



Cengage Group's Employability Report:

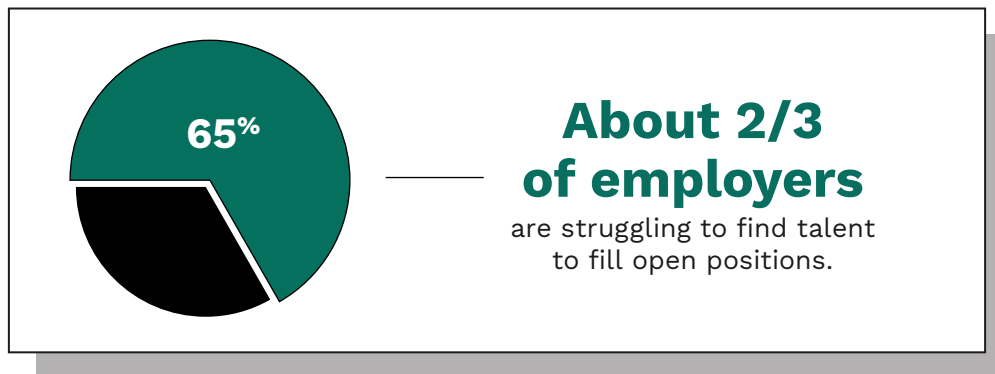
Degree Requirements & Outdated Mindsets
Accelerate The Current Talent Crunch

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The U.S. has a critical and urgent skilled labor shortage, which threatens business sustainability and growth across sectors and stages. This challenging reality remains unchanged by a potential economic downturn or market turbulence.

The 2022 labor market continues to be defined by the pandemic-era phenomenon known as “The Great Resignation.” Job resignations are still up by over [20% above pre-pandemic levels](#). [According to the U.S. Bureau of Labor Statistics](#) (BLS), the number of job openings was at a high of 11.4 million at the end of April. And each month for the past six consecutive months, over 4 million Americans have quit their jobs, showing that the Great Resignation continues to rage on. The demographic squeezing of an aging and retiring population has further amplified this labor shortage.

However, one of the driving causes of this talent crisis is the alarming skills mismatch between the current workforce and employers’ needs.



This skills and talent gap isn’t a temporary issue. It’s a systemic one that has been building in recent decades, and addressing it requires urgent and innovative actions from employers and education providers.

At Cengage Group, we have surveyed employers and degree and non-degree graduates to understand the drivers shaping the current labor market, from graduate readiness to employer needs.

Among our most recent findings are that traditional thinking and bias by employers and hiring teams are directly impacting the skills gap and labor shortages, and, that by changing this, employers have a real opportunity to help solve the talent gap and build their competitive hiring advantage. Doing so requires employers to re-examine current eligibility and job screening requirements for entry-level roles and explore how, as employers, they can help upskill and educate the available workforce to fill their labor needs.

When it comes to assessing job readiness, Cengage Group found approximately a quarter of employers (26%) believe traditional degrees are an important indicator when considering a candidate for an entry-level job. However, (43%) believe skills training credentials are the most important when determining if a candidate is qualified for the role.

Yet, nearly two-thirds (62%) of employers still require a degree for entry-level jobs, and **more than a quarter (26%) do so because they need to “filter the talent pool” or because “that’s the way it’s always been done.”**

It immediately and substantially shrinks their potential talent pool, since only [38%](#) of US adults 25+ have a four-year degree.

These mixed messages about what is needed for job eligibility and success severely limits the already narrow talent pipeline, with many recent graduates self-selecting out of entry-level roles. According to [Cengage Group's 2022 Graduate Employability Report](#) (the second annual report of recent degree and non-degree grads), half of all recent graduates have not applied to entry-level positions because they felt underqualified and unsure of their skills.

However, some business innovators, such as IBM, Amazon, AT&T, are disrupting hiring processes, redefining “job readiness” and removing degree requirements for applicants. And while these companies are paving the way for modern day hiring, unfortunately, Cengage Group research found that just one in 10 employers (9%) don't require a degree to apply for entry-level jobs they've listed. Almost half of employers (48%) who don't require a degree say it's because they believe candidates can attain the proper skills through life experience, internships, skills training credentials, stackable credentials and hands-on experience outside an academic institution. This also directly reflects our findings on what today's graduates believe - that skills certifications or training credentials more clearly indicate job readiness and skill levels.

