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Promoting cross-sector collaboration: An interview with Penny Pritzker

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The former US secretary of commerce encourages closer stakeholder coordination — and discusses the role of governments in workforce transformations.

Unemployment in the United States may be at an eye-popping low, but the skills gap between the needs of employers and the availability of skilled workers stubbornly persists. According to the Bureau of Labor Statistics, as of June 2018 the United States had 6.6 million job openings,¹ and nearly as many unemployed people looking for work.² As technology and innovation rapidly reshape the demands of jobs in many industries, many observers fear the skills gap will widen.

McKinsey recently sat down with Penny Pritzker, former US secretary of commerce and founder of PSP Partners. Drawing on her decades of experience in both the public and private sectors, Pritzker weighed in on successful examples of cross-sector collaboration, philanthropy's role in workforce development, and how public-private partnerships can close the skills gap. Her message is clear: to make progress on the workforce development challenges facing the country, all stakeholders must coordinate their efforts more closely.

McKinsey: *How does workforce development fit into the bigger picture of a healthy economy?*

Penny Pritzker: I really think workforce development is the economic issue of our time. We have too much income inequality, and I believe education, better training and greater support for our workforce are the great equalizers. The most valuable thing you can do for individuals is help them get a job and develop their career. Access to opportunity is what drives me, and I believe education and workforce training are foundational elements of the solution.

To solve these problems, we need to answer a basic question: How do we train our workforce to be globally competitive at a time of artificial intelligence, automation, globalization, and other innovations that we can't even imagine? Just saying we have a skills gap isn't going to solve the problem. We need to create mechanisms and initiatives and institutions that will actually address the challenges that we're facing.

¹ "Job Openings and Labor Turnover Summary," U.S. Bureau of Labor Statistics, July 10, 2018, www.bls.gov.

² "Employment Situation Summary," U.S. Bureau of Labor Statistics, July 6, 2018, www.bls.gov.

Penny Pritzker



Career highlights

PSP Partners

2011 to present
Founder and chairman

US Department of Commerce

2013–17
Secretary of commerce

Education

Harvard College

1981
BA, Economics

Stanford University

1985
MBA, JD

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Philanthropy's
role in workforce
development

Skilled labor gaps
in the workforce

Commonsense
workforce solutions

McKinsey: *Are there any cities that come to mind as success stories in workforce development?*

Penny Pritzker: There are a few. Dalton, Georgia, is the carpet manufacturing capital of the United States. The leaders of that industry recognized that they did not have the workforce they needed to grow because carpet manufacturing had become quite automated. So, they went to high schools and community colleges and said, “We’re going to have apprenticeships and internships. We’re going to work with you. And we’re going to talk to you about the kinds of skills young people need to have a career in our industry.”

Houston is a different situation where this kind of collaboration was also successful. The petrochemical industry needed a pool of qualified labor. They said, “We’re going to take the now-unemployed oil and gas workers, and we’re going to train them to become petrochemical workers. But we’re going to also employ our social safety net to help people cross the bridge from one industry to the other.” So, business leaders worked with the educational community, starting at K–12 all the way through community colleges and the universities, as well as the local government and the social safety net providers.

What we saw in both Dalton and Houston is that people are collaborating. Businesses are working with the education community and local government to provide solutions to a sector of the economy that’s in need of skilled labor. What makes these problems so challenging is no one can solve them alone. It requires cooperation across what has historically been siloed groups.

McKinsey: *For cities that want to enhance their workforce program, what are the primary issues they face?*

Penny Pritzker: There are a number of barriers to scaling, but they can be overcome. First, cities need to bring together the business community, the local government, educational organizations, and nonprofits. Then they need to arrive at agreement on how they are going to address this issue. Cities must include the business community, and they must be clear on what they see as the future of jobs being created with technology. And then cities need to be a convener and bring in nonprofits to help people bridge the gap from where they are to where they want to be. Part of that process is understanding the sectors with a shortage of skilled labor. Then cities need to make sure they have the programs to direct the unemployed or folks who want to upskill into those opportunities.

This transition requires the entire ecosystem, in addition to the educational ecosystem, to work together on these problems. There's an enormous opportunity for both sides of the political aisle to come together around workforce policies. For example, one opportunity that should have broad support is to make the Pell Grant much more flexible so it can be used for workforce training.

McKinsey: *What is the role of a governor in working with the business community?*

Penny Pritzker: I helped lead a workforce development task force at the Council on Foreign Relations, cochaired by former Michigan Governor John Engler. What we learned is that governors have tools to address this problem. They are natural conveners; they have capital in their state budgets to support the connections between economic development administration, their own workforce boards, and the educational system. But the business community must also be honest about their current workforce situation. Where do we have jobs that are unfilled? Where do we have big skills gaps? And how do we make sure that our educational system is providing the training needed to fill those gaps?

