GRADS of LIFE

Recredentialing What, Why, and How?

Traditional paradigms of employment have shifted drastically in the last several years as the skills-first movement has taken hold. From recruitment to retention, a comprehensive approach to skills-first talent management can transform the way employers seek, assess, and cultivate talent.

What is the Skills-First Movement?

The Skills-First Movement is a growing trend among employers to transform traditional HR practices to center employee skills, as opposed to where or how those skills have been acquired.

The increasing momentum around skills-first talent stems, in large part, from a growing recognition of the challenge of degree inflation: the rising and increasingly well-understood demand for a four-year college degree for jobs that previously did not require one. Dismissed by Degrees, Grads of Life's groundbreaking report published with Harvard Business School and Accenture in 2017, found that degree inflation is a substantive and widespread phenomenon that makes the US labor market more inefficient and inequitable. The fundamental insight of Dismissed by Degrees, which has been reaffirmed through the rapid growth of the skills-first movement since, is that the four-year degree is far from a perfect proxy for the skills or even the training that someone has. In fact, relying on a degree requirement as such limits the talent pools available to fill key roles, contributing to both widening talent shortages for employers as well as persistent barriers to opportunity for skilled workers without degrees. Especially with unemployment still at historic lows, businesses face an imperative to think differently about how to find and hire the best talent.

In the last few years, <u>skills-first hiring has taken hold</u> as a strategy to close these gaps. But while the idea is gaining both prominence and adoption, many employers continue to grapple with the <u>challenge</u> <u>of translating theory to practice</u>. Many reports offer in-depth labor market analyses but leave employers wondering how to process the information or use it to inform their shift to skills-first talent management. This report is designed to help businesses navigate recredentialing, which is a critical first step in the skills-first talent journey — and a priority for businesses seeking to combat degree inflation and increase their access to new internal and external pools of talent.

In the context of talent management, recredentialing refers to the process in which degree requirements are removed (or relaxed) from roles that have been degree inflated and replaced with skills-first job descriptions, rubrics, and hiring philosophies. Of course, **the specific nature of recredentialing can vary significantly from one job to another depending on the credentials currently required for the job, the nature of the skills needed for that job, and the broader industry's approach to credentials in the hiring process**. But regardless of the specifics, the process of recredentialing is a crucial — and often poorly understood — element of any skills-first talent strategy.

This report is designed to serve as an introduction to the fundamentals of the recredentialing process, with a particular focus on the **manufacturing, retail, and healthcare industries**. It leverages the methodology behind the Skills First Accelerator[™] (SFA), an analytical tool created by Grads of Life in collaboration with <u>AdeptID</u> to inform recredentialing efforts.

The SFA is typically deployed with a single organization and analyzes labor market data as well as organization-specific data to map out a custom recredentialing strategy, including recommended roles to start with, insights into skills adjacencies across roles, and guidance around tapping into new talent pools — internally and externally — to fill recredentialed roles. While the specifics of a recredentialing strategy will be different for every company, this report offers high-level guidance relevant to many employers including:



Industry Insights

An analysis of the roles most primed for recredentialing within three major industries.

2

Skills Analysis & Alternative Talent Pools

An example of the SFA's skills analysis capabilities, including identification of alternative talent pools for recredentialed roles.

3

Best Practices & Considerations

An overview of the additional factors considered when we deploy the SFA with individual employers.



Industry Insights

To narrow the focus of this report, we have conducted an analysis of three industries that represent nearly 30% of the US labor market by employment. These industries represent three of the four largest industries in the US by employment and job postings, and represent a diverse range of occupations and workforce demographics.



¹ Bureau of Labor Statistics. Employment by major industry sector. 2023. ² Lightcast. 2024. Leveraging the methodology behind our Skills-First Accelerator[™] tool, we have determined the roles most ripe for recredentialing within each of these industries. The key factors used to identify those roles are:

Hiring volume.

One of the key benefits of recredentialing is an expanded talent pool to source from; starting with roles with significant hiring need is the best way to maximize that benefit.

