

Original Article

Skill-Based Hiring vs. Degree-Based Hiring: A Modern Recruitment Comparison

¹DR. S. N. KANAGARATHINAM, ²T. HARINI

¹Assistant Professor, Department of Management Studies, EGS Pillay Engineering College, Nagapattinam, Tamil Nadu, India.

²MBA Student, Department of Management Studies, EGS Pillay Engineering College, Nagapattinam, Tamil Nadu, India.

ABSTRACT: *The recruitment landscape has undergone a significant transformation due to technological advancements, globalization, and the increasing demand for specialized skills. Traditional degree-based hiring, which evaluates candidates primarily through academic qualifications, is gradually being replaced by skill-based hiring models that focus on competencies, certifications, and practical abilities. This research paper examines the differences between skill-based and degree-based hiring and analyzes their impact on workforce efficiency, diversity, productivity, and employability. The study uses secondary data collected from reports, surveys, and scholarly literature to evaluate the effectiveness of both recruitment methods. Findings indicate that skill-based hiring improves workforce inclusion, reduces hiring costs, and aligns recruitment practices with modern industry demands, particularly in technology-driven sectors.*

KEYWORDS: *Skill-Based Hiring, Competency-Based Recruitment, Employability, Digital Skills, Workforce Transformation, Academic Qualifications, Lifelong Learning, AI Recruitment.*

1. INTRODUCTION

One of the most common traditional practices in recruitment is to evaluate a candidate based on their academic qualifications alongside years of experience, assuming that an individual with better qualifications has greater knowledge and abilities. University degrees often served as a primary filtering tool that employers utilized to select applicants. The evolutionary push of not only digital technologies but also artificial intelligence (AI) and automation has reshaped the labor market demand. Organizations are looking for practical skills, willingness to adapt, and the ability to learn rather than theoretical knowledge.

With online certifications, coding boot camps, digital portfolios, and micro-credentials increasingly flooding the market, candidates have learned they can gain relevant skills without attending a university. And so companies are turning to more skill-based hiring tactics where they assess candidates through practical assessments, coding tests, and project-based evaluations.

This change is notably prominent in those IT and technology sectors where, for example, employers are looking for technical skills as opposed to academic marks. Global organizations such as the World Economic Forum, LinkedIn, Microsoft, and McKinsey have published reports indicating that demand for skills-first recruitment will increase.

TABLE 1 Comparison Between Skill-Based and Degree-Based Hiring

Factors	Skill-Based Hiring	Degree-Based Hiring
Selection Criteria	Skills and competencies	Academic qualifications
Assessment Method	Practical tests and projects	Degree certificates
Workforce Inclusion	High	Limited
Recruitment Cost	Lower	Higher
Adaptability	High	Moderate
Industry Relevance	Strong	Sometimes outdated
Diversity	Improved	Restricted

2. NEED OF THE STUDY

This study is essential because the labor market is evolving. College degrees are still becoming the rule for most companies to hire, but having a degree does not necessarily indicate whether someone can perform the job well. On the flip side, numerous highly capable individuals lacking degrees are not being given fair opportunities. This introduces a chasm between the needs of the job and those who get hired.

Moreover, this study also guides HR professionals and recruiters in understanding how to stay up to date with current hiring trends and improve the organizational recruitment processes that would help them in getting better-performing employees,

improving productivity, and retaining them for a longer time. It gives useful information on how organizations can close skill gaps, improve workforce quality, and conduct fair and efficient hiring.

This study is needed to go over what works better in different jobs today, skills, or degrees. This will enable organizations to make better, faster, and more equitable hiring decisions. This also guides career seekers to get ready for the jobs they are after.

In general, this study contributes to the theory-building process, linking education and industry expectations, which will aid the development of modern and effective recruiting practices.

3. SCOPE OF THE STUDY

The paper studies the analysis and comparison between the two main streams of hiring approaches in recent organizations, which is either skill-based or degree-based methods of appointment.

The current research investigates the relative significance of practical skills, technical competencies, academic qualifications, and work experience in hiring. It also examines how the threat of automation is changing hiring trends across industries, particularly in fields that value skill and practical experience over formal credentials.

