to greater benefit for the company rests on improving the ability of traditional manager who are accustomed to white subordinates and colleagues. One manager described the challenge of getting managers to change their ways of viewing and supervising minority workers:

There's so much we need to train our managers on in equal opportunity issues. People have fairly fixed values and assumptions. You see kinds of behavior that have adverse affects on certain groups without the manager being consciously prejudiced....

Normal human behavior is to make judgements about people looking to see whether the other person looks, talks, dresses, plays golf like you do. But this just can't continue in the company if we're to succeed.²⁹

Management is here seen to have important cultural components that can influence managers' abilities to supervise workers with different ethnic or racial backgrounds.

Having more workers of color become managers is of course another way to make the atmosphere more hospitable to minorities. At another company, the training director agreed with the equal opportunity officer that top management was eager to bring minority workers up into higher levels of the firm:

The company wants to have a balanced minority workforce of good high potential people that can get high-level jobs in the company; it is really making a major effort to increase the ranks of minority people in higher level jobs.³⁰

Goals for minority percentages at different job levels (e.g. company officers, managers, professionals, entry-level professionals) are met through recruitment followed by training, counseling and monitoring of workers' progress. In choosing among candidates who are all qualified for a position, the goals can be used to favor selection of a minority candidate. The "teeth in the program," according to the equal opportunity officer, are appraisals sent to the

²⁹ Yvonne Gordon 5,7-6,2.

³⁰ Lorraine Peterson 4,3.

president of how senior officers are progressing toward goals in their divisions.³¹ While these efforts focus more on professionals with bachelors degrees, it is useful for our interests to understand how the companies try to meet their goals. Although minorities are over-represented in the non-professional ranks, the division between professionals and non-professionals is great enough that management feels it needs to look outside the company to find workers of color qualified for promotion in the professional ranks.

To help their efforts to recruit high-skill minority workers, two of the companies have been using the services of Inroads, a national organization that identifies minority youth starting college and arranges a sequence of summer internships, training and mentor relations that are expected to lead to job offers from sponsoring companies. Two of the companies I studied were among ten firms that gave start-up funding to open the Boston office of Inroads in 1987; one company led corporate recruiting efforts and the other has a senior vice-president on the board of directors.³²

The companies value this recruitment to the tune of \$3,500 per student paid to Inroads, beyond summer salaries. Because students from the regular Boston high schools were judged as underqualified for the program, Inroads has concentrated its efforts in Boston on students in Boston Latin, the public preparatory school to which students gain entrance by special examination, in private schools, and in the Metco program through which Boston students attend suburban schools.³³ Colleges of current interns include Bentley, Penn, Howard, University of Michigan, Boston University, Tuskegee, George Washington, Harvard and Suffolk. While the program's avoidance of regular Boston high school students is discouraging, the sizeable investment that companies are making suggests what could be a critical lesson for efforts to improve school-business collaboration: if companies can build a relationship and an expectation of employment with a student, they may be more willing to put in the money needed for more meaningful development. And the payoff of hiring a valuable full-time employee need not be immediate.

While prejudices may be widespread in the insurance industry, my impression has been that substantial efforts are being made at all three companies to reduce discrimination, to create more equal opportunity and to recruit black applicants and current workers into higher levels of the firms. Whether these efforts are adequate to the scale of the problem is, to me, unclear. What seems significant is that these efforts are being made not simply as an effort to be fair but also from an understanding that companies must be able to use and

³¹ Ron Ellington 4, 1-2.

³² Inroads fact sheet.

³³ Ron Ellington 2,4 and confirmed by INROADS.

develop the skills of the different types of workers available to them in the changing labor force demography. The companies' interest in overcoming their own prejudices may also suggest an opportunity for the schools to improve graduates' employability through the use of examinations and school projects that can document student abilities in ways that firms can appreciate.

III. TRAINING TO IMPROVE SKILLS

For the moment, training is a hot approach to solving U.S. corporate, economic and social problems. But training has many meanings. To begin making judgements about the value of training we need to specify the kinds of training and who the training is for. Corporations have traditionally concentrated their training resources on managers and on professionals with at least a college education. The new attention to training, however, has focused more on the potential benefits of training for workers lower in the corporate hierarchy with less than four years of education, the "frontline workers" highlighted in *America's Choice*. With a similar focus, this section on training first examines who within the firm creates the impetus for more training and then describes different kinds of training that appear common in the industry.

1. Impetus for training

Previous chapters explored perceptions of skill scarcity created by conditions outside the firms and by increased skill demands within the firm. But perceived skill scarcity does not lead necessarily to training. We've already explored in this chapter how efforts to identify, attract and retain desirable workers through screening, recruitment, benefits and wage adjustments could be used instead of training, and a subsequent section looks at relocation as yet another approach. Training thus appears as only one among a range of options.

In this section, to develop a sense of how training can become more or less favored, I consider how various people in the firm may take different attitudes toward training. The groups I look at are: top management, middle managers, and workers. From my interviews mostly with people in human resource departments, it appears that top management plays a very important role in determining the aggressiveness with which companies pursue training as part of their business strategy, that some middle managers may retard training, and that workers generally favor it. Further, the analytic approach of looking at how different levels of the firm perceive and respond to corporate challenges will become more useful as I try to draw more general conclusions about firms' responses to skills scarcity.

At one firm, training and human resource development were described as having been central for many years to top management's corporate vision. In the mid-1980s the company aggressively developed an educational program for its more than 800 "core managers." The management training program began with a five-day seminar on corporate mission and values, participatory management and working with different personal values. The program included follow-up seminars, and then led to an additional 40 hours of compulsory training in specific management skills chosen by the managers from over 100 hours of possible courses; later more advanced courses were offered.³⁴

This heavy focus on training for managers has gone along with a strong program of training for workers, the strongest program, in my judgement, of the companies I studied. Even before the large push for management training, top executives were interested in the problem of basic skills among entry level workers, and decided that the company should be a "learning organization." The selection of courses, to be described somewhat below under different types of training, is very extensive, including courses on office skills and computers, communications and skills specific to various professions. Over 1000 workers are in industry-specific training each year, including low-cost self-study; two full-time teachers are used just for classes in basic skills and English as a second language; and a new human resource initiative seeks to have each employee meet annually with supervisors to discuss the worker's performance and to establish work and training goals.³⁵

A trainer designing an expanded workplace skills training program hopes that eventually training will be mandatory for all workers, not just managers. Mandatory training would help with the occasional manager reluctant to allow workers time for training:

Managers do have sign off and that can be an issue, although I've found managers willing to work with me...I've really found people to be very compassionate. They want to help improve the people who work with them because they know they're only as good as those people.³⁶

Thus, at this firm, which seems furthest ahead with training, middle managers appear as a balancing force, pushed by top management into extensive training and generally if not always supportive of training for workers.

³⁴ Robert DeSousa 1,2-5.

³⁵ Robert DeSousa 1,6, 2,3 and 5,2-3.

³⁶ Cindy Paige 2,4.

At another firm, the president has been a leader in promoting citywide programs in support of public education and was identified by people I interviewed in human resources as a main force behind the new emphasis on training in the company. Here, however, the push for more training seems to be just getting started. A critical step has been the creation of a new position for a vice-president for training and human resource development; this spring the head of corporate training from an international company with a top reputation for training joined the company for a final challenge before his retirement. The director of training was promoted to assistant vice-president, reporting to the new vice-president. She sees the new focus as pervasive, but clearly emanating from the top:

Training has become a major thrust of the company. It's been mentioned in our annual report, mentioned everywhere, that training is going to be the key, or one of the keys to success. It's a new emphasis. They brought in a new person to head the area, who's been separated out into a whole unit. It's being demonstrated in a tangible way.³⁷

But the company has not yet developed a strategy that has been effectively communicated down the hierarchy. Asked about a training philosophy, a recruiter responded:

Actually, I don't really think there is one. But I think there's going to be one, because [the vice-president] they've just hired is... going to oversee all the training efforts in the entire company, which is something quite new for us. I'm sure this guy is going to bring a corporate training philosophy with him. There really hasn't been one before. And he's going to pull a lot of things under an umbrella with him that's been decentralized.³⁸

In contrast with top management, middle managers are not so supportive of training, and may not appreciate the need for basic skills that human resource managers and top executives support:

We did a survey last year of 40 managers about whether we need to do more about basic skills and they're not saying that that's what we needAs a training department we haven't been called on [for basic skill work].³⁹

³⁷ Lorraine Peterson 2,2.

³⁸ Ellen Doane 3,6-4,2.

³⁹ Lorraine Peterson 1,4.

As explored earlier, middle managers may not appreciate skill deficits among their own workers, and some middle managers themselves suffer from basic skill deficits.⁴⁰ Because much training requires supervisors' approval, lack of managerial support can be a significant impediment. Many courses, although taught at the company's training center, require the employee's department to pay a sizeable fee or "chargeback" to the training center that counts against the department's internal accounting of profitability. Together the chargeback and the loss of labor time when employees are in courses can create a significant disincentive to a manager's approval of training. The training director at this company predicted that chargebacks would be reduced in the future and that managers would be increasingly judged not so much on how previously they could control the work process and how long they could retain staff but on how well they could *coach* staff and find ways of "developing people as a corporate resource."⁴¹

Clearly workers themselves provide an important source of interest for training. An employee survey at the same company helped management recognize how much workers value training as a benefit.⁴² Because specific skills are listed on internal job opening notices, workers perceive that training can help them move up in the company:

It is something that more employees would like, because they see it as a way to get advancement within the company. You know, if I do that Lotus class then I can apply for that accounting job, or be a more serious candidate.⁴³

In a work environment where employees had more influence or control over resources through unions, then the amount of training would likely tend higher. In non-unionized workplaces, however, the promotion of training can still draw support from management's understanding that workers view training as a benefit.

