

Masters of Scale: Rapid Response Transcript – Rachel Carlson

“Upskilling and the war for talent”

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RACHEL CARLSON: 100 million Americans, over two-thirds of the workforce today in America, need re-skilling or upskilling in the next decade in order to be relevant, employable, and be able to survive in the economy of the next decade. The problem is those folks don't know how to find what school or program they ought to go back to, let alone what they ought to study.

The summer was really hard. CHROs were saying, "Sorry, we're trying to keep our employees alive at work. We can't talk about upskilling and education."

Over the last year, it's really come roaring back. It's the acceleration of so many of the trends around the future of work, around, I think, an increased awareness amongst the Fortune 500 that they have an obligation to take care of their employees.

We've had a tremendous amount of work saying, "how do you actually invest in populations that are underrepresented?" We found with one of our partners that their Black employees who are using a learning and up-skilling program are being promoted at two X the rate. For frontline workers, we know that the number one thing that can unlock economic opportunity for Americans right now is education and up-skilling, and it turns out Americans know that too.

[THEME MUSIC]

BOB SAFIAN: That's Rachel Carlson, co-founder and CEO of Guild Education, a digital platform that enables frontline workers to get degrees and certifications as a free employee benefit.

I'm Bob Safian, former editor of Fast Company, founder of The Flux Group, and host of Masters of Scale: Rapid Response.

I wanted to talk to Rachel because, while remote schooling disappointed many parents and students during the pandemic, virtual education for adults has caught on like never before.

And Guild finds itself in the heart of it.

The need for upskilling has accelerated for individuals, for companies, and for the overall economy.

Rachel argues that company-sponsored digital classes are the key solution, and should be embraced the same way company-sponsored health plans are.

Big businesses from Chipotle to Disney, Walmart to Waste Management have signed on. It's the new frontier in the war for talent.

[THEME MUSIC]

SAFIAN: I'm Bob Safian, and I'm here with Rachel Carlson, co-founder and CEO of Guild Education. Rachel is joining us from the Guild offices in Denver, Colorado, as I ask my questions from my home in Brooklyn, New York. Rachel, thanks for joining us.

CARLSON: Thanks so much for having me, Bob.

SAFIAN: So you're back in the office. Is it busy? Is it calm?

CARLSON: It's pretty calm. There's not too many folks back. We opened it a little over a month ago to start allowing the parents of our daycare to come back. And then as of just a week ago, now that Colorado is pretty far along on the vaccination train, we invited anyone who was vaxxed and relaxed to start coming back in.

SAFIAN: Well, it is nice to be able to return to some semblance of that normality. I want to ask you... A lot of things have been accelerated by the pandemic times: video conference – we're on Zoom as we have this dialogue, remote work, certainly, but there's been less clarity about how remote education may have been accelerated. In K-12 education, kids, parents, the Biden administration seem very eager to get everyone back in classrooms as quickly as possible, and the conclusion seems to be that something about virtual education isn't as effective or satisfying. How do you feel about that from the perspective at Guild?

CARLSON: So when we talk about remote education, I think we actually forget to unpack it sometimes. So I have three-year-olds, and I didn't even try to teach them anything on Zoom this year. I feel horrible for the people with five, six, seven-year-olds. Because when you think about what we're hiring school for for our kids, it's social-emotional learning more than anything. When you think about high school, it's about socialization, teamwork, peers, sports, activities, finding yourself, getting away from your parents. I mean, there are a lot of things computers are going to do for us. Spelling is sort of irrelevant at this point. Multiplication tables are core skills, but you can also just ask the calculator.