It includes the attitudes and experiences of HR professionals, recruiters, and hiring managers about both methods of hiring. It attempts to find the pros and cons of skill-based hiring and degree-based hiring, so that it can figure out what works best in the current competitive job market for organizations. This study is limited to modern recruitment processes and does not go into detail about historical recruitment systems. It is geared more towards private sector organizations and firms who non randomly select candidates with respect to either skills, diplomas, or both. It can provide organizations with data for better recruitment and provide job seekers with tips on current employment expectations.

4. OBJECTIVES OF THE STUDY

- To understand the concept of skill-based hiring and degree-based hiring in recruitment.
- To compare the effectiveness of both hiring methods in selecting the right candidates.
- To analyze current trends and industry preferences in recruitment practices.
- To evaluate which method contributes more to employee performance and organizational success.

5. REVIEW OF LITERATURE

5.1. INTRODUCTION

The literature review examines previous studies and reports related to skill-based hiring and degree-based recruitment. Researchers and organizations increasingly emphasize the importance of competencies, practical assessments, and continuous learning in hiring decisions.

5.2. SKILL-BASED HIRING

According to (2026), the National Association of Software and Service Companies India Talent Transformation Report, the IT landscape in India is increasingly moving towards assessment-driven recruitment models that focus on coding challenges and technical certifications. In fact, recruitment tools that examine applicants by practical skills instead of academic credentials are becoming increasingly common as evidenced in the Microsoft Digital Skills and Employment Report (2026).

Due to technological advancements and the integration of artificial intelligence, nearly 70% of employers worldwide are choosing a skill-first hiring approach globally (World Economic Forum Future of Jobs Report, 2025). As pointed out in the LinkedIn Workplace Learning Report (2025), organizations increasingly focus on validated skills, online certifications, and project assessments.

The Impact Study of Google Career Certificates (2025) Shows that Industry-Recognized Certifications Can Compete with Degree Holders. IBM Workforce Trends Report (2025) backs this up by stressing on “new collar jobs” which concentrate more on practical skills than university degrees.

5.3. DEGREE-BASED HIRING

Almost all traditional recruiting systems consider academic qualifications as a proxy for intelligence, discipline, and capability. According to signaling theory, degrees act as signals (Spence 1973) of candidate ability. Yet today's academics dispute if degrees help in work.

Rivera (2012) posits that many employers treat a degree as a trophy, rather than an indicator of actual skills and experience, producing biased hiring practices. Brown and Hesketh (2004) argue that over-dependence on degrees could strengthen stratification.

However, in regulated fields like healthcare and law, formal education is vital as it ensures that employees can do the technical work required legally (Jackson 2013).

5.4. WORKFORCE PRODUCTIVITY AND INCLUSION

According to the McKinsey & Company Workforce Transformation Survey (2024), organizations that implement a skill-based hiring approach report productivity gains and lower hiring costs. Competency-based recruitment is also a key reason for enhanced retention of important employees and an efficient workforce, as per Accenture Talent and Organization Survey (2026).

In 2020, Opportunity at Work put forward the term “STARs” (Skilled Through Alternative Routes) - that is, countless skills that have not been obtained through traditional certifications and degrees. It was also reported (Burning Glass Institute, 2022, 2024) that eliminating degree requirements led to more diverse applicant pools and wider access to skilled talent.

Blair (2020) Skill-based hiring also removes barriers to those who may be qualified but cannot meet the educational requirements. With a similar conclusion, the International Labour Organization Employment Trends Report (2026) finds that skills-focused recruitment improves youth and non-traditional learners' access to employment.

5.5. SKILL GAPS AND CONTINUOUS LEARNING

Mason et al. There is a mismatch between university education and industrial environments (2009), which states that graduates are usually not ready with job-specific skills. As highlighted by Cappelli (2015), A talent shortage is prominent as employers seek to recruit those who are “job-ready” and have the requisite non-academic skills.

The OECD Skills Outlook Report (2025) stresses the significance of re-skilling and lifelong learning in the digital economy. As mentioned above, traditional degrees can be very costly, while micro-credentials and online certifications are also becoming more popular, especially via platforms such as Coursera (2022).

5.6. AI AND DIGITAL RECRUITMENT SYSTEMS

Artificial intelligence has significantly transformed hiring processes. AI-driven recruitment platforms can evaluate candidates through automated coding simulations, behavioral assessments, and predictive analytics.

