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White Paper

A proven, sustainable and ready-to-scale approach
to making skills-based hiring a reality.

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By



West Michigan Works!, the region's Workforce Investment Board, was a founding partner of HireReach and served as its initial parent agency. HireReach now operates under the auspices of Strategic Workforce Solutions, a 501(c)3 created by West Michigan Works! to advance workforce innovation.



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INTRODUCTION

Delivering on the promise of skills-based hiring.

For an idea born from necessity, skills-based hiring quickly demonstrated the potential to be transformative beyond expanding the talent pool in a tight labor market.

Here was a process with multiple benefits: Removing bias to improve hiring decisions would contribute to a more engaged workforce, better retention, increased diversity.

But for all its promise, skills-based hiring has too often remained more concept than practice. Full implementation at scale has been elusive and the benefits scarce. That is because skills-based hiring is complex. It requires more than removing degree requirements from job descriptions.

Success requires thoughtful, systemic change, a new approach to hiring, a willingness to transform talent acquisition, expertise in change management. To do this at scale requires a comprehensive approach beyond what employers can manage without support.

A pioneering initiative in West Michigan has solved this puzzle.

That initiative is called HireReach, a name that reveals the aspiration to reach higher in hiring and

HR processes, to power systemic transformation, and to deliver on the promise of skills-based hiring with ROI to employers, individuals and communities alike.

With roots in a proven evidence-based process developed long before skills-based hiring became a movement, this initiative has established a track record of successful implementation across a wide range of sectors and organization size. After multiple independent evaluations and iterative refinements, HireReach has proved its capabilities to partner with any organization ready to advance the implementation — and reap the benefits — of skills-based hiring.

With skills-based hiring at a critical juncture, the timing is right to apply the lessons and expertise of HireReach to a wider purpose.

THE RISE OF SKILLS-BASED HIRING AS A CONCEPT

What is Skills-Based Hiring?

Broadly speaking, skills-based hiring begins with a recognition that competencies are gained in a variety of ways beyond degree attainment and work experience.

Most commonly, this recognition leads to a removal of traditional degree requirements.

HireReach takes this further by enabling skills-based hiring through an evidence-based approach that removes bias, clarifies expectations for roles, and allows hiring and promotion based on demonstrated competencies and interests.

When an individual's preferences and skills are matched to the right occupation, they are more likely to succeed and advance in their careers.

For decades, employers relied on credentials and degrees as proof of qualification for hiring. This practice was called into question in the wake of historic labor market disruptions — first in the recovery from the Great Recession of 2007-09¹, and then during the COVID-19 pandemic and its aftermath². It became increasingly obvious that traditional, outdated hiring practices were not working. As employers began rethinking the reliance on credentials, the business case for skills-based hiring was compelling:

- Skills-based hiring allows employers to access larger talent pools, include more applicants more representative of the markets they serve, and be better positioned to overcome talent shortages.³
- Because skills-based hiring criteria are more predictive of future job performance — five times more so than educational background, and 2.5 times better than working background⁴ — the approach improves the quality of hires.
- Retention is improved when people are matched to the right role, an important consideration when the cost of replacing an employee is conservatively estimated at up to twice⁵ the employee's annual salary, and at a time when nearly half of U.S. employees are willing to seek a new job.⁶
- Recruiting based on skills yields faster filling of vacancies, another cost reduction.
- Removing bias and adopting evidence-based hiring processes helps promote diversity and inclusion — and a workforce with a diverse range of experiences and backgrounds is a proven attribute of high-performing organizations.⁷

¹ 5 ways the U.S. workforce has changed, a decade since the Great Recession began, Pew Research Center, Nov. 30, 2017, accessed May 7, 2024.

² As of March 2024, there were 73 workers for every 100 open jobs in the United States, according to the U.S. Chamber of Commerce's America Works Data Center.

³ The Business Case for Skills-Based Hiring, Opportunity at Work, 2023, accessed May 7, 2024.

⁴ Why Healthcare Companies Are Embracing Skills-Based Hiring, Beamery, Jan. 12, 2024, accessed May 7, 2024.

⁵ This Fixable Problem Costs U.S. Businesses \$1 Trillion, Gallup, March 13, 2019, accessed May 7, 2024.