Wages.

2

This analysis looks at roles that offer a minimum national average salary of \$50,000 per year, to demonstrate how non-traditional, non-degreed talent are qualified for more than low-wage work. Done well, skills-first hiring can improve economic equity by opening doors to historically excluded talent who have been sidelined into poorly paid, dead-end jobs.

Current degree requirement status.

The goal of recredentialing is to remove degree requirements from roles where they are not actually necessary. So, when roles already frequently require a degree (80% of the time or more), or frequently do not (less than 20% of the time), we can assume for the purposes of this analysis that there is not much room for that to change. This analysis looks at roles where 20-80% of all current openings currently have a degree requirement as these roles may suffer from degree inflation.

4

Degree requirement gap.

Doubling down on the above, we also observe how the rate of degree requirements for a given role in each industry compares to the rate of degree requirements for that same role in all industries in the economy overall. This allows us to understand if a certain industry is lagging or leading when it comes to recredentialing certain roles and has a specific opportunity to serve as an example to others, or catch up.







Manufacturing has many opportunities to make big strides in skills-first hiring because multiple roles are over-credentialed, requiring degrees more frequently than the overall economy. At the same time, manufacturing employers have **invested significantly in apprenticeships**, a rarity in the U.S. and a powerful example of a skillsfirst culture. These apprenticeship pathways are mostly into Advanced Manufacturing roles and offer meaningful opportunity and mobility for workers of all backgrounds. The roles we identified as ripe for recredentialing are not Advanced Manufacturing roles and likely require less training but remain significantly degree inflated. By investing in recredentialing these roles, the manufacturing industry can expand its opportunity-oriented culture.

64% of all manufacturing sales representative postings currently require a bachelor's degree, compared to 54% of sales representative job postings in the economy overall. Manufacturing sales representatives sell products directly from wholesalers or manufacturers, typically to businesses and other organizations. Unsurprisingly, this 10% gap also exists between manufacturing sales manager postings and all sales manager postings (88% vs. 78%). These roles are also two of the top three roles by hiring demand. The industry also requires degrees about 10% more often than the economy overall when it comes to hiring operations managers and HR specialists. There is a big opportunity for manufacturing employers to recredential these roles to at least meet the economy-wide average of degree requirements.

Multiple roles are over-credentialed, requiring degrees more frequently than the overall economy



The top roles for recredentialing in the this sector are:

Sales Representatives

Job postings in the last 12 months

84,480

Sales Managers Job postings in the last 12 months

47,941

Store Managers

Job postings in the last 12 months

45,781

Operations Managers

Job postings in the last 12 months

26,754

Human Resources Specialists Job postings in the last 12 months

23,495

Notably, the largest gap — by far — between the industry and the economy overall appears among store managers: 53% of these job postings within Manufacturing require a degree, compared to only 19% of store manager postings in the economy overall. Within manufacturing, store managers are most commonly the individuals leading the retail space attached to a manufacturing site. For example, auto manufacturers often have showrooms where cars are sold directly to consumers attached to the plants where cars are manufactured. While this means that manufacturing store managers may need more specialized skills and knowledge (likely gained through on-the-job experience) than a standard retail store manager, the gap is far more dramatic than it should be and presents a real opportunity for manufacturing employers to recredential.

Merck, a large pharmaceutical manufacturer, has recredentialed hundreds of jobs and serves as a powerful example for others in the industry to follow.





MANUFACTURING VS. ECONOMY OVERALL Percent of job postings requiring a four-year degree

In Industry

In Economy Overall



The retail trade sector has always had a large, often nondegreed frontline workforce. It is promising to see, then, that the industry is leading the way when it comes to limiting degree requirements for several more advanced roles. Likely, retail employers are ahead on this front because it enables them to leverage their internal talent pools, promoting people up from the frontline. Of course, that also requires a sophisticated approach to upskilling, an area where, as skills-first strategies become more mainstream, we are seeing retail employers begin to **invest heavily**.

