

Ramona Schindelheim, WorkingNation editor-in-chief:

You are listening to Work in Progress. I'm Ramona Schindelheim, editor-in-chief of WorkingNation. Work in Progress explores the rapidly changing workplace through conversations with innovators, educators, and decision-makers, people with solutions to today's workforce challenges.

The country is facing a hiring crunch for skilled workers such as carpenters, electricians, welders, and plumbers. What's behind the critical demand for talent in the trades, and is there any relief on the horizon? Brooke Weddle is a senior partner at McKinsey and a co-author of new research, Tradespeople Wanted. Brooke, thank you very much for joining the podcast.

Brooke Weddle, McKinsey senior partner:

Thank you, Ramona. It's great to be here.

Ramona Schindelheim, WorkingNation editor-in-chief:

We talk about an increased demand in skilled trade workers. Where is that coming from?

Brooke Weddle, McKinsey senior partner:

I think it's coming from a variety of factors. And by the way, this is not a new problem. The shortage of skilled trades relative to the demand has actually been a problem that's been around for some time. I think that the new part of the situation we find ourselves in is that demand seems to be really skyrocketing, and that comes from things like the bipartisan infrastructure law, it comes from the energy transition, it comes from infrastructure investments beyond infrastructure, the Biden bipartisan infrastructure law. If we double-click on that, we see things like the CHIPS Act, we see AUKUS, which is generating demand for skilled trades in the context of submarine construction. And we are not seeing enough new entrants into those skilled trade roles, so thus the gap that we observe. And it's troubling because it's getting in the way of productivity and performance of a lot of organizations.

Ramona Schindelheim, WorkingNation editor-in-chief:

How big of a gap do you see? Do you have a number that you can quantify, like we need X number of people between now and here and we've only got this many?

Brooke Weddle, McKinsey senior partner:

So the gap varies, not surprisingly, by role. But in our most recent research, what we did was instead of focusing on the gap, which is important, and we're clear that there are gaps, we actually focused on what we call churn. So if you look at data from the Bureau of Labor Statistics and you look at forecasts for demand, we find that not only is there a rapid increase in terms of those roles, but annual hiring is expected to be 20 times the projected annual increase in net new jobs. And what that means is that companies have to hire much more relative to the roles that they actually need to fill, 20 times as much more. And that has serious implications, cost and, of course, going back to the earlier point, productivity.

Ramona Schindelheim, WorkingNation editor-in-chief:

That's really important. There's a lot of this increased demand. As you said, it's been there for a while. It's not new. But this increased demand has an impact. These are good jobs that are out there that are going unfilled. Let's kind of break it down. It's like construction laborers and helpers, that was one of the things that I think you called out in the report.

Brooke Weddle, McKinsey senior partner:

Yeah, so for construction and laborers, I think there are a couple things happening. It's really interesting because there is a lot of transitions within the labor market for these kinds of roles. I think one of the most interesting parts of those transitions is that you don't necessarily have people going from one construction company or project to another but leaving the role or the industry entirely.

I was talking to one large industrial company, and they said, "I know a lot of our workers are leaving and not doing that same skilled trade roles because they leave their tools behind." And so we live in an environment where there's, and this can be a huge positive, a democratization in terms of jobs available, gig economy; we've seen the growth of that. And so the next best job could be not necessarily construction labor role in another company, but rather an Uber driver or a services worker. And that creates a lot of pressure on companies to really shore up what we would call their employee value proposition to create stickiness and retention of those workers.

Ramona Schindelheim, WorkingNation editor-in-chief:

I don't want to get ahead of some of the solutions on how you can fix that problem, but I would like to just bring up, too, it's not just those laborers. It's the electricians, it's the welders, and it does cut across a lot of industries. I think you mentioned submarine construction, right?

Brooke Weddle, McKinsey senior partner:

Yeah. Right.

Ramona Schindelheim, WorkingNation editor-in-chief:

So we have a point in our economy where there is growth, there's investment, there's creating opportunities, but we have the gap in the people who want to fill them.

Brooke Weddle, McKinsey senior partner:

Exactly. And it's hard not to jump to potential ideas on solutions, but one of the things that people talk a lot about is the different generations in the workforce today. McKinsey calls this the gray-to-green transition. What that simply means is that you have a lot of retirements, a tsunami of retirements, and then a tsunami of new generations entering into the workforce. And that exacerbates this challenge that companies have because they're churning through lots of different talent.

