Written Testimony of Mark Smith, Ph.D.
Director, HR Thought Leadership
SHRM

Submitted to the
House Committee on Education & the Workforce

Hearing on
Competencies over Degrees: Transitioning to a Skills-Based Economy
Thursday, June 22, 2023

Chairwoman Foxx, Ranking Member Scott and members of the Committee: I am honored to testify before the House Committee on Education & the Workforce on behalf of SHRM and its nearly 325,000 HR professionals and business executive members in 165 countries, who impact the lives of more than 235 million workers and their families—about 1 in 3 Americans. For 75 years, SHRM and HR have worked together to drive holistic change in the world of work. SHRM serves as the foremost expert, convener and thought leader on issues impacting today's evolving workplaces. Thank you for this opportunity to testify on the important issue of skills-based hiring, particularly on aspects related to the use of skills assessments in hiring decisions and talent development.

We are now undoubtedly in a skills-based economy, which commands new strategies and approaches to meet hiring and retention needs. SHRM and its members see firsthand the challenge of filling jobs in today's labor market, which is why we have been leading the way in providing resources on using skills-based hiring and skill credentials to acquire top talent. To that end, HR departments are evolving to adapt skills-based hiring practices.

To level set, let's first answer what skills-based hiring is and why it is essential today. Skills-based hiring goes beyond education and experience requirements to focus on the skills match between candidates and roles.[1] Such practices can provide instant economic opportunities for millions of job seekers, help relieve talent shortages, increase diversity and strengthen internal mobility in the workplace.[2] Skills-based hiring becomes a talent acquisition solution for the skills

---

[1] See *SHRM Online* article "Skills-Based Hiring Requires Commitment to Change," Roy Maurer (March 28, 2023), https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/skills-based-hiring-requires-commitment-to-change.aspx (last visited on June 16, 2023).

[2] *Id*.

gap and a talent shortage, especially today as the United States is facing a talent shortage that is expected to persist for years.[3] Furthermore, 82 percent of HR executives and 80 percent of HR professionals agree that labor shortages are the second most significant external challenge facing workplaces.[4]

Skills-based hiring is about ensuring that people have a chance to showcase their skills and qualifications. Skills-based hiring can be as simple as employers looking at skills listed on a resume, or it can consist of more formal assessments of skills. Skills-based hiring can be achieved by hiring entities recognizing skilled credentials and properly utilizing skills assessments. The SHRM Foundation, the 501(c)(3) nonprofit affiliate of SHRM, has made educating employers about the use of skill credentials in talent acquisition a priority through the SHRM Foundation's Skilled Credentials at Work Initiative.

The Use of Skills Assessments

A form of skills-based hiring comes through the use of skills assessments. Skills assessments are *unbiased and validated assessments that measure the critical knowledge and skills required to perform specific jobs*. It is the use of job-relevant tests of knowledge and skills. It is also important to briefly describe what skills assessments are not. We are not referring to cognitive ability tests. Ability tests are typically more general than tests of knowledge or skill. Ability test items are not linked to jobs from a content perspective in any meaningful way; that is, the elements of ability tests will not look like the job in any comprehensive way. Skills assessments are much more responsive to education than ability tests. Taking classes to learn about a job should lead to better scores on the skills assessments; ability tests tend to be more resistant to changes based on education.

SHRM research found that more than half of employers—56 percent—use pre-employment assessments to gauge job applicants' knowledge, skills and abilities. Of these organizations, 1 in 4 plan to expand their use of these assessments in the next five years. Seventy-nine percent of HR professionals say that scores on pre-employment skills assessments are just as important as or more important than traditional criteria such as degrees or years of experience when deciding which applicants are the most qualified. Seventy-eight percent of HR professionals say the quality of their organization's hires has improved due to their use of assessments.[5]

Most organizations seek to use skills assessments to bolster their personnel and develop talent pipelines. And we should note that we are assuming that organizations are implementing these skills assessments in a standard and consistent way across applicants. Administration conditions, scoring procedures and all other relevant factors should be consistent to ensure that all applicants have a fair chance to pass the assessment. These skills assessments can help employers connect to groups of applicants who have been historically underrepresented and are untapped talent, such as people who developed skills while serving in the military, people who were formerly

---

[3] See *SHRM Online* article "Labor Shortages Forecast to Persist for Years," Roy Maurer (January 23, 2023), https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/labor-shortages-forecast-to-persist-2023.aspx (last visited on June 16, 2023).

