



## Skills-based Approaches for Finding Talent and Diversifying the Workforce: Six Lessons from Employers

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Securing the right talent is crucial for every employer. Especially challenging in a tight labor market, it is a perennial issue for certain industries, occupations, and geographies. At the same time, persistent employment outcome disparities exist. The labor mismatch—where current job seekers’ credentials, or lack thereof, do not match employer job requirements—has prompted a widening trend in which employers have shifted from prioritizing degrees in favor of evaluating potential workers based on their transferable skills.

The adoption of skills-based practices offers a practical solution to many of today’s key workforce challenges while lifting barriers to career pathways for more people. With only 28 percent of African Americans and 20.6 percent of Latinos holding at least a bachelor’s degree, compared to 38 percent of White Americans, requiring a college degree disproportionately affects people of color.<sup>1</sup>

This article highlights ways employers focus on skills over traditional degrees and credentials in job descriptions, recruiting, and retention practices, and what they have learned.

Evidence shows that the trend in skills-based practices is growing. An analysis of more than 51 million job postings by Burning Glass Institute finds that degree requirements declined in 46 percent of middle-skill job postings between 2017 and 2019.<sup>2</sup> While this trend increased during

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<sup>1</sup> Educational Attainment in the United States, Table 3. 2021. United States Census Bureau.

<https://www.census.gov/data/tables/2021/demo/educational-attainment/cps-detailed-tables.html>

<sup>2</sup> Fuller, Joseph B., Christina Langer, Julia Nitschke, Layla O’Kane, Matt Sigelman, and Bledi Taska. February 2022.

“The Emerging Degree Reset: How the Shift to Skills-Based Hiring Holds the Keys to Growing the US Workforce at a Time of Talent Shortage.” White Paper, Burning Glass Institute,

<https://www.hbs.edu/faculty/Pages/item.aspx?num=62030>

the COVID-19 pandemic, it predates it and aims to address more persistent labor market challenges in a country where two-thirds of workers do not hold at least a bachelor's degree.<sup>3</sup>

The shift has received wide support. In 2020, The White House announced an executive order prioritizing job skills over college degrees in federal government hiring.<sup>4</sup> Similar trends have been observed in the private and public sectors across firms of all sizes. A recent example occurred in September 2022 when Opportunity@Work, alongside the Ad Council and nearly 50 other national organizations and companies, launched "[Tear the Paper Ceiling](#)," a campaign calling on businesses to break down barriers that degree requirements place on the two-thirds of US workers without bachelor's degrees.

### **The Rework America Alliance Accelerator Program**

Skills-based talent management approaches are an essential component of the Rework America Alliance, a partnership created in 2020 consisting of nonprofits, private sector employers, educators, labor unions, and civil rights organizations convened to identify and create structural solutions needed to expand opportunities for a more diverse and resilient workforce. The Alliance has developed data-driven [resources and tools](#) that help identify pathways for millions of unemployed and low-wage workers without bachelor's degrees into good jobs and works with employers to adopt inclusive, skills-based sourcing and hiring practices to meet those goals.

As part of the Alliance initiative, McKinsey & Company, the Markle Foundation, and the Federal Reserve Bank of Atlanta recently completed facilitation of the Accelerator program, designed to help employers better integrate skills-based practices into hiring and talent management. Throughout summer 2022, McKinsey facilitated sessions supported by educational- and workforce-serving organizations at no cost to employers. The 12-week program convened human resources and management staff from 19 small- and medium-sized employers in four US cities (see figure 1).

Participants joined the program for a host of reasons. Some firms came with labor shortages in mind, unable to fill job vacancies and concerned over low retention and high turnover rates. Others were motivated by a desire to promote from within or increase staff diversity to better reflect the communities they served. Across many organizations, the underlying concept of skills-based practices already had been an informal part of the employer's management but was now prioritized and systematized.

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<sup>3</sup> Educational Attainment in the United States, Table 3. 2021. United States Census Bureau.