⁶ As of March 2024, 48% percent of U.S. employees reported they were watching for or actively seeking a new job, according to Gallup indicators on Employee Retention & Attraction.

⁷ Diversity wins: How inclusion matters, McKinsey, May 19, 2020, accessed June 12, 2024.

But skills-based hiring is appealing for other reasons beyond the business case, including creating opportunities for underrepresented demographic groups, reducing barriers to entry, fostering community wellbeing and improving economic mobility. Reducing bias in the hiring process helps address challenges that limit the ability of communities to thrive:

- Job postings that list college degrees as requirements automatically exclude just over half of the adult population in America. Requiring a bachelor's degree shrinks the opportunity window further, to just under 38 percent of adults.⁸
- Despite modest gains, demographic gaps persist in education, resulting in disparities of access to good-paying jobs that require degrees. The Census Bureau reports that 27.6 percent of Black Americans and 20.9% of Hispanic Americans 25 and older possessed a bachelor's degree in 2022, compared to 41.8% of non-Hispanic White Americans.⁹
- A reliance on degree attainment closes off paths to upward mobility, by excluding applicants for jobs that require training beyond high school.¹⁰
- Traditional hiring practices that emphasize formal education and work experience can be barriers for underrepresented groups who have not had same access to educational and professional opportunities.
- Underrepresented groups often have transferable skills not always evident through resumes. An evidence-based, skills-based hiring process highlights transferrable skills and mitigates bias in traditional hiring practices.

Skills-based hiring has emerged as a solution to all these challenges, opening the door of opportunity to a huge population of workers who are “skilled through alternative routes,” or STARS — a term coined by advocacy group Opportunity @ Work. Estimated at 70 million strong, STARS outnumber the 60 million adults with bachelor's degrees or above, with significant skill overlap.¹¹

To some degree, the public sector has been leading the way in the shift to skills-based hiring, with the federal government and many states eliminating degree requirements for large sectors of employment. Private employers have been following suit, though more slowly and unevenly.¹²

Unfortunately, skills-based hiring, done right, requires more than eliminating degree requirements. And the results so far have largely not lived up to the promise.

⁸ Educational Attainment in the United States, U.S. Census Bureau, Feb. 24, 2022, accessed May 7, 2024.

⁹ Ibid

¹⁰ As stated in The Emerging Degree Reset, a 2022 paper by The Burning Glass Institute, “As more and more of these jobs closed to workers without a bachelor's degree, key avenues for upward mobility were closed to roughly 80 million prime working age Americans at a time when income inequality was already widening.”

¹¹ Reach for the STARS: Realizing the Potential of America's Hidden Talent Pool, Opportunity @ Work, accessed May 7, 2024.

¹² See Workers as Workers, Not a College Credential, New York Times Editorial Board, Jan. 28, 2023, accessed May 7, 2024.

GOOD INTENTIONS ARE NOT ENOUGH

A February 2024 assessment¹³ by authors from the Harvard Business School and The Burning Glass Institute found that: “For all its fanfare, the increased opportunity promised by Skills-Based Hiring was borne out in not even 1 in 700 hires last year.”

One of the biggest problems cited by that report was that 45% of employers studied had adopted what the authors called “Skills-Based Hiring In Name Only.” These employers may have eliminated degree requirements from job postings, but they had not made significant changes to recruiting, hiring and advancement practices. (Worse performing were the 18% of employers categorized as “Backsliders,” where “initial executive enthusiasm did not translate to necessary change in underlying systems and practices.”)

As the American Enterprise Institute observed following the report: “Too many firms, if they even attempt to shift to skills-based hiring, are plagued by inertia. Somewhat reflexively, hiring managers continue to lean on degrees as a lead criterion for evaluating candidates’ capabilities, even in the absence of formal requirements.”¹⁴

The fact is, most employers are ill-prepared to develop, implement and sustain skills-based hiring on their own. This is the problem that HireReach was designed to solve on a regional basis.

“Too many firms, ... if they even attempt to shift to skills-based hiring, are plagued by inertia.”

