

HR Insights

Brought to you by the insurance professionals at

Franconia Insurance & Financial Services

Skills-based Hiring

Nearly two decades ago, more employers started requiring college degrees for positions that previously did not require one, even though the duties and responsibilities for those jobs did not change. Advancements in technology changed the nature of many positions. While the competencies required to perform those jobs also changed, many job titles did not. To account for these changes, employers began using educational degrees and other formal markers as proxies for applicants' or employees' skills. This transition became known as "degree inflation."

Currently, more than 70% of job listings in the United States require degrees, according to Fortune, but less than 50% of workers have a bachelor's degree. As a result, the number of candidates who meet employers' educational qualifications is shrinking, causing many organizations to struggle to find workers to fill their open roles. This has resulted in employers incurring increased recruitment costs and potentially passing on qualified candidates who don't hold educational degrees, especially when filling low- and middle-skilled positions. In recent years, employers have begun shifting away from focusing on educational qualifications and other traditional markers when hiring to a skills-first approach, also known as skills-based hiring. More employers have embraced skills-based hiring in response to their recent labor challenges because it can increase the odds of organizations finding the right candidates.

This article explains skills-based hiring and why organizations are transitioning to a skills-first approach.

What Is Skills-based Hiring?

Traditionally, a candidate had to meet certain formal requirements to be considered for an open role, such as educational degrees, years of professional experience, personal referrals and other pedigree markers.

Organizations used these traditional prerequisites to fit candidates to a specific job profile. As a result, the candidate who satisfied the most prerequisites typically received the employment offer.

Skills-based hiring refocuses candidate evaluation from traditional qualifications to individuals' skills and capabilities. It recognizes workers' skills and abilities regardless of where they were learned or acquired. It allows organizations to use skills-related data to evaluate candidates' ability to perform the job and assess their potential. As such, employers can find skilled candidates for their open roles instead of trying to mold candidates to a set job profile. Skills-based hiring is most commonly used when filling low- to middle-skill positions, such as IT.

Why Are Employers Embracing Skills-based Hiring?

Instead of accessing candidates' actual skills, employers have used educational degrees and other formal markers to serve as proxies of candidates' hard and soft skills. However, many employers are shifting to skills-based hiring. After all, these traditional markers have not been the best indicators of a candidate's ability to perform the job successfully.

Additionally, employers have struggled to find qualified workers to fill their open roles due to the recent labor market challenges. As a result, organizations have changed their job postings to no longer require formal certifications, educational degrees and experience to expand their talent pools.



Advantages of Skills-based Hiring

Skills-based hiring can provide employers with certain advantages over traditional recruiting methods.

Expands Talent Pool

Skills-based hiring can give employers access to a wider talent pool. By no longer focusing on candidates with four-year college degrees or a particular amount of work experience, employers can find workers with skillsets that better fit their open positions. Expanding the pool of candidates increases the likelihood that employers will find successful candidates. It can also allow employers greater workforce flexibility as they're not limited by formal hiring requirements.

Improves Workplace Diversity

Employers using skills-based hiring often receive a larger, more diverse pool of candidates, leading to a more diverse workforce. For example, a skills-based approach to hiring typically encourages more women to apply for jobs they may not have otherwise. Women are often less likely to apply for jobs if they don't meet the job posting's specific requirements. Skills-based hiring can also expand an organization's talent pipeline and advance diversity, equity, inclusion and belonging initiatives. For example, traditionally overlooked workers are more likely to be considered based on their skills instead of whether they meet formal hiring markers, such as a four-year college degree.

Focuses on Qualifications

Even when a candidate has an educational degree and experience, there's no guarantee they'll be a good fit for the role or meet employer expectations. Consequently, skills-based hiring can be a more direct path to finding qualified candidates because this approach attempts to emulate the actual work experience of the position for which a candidate is being considered. Shifting to skills-based hiring can help employers reduce the time and resources spent on recruiting, onboarding and training employees. By hiring employees that already possess the skills and competencies to perform the job, organizations can spend less time and money onboarding and training new hires.

Additionally, skills-based hiring can help employers fill open positions faster. When employers focus on traditional hiring requirements, they often delay

evaluating candidates' skills until later in the interview process after they've already invested a significant amount of time. Since the primary focus of skills-based hiring is evaluating candidates' skills, employers can determine whether candidates have the skills to match the position early in the interview process. Evaluating candidates based on their skills also can lead to candidates determining whether their skills match the position, increasing the likelihood of individuals opting out of the interview process sooner if they feel their skills don't match.

Considerations for Implementing Skills-based Hiring

Switching to skills-based hiring requires organizations to change not only who they hire—but also how they hire. It comes down to establishing goals and measuring progress. Keep in mind that organizations don't need to redefine their entire recruiting and hiring process to implement skills-based hiring. To start, employers can focus on a single department or existing vacancies with the highest time-to-hire and turnover rates. This allows employers to test this new approach to hiring before adopting it on a broader scale.

A skills-based approach to hiring will likely require employers to rewrite job descriptions so they focus on candidates' skills and the primary role responsibilities instead of formal requirements. This can not only help employers receive more applicants but also ensure they receive qualified candidates that fit the position. Employers can also consider using skills-based assessments to determine a candidate's current job-related skills during the hiring process. Organizations can find ways to evaluate candidates' skills in a way that mimics working in the position.

Skills-based hiring often requires employers to assess candidates' skills. As a result, employers need to ensure their preemployment assessments comply with the law. When done improperly, preemployment assessments can result in expensive litigation and enforcement actions. Additionally, while a candidate's hard skills can typically be confirmed through preemployment testing, soft skills—such as collaborating with others, effective communication and the ability to prioritize—are harder to access. As a result, employers need to find effective

ways to determine a candidate's soft skills without using educational degrees as a proxy for these skills.

Despite the potential benefits of skills-based hiring, many roadblocks prevent employers from adopting this approach. Shifting to skills-based hiring requires organizations to change their traditional mindset and hiring practices. This can be difficult and requires a lot of time and effort. Employers can also struggle to find qualified candidates and validate their skills. Skills-based hiring seems to produce successful candidates for low- to middle-skilled positions, but hiring highly skilled workers becomes much more difficult.

Additionally, while organizations may have success with skills-based hiring for one or two roles, scaling skills-based practices across an entire organization can be extremely difficult. Many employers don't feel confident determining which jobs can produce the best candidates using a skills-based approach. Without an effective way to evaluate and validate candidates' skills, lowering hiring standards and required experience levels can be costly for organizations in the long run.

Summary

Skill-based hiring can be an effective way to find qualified candidates that meet an organization's needs. Prioritizing skills over traditional hiring requirements can help organizations find applicants that better fit job requirements and can perform the job. This can allow employers to build a skilled and adaptable workforce to further their organization's growth.

For more workplace resources, contact Franconia Insurance & Financial Services today.