



**Making
Alternative
Credentials
Work:**

**A New Strategy for
HR Professionals**



Funded by



Executive Summary

The U.S. has a talent problem. At the time of this report, the unemployment rate had dropped to 3.9%,¹ approaching pre-pandemic levels, and employers continue struggling to find candidates with the specific skills to fill the country's more than 10 million open jobs.²

At the same time, workers are gaining skills through alternative credentials. Currently, nearly half of U.S. workers say they have some form of an alternative credential. Among those who don't, about half have considered earning one. These credentials can be loosely defined as any micro-credential, industry or professional certification, acknowledgment of apprenticeship (registered or nonregistered), or badging that indicates one's competencies and skills within a particular field.

Some common characteristics of alternative credentials are that they take a relatively short time to complete, are focused on specific skills, can be earned consecutively ("stacked"), are verifiable, are often aligned to industries and can frequently be delivered digitally. Credentials increasingly include industry-driven and industry-aligned programs that support workers from entry to executive levels.

At their root, alternative credentials reflect the competencies (knowledge, skills and abilities) and specific experiences that workers bring to the job. The name may be something of a misnomer because they demonstrate a proven mastery of skills that can replace or augment existing credentials. Importantly, these credentials are popular with job seekers who are often excluded from the talent market—older workers, people without formal higher education, and others with nonlinear or nontraditional work histories, like veterans, people who were formerly incarcerated and those who have been out of the workforce for some time.

So, the U.S. talent problem is exacerbated because systems that can easily identify an individual's skills and talents are lacking, we do not

However, employers find it challenging to determine the potential equivalency of alternative credentials to traditional degrees or years of experience. Instead, employers should think about these credentials as indicating whether the individual has the skills to perform in the role rather than as substitutions for a formal degree or years of experience. In fact, alternative credentials have the advantage of providing specific, evolving knowledge that may be more aligned with the current and future skills desired by employers.

Another potential barrier to employers' wider recognition of alternative credentials is the limitations of automated applicant tracking systems (ATS), which may not pick up on them. Often, there is no standard approach to collecting this information in the same manner as traditional education and work experience. Such inconsistency offers a clear direction for both HR and the providers of applicant screening tools to improve the ways alternative credentials are captured in the application process.

As the speed of technology and workplace innovations continues to accelerate and the talent shortage continues to widen, workers must learn skills quickly to keep up. So while alternative credential providers need to make evaluating quality easier and more transparent, employers must be committed to addressing the barriers in accepting alternative credentials as meaningful indicators of skills and aligning them with other job qualifications.

Employers need better information on how alternative credentials can be evaluated, how they align to hiring needs, how to better align hiring managers' and HR's requirements, and overall, how to better take advantage of a skill-signaling device that will bring qualified talent—particularly untapped talent—into their organization.

ABOUT THIS REPORT

To learn how employers and employees view and value alternative credentials and explore workforce readiness alternatives that build access and diverse talent strategies, the Society for Human Resource Management (SHRM) and the SHRM Foundation, with funding from Walmart, conducted research during the summer of 2021.

They surveyed U.S. executives, supervisors, HR professionals and workers with no direct reports. Additionally, qualitative information was gathered through a series of focus groups (Learning Labs). The results were then reviewed with HR professionals to gain greater insights on the findings.

The Rise of Alternative Credentials

52%

Training
Certificates

48%

Course
Completion
Certificates

38%

Industry or

The U.S. has a talent problem.

At the time of this report, the unemployment rate had dropped to 3.9%,¹ approaching pre-pandemic levels, and employers continue struggling to find candidates with the specific skills to fill the country's more than 10 million open jobs.² There aren't enough "traditional" hires available to fill the existing jobs, and workers who are available need a way to gain skills quickly and signal to employers what talents are available. Alternative credentials can fulfill both of these needs.

Alternative credentials can be loosely defined as any micro-credential, industry or professional certification, acknowledgment of apprenticeship (registered or nonregistered), or badging that indicates one's competencies and skills within a particular field.

