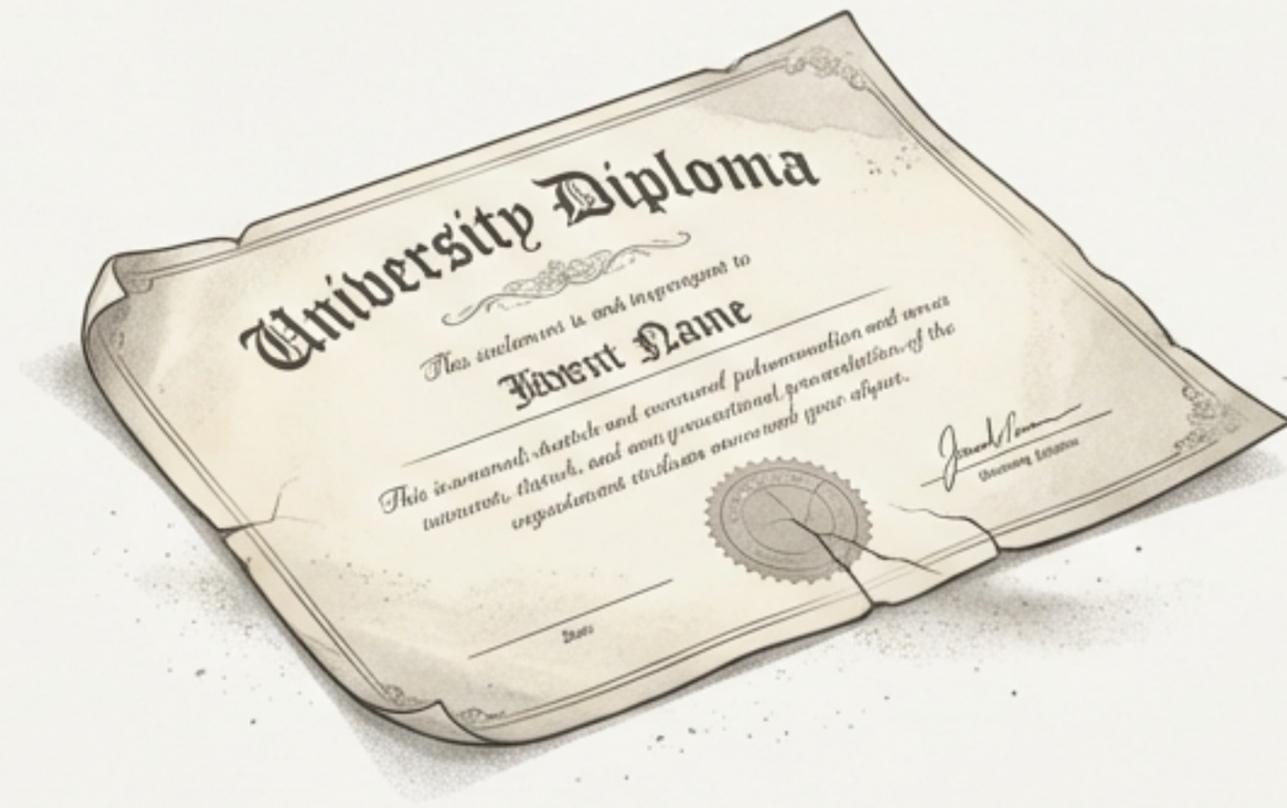


# The Currency of Talent is Changing.

From Static Credentials to Dynamic Capabilities:  
A Blueprint for Winning in the Digital Economy

