

EU-U.S. Trade and Technology Council (TTC)

EU-U.S. Talent for Growth Task Force

Workstream activity report

Workstream 3 – Skills-first hiring

Workstream leader: Giulia Meschino, Secretary General of the European Vocational Training Association (EVTA)

Task Force Co-Chair: Stefan Olsson, Deputy Director-General of DG Employment, Social Affairs and Inclusion (EMPL) of the European Commission

Overview

A skills-based, or skills-first, approach focuses on skills themselves rather than on how they have been acquired. Such an approach can be used during recruitment processes to help match workers to roles based on their skills and to reduce the over-reliance on qualifications. It can also be used when developing training programmes and in career guidance to facilitate better matches between employers and jobseekers. Skills-based approaches have been growing in popularity in recent years, with one in four job postings on LinkedIn in the United States not requiring a degree in 2022, an increase from 15% in 2020 (LinkedIn, 2023). Employers are also recognising the value of alternative credentials, with many large technology companies announcing their commitment to prioritise skills over degrees in IT occupations (Emsi Burning Glass, 2022).

This approach has the potential to alleviate skills shortages by tapping into a wider talent pool and increasing participation amongst under-represented groups. By reducing reliance on formal qualifications, candidates from non-traditional backgrounds – who may have acquired the right skills but in non-formal or informal ways – are encouraged to apply for vacancies. Some evidence suggests that in roles where women are underrepresented, the proportion of women in the talent pool could increase by 24% more than it would for men with a skills-first approach (LinkedIn, 2023) (including underrepresented groups in technology careers is the topic of workstream 2). Skills-based hiring could also be beneficial for younger workers who have less formal work experience.

This approach also has the potential to bring real financial benefits to firms. Some evidence suggests that organisations with skills-first practices are over 60% more likely to achieve positive workplace results (e.g., they are more likely to innovate, improve processes to maximise efficiency, and anticipate and respond to change effectively) than firms who have not adopted such practices (Deloitte, 2022). More generally, both skills and gender and cultural diversity are strongly correlated to firm productivity (Criscuolo et al., 2021). A focus on skills also supports a lifelong learning mindset – firms are more likely to invest in their employees' learning and development if they adopt a skills-first culture (links to topic of workstream 4 on micro-credentials).

More background research and data can be found in the [OECD report for this Workstream](#), including a set of recommended policy actions and case studies drawn from existing, real-world implementations of the approach.

Workstream Activity

12 July 2023, Workstream 3 Kick-off Meeting: At this meeting, Giulia Meschino (Workstream leader) set the scene before the OECD presented some background research and a proposed workplan. Task Force members agreed on this workplan and put forward some case study examples for consideration. Key takeaways from this meeting:

- Members discussed that a greater focus on skills should not be to the detriment of formal qualifications – some job roles will still require degrees and other formal qualifications.
- It was noted that this approach has great potential but there are some important challenges. It was agreed that the OECD will expand on these challenges in their report and research ways to mitigate them.
- Members requested to expand the focus of this Workstream beyond employers, to include how public employment services, training providers and the social partners use and support this approach, particularly labour union representatives from the U.S.. It was also noted that public-private collaborations could be especially applicable in this space.
- Cisco's Network Academy Program was discussed as a good example of an initiative which prioritises the development of skills and links learners to employers.
- The Dutch EU VET provider representative shared a good regional example from Rotterdam, called labour hub, where VET providers work together with local companies to create targeted training programs.
- Representatives from BusinessEurope and the Irish SME association ISME shared the successful case study of Skillnet [Ireland](#), a business support agency of the Government of Ireland that creates upskilling programmes that are responsive to business needs, and which is matching learning content with a skills-first approach.

July-September 2023, Skills-Based Approaches Survey: the OECD launched a survey over the summer of 2023 designed to collect examples of how skills-based approaches are used by firms, NGOs, training providers and social partners. 50 organisations submitted a complete response to this survey, of which the majority were firms, institutions in the non-profit sector and training providers. Key findings from this survey are as follows:

- Around three-quarters of all surveyed organisations had heard of the approach and over half used the approach.
- When developing the approach, many organisations consulted their existing staff, though a few also reached out to other stakeholders.
- Respondents reported reforming organisational processes such as recruitment processes and employee progression processes when adopting the approach.
- Many organisations reported a need for staff and leaders to adopt a change of mindset to foster support for the approach.
- Training providers reported that more progress was needed to ensure adult learning provision remains well-equipped for a skills-first world.

27 September 2023, Plenary Meeting: Workstream leaders across the three groups provided an update on progress and next steps were discussed. The update for Workstream 3 provided by Giulia Meschino included a discussion of OECD findings to date (including the Skills-Based Approaches Survey) and upcoming milestones (such as the OECD Workshop in November) were noted.

