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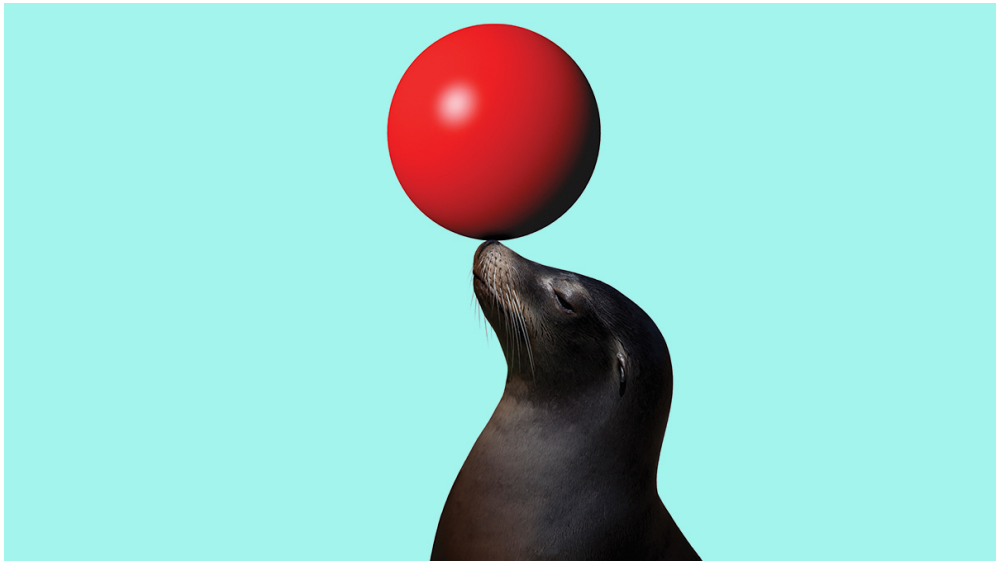

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Early in the 2000s, a significant number of employers began adding degree requirements to the descriptions of jobs that hadn't previously required degrees, even though the jobs themselves hadn't changed. The trend — sometimes known as "degree inflation" — became particularly pronounced after the Great Recession of 2008-2009, at which point leaders in government, business, and community-based organizations recognized that a reset was in order. Many large corporations soon announced that they would eliminate degree requirements in much of their hiring.

A decade has now passed, and it seems time to ask: Have companies followed through? Has the degree-inflation tide turned? If so, what role, if any, has Covid-19 played in making that happen?

To find out, we partnered with Emsi Burning Glass, a leading labor-market data company, and analyzed more than 51 million jobs posted between 2017 and 2020. What we've learned is that employers are indeed resetting degree requirements in a wide variety of roles. The change is most noticeable for middle-skill positions — defined as those requiring some post-secondary education or training but less than a four-year degree. To a lesser extent, the change is also noticeable at some companies for higher-skill positions. (The full report on our findings can be accessed via Harvard Business School, on its Managing the Future of Work project home page, and via Emsi Burning Glass, here.)

This recent reset has happened in two waves, both of which are ongoing. The first, a structural reset, began in 2017, at the outset of the 2017–2019 bull market for workers. The second, a cyclical reset, began in 2020, prompted in part by the Covid-19 pandemic. Let's consider each in turn.

Structural reset. If demand for talent far outreaches supply, employers de-emphasize degrees. That became increasingly apparent during the tight employment market of the late 2010s. Between 2017 and 2019, employers reduced degree requirements for 46% of middle-skill positions and 31% of high-skill positions. Among the jobs most affected were those in IT and managerial occupations, which were hard to fill during that period.

The essence of the structural reset is this: In evaluating job applicants, employers are suspending the use of degree completion as a proxy and instead now favor hiring on the basis of demonstrated skills and

competencies. This shift to skills-based hiring will open opportunities to a large population of potential employees who in recent years have often been excluded from consideration because of degree inflation. (This population includes potential employees that have been described as "hidden workers" and "STARs.")

This structural reset is a promising development. But there's still a long way to go. Of the middle-skill job descriptions we reviewed, 37% showed no reduction in degree requirements, which means that some 15.7 million people have effectively been walled out of the candidate pool, even as employers complain bitterly about the unavailability of workers.