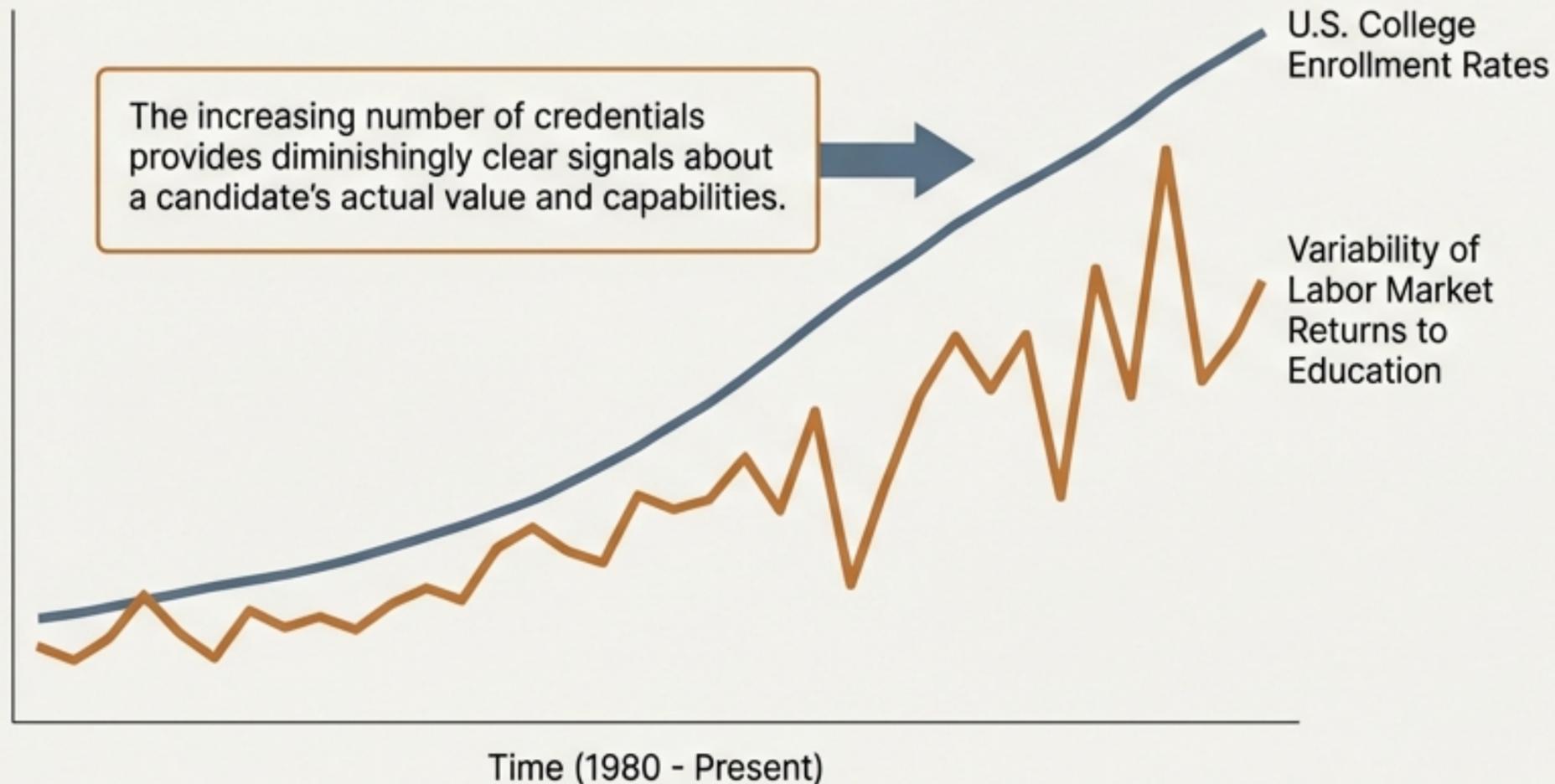


Based on 'Skills Marketplaces and the Shift from Credentials to Verified Capabilities' by Jonathan H. Westover, PhD, Human Capital Leadership Review

# The Credential Bubble: Why Degrees Are Losing Their Predictive Power

Traditional credentials, the long-standing currency of the labor market, are experiencing significant devaluation. This isn't a future problem; the data shows it's happening now.

## More Credentials, Less Certainty



## DEGREE INFLATION

Jobs that once required high school diplomas now demand bachelor's degrees, often without a corresponding increase in skill requirements. This "credentialism" forces workers into costly education to acquire signals, not just skills.