2. Types of training

The subjects of training run a remarkably diverse range. Courses offered at companies teach basic office computer skills like keyboarding, spreadsheets and word processing; basic skills in math and English; more advanced communications skills for dealing with customers and fellow workers; management and self-management skills; procedures specific to the company and principles of operation specific to the insurance

⁴⁰ Chapter 5, section I.1 Math, literacy and hidden deficits.

⁴¹ Lorraine Peterson 3,3.

⁴² Lorraine Peterson 3,2.

⁴³ Ellen Doane 5,1.

industry; and skills specific to certain professions like accounting, programming, and advanced secretarial skills. A little knowledge of this diversity can help us see how different types of training can respond to different aspects of skill scarcity. Also, the performance of some of this training by companies creates opportunities for schools and school-to-work transition programs, which will be discussed in the next chapter.

Computer courses are an unsurprising result of the wave of office automation that has swept the insurance industry. Workers can take short, single-session introductory courses of a few hours and more advanced multi-session courses of 10 hours or more in spreadsheets, word processing, database management, desktop publishing and computer graphics. Slung together, the courses can provide workers who start out with no computer experience at all with the training to use the machines on the job in sophisticated ways. For higher-skilled workers and managers, courses are taught in computer programming, design of data systems and advanced applications.

Basic skills courses offer remedial education in basic math and grammar, including basic math operations, fractions, decimals and percentages, and parts of speech, capitalization and punctuation. Courses to improve English as a second language (ESL) are also commonly offered (at one company 116 hours of classes in a six-course series!). The ESL programs of course reflect the significant number of immigrants and others in the workforce without native English facility, while the basic skills courses reflect the low skill levels that many workers bring to the workplace — hardly news. But what is interesting is that companies are taking the trouble to teach these courses rather than simply firing people who manage to find their way into the business despite their skill deficits. Apparently an employee with some time as a motivated worker is an asset worth developing even if basic skills in reading and math are quite weak.

The shortage of skilled secretaries at the height of the Massachusetts boom encouraged a variety of training responses. In 1987, one company created for employees a clerical and secretarial program including ten weeks of full-time classroom training in basic skills, personal computers, phone courtesy and communication skills, transcription, time management and even "wardrobe planning." Then come four weeks of half-time job placement, half-time continued classwork. Another company offers a package of a half dozen or more courses designed to prepare employees to become secretaries or administrative assistants over about a two-year period.⁴⁴

⁴⁴ Company materials.

The teaching of more advanced courses in communications supports my interviewees' observation that skills in this area are becoming more important because of the need to communicate well with customers and within the company. Courses at one company include: Building Goodwill with Customer Letters, The Art of Effective Presentations, Communicating Effectively at Work, The Art of Active Listening, Team Dynamics for Productivity, Quality Telephone Service, and Blueprint for Assertiveness, and range in length from 6 to 22 hours.⁴⁵ This kind of training can blur the line between the skills of workers and managers. While some skills like business writing have separate courses for non-managers and managers, most are open to both groups.

I sensed a similar shading between the management courses and the professional development courses for non-managers. While managers are typically encouraged to do more training of this more abstract kind, some similarities can be seen between the skills that managers need in supervising others and the skills desired in workers so that they can better manage themselves with less supervision. For example while managers might take a seminar on Management and Motivation, workers can take short course like Behavioral Styles, Managing Personal Growth, or Managing Your Time and Work. Managing Assertively is complemented by Establishing Positive Relationships: the Boss and You. Reflecting the need of the delayed companies to keep employees content with reduced opportunities for promotion, a course in career planning and self-assessment — Up Is Not the Only Way — has "each participant...establish *realistic* career goals."⁴⁶

An important part of the training scene in insurance companies are classes that prepare workers for standardized industry exams. An insurance industry group, LOMA (Life Office Management Association), produces textbooks and exams that can help workers gain the knowledge they need to move up in the business. At one company, a series of eight courses, each involving sixteen hours of class time, covers subjects like principles of life and health insurance, insurance company operations, legal aspects, marketing, information management, accounting, economics and investment, and insurance mathematics. The lower level exams involve fairly simple math and learning of basic insurance concepts, while the later courses involve more sophisticated concepts and mathematics including algebra and probability. Large numbers of workers also receive materials to study for the exams on their own, which is considered a very cost-effective way for the companies to gain more knowledgeable employees. An employee might take three to five years to move through the whole sequence. A number of related programs serve other aspects of the industry, for example HIAA (Health Insurance Association of America) and CEBS (Certified Employee Benefit

⁴⁵ Company materials.

⁴⁶ Company materials, emphasis added.

Specialist). Even more specific than the industry courses are short, sometimes single-session courses that introduce employees to different divisions of the company and various company-wide procedures and benefits. All these internal courses continue the old tradition of the industry by which large numbers of high school graduates were hired and over a period of years brought up through the ranks to higher levels of responsibility.

Companies also provide training in skills that are specific to certain lines of work, such as accounting, programming, human resources and financial management. Many courses are taught within the companies, but employees also take large numbers of courses at Boston-area schools, often with full tuition reimbursement for work-related courses. At one company where I obtained recent figures for training expenditures, a full third of the \$2.5 million spent on training was used for tuition at area colleges.

Meanwhile, within the company, 20 percent of the training budget went to management training, 10 percent for personal computer training, 9 percent for secretarial and clerical training, including basic math and English skills, and 6 or 7 percent each to insurance education, professional development and communications, and career counseling.⁴⁷

The extent of resources provided for training in specific professions and in basic and computer skills that could readily be used elsewhere suggests two aspects of opportunity for innovation. First there is a strong willingness to devote resources to training even though some of the benefits to the companies can be lost in turnover. Second, there are fairly large sums of money that companies could save if they could hire people who already had the training that the companies are providing to hired workers. It seems likely that companies might be willing to contribute more to the schools in money for teachers or in donation of trainers' time if the schools could prepare students for more advanced courses and if companies were able to recruit a fair number of the students.

IV. RELOCATION

Relocation of jobs would be judged by many to be among the unfortunate corporate responses to skills scarcity. If service jobs can follow manufacturing jobs out of town or even out of the country, then the security of jobs and of the Boston economy seems a good deal more tenuous. Dramatic relocations of back office operations in the insurance industry remind us that if Boston fails to create an environment that companies like, some of the jobs are likely to travel (I heard several times about a New York company moving some of its

⁴⁷ Company training budget.

claims processing to Ireland). Among the companies that I have studied, two of the three have attempted to relocate some of their headquarter operations. The third recently announced a substantial layoff among its Boston workforce. The relocations can easily be understood as part of efforts to deal with the scarcity of skills in Boston. The layoff too may fit in to a similar skill strategy if we view it in a longer-run perspective.

The first story of relocation is of the company that shifted over 500 of its Boston headquarters jobs up to New Hampshire. The move was described openly as part of an effort to find the needed skills at lower wages than were available in Boston during the boom years. Human resource managers seemed satisfied that the move was successful in terms of being able to fill the jobs in New Hampshire, partly through moving people from the Boston office and partly from hiring people in the new area. For this company, the headquarter office in Boston is only a small percentage of the total national workforce, and the company has an explicit policy of looking outside central cities, including to rural areas with more unemployment, in order to find less costly labor markets. Instead of dramatic moves to other countries, it would seem that humdrum moves from the traditional downtown insurance locations are likely to be much more common and significant for Boston's service sector labor market.

To my surprise, a second company tried to relocate a small portion of its downtown office to Burlington, outside the central city but still within the metropolitan area. The company found, however, that while it could attract skilled workers it was too difficult to hire less skilled people at modest wages, "because it was out there in the burbs. It was easier to get people to come into Boston."⁴⁸ This company, it would seem, made too small a step, not large enough to escape the patterns of the greater Boston economy and its spatial arrangement of labor, unlike the bigger move into more rural New England.

The third company has to my knowledge made no obvious move of Boston operations. A good third of the company's national workforce is in Boston, including workers in a retail division that might not be considered part of the headquarter operation. During my research, the company announced a large layoff of Boston workers, mostly from the retail division. The study of firm location in regional economics, however, suggests that growth and decline of jobs in companies can be just as or more important than the actual movement of firms or jobs. While a single incidence of a layoff in Boston establishes nothing about larger trends in the industry or company, cutting jobs in Boston is consistent with the decision of the other companies to look outside the city for an environment where skilled labor can be hired at more modest cost.

⁴⁸ Ellen Doane 2,6.

V. UNDERSTANDING DIFFERENCES BETWEEN THE FIRMS

While the views about skill scarcity seemed remarkably similar at different firms, the responses were not. Two of the companies have shifted to hiring graduates of two-year colleges even for less-skilled jobs; the third did not. The former two companies have increased their already active roles in helping the public schools; the third has just maintained its lower-level involvement with the schools. One of the two companies tried unsuccessfully to move some hundred jobs to the suburbs; the third company successfully moved hundreds of headquarter jobs outside the Boston area to New Hampshire. Two of the companies led efforts to establish Inroads, a program to recruit and mentor college-bound minority students; the third did not.

One way of understanding these differences is through seeing the third company as less committed to Boston. While all three are headquartered in Boston, the third company has the most jobs distributed outside Boston. This company has the smallest proportion and absolute number of workers in Boston — only a tenth of its workforce in Boston, compared with one quarter of the workforce for the other comparably large firm of the three. And unlike the other two companies, which are known as leaders of the business community's involvement in education, the third company is seen as not quite in the club, its president not the forward-looking type to be recruited to lead public-private collaborations.