Microsoft’s Digital Skills and Employment Report (2026) explained that AI recruitment tools help organizations identify practical competencies more effectively than traditional résumé-based evaluations.

5.7. RISE OF ONLINE CERTIFICATIONS AND MICRO-CREDENTIALS

Digital learning platforms such as Coursera, LinkedIn Learning, Udemy, and Google Career Certificates have increased access to skill development opportunities.

The Google Career Certificates Impact Study (2025) demonstrated that candidates completing industry-recognized certification programs performed competitively against university graduates in technical and support roles.

LinkedIn’s Workplace Learning Report (2025) also revealed that employers increasingly value verified digital certifications and portfolios.

5.8. DEGREE INFLATION

Fuller and Raman (2017) introduced the concept of “degree inflation,” where employers unnecessarily demand degrees for jobs that previously did not require them. This practice restricts access to employment opportunities and excludes capable candidates without formal qualifications.

Harvard Business School (2017) also found that many organizations reject qualified non-degree candidates, reducing workforce efficiency and limiting talent availability.

5.9. SOCIAL INEQUALITY

Brown and Hesketh (2004) argued that excessive dependence on academic degrees reinforces social inequality because access to higher education is often influenced by economic and social privilege.

Rivera (2012) further noted that employers sometimes use degrees as status signals rather than accurate measures of ability, contributing to biased hiring practices.

5.10. INCREASED DIVERSITY AND INCLUSION

Blair (2020) emphasized that removing unnecessary educational barriers promotes workforce diversity and inclusion.

Burning Glass Institute (2022; 2024) found that eliminating degree requirements significantly increases access to qualified candidates from diverse backgrounds.

Opportunity at Work (2020) introduced the concept of “STARS” (Skilled Through Alternative Routes), emphasizing that millions of workers possess valuable skills without formal degrees.

5.11. PROMOTION OF LIFELONG LEARNING

The OECD Skills Outlook Report (2025) stressed the importance of continuous learning and reskilling in modern economies.

Skill-based hiring encourages individuals to pursue lifelong learning, certifications, and ongoing professional development.

6. IMPACT OF TECHNOLOGY ON MODERN RECRUITMENT

Technological advancement has significantly transformed recruitment systems.

AI-driven hiring platforms now assess:

- Coding ability
- Behavioral patterns
- Communication skills
- Problem-solving capabilities

Digital learning platforms such as Coursera, LinkedIn Learning, and Google Career Certificates have increased access to skill development opportunities.

Organizations increasingly use:

- Online assessments
- Virtual interviews
- AI-based screening systems
- Data analytics in recruitment

These technologies support the global growth of competency-based hiring systems.

7. RESEARCH GAP

Most studies focus either on skill-based hiring or degree-based hiring independently. Limited research directly compares both recruitment approaches in terms of workforce efficiency, inclusion, productivity, and modern industry relevance. This study aims to bridge that gap by providing a comparative analysis.

8. THEORETICAL DISCUSSION

Unfortunately, there are a number of theoretical frameworks through which the shift towards hiring people based on skills can be understood. Human capital theory has somewhat traditionally posited that education enhances goods, labour and is predicated on advances in technology, leading to productivity and employability amongst workers. Yet, modern labor markets are also beginning to understand that skills may very well be developed outside a formal education system in the form of certifications, internships, online learning, and work experience.

Technological and AI advancements have rapidly changed staffing needs. In addition, employers are looking for employees who can learn on the go and react quickly to ever-changing digital conditions. As a result, recruitment systems are increasingly turning towards dynamic and assessment-driven models.

Advantages of Skill-based Hiring for Organizations. It does this first by broadening access to talent and removing gimmicky requirements that do not accurately predict their capability. When employers remove degree requirements, they both broaden the pool of applicants to become more representative of labor market demographics and improve recruitment outcomes overall (Burning Glass Institute 2022; 2024). Second, because individuals are evaluated on the basis of actual performance rather than theoretical qualifications, recruitment on a competency basis serves to reduce hiring costs and improve human resources productivity.