## DIMINISHING DIFFERENTIATION

While the college wage premium has widened since 1980, its value is highly variable across fields and institutions. A degree alone provides increasingly incomplete and noisy information about a candidate's quality and capabilities (Autor, 2014).

# Two Forces Are Making the Problem Worse: Skill Obsolescence and New Work Models

## The Short Half-Life of Skills



Technological acceleration means the knowledge required for technology-intensive roles evolves continuously.

Demand for specific technical skills exhibits “boom-and-bust cycles” as technologies emerge and mature, rendering point-in-time credentials outdated (Deming & Kahn, 2018).

## The Rise of the Portfolio Career



The growth of contingent, project-based, and gig work means capabilities are accumulated across contexts that don't map neatly onto traditional degrees or job titles.

These workers require portable, granular signals of capability that travel with them across organizational boundaries (Kalleberg, 2000).

# The Hidden Costs of an Outdated System: How Credentialism Hurts Your Organization.

## Reduced Talent Pools & Overpayment

Specifying credentials that exceed actual job needs systematically excludes qualified candidates. Organizations pay a wage premium for overqualified workers while missing capable individuals who could perform effectively at a lower cost (Vedder et al., 2013).

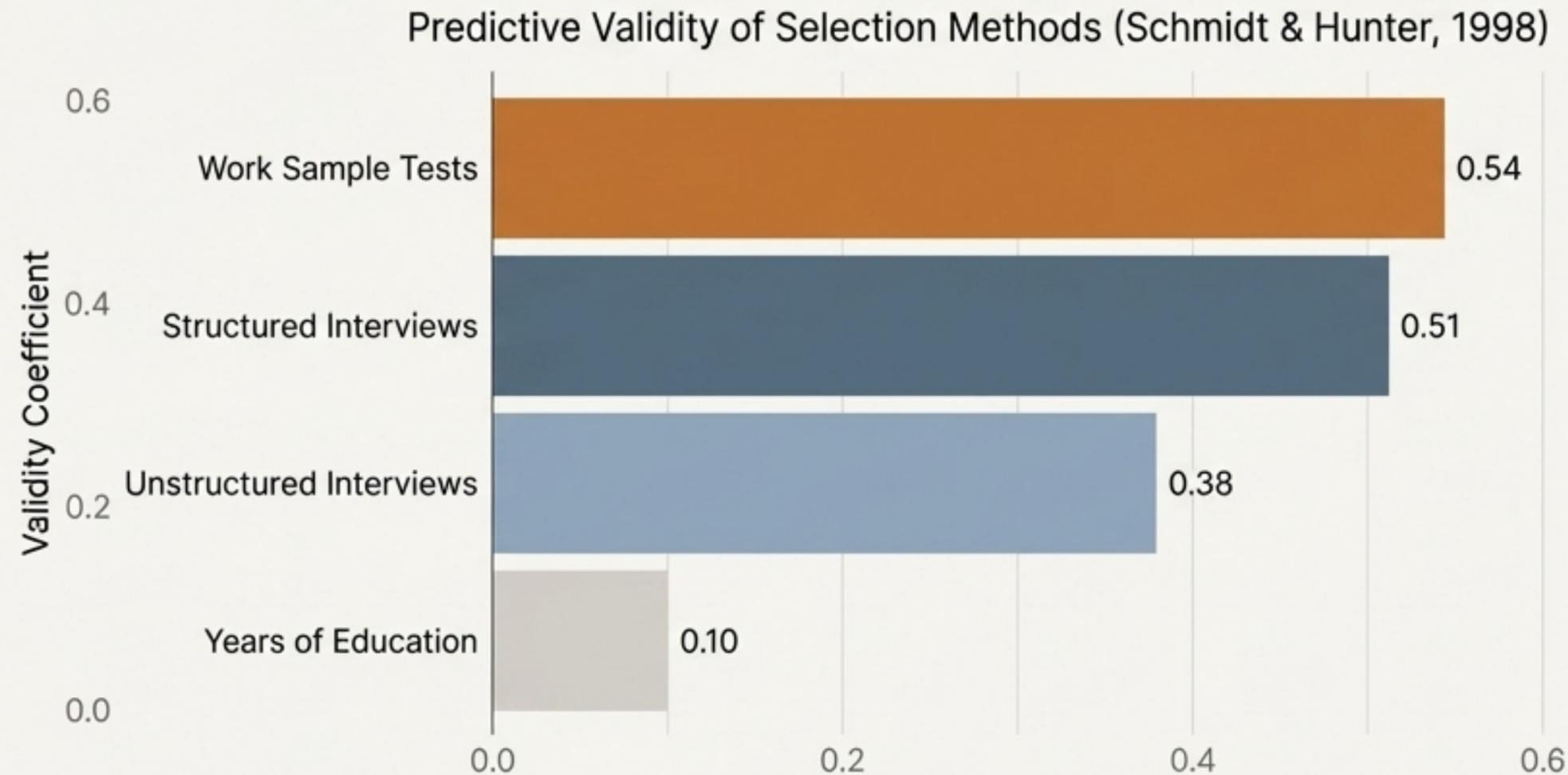
## Increased Time-to-Fill & Lost Productivity