Some common characteristics of alternative credentials are that they take a relatively short time to complete, are focused on specific skills, can be earned consecutively ("stacked"), are verifiable, are often aligned to industries and can frequently be delivered digitally. Credentials increasingly include industry-driven and industry-aligned programs that support workers from entry to executive levels.

¹ <https://www.bls.gov/news.release/empsit.nr0.htm>

² <https://www.bls.gov/news.release/jolts.nr0.htm>

IN 2018, THERE WERE:

334,114

unique credentials in the U.S.

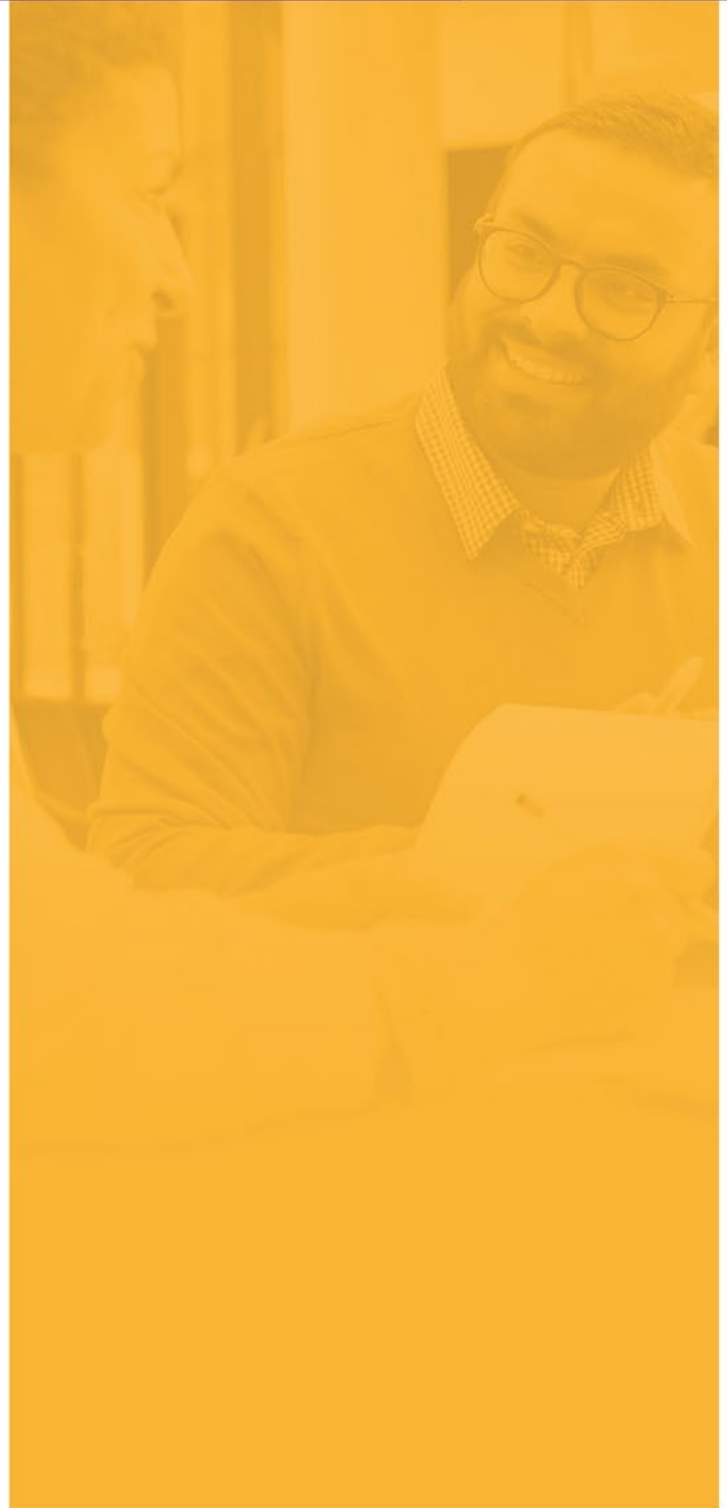
Alternative credentials became even more popular during the COVID-19 crisis, when many workers found themselves furloughed or jobless and with the time they needed to sharpen their skills and become more marketable or even move into a new career.