Other employers can learn much from the retail space about recredentialing and skills-first career pathways.

Sales representatives, for example, exist in nearly every industry — from insurance sales representatives to the manufacturing sales representatives discussed in the previous section — but, of course, make up a significant portion of the retail workforce. And within retail, only 26% of sales representative job postings have degree requirements, compared to 54% of sales representative postings across industries in the economy overall.





The top roles for recredentialing in the this sector are:

Sales Representatives

Job postings in the last 12 months

80,821

Operations Managers Job postings in the last 12 months

50,426

Office Managers Job postings in the last 12 months

21,972

Marketing Managers

Job postings in the last 12 months

19,682

Desktop Support Specialists Job postings in the last 12 months

12,595

We continue to see significantly lower degree requirements in retail compared to the overall economy as we look to manager-level roles, like operations and marketing managers, and technical roles like desktop support. This is likely the result of retail employers working to ensure their internal talent pipelines, made up largely of non-degreed frontline employees, can fill as many of their in-demand roles as possible. Keeping degree requirements down both helps employers fill roles, and creates opportunities for mobility for employees.

Walmart's <u>recent investment</u> in nonbaccalaureate upskilling offerings provides a model for other Retail employers to follow.





RETAIL TRADE VS. ECONOMY OVERALL Percent of job postings requiring a four-year degree

In Industry

In Economy Overall

Healthcare & Social Assistance

Opportunities for recredentialing in the healthcare and social assistance industry mostly exist within back office and management roles. Medical and health services managers (which encompasses roles like clinic managers, nursing home administrators, and healthcare facility managers) are the second highest role by hiring volume in the healthcare industry currently, and 59% of current postings require a four-year degree. By recredentialing these roles, employers can expand their available talent pool and fill this in-demand role, while also creating a significant opportunity to advance economic mobility given this occupation's very high average wage (~\$128K).

Committing to recredentialing medical records specialist, office manager, and social and community service manager roles would also go a long way in creating economic opportunity for low-wage workers in the industry seeking mobility. These roles each offer a stable living wage and have core skill requirements that can be learned on-the-job.

One area where this industry is doing much better than the economy overall is human resource specialists. Healthcare employers require a four-year degree for these roles 50% of the time, compare to 64% of HR specialist job postings across all other industries in the economy. By continuing to recredential HR specialist roles, the healthcare industry can serve as a powerful model for others. The top roles for recredentialing in the this sector are:

Medical and Health Services Managers

Job postings in the last 12 months

202,262

Medical Records Specialists

Job postings in the last 12 months

47,639

Human Resource Specialists

Job postings in the last 12 months

36,383

Office Managers

Job postings in the last 12 months

19,194

Social and Community Service Managers

Job postings in the last 12 months

18,524

HEALTHCARE AND SOCIAL ASSISTANCE VS. ECONOMY OVERALL



Percent of job postings requiring a four-year degree

Finally, it is important to recognize that the Healthcare industry is currently facing a major shortage of Registered Nurses (RNs). RNs are the highest volume role with nearly 90,000 job postings in the last 12 months. We have not included RN roles as a top recommendation for recredentialing because the credentials required are highly dependent on state and federal regulations, and sometimes include bachelor's degree requirements (though associate-level RN programs and standalone RN diploma programs do exist, and 40% of RNs in the U.S. today have an associate degree as their highest level of education). Further, there is some evidence that patient outcomes are stronger among nurses with bachelor's degrees. This is likely not due to the degree itself, but the significantly greater number of clinical hours and hands-on experience bachelor's nursing students receive compared to their counterparts in associate degree nursing programs. On average, bachelor's programs offer students 626 hours of direct care clinical experience, compared to 438 hours in associate's degree programs. It is clear and important that RNs must be highly trained, but relying solely upon a bachelor's degree limits employers' access to nurses who have gained valuable skills through experience. The healthcare industry has a strong opportunity to invest in more stackable credentials based on on-the-job experience to create opportunity for frontline care workers looking to grow their careers and create a pipeline for extremely in-demand RN roles.