– AMERICAN ENTERPRISE INSTITUTE



¹³ Skills-Based Hiring: The Long Road from Pronouncements to Practice, The Burning Glass Institute, February 2024, accessed May 7, 2024.

¹⁴ A Slow Start for Skills-Based Hiring, Brent Orrell for The American Enterprise Institute, Feb. 22, 2024, accessed May 7, 2024.

WHY HIREREACH WORKS

HireReach is the culmination of a skills-based hiring movement in West Michigan dating back more than 15 years. A successful pilot created the blueprint for HireReach to extend the process for other employers to emulate.

From 2005-2008, a federal ETA WIRED¹⁵ grant funded workforce innovations in West Michigan, including early-stage development of “competency-based” hiring using structured assessments. This initiative included the formation of the West Michigan Health Care Employers Council¹⁶, which led to the prototyping of an innovative selection process by Mercy Health (now Trinity Health) in Grand Rapids, Mich.

Mercy developed an evidence-based selection prototype in partnership with Metrics Reporting Inc.,¹⁷ which provided expertise in industrial psychology, assessments, compensatory scoring and legal defensibility. The health system launched its pilot across its West Michigan sites in 2010. After hiring 10,000 candidates from 2011-17, the new process demonstrated notable results:

- 23% reduction in turnover,
- 16% reduction in time to fill
- 100% increase in workforce diversity

The success of this pilot caught the attention of community leaders, who began discussions about a project to test if the approach could be scaled to other organizations, industries, and organization sizes. The W.K. Kellogg Foundation and the Doug & Maria DeVos Foundation provided funding to

launch a new pilot, in partnership with regional CEO alliance TalentFirst and West Michigan Works!, the region’s Workforce Investment Board.

Interestingly, the funders were drawn to the project from different perspectives. Luis Lugo, retired college professor, foundation executive and former director of community initiatives at the Doug & Maria DeVos Foundation, described the universal appeal of HireReach this way: “It’s unifying, really, across the political and ideological spectrum.”

For example, LUGO said he saw the potential for HireReach to focus on what he describes as “upstream solutions”:



If you can help people get a job that provides a family with a living wage, then you can head off a lot of those downstream interventions that foundations are usually involved with. If people have the wherewithal, then there are implications for their health and their housing and everything else. ... I would say the fact that HireReach works with employers, that’s the key. It’s not just training individuals but helping employers. You get more of a systems-wide impact when you do that.”



¹⁵ An acronym for the U.S. Department of Labor’s Employment and Training Administration (ETA)’s Workforce Innovation in Regional Economic Development (WIRED) initiative.

¹⁶ West Michigan health care employer coalition strives to grow talent pool, Business Review West Michigan, July 1, 2010, accessed June 12, 2024.

¹⁷ Metrics Reporting is the creator of JOFI Assessments, a suite of validated assessments to measure competencies and improve job fit through a compensatory scoring system. JOFI remains the technological partner for HireReach. Free access is provided to employer teams during training, although support is offered to those who wish to choose a different provider of these services.

TRACIE COFFMAN, program officer for the W.K. Kellogg Foundation, who initiated the community discussions that led to HireReach, was interested in the potential to promote equity in hiring.

“ Everything that the Kellogg Foundation does is rooted in racial equity. And the data coming out of Mercy told me that this was a way to advance racial equity because you could see the change in their hiring demographics immediately, and it was significant. ... A lot of times skills-based hiring nationally gets talked about in theory, and then people don't know how to implement it. HireReach was a way that you could actually implement it. ... We had an exceptionally high implementation rate for participating organizations. ”

HireReach launched in 2019, with a cohort of 11 employers. By the end of 2023, participation had grown to more than 50 employers, from organizations with less than 100 employees to global corporations with 10,000 or more employees.

Multiple third-party quantitative and qualitative evaluations have led to continuous quality improvement, including a shift to an online academy format that reduced completion time from 12 to five months. In 2022-23, the program expanded beyond the Grand Rapids region to Battle Creek and Kalamazoo, Mich.