We know that these credentials are important. Labor economists say almost two-thirds (65%) of U.S. residents from ages 25 to 64 will need college degrees, certificates, industry-recognized certifications or other credentials of value by 2025 to meet individual, economic and social demands.⁶ As valuable “alternatives,” these credentials can increase opportunities for workers from diverse backgrounds and front-line workers, as well as build opportunities for incumbent workers to upskill and advance. Also, many workers will have multiple careers over their lifetime, so they are looking to have a suite of deployable skills rather than identify with a specific role. For lifelong learners, alternative credentials offer immediate skills for employment.

Nearly half of U.S. workers (45%) say they have **some form of an alternative credential**. Among those who don't, about half (49%) **have considered earning one**.

However, systems that can easily identify an individual's skills and talents are lacking, as this report will show. At the same time, employers are reluctant to recognize a new way to validate these skills, thereby missing out on new sources of talent.

During a time of skills shortages, alternative credentials can uncover untapped talent among people who may not have specific work experience or a degree but have been trained in the competencies needed for the job. This enables companies to access a diverse talent pool that may not have had the access, opportunity or time to build skills in traditional ways.



⁶ https://1gyhoq479ufd3yna29x7ubjn-wpengine.netdna-ssl.com/wp-content/uploads/lowa_Workforce2025.pdf

Alternative Credentials as a Tool for Accessing Diverse and Untapped Talent

At their root, alternative credentials may streamline connections between learning and work by reflecting the competencies (knowledge, skills and abilities) and specific experiences that workers bring. Importantly, these credentials are popular with and are needed by job seekers who are often excluded from the talent market—older workers, people without formal higher education, and others with nonlinear or nontraditional work histories, like veterans, people who were formerly incarcerated and those who have been out of the workforce for some time. We know that some kind of post-secondary training or education is required for 65% of the available jobs.¹

¹ https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES_Web_.pdf

CREDENTIALS ARE POPULAR WITH NONTRADITIONAL CANDIDATES

- » **Older workers:** Most workers ages 50 and older

The data show the majority of executives, supervisors and HR professionals believe that including alternative credentials in their hiring decisions can improve workplace diversity.

When employers recognize alternative credentials, it becomes easier for diverse candidates to obtain employment, according to 81% of executives, 71% of supervisors and 59% of HR professionals.

When asked if **recognizing alternative credentials would increase their organization's ability to hire more diverse candidates**, about three-quarters of executives (79%) and supervisors (74%) agree, as well as more than half of HR professionals (55%).

The majority of executives and supervisors, and approaching half of HR professionals, agree that **recognizing alternative credentials would increase their organization's ability to promote more diverse candidates**, ultimately opening opportunities for more diversity at higher leadership levels.

The Employer Perspective on Alternative Credentials

Employers report they come across alternative credentials frequently in the hiring process today. The majority of executives (90%), supervisors (81%) and HR professionals (77%) say they **encounter job applicants who hold alternative credentials** at least sometimes.

But despite the profusion of alternative credentials, the research found that many HR professionals and other business leaders have been slow to understand, accept and integrate alternative credentials into their talent strategies. It may be that employers continue to value experience and degrees more than alternative credentials when making hiring decisions.

Still, the research indicates that employers appreciate these credentials. Workers who hold alternative credentials **bring value to the workplace**, according to

WHICH TYPE OF CREDENTIALS DO EMPLOYERS VALUE MOST?

Executives, supervisors and HR professionals are completely aligned in considering industry or professional certifications the most compelling during the hiring process. These include credentials like the SHRM Certified Professional (SHRM-CP) and SHRM Senior Certified Professional (SHRM-SCP), the Project Management Institute's Project Management Professional, Cisco's various network certifications, as well as many other long-standing and industry-branded credentials.

