

Employer Signaling and Hiring Practices

Working Group Memo

How might we make it inevitable that employers use signaling and hiring practices based on competencies rather than pedigrees (e.g. degrees)?

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Opportunity Pathways Network Overview

The Opportunity Pathways Network began with a bold vision: a future in which no American who graduates from high school hits a dead end. With that end goal in mind, we set out to answer a nationally urgent question: *“How might we redesign pathways between education and work so that all people, especially those most at risk of falling behind, can achieve lifelong economic mobility?”*

We started building the Opportunity Pathways Network with the belief that collective action focused on catalytic and well-sequenced investments is essential for creating a more robust education-and-work ecosystem. Notably, we believe that K12 systems need to be as central to this collective action as postsecondary systems and employers are. With input from the field, we defined three focus areas—data, navigation, and guidance; enabling breakthrough program models; and employer signaling and hiring—for philanthropic funders and impact investors looking to redesign our education-to-work ecosystem in ways that work better for all Americans.

Methodology

We started our work with a landscape analysis, assessing the systemic challenges affecting opportunity seekers as they navigate increasingly dynamic pathways between education and work.

We conducted desk research and interviewed approximately 40 leaders and practitioners representing K12, postsecondary, learners, alternative education providers, employers, policymakers, researchers, and the intermediaries that knit them together. We incorporated the aspirations we heard in these interviews into a simple definition of what the future education-to-work landscape should look like—systems that cultivate pathways between education and work that are learner-empowered, industry-aligned, and permeable.

The landscape analysis surfaced three promising areas of opportunity for achieving that future state—data, navigation, and guidance; enabling breakthrough program models; and employer signaling and hiring (outlined in this document)—which are being further explored through three working groups. You can find more information about the landscape analysis and working groups on our website, www.opportunitypathways.org.

Employer Signaling and Hiring: The Challenge

Over the last 50 years, the transition from an industrial economy to a knowledge economy has led to a veritable arms race among employers seeking job candidates with higher and higher levels of education. While two-thirds of entry-level jobs in the industrial economy demanded a high school diploma or less, our reality has flipped and two-thirds of today's entry-level jobs demand at least some education or training beyond high school.¹

This shift has been fueled by a combination of factors that have put increased weight on academic credentials, including:

- The decline of high paying blue collar jobs as they are replaced by automation or displaced by skilled service jobs that require specialized technical and soft skills beyond the generalized high school diploma²
- Government regulations that require industry credentials, certification, or licensure for entry-level roles in both highly-regulated industries (e.g., medicine, education, finance, and cybersecurity) and standard service professions (e.g., cosmetology)³
- A shift in the responsibility for training and development from employers to education providers and individuals, in large part because of the increasing speed with which skills become obsolete and jobs are redefined⁴
- And, of course, the relative ease of using credentials and degrees as a proxy for competencies such as grit and determination when filtering out candidates⁵

While today's job applicants need some form of postsecondary training to land good jobs—and that is unlikely to change in the future—our current approach of blindly equating degrees with competence is fundamentally failing individuals and employers.

Today, the vast majority (89 percent) of employers say they have a very or somewhat difficult time finding people with the requisite skills for the roles they are hiring, and 58 percent say candidates' lack of soft skills is limiting their company's productivity.⁶ Given the challenge of finding workers with the right mix of skills, employers are beginning to distrust traditional signaling credentials, such as academic degrees.

Employers can and should play an anchor role in shaping the market for talent and skill development. This role requires employers to more effectively articulate the competencies required for entry-level roles and longer-term career paths, to provide better signals to education and training providers about what those competencies are, to use tools and assessments that enable competency-based hiring, and to incentivize hiring decisions based on skills.

¹ Carnevale, Smith, Strohl, "Recovery: Job Growth and Education Requirements through 2020," Georgetown Center on Education and the Workforce, 2014.

² Since 1991 more than 20 million new family-sustaining wage jobs were created in skilled-services industries while the net number of family-sustaining wages jobs in blue-collar industries slightly declined. (Three Pathways to Good Jobs: High School, Middle Skills, and Bachelors Degree, Carnevale et. al, 2018)

³ John A Weiner and David Foster, "Licensing and Certification," in Next Generation Technology-Enhanced Assessment: Global Perspectives on Occupational and Workplace Testing, ed. John C. Scott, Dave Bartram, and Douglas H. Reynolds (New York: Oxford University Press, 2018), 36-70.