Interestingly, if we look at RN job postings outside of traditional healthcare roles, we see employers beginning to rely less on a bachelor's degree. For example, retail employers hiring RNs (e.g. for in-store clinic roles) require a bachelor's degree only 33% of the time, compared to Healthcare employers who require degrees for 50% of RN roles.

> RETAIL VS. HEALTHCARE Percent of Registered Nurse postings requiring bachelor's degree



Healthcare employers can look to <u>Cleveland Clinic</u> as an inspiring example of recredentialing in their field.





Skills Analysis & Alternative Talent Pools

Identifying roles to recredential is only the first step to building a comprehensive skills-first approach. Before beginning to hire, businesses must define the skills needed for each role, creating an inventory often called a <u>skills taxonomy</u>. This is a fundamental step in any skills-first strategy. This exercise enables employers to hire people with the right skills, become aware of candidates' potential upskilling needs, identify alternative pathways into newly recredentialed roles, and establish skills-first career pathways within their company. When we deploy the SFA with our employer clients, we help to kickstart this process.

First, we create a Skills Profile for each role we target for recredentialing. A Skills Profile outlines the core competencies — required, preferred/teachable skills, knowledge, and abilities — and general requirements needed for a specific job within a company. From there, utilizing AdeptID's proprietary machine-learning models, we identify other occupations with strong skills alignment to offer our clients alternative talent pools to tap into as they hire for these newly recredentialed roles.

On the following page we demonstrate this skills alignment analysis using sales representatives, as this role appeared multiple times in the Industry Insights section above. Sales was also identified as an occupation well-positioned for skills-based hiring in a recent Burning Glass Institute report.



CREATE A SKILLS PROFILE

Outlines the general requirements and core competencies needed for a specific job

IDENTIFY STRONG SKILLS ALIGNMENTS

Utilizing AdeptID's models, we identify other occupations with strong skills alignment

> HIRE FROM NEW INTERNAL AND EXTERNAL TALENT POOLS

First, our Skills Profile outlines common occupational and foundational skills for sales representatives.

Commonly Requested Skills for Sales Representatives¹

These skills are frequently listed in job postings for similar roles. Skills profiles can serve as a starting point for developing skills-first job descriptions.

Occupational Skills

Skill Cluster/Skill	Skill Importance (% of Job Postings)
General Sales Practices	* * * * * 61%
Selling Techniques	* * * * 27%
Sales Process	* * 10%
Cold Calling	** 9%
Specialized Sales	* * * * 31%
Outside Sales	* * * 16%
Inside Sales	* * 9%
Marketing Strategy and Techniques	* * * * 28%
Marketing	* * * * 23%
Prospecting and Qualifications	* * * * 27%
Sales Prospecting	★ ★ ★ ★ 24%
Customer Relationship Management (CRM)	* * * * 25%
Customer Relationship Management	★ ★ ★ 17%
Salesforce	* * 9%
Sales Management	* * * * 24%
Sales Territory Management	* * 7%
Company, Product, and Service Knowledge	★ ★ ★ 15%
Product Knowledge	* * 9%
Business Strategy	★ ★ ★ 15%
Business Development	* * 10%
Account Management	* * * 13%
Account Management	* * 9%
Business-to-Business (B2B Sales)	* * * 11%
Business To Business	* * 9%
Merchandising	** 9%

Foundational Skills	
Skill	Skill Importance (% of Job Postings)
Communication	* * * * 61%
Customer Service	* * * * 61%
Management	* * * * 61%
Sales	* * * * 61%
Self-Motivation	* * * 61%
Presentations	* * * 61%
Leadership	* * * 61%
Problem Solving	* * * 61%
Time Management	* * * 61%
Detail Oriented	* * * 61%
Microsoft Office	* * * 61%
Writing	* * * 61%
Operations	* * * 61%
Microsoft Excel	★ ★ ★ 61%
Interpersonal Communications	* * * 61%