But the interesting thing is that talent is not necessarily the kind of talent that they're interested in appealing to. Appealing to things like continuity and persistent career advancement in the same company is not as compelling for some younger generations. McKinsey found that those younger generations... And actually, it's not necessarily only younger generations. In some ways, the pandemic has shifted all of our notions of what employees want. But we really find that those workers want a couple of things. They want flexibility, they want meaningful work, and that means a really strong connection with their manager, and they want development. The wrinkle on development, though, is they might not necessarily want development in the same role. They want to move around, they want to be exposed to new things inside the company, and then, of course, outside the company as well if you can't create that diversity of experience within a single company.

Ramona Schindelheim, WorkingNation editor-in-chief:

Also, I was reading in your research and other research that there's this aging of those people with that institutional knowledge. Now, those people who may have been in these industries and in these roles,

there's a stigma attached by maybe some of those younger people who are saying, "I don't want to be in the skilled trades. This isn't for me."

Brooke Weddle, McKinsey senior partner:

Yeah. I think that's very real. Now, I think the good news is that there are some signs that that might be changing. You hear people talking about the digital tool belt generation. You see industries and companies talking about what a skilled trades person is able to accomplish and new ways emphasizing, yes, technology and innovation, but also things, again, related back to meaning, moving our country forward. I think that's kind of neat. I also think that people in skilled trades roles are also doing this reinvention themselves. It is not uncommon right now to see a carpenter or a plumber. There's some great examples on TikTok talking about their roles in really amazing... It makes me want to go be a plumber. It's very interesting, and that rebrand, I think, is entirely needed, and I think that's kind of exciting.

Ramona Schindelheim, WorkingNation editor-in-chief:

And it plays to this desire and this movement to go into a green energy transition as well. So this transition... We need people to do these roles. We need the people in the skilled trades to help us get into that green space. So there's a combination of both skill and purpose that I think we are seeing, and maybe that's what you're seeing in those TikTok videos.

Brooke Weddle, McKinsey senior partner:

Absolutely. And I think there's a lot of purpose and there's also a good dose of fun and empowerment and independence, especially you look at some of the videos by women out there, and it's a whole new take on what's possible in terms of a skilled trade role. But yeah, I do think there is a sense of pride that can come from this work and that people are talking about that, especially as the national dialogue on semiconductors and building a secure defense environment for our country takes on maybe more momentum. That is, I think absolutely people are connecting those dots. And you're right, it's also about sustainability and green future, and we know those are topics that younger generations care deeply about, rightly so, because it's their future. So I think to the extent that we could make more of those connections, we do tap into new sources of meaning.

Ramona Schindelheim, WorkingNation editor-in-chief:

And you mentioned women in the skilled trades. I was just talking to someone a few weeks ago, a panel I did in Washington, with someone from the Chicago Women in Skilled Trades, and the number was like 3% of the skilled trades are made up of women and trying to get more women into those roles. Those are good family-sustaining jobs. They have benefits. A lot of women like to work with their hands too.

Brooke Weddle, McKinsey senior partner:

100%. And I think many companies have wised up to the fact that they're not going to get the numbers that they want to achieve on these roles with only appealing to men alone. It's a simple math equation in some ways. Now, that said, I don't think many organizations have figured out how to tap into that demand or potential demand from women very effectively. There are some bright spots. I was intrigued by, for instance, what Land O'Lakes is doing in terms of its manufacturing shifts to try to support not just women, but working parents as they navigate trying to balance work with, of course, small children. I also think that there are efforts being made to try to appeal to women and get many women in the door or multiple women in the door at once.

McKinsey's actually done some interesting research in its Women in the Workplace report, and we've introduced this concept of the onlys. It's very difficult to be an only, meaning you're the only woman in the room, the only woman on the panel line, on a deck plate. It's a very lonely place. So that is why I think some companies are saying, "Well, if we were to take more of a cohort approach and bring in multiple women at once and really think through how we could support them in these environments that tend to be male-dominated, to your point, what would that look like?" And I think many more organizations are being thoughtful on that front.

Ramona Schindelheim, WorkingNation editor-in-chief:

I think it's important for not only society as a whole to make sure that women and underrepresented people of color, they're not as represented in some of the skilled trades as maybe a white male is, but it's important to bring that in; but it's also really important for the businesses themselves because there's a dollar attached to this lack of talent, but there's also a dollar amount attached to training.