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McKinsey: *You've been involved with philanthropic efforts in some capacity for most of your life. How do you see these types of organizations fitting into the equation?*

Penny Pritzker: The role of philanthropy is severalfold. It helps individuals as they are moving from one type of business opportunity or career to another. And it can play an important role as a source of venture capital to set up either new intermediaries or new institutions. This moment is as pivotal as the time when we went from an agrarian society to an industrial society. At that point our country adopted the idea of public high school education for everyone. We need that kind of generational thinking and that kind of cultural change where we better link training and education to jobs, and where we create a system that allows people to be lifelong learners. People should be able to switch jobs and have a safety net under them.

Philanthropy also plays a role in helping with transitions. For example, a worker moving from one role to another often needs assistance. That's a place for philanthropy; it's also a place for public dollars to be spent in our social safety net. Take Skills for Chicagoland's Future, for example. Originally this initiative received all of its funding from philanthropy; today it's two-thirds funded by philanthropy. Eventually, as it grows, it's going to need not only philanthropic support and city support but also corporate support.

McKinsey: *Where has this type of private–public stakeholder collaboration worked?*

Penny Pritzker: In Chicago the business community came together to create Skills for Chicagoland's Future as an intermediary that sits between the businesses and our unemployed. First it focused on the long-term unemployed, middle-career worker and now it also includes our unemployed youth. It took the city government, the county government, and the business sector to acknowledge a gap in our ability to help people who want jobs, but either don't have the skills or don't have the ability to navigate the system.

Skills for Chicagoland's Future works with 100 different social service organizations to create training and improve interviewing skills to help participants apply to jobs committed to by our employers. What's interesting about this organization is that it began as a demand-generated provider. It has agreements with more than 70 different employers to hire the unemployed. Then it goes to the 100 social service agencies doing workforce training and helps individuals with job preparation and interviewing skills for available positions.

McKinsey: *What other areas are critical to increasing the impact of workforce-development programs?*

Penny Pritzker: Information—there’s not enough clarity about the skills that are needed for jobs. As a younger person, if I wanted to have a certain profession, I would need to know what skills I should be accumulating throughout my education so I’m prepared for that career. So, there’s an information and data gap aside from bringing people together.

I also believe that you can no longer be a history major with no technical skills—or acquire technical skills and not be able to write. You need a certain well-rounded nature to your educational background. We also need to acknowledge there are core skills such as coding that are almost like learning a foreign language today, and they should be a requirement. When you’ve got economic vitality and momentum and a desire to hire and you can’t find the employees you want, it forces people to go and look elsewhere, and that’s a problem for our country.

McKinsey: *Let’s say an organization or educator had access to more data. How could they use this information to better connect talent with jobs?*

Penny Pritzker: We need more digital tools available to help the individual or their family understand career pathways. That way they could start this process online. Let’s say I’m in the tenth grade and I’d like to become a cybersecurity expert. What do I need to do? What are the things I need to learn? What are the programs available in my community? How can I move myself along in that area? Or the questions could be, What are the industries growing in my area and how do I fit into those existing opportunities? What are my prospects?

There are more and more tools being created online to help gain that insight. For example, one called Journeys, based in San Diego, enables users to say, “Here’s where I am in my life and here’s where I want to be,” and it will help users understand the education or training they need to get there. Another example is the Credential Engine, which is used by the Business Roundtable. It helps further explain the value of a particular credential, such as who would demand it? And what kind of job exists if you have a certain credential?

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McKinsey: *Apprenticeships are popular in regions such as Europe, but US companies have been slower to adopt them. What developments have you seen in this area?*

Penny Pritzker: I'm hugely in favor of apprenticeships. We know from data if you do an apprenticeship you're 87 percent more likely to get hired into a job. They're a proven way to help someone gain the skills they need for a certain job in a certain career path. And what I'm excited by is that this country is embracing apprenticeships in not only traditional types of skilled labor but now also white-collar jobs. In Chicago, for example, we have an apprenticeship effort led by two global professional services firms that helps create several hundred apprenticeship jobs for folks to become trained in white-collar work environments. It's a phenomenal initiative, not just here in Chicago, but nationally, and one we should all get behind.

In a tight labor market, like we have, employers are more open to the idea of a greater responsibility to help train the workforce. They are interested in helping individuals from lower-income communities make the bridge into the opportunities in other businesses. I'm excited by that effort, that energy, that initiative. And I think it will continue. □

Penny Pritzker is a member of the Markle Rework America Task Force, a group of leaders who are seeking to transform our labor market from one solely focused on traditional credentials to one rooted in skills needed for the 21st century.

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