<https://www.census.gov/data/tables/2021/demo/educational-attainment/cps-detailed-tables.html>

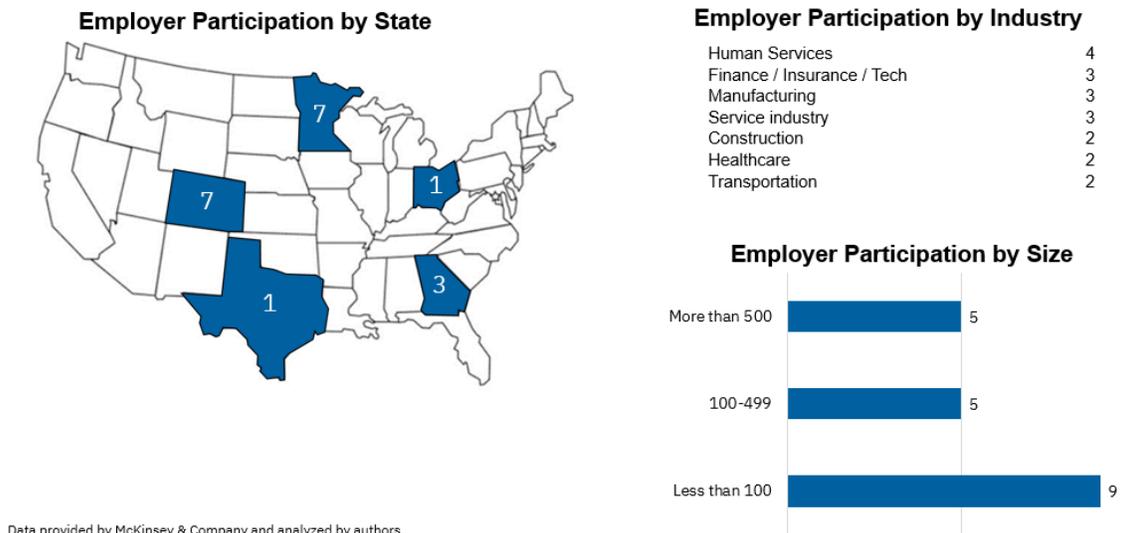
<sup>4</sup> Executive Order 13932 of June 26, 2020, Modernizing and Reforming the Assessment and Hiring of Federal Job Candidates. The White House. <https://www.govinfo.gov/content/pkg/DCPD-202000482/pdf/DCPD-202000482.pdf>

At the end of the program, the Federal Reserve Bank of Atlanta’s [Center for Workforce and Economic Opportunity](#) researchers interviewed representatives from eight participating employers who volunteered to share their experiences. Interview questions were designed to:

1. Assess past experiences with skills-based practices and initial motives to participate in the program
2. Solicit feedback on the Accelerator program
3. Identify their short- and long-term plans to institute skills-based practices in their organizations

Of the eight interviewed employers, three had fewer than 100 employees, two had between 100 and 499 employees, and three had 500 or more employees.

## Rework America Alliance Accelerator program – Employer Overview



Interviews highlighted the following themes and lessons. They can be used by employers to inform implementation, adoption, and scaling of these employer practices across firms.

### ***1. Employers saw preliminary signs of better recruitment and retention outcomes by focusing on required skills.***

Companies in the Accelerator program saw that proper distinction between required and preferred skills can lead to a more effective and inclusive recruitment pipeline. Required skills are necessary to perform a job’s core functions while preferred skills, although not mandatory, are desired in the ideal candidate. Required skills often are common across many roles and industries, while preferred skills can often be industry or job-specific, necessary in the long term, and taught on the job.

If employers recruit based on required skill, often common traits that are shared across industries, it can foster a more dynamic labor market to the benefit of firms and workers. Employers can cast a wider talent net to increase the chances of finding the right candidate. For workers, normalizing an emphasis on skills makes more jobs accessible to noncredentialed candidates who have experience through nontraditional education and training sources.

Touchstone Mental Health, a Minnesota-based Healthcare nonprofit, for example, reported receiving more candidates from more diverse backgrounds faster by simply revamping job postings and titles with emphasis on required skills. These small changes can help employers better articulate their needs and, in turn, help employees find the right fit for their goals and make better career progressions.