LEGEND		
Shaded rows represent skills clusters.		
% of Postings Requesting Skill	Importance Category	
>50%	* * * * *	
20%-50%	* * * *	
10% - 20%	* * *	
5%-10%	**	
<5%	*	



The SFA then identifies adjacent occupations that have significant skills alignment with sales representatives. Talent in these adjacent roles could be potential candidates for sales representative roles. Adjacent occupations may or may not be in the same industry, but have significant skills alignment with sales representatives and offer employers talent sources they may not have previously considered.



For each adjacent role identified, we can compare Skills Profiles to show skills overlaps and help employers make informed decisions about which alternative talent pools to tap into. Below is an example of the skills overlap analysis for sales representatives and telemarketers.

Destination Occupation: Sales Representatives Alternative Talent Pool: Telemarketers

Skill Overlap: * * * * 86%

Explore skill overlaps and gaps that candidates from your selected alternative talent pool may have. You can build on the skill overlaps presented and address potential gaps through L&D and other trainings.

Occupational Skills		
Skill Cluster/Skill	Skill Importance (% of Job Postings)	Skills Overlap
General Sales Practices	* * * * * 61%	
Selling Techniques	★ ★ ★ ★ 27%	Overlap
Sales Process	★ ★ 10%	
Cold Calling	★ ★ 9%	Overlap
Specialized Sales	* * * * 31%	
Outside Sales	★ ★ ★ 16%	
Inside Sales	★ ★ 9%	Overlap
Marketing Strategy and Techniques	★ ★★★ 28%	
Marketing	* * * * 23%	Overlap
Prospecting and Qualifications	★ ★★★ 27%	
Sales Prospecting	★ ★ ★ ★ ★ ★ ★ ★ ★ ★	Overlap
Customer Relationship Management (CRM)	★ ★★★ 25%	
Customer Relationship Management	★ ★ ★ 17%	Overlap
Salesforce	** 9%	
Sales Management	★★★★ 24%	
Sales Territory Management	★ ★ 7%	Gap
Company, Product, and Service Knowledge	★ ★ ★ 15%	
Product Knowledge	** 9%	
Business Strategy	★ ★ ★ 15%	
Business Development	★ ★ 10%	
Account Management	* * * 13%	
Account Management	* * 9%	
Business-to-Business (B2B Sales)	* * * 11%	
Business To Business	* * 9%	Overlap
Merchandising	★★ 9%	

Foundational Skills		
Skill	Skill Importance (% of Job Postings)	Skills Overlap
Communication	* * * * 61%	
Customer Service	* * * * 61%	
Management	* * * * 61%	Overlap
Sales	* * * * 61%	Overlap
Self-Motivation	★ ★ ★ 61%	Overlap
Presentations	★ ★ ★ 61%	Overlap
Leadership	★ ★ ★ 61%	
Problem Solving	★ ★ ★ 61%	
Time Management	★ ★ ★ 61%	Overlap
Detail Oriented	★ ★ ★ 61%	Overlap
Microsoft Office	★ ★ ★ 61%	Overlap
Writing	★ ★ ★ 61%	Overlap
Operations	★ ★ ★ 61%	Overlap
Microsoft Excel	★ ★ ★ 61%	
Interpersonal Communications	* * * 61%	Overlap

LEGEND		
Shaded rows represent skills clusters.		
Skill overlap shaded in blue		
Skill gap shaded in orange		
% of Postings Requesting Skill	Importance Category	
>50%	* * * * *	
20% - 50%	* * * *	
10% - 20%	* * *	
5% - 10%	**	
<5%	*	

In addition to revealing possible skills-first talent pools, this approach empowers employers to make strides in DEI, especially when hiring into entry-level roles. Traditionally, these roles would often be filled with recent college graduates. The adjacent occupations identified here instead offer more diverse pools talent who would almost all receive a significant pay increase if hiring into sales representative or HR specialist roles.