More than [60% of the U.S. population](#) doesn't have a traditional four-year degree, and this figure dips lower for marginalized populations. By removing this requirement, employers will not only benefit from a vastly expanded talent pool to fill staffing gaps, but they'll also be able to demonstrate more social purpose. Of those employers who do not require degrees for entry-level roles, approximately one in four (22%) say it's because they believe it's an integral part to creating fairer employment opportunities.

This report is designed to provide business leaders, education providers and policy makers with a better understanding of hiring trends that are contributing to the talent shortage and the proactive ways we can address it - and, in doing so, solve labor challenges. It includes a comparative review of the entry-level eligibility for positions in healthcare, technology and the skilled trades to assess how these sectors are addressing their labor shortages.

At Cengage Group, we know that employers have an aligned interest and a critical role in helping solve the U.S. labor shortage and talent gap. We hope this report will allow them to realize this critical public and business moment further.

Half of recent graduates

have not applied to entry-level positions because they felt underqualified and unsure of their skills.

Only one in 10 employers (9%)

don't require a degree for entry level jobs.

The Current Hiring Contradiction: Employers Offer Mixed Signals To Today's Workforce

Employers haven't translated what they believe makes a strong job candidate into their hiring actions, further widening the labor gap.

Research shows that employers are stuck in a contradictory cycle, where they recognize and admit that traditional four-year degrees are not an indicator of job readiness, particularly given the rapid pace of technological change, but nonetheless require them as part of their candidate screening process.

Cengage Group research found that:

When considering a candidate for an entry-level job, employers believe these attributes are the most important:

43%
Skills training
credential

28%
Real-world
experience

26%
College
degree

Nonetheless, many employers still require a four-year degree because they have not updated or innovated how they screen talent and evaluate their potential.

Cengage Group research found that:

62% Three in five employers (62%) require a degree for all entry-level positions.

67% Two-thirds (67%) of graduates reported that the jobs they applied to required a degree ([Cengage Group's 2022 Graduate Employability Report](#)).

40% When asked why a degree is required, two in five employers (40%) believe candidates with a college degree are more equipped for the role.

16% But "tradition" is partly to blame with (16%) of employers saying they require a college degree for entry-level positions because "it has always been this way."

Which of the following best describes why your company requires a degree?

We believe candidates who have a college degree are more equipped for the role



It is a standard requirement in our industry



It has always been this way, so we continue to recruit and hire candidates with a college degree



We use college degrees as a way to streamline and filter the candidate pool



This data suggests the need for employers and hiring teams to more intentionally reflect on and clearly define what matters most in measuring candidate job readiness or aptitude.

Increased clarity on what is actually required to be successful in a job would also significantly increase their talent pipeline, given that half (49%) of recent grads did not apply to entry-level jobs because they felt underqualified.

New Thinking On Talent Is The Competitive Advantage

Recently, at [The World Economic Forum](#), the president of Infosys and global CIO of Ernst & Young discussed how, as the nature of work and careers change, organizations and businesses of all sizes and stages will increasingly prize the right skills and the ability to learn them over academic qualifications - because that is the better indicator of performance and business impact. They conclude that a company’s ability to change their organizational culture and hiring mindset will define future business sustainability and competitiveness.

The most innovative and competitive employers are starting to recognize this.

