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RICHMOND FED'S LACKER: SKILLS GAP CONTRIBUTES TO WIDENING U.S. INEQUALITY

By Ben Leubsdorf
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The U.S. workforce isn't keeping pace with the economy's need for skilled workers, and the gap in acquiring skills is one cause of widening inequality and sluggish economic mobility, Federal Reserve Bank of Richmond President Jeffrey Lacker said on Tuesday.

"Many factors contribute to inequality and the persistence of that inequality both within and across generations," Mr. Lacker said at the Emerging Issues Forum, a convention in Raleigh, N.C. "But the growing disparity in the acquisition of skills, often in the form of college education, appears to play a significant role."

Human capital, which Mr. Lacker defined as "the knowledge and skills that make people more productive," drives innovation, which itself drives economic growth, he said. But, he said, the large earnings gap between workers with a college degree and those with only a high-school education suggests that "we are failing to keep pace with our economy's growing demand for skilled workers."

This isn't the first time Mr. Lacker has expressed worries about workforce development. In a speech last June in Lynchburg, Va., he said that the issue "is intimately related to the second part of the Fed's legislative mandate, which is promoting maximum employment." The Fed is also required to keep prices stable.

A large number of students enroll in college but drop out without completing a degree, Mr. Lacker said, indicating that "many students could benefit from more information about what is required for college success."

Students should be provided with "information about other career and postsecondary education options," such as community colleges, Mr. Lacker said. He also said that "targeted information and assistance" could help "ensure that well-qualified students don't forgo college because of perceived obstacles such as cost or because of social norms that cause them to underestimate the potential benefits or their likelihood of success."

Mr. Lacker said that investment in high-quality early childhood education is crucial to help people acquire so-called non-cognitive skills such as patience, work ethic and following directions.

While innovation and technological change displace many workers, they also raise standards of living, he said.

"Just as technology reduced the need for farm labor, it also allowed the creation of new jobs in new sectors, and I don't think any of us would argue that we would be better off if nearly half the population was employed to supply our caloric needs, rather than being free to work as engineers or truck drivers or nurses or whatever," he said.