Rigid credential requirements in tight labor markets lead to extended vacancies, creating direct costs from lost productivity and delayed projects.

## Constrained Agility & Blocked Mobility

Categorizing employees by entry credentials and job titles, rather than current capabilities, prevents the rapid redeployment of talent in response to shifting strategic priorities.

# The Data is Clear: Credentials Are Poor Predictors of Job Performance



Direct assessments of **capability**, like work sample tests, are **more than 5 times more effective at predicting job performance than relying on years of education.**

Hiring based on learning ability and demonstrated work samples outperforms hiring based on historical credentials, especially in roles where on-the-job learning is substantial.

# The Resolution: A Shift to a New, More Reliable Currency—Verified Capabilities.



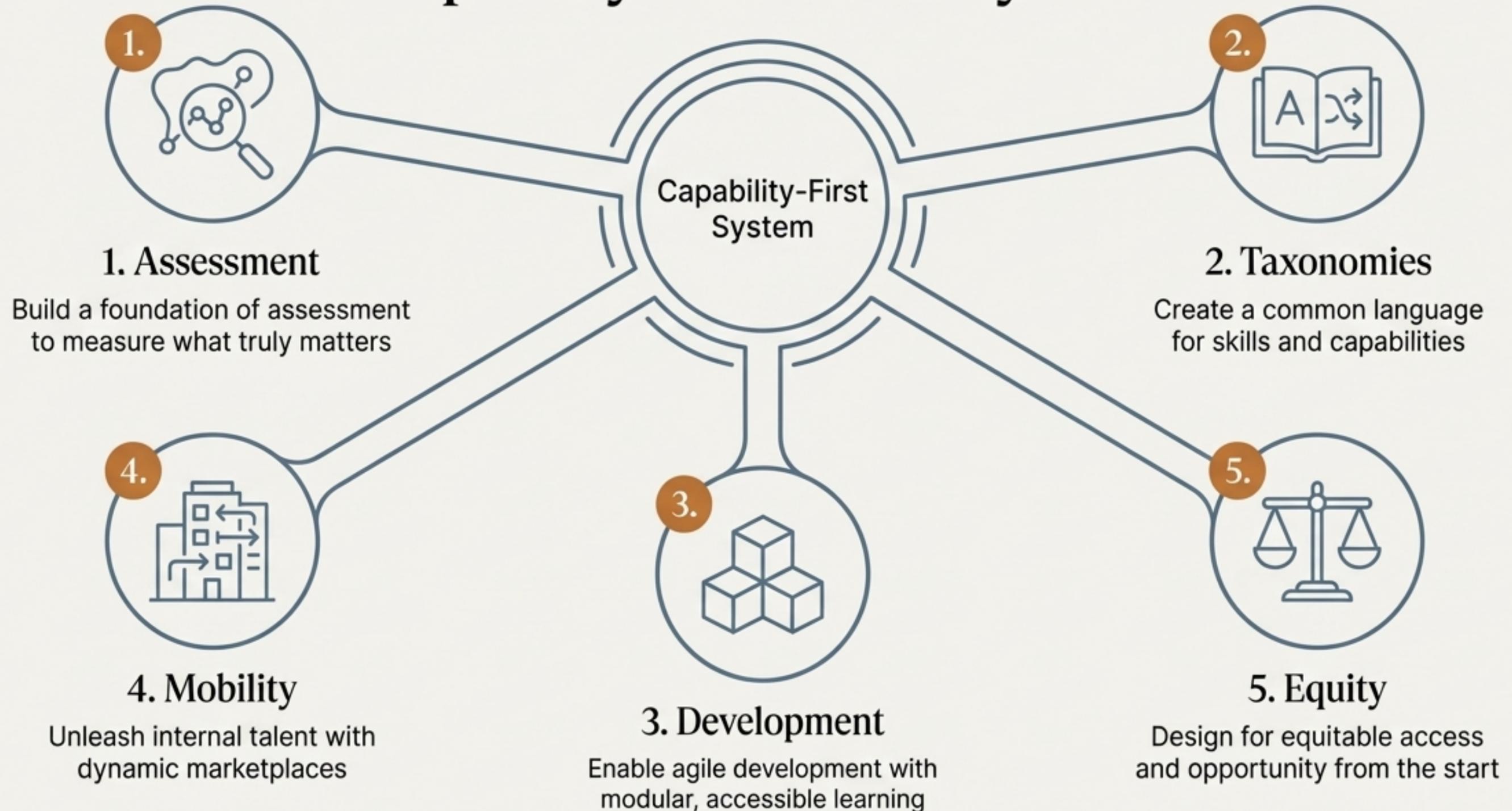
## Verified Capabilities

Competence validated through multiple channels: work samples, project-based assessments, peer endorsements, and microcredentials. They offer real-time evidence that someone *\*can perform\** specific tasks, unlike credentials that certify past program completion.

## Skills Marketplaces

Intermediary platforms (internal or external) that match talent to opportunity based on granular, continuously updated skill profiles rather than static résumés. They operationalize the philosophy that demonstrated capabilities matter more than institutional affiliations.

# Your Blueprint for Building a Capability-First Talent System



# 1 Pillar 1: Build a Foundation of Validated Assessment

Shift from credential screening to **directly evaluating job-relevant capabilities using methods** with high predictive validity and lower adverse impact.