[4] SHRM Workplace Trends for 2023 (Exhibit A).
[5] SHRM 2022 Talent Trends Research. (Exhibit B).

incarcerated, workers with disabilities, youth who did not attend a two-year or four-year university, or older workers seeking to reskill to close the skills gap.[6]

Legal and Regulatory Issues with the Use of Skills Assessments

As stated in the [Uniform Guidelines for Employee Selection Procedures](#) *(the "Uniform Guidelines")* [first issued by the U.S. Equal Employment Opportunity Commission (EEOC) in 1978], organizations are allowed to use standardized tests and other selection procedures to help select new employees. However, organizations must pay attention to whether these tests produce disparate impacts concerning protected classes.[7] In other words, even though tests are used consistently across applicants, they might lead to different pass rates for different groups (e.g., race, ethnicity and gender groups). Unfortunately, organizations will often only know if a test produces disparate impact after the test has been in use.

The *Uniform Guidelines* further state that the fact that a test has disparate impact does not mean that test is inappropriate or illegal. However, a demonstration of validity is required at that point. For example, an examination of grammar for a copy editor job might lead to higher pass rates for females than males. This disparate impact would be legal only if the organization has properly validated the test and demonstrated that it is a valid measure of grammar skills for the job.

SHRM has identified a few best practices for employers to keep in mind when utilizing skills assessments:

- Monitor for EEO compliance by conducting self-analysis to determine whether current employment practices disadvantage people of color, treat them differently or leave uncorrected the effects of historical discrimination in the company.
- Analyze the duties, functions and competencies relevant to jobs. Then create objective, job-related qualification standards related to those duties, functions and competencies. Make sure they are consistently applied when choosing among candidates.
- Recruit, hire and promote with EEO principles in mind by implementing practices designed to widen and diversify the pool of candidates considered for employment openings, including openings in upper-level management.

Ways of Demonstrating Validity

The general logic behind using pre-employment tests is that applicants who score higher on valid (i.e., job-related) pre-employment assessments will likely perform better on the job itself if selected. The recognized source for professional and scientific standards in this arena is the *Principles for the Validation and Use of Personnel Selection Procedures* (the "Principles") by the Society for Industrial and Organizational Psychology. Validation is the accumulation of evidence supporting a selection procedure's job-relatedness. As stated in the *Principles*, a selection procedure or test is valid:

> *"[W]hen evidence supports the accuracy of inferences made from scores on, or evaluations derived from, those procedures regarding some important aspect of work behavior (e.g., quality or quantity of job performance; performance in training, advancement, tenure, turnover, or other organizationally pertinent behavior)."*

---

[6] See *SHRM Online* article "Skill-based Hiring Requires Commitment to Change", Roy Maurer (March 28, 2023), https://www.shrm.org/resourcesandtools/hr-topics/talent-acquisition/pages/skills-based-hiring-requires-commitment-to-change.aspx (last visited on June 16, 2023).

[7] 29 CFR § 1607.11

While there are several strategies for determining or evaluating the job-relatedness or validation of a selection procedure, the two most relevant to the context of skills testing involve comparing the test's content with the job's requirements and comparing scores on the test with performance on the job.

1. **Determining Job-Relatedness through Content-Related Evidence**: Often called *content validation*, this involves demonstrating that the test content—the tasks the applicants are required to perform, the problems they are asked to solve, etc.—matches what job incumbents need to do or know on the job. For example, a test that requires applicants to pick up small metal components and combine them quickly to build a product would be seen as content-valid for a job that requires job incumbents to pick up small components and assemble them quickly into another product. The logic again is that job applicants who make a large number of products correctly in a given time frame (receiving a high score on the test) would be better assemblers than applicants who assemble fewer products correctly in a given period.

   The first step in developing and validating an assessment based on a content-related strategy involves conducting a careful work analysis to understand what's required to perform the job thoroughly. This process, known as job analysis or task analysis, is an objective way of determining the most important tasks and the knowledge, skills, abilities and other personal characteristics (KSAOs) required to complete them.

   Once the work analysis is complete, the process shifts to building a new test or evaluating an existing selection procedure to ensure that it reliably measures the key required KSAOs. Demonstrating an assessment's job-relatedness via a content validation strategy occurs when an organization shows that components/items in the assessment measure essential job requirements.

2. **Determining Job-Relatedness by Demonstrating the Relationship Between Assessment Scores and Job Performance:** The logic of using tests for selection is that applicants who score higher on valid tests will likely perform better on the job if selected. This second validation strategy involves testing that logic more directly. Sometimes called *criterion-related validation*, this strategy consists of administering the test to a group of people and then evaluating those same people as they perform the job. An essential part of a criterion-related validation study involves having an objective way of measuring job performance.

   The next step utilizes inferential statistics to determine the accuracy with which each person's test score is related to performance on the job. To the extent that the people who score higher on the test perform better on the job and those who score lower on the test perform worse on the job, the test has demonstrated validity or job-relatedness via a criterion-related validation strategy.

