

The Business Case for Skills-Based Hiring

Skills-based hiring moves away from the traditional focus on education, previous employers, years of experience, and job titles as indicators of a candidate's capabilities and focuses instead on the specific skills needed to do the job.

Prioritizing skills in the hiring process can help you develop a stronger talent strategy by: broadening access to candidates, diversifying the pool of candidates, increasing the likelihood of a quality hire, improving retention rates, and positioning your workforce to be more competitive in the coming years.

1. Access a larger talent pool

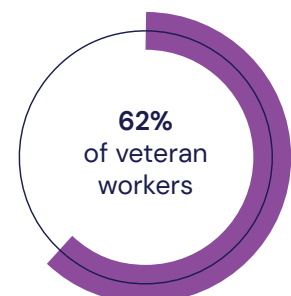
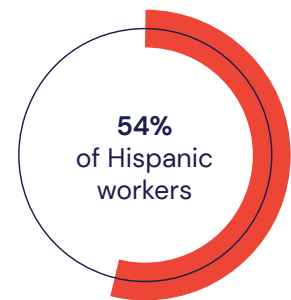
Skills-based hiring opens doors to workers who are Skilled Through Alternative Routes (STARs) rather than from a bachelor's degree. STARs are a vast, overlooked, diverse pool of skilled talent. Our research shows that:

- 70+ million STARs form roughly half the U.S. labor force; screening them out dramatically reduces access to skilled talent.
- Almost half of STARs (32 million) have the skills for higher-wage work today but, due in large part to degree requirements, are unable to transition to a higher-wage position.
- Over the past 20 years, STARs were displaced from 7.4 million middle- and high-wage jobs for which they have in-demand skills.

2. Increased diversity

STARs represent the true diversity of the labor market in a way that college graduates do not.

When employers include STARs in their hiring strategy, they open their doors to:



Studies show the value of diversity to the bottom line.

A recent study found that organizations that fall into the top 25% for cultural and ethnic diversity are [36% more profitable](#) than the 25% lowest scoring companies. Companies with diverse management teams also bring in [19% higher revenues](#) due to innovation.

3. Better quality hires

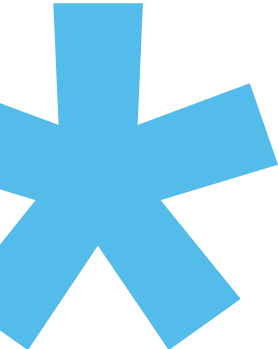
Research shows that hiring for skills is [5x more predictive of job performance](#) than hiring for education and [2.5x more predictive](#) than hiring for work experience.

According to LinkedIn data, employers who find talent using skills are [60% more likely](#) to find a successful hire than those who are not relying on skills.

Bad hires carry significant costs.

Results from a recent CareerBuilder survey show that [74% of organizations](#) admit to hiring the wrong person for a role, and on average a bad hire costs almost \$15,000.

As much as [80% of employee turnover results from bad hires](#), an expensive and time-consuming problem that plagues companies of all sizes. [The cost of replacing a single employee](#) can range from one-half to two times their annual salary according to research from Gallup.



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4. Higher retention rates

Skills-based hiring brings in better hires, creates higher engagement, sets the stage for higher internal mobility, and contributes to higher retention rates.

- [Workers stay 41% longer](#) at companies with high internal hiring compared to those with low internal mobility, and 81% of talent professionals agree that internal recruiting improves retention. (LinkedIn)
- Workers without degrees tend to [stay in their jobs 34% longer](#) than workers with degrees. (McKinsey)
- Lower turnover has significant bottom line advantages: employee turnover due to a lack of future career opportunities costs an average-sized organization [\\$49 million per year](#). (Gartner)

5. A more resilient workforce

The urgency for skills-based hiring is growing as companies confront a rapidly changing workforce landscape. In a recent report, [87% of companies](#) said they had a skills gap or expected to have one in two years. **Hiring based on skills better positions companies to overcome their talent shortages.**

LinkedIn's Head of Global Talent Acquisition notes [the following trends](#):

- Skill sets for jobs have changed by around 25% since 2015. By 2027, this number is expected to double.
- People are responding with continuous skill building. LinkedIn members added 286 million skills to their profiles in 2021, up 22% compared to 2020.
- More than 40% of companies on LinkedIn rely on skills to search and identify job candidates.

Innovative employers are responding

Evidence proves that [employers are reconsidering degree screening](#) as a method of assessing talent, and the use of skills-based hiring is growing.

- In many states, government jobs are the largest source of employment. Maryland removed degree requirements for state jobs in 2022, and more states have followed suit by passing legislation or examining their hiring processes and requirements, including: Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, New Jersey, North Carolina, Ohio, Pennsylvania, South Dakota, Tennessee, Utah, and Virginia:



- IBM, in addition to helping pioneer the use of apprenticeships in IT, has also removed degree requirements from 50% of its jobs.
- Penguin Random House recently undertook an initiative to remove degree requirements from all new jobs.

“There’s substantial evidence that shows a degree is not the be-all and end-all it used to be.”

— Neil Morrison, Group Human Resources Director, Penguin Random House