## Key Methods



### Work Sample Tests

Candidates complete tasks representative of actual job duties.



### Structured Interviews

Use behavioral/situational questions scored against defined rubrics.



### Technical Assessments

E.g., Coding challenges that evaluate problem-solving ability.

## Principles for Effective Assessment Design

### 1. Content Validity

Base assessments on systematic job analysis.

### 2. Standardization

Use consistent administration and scoring rubrics.

### 3. Multiple Methods

Combine different assessment types for a holistic view.

### 4. Transparency & Feedback

Clearly communicate what is being assessed.

### 5. Continuous Validation

Periodically check assessment scores against job performance data.

# Pillars 2 & 3: Create a Common Language and Enable Agile Development

## Transparent Skill Taxonomies

**Why:** A shared vocabulary is required to efficiently match workers' capabilities to organizational needs.

**What:** Invest in competency frameworks that define relevant capabilities, proficiency levels, and relationships among skills. (Example: U.S. Dept. of Labor's O\*NET database).

**How:** Frameworks should be hierarchical, define proficiency levels, be dynamically updated, and involve worker input.

## + Microcredentials & Modular Learning

**Why:** Enable more granular, continuous capability signaling and flexible pathways for working adults.

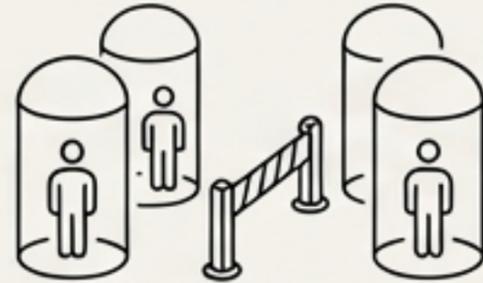
**What:** Use digital badges and stackable microcredentials tied to narrow, verifiable competencies.