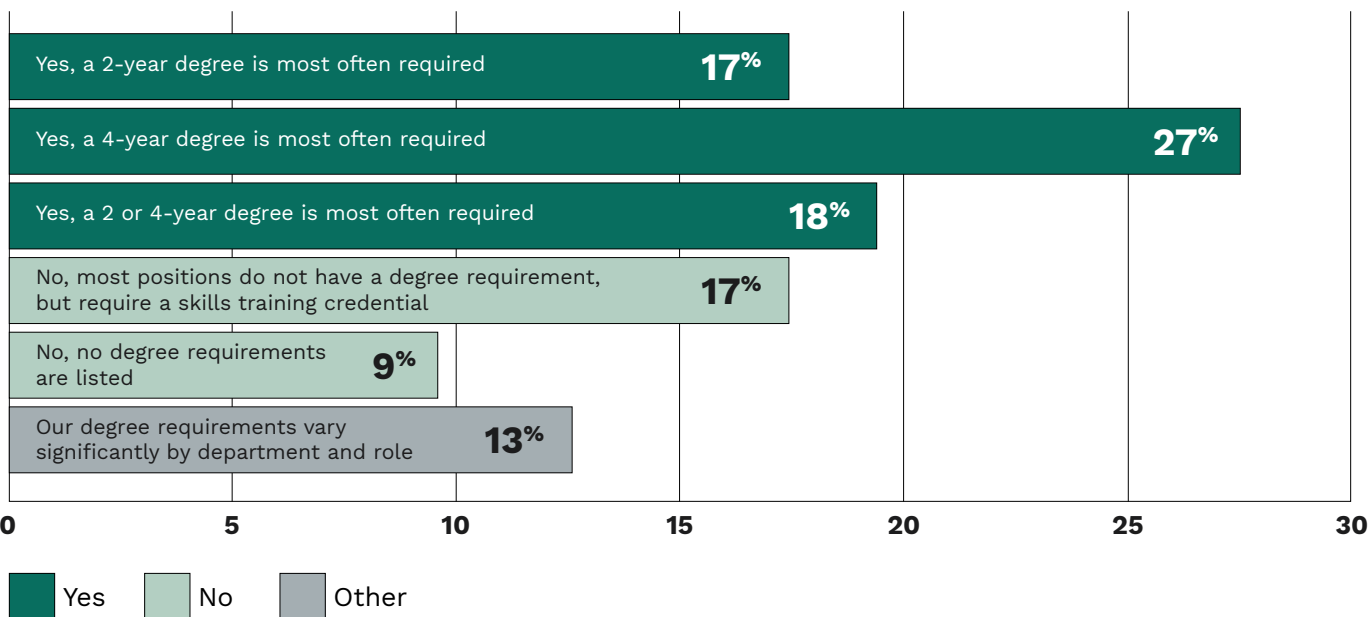
Cengage Group research found that:

A change is starting to happen, with nearly one in 10 employers (9%) saying no degree is required to apply for entry-level jobs they have listed.

Among employers who do not require a degree, nearly half (48%) say it's because they believe candidates can attain the proper skills through life experience, internships, skills training credentials, stackable credentials and hands-on experience outside of an institution.

Does your company require a degree for all entry level positions?

Answers



This approach is resonating with the next generation’s wave of talent.

- Today’s graduates say skills certifications or training credentials (35%), rather than a traditional college degree (32%), indicate job readiness and skill level more clearly to employers ([Cengage Group’s 2022 Graduate Employability Report](#)).

As corporate social purpose [continues to be a growing priority](#) for all institutions, with stakeholders to employees, to investors, partners and customers all looking to businesses to make a positive social and economic impact, Cengage Group research found that:

- Of those employers who do not require a degree, nearly one in four (22%) say they do so because they believe it’s essential to creating fairer employment opportunities.

The Business Case For Better

Currently, the labor and talent gap is estimated to cost the U.S. economy [more than \\$2.5 trillion over the next decade](#), creating an economic urgency to solve the skills and talent shortage as soon as possible.

Cengage Group research found that:

Of those struggling to find talent, two in three (66%) believe that removing degree requirements for open roles would help them find qualified talent to narrow staffing gaps (although 26% do not think so).

Of those employers who do not require a degree for entry-level employment, nearly one in 10 (9%) said they did so to widen their talent pool to fill critical labor shortages.

Employers' reluctance to relax traditional degree requirements could be due to their uncertainty on how to measure the value of alternative credentials.

Cengage Group research found that:

47% of employers **think it is difficult** to measure the meaningfulness of a certification / credentials in their line of work compared to **46%** who **do not think it is difficult**.