Executives and supervisors also ranked **training certificates** as well as **course completion certificates** among the most compelling alternative credentials.

The remainder of HR professionals' top-three most compelling types of alternative credentials included **virtual badges requiring a passed exam** as well as **registered apprenticeships**—possibly indicating HR's appreciation of credentials that offer proof of quality.

Misconceptions About Alternative Credentials

Workplace leaders also may be holding back because of certain misconceptions about alternative credentials. Some of the most common impressions aired during the Learning Labs include:

● **THEY ARE “ALTERNATIVES” TO SOMETHING**, such as a two- or four-year degree or specific amount of work experience. In reality, they demonstrate a proven mastery of skills that can replace or augment existing credentials. The name “alternative credentials” could be considered a misnomer, and a different, more accurate naming may serve to clarify their true nature.

● **THEY HAVE LESS VALUE THAN TRADITIONAL CREDENTIALS AND DEGREES.** This issue often arises when developing minimum and preferred qualifications for job descriptions, essentially locking out many candidates. In fact, these credentials provide evolving knowledge that may be more aligned with the current and future skills employers are looking for and demonstrate that candidates can perform in the job. HR professionals and hiring managers should more closely scrutinize the true skills a job requires when considering minimum/preferred qualifications in a job description.

● **THERE ARE TOO MANY CREDENTIALS, AND EVALUATING THEM IS COMPLICATED AND TIME-CONSUMING**, so they are too cumbersome to consider in hiring and promotion decisions. However, tools and methods to assess the value of credentials are available. Many credentials also have become recognized, trusted brands and are industry-accepted indicators of skills.

Barriers & Limitations

The rapid rise and proliferation of alternative credentials have presented difficulties for implementing them into talent strategies, perhaps affecting their adoption.

1. Employers are less likely to value alternative credentials in the same way as

RANKED IMPORTANCE OF FACTORS USED WHEN MAKING HIRING DECISIONS			
	EXECUTIVES	SUPERVISORS	HR PROFESSIONALS
1	EXPERIENCE	EXPERIENCE	EXPERIENCE
2	EDUCATIONAL BACKGROUND	WORK HISTORY	CULTURAL FIT (I.E., CANDIDATES WOULD FIT IN)
3	LISTED SKILLS OR COMPETENCIES	EDUCATIONAL BACKGROUND	WORK HISTORY
4	WORK HISTORY	LISTED SKILLS OR COMPETENCIES	EDUCATIONAL BACKGROUND
5	CANDIDATE PERFORMANCE DURING INTERVIEWS	CANDIDATE PERFORMANCE DURING INTERVIEWS	CANDIDATE PERFORMANCE DURING INTERVIEWS
6	ALTERNATIVE CREDENTIALS HELD	10 ALTERNATIVE CREDENTIALS HELD	11 ALTERNATIVE CREDENTIALS HELD

2. Employers find it challenging to determine the potential equivalency of alternative credentials to traditional degrees or years of experience.

Trying to find equivalency between alternative credentials and work experience and academic degrees misses important aspects of the value of these credentials. HR professionals and hiring managers should be careful not to think about alternative credentials as substitutions for a formal degree or years of experience. Instead, they can serve as an indicator of whether the individual has the skills to perform in the role. Alternative credentials may also be a solution to the need to refresh knowledge and skills amid rapidly accelerating technologies.

Hiring managers and HR need to challenge one another to ensure they are considering the actual skills needed to be