**How:** Ensure certifications are based on competency-specific assessment, are co-designed with industry, and have transparent evidence criteria.

# 4 Pillar 4: Unleash Internal Talent with Dynamic Marketplaces

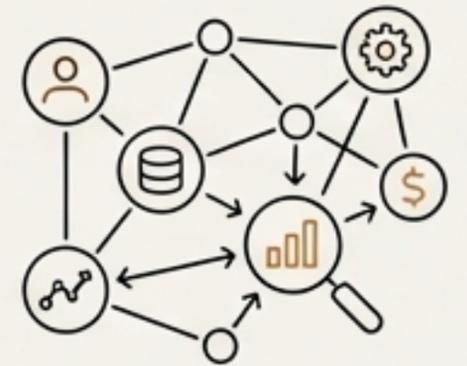
## The Problem It Solves

In large organizations, talent is often hidden in silos. Managers lack visibility into capabilities residing in other departments.



## The Solution

Internal marketplaces create enterprise-wide visibility. Algorithmic matching connects employees' skill profiles to projects, gigs, and permanent roles they might never have discovered.



## Benefits

### For the Organization

Reduces external hiring costs, improves capability utilization, and accelerates internal mobility.



### For the Employee

Increases agency, transparency, and career development opportunities beyond their current manager or informal network.



## Critical Success Factors (Governance)

- Incentivize managers to share talent, not just retain it.
- Ensure psychological safety for employees exploring opportunities.
- Use technology for recommendations, but keep humans in charge of final decisions.



# 5 Pillar 5: Design for Equity to Expand Opportunity for All

**Capability verification can simply substitute new gatekeeping mechanisms for old ones if not designed with equity at its core.**



## **Strategy 1: Use Multiple, Accessible Assessment Modalities**

Offer work samples, portfolios, and practical demonstrations—not just timed, high-stakes tests—to accommodate different strengths and reduce construct-irrelevant variance.



## **Strategy 2: Implement Prior Learning Assessment (PLA)**

Formally evaluate and grant credit for capabilities acquired through work experience, military service, or self-study. Research shows this accelerates completion for adult learners (Klein-Collins, 2010).



## **Strategy 3: Invest in Entry Pathways**

Develop paid apprenticeships or “returnship” programs that combine on-the-job skill building with assessment, shifting development costs from the individual to the employer.