It's not that we should simply view two of the firms as the good guys and one as the bad guy. The two generally more forward-looking firms were those that have virtually stopped hiring high school grads in favor of those with two years of college; the third firm continues to hire high school graduates for less skilled jobs, though in much lower numbers than before. The responses of each firm have mixed implications for Boston. While relocation can readily be judged as negative, so can higher educational standards be seen as tending to exclude young Boston workers. And while the two firms are more involved in school improvement efforts, these efforts have in fact had limited success, while the third firm continues to hire students from its partner high school in significant numbers.

Differences between the first two firms, which otherwise behave differently from the third, demand a different explanation. The first firm has for some years had training as part of its corporate vision and has given strong attention to training for less-skilled workers. The second has recently brought human resource development to the center of its corporate strategy and is only now in the process of realizing this strategy in the workplace. The first has a large program of onsite daycare; the second does not. The first firm has tried onsite training for Boston students in the partner high school so that internships can lead to hires;

the second offers much less developmental jobs for students from its partner high school and sees the goal as merely encouraging students to go on to college.

In short, the first firm seems to be further along in thinking about its skill needs and its relations with the present and future workforce. The second firm is following along, but appears slower, less progressive in its steps. I believe that had I spoken two to five years ago with top executives I would have seen significant differences in perceptions. Specifically, I suspect that executives at the first firm anticipated that new technology and restructuring required their shift to being a "learning organization" while leaders of the second firm were only beginning to understand the skills implications of changes in business practice that they were then contemplating.

Chapter Five

SCHOOL-BUSINESS COLLABORATION

INTRODUCTION

Part of the original purpose of my thesis research was to learn what perceptions of and responses to skill scarcity indicate about the potential of expanded school-to-work transition programs as part of the partnerships between schools and businesses in Boston. This chapter describes and analyzes the school-business collaboration that has developed over the 1980s. The final chapter goes on to examine the implications of my research findings for the potential of current programs to develop into a more meaningful school-business collaboration.

Some of the firms I have studied have made significant efforts to improve the Boston Public Schools through longstanding partnerships with individual high schools and through large contributions to citywide programs to enhance school effectiveness — the Boston Compact and the Boston Plan for Excellence. While the companies show a deeply felt, sincere commitment to help the schools, their efforts have mainly been philanthropic, yielding little in the way of tangible economic benefits to the companies in addressing their labor needs. The corporate efforts to help the schools appear to contribute only modestly to a school system that is not improving dramatically. In a few programs, however, the efforts to help the schools are moving on toward a new level of collaboration that contributes to students' skill development and brings real benefit to the company.

The exposition of my findings on the perceptions of and responses to the skills problem provides a basis for some guarded hopes about the potential for more meaningful collaboration between business, youth and schools. Of course, the perceptions and expectations of my interview subjects about skill problems may prove inaccurate — especially the expectations. But these beliefs, along with the results of the different responses, should still play an important role in determining the range of strategies that firms will consider in the future. I believe that my findings can support, with reservations, a strong potential for the expansion of school-business collaboration to help shape the economic future of the Boston service economy and the role in it that graduates of the public schools can play.

I. ESTABLISHED SCHOOL-BUSINESS COLLABORATION

1. Partnerships

Partnerships in Boston between schools and businesses predate the most recent national vogue in corporate involvement in education. Some of the partnerships between large companies and individual Boston public schools go back to the 1960s, sometimes based on personal connections between chief executives and schools. In the 1970s, when desegregation shook Boston, Judge Garrity asked business leaders to pair their companies with schools to help a system burdened by controversy and racial conflict. At some companies, interested CEOs have pursued their partnership relations with eagerness, while other executives have delegated responsibility for the partnership to assistants with limited clout. The result has been that some of the relationships are strong and probably beneficial to the schools to different degrees, while others are shallow and likely ineffective.

As part of the partnerships, schools have received donations of equipment, grants for supplemental programs, professional consultations, and award banquets; students have received tutoring and mentoring, SAT preparation courses, summer and part-time jobs and full-time jobs upon graduation. For the companies involved, the partnerships can provide a variety of benefits. Executives and participating workers gain the positive feeling of making a social contribution, and the contact with one school provides a more intimate familiarity with the school system and its students. A partnership is also a good way to get either quiet points among the top executives of the Boston business community or bigger public relations benefits in the city. On the other hand, if the partner schools fail to take advantage of the partnership or fail to improve, the relationships for the companies can prove time-consuming and embarrassing for executives and staff involved. The variety, unevenness and lack of coordination have been perhaps the most apparent weaknesses of the partnerships.

2. The Compact and the Boston Plan for Excellence

The involvement of the business community in the Boston Public Schools took a big step forward in 1982 with the development of the Boston Compact. The Compact was an agreement of goals to improve the schools made among the Superintendent of Schools, the Mayor, the President of Boston University, and the chairs of the Boston Private Industry Council and the Coordinating Committee (the group of top Boston executives known as "the Vault"). Other colleges and universities joined the Compact in 1983 and area trade unions signed on in 1985. The businesses, universities and unions promised to meet goals of increased hiring and admitting Boston high school graduates, and the school system agreed to goals of student achievement, attendance and graduation. As boiled down by a 1988 analysis:

The Compact was based on a simple idea — that if every student was assured a job after graduation, youngsters would remain in school, teachers would work harder to teach them, and the district would launch efforts to improve the quality of education in the high schools.¹

The job placement goals have by all accounts been the most prominent and successful part of the Compact. The Private Industry Council (PIC), using staff hired to work in the schools and recruitment of job commitments by its high-powered board of business executives, has been able to meet and exceed its hiring goals. After some years of growth, the PIC has annually been arranging for more than 1,000 after-school part-time jobs, 3,000 summer jobs and 1,000 jobs for graduates. Each of a score of large companies, including several insurance companies, commits between a dozen and four dozen jobs, while hundreds of other companies commit to only a job or two. Skeptics appropriately point out that most students would have found jobs anyhow in the good times; during the boom years of the mid-late 1980s, the companies certainly had jobs to fill.

Supporters acknowledge this point but argue that the program deserves some of the credit for dramatic reductions in unemployment rates among young black Bostonians. In 1985 a survey found 60 percent of black high school graduates working, almost double the national average for this group and only two percentage points lower than the rate for white Boston high school graduates, while the national white-black employment gap in other cities was around 25 percent.² The PIC can fairly claim to have developed through the job counselors in schools and job commitments from businesses the rudiments of an institutional mechanism that helps youth move promptly from school to work. Perhaps more impressively, the PIC has managed, despite the strong recession in the past year, to hold the level of hiring commitments at about 1,000 jobs for graduates and above 3,000 summer jobs.

Initiatives by business leaders involved in the Compact to improve the schools, however, have fared less well. In the early stages of the Compact, business leaders were eager for a devolution of power from the superintendent and district offices to the schools, where it was hoped that school-wide planning could bring a new sense of purpose and teamwork. More recently, business leaders have rallied behind school-based management as the key toward dramatic improvement. Laval Wilson, the new superintendent in 1985,

¹ Eleanor Farrar and Anthony Cipollone, "The Business Community and School Reform: The Boston Compact at Five Years," a report supported by the National Center on Effective Secondary Schools, Madison, University of Wisconsin School of Education, March 1988, p. 30.

² William Spring, "Youth unemployment and the transition from school to work: programs in Boston, Frankfurt, and London", *New England Economic Review*, March/April 1987, pp. 3-16.

favored a more centralized approach and gave reduced priority to the opinions and school initiatives of the Compact business executives, whom Wilson saw, according to one insider, as "a lunch club and a checkbook." Business leaders, at first supportive of the city's first black superintendent, later felt betrayed by Wilson's failure to implement meaningful school-based management.³

But the business community did not rely entirely on the Compact agreement in its efforts to help the schools. In 1984, as the job placements grew, executives at leading Boston banks and insurance companies who had pioneered the Compact and the jobs program started a new aspect of school-business collaboration: the Boston Plan for Excellence in the Public Schools, a group of programs financed by a sizeable endowed fund. The Bank of Boston began with a \$1.5 million gift to mark the bank's 200th anniversary. With the counsel of several former U.S. Commissioners of Education and the dean of Harvard's School of Education, a group of business leaders made plans for the program to which other corporations would contribute. Million dollar endowment contributions followed from two insurance companies, John Hancock and The New England, from the law firm of Goodwin, Proctor and Hoar, from The Boston Foundation with a matching gift from the Vault, and from the Higher Education Assistance Corporation.⁴ The Plan has provided a system for involvement in school programs outside the control of the School Committee and the school bureaucracy.⁵

The half dozen programs in the Plan for Excellence aim to improve the educational environment in Boston with various programs focusing on different ages and stages of education. The SEED program (Support for Early Educational Development) provides grants to enhance K-3 education; HEART (Hancock Endowment for Academics, Recreation and Training) gives grants for recreation programs and educational innovation in middle schools; and ACCESS (Action Center for Educational Services and Scholarships), initially endowed by The New England, provides financial advice and "last dollar" scholarships for Boston students trying to attend college. Several other programs develop adolescent leadership skills and community awareness, provide tutoring, and make grants for teacher training and to elementary and high school faculty and students with ideas on school improvement. The total endowment of The Plan for Excellence had passed \$17 million by 1989, with its funds controlled by a board of trustees composed of sponsoring company executives and some community members.