Additionally, e-learning platforms and certifications recognized by the industry have made it even more possible to develop skills. According to the Google Career Certificates Impact Study (2025), those who completed certification programs were competitive candidates against 4-year degree holders for technical positions. And this trend represents the same in terms of education and employability democratization.

Nevertheless, challenges remain. One Direction Employers may have a hard time normalizing skill assessments for different industries. Also, if the algorithms are not carefully designed, they can create bias due to over-dependency on automated AI-driven recruitment systems. Additionally, academic credentials remain fundamental to some sectors that require specialization and legal compliance.

Despite such limitations, the momentum towards lifelong learning, reskilling, and skill-based competencies is leading many industries away from traditional degree-based, siloed recruitment systems.

9. FINDINGS

The major findings of this theoretical study are:

1. Modern organizations increasingly prioritize practical skills over formal degrees.
2. AI and digital recruitment systems accelerate competency-based hiring.
3. Skill-based recruitment improves productivity, diversity, and employee retention.
4. Online certifications and micro-credentials are becoming widely accepted.
5. Traditional degrees remain relevant in regulated professions.
6. Lifelong learning and continuous upskilling are essential for employability.
7. Degree inflation limits employment accessibility and workforce efficiency.
8. Skill-first hiring promotes social inclusion and economic opportunity.

10. SUGGESTIONS

1. Educational institutions should redesign curricula to include practical industry skills.
2. Governments should promote affordable digital learning opportunities.
3. Organizations should develop transparent and unbiased competency assessments.
4. Employers should combine technical evaluations with soft-skill assessments.
5. Industry-recognized certification systems should be standardized globally.
6. Employees should continuously update their skills to remain competitive.

11. CONCLUSION

The research concludes that advances in technology and changes in workers' needs have made skill-based hiring a dominant new recruiting method in various modern industries. Although degree-based hiring is critical to certain regulated professions, competency-based recruitment promotes better inclusion, flexibility and efficiency in the workforce. Employers realise that plain skills, adaptability and the willingness to consistently learn stand as greater barriers to succeeding at work than qualifications. As such, organizations need to adopt a balanced view of hiring taking into consideration educational knowledge and real-world experience.

REFERENCES

- [1] M. Spence, "Job Market Signaling," *The Quarterly Journal of Economics*, vol. 87, no. 3, pp. 355–374, Aug. 1973, doi: <https://doi.org/10.2307/1882010>.
- [2] L. A. Rivera, "Hiring as Cultural Matching: the Case of Elite Professional Service Firms," *American Sociological Review*, vol. 77, no. 6, pp. 999–1022, Nov. 2012.
- [3] P. H. Cappelli, "Skill Gaps, Skill Shortages, and Skill Mismatches," *ILR Review*, vol. 68, no. 2, pp. 251–290, Jan. 2015, doi: <https://doi.org/10.1177/0019793914564961>.
- [4] "Deming, D. J. (2017). The Growing Importance of Social Skills in the Labor Market. The Quarterly Journal of Economics, 132, 1593-1640. - References - Scientific Research Publishing," *Scirp.org*, 2017. <https://www.scirp.org/reference/referencespapers?referenceid=2601253>
- [5] P. Brown, A. Hesketh, and S. Williams, *Employability and jobs in the knowledge economy*. Oxford University Press, 2004.
- [6] D. Jackson, "Business graduate employability – where are we going wrong?," *Higher Education Research & Development*, vol. 32, no. 5, pp. 776–790, Oct. 2013, doi: <https://doi.org/10.1080/07294360.2012.709832>.
- [7] Joseph Fuller and Manjari Raman, "Dismissed by Degrees," Harvard Business School, 2017. https://www.hbs.edu/managing-the-future-of-work/Documents/dismissed-by-degrees.pdf?utm_source
- [8] "The Future of Jobs Report 2025," *World Economic Forum*, Jan. 07, 2025. https://www.weforum.org/publications/the-future-of-jobs-report-2025/?utm_source
- [9] "2025 Workplace Learning Report: Why Being a Career Champion Helps You Win," *Linkedin.com*, 2025. https://www.linkedin.com/business/talent/blog/learning-and-development/2025-workplace-learning-report?utm_source
- [10] IBM Workforce Trends Reports, 2025. https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/workforce?utm_source