What's more, when diving deeper to understand why employers find measuring credentials to be difficult:

16%

say that it is because they are not familiar with the certifications/credentials

36%

say that it is because they are not sure which certifications/credentials have credibility, and which don't

40%

say that it is because they are hiring candidates in a field that they are not familiar with or have limited experience with

The Employer As An Educator

[McKinsey's latest report](#) on human capital management highlights the opportunity, competitive advantage, and talent benefits of employers investing in growing their continued learning and work experience programs. Employer-sponsored education is also a powerful talent recruitment benefit for a workforce looking to adapt to ongoing workplace changes.

Cengage Group research found that:

Three in four employers (77%) say free employer-sponsored education offerings are a differentiator for recruitment and retention in this tight labor market.

Most employers offer employer-paid/employer-sponsored education opportunities (75%), with 61% offering paid **online** education opportunities. And just as important, 78% of employers say they offer the flexibility needed to pursue additional education opportunities.

Investing in current employees and developing their skills and abilities is one of the most effective ways of addressing both current talent gaps and the ongoing impact of accelerating technological change. [Recent McKinsey research](#) has also shown that investing in upskilling and reskilling employees is actually more cost-effective than recruiting new talent.

And according to Gartner, Inc., [nearly 60%](#) of the workforce needs new skills to perform their job correctly and drive business growth. It is a message that is reaching employers.

Cengage Group research found that:

Of employers who do not currently offer education opportunities to employees,

more than half (57%) are considering offering employer-paid education and online education opportunities.

But there is still some work to be done in terms of employers understanding the business case for taking ownership of offering these programs and not shifting responsibility over to employees.

While many employers are taking steps to offer continued learning opportunities to employees, some aren't taking the right approach. Nearly half of employers (46%) say they would not cover education costs because they believe it's the employee's responsibility to pursue certifications and learning programs to help advance in their careers.

It's a perspective that is completely out of step with the needs of current graduates and emerging talent.

[Cengage Group's 2022 Graduate Employability Report](#) revealed that 95% of recent graduates would pursue online training and credential programs if their employer covered the cost, however, employers are only willing to cover education costs up to a certain dollar amount (71%). The reasons for this include that employers want a guarantee that their employees would stay at the company for a certain time after completing the program (75%).

Less than half (49%) of employers are willing to cover education costs with no strings attached, a perspective that their employees don't necessarily hold.

Industry Insights

[Cengage Group’s Graduate Employability Report](#) found that despite coming into a hot job market, recent graduates have regrets about their educational choices. Only (25%) of all recent graduates would follow the same path they took. Cengage Group looked at how entry-level roles are being recruited across three of the “hottest job markets” --healthcare, technology and skilled trades (i.e. construction, automotive, manufacturing and utilities) -- to better understand how these trends are impacting in-demand sectors in the economy.

These industries are thought to offer the most job opportunities and biggest money-making potential:

Graduates say **skilled trades (22%)**, **healthcare (25%)** and **technology (20%)** offer the most potential for graduates to land a job within the first year.

Graduates believe that **skilled trades (20%)**, **healthcare (21%)** and **technology (26%)** jobs have the biggest potential to make the most money.

The research found that recent graduates with no traditional degree, but relevant experience are more likely to secure an entry-level opportunity if they’re interviewing for positions in healthcare and skilled trades over those in technology.

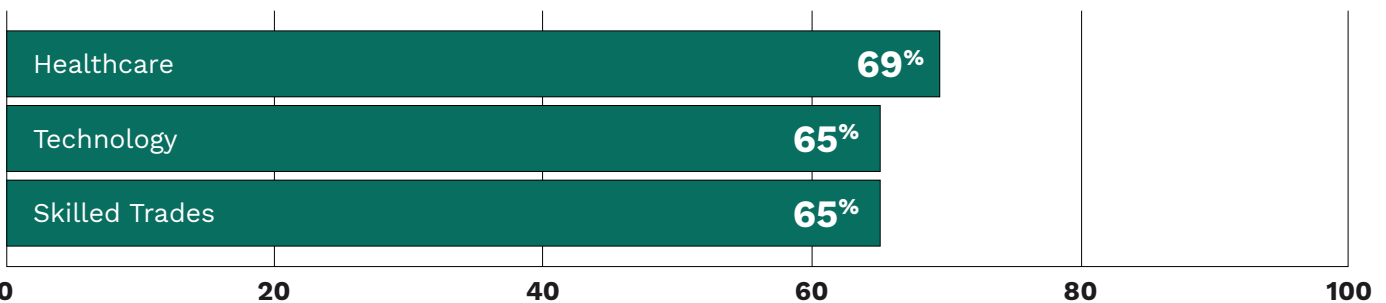
When employers were asked if they would decline to interview a candidate if they had the experience required for the job but did not have the degree requirement, the majority of healthcare employers (62%) and skilled trades employers (53%) would take the interview. However, the majority of technology employers (57%) would decline it.