Ways of Lessening the Burden of Demonstrating Validity

Using the O*NET (www.onetonline.org) is a good start for documenting job information, such as tasks and worker requirements. Developed under the sponsorship of the U.S. Department of Labor and the Employment and Training Administration (USDOL/ETA), this system provides

valuable information for companies about the nature of almost 1,000 occupations. However, it is imperative to note that organizations need to check O*NET information for localized accuracy, as organizations should not assume it is accurate for their specific organization or needs. Regardless, starting a job analysis or other validation project with information from the O*NET can save much time and effort.

There are also many off-the-shelf tests available to companies for screening applicants on a variety of skills and skill levels. Some are traditional tests similar to those that have been used for years, and others involve new technologies. Even though these tests already exist, organizations should understand that they still must undergo localized validation.

Validity transportability also can provide a way to demonstrate the validity of an existing test without a heavy burden for organizations. The process of transportability allows an organization to use valid evidence from one location and equate it to a separate location that did not undergo the validation effort. An organization needs to provide job analysis evidence that the two jobs (or the same job in two areas) are essentially the same. And if they can prove this, the validation evidence from one place can transport to a different one.

Another way to reduce the burden on organizations for creating and validating skills tests is to rely on external credentialing organizations. For example, large software companies often create certifications that involve rigorous tests that allow individuals to demonstrate competence in their product. If such credentials are available for job-relevant skills, giving credit to such credentials can be a viable way to include these skills in the hiring process. However, hiring organizations should still vet these credentials to ensure that they are of high quality (such as only considering credentials accredited by an external party) and that the skills they are verifying are job-relevant.

Recommendation to Improve the Validation of Skills Assessments
With skills assessments, building content-related evidence is typically the most appropriate way to determine job-relatedness, especially when an organization is making a new test or selection procedure. In other cases, a mix of content- and criterion-related validation approaches might be appropriate for skills testing, especially where a large number of incumbents in the same jobs/roles and existing skills and knowledge tests are available.

Limited Use of Skills Assessments
Despite the benefits of using skills assessments in hiring, many companies are not taking advantage of them. As noted previously, SHRM research showed that reasons for the limited use of skills assessments involve a lack of resources and a belief that such tests are not worth the required time or effort.

In our experience, another reason for this is the need for more understanding of the process of creating and validating the tests. While this is understandable because of the complex nature of testing, the skills test development and validation process does not have to be overly burdensome. Another reason we have seen that organizations fail to use skills assessments is the fear of lawsuits or penalties from the EEOC or other government agencies. There has been a fear in many organizations that using tests to screen applicants will make them a target for penalties, and these organizations tend to believe that it is prudent to avoid testing altogether.

Recommendations to Congress

SHRM offers the following recommendations to Congress specific to the Workforce Innovation and Opportunity Act (WIOA) and the Advancing Skills-Based Hiring Act:

Workforce Innovation and Opportunity Act: In the context of this Committee's efforts to reauthorize WIOA, there are several ways to promote skills-based hiring and remove barriers toward its use:

1. **Business Services.** Under WIOA, funds must be used to support the provision of business services through the one-stop delivery system. SHRM recommends regulations to clarify that such services may include those tailored to specific employers, such as "human resource consultation services, including but not limited to assistance with writing/reviewing job descriptions and employee handbooks." Such regulations should be incorporated into the statute, which specifically promotes technical assistance being provided to employers to support the identification and use of skills assessments and strategies for implementing a skills-based hiring system.

2. **Credential Transparency and Validation.** WIOA should support external credentialing organizations to create and validate skills tests used to earn credentials by individuals participating in workforce development programs supported under WIOA. Furthermore, WIOA should support the transparency of all credentials funded under the Act so that participants and employers are aware of the extent to which specific credentials/certifications involve rigorous tests that can validate the skills an individual passing such assessment has gained. Such information should be embedded in the material included as part of the Eligible Training Provider List under WIOA.

The Advancing Skills-Based Hiring Act: Last Congress, SHRM supported the Advancing Skills-Based Hiring Act. This legislation would provide employers with confirmation from the EEOC when their use of a specific assessment meets the burden of being "job-related." As noted previously, confusion on the part of employers concerning federal requirements around the use of pre-employment assessments is a common barrier to implementing a skills-based hiring program. Enacting this legislation will help give employers the assurance they need to move forward.

Conclusion

Every day, businesses miss out on talented people because their gifts, aptitude and skills are more challenging to identify than a degree on a resume. Skills-based hiring recognizes the abilities of all workers, regardless of where these skills are obtained. SHRM and the SHRM Foundation are committed to educating HR leaders and people managers about skills-based hiring to ensure that *all* learning paths are granted weight in assessing whether a person can thrive in a job. SHRM looks forward to partnering with Congress to increase knowledge, reduce barriers, and support work, workers and workplaces transitioning toward a skills-based hiring and retention mindset.

Additional SHRM research resources:

- *Making Skilled Credentials Work: A New Strategy for HR Professionals* (Report [link](#)).
- *The Rise of Skilled Credentials in Hiring* (Report [link](#)).