³ Richard Blair.

⁴ Information on the BPE came from several interviews, from the Plan's published materials and Farrar and Cipollone.

⁵ Farrar and Cipollone, p. 9.

Like the Compact jobs program as a part of the labor market, the Boston Plan for Excellence needs to be evaluated in the broader context of the school system. The Plan's programs in 1989 spent \$1.25 million on grants, counseling and other staff, and scholarships; this stands in minuscule relation to the Boston Public Schools annual budget approaching \$400 million. And while ACCESS can annually give a few hundred thousand dollars' worth of scholarships, Boston-area colleges give several million dollars in scholarships to Boston students and several million more worth of staff training, curriculum development, facilities use and other assistance.⁶ The last dollar approach keeps the program contribution limited, equalling less than one-tenth of school expenses for the hundred or so graduates who begin to take advantage of it each year. And while the college completion rate of high school graduates helped by ACCESS funding and counseling so far has been far above average, among a greatly larger group of 600 or 700 Boston high school graduates who enter four year colleges, perhaps two thirds fail to graduate.⁷

3. Effects on the schools

While companies were winning substantial public recognition for their persistent and fairly generous involvement and the Compact was being emulated in other cities, the school system itself failed to make dramatic improvements in student performance or to meet the concrete improvement goals set out in the Compact. On the other hand, the statistics on the schools suggest that the system has not been getting steadily worse, as my interviewees in the insurance industry seem to believe.

Instead, the numbers imply that the system has been roughly holding steady or achieving minor improvements in overall performance. The proportion of ninth grade students who fail to complete high school (the four-year dropout rate), which was targeted to fall 5 percent each year, rose from 36 percent for the 1982 graduating class to 41 percent in 1984 and 46 percent in 1986. More recently, the proportion of dropouts has varied at these high levels but the *annual* percentage of students dropping out has been dropping steadily (16 percent in 1984, 14 percent in 1987 and 11 percent in 1989), so that the four-year dropout rates are projected to fall from 43 percent for the class of 1991 to 37 percent from the class of 1992. Improvements in school attendance were slight, far below goals, and improvements in standardized tests have been modest.⁸ Median scores on the Metropolitan Achievement Test for 12th graders have moved from percentile scores (compared nationally)

⁶Farrar and Cipollone, p. 10, and Profile: The 1990 Access Scholars, Boston Plan for Excellence.

⁷ Citywide Educational Coalition: Fact Sheet 1990.

⁸ Figures are from *Dropout Rates in Massachusetts Public Schools: 1989*, Massachusetts Board of Education, October 1990; *The Boston Compact: Measuring the Results*, report to the PIC Board of Directors by the evaluation subcommittee, June 23, 1988; Farrar and Cipollone, pp. 22-23.

in the high 30s to various levels in the 40s, but since scores tend to rise each year as students and teachers become more familiar with the current version of the test, these score improvements may be statistically insignificant.⁹ One internal observer of the Boston Public Schools suggested that a fair overall view of the indicators would see the system "inching along" in the right direction.

The lack of dramatic improvement can be seen as the failure of the school system to fulfill its side of the Compact's bargain. Certainly business executives have at times felt frustrated that their efforts and accomplishments were not clearly matched by the schools. A *Globe* editorial put it bluntly:

The employment figures also suggest that Boston companies are living up to their commitment...to provide greater job opportunities for Boston graduates. But only 60 percent of young people in the public schools get a high school diploma. The 40 percent who drop out are vulnerable to becoming mired in the poverty that begets violence. The dropout problem is the responsibility of the young people, their families and the School Department. Private business has done its fair share by providing the jobs that turn Boston high school graduates into productive wage earners.¹⁰

From this perspective, one would have to recognize that the school system faced an immeasurably more difficult task than did the businesses in their hiring goals.

Alternatively, one might be tempted to think more about the modest scale of efforts by all the supporters of the Compact, including the partnerships, the job programs and the Plan for Excellence. My sense is that at its current nature and level, business involvement in the schools probably deserves neither much of the credit nor the blame for the limited progress in the schools. The guarantee of a job after graduation is obviously not enough of a help for the school environment to keep almost all students in school or to catalyze dramatic improvement in administration, teaching or learning. Nor can relatively small programs of voluntary tutoring, counseling, grants for innovation and even help with college do much to turn around a system so that most students find the classroom an engaging and worthwhile place. The Compact is just one limited piece of a big and slowly shifting puzzle that involves tens of thousands of families, students, teachers, administrators and all the social forces of a city. Perhaps the Compact has at least set a tone that many in the city care

⁹ "BPS Students & Student Achievement," Citywide Educational Coalition Fact Sheet, February 1990; BPS office of Research and Development.

¹⁰ *Boston Globe*, August 10, 1990.

about the success of the schools and has helped participants develop knowledge and relationships that could be useful for more dramatic steps in the future.

Certainly businesses have won a strong political influence in school matters over the past decade of their active involvement; this spring, business executives decisively threw their support behind the political effort to replace the elected school committee with a smaller board appointed by the mayor.¹¹ The danger is that business involvement has convinced too many people that business has now done its share and deserves its influence and that the responsibility for success and blame for failure lies entirely with the schools and the students. Given the financial weakness of the City and the schools and the inertia of their bureaucracies, it seems unlikely that the school system alone can dramatically improve its ability to address some of our society's most difficult problems — the education of the poor in rough urban communities, while the economy grows more demanding economy. Businesses must push forward strongly toward a deeper more meaningful commitment to education linked to their own economic needs and to greater economic opportunity for students. Then business involvement so far may prove a step forward in a long path toward a more equitably shared responsibility for public education.

II. HOPEFUL SIGNS

1. Renewed ideas

The current national discussion and experimentation about how schools can better help prepare students for work suggest some encouraging ways in which school-business collaboration can grow more meaningful. The new winds blowing in this area sweep across the old boundaries that used to separate so clearly academic high school preparation from vocational education. The ways in which schools can complement traditional study with work experience are diverse, including school-based enterprises, job placements with cooperating businesses closely related to classroom study, formal apprenticeships, vocational "academies," and "tech-prep" or "2+2" programs that lead directly from an industry-focused course of study in the last two years of high school to a two-year college program.¹² The best of the 2+2 programs complement study with internships and summer jobs in sponsoring companies or organizations in the industry.

¹¹ Jane Poss, "Business backs bid to abolish school board," *Boston Globe*, December 7, 1990. pp. 81-82; Muriel Cohen, "Businesses seek, seize new roles in education," *Boston Globe*, July 14, 1991, pp. 21-22.

¹² Commission on the Skills of the American Workforce (Rochester, N.Y.: National Center on Education and the Economy, 1990).

Part of the new attitude can be seen in the 1990 amendments to the federal Perkins Act which mandates that traditional vocational programs integrate academic and vocational learning so that all students will be prepared to continue their education beyond high school, as will likely be required for more and more careers. Another new emphasis, for example in *America's Choice*, is on the need for more systematic, clearly identified paths connecting school, training and work so that youths avoid the doldrums of typical low-skill post-high school jobs and can more quickly and steadily develop skills in their early adult years.¹³

2. Initiatives in Boston

A huge variety of innovative and emulative programs are being tried across the country to improve the ability of high schools to prepare students for their working lives. A number of them are at various schools in the Boston area. Here we just briefly get a glimpse of two programs in Boston itself that seem particularly relevant to our examination of the potential for new programs in the insurance industry.

The Boston Private Industry Council is leading one effort to develop a 2+2 program, in hospital professions. Known as "ProTech" (for professional and technical education), the program will involve students in 11th and 12th grade and two post-secondary years, combining general study, healthcare related courses and paid traineeships. The traineeships at sponsoring Boston hospitals will expose students to different job areas such as lab work, radiology, respiratory therapy and nursing. After graduating from high school, students will continue their medical-related studies at Bunker Hill Community College, where they can choose an area of specialization in which to earn a professional certificate through courses and continue getting work experience in this area at the sponsoring hospital.

The results for the young worker could be far superior to two years of a regular four-year college program. As a coordinator of the jobs program at the PIC said:

In ProTech someone will get real training, cre-dentials, job experience. And they'll be in the industry making a good salary two years out of high school. The other kid who drops out of college has nothing, a high school diploma which means very little, and very little work experience and a scattering of courses he got in the first two years doesn't make him much prepared for anything....

¹³ David Stern, *Combining School and Work: Options in High Schools and Two-Year Colleges* (Washington DC: US Department of Education, 1991), provides an excellent survey.

We want to institute programs that make that transition from school to work and career very clear and very proactive...because too many kids fall out when it's simply exposing them to work and hoping that something wonderful happens to them... For a lot of kids it needs to be much more structured.¹⁴

Medicine's hierarchical professions with certifications and degrees in some ways facilitate such an approach. If ProTech works as intended, it will help young workers have opportunities to move up through the professions by returning to school, for example to get a bachelor's in nursing, described in the lingo as a 2+2(+2) option. This kind of alternation of study and work, between industry-focused high school study, internships, additional education at a 2-year college and an industry job, is a pattern that could potentially fit the needs of students and of the insurance industry quite well.

Somewhat closer to the insurance industry are the "academies of finance" that were first developed in 1982 by American Express and Shearson Lehman in New York. The idea of high school vocational academies had been developed over the past two decades, notably in the Philadelphia Academies and the Peninsula Academies south of San Francisco.¹⁵ Students take academic courses but also focus on a vocation in some courses each semester with a group of students within the school following the particular vocation's sequence over two or more years. Ideally, the "vocation" encompasses potential jobs at all levels of an industry, not just a particular level; for example, students might prepare for eventual careers in computers, including data processing or programming without closing off the possibility of more training for systems analysis.