So a lot of that learning really is designed to happen in person. At Guild, we think about what our students are hiring us for. And at Guild, our average student is a 32-year-old single mom, probably woman of color, probably living in an exurb in America. She's not hiring college for the coming-of-age experience. She isn't focused on the football game. She doesn't want to live in a dorm. She's hiring college, or increasingly more so hiring a

certificate program, because more than 50% of our students are in non-traditional training programs. She's hiring it to get skills, and she's hiring it for economic mobility. And so that population is actually thriving in this remote world. She wants to take classes after her kids go to bed, or on a Saturday or Sunday afternoon when she can sneak in some time. But I feel tremendous empathy for the providers of education in the K-12 arena, or for what I'll call the students who are hiring college for a coming-of-age experience, and that's the students who are eager to get back to the dorm rooms.

SAFIAN: So can you describe for the audience here how your three-sided marketplace works? Because you've got students, employees, and then you've got the universities or the educational institutions that are teaching them, and then you've got employers. And your clients are, in some ways, all of these different constituencies.

CARLSON: Yeah. Marketplaces are fascinating and wild. So let's start with the core problem we're solving, because it'll make more sense. 100 million Americans, over two-thirds of the workforce today in America, need re-skilling or upskilling in the next decade in order to be relevant, employable, and be able to survive in the economy of the next decade. The problem is those folks don't know how to find what school or program they ought to go back to, let alone what they ought to study, because it's very hard to figure out what the future of work wants from all of us.

If you have an 18 year old who's applied to college, they use the Common app, or go to the College Board, or Naviance, or U.S. News & World Report's Rankings. There is none of that for the working adult learner who's already in the job market and needs to upskill and re-skill. So we started spending time with the best universities and learning providers in the country, saying, "What's holding you back? Why aren't you connecting more effectively."

And what they told us again and again and again was actually, it was the digital marketing problem, that the big platforms like Google and Facebook had gotten so expensive for those schools to advertise on that they couldn't reach the students. And this was particularly the nonprofit schools and innovative, smaller programs that we work with at Guild and really seek to elevate, because they have the best outcomes.

And so what we said was, "Gosh, if we want to help these 100 million Americans figure out what to do, how do we connect them to these universities and learning providers?" And the answer was employers. So employers serve as the Guild's distribution channel. They help connect their employees with the upskilling opportunities, but then they also pay. They pick up the bill for their employees to go back to school, and that's because they see a real positive ROI in doing so.

SAFIAN: And so practically, you are going to employers and saying, "Here's a benefit for your employees to upskill," and the employees then have the opportunity to go on the platform and choose and find the courses and the education that they want, and their employer pays for it.

CARLSON: Yep, exactly. That's exactly how it works, and employers do it for one, a recruitment retention reason. Companies find that 25% of their high-quality applicants come if they offer a great education program. It can create a real increase in the competitive set of attracting great talent, and they also do it obviously for upskilling. So a lot of companies are really, really struggling to upskill their employees for the future of work, and so we do a tremendous amount helping take the talent you have today and make them more prepared, whether that's moving them from a cashier's role into a pharmacy technology role, or moving somebody from front-of-house in a skilled trade selling the tools, to actually being able to be a carpenter or an electrician or an applied technology installer.

SAFIAN: And you get paid by the university at the end of this. In other words, the money goes from the employer to the university, and if the course is completed, then the money comes to you guys at Guild?

CARLSON: Yeah. We decided to do that, because it seemed to align all the incentives. So we get paid once the students are progressing term-over-term. So if someone's in a four-year program, we're getting paid at the end of each term. If they're in a six-month program, it's at the end of the program.

SAFIAN: So some organizations during the pandemic got hammered, some it was boom times. You made a no layoff pledge in the spring, so I assume that you were expecting some financial tightness there. But then over the course of the year, you almost tripled in staff size. You went from around 350 to more than 900 employees. What happened during the year?

CARLSON: I mean, if I'm being honest, you say it as though we had some sort of intention. Knowing that a big part of Guild's mission is advocating for workers, advocating for the frontline workforce population, we knew we weren't going to be practicing our values if the first time the world really... Guild had only existed in a boom market in 2015 to 2020. We didn't want to walk away from our values on our first tough day, so that was part of why we made the commitment, but we didn't know. We really didn't know what was going to happen. And the summer was really hard, not just on a growth dimension, but just incredibly complicated. Our student numbers were growing, but the new partners put everything on hold. CHROs were saying, "Sorry, we're trying to keep our employees alive at work. We can't talk about upskilling and education."