DREW CURTIS, a researcher formerly with DVP Praxis, which conducted several independent evaluations of HireReach, described the process this way:

“ HireReach was just an exceptional partner in their commitment to taking information that they were gathering and refining their processes, their content. ... It was that dynamic that was, frankly, very motivating as a learning partner — to continue to pull those insights, share them with HireReach and see them iterate and improve.” ”

HOW HIREREACH WORKS

After the startup support from foundation investors, HireReach now operates under the auspices of Strategic Workforce Solutions, a 501(c)3 created by West Michigan Works! to advance workforce innovation.

The HireReach Academy is a five-month virtual academy that provides:

Learning and hands-on activities to understand the essential elements of skills-based hiring.

A learning management system guides employers through a logical sequence of training, followed by interactive content and activities within a recommended time frame. This includes understanding how to use the O*NET¹⁸ competency model and develop job groupings. Employers learn to identify competencies that are measurably related to job performance.

Facilitated peer learning to expand perspectives and make connections.

Monthly virtual meetings with the HireReach team and peers provide opportunities to share and learn, ask questions, and receive additional instruction on next steps in the program.

Access to selection tools to help talent acquisition teams make informed decisions about predicted job performance.

Resources include user tools, guidebooks, access to experts in talent acquisition and industrial and organizational psychology. Employer teams have free unlimited use of JOFI[®] Assessments during the academy and six months following the academy. JOFI, the technology partner for HireReach, provides cognitive, personality, and career interest assessments, as well as supporting tools, such as a structured interview guide and compensatory scoring. This is another distinguishing feature of HireReach: Whereas most skills-based hiring initiatives emphasize occupational competencies, the use of JOFI includes measures of foundational competencies — allowing employers to identify candidates who are both willing and able for the positions they must fill.

Customized coaching and consulting support to help participating organizations design and implement a custom selection process:

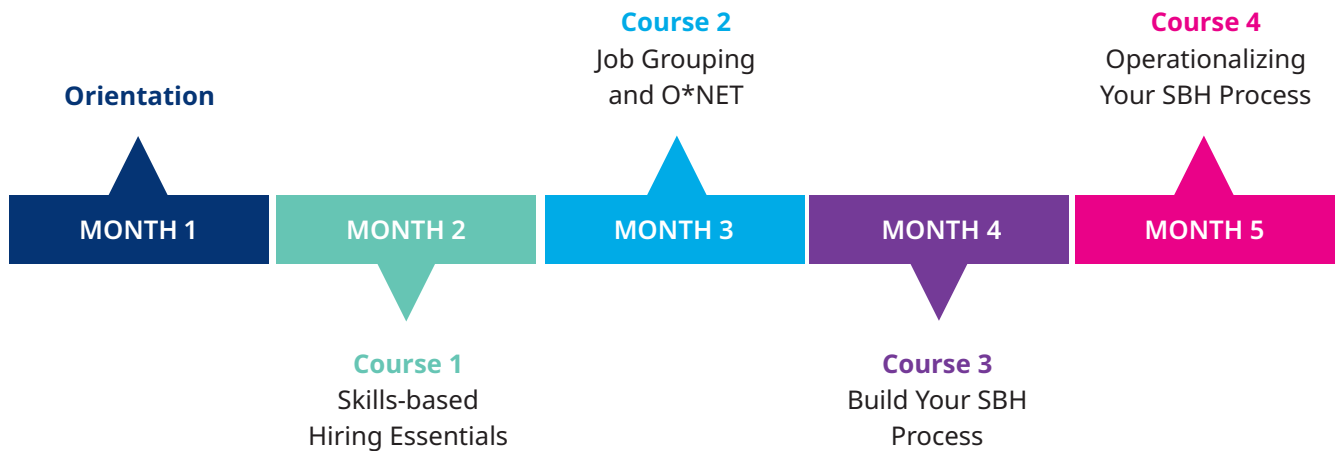
This includes sessions with the HireReach team and supporting subject-matter experts. HireReach staff members partner with each employer's project team to navigate the complex change-management process, and then provide ongoing consulting for six to 12 months to support implementation. If employers choose to begin with a pilot for a limited set of jobs, HireReach also supports scaling to other groups later.

Another benefit is that the experience provides professional development and education about evidence-based practices. HireReach is an authorized Society for Human Resources Management (SHRM) recertification provider. HR professionals can receive 45 professional development credits for completing the program.