The Academy of Finance program, now under the direction of the spinoff National Academy Foundation, has helped start academies in a score of cities. The program has come to Hyde Park High School, whose partner relationship is with the Bank of Boston. A National Academy program in travel and tourism is coming to East Boston High, whose partner is Massport. Both programs are for the junior and senior years and complement the magnet themes of the respective high schools. At Hyde Park, the first 30 students start this fall, taking two courses each semester in subjects like economics, accounting and finance. In between the two years, a summer internship at a bank or investment firm is arranged that rotates the students into different departments.

¹⁴ Joe Benet 3,4-5.

¹⁵ For some history, see Cynthia L. Patrick, "School-Industry 'Partnership Academies': Programs That Work," Occasional Paper #11 (Washington DC: The Institute for Educational Leadership, September, 1989).

The Academy scheme, unlike the PIC's job program, does not aim to place graduating students in jobs. The explicit purpose of the program is rather to develop students so that the great majority go on to college. Recruiting of students has emphasized that the program would help them get in and accepted students are required to apply to colleges. The hope of the program director in Boston is not to help students at the top of the class, who are already getting the encouragement to continue their education, but to reach down to the next tier.¹⁶ But unlike the ProTech program, which has established a community college that students can move on to and then return to the sponsoring hospital, the Academy model does not systematically bring youth on to a specific school or back to the same company. In 2+2 programs like ProTech or vocational academies like the Academy of Finance, the degree of continuity, commitment of job offers from companies, and the sources of financial support can vary greatly to determine the nature of the responsibilities and the likely outcomes.

III. THE PARTNERSHIPS AND JOBS PROGRAMS AT THE INSURANCE COMPANIES

In the variety of ways in which insurance companies have handled the job program as part of their partnerships, we can see both limitations and the beginning of movement toward more systematic development of skills and workers. We can also see how the programs can improve for the students if they are less purely philanthropic and more meaningful for the economic interests of the company. Unsurprisingly, the jobs programs at the companies also fit into the pattern of the various companies' other responses to skill scarcity.

The one company of those I studied that generally continues to hire high school graduates has been by far the least involved in Boston school improvement efforts, especially at the level of executive involvement in pushing for the citywide programs and making large contributions to the Plan for Excellence. The company appears overall to have the least expansive relationship with its partner high school. This was the same company that made the successful relocation of part of its headquarter operations to New Hampshire. A vice president at the company suggested that the weaker involvement with Boston education stemmed largely from the company's workforce being diffused much more broadly away from Boston.¹⁷ The limited involvement in organizing school improvement efforts seems a further reflection of this company's relatively limited social commitment to Boston.

¹⁶ Sonia Kumar 7,2.

¹⁷ Yvonne Gordon 4,4.

At the same time, this company has been an important source of positions for the compact job programs, sometimes easily surpassing the other two companies in numbers of jobs. In 1988 for example, the company hired 31 graduates for permanent jobs, more than the other two companies combined.¹⁸ (Summer job hires, at 43 in 1989, fell off markedly the next year to 25, lower than the other companies, perhaps because of the move of lower-skilled jobs to New Hampshire.) This company's strong participation in the job programs despite its lack of energetic involvement in school improvement efforts is consistent with its economic interests — its own policy of still hiring high school graduates.

At a second company, in contrast, top executives have played a very active role in helping to push forward business involvement in the Boston schools. And the company's relationship with its partner high school is considered among the strongest. The company has an annual drive to give books, helps students with career planning, and donates printing equipment and training for teachers. The company even got the Big Sister organization in to help them set up a mentor program. People I spoke with at the company who are directly involved in the partnership evinced heartfelt concern for the school and its students; as at other companies, they saw one positive result of the partnership as the awareness gained about the challenges faced by urban youth. An extended quote from a recruiter involved in the job program gives a good sense of the attitude with which people in the company view the students and the challenges of the partnership:

Well, we just had one student fired on Friday. The school is in a horrible area in Boston, lots of drugs, lots of crime. Some of the kids work out real well, but some of them have problems... It's a really tricky kind of program... The kids tend to be real quiet and a lot of them are not very articulate. They don't really understand what it's like to work here....

I guess the best situations are the kids who come here and they learn to be dependable, reliable, punctual, what it means to be professional, to be presentable every day and not show up for work in funky jeans they would wear in school.... They start out at \$6 an hour and then after six months they get \$6.25. In some of the best cases they become permanent or they go on to school full-time, or to community college and maybe work here part-time after school or come back in the summertime. We've had some real good kids.

¹⁸ *The Boston Compact: 1988 Hiring Results* (Private Industry Council).

But it's a difficult program. Some of them don't show up on time. Or the "wanderers," they're supposed to be at their desk but they're wandering around. But...what you find out is that kids who have problems here usually have tremendous family problems. You know, everything, drugs, alcohol, all kinds of I don't know, sexual abuse, or they live with their father and the mother's in Puerto Rico, all this kind of stuff... A lot of them don't know white people or haven't been around white people; even though we have a very diverse workforce, it's very eye-opening to put it mildly. It's a complex thing, I mean these aren't kids from Wellesley High School.¹⁹

At this company about 15 students do part-time work after school, and only another 10 students join them for summer jobs. A small visiting mission from urban reality, it seems, can make a strong impression in a corporate environment.

Even fewer are hired for jobs when they graduate, perhaps a half dozen in a good year. This limited hiring results both from the shift away from high school graduates to two-year college grads and from the perceived low skill levels of the students at the partnership school. Indeed, people at the company view the job programs as a philanthropic activity, with the wages paid to students still in high school included in the company's internal accounting of social responsibility costs.²⁰ The goal of the program is explicitly not to hire the students but to inspire them to go on for further education. Nor is there much focus on helping students gain specific workplace skills; instead, the more general work ethic and self-management skills are emphasized as the goals. An observer who has worked on organizing jobs programs was critical of partnership job programs with such limited goals:

The notion that higher ed is the avenue for everyone is a mistaken notion for some kids.... It's a narrow perspective: "we did a good job with these kids but we really don't know what happens to them and we don't want to hire them...."

If the companies aren't expecting students to come out into the industry then they're going to expect very little from the programs and... nothing happens. Until they see it as an avenue to get trained employees, then there'll be low expectations and it's going to look good and they're going to feel good about it, but it's not going to be the real thing and then when they really need trained people they're going to go in another direction.... Some companies

¹⁹ Ellen Doane 2,9-3,3.

²⁰ Ann Barron 2,1.

clearly view it as the rabble down there and will work with them for some programs and do their corporate citizenship but when it really comes to hiring people they go through a different channel.

Until you see it as the channel by which you get your kids and really put demands that can be translated down to the schools and the kids, then this is all a kind of game. It's a good game, because it gets a lot of kids summer jobs, a lot of kids after-school jobs, a lot of kids their first job outside of school. But as far as fundamentally changing the institutions of employers and public programs, it doesn't work.²¹

This observer, speaking about the partnership relationships and the job programs in general, has caught the problem that is in strong relief at the second company. The goodwill and the leadership and the willingness to commit resources are all present. The problem is that the efforts are primarily philanthropic, and the interests for the company are only perceived at the most general level of helping the schools to eventually improve the overall pool from which the company draws its workforce.

The efforts of the third insurance company to improve public education in many ways resemble those at the second company, but recent developments suggest a much more productive direction that partly resembles the new efforts in vocational academies and 2+2 or tech-prep programs. The differences between the approaches to school-business partnership at the second and third companies appear to run parallel with some of the differences between the two companies in their other responses to skills scarcity within the firm. The third company, as described in Chapter Four, sooner incorporated training into its business strategy and has more aggressively developed a comprehensive system of courses for managers, less-skilled workers and employees with basic skill deficits; the third company also has established onsite daycare to help retain workers; the second company was the one that tried unsuccessfully to relocate some jobs to a suburb of Boston.

Like the second company, the third company has figured prominently in the business community's efforts to help the Boston Public Schools. The third company started its partnership relationship with a high school in 1974, one year before the second company, and top executives have been actively involved in the Compact, the Private Industry Council and the Boston Plan for Excellence. The relationship with the partner high school has included many of the usual practices such as volunteer mentors and tutors, SAT coaching,

²¹ Joe Benet 3,4,1 and 4,4-5,1.

donations of surplus furniture and computers, presentations at the high school about work and careers, and support for various extracurricular programs.

But the company ran into a problem with its partnership program in the mid-late 1980s: the students hired for jobs were proving less satisfactory to managers, less "job ready." The current partnership coordinator explained the situation:

There was some tension between the corporation and the school. The school was noticing that the company wasn't hiring as many students as we used to, and the company was quite aware that the students coming from the school didn't necessarily have the level of skill that we were used to, which is why we weren't hiring.²²

In a memo to the chairman and the president of the company, he put it more bluntly: "They lack the basic skills necessary to meet the minimum qualifications for employment."

In response, the company has developed a program over the past two years to build students' skills so that entry-level jobs would be within their reach. In the first year of the program, 15 students from the high school attend a two-hour class two afternoons a week during which they learn office skills like computer use, word processing, customer service, accounting and spreadsheets. Students are paid for their time in class, but are subject to docking or dismissal for missed time. Teaching responsibilities are shared between a teacher from the high school and training staff from the company.