So it was a tough time for a marketplace, but over the last year, it's really come roaring back. And I think it's the acceleration of so many of the trends that we've been seeing come down the pike for the last decade around future of work, around automation and how many jobs are changing, around, I think, an increased awareness amongst the Fortune 500 that they have an obligation to take care of their employees. And especially if those employees are doing a job today that isn't going to exist 10 or 15 years from now.

Companies are actually trying to figure out how to take their frontline workforce and turn them into their middle-skilled workforce, which is a really fun challenge we're working on.

SAFIAN: Yeah, so can you describe that for me? Most of your students are what you call frontline workers, as opposed to... What was the term you used? Middle-scale workers?

CARLSON: Middle-skilled, middle-skilled.

SAFIAN: Middle-skilled workers, okay. Tell me what that differentiation is.

CARLSON: Yeah. I wish there were better terminology for this. Nobody has quite nailed it. So if you've heard something better, let me know. What I don't like, and what we try and avoid really viciously at Guild, is the term low-skill, because I actually don't believe that people who get paid low wages are inherently low-skilled. I think it's just often more a dynamic of the supply and demand of what we pay people for what they do. A lot of people do free work like childcare that we don't value either here in America right now.

So when we talk about what we do, we're the only partner that can really provide upskilling to an entire company, but we are especially focused on the frontline worker. And that was so critical because in the '80s and '90s, a lot of the tuition programs or anything a corporation would fund in terms of upskilling and leadership development, it was almost exclusively going to white collar, white men in corporate headquarters. And so our goal was to really democratize it through the company so that more people could have the opportunity to go to school.

And so increasingly we offer upskilling like project management certificates from eCornell that are available at really affordable cost but come with an Ivy league professor and education. Or programs that teach people how to use Tableau and other analytics tools. Data analytics are increasingly popular. And that feels more important than ever now that companies are in this war for talent, and they can't just keep poaching from one another. People are realizing, oh my gosh, we really are going to have to build our own talent pipeline.

SAFIAN: There's been a lot of attention to things like the fight for \$15 an hour minimum wage. Do employers focus on the right things when they focus primarily on dollars as a way to compensate? And for a lot of employees, they may be focused on dollars too.

CARLSON: I think this is a yes-and conversation. I think we need to have a country where people who work 40 hours a week can pay the bills and care for their family. And I think we should reward companies that create career paths versus companies that strictly lift the bottom wage but leave everything else pretty flat. And increasingly, we have very squat pyramids in America in terms of the corporate hierarchy, rather than more equilateral – if you remember that term from seventh grade or whenever we

learned all our triangle shapes. And so I think that education, learning and up-skilling are part of the corporate responsibility.

I could actually argue it makes way more sense for your company to be involved in your up-skilling than your healthcare, right? When your body was the unit of production, right? In the 20s, 30s, and 40s, it made sense why healthcare became a differential benefit because you put your body to work every day when you showed up. But now most of us are in a knowledge economy and our brain is the unit of production. And so I believe in a knowledge economy, your company should help nurture your brain.

SAFIAN: You mentioned that last summer things were quiet, and then now that's shifted. Are there things that happened during the pandemic over the last year that specifically made organizations appreciate and embrace the need for this kind of upskilling more?

CARLSON: There's been wild acceleration actually from my vantage point. I'll give you a couple examples. One, we used to have a pretty hard time getting employers to talk about up-skilling as a tool for mobility, for underrepresented minorities, whether that's by race or by gender. After George Floyd's murder and the conversations are on Black Lives Matter this summer and a lot of companies suddenly budgeting their diversity teams, we've had a tremendous amount of work with those teams saying, "How do you actually invest in your Black talent, in your Latin X talent, in other populations that are underrepresented?" And the answer in many cases is actually doing really specific upskilling strategies because those populations are often the same who haven't been given the opportunity to have a debt-free education or to have the elite four-year college experience at age 18.