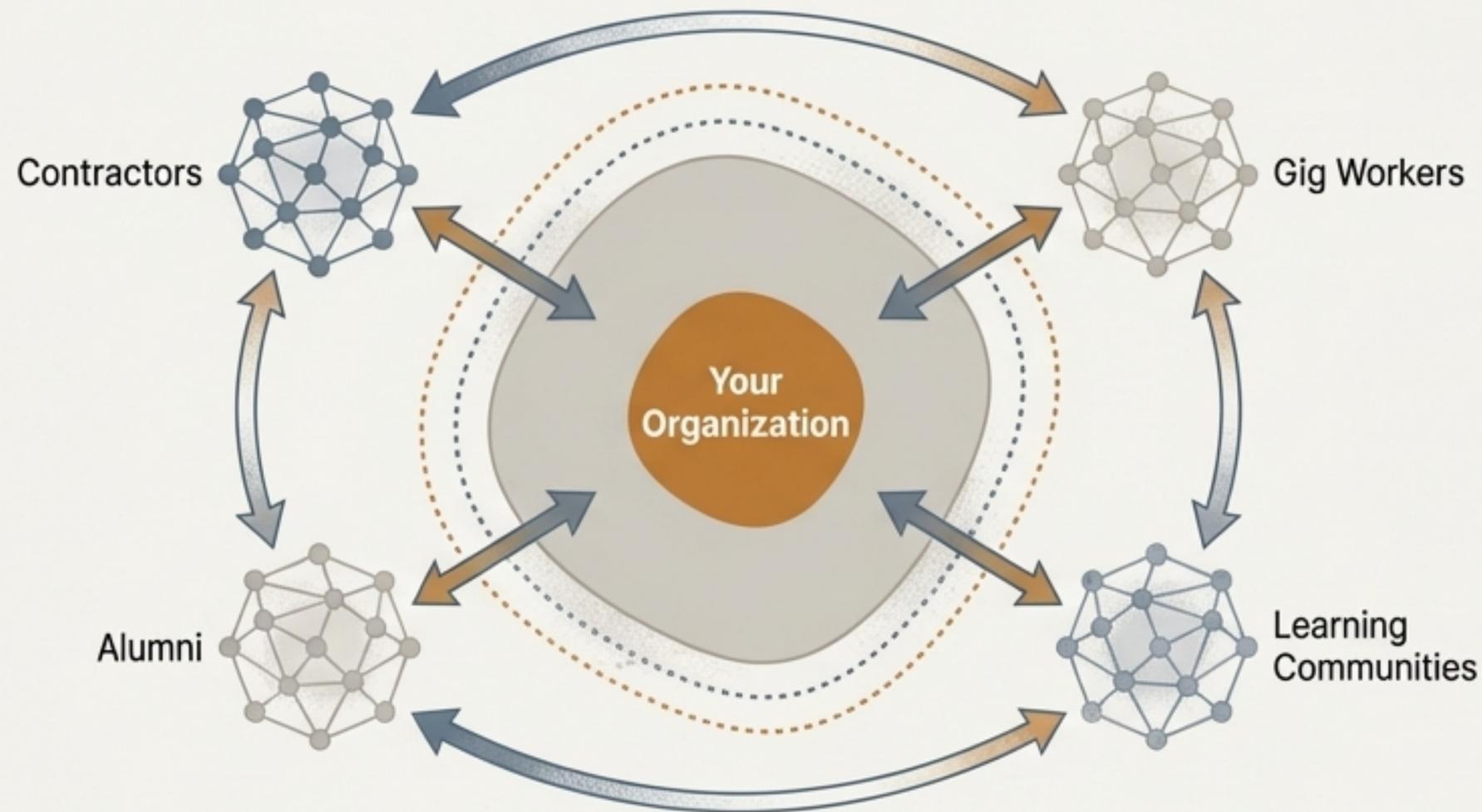
## **Strategy 4: Monitor for Bias**

Regularly audit assessment tools and matching algorithms for adverse impact across demographic groups.



# Building the Future: Inclusive Capability Ecosystems Beyond Your Walls

Talent is no longer a bounded employee population but an extended ecosystem of full-time staff, contractors, gig workers, and alumni.



## Characteristics of an Inclusive Ecosystem

- **Portable, Verified Credentials**  
Skills validated by credible third parties that are recognized across multiple organizations, increasing worker bargaining power.
- **Open Learning Access**  
Skill-building resources available to workers regardless of their current employment status.
- **Equitable Platform Governance**  
Worker voice in the rules governing marketplaces.
- **Adapted Social Protections**  
Reimagining benefits (health, retirement) to be portable and travel with workers across engagements.

**The Big Question: This ecosystem model shifts risks. How do we ensure fair compensation, shared risk, and social protections in a world without traditional, lifelong employment?**

# The Choice Is Not *If*, but *How*.

## The Tool of Control and Risk Externalization

- Adopting capability rhetoric while maintaining exclusionary practices.
- Using skills tracking for surveillance and intensified performance pressure.
- Shifting all risks of skill development and income volatility onto the worker.

## The Engine of Opportunity and Optimization

- Genuinely expanding access to broader talent pools.
- Deploying capabilities more effectively to build a resilient workforce.
- Sharing responsibility for continuous learning and development.

*The difference lies in whether capability verification serves as a tool for genuine talent optimization and expanded opportunity, or merely as a new mechanism for intensified control and risk externalization disguised in meritocratic language.*