All the students who complete the course are then taken on for summer jobs that include using skills they have learned. In the following school year, students are brought back for a part-time after-school internship, paid at \$8 an hour, that involves rotating through different tasks in a department. Although the focus of the training is on office skills, the program clearly goes beyond that to more sensitive workplace issues, not just including the standard punctuality, dress and attitude:

We talk about the realities of the workforce, because 90 percent of the students are students of color and the fact is, it's not a totally fair world for people of color and there are going to be other challenges that they have to deal with. It includes me presenting to the students as a professional of color and saying to them, "hey don't look at me and just see my suit and tie and think 'whoa, I want to be you, you must be making big money.' There's the

²² Errol Wallace 2,4.

fact that there was a college education, lots of challenges, that there's other things that you deal with every day."²³

While the coordinator at this company, like the others, was taken aback with challenges students face today (three of fifteen students became parents during the first year, one student's boyfriend was shot), the sophistication in practice at the third company seems a full step ahead of the second company.

Just what results the company hopes for in the program remain somewhat ambiguous. The company didn't ask for the best students in the school, but a middle group they thought they could help; they then looked for and found modest but encouraging increases in grades and attendance for the students in the program. On the other hand the program coordinator did go to the trouble to work with the employment department to figure out the skills needed for current entry-level jobs that the training should target. It was unclear just how much the program encourages further education and whether the benefits of the program would come mainly to the students or to the students and the company:

Students have taken the initiative to say, that seems interesting, can you show me what you're doing? So I can say there are two ways to get there, you can go to college or if you want to work your way up you have to start this way and it's going to take a lot longer....

It's obviously our hope, and it would only make sense, since we made a two-year commitment to the students and they've made a two-year commitment to us, that if they decide to go to college, fine, hopefully they'll keep in touch with us and we'll continue to be a resource....

Something I have no interest in doing is just building good little employees, because my goal is to make it so that the kids can go out and do whatever it is that they want to do....

We've got to see what happens to the interns after the second year, do they actually work here, do they go away, do they go away and be successful? Or do they become street criminals because they're so let down by the real world after we've raised their expectations too high?²⁴

²³ Errol Wallace 3,3.

²⁴ Errol Wallace 6,4; 7,2; 8,1; 8,3.

At points it seems as if the goal is to develop the students as future workers at the company, while at other times the goal appears to be solely the development of the student with little direct benefit to the company. The goodwill impresses at first, but what seems much more significant about this kind of program is the clear touch of self-interest that is evident. At least, they want the job program to be useful for the company, not a burden. This is especially in contrast with the program at the other company, where people clearly saw hiring students as not part of the goal, practically something to be avoided. It seems clear that the students in the third company are enjoying a better program. Perhaps this is largely because the third company actually hopes that some of the students will become productive workers. The goodwill helps make the relationship a fairly generous one, and may make up for the fact that despite paying the expense of training a group of students, they can expect that only a limited portion will end up working for the company. Perhaps a consortium of several or a dozen companies could pool their goodwill, their trainees and their hiring interests and expect to get a still higher return on their contribution.

In the final chapter of the thesis, we will attempt to draw some conclusions about why efforts to improve education in Boston have yielded only modest accomplishments and about the implications of my finding on skill scarcity for expanded school-business collaboration.

Chapter Six

CONCLUSIONS

The first section of this final chapter draws conclusions about the larger questions that motivated my research. The second section examines the implications of my research findings on perceptions and responses to skill scarcity for expanded school-business collaboration.

I. RETURNING TO THE BIG QUESTIONS

The larger questions that motivated my research were about so much eagerness to improve education and training of youth coincided with an unwillingness to spend substantially more on schools, training and health services and to create new institutions in these areas, even though many perceive that our national economic well-being is at stake? Why have efforts to improve education and development of youth produced such modest accomplishments? I wanted to know how important it really is for business to improve education, especially of poor urban youth. I wondered what steps could help transform the interests in skill development apparently shared among business and workers into meaningful programs that could improve the Boston economy and help graduates of the public schools play a large role in it in the future.

A moment is needed first to consider the applicability of my work beyond Boston. My research has led me to a better understanding of the situation here, but not necessarily of forces at the national level. Boston probably has more workers with advanced education and more corporate headquarters than a typical mid-sized American city. But in its levels of education, its ethnic diversity and the relative strength of its service sector, Boston exemplifies a number of national trends and may suggest aspects of the future that other cities will face.

Part of the answer to my question about the lack of accomplishment in improving education and other services lies in the seriousness of the problems. The difficulties involved in bettering schools, especially in poor city neighborhoods, are huge, with all the stunning obstacles that urban poverty can bring to family, community and economic opportunity.

With the problems this serious, however, we have to wonder all the more about the question of resources. Why has so much expressed interest in helping not resulted in a willingness to spend substantially more or to create new institutions and programs? If large amounts of additional money were devoted to schools, youth training and children's health and large amounts of effort were expended to create new institutions in these areas, and still nothing happened, *then* we could simply ask what was wrong with the old institutions and programs that got more money and the new institutions that were devised. As it stands, we still need to ask: why the lack of significant new resources and new institutions?

Part of the answer may be that what appears as an important problem for our society as a whole does not present itself as such a problem to the companies that retain considerable influence over the political process, especially in the making of economic policy. How important is it really for businesses to improve the education of urban youth? Are resources lacking because low skill levels among young workers are not really a serious problem for businesses?

My research has led me to believe that some of the companies I studied *do* in fact have a strong desire to improve the education of Boston youth. Part of my view comes from the position of young Boston workers in the labor market of the greater Boston economy. Among all the entrants to the labor force in the greater Boston area within commuting distance of the downtown, youth from Boston proper represent a considerable proportion, perhaps a quarter to a third. And Boston youth represent an even higher proportion of entrants to the labor market for less skilled jobs, because few among Boston youth are over-qualified for such jobs. In many other communities a much higher proportion of local youth become four-year college grads, and in communities too far from Boston the commuting costs make lower-wage jobs in the city unattractive. It seems likely that dramatic improvements in the performance of the Boston Public Schools could mean a real boost for Boston's advanced service industries in terms of the skills in the less-skilled labor market. For example, if the Boston high school dropout rate fell from 40 percent to 20 percent and median basic skills went from below the national average to decidedly above the national average (to use the kinds of measures considered in the Compact), then skill scarcity would be substantially eased. For companies that are labor-intensive as a main cost and are clearly very concerned about the wage levels paid to their sizeable workforces, the connection to the bottom line is quite direct.

The main basis, however, for my view that some companies care about education is what I learned about perceptions of and responses to skill scarcity. The perceptions were quite uniform across the companies I studied. People in all three companies believe that a variety of important skills are weak among less-skilled youth and that ongoing changes in

the workplace are placing new demands on skill and aggravating skill scarcity. Many also believe that expected demographic trends and continued changes in the workplace are going to make skill scarcity a more pressing issue in the future.

The significant number of responses to skill scarcity suggests that the perceptions of a problem are more than idle corporate concerns. With various combinations and emphasis, companies have responded by: requiring higher levels of education even for less-skilled workers, trying to attract and retain workers with better family benefits, recruiting high-skill minorities and training managers to make the workplace more hospitable to non-white workers, training workers to improve a wide variety of skills, relocating outside Boston, and getting involved in school improvement efforts.

One might suspect that the range of other solutions available to the companies would reduce the need to help the schools. Yet for all the responses, one can see significant limitations. Requiring higher levels of education reduces the size of the potential labor force from which to hire, putting upward pressure on wages. In attracting and retaining workers, the companies are very reluctant to boost wages. Meanwhile competition and delaying have reduced for many the long-term job security and upward mobility that once made insurance an attractive industry. Training is made more difficult by deficits in basic skills, self-esteem and learning skills, and remediation of basic skill deficits is costly.

Relocation, finally, appears as a grand strategic decision that could relieve the companies of their worries about skills and the Boston schools. For some companies relocation may work. But moving outside the metropolitan area makes it more difficult to attract the large numbers of workers with bachelor's and professional degrees that are found in Boston and increasingly demanded by the industry. And moving jobs to a new location within the Boston area may make it too difficult to attract less-skilled workers. Some of the companies appear too identified with Boston to simply halve their workforces in the city. Overall, at least for the companies committed to Boston, it seems that all the responses can help address skill scarcity but not really solve the problem.

Narrowly defined business concerns appear not to explain fully why companies have responded to skill scarcity as they have or to predict whether they may move on to more meaningful involvement with the schools. Nor do different perceptions of the problem appear to explain the differences in response. The responses have been made in different ways even though the perceptions about the problem of skill scarcity are remarkably similar in all three companies. The differences among the actions of the three companies and the history of involvement with the schools suggest that the values and attitudes of top management play a crucial role in determining how companies balance their options. Improving

the schools remains on the minds of these companies as an important thing to accomplish, both because in the long run it really does matter to them economically and because helping fits their vision of what their corporate conduct should be.

So if the schools really do matter to leading businesses, why hasn't more money flowed to the schools or more energy been devoted to realizing new institutions? Clearly a big part of the problem is the fiscal difficulties that have afflicted the Federal, Massachusetts and Boston budgets. The public sentiments fostered by conservative political leaders — against taxes, against helping poor people and against the idea of government itself — certainly have limited the social resources to strengthen public services. The national economic malaise and the poor growth in real wages of the past decade further sap the willingness to spend more money on schools and programs old or new.