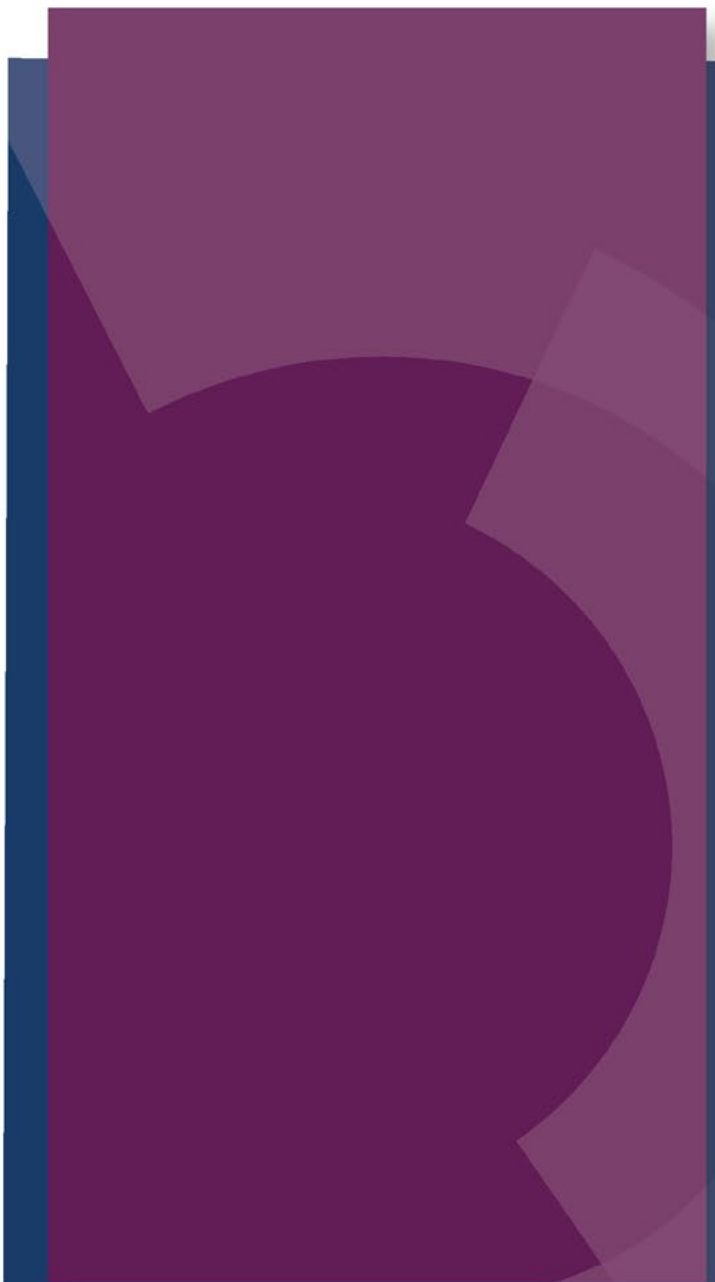
THE RESUME STUDY


To better understand how hiring decision-makers evaluate job applicants with alternative credentials, SHRM conducted an experiment. SHRM presented 1,530 hiring managers and 1,848 HR professionals with a series of job ad and resume pairings and asked them to evaluate the applicants in real time.

SHRM found that hiring decision-makers see value when job applicants hold alternative credentials—rating those who hold one as more qualified, more likely to have the technical skills and less likely to need significant on-the-job training to get up to speed.

However, the experiment also showed that the advantage earned from holding these alternative credentials was often surpassed by the advantage of holding a traditional degree, particularly when the job ad used strict degree requirements. These findings underscore how overreliance on degree requirements as opposed to skills-based hiring can serve to lock out nontraditional, yet otherwise qualified candidates.

To view the full report, [click here](#).





3. There is too much variation among alternative credentials, and no quality standardization yet exists.

It is not always clear what skills were learned or how they were tested, and the rapid proliferation of alternative credentials makes it hard for organizations to stay on top of a trending credentials marketplace.

The research demonstrates that executives and supervisors most often cited inconsistent quality—a general observation about the credentials marketplace. HR focused more on their impact on employee performance directly, such as the actual skills learned, and on how credentials could be evaluated and weighed against other job qualifications.

To consider alternative credentials as part of the talent management process, employers may need to develop criteria to assess the value of any alternative credential. It also speaks to the need for HR and hiring managers to come together before creating a candidate pool to develop job descriptions and interview criteria that align with the real skills the job requires. In addition, credential providers could more clearly illuminate what was learned and how, level of skill developed, and requirements for successful completion.