Best Practices & Considerations

Factors for Role Prioritization

In addition to the *external* labor market analysis explored above, there are four internal factors employers should consider as they prioritize which roles to recredential:



Difficulty to fill

The internal counterpoint to hiring volume, the more difficult a role is to fill, the riper it is for recredentialing and the expanded talent pool that comes with it.



Departmental receptivity.

Recredentialing roles and shifting to a skills-first hiring approach is a significant change for hiring teams (e.g., hiring managers, talent acquisition teams, etc.). Starting with an internal team that is eager and understands the "why" behind the effort can go a long way in proving the concept and building buy-in internally.



DEI goals.

Skills-first efforts are often tied to a company's DEI goals. Employers may identify certain roles or areas of the business they are seeking to diversify and prioritize those roles.



Industry benchmarks.

Given that the same role can vary somewhat by industry, comparing degree requirements within an employer's industry can provide more nuance than comparing to the overall economy (as in this report's labor market analysis).

Grads of Life's Skills-First Accelerator allows employers to rank and filter roles to recredential by these four factors, so that HR teams can make tailored decisions about how to sequence recredentialing efforts for maximum impact and success.







Adopting Skills-First Talent Management

It is also imperative to remember that recredentialing alone will not transform talent systems. Recredentialing is one piece of a skills-first approach, and a very tactical one. It also represents a significant change for most employers, and dedicating time and resources to change management and mindset shift is critical to success. Often, we find in our work with companies, there are long-held mindsets about the value of degrees and the people who hold them that can permeate company culture and become a major barrier to scaling skills-first efforts. Leaders can help ensure the success of their skills-first transformation by communicating early and often about the value of all pathways and the organization's motivations for embarking on a skills-first journey.

There are many additional practices that, done in tandem with recredentialing and culture change work, will maximize impact for workers and the business including:

- Launching or expanding <u>work-based experiences</u> & sourcing partnerships with talent providers (such as community colleges and non-profit organizations)
- Training hiring teams on skills-first hiring and DEL
- Creating standard skills-first hiring tools like interview rubrics and candidate assessments
- Building and expanding <u>upskilling programs</u>
- Developing clear <u>career paths grounded in skills</u>
- Creating formal mentorship and sponsorship opportunities

While we know that these skills-first practices are critical to building a more sustainable and equitable labor market, understanding the tangible ROI of recredentialing and the other practices listed above remains a work-in-progress. Research like the <u>American Opportunity Index</u> and tools like Grads of Life's <u>Impact</u> <u>Measurement Framework</u> have enabled individual employers to begin to assess the impact and value of their skills-first efforts, but there is work to be done to understand what success looks like at scale and cement a skills-first philosophy in corporate America and beyond.

Companies investing in recredentialing and other skills-first practices are leading the way toward the future of work. Recredentialing is complex work and requires significant data and insights. Laying this foundation, however, empowers businesses to become more agile, equitable, and productive while improving their employer brand and driving positive impact.

If you are interested in the Skills-First Accelerator and want to learn more, get in touch.

Methodology

This report leverages data from multiple sources.

Industry Insights section

All job postings data, including number of postings and each posting's degree requirement status, comes from Lightcast and represents 12 months' worth of job postings as of November 2023. See Lightcast's Job Posting Analytics Methodology <u>here</u>.

Average wages for each role are determined using 2022 wage data from the Bureau of Labor Statistics.

Industries included in this report appear as classified by NAICS (North American Industry Classification System), the standard classification system used by US Federal agencies.

Roles included in this report map to occupations as defined by O*NET Occupation. Some occupation titles have been simplified for readability.

Skills Adjacencies & Alternative Talent Pools section

Skills profiles for individual roles are based on Lightcast's Open Skills Taxonomy.

Skills adjacencies (e.g. overlap in skills between two roles) and alternative talent pools are based on AdeptID's proprietary machine-learning models, which analyze labor market data and metadata on worker transitions in the labor market.

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