And so we found with one of our partners that their Black employees who are using a learning and up-skilling program are being promoted at two X the rate of Black employees who aren't using a learning and up-skilling program. And in that there's two things. You're helping Black talent highlight to their company: "I'm investing in myself. Take a risk on me." And then two, you're helping that Black talent say, "I'm also learning skills that are relevant." So there's unconscious bias being unpacked there. There's skills development. There's rectifying for lack of community investment that should have been offering those skills. So there's a lot going on that was not part of the conversation prior to 2020.

SAFIAN: Earlier you said something about how we're not clear about what the future of work wants from us. How do the employees know what they should be learning that will actually help them 10 years from now? Or is any movement a good movement in this?

CARLSON: Great question. So the half-life of a skill is now about four years. So if you're learning anything skills-based, you are probably getting about four years worth. And so the future of work, the skills are going to evolve, right? We're going to move from a world where computers know how to do X and humans supplement it with Y, to then where the

computers do Y and humans supplement it with Z. And that's going to keep moving. But in any of those terms, we also have to give people the critical thinking skills, the core business, the core interpersonal and management skills so that we can all work together and hopefully manage the technology rather than have the technology manage us. We talk about stackable pathways for learners. And that's what we're always thinking about.

SAFIAN: There's something old fashioned too, I guess, about thinking, if you go to school between the ages of 18 and 22, you now have the skills that'll keep you relevant for the next 40 years, right? I mean, that's just not practical in a career anymore.

CARLSON: We call that the four and 40, right? Go to school for four years, work for 40. The four and 40 is dead. So dead. What's now is the every four. You're going to have to learn some sort of new skill every four years. Now, I don't know exactly who your listeners are, but if they're like you and me, Bob, we're probably some of the edge cases. You and I will learn the new Slack. And if somebody ever changes and builds the next Excel, we'll learn the next Excel. But for the vast, vast majority of Americans, literally more than two thirds, they're going to be wholesale learning new technology every four years. And that's the reality that we're not totally reckoning with right now.

[AD BREAK]

SAFIAN: You recently signed up Waste Management as a client, almost 40,000 workers. And they're now providing fully paid education, not just for employees but for spouses and children too. So that means even minor children, right? Not just adult learners.

CARLSON: 18 to 26 is how they think about it. So kind of similar to the health dependent group.

SAFIAN: But this is like a revolution in education.

CARLSON: Yeah. Yeah. It's really exciting. Waste Management is such a cool example. As they looked at their data, they were like, "Hey, look, a lot of our truck drivers and the folks who drive for us or repair for us, they're happy in their role. But they know that the middle-class life they had may be different for their kids, and their kids might want to go to college, might want to get skills before entering what historically used to be kind of like the bread and butter middle-class careers that many 50 and 60 year olds have today."

And so they realized that one of the retentive benefits they could create for their workforce, because truck driving by the way is so unbelievably competitive. If you get bored with what you're doing, Bob, we could connect you with a truck driving program. People are fighting for truck drivers right now. And they really didn't want to lose their great drivers to competition and to the rapid poaching game that happens. And so they thought, wow, what if we help them send their kids to college or send their kids to digital bootcamps and other programs. So I love that program, and we think it's going to

become pretty iconic the way Waste Management is doing it. Other companies are already thinking about following suit.

SAFIAN: Well, I think for a lot of parents too, the idea that maybe you don't have to pay for your kid's college, but it's going to be paid for by your employer. Although I guess that college experience, as you say, will be the digital version of the education, not the on-campus version of.

CARLSON: We do have on-campus programs with any of the schools that have campuses. So there'll still be that availability for the folks who want to use it. But increasingly we're seeing even young people who would rather do their learning online and then build their communities in person.