Revamped interview questions and evaluation rubrics can increase the likelihood that qualified candidates with alternate sources of training and education are selected for a job. Minnesota-based Golden Valley Wholesale, a consumer goods company, successfully identified a wide set of overlapping skills and distilled them into 10 core job functions that in turn led to better-designed interviews and job postings. This process led them to reassess necessary skills, which also enabled them to better integrate key skills development into incumbent worker programs.

## ***2. A skills-based mindset increases retention and facilitates employee progression.***

Adopting skills-based practices can help increase retention and spur internal mobility and progressions within firms. Increasing retention reduces hiring and onboarding costs and often reflects a staff that is satisfied and feels valued by their employers. When nontraditional methods for acquiring skills are as valued as formal degrees and credentials, companies can create equitable pathways to train and develop existing staff to meet their needs.

Given the tight labor market and the wider needs of a changing economy and workforce, promoting learning and career pathways within a company can create a positive environment that promotes employees' professional development and morale. Promoting from within also reduces the amount of developmental and company-specific skills a candidate needs to learn through onboarding. Firms may also accomplish this goal by cross-training employees in multiple departments and roles to build skills necessary for continued advancement within the firm. Brooklyn Tool Inc. (BTI), a Minneapolis-based firm in the manufacturing industry, plans to take this approach to better train incumbent workers for technical positions that traditionally are hard to fill.

The Atlanta Hawks, a sports and entertainment franchise, and similar firms include temporary and seasonal staffing. The Atlanta Hawks have found success through an internal career center that helps workers move from role to role as contracts end. This ensures workers consistent employment and provides continued on-the-job learning across different skills that can benefit their long-term prospects within the company and beyond.

### ***3. Skills-based practices can help promote greater levels of diversity, equity, and inclusion within an organization.***

As noted earlier, existing education attainment differences mean unnecessary degree requirements effectively cut off large pools of qualified candidates from potential jobs, with people of color disproportionately affected. By adopting a more skills-based approach, firms may be better able to find and retain talent from previously excluded pools of candidates, including potential candidates within their organizations.

For many interviewed participants, placing a higher emphasis on skills led to reflections and changes, both immediate and planned, in the way they recruit and conduct job outreach. Beyond changing job requirements, several firms re-examined where they traditionally sourced talent and how they could proactively increase visibility and exposure across a more diverse set of candidates. This could encompass several approaches, including conducting more targeted outreach across different neighborhoods and partnering with workforce, education, and recruitment partners aligned with their diversity goals.

Other firms inspired by a more equitable hiring practice took steps to strengthen existing DEI programs and create new ways to engage with staff and promote a more inclusive practice. NewTrax, a Minnesota-based nonprofit dedicated to providing transportation services for people with disabilities, seniors, and other specialty groups, has a staff committee created to advance DEI initiatives to promote higher levels of staff engagement and satisfaction across all groups. Inspired by lessons from the Accelerator program, it plans to add new methods such as periodic surveys and similar staff assessments to gauge employee satisfaction and better inform its approach to DEI and skills-based practices.

### ***4. Support from management, staff, and community partners is critical.***

Implementing skills-based practices and normalizing them across a company's culture is a change both in process and mindset. While hiring and recruitment are traditionally associated with Human Resources (HR) departments, the wide range of activities and programs that encompass skills-based practices require support from many people across the organization, including hiring managers, senior management, and executive staff.

Adopting skills-based practices and making them a foundational part of a company's hiring practices and culture is made much easier when it aligns with an organization's core mission and values. Family Tree is a metro Denver-based nonprofit that seeks to hire talent from the pool of clients it serves. Started as a proposal from the HR team to identify ways to prioritize skills over credentials, a strategic initiative blossomed and received high levels of management support because it aligned well with its core mission to provide a range of social services to vulnerable populations. Family Tree's experience holds applicable lessons for small- and mid-size companies where HR departments tend to be small and teams may take on a greater share of cross-departmental assignments.