12 November 2023, OECD Workshop: the OECD hosted a virtual webinar on skills-based approaches. The agenda of the workshop included a short OECD presentation to set the scene, a presentation by IBM on how it has been using the approach, and a panel discussion with one representative from the private sector, a training provider and a public employment service. Key takeaways are as follows:

- IBM: is a leader of the skills-based approach – it first adopted the approach in the United States over a decade ago in response to acute skill shortages. At the time, IBM conducted an in-depth review of all its job roles, re-wrote job descriptions where appropriate, and conducted some proof-of-concept hiring before expanding the approach across the organisation. Almost all roles at IBM required a college degree at the time, whereas now more than half of IBM's job postings in the United States do not include a college requirement but they are based on skills.
- Workday: Workday presented how they uses the approach to hire new staff. The Workday Career Hub was also discussed as an example of an internal platform which matches people to projects based on the skills they would like to develop. The speaker noted the benefits of project-based work for employees' skills development. Workday's skills-based talent acquisition programme, called Opportunity Onramps, which specifically targets underrepresented talent, was also mentioned.
- Generation: it was discussed in the panel how Generation uses the approach to design and implement its training offerings, and how it works with employers to formulate and deliver industry-relevant training. It was noted that Generation programmes particularly benefit underrepresented communities.
- Pôle Emploi: it was discussed in the panel how the French Public Employment Service, Pôle Emploi, uses the approach in its employment and training advice to jobseekers, and how jobseekers are matched to employers and jobs based on skills.
- Pôle Emploi discussed a recent reform of the French catalogue of job profiles (called ROME 4.0).

15 December 2023, Workstream 3 Final Meeting: At this meeting, the OECD presented its final research findings including policy recommendations and Task Force members provided feedback on the report. This research and the conclusions were broadly supported, although it was noted that the OECD should consider more policy recommendations for non-government actors, which has been taken into consideration for the final version of the paper.

EU trade unions consider the skills-first approach potentially undermining the quality of certain services and jobs. It should not to be applicable for certain professions, mainly the regulated professions ones. This approach is not in line with many collective agreements which link the levels of salary to qualification levels. Those workers who need to have a certain level of qualification need to be supported to obtain this, and to be paid fairly.

Looking ahead

Legacy of the European Year of Skills (May 2023 – May 2024)

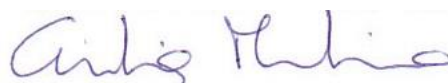
The [European Year of Skills](#) comes to an end on 8 May, after a one-year effort of putting the spotlight on up- and reskilling in the EU. The Year has contributed to awareness-raising with 2000 dedicated events and activities across the EU and fostering cooperation between labour and education and training organisations and social partners.

The discussions, events and initiatives that took place will have a lasting impact and feed into future EU and EU Member States' national policies to foster skills development.

On 26 February 2024, the European Commission hosted an expert meeting on skills-first approaches, with Giulia Meschino and Glenda Quintini (OECD) as panellists, also sharing insights on the findings of the Task Force to a wider audience.

Thanks to the context of the European Year of Skills and the Talent for Growth Task Force, there was a wide outreach to organisations providing skills development on the ground over the past 12 months. This includes outreach by EU-initiatives like the [Pact for Skills](#), which aims to support its members from the public and private sector with upskilling and reskilling through skill partnerships in 14 industrial eco-systems. One of the many organisations that joined the Pact for Skills during the European Year of Skills, is the global NGO Generation that was one of the non-member organisations that contributed to the discussions in the Task Force.

*Adopted by workstream leader
Giulia Meschino (Secretary General of EVTA)
on 25 March 2024:*



References

- Criscuolo C, Gal P, Leidecker T and Nicoletti G (2021), *The Human Side of Productivity: Uncovering the role of skills and diversity for firm productivity*, *OECD Productivity Working Papers, No. 29*, OECD Publishing, Paris, <https://doi.org/10.1787/5f391ba9-en>.
- Deloitte (2022), *Building tomorrow's skills-based organization: Jobs aren't working anymore*, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Deloitte-Skills-Based-Organization.pdf>.
- Emsi Burning Glass (2022), *The Emerging Degree Reset: How the Shift to Skills-Based Hiring Holds the Keys to Growing the U.S. Workforce at a Time of Talent Shortage*, <https://www.burningglassinstitute.org/research/the-emerging-degree-reset>.
- LinkedIn (2023), *Skills-First: Reimagining the Labour Market and Breaking Down Barriers*, <https://economicgraph.linkedin.com/content/dam/me/economicgraph/en-us/PDF/skills-first-report-2023.pdf>.