The Boston Public Schools, whose annual budget approaches \$400 million, might need a 15 or 20 percent spending increase before optimists might hope for significant effects from the money not absorbed by rundown school buildings, textbook supplies and an extensive bureaucracy. That kind of money is not likely to come soon; part of the reason is that public confidence in the Boston Public Schools is not very high. Even if significantly more money were available, say from the proposed extra penny on the sales tax, political leaders and administrators at the state and city levels would be quite skeptical that the Boston Public Schools would know how to spend more money in a way that would significantly improve students' educations. The doubt comes not only from the current weak reputation of the schools and the bureaucracy that runs them, but also from a healthy skepticism about the potential to make a big difference for urban youth through traditional education.

The Boston business community is not about to contribute such large sums of money to the schools. The business community has felt that a few million dollars annually in funding, from endowments to the Boston Plan for Excellence and for counselors that coordinate the Compact job programs, is a significant contribution on top of the job commitments. The financial contribution of business has been marginal — small and at the edges. Because this dollar contribution is so small relative to the system, business executives have not unwisely approached the schools with a model of philanthropy, trying to stimulate change with goodwill, experimentation and leveraged money. Unfortunately the drawbacks of the philanthropic model follow: no real expectation of benefit back to the giver and a lack of substantial relations of growing give and take in which both partners benefit and commit additional resources.

Compared to giving money, innovation with public institutions is perhaps always a slow and consuming process. The Compact has required years of meetings and discussions

among CEOs, representatives of the schools and other parties to the agreement. Yet the Compact barely qualifies as a public institution or as an institution for skills development. The programs so far, through the granting procedures of the Boston Plan for Excellence and the employment of the job counselors by the Private Industry Council, have stayed largely under the control of business. Systematic arrangements for training on the jobs have not been established. The process has not come near convincing business leaders that the Boston Public Schools know what they are doing or are capable of implementing institutional changes that business supports, for example school-based management. The result of the philanthropic approach and the perceived difficulty of creating new institutional practices with the schools is that business has given relatively little and kept control over its contribution.

Perhaps one of the most important problems with current school-business collaboration is the free rider problem. If the programs succeeded the businesses that have been most involved would reap only a small proportion of the benefits, while other employers who have done little or nothing would gain as well. Alternatively, the companies that want to help could focus their efforts on programs where they have strong influence over the operation and content and build relations with students so that they could expect to gain from the enhanced skills of future employees. With such tangible benefits, companies may well be willing to move beyond philanthropy to more meaningful programs.

The next section examines in greater detail the implications of perceptions and responses to skill scarcity for the opportunities and dangers that such programs might encounter.

II. IMPLICATIONS OF PERCEPTIONS AND RESPONSES TO SKILL SCARCITY FOR EXPANDED SCHOOL-BUSINESS COLLABORATION

The current depressed state of the Massachusetts economy would tend to discourage innovation to address skills scarcity. Concerns about lack of business tend to push concerns about lack of skills down the corporate agenda, and demands for skills are much more easily met in hard times. But the smarter among the big companies navigating the short-term waves of the recession do seem to keep their eyes on the horizon; in my interviews human resource people at least expressed concern about the labor force of decade ahead.

In my view, expectations about the Massachusetts economy returning soon to good times and to the very tight labor market of the mid-late 1980s are probably unrealistic. But if the area heads back to decent conditions in between boom and bust, with an unemploy-

ment rate back down to around five percent, then the scarcity of skilled entrants to the labor force will again be felt more sharply. Rising skill demands, however, suggest that stronger demand for labor is not enough to bring poorly skilled youth into jobs with a future. Programs to help youth develop skills to meet the future labor requirements of the area needs to be developed now. Companies have already invested substantial time and money without great results. With skill scarcity likely rising again in the 1990s, some should be willing to do more to get more significant results.

In this final section of the thesis, I return to various aspects of my research findings about perceptions and responses to skill scarcity and consider their implications for the development of more meaningful programs for school-business collaboration that can help students develop skills and move successfully from school to work. Increased collaboration between schools and business raises two opposite kinds of risk. On the one hand, business may gain undue influence in the schools and skew the traditional mission to educate students for lives not only as workers but also as questioning citizens and people of culture. On the other hand, collaboration could fade if business has too little influence and the schools fail to help students gain the skills that business can really use. Fortunately, some of the recent developments in business relax the traditional tension between business requirements and school's broader educational missions for citizenship and culture. As we shall see in different areas — basic skills, office skills, higher thinking, communication skills, and work ethic — the responsibility of schools to satisfy business needs and to maintain the integrity of their educational mission present opportunities and dangers.

1. Basic skills: opportunity for accomplishment and bargaining

The accounts and evidence of basic skills weakness among many high school graduates and job applicants can make the problem of basic skill deficits seem overwhelming, arising from social problems far beyond the power of businesses to ameliorate. And businesses can partly escape the problem by raising educational requirements or screening applicants more carefully to avoid hiring workers with basic skill deficits. But the new demands on skills, that result from technological change, greater customer focus, delaying and downsizing have prodded companies to recognize skill deficits as a problem not just among the recent products of the schools but also among employees and even managers who have been getting by on the job for years. Companies have generally responded with increased training to remediate basic skill deficits and see basic skill training as a worthwhile investment in otherwise good workers. As a consequence of companies' various responses, the main effects of basic skill deficits are to reduce the size of the labor pool from which they can draw and to impose additional training costs within the firm.

Basic skills deficits therefore present an opportunity for the Boston schools, which so far have not met hopes among business leaders and others of dramatically improving the acquisition of basic skills. How the Boston Public Schools can fulfill this basic aspect of their mission is a challenge for the gods. But if the school system can make significant improvements in teaching basic skills, then the bargaining process of the Compact will be vindicated. The bargaining process, however, needs a more clear-sighted basis. All parties need to come to a more realistic understanding of how limited business help has been so far in terms of actual support relative to the scope of challenge faced by the schools and the students. Then the major accomplishment by the schools of significantly improving skill attainment could be followed by much more substantial contributions and commitments by business.

While citywide improvements would be most welcome, the school system could also push *individual* students to higher standards of reading, math and other skills. Either all students could be subject to a higher minimum level of competency for graduation, say 10th grade reading levels to receive a diploma or a distinct "honors diploma." A more rigorous minimum standard like this would roughly begin the way toward the recommendation in *America's Choice* about a broader "Certificate of Initial Mastery" toward which all students would work, with most earning it after two years of high school.¹ A minimum standard for graduation or something like the Certificate of Mastery would provide a higher standard to aim for and communicate a decent minimum level of skill to employers.

Any such higher minimum standard could help businesses and the students who meet the standard, especially the students whom it motivates to learn more than they otherwise would have. Perhaps the movement toward requiring two years of college could be slowed. But the standard could certainly stigmatize those who fail to pass and might even prove economically unwise, since any test inevitably evaluates a much narrower set of skills than is needed for the workplace. If the school system is committed to alternative schools for those who don't at first pass the standard and businesses are willing to make more meaningful commitments to hiring and training high school grads, then a standard might be worth its costs and limitations. Alternatively, and with many of the same drawbacks, the schools could administer a range of tests whose scores could be used by graduates to convey skill levels to prospective employers.

2. Office skills: trading business education for business support of education and mobility

The lack of office skills among high school graduates presents some simpler opportunities for give-and-take between schools and businesses. The fortunate development

¹ Commission on the skills of the American Workforce.

is that typing, once a skill to help girls not bound for college get a job after high school, is now a skill that everyone should learn. Keyboards will for some years remain the standard computer interface, so that for students going on to college, to any jobs that include writing, or to technical jobs that increasingly use computers, knowing how to type is too basic to miss. Typing no longer tracks students into a lower path. Nor should learning more advanced secretarial skills necessarily be considered an inferior track. Since businesses would benefit in a clear way from increased typing skills, it should be relatively easy to get businesses to increase the equipment donation that has helped support the courses survived in this area.

Office skills, however, go well beyond typing. Learning the skills of a full secretary, a line of work in which businesses have clearly felt the need for more trained people, requires more than a single course or two. But should public schools return to training students to be secretaries? If they did, what support might be expected from business? From the perspective of the students, the vocational academy model offers some possibility here. If a high school student can also take the courses needed to prepare for continued schooling, then a strong part-time program in secretarial skills in the last two years of high school could help the student get a decently paid full-time job upon graduation or to make a good wage in the part-time work that most college students need nowadays to support their studies.² One might argue that the public schools should concentrate on more broad-minded education and preparing students for further education. But we should keep in mind the high costs of college — sometimes in tuition, always in students' time — and the very high rates at which most urban students drop out, often with little realization on their investment. If high schools can prepare students well enough to go on to further education and provide skills that earn good wages, educators should not be disappointed.

But if the public schools take on a teaching role that benefits businesses, what responsibility should business have to the schools or to the hired workers? Conceivably, business could provide the schools with equipment, teacher-training, even the teachers themselves. For the students, businesses could guarantee internships, jobs upon graduation, or guarantees of assistance with continuing education to hired graduates. With so much help that could be given, what determines the proper responsibility of business?

In the past, business has been able to rely in this area on training conducted outside the company, in high school or the many two-year college programs and proprietary schools that focus on office skills. Over the past two decades however, young women have tended to find more prestige and mobility in other fields less traditional for women. Meanwhile,

² Stern, p. 39/

the upward mobility that entry-level, especially male workers used to enjoy in big companies has been limited by greatly increased use of graduates with full college or advanced degrees. Perhaps there would be some economic-historical justice in a bargain. The redevelopment of secretarial training in the high schools as part of a vocational academy or 2+2(+2) scheme could be met with strong support for upward mobility from companies through internships, jobs and guarantees of assistance for continued education. On the one hand the schools and students can do more skills development of value to business; on the other hand business can provide more meaningful assistance to schools, more job experience to students and more continued education for graduates. This kind of bargain may be the key to more meaningful school-business collaborations.