When asked if they require a degree for entry-level jobs, employers across healthcare, technology and skilled trades say:

	Healthcare	Technology	Skilled Trades
Yes, a 2-year degree is most often required	9.5%	29.0%	14.0%
Yes, a 4-year degree is most often required	23.5%	32.0%	25.5%
Yes, a 2 or 4-year degree is most often required	16.5%	20.0%	17.0%
No, most positions do not have a degree requirement, but require a skills training credential	18.5%	7.0%	21.5%
No, no degree requirements are listed	10.0%	2.5%	10.0%
Our degree requirements vary significantly by department and role	22.0%	9.5%	12.0%

As the U.S. labor shortage rages on, employers across these three industries are not immune.

Is your company currently struggling to find/hire talent in any roles?



Healthcare

According to the most recent (2022) data from the [U.S. Bureau of Labor Statistics](#), one in every five current job openings is in healthcare. And over the next decade, as a result of what the industry describes as a “[perfect storm](#)” of increased demand from an aging population and a parallel wave of retirements, half of the jobs that are currently projected for the fastest growth are in healthcare.

Cengage Group research found that:

Currently, 42% of healthcare employers say skills training credentials are most important to them when considering a candidate for an entry-level job.

Against the urgent need for providers, healthcare employers have a broad scope to expand their recruitment by focusing on experiences, training potential and employer education programs. In fact, employers in healthcare (21%) are the most likely to train candidates onsite/provide opportunities for further education in their role, compared to those in technology (3%) and skilled trades (13%).

Technology

According to a recent [Gartner survey](#), [64% of technology businesses believe a talent shortage is the biggest obstacle](#) to the new technology products they’d like to adopt or innovations they would like to make. In addition to stifling innovation, tech hiring gaps are creating huge business risk. The current cybersecurity skills gap (which requires a 65% workforce expansion to meet demand) has directly contributed to 80% of security breaches. With nearly 600,000 unfilled cybersecurity jobs in the U.S., where more than half require at least one certification, finding technology talent is critical to keeping businesses operationally safe and secure.

Along with the business [urgency](#) to solve the talent gap, the technology industry has seen a wave of significant industry leaders such as [Apple, Google, and Netflix announce](#) that they no longer require employees to have college degrees, but instead are looking at experiences and skills.

Despite these high-profile stories, however, there is a great deal of opportunity for technology employers to expand how they recruit and upskill to fill the talent shortage.

Cengage Group research found that:

For technology employers, 47% say skills training credentials are most important when considering a candidate for an entry-level job.

Yet the majority (81%) of technology employers require degrees for entry-level jobs