4. There is a disconnect between HR and hiring managers in the value of alternative credentials.

It is critical for organizations to foster better partnerships between HR and hiring managers.

Clear communication and collaboration throughout the hiring process is essential.

5. The Applicant Tracking System problem.

Although employers value alternative credentials, they may not always learn about them upon a candidate's initial job application because of the limitations of their applicant tracking system (ATS). Nearly half of HR professionals surveyed (45%) say their organization uses **automated prescreening to review job applicant resumes**, but only one-third of those (32%) say their automated system **recognizes alternative credentials**.

To break it down, nearly one-third (31%) say their organization's ATS only allows applicants **to indicate these credentials in a general section**. Only 18% say their ATS **asks specific questions**, and 20% say their ATS has a **designated section for manually entering credentials**.

Just 14% say their ATS has a **designated section that auto-fills from the resume**. And about one-fifth (17%) say **they aren't sure how their organization's ATS allows applicants to indicate alternative credentials**.

Such inconsistency offers a clear opportunity for both HR and the providers of applicant-screening tools to improve the ways alternative credentials are captured in the application process. HR needs to be better consumers of these tools to prevent the unintended consequence of excluding alternative credentials. And ATS providers need to be more aware of the implications of their systems and promote their use to capture all values of the applicants.

"It's up to the HR team to make sure [applicant tracking systems] are not barriers."

Build in safeguards to include alternative credentials so they do not miss out on this talent."

—Savita, Learning Labs participant [miss out on the](#)

Alternative Credentials and Career Development

A majority of all employer groups—88% of executives, 76% of supervisors and 78% of HR—report their organization encourages employees to pursue alternative credentials as part of their career development or career interests. Most also view employees with alternative credentials more favorably when considering promotions or completing succession planning activities.

This response seems to match workers' perceptions. The research showed that two-thirds of workers with an alternative credential believe it has helped them progress in their career, with 14% believing it had not. Another 18% were not sure. This possibly shows an opportunity for better communication between hiring managers and those being hired or promoted so there is better understanding of why they were chosen for the role.

“A lot of companies have a lot of front-line workers. Certifications can help [organizations] grow within and upskill internal folks.”

—Chuck, Learning Labs participant

14%
SAY NO

68%
SAY YES

Conclusion

It is clear the American economy needs more skilled workers, and workers need an efficient way to gain and signal those skills to employers. Alternative credentials can meet

Next Steps for Employers



CREATE ALIGNMENT

between senior executives, hiring managers and HR professionals on the value of alternative credentials and how they should be evaluated and utilized in hiring and upskilling.



SHARE SUCCESS STORIES

and best practices of hiring those with alternative credentials to motivate adoption of new norms, including building a more diverse talent pipeline.

PROVIDE EDUCATION

for HR professionals and hiring managers to make alternative credentials a part of inclusive hiring strategies.



DEVELOP INCENTIVE PROGRAMS

that reward these initiatives.



ADOPT AND TRACK INTERNAL SYSTEMS that acknowledge these credentials when screening applicants or evaluating promotions to ensure a supply of employees with up-to-date skills and how they support recruitment, hiring, and advancement of untapped and underrepresented talent for employers looking to be more intentionally diverse and inclusive.

Next Steps for HR Professionals and Hiring Managers

IDENTIFY OR CURATE TIERED LISTS OF CREDENTIALS

and define their quality based on rigor and outcomes. Identify “acceptable” or “valued” credentials and share these lists with other hiring managers, recruiters and even with credential providers themselves to encourage transparency. Utilize industry associations, credentialing organizations and frameworks, community colleges, and workforce boards as resources.

TAKE STEPS TO BETTER SYSTEMATIZE THE CREATION OF JOB DESCRIPTIONS

to include screening criteria that focus on skills and competencies. Start with vacancies that take a long time to hire or have high turnover rates to find the root cause (like a skills gap) and test a new hiring approach. Also, consider focusing first on a limited set of untapped talent, allowing the organization to develop a deep familiarity with the population.