3. Higher thinking skills: more opportunities for challenging trades

Unlike well defined skills such as word processing, higher-level skills such as analytic or holistic thinking cannot be provided in a sudden added-on set of courses. But the awareness in companies that students are lacking higher-level thinking skills tells us that businesses recognize the need for more general education to develop students' intellects in a broad way. Broader thinking skills are needed so that workers can handle increased responsibility, reduced supervision and more complicated systems and procedures. Better courses of all kinds have a role: math courses that push students to solve longer multi-step problems; science courses that emphasize the interconnectedness of biology, earth science and chemistry; the study of literature that integrates social, historical and psychological aspects; social studies that help students appreciate the complexity of our culture. Attention will need to be drawn away from the judgements of multiple choice tests and toward cultivation and assessment of deeper intellectual ability, with resulting controversy aplenty.

The development of the more subtle skills can lead to delicate questions about the goals of public education and the proper role of business in shaping the agenda of the schools. Might business involvement tend to limit the schools from teaching students critical thinking skills that might help them to question authority?

The development of holistic thinking skills also raises delicate questions. Holistic thinking leads not only to the big picture of understanding a company's operations but also to labor relations and corporate responsibility. And critical thinking can extend to questioning the legitimacy of corporate power. If the public schools are to fulfill their triple role of training workers, preparing citizens and educating people of culture, then they must develop students' ability to question authority, power and tradition. If cooperation between business and schools should grow, then the question of how to reconcile the potential conflict between educating citizens and workers is sure to remain.

This realm is one from which business can do well to keep a respectful distance. Businesses are unlikely ever to conduct the broad courses needed in this area for the majority of workers. Curriculum design can better be left to the mathematicians and historians, to the literature and social science folk who try to bring the big ideas alive for high school students, allowing business to avoid the curricular controversies of culture and politics in the classroom. For now our country is pro-business enough that business can better preserve its social position by taking a hands-off approach about the actual curricular content (as opposed to the general balances) and avoiding the public relations damage that could result from efforts to exert undue influence on the content of general education. From colleges, businesses have already gained the benefit of large increases in business-related courses and majors. Companies can reciprocate and improve thinking skills by expanding support for employees' higher education even in courses not directly related to business.

4. Communication skills: remedies and cultural questions

Weak communication skills among graduates of the Boston schools suggest both some straightforward remedies and some very difficult cultural and ethical problems. Students should be helped to develop skills in presenting, listening, talking extemporaneously with clarity — skills not usually given much deliberate focus for teaching or testing since the days of rhetoric and debate as a popular extracurricular activity. Because speaking skills can be so essential to further schooling, to citizenship, and to work life, educators can recognize that developing communication skills among students is worthwhile. By tackling communication skills, the schools could show that they can move beyond the most basic testable skills to something more subtle, but in touch with business needs. If the schools can make progress in this kind of area, they can push businesses to strengthen their contribution. Trainers from business may have more expertise in teaching presentation skills, since this has been so little emphasized in schools, and could conceivably help train teachers or teach classes themselves in different school-business collaborations.

Yet the tough cultural questions follow fast. Speaking more middle-class or "white English" may be of real economic value to young workers who are trying to make it in big service-sector corporations. But should schools push students to speak a standard style of English that may differ from the English spoken in students' homes and peer groups? Even working-class white English in Boston (what is described as a strong Boston accent) sounds different enough from less accented middle-class or professional speech that most people can readily identify speakers as from a more or less educated background. The English spoken by some black Bostonians combines a distinct accent and a somewhat different standard of grammar that is often heard as incorrect by norms of white speech. Speaking "black English" can put people at the greatest disadvantage among native speakers of English seeking a position or promotion within a largely white firm.

The difficulty for many of learning to use the white style of English should not be under-estimated. The more verbally skilled among black Boston youth likely pick up white English without too much effort. But learning to speak a dialect well enough to express oneself appropriately and with subtlety takes effort and opportunity. The common physical segregation of black communities and the sense that white America is indifferent or hostile to black needs and concerns aggravate the difficulty of learning to use white English. For some, speaking white or educated-sounding English can be a sign of having sold out identification with black or hometown society. Deliberate efforts to help students master standard spoken English while affirming the legitimacy of black English as a structured and rich language and an important contributor to American English could be a step toward spoken language skills that could reduce discriminatory barriers in the work world.

5. Work ethic and self-management: business surprises?

The teaching of work ethic and self-management skills also raise some difficult questions. With how much energy should the schools train students in behaviors and attitudes that will help them fit into the corporate world, including style of dress and work habits? In a number of work-based learning programs or the job programs at the insurance companies, the development of awareness and skills of this kind are seen as a central purpose. Traditionally, teaching students to be on time and to follow directions have been important functions of school in preparing youth for the workplace. An environment of motivations — where getting good grades, passing comprehensive exams, avoiding disciplinary action lead to better status and economic futures — can help to develop these kinds of skills. In this dimension, businesses can play a role by asking more about grades and exams.

Educators might despair that such meager educational goals meet too well the needs of business, but current trends in business may end up surprising the educators. The changing business environment is now demanding broader self-management skills so that companies can get by using less supervision. Self-management skills are of course more emphasized in higher education. Compared with high school, college has much less class time and more time required for individual study; the scale of required projects grows and the frequency of examination and supervision drops. Courses that are part of vocational academy programs can push students to do more independent work with less supervision and can assert strong expectations of accomplishment on longer projects. With more advanced self-management skills as an explicit goal, supervisors of internships at businesses can build on school efforts by seeking to gradually ease close supervision of interns. The business need for more independent self-management skills may support development of programs in the latter half of high school that treat teenagers not as big kids but as young adults.

6. Greater skill demands and higher educational requirements

The perception that jobs in the insurance industry are getting more demanding increases in some ways the importance of much that I have argued about the implications of perceptions of skill scarcity for school-business collaboration. More difficult jobs mean that the industry demands more in terms of basic skills, thinking skills and self-management. The expectation of continued upskilling could strengthen the sense in companies that they need to do more to help the schools. Increased focus on training for the current workforce may help companies recognize the benefits from contributing to the skill development of entrants. Alternatively, however, expectations of tougher jobs and a workforce increasingly composed of traditionally disadvantaged minorities could encourage companies to pursue further some of the practices that could make the industry less hospitable to graduates of the Boston Public Schools: relocating jobs outside of Boston and requiring even less-skilled new hires to have higher levels of education.

Requiring higher levels of education is part of the move away from reliance on high school graduates and of the internal labor market for training of higher-level workers. Yet firms have not adequately addressed the loss of mobility that less-skilled entry-level workers once enjoyed. Where once high school graduates could work their way up, perhaps to the top, now even graduates of two-year colleges face a difficult gap between themselves and the large number of professionals with four years or more of post-high school education. Delaying and downsizing have aggravated the loss of mobility. More finely divided career ladders and encouragement to accept "realistic" career goals seem more like symptoms of the problem than solutions. Increased internal and external training can help, but the pressures of work and the limited time and funds allotted for study toward a bachelor's make it difficult to bridge the gap. The disadvantage of the old system was that women and minorities often were relegated to job types without the full range of mobility. Under the new system, mobility is limited more by educational backgrounds. A modestly improving economy and demand for labor in the '90s will not be enough to bring poorly educated young workers into jobs with potential for growth.

The trend of requiring higher education may also impede school-business collaboration if firms see high school interns as too far from the final product they want, both in skills and years. As long as companies see students as having neither much to contribute as interns nor a strong possibility of becoming future workers, they will tend to view the relationship as primarily philanthropic. School-business collaboration needs to bring more than the very indirect benefit of helping to improve the educational environment from which their unidentified future workforce will emerge. The schools must rise to the challenge of preparing students for more demanding jobs while the companies that have as

a rule stopped hiring high school graduates will have to become more flexible in their efforts to develop skills among workers of different ages and educational backgrounds.

7. Stronger reciprocity

Programs of school-business collaboration can move beyond philanthropy in part by encouraging students who receive training or internships from companies to consider working for the company in exchange for expectation of more training in the future. For example, if a student starting the 11th grade enrolls in two courses in a financial services business program, a partner company could offer in the following semester a course taught by company staff, perhaps even with a low wage paid to the students as in one company's current program. If the student successfully completes the course, then the company would be expected to offer the student an internship in the summer, paid but clearly designed to help the interns learn about the different operations in the company and the industry. If the internship goes well and the student enrolls in the remaining school courses in the business program, then the company would be expected to offer a school-year part-time job.

If the company found that it could hire high school graduates who had gone through this preparation, then the program could operate as vocational preparation directly for work. If not, then it would have to work as a 2+2 program, with some arrangement for the company to help with the costs of continued schooling in return for an expectation that the student would seriously consider working for the company or would continue part-time. Without growing relationships of expectation that the other party will reciprocate efforts (the employer by supporting education and offering internships and jobs and the student by taking courses and by seriously considering decent job offers), then one can easily be taking advantage of the other.

This exchange of more direct commitments — to study and to work, to train and to employ — in my opinion is what is needed to bring school-business collaboration to a more meaningful level. Expectations of youth for performance in school and workplace must mesh with expectations of employers for support of learning and skills acquisition. If all sides give substantially and get results, then programs can gain momentum and grow to include more students and job types.

The risks of too much corporate power over schools will necessarily follow. Educators with students' needs in mind must be vigilant. The hesitance of business to get drawn too far into school politics should help. The students and the teachers face the greatest challenges and with limited resources. The interests of business create an opportunity for companies to help. The schools should take advantage of this possibility.

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