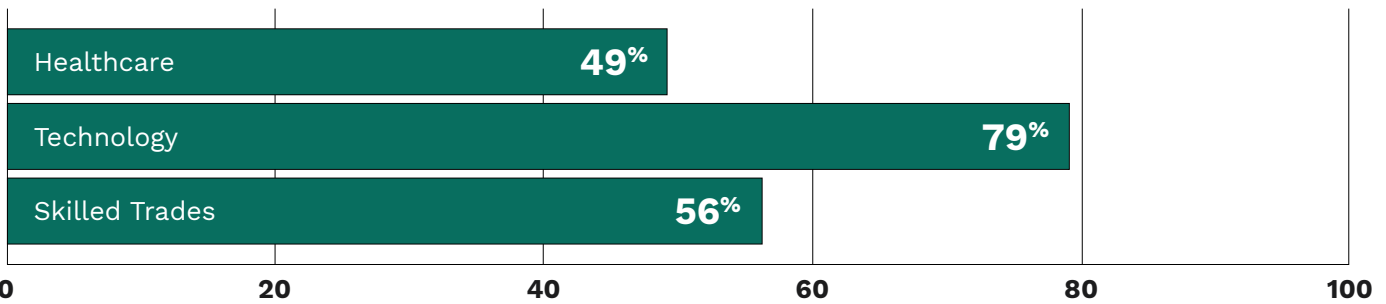
What’s more, of the employers in healthcare, technology and skilled trades who require a degree, those in technology (51%) are the most likely to say they need one because they believe candidates are more equipped for the role.

(Continued)

Cengage Group research found that:

Further cementing degree stigmas, nearly half (47%) of technology employers recommend a four-year college degree for candidates pursuing careers in their field.

However, of the three industries we've compared, the technology sector places the highest value on job experience. Technology employers are most likely to hire talent who participated in their externships, internships or apprentice programs.



Skilled Trades

The skilled trade sector is facing an intense and ongoing labor shortage that has placed enormous stress on manufacturing, construction and field services that are sure to intensify in the near future. Last year the government passed the [\\$1.2 trillion dollar Infrastructure Investment and Jobs Act](#), which includes \$550 billion in new funding for roads, bridges, water and climate change mitigation. However, there’s simply not enough money allocated to educate and develop the robust stream of skilled workers needed to fill these critical roles – and ultimately, keep up with consumer demand.

To thwart the growing labor gap, trade organizations are partnering with vocational schools, employers, manufacturers and public agencies to promote trade work as a stable and lucrative pathway to sustained wages and work. Their combined efforts focus on the many immediate advantages a skilled trades career offers, such as high wages, employer-funded training, opportunity for career growth and immediately available positions.

Cengage Group research found that:

When asked what is most important to employers when considering a candidate for an entry-level job, many skilled trade employers (42%) say skills training credentials are the most important.

Yet, nearly 56% of skilled trade employers require degrees for entry-level jobs.

When it comes to recruiting talent for skilled trades positions, the majority of employers in this field say they rely on networking (30%) to find new hires.

Additional methods for recruiting include:

23%
Online job sites

14%
Through college/university
partnerships

11%
Third-party recruiters

Looking To A Skills-Based Future

The future of work will not just be about traditional college degrees, but rather job skills, experiences, upskilling and training potential. What surfaced from this round of research is that there is a significant disconnect between what employers say is the most important indicator of job readiness (skills, training and credentials) and the ongoing eligibility requirement of a college degree, which has become a barrier to talent recruitment.

But a shift is coming, and the future of work and recruitment is skills- and experiences-based.

This shift is driven by the urgent need for talent and labor across industries and sectors and the growing awareness that the traditional college degree is an increasingly less effective proxy for job readiness, skills aptitude or training.

Employers currently struggling with the business impact of the shortage are also the ones who can help solve it at scale. Employers have a unique opportunity to lead this shift by eliminating the barriers to entry-level applications, offering on-the-job training and skills programs, and leading a more precise and intentional conversation on what is needed to be eligible and effective with entry-level job postings.

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About Cengage Group

With more than 100 years serving learners, Cengage Group is a global edtech company that enables student choice. No matter how, where, when or why someone wants to learn, our portfolio of education businesses supports all students, from middle school through graduate school and skills education, with quality content and technology. Collectively, our three business units – Cengage Academic, Cengage Work and Cengage Select – help millions of students each year in more than 125 countries achieve their education and career goals and lead choice-filled lives.

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Survey

WHO

Cengage Group’s Employability Report polled 1,000 Americans 18+ (600 in healthcare and social assistance, technology, and skilled trades and 400 in various other industries) who are employed for wages and who make hiring decisions at their current employers.

WHEN

May
2022

HOW

Online survey conducted with a mobile survey platform

For more information about the report, contact cengage@shiftcomm.com