Brooke Weddle, McKinsey senior partner:

Well, exactly. And when we looked at the churn number, we estimated the impact, the economic impact, of that churn on companies in the US, and it was over \$5 billion. We're not talking about small numbers here. And having worked with many industrial manufacturing companies that are employing these skilled trades, I can tell you that this is not a HR topic. This is a CEO topic. If you listen to any earnings call, I'd say, of a large industrial company in the past 12, 24 months, I would be hard-pressed to find one that is not talking about workforce issues, whether it's acquiring that talent or retaining that talent or making that talent more productive. It is a limiter to what is possible on the performance side.

So I think it's really become quite problematic, and if you work with these companies, you can see it in the day-to-day as these older generations retire and they have so much tacit knowledge. You see the younger generations, they're struggling. There's apprenticeship, there's training. It's not like you walk in and you're ready to work day one. So you have to really kind of get people to stick around long enough to get to proficiency, and that requires an investment. And then if that investment walks out the door, it's a cost that's difficult to bear.

Ramona Schindelheim, WorkingNation editor-in-chief:

It's some of the culture of a company, I think, where bringing in the talent, recruiting the talent, even at an entry level, and then help growing them through there. And I think there is some loyalty that can be attached to that if a worker sees that the company really does want to invest in them, too, though.

Brooke Weddle, McKinsey senior partner:

And I think you're talking about what really kind of motivates people to stay with a company, what generates that stickiness. And one of the things, and I think you're pointing to this, is company culture and how do you create a company that people are excited to be a part of day in, day out? We've done a lot of research on culture and what we call organizational health, and one of the consistent findings is that there are four management practices that matter more than any others. It's having a clear sense of strategic direction and translating that into work environments so that people can find meaning in what they're doing relative to the strategy. That second management practice is role clarity, so I know what I'm accountable for relative to that strategy. And then the last two are personal ownership, so I feel empowered, I have a strong sense of ownership for my job, and then finally, competitive insights. How are you really renewing yourself over time? Those are what really stand out as the hallmarks of a high-performing culture and company.

Ramona Schindelheim, WorkingNation editor-in-chief:

Talking about the companies themselves and the culture, there's also the company's involvement in the region, the community where they are doing business. How can working more closely maybe with the local economy help close some of these gaps?

Brooke Weddle, McKinsey senior partner:

That is such a good question. I think organizations that are thinking about approaches to workforce planning more from what I would call an ecosystem perspective, so involving others in the community, whether those are economic development organizations, workforce councils, they're obviously the big role to play on the educational provider side. As we know, that is certainly not just higher ed, but it is community colleges, it is vocational schools.

One of the things that we've seen is that when you're orchestrating and integrating at this regional level, then you're able to much more quickly match, what are the skills and goals we need, to how do we build the workforce that is required? And as an example of this, the Greater Washington Partnership here in the DC region has built this employer signaling system. What the employer signaling system is is a mechanism for those three parts of the stool to come together, employers, educational providers, and then students, and the orchestrating mechanism in this case is the Greater Washington Partnership, and say, what are the skills and roles needed? How are we going to build towards them? And then how are we going to attract talent so we can make this market work? It's created, at least on the tech job front, a lot of momentum, and we're now seeing, are there other areas where we can focus this, for example, in the skilled trades?

Ramona Schindelheim, WorkingNation editor-in-chief:

Are you optimistic that we're going to be able to meet the demand, meet the critical need for the benefit of the country, the benefit of workers?

Brooke Weddle, McKinsey senior partner:

I would say in this case, failure is not an option. We must be optimistic, but we must be smart optimists. We need to find new innovative ways to work together. And there are a lot of great people out there, incredible leading minds, thinking this through. I would say that we really need bold solutions, so meaning what would it take for us to create a new kind of program where graduating high school seniors can apprentice in the skilled trades for a couple of years and that's seen as an amazing career launcher, not just into a career in skilled trades... Maybe they want to stay there, and I certainly would hope that that would create additional workers in that space, but it would be a larger market signal that this is actually a career launchpad. You might do this for 2, 5, 10 years, and then there are other opportunities. I think we need that kind of kink in the system to really get ahead of this because, as we said at the start, these gaps aren't persistent. They're not going away, so we can't simply take some of the same approaches.

Ramona Schindelheim, WorkingNation editor-in-chief:

Brooke, thank you very much for spending some time talking about a really important subject and very important subject just to our overall economy, the skilled trades.

Brooke Weddle, McKinsey senior partner:

Thank you, Ramona. It was so great to be here with you.

Work in Progress Episode 330 Brooke Weddle, McKinsey senior partner

Ramona Schindelheim, WorkingNation editor-in-chief:

I've been speaking with Brooke Weddle, senior partner at McKinsey. I'm Ramona Schindelheim, editor-in-chief of WorkingNation. Thank you for listening.