

IN BRIEF

OUR NATIONAL HUMAN RESOURCES

George P. Shultz

An examination of demographic trends and educational developments puts a sharp focus on the urgent need to improve K-12 education, as well as on immigration policy, if the United States is to have a healthy and expanding economy. Remember, economic expansion comes fundamentally from expansion in the labor force with an increasing productivity of that labor force. The chapters that follow delve into each of these issues, but here again I'll just set the agenda. So let's start with demography.

In the years from 2010 to 2030, there will be no change in the number of people age forty-five to sixty-four. In the twenty to forty-four age group, the increase will be very small. Instead, the big increase will come in the group of those age sixty-five and up. The population is aging rapidly, and the cohort in the prime labor force years is not increasing. Meanwhile, the proportion of the population sixteen years of age and older who are in the labor force has already declined sharply in recent years, going down from 66 percent in early 2007 to about 62.9 percent today, probably the result of poor economic policies.

The problem of having a capable labor force is heightened by the fact that, at this time, 35 percent of Hispanics, a rapidly rising share of the population, have not even finished high school. Plenty of evidence and experience show that good educational outcomes are possible. The United States need not be falling behind.

Give students a real choice on which school to attend, so schools must compete for students. With reasonable administrative control, a better-educated labor force will emerge.

As we aim to improve the capacities of our younger workers, an additional important policy program will be to seek ways to keep people in the labor force for longer. Labor force participation by people sixty-five and older is encouraging, as are attitudes. Surveys show that many employers consider older workers as being sometimes more productive than younger workers. Policy changes can help. As an example, the payroll tax could be eliminated once a worker reaches the age of eligibility for full benefits, currently about to rise to sixty-seven. That would mean that older workers would have more take-home pay and would be less expensive to employ.

As we work around these issues of the size of the labor force, we can also take separate steps to help keep up its scaler in productivity.

For example, the productivity issue underscores the importance of research and development, which has always been, and continues to be, a companion to our country's creative and innovative culture. We need to encourage innovation in the private sector and beef up R&D support from the federal government. Experience shows that a serious federal program—long-term in vision, sustained year-to-year, and credible in its aims—will be joined by significant private funds, which want to know what is being developed and how to contribute.

We can also think about how to change our immigration system so that greater emphasis is put on the potential productivity of those who come to our shores. That means less emphasis on extended families (uncles, cousins, etc.) and more emphasis on skills and education, including a virtually automatic green card to those educated in the United States. So we need to bring in people of working age who are well-educated and can contribute to the economic expansion that will be needed if we are going to cope successfully with the big growth in the number of retirees.

Immigration is a sensitive issue for many people. But it is an understatement to point out that this is not the first time our country has wrestled with the topic. In a speech he gave at the White House in 1989, Ronald Reagan chose to reflect on its special standing when he told us:

Yes, the torch of Lady Liberty symbolizes our freedom and represents our heritage, the compact with our parents, our grandparents, and our ancestors. Other countries may seek to compete with us; but in one vital area, as a beacon of freedom and opportunity that draws the people of the world, no country on Earth comes close. This, I believe, is one of the most important sources of America's greatness. We lead the world because, unique among nations, we draw our people—our strength—from every country and every corner of the world. And by doing so, we continuously renew and enrich our nation. While other countries cling to the stale past, here in America we breathe life into dreams. We create the future, and the world follows us into tomorrow. Thanks to each wave of new arrivals to this land of opportunity, we're a nation forever young, forever bursting with energy and new ideas, and always on the cutting edge, always leading the world to the new frontier. This quality is vital to our future as a nation. If we ever closed the door to new Americans, our leadership in the world would soon be lost.

The need to reform our immigration system is widely recognized, but constructive efforts seem to be hung up on the issue of “securing the borders.” In my view, that problem could be more effectively addressed if we took more time to understand it. For example, the problem appears to be our border with Mexico, but, with Mexican fertility rates falling to slightly below the replacement level and the Mexican economy improving, net immigration of Mexicans to the United States has been zero in recent

years. The more relevant problem is therefore Mexico's southern border. We need to ask how we can help Mexico avoid becoming a transit country with all of the human degradation and corruption that go with it.

In sum, our human resource base can be adequate and productive. We simply need to do those things that are obviously needed and that we have demonstrated that we know how to do. An expanding economy will pull people back into the labor force; applying the principles of choice and competition in K-12 education will help high school graduation rates and continuing college attendance; simple reforms can keep people productive in their more senior years; and informed work on immigration can encourage the flow of "the best and the brightest" to our shores.