¹⁸ Developed by the U.S. Department of Labor/Employment and Training Administration, the O*NET is the world's largest occupational database, with detailed information about more than 900 occupations and the competencies they require.

Overview of the Academy Sequence

The HireReach Academy is designed to accommodate busy organizations. Employer participants work through course content and, together with their team, immediately begin to apply concepts into their organization's selection process. Most organizations are able to design and implement an evidence-based selection process by the end of the academy.



HR HireReach Academy

WHAT EMPLOYERS DISCOVER

In addition to conducting independent evaluations, third-party evaluator DVP-Praxis partnered with HireReach to design programmatic and implementation surveys for its Academy. Among the findings of these anonymous surveys through 2023:

- **98.3%** agreed they have a better understanding of skills-based hiring
- **96.5%** agreed they left the program knowing how to implement the essential elements of evidence-based selection into their hiring processes
- **98.2%** said the HireReach Academy prepared them to design a skills-based hiring process at their organization

A comment from anonymous surveys:

“We always knew there was a better way to identify candidates for potential managerial slots. However, have limited knowledge to studies and limited time to conduct research. The Academy filled that gap, providing us with alternatives and understanding why those alternatives work. It also helps reduce the bias during the selection process.”

Other advantages of HireReach cited in surveys and independent evaluations by DVP Praxis:

- Expert, customized support of HireReach team
- A streamlined, standardized, objective process
- Personality and skills assessments contributing to better fit and higher-quality hires
- Reduced bias in the hiring process
- A deeper understanding of the structure of jobs
- Increased internal promotions
- Reduction in turnovers
- A legally defensible, streamlined, centralized and well-defined hiring process

Multiple case studies have confirmed these findings:

- Municipal governments that successfully replaced their civil-service processes with skills-based hiring, resulting in better retention and wider pools of applicants
- A large nonprofit that expanded skills-based hiring to multiple job classifications and roles
- A business that increased hiring for potential and reduced turnover
- Overall advances in efficiency and reductions in bias



CONCLUSION

At a time when skills-based hiring is failing to meet its full potential nationwide, HireReach is demonstrating that implementation not only is possible, but also produces the multiple benefits that were envisioned for individuals, employers and communities alike.

This breakthrough comes at a critical time. Steadily declining labor force participation¹⁹, accelerating retirements²⁰ and declining birth rates²¹ are just some of the factors contributing to the difficulty employers face in hiring. Meanwhile, the income gap remains persistently wide, with roughly half of the population owning just 2% of the wealth in the country in 2022.²² The bottom half of wealth was demographically overrepresented by Black, Hispanic, younger families and families with less than a bachelor's degree.

Despite shortcomings in implementation to date, skills-based hiring still presents an opportunity to address all these challenges. It is time for skills-based hiring to fulfill its potential. And HireReach provides the means to make that happen.

With years of evaluation and refinement, and a track record of accomplishment, HireReach can be a valuable and effective partner to help solve the biggest challenges of skills-based hiring, delivering outstanding ROI for philanthropy, communities, employers and individuals alike.

¹⁹ U.S. labor force participation, as high as 66.4% in 2006, has been on a decades-long decline. Despite a gradual rebound from the pandemic-era collapse, the rate in April 2024 (62.7%) was still below the pre-pandemic rate of 63.3% in February 2020. Civilian labor force participation rate, U.S. Bureau of Labor Statistics, accessed May 15, 2024.

²⁰ Amid the pandemic, a rising share of older U.S. adults are now retired, Pew Research Center, Nov. 4, 2021, accessed May 15, 2024.

²¹ U.S. Fertility Rate Drops to Another Historic Low, Centers for Disease Control and Prevention, April 25, 2024, accessed May 15, 2024.

²² U.S. Wealth Inequality: Gaps Remain Despite Widespread Wealth Gains, Federal Reserve Bank of St. Louis, Feb. 7, 2024, accessed May 15, 2024.

HireReach is ready to partner with organizations and work alongside them to achieve their goals for skills-based hiring. Engage with us to learn more about our innovative approach and how you can leverage our experience to bring these solutions to your community.

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