Cyclical reset. Desperate to find skilled workers during the pandemic, which has been the biggest health crisis of modern times, many employers have been willing, at least temporarily, to forgo degree requirements for many jobs. In job announcements for intensive-care and critical-care nurses, for example, the share of postings asking for a bachelor's degree declined by 12 percentage point between 2019 and 2020, from 35% to 23%. Degree requirements for registered nurses fell by a more modest 5 percentage points. Overall, we observed this pandemic-related reset in roughly 548,000 job postings, involving 27% of middle- and high-skill occupations. The shift may reflect only a temporary accommodation in the face of an emergency, which is why we consider it a cyclical rather than a structural reset, but nonetheless, given its scale, it's likely to teach us a lot about whether workers who have degrees actually perform better than newly hired workers who do not. Previous research suggests that performance differences are often marginal outside specific fields such as professional services and finance.

Are degree requirements really going away?

To understand what sorts of change are happening as companies abolish degree requirements, we studied announcements for information-technology jobs at several leading employers. We selected IT both because it has been plagued by chronic supply-demand imbalances and because many of its positions are similar across companies.

Each company we studied had recently announced the elimination of degree requirements companywide. What we found, however, was that in practice they all continue to make higher than average demands for college degrees. Oracle, for example, requires degrees in well over 90% of the IT postings we sampled, including all of its network administrators. The national average is only 52%.

That said, we found marked differences in how often companies require a degree for IT positions, even when hiring for the same one. Consider the job of software quality-assurance engineer. Only 26% of Accenture's postings for the position contained a degree requirement. Likewise, only 29% of IBM's did. But the percentages were dramatically different at Oracle (100%), Intel (94%), HP (92%), and Apple (90%).

More broadly, by the end of 2021, Accenture and IBM had consistently distinguished themselves in their efforts to walk back degree inflation: At Accenture, only 43% of postings for IT jobs contained a degree requirement, and at IBM, only 29% did. Other major technology players who had made similar policy announcements accomplished much less. We found no change between 2017 and 2021, for example, in the share of postings requiring degrees for these same IT positions at Microsoft and Facebook — and the share increased substantially at Intel. We did find a significant change Apple and Google, but even so, more than 70% of their IT job postings still required a degree.

Given that technical, or "hard," skills, can be easily confirmed through pre-employment testing, certification, and employment history, why are so many employers still requiring degrees?

Perhaps because they believe that college graduates possess more-refined social, or "soft," skills — the ability to work in groups, say, or to communicate efficiently in real-time, or to prioritize tasks. These skills are far harder to assess, and our analysis strongly suggests that as a result many employers are using college degrees as a proxy for them. Employers who eliminated degree requirements, we found, frequently added more-detailed soft-skills requirements in their postings.

That's notable. After reducing their reliance on degree-based hiring, these employers seem to be thinking more carefully about what capabilities they are truly looking for, and they're describing them more explicitly — which, in turn, is making job applicants more aware that they need to develop soft skills, and is encouraging skills providers to consider how they can update their curricula to include those skills.

The benefits of fewer barriers.

The reset that's taking place in hiring today is vitally important. If we want to increase equity in the labor market, one important way to do it is by removing barriers to well-paying jobs — and there's no question that in recent years one of those barriers has been inflated degree requirements. All companies have different needs, of course, but as they write job descriptions and assess candidates they should carefully assess the value of the blunt and outdated instruments that they've been using, and the assumptions they've been making. A successful reset will represent a win-win: Previously overlooked workers will be able to pursue attractive career pathways even without a four-year degree, and companies will be better able to fill jobs that need filling.

Joseph Fuller is a professor of management practice and a cochair of the Project on Managing the Future of Work at Harvard Business School. He is also the faculty cochair of HBS' executive education program on Leading an Agile Workforce Transformation.

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Christina Langer is a visiting research fellow at the Project on Workforce, at Harvard University; a PhD candidate at the Catholic University of Eichstaett-Ingolstadt; and a guest researcher at the ifo institute, in Munich.

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Matt Sigelman is the president of the Burning Glass Institute, which advances data-driven research and practice for the future of work and workers. He is also chairman of Emsi Burning Glass and a visiting fellow at the Project on Workforce at Harvard University.