For the Colorado Department of Labor and Employment (CDLE), skills-based practices had always been an informal part of the organization's talent management strategy. Its participation in the Accelerator program coincided with a multiagency effort to revamp and improve hiring and employee retention practices and the governor's statewide efforts to increase DEI throughout the public and private sectors. This level of support provides CDLE with an environment conducive for the systematic adoption of skills-based practices.

### ***5. Human resource professionals need dedicated time to develop and implement a successful skills-based practices program.***

The Accelerator program lasted 12 weeks and asked HR professionals to spend roughly 20 hours in intensive training sessions and 10 hours in one-on-one coaching sessions. Program sessions were designed as efficiently as possible so that employers could complete assignments during meetings and receive immediate feedback on their efforts to implement skills-based practices. To get the rewards of this approach, HR professionals need dedicated time to learn about skills-based practices, develop new job postings, and work with hiring managers to implement these changes.

By the end of the program, multiple employers already had implemented changes across the spectrum. This held true for small and large firms as well as for-profit and not-for-profit organizations. These observations are useful in recognizing the effectiveness of the Accelerator program and how similar programs can be designed to best engage employers.

A common thread in participants' comments was a recognition that implementation of skills-based practices would require dedicated time beyond completion of the Accelerator program. This presents a challenge for firms with smaller HR teams that can be mitigated with cross-departmental engagement and support around skills-based practices. As more employers pursue skills-based practices, it is important to recognize that progress might be stifled despite best efforts and intentions without the proper allotted time.

### ***6. Data collection and reporting from the onset helps to track and improve equitable hiring outcomes***

Throughout the Accelerator program, participants expressed strong interest in adopting skills-based practices within their talent management strategies for multiple reasons that ranged from more efficient hiring and reduced skills gaps to better serving and broadening the set of communities from which they often sourced talent. However, not enough well-documented research that demonstrates the effectiveness of skills-based practices exists, and this lack of evidence is a barrier to refining effective practices and promoting widespread adoption.

More knowledge on skills-based practices can help improve community and employer strategies, which is why building data collection and reporting metrics from the start of implementing skills-based practices is so important. Inside an organization, transparency on an

employer's progress toward these goals can contribute to increased morale and retention. Data on new programs can also lead to better decision-making throughout implementation and can help customize the HR process to match team needs.

Employers who were able to track metrics on skills-based hiring documented many wins. For instance, Touchstone Mental Health tracked an increase in the number of applicants to a role and the speed in which applications were submitted compared to previous postings, and time to hire was reduced. Other firms, like Golden Valley Wholesale, tracked the demographic makeup of their applicants and new hires after adjusting job postings and interview guides. Early results showed an increase in the number of women applying for certain roles and higher retention in the short run. Time and continued tracking are needed to achieve sustained outcomes.

### ***Skills-based practices in the wider economy***

In September 2022, over 79 million workers across the labor market were navigating career paths without a bachelor's degree, learning on the job or leveraging credentials and associate degrees on their career pathway.<sup>5</sup> Job descriptions, postings, and processes to accurately match job skill needs with the markers of workers capabilities can help better match workers to more jobs. Lessons from the Rework America Alliance Accelerator program have offered insights into how the adoption of skills-based practices may offer practical solutions to many of today's key workforce challenges.

For employers, adopting skills-based practices could provide them access to a wider pool of qualified candidates, potentially higher retention rates, and a more diverse workforce. For workers, prioritizing skills and competencies over formal certifications or degrees creates access to more career opportunities and potentially greater economic inclusion.

As the Federal Reserve Bank of Atlanta continues research in this space, resources such as the Accelerator program's [recently launched page](#) and many [tools](#) from the Rework America Alliance are available to help employers learn and test skills-based practices.

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<sup>5</sup> Bureau of Labor Statistics, US Department of Labor, *Employment Situation – September 2022*, Table A-4. Employment status of the civilian population 25 years and over by educational attainment. <https://www.bls.gov/news.release/empsit.t04.htm>