SAFIAN: So you recently signed up Waste Management. I think your first big client was Chipotle, and you landed Walmart and Disney. How do you get into those big companies and get them to commit to something like this?

CARLSON: I mean, early on, it was a little bit just passion and persistence on behalf of me and the founding team. Today, lucky, we've been so fortunate that it's a lot of times companies raising their hand saying, "We really have this massive problem and we don't know what to do about it." But early on, we were just hustling.

SAFIAN: And when you're hustling, was it harder to get the companies to agree or to get the universities to agree as you're building this market?

CARLSON: Hardest for me was universities. If they have an algorithm by which you get respected at a university, that algorithm is years of experience. And I was 30, a young woman trying to convince these schools to take a risk on me. So I actually hired my dad, who luckily had done a whole lot of university partnerships in his day. I had worked for him at another point in my career. But I was like, "Dad, I need your gray hair. They're not going to take me seriously." And luckily he came with more than just gray hair. He's one of the best in the country at this stuff. But yeah, that's why I hired him.

SAFIAN: How much of Guild's mission is around improving competitiveness for the country and for the companies versus the tactical need of just sort of slowing that turnover?

CARLSON: Entirely around the worker and the competitiveness. That said, I believe deeply in incentive alignment. And this can't be a philanthropically-funded thing. There were plenty of companies that said, "Oh, we'll pay for people to go to college. We'll do these scholarships." Those budgets are puny because they don't serve the business. And so, what I studied in graduate school and was working on the business plan for Guild, we realized if this was going to work, and if we were going to serve hundreds of thousands and then millions of students, we needed to make sure that the businesses

who were picking up the bill felt like they had a compelling reason to pay for this every single year.

And so, the means of the whole thing is making sure the employers are well taken care of by meeting their ROI goals. And every client we have sees a positive return on investment for every dollar they put into their employee's education. Most of those, the ROI is in the high \$2.80, some in the low \$3. And that's awesome, because there are no other budgets coming out of HR that have a positive ROI. And so it's really fun, because it means the chief people team gets to run a really business-driven program with a positive ROI. I'm thrilled about that, but that's not why I get out of bed every morning is to help some company stem its retention problem. We all at Guild get out of bed every morning because there's a hundred million Americans who are in trouble and need upskilling.

SAFIAN: And as you're describing this ROI for the companies, this is near-term, short-term ROI. It's not necessarily that they're measuring what that extra competitiveness of that workforce will be able to deliver for them later, it's the ROI today.

CARLSON: Yeah. What's crazy is that we haven't quite figured out how to measure the return on productivity. Go ask any university or any Fortune 1000 how they might measure your workforce suddenly being smarter, no one knows how to measure that. Everyone's trying, but no one's figured it out. So we use our very simplistic base ROI calculation is simply, did we, by helping recruit, and or retain, or up-skill the employee you had today, did we save you more money than if you would've had to go get that employee net new? So basically, the program has to pay for itself and then some for this to work. The bigger question of what's happening when we make Americans more skilled and more competitive is our mission, but it's not something that companies are able today to calculate in their weekly and monthly ROI calculation with Guild.

SAFIAN: Yeah. It's interesting. It's like, it's your mission, but it's not in some ways what you're ultimately getting paid for, right?

CARLSON: And we're getting paid on the other side, the marketplace. We're technically, we get paid for our technology, our payments platform, and all the coaching and advising we do. And we get paid for that by our partners, who are otherwise just, where they're getting those dollars from is by not paying the digital marketing platform. So we're benefiting from the savings cost of cutting digital marketing out of the equation.

SAFIAN: Right. For the universities. And for universities, are they embracing online learning overall because they think it's a better teaching mode or it's a better business model for them? I mean, a lot of schools have been under more financial pressure during the pandemic also. I'm just wondering whether that side of your marketplace is being energized or adjusted in any way?

