Skills-Based Hiring

The Gap between Theory and Practice

Foreword

The concept of skills-based hiring has emerged as a pivotal strategy within the talent acquisition industry, reaching across all industries and impacting the contemporary workforce landscape, both in terms of hiring new people, and in the development of the existing workforce.

The skills-based approach is gaining traction due to its apparent potential to address critical challenges such as talent shortages, the need for diversity and inclusion, and the evolving nature of work. However, defining and implementing skills-based hiring uniformly across all roles presents inherent difficulties due to the vast diversity in job functions, industries, and organisational cultures.

To gain a deeper understanding of how organisations were approaching and implementing skills-based hiring, Vector commissioned a qualitative research project, focused on identifying why there is such a volume of noise and a focus on skills. This report summarises the key findings and practical considerations for organisations embarking on embedding a skills-first approach.

We would like to thank all the research participants for contributing their valuable time and input. Thanks also to Adrian Thomas, Resourcing Industry Leader and Matt Alder, Talent Acquisition Futurist and host of the Recruiting Future podcast, for leading the research project.

11 qualitative interviews + two discussion groups with Heads of Talent Acquisition

Collectively responsible for employing nearly one million employees

Industries: retail, finance, food and beverage, utilities, technology and care.

Neil Kelly
CEO, Vector

Contributors

Adrian Thomas

Adrian is a highly expericed talent acquisition professional with an impressive track record, having worked with organisations such as GlaxoSmithKline, Royal Bank of Scotland, Network Rail, and most recently, leading the entire Resourcing function for the UK Senior Civil Service.

A passionate advocate for professional standards in recruitment, he has championed the cause in his capacity as a board advisor and past-Chair of Europe's leading peer network for Heads of Resourcing and Talent Acquisition.

Matt Alder

Matt is a writer, speaker, consultant, and podcaster. He spends his time helping people leaders navigate emerging trends, new technology and talent acquisition strategy.

He is the producer and host of <u>The Recruiting Future Podcast</u>, one of the world's leading podcasts on Talent Acquisition. The show has more than two million downloads, and its 500+ episodes feature practitioners and thought leaders who are helping to shape the future.

Content

Summary of Key Findings

The evolution towards skills-based hiring suggests that it is not restricted to a small proportion of the market and that interest in adopting a skills-based approach to hiring is widespread across all industries. Whilst skills-based hiring is currently a 'hot topic', views differ as to the definitions of hard versus soft skills, and the subsequent definition of 'skill'. One vendor organisation claims to have a taxonomy of over 50,000 skills!

Whilst it was recognised that some roles will continue to require qualifications and set the minimum years of work experience required, the move to skills-based hiring is likely to result in a more inclusive and flexible approach to hiring that in turn leads to financial and social benefit. 'Competence over credentials' - skills-based hiring has the potential to open up talent pools to people previously precluded by degrees and qualifications.

Specifically, this transition is driven by the need to address some huge resourcing challenges, including talent shortages, the need for adaptability in a rapidly changing economic and technological environment, and the pursuit of more diverse and inclusive workforces.

It was clear that there is an urgent need to engage and educate hiring managers who, in the majority of organisations, are not currently equipped to define roles in terms of skills nor to participate in the skills-based assessment of talent.

Why Skills Are Dominating Current Discussions

From the research, it was possible to identify six reasons skills are currently a 'front of mind' conversation within the Talent Acquisition profession:

New Skills are Required: New skills are critical to future business success, particularly in areas such as technology and artificial intelligence. However, whilst recruiters have started to utilise skills-based assessment in the hiring process, there is limited evidence of progress to understand and map skills within job roles. Hiring managers and Recruiters must focus more on aligning skills to roles or risk a mismatch between assessment at recruitment and performance in role.

Diversity: There is an assumption (with little evidence) that skills-based hiring democratises access to opportunities by focusing on capabilities rather than formal education, which can favour more privileged groups. Therefore, removing this requirement opened any job vacancy to all applicants and this was seen as a good thing.

Relevance: This approach assumes that new hires are immediately valuable to their role. There was less evidence on how organisations deal with candidate skills gaps. The assumption that skills-based hiring delivers the perfect rounded candidate prevailed. Very little evidence of measurement of skills gaps, nor the interventions required to close them.

Flexibility: Emphasising skills allows for a workforce that can adapt to changing demands and encourages lifelong learning and development. There was less evidence of how hiring managers could achieve that flexibility as there was also a reported absence of skills definitions.

Economic Efficiency: Skills-based hiring can reduce the need for extensive on-the-job training, lowering recruitment and development costs. However, measurement of financial return was absent in the majority of organisations. More clarity and evidence on the financial returns of skills-based hiring could be critical in helping organisations properly adopt a skills-first position.

Market Dynamics: The focus on skills is particularly relevant in addressing hard-to-fill roles and navigating talent shortages. This is especially true in large organisations where describing roles in terms of qualification and experience narrows the potential target market to those within similar organisations. Adopting a skills-based approach will open up other industries. However, this needs to be supported by effective management training and appropriate learning and development programmes.

