



Making a Market for Competency-Based Credentials

Executive Summary



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Acknowledgments

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Traditionally, employers, workers, and students have used academic degrees and diplomas as a proxy for the skills and knowledge needed to perform on the job. There is growing interest in the use of competency-based credentials to complement this tradition. High-quality, employer-backed, competency-based credentials can provide more precise information about job requirements and workers' proficiencies, particularly for the more technically skilled positions that make up an ever increasing share of the U.S. labor market.

Unfortunately, the current “market” for competency-based credentials is neither fully formed nor functional. A chaotic patchwork of sub-degree certificates, licenses and other credentials is offered by a confusing array of industry and occupational groups, third-party validators, and educational providers and systems. No national framework exists for developing and endorsing these credentials. Too few businesses, educational institutions, workers and students — the major players in such a market — understand or make use of competency-based credentials. Even in industries with mature credentialing efforts, the take-up rate by employers is not consistently high.

The Corporation for a Skilled Workforce (CSW) is embarking on a multi-year initiative to increase the quality and use of competency-based credentials across the country. In recent months, we have worked to lay the foundation for this new initiative by analyzing the credentialing landscape, identifying promising credentialing approaches, and assessing what is needed to create a healthy credentials marketplace. Our paper, *Making a Market for Competency-Based Credentials*, compiles what we have learned to date. This summary highlights key findings and recommendations from the full report.

Demand for Competency-Based Credentials Is High

Americans want the education system to focus more on learning and demonstrated competencies, and less on “seat time.” According to a recent Gallup/Lumina Foundation poll:

- 87 percent of respondents said they believe students should be able to receive college credit for knowledge and skills acquired outside of the classroom.
- 75 percent indicated they would be more likely to enroll in a higher education program if they could be evaluated and receive credit for what they already know.
- 75 percent don't believe learning should be time based and agree that if a student demonstrates they have mastered class material in less than the traditional 16-week session, they should be able to get credit for the course without sitting through the entire 16 weeks.

For more information, see: http://www.luminafoundation.org/newsroom/news_releases/2013-02-05.html#sthash.WHSQ4Pp6.dpuf

Why Now?

Trends in philanthropy, public policy, education and the labor market are converging to create momentum for the expansion of competency-based credentialing. These diverse efforts add up to a big opportunity. With the right scaffolding in place, the market for competency-based credentials could produce a range of important benefits for:

- *Employers*, who can use high-quality competency-based credentials to inform hiring, deployment and promotion decisions and to ensure that relevant educational programs address their needs;
- *Workers and Students*, who will have the ability to better navigate career pathways and transitions and who can offer competency-based credentials as proof of their skills and knowledge;
- *Educators*, who will be able to better align their curricula with industry requirements and can then cite employer-validated credentials as evidence that they prepare students for in-demand jobs; and
- *Public policymakers*, who can foster more agile, thriving labor markets by supporting the development and attainment of competency-based credentials.

What Is the Current State of Play?

Our research revealed both real potential and troubling weak spots in the current credentials landscape:

- 1. Market-relevant competency-based credentials are used for specific jobs in a number of fields**, such as healthcare and IT. But there is tremendous variation in how deeply embedded credentials are in different industries. Often, credentials are available but used only sporadically. And many credentials for specific jobs are *not* part of larger, well-defined career pathways.
- 2. Widely used credentials have strong employer backing.** Where credentials have been most successful, employers have played a central role through the entire credential development process, from identifying competencies and skill standards, to developing assessments and ultimately recognizing and using credentials in hiring and advancement.
- 3. Credential quality is inconsistent.** Many credentials lack third-party or industry validation to ensure their quality and relevance to workers and employers. There is widespread confusion about the elements of a quality credentialing process and the meaning of key terms, including “competency,” “quality curriculum,” and “assessment.”

- 4. Portability and transparency are key challenges.** To be useful, credentials must be both transparent—meaning information about how they were developed is easily accessible—and portable—meaning they are credible from job to job and region to region. Too few credentials currently meet these criteria.
- 5. There are promising models of tiered/stackable/bundled credentialing systems.** These models allow workers and students to flexibly make their way through career pathways, moving in and out of education and training as needed, attaining credentials that document different competencies and advancing in their fields.
- 6. Employers are often looking for “cross-functional” skills, like problem-solving and innovation, in addition to job-specific competencies.** There is broad agreement about the need to incorporate these basic employability skills in credentialing efforts, but little consensus about how to define or assess them.
- 7. There are barriers to bringing competency-based and industry-recognized credentialing to scale.** These include insufficient data about the return on investment for employers and educators who use credentials; a lack of common definitions; and scant funding to support credentialing initiatives.
- 8. There is no comprehensive policy framework for the expansion and replication of promising competency-based credentialing policies and practices.** Numerous federal departments and agencies are engaged in developing, using and/or supporting credentialing processes, but these efforts are not connected by any unifying policy agenda.

Building the Market

This paper suggests a number of strategies to address these issues and create a more viable market for competency-based credentials. These include:

- **Ensuring quality**—Drawing on conversations with industry, education and workforce policy experts, the paper outlines the core elements of a quality, industry-validated, competency-based credentialing process. This section also examines the role of external accreditors and validators, who can help ensure that credentials are developed in accordance with the quality standards outlined.
- **Expanding use by employers**—Key strategies include documenting the return on investment (to show that the time and effort to engage in credentialing work pays off) and involving staff at all levels within participating firms (CEOs, plant managers, frontline supervisors, human resources staff, etc.). This section presents specific recommendations for industry associations, consortia, and sector partnerships to become more involved in credentialing efforts.

- **Expanding use by workers and students**—To make credentials useful for students and workers, it is vital to demonstrate they are valued by employers and that they can lead to new job opportunities, promotions and/or raises. Making credentials stackable and accessible (in terms of time and money) and including basic employability skills as part of well-defined career pathways is also critical.
- **Expanding use by educators**—Relatively few schools are actively working to advance the broad-scale use of high-quality competency-based credentials. This is unfortunate, because colleges that expand their use of such credentials can strengthen relationships with local employers, build more integrated and effective education and workforce development systems, and improve outcomes for students. This section outlines a number of ways that educational institutions can help drive competency-based credentialing efforts.
- **Creating a scaffolding or infrastructure to help the credentials market flourish**—This infrastructure can promote common, consistently used definitions of key terms; provide quality assurance mechanisms and transparent information for consumers about how credentials were developed; advocate for needed federal, state and institutional policy changes; and foster better communication and coordination among existing competency-based credentialing efforts.

Conclusion

In addition to the strategies highlighted above, this paper enumerates several initiatives that could be undertaken at the federal level to support the growth of a well-functioning credentials market. It also describes “bottom-up” (i.e., regional and institutional) and “top-down” (i.e., national- and state-level) approaches that stakeholders could leverage, even without federal action. Bringing high-quality, competency-based credentials to scale is an ambitious but achievable goal. To make it happen, industry associations and consortia, regional sector partnerships, educational institutions, external validators, and public and private funders all have critical roles to play. Happily, each of these actors also stands to yield significant benefits from a thriving credentials market—as do American workers and the economy as a whole.



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