CARLSON: Yeah. So there's a small group of 30-plus schools that we've worked with for many years that we believe have the very best outcomes for working adult learners in the skills and verticals that we focus on. There's then a second ring of the 300 or so schools that generally have the best outcomes across a variety of programs, and we work with those. And then they're actually 7,500 institutions of higher education in the U.S., and we can process payments and work with any of those. But we very rarely do more than on the ones and twos.

So our schools, because we work with kind of the 300 most innovative in America, and it's really kind of the top 2%, they already were online well before COVID. They've been innovating online for a long time. And the why for almost all of them, especially since we only work with nonprofit universities, is about access. They tend to be land grant colleges, HBCUs, tribal colleges, Hispanic serving institutions, local private nonprofit schools. So they were already there. When you talk about who's really suffering in the pandemic, it tends to be the elite, but smaller private institutions and the for-profit institutions that don't have endowments. And so those groups are ones we don't normally work with.

SAFIAN: So what's at stake in this moment for Guild?

CARLSON: For Guild, it's mostly opportunity. But I don't ever like talking about the opportunity without talking about why we need to address that opportunity. I think the bigger question is: what's at stake for the country and for our workers? Because I think the haves and the have-nots, like the K shape economy, I feel like that was a clever term to say for a couple months, but it's getting worse. The K's getting wider. It almost doesn't even look like a K that your teacher would say was good handwriting at this point. It's out of control. And I don't know what we're going to do if we forget that two-thirds of our workforce is not prepared for the next couple of decades – let alone the next decade. And that's what gets me up every morning. I'm thrilled that Guild is a part of solving that problem, but most of us are really hoping the whole country figures out how to solve this problem.

SAFIAN: What's the hardest thing about moving Guild forward?

CARLSON: I think the thing we're most focused on right now is operating at scale. We know the problems there. We know we have product-market-fit to solve the problem. We know that our customers on both sides want to work with us. And we most importantly know that we're changing students' lives and creating a lot of economic opportunity for our students. And now we just have to figure out how to put X factors behind every number of how many groups and students we work with on all three sides.

SAFIAN: Yeah. Because it's a system change that you're trying to get to, or in some ways a cultural change, the way they think about, I don't know, career or work in general as being an ongoing education process?

CARLSON: A thousand percent and we're also trying to get people to think differently about their own frontline workforces. When they have middle management jobs open, instead of looking out and saying, "Okay, I now need to hire somebody who went to the same undergraduate university as me," looking instead within their own organization and saying, "Instead of buying the talent, I'm going to build it."

There are so many programs designed to help VPs become SVPs and SVPs become C's. I'm sure we could do that as well as anybody, but we really are the only organization in the country that we know of that's focused on serving every employee, especially to the frontline.

We've got a program that we call Guild for Guilders meaning how do you use the Guild program if you work with us? One of my favorite employees, a guy named Carlos was actually one of our students, one of our first graduates, and he now is here. A coach for us, works with students across the U.S., and he's taken wild advantage of our programs. He finished college while he worked at Chipotle and then has done a master's certificate, and a number of coaching certifications while working with us. And he's one of the very best. So I hope we have a lot more Carlos' all over the country, as well as a lot of people who get to be coached by Carlos.

For frontline workers, this is literally the X factor in changing their lives. We know the number one thing that can unlock economic opportunity for Americans right now is education and up-skilling, and it turns out Americans know that too. And so, of the people who will be displaced by 2030, 80% of them will be those without a post-secondary degree. And you can read that in a McKinsey report, but it doesn't take reading that McKinsey report to know it. Most of the students who call us already know that their time is limited in the job they're in, and they need to do something if they want to have a chance at the middle-class.

SAFIAN: Well, I want to really thank you for sharing your experience and your energy and your passion about this.

CARLSON: Oh, thank you. I'm a longtime listener, so pretty, pretty... A little overwhelmed that I got to talk to you today.