The Difficulty in Standardising Skills-Based Hiring Definitions

Most respondents in the research believed that their organisation was in the process of becoming a skills-based organisation. However, most respondents were unable to describe a comprehensive skills taxonomy, or how they will maintain a skills record, nor able to describe a timeline to implement changes or be clear on who was responsible for driving this change.

Therefore, a key challenge in the widespread adoption of skills-based hiring is the absence of a universal definition that applies across all roles and sectors. The diversity in job requirements, the subjective nature of skill assessment, and the dynamic nature of skill sets contribute to this complexity.

Participants agreed on the following definition

An organisation that prioritises the skills of its workforce (over traditional credentials like academic qualifications or experience) and utilises those skills as the main driver for organisational and individual performance, keeping those skills continually under review and in line with future organisational direction and training needs

However, skills that are critical in one context may be irrelevant in another, and the rapid pace of technological advancement continuously alters the landscape of required skills. Hiring managers will have to adopt a

continuous and flexible approach to defining and implementing skills-based hiring practices that are tailored to the specific needs of each organisation and role. This will require investment in management and recruiter training.

Investing in Manager and Recruiter Capability

> " The role of the hiring manager cannot be underestimated when it comes to recruitment, yet all too often, lack of skills and poor practice sabotage an organisation's ability to hire talent.
>
> -Neil Kelly, CEO, Vector

Skills-based hiring will challenge many ingrained beliefs and behaviours – therefore taking an evidence-based approach together with the provision of appropriate training, will be required as part of the strategy for successful adoption in the organisation. Specifically, the research identified several reasons why organisations should invest in their hiring manager and recruiter capability:

Internal Mobility and Lifelong Learning: Encouraging internal career movement and continuous skill development can help organisations better utilise their existing talent pools while addressing skill gaps. Retention is a better alternative to recruitment.

Adapting to Technological Advances: Organisations need to stay ahead of technological trends, ensuring their workforce is equipped with the necessary skills to thrive in a digital-first world. By creating and maintaining a skills database, organisations can measure the success of a skills-first approach.

Enhancing Diversity and Inclusion: Skills-based hiring should be seen as a tool for building more diverse and inclusive workplaces, extending opportunities to underrepresented groups based on their abilities rather than their backgrounds.

Measuring Success: Organisations should focus on developing clear metrics to assess the impact of skills-based hiring on organisational performance, employee engagement, and diversity outcomes is crucial for validating its effectiveness and refining practices.

Strategies for Advancing Skills-Based Hiring

In addition to investing in manager and recruiter capability, organisations should adopt the following four strategies to maximise the return from becoming a skills-first organisation.

Avoid the Quick Fix: Vendors are increasingly using the skills debate to re-brand or market their products to address the skills debate. Many of these tools and products will be extremely useful but organisations should by defining skills and training hiring managers to maximise the return from adopting a skills-based approach.

Create a Business Imperative: Highlighting the economic and competitive advantages of skills-based hiring can encourage organisations to adopt this approach more enthusiastically. Pilot programmes can provide proof of concept and are a way of introducing an approach to skills-based hiring with significantly less financial and time resources than taking a whole company approach.

Financial Sustainability: Exploring partnerships, sponsorships, and event-driven revenue models can provide financial support for further research and implementation efforts.

Utilise Technology: Leveraging AI and machine learning can help overcome the challenge of categorising and understanding skills. However, it's clear that only a minority of organisations are investing in this approach. Using existing platforms and training hiring managers to adopt a skills-based approach will provide an economic way to benefit without investing in a complete 'bottom-up' review of job and organisational structures.

Conclusion

Skills-based hiring represents a transformative shift in talent management, with the potential to significantly enhance organisational agility, workforce diversity, and competitive advantage.

However, the diversity of roles and industries means that a one-size-fits-all definition is impractical. Instead, organisations should strive for a flexible, nuanced approach that aligns with their unique needs and goals.

By embracing the complexities and opportunities presented by skills-based hiring, companies can better navigate the challenges of the modern labour market, leveraging their workforce's full potential for sustainable growth and innovation.

Continued research, dialogue, and collaboration across sectors will be key to unlocking the full benefits of this approach.

Significant Hiring Manager and Recruiter training will feature heavily as part of the journey to becoming a skills-first organisation.

About Vector

TACKLING TODAY'S RECRUITMENT CHALLENGES, TRAINING TOMORROW'S TEAMS.

We solve your current and future recruitment challenges by swiftly identifying critical talent and enhancing your in-house capabilities, while future-proofing your in-house recruitment capabilities.

At Vector, we understand that building exceptional teams isn't just about finding the right individuals—it's about harnessing the power of collective expertise and cutting-edge technology. Our flexible solutions seamlessly blend the art of human connection with the precision of the latest innovations, empowering our clients to assemble market-leading teams that drive unparalleled success.

What truly sets us apart, however, is our ability to liberate leadership teams from the complexities of talent acquisition. Drawing upon our extensive experience as global TA leaders, we deliver actionable insights and solutions with the agility of an agency and the strategic foresight of a global consulting firm.

Our mission is to support our clients in building and developing the high performing teams needed to improve patients' lives and get cutting edge science to market faster.

Vector has built teams and organisations across the Globe, supporting leaders to create the teams they need and designing talent acquisition process to meet their business aims.

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