⁴ Thomas and Brown, *A New Culture of Learning: Cultivating the Imagination for a World of Constant Change*

⁵ Kenneth J. Arrow, "Higher Education as a Filter Device," *Journal of Public Economics* 2, no.3 (1973): 193-2164

⁶ Kate Davidson, Wall Street Journal, "Employers Find 'Soft Skills' Like Critical Thinking in Short Supply", 2016

Why is this area an important lever for change?

To build effective education-and-career pathways, employers need to send clearer signals about the competencies they require and move away from hiring based primarily on proxies, like degrees.

- Developing hiring practices based on skills and competencies would better enable employers to identify opportunity seekers who would be an ideal fit for their roles
- Competency and skills-based hiring begins to address the unequal distribution of social capital by placing greater emphasis on “what you know” rather than “who you know”
- Offering clear signals regarding the skills and competencies needed for roles would enable the education and training marketplace to better align programs around those signals

Why is progress not inevitable?

Improvement of employer signaling and hiring is not inevitable for a few reasons:

- Employers lack the infrastructure and processes to articulate the core competencies—particularly soft skills that are harder to measure—required for individual roles
- With limited information on the efficacy of specific education and training programs, human resources departments, individual hiring managers, and executives continue to retain a bias toward hiring applicants with degrees from institutions with strong reputations
- Supporting effective signaling, hiring, and training practices requires long-term investment and cost-sharing practices (e.g., earn-and-learn models) that few individual employers have the near-term capacity, funding, or scale to absorb
- Historically, the role of education providers in equipping a future workforce has not been clear. As a result, the funnels for talent development—such as higher education institutions, industry associations, and workforce development agencies—do not have effective channels for understanding and defining the specific competencies employers demand nor do they have aligned methods for assessing, capturing, and signaling those skills

Philanthropy and impact investing are critical.

Our work has revealed four categories of change needed to improve signaling and hiring. At a foundational level, it is essential to drive **collective action** among education providers (both K12 and postsecondary) and employers to align the skills taught to those needed in the job market. Effective collaborations are often supported by regional or state-level intermediary organizations, such as the Central Indiana Corporate Partnership or CareerConnect Washington, that provide the structure and resources for coordination. A key ingredient in these collaborations is the buy-in of employers’ executive leaders, both to champion change in their respective organizations’ hiring practices and to influence other employers and education providers.

Cross-sector conversations are necessary but not sufficient to enable competency-based hiring at scale. First, employers need efficient mechanisms to **define and communicate competencies** in a

dynamic job landscape. A promising solution is the Job Data Exchange (JDX), run through the U.S. Chamber of Commerce Foundation, which is standardizing the data schema for online job descriptions so employers can send faster, clearer signals to education providers and opportunity seekers.

Second, opportunity seekers need objective, equitable ways to **demonstrate competencies** to employers without relying on a resume. Innovative approaches to pre-hire assessments are emerging that can supplement or fully replace resume screens and double as learning tools in education settings. A new report by Ithaka S+R, "[Mapping the Wild West of Pre-Hire Assessment](#)," outlines assessment providers that align with both employers and education providers and follow rigorous standards to ensure that their assessments are objective, accurate, and equity-minded.

Finally, education providers need efficient and effective mechanisms to **incorporate job-relevant competencies into curricula** to meet employers' hiring needs and to help students secure family-sustaining jobs. One noteworthy solution is a platform called SkillsEngine, developed by Texas State Technical College, which allows education providers to calibrate their curricula to industry-relevant competencies using online feedback from industry experts and hiring managers.

What's next?

The four categories outlined above may evolve as the employer signaling and hiring working group continues its work through 2019 and beyond. Further working group conversations will serve to refine our thinking, lay out next steps, and consider investment opportunities.

Resources and further reading:

- Meagan Wilson, Martin Kurzweil, Rayane Alamuddin, "Mapping the Wild West of Pre-Hire Assessment: A Landscape View of the Uncharted Technology-Facilitated Ecosystem" (Ithaka S+R, December 2018)
- Julia Freeland Fisher, *Who You Know: Unlocking Innovations That Expand Students' Networks* (Jossey-Bass, 2018)
- Jessie Brown and Martin Kurzweil, *The Complex Universe of Alternative Postsecondary Credentials and Pathways* (American Academy of Arts and Sciences and Ithaka S+R, 2017)
- The New Talent Landscape: Recruiting Difficulty and Skills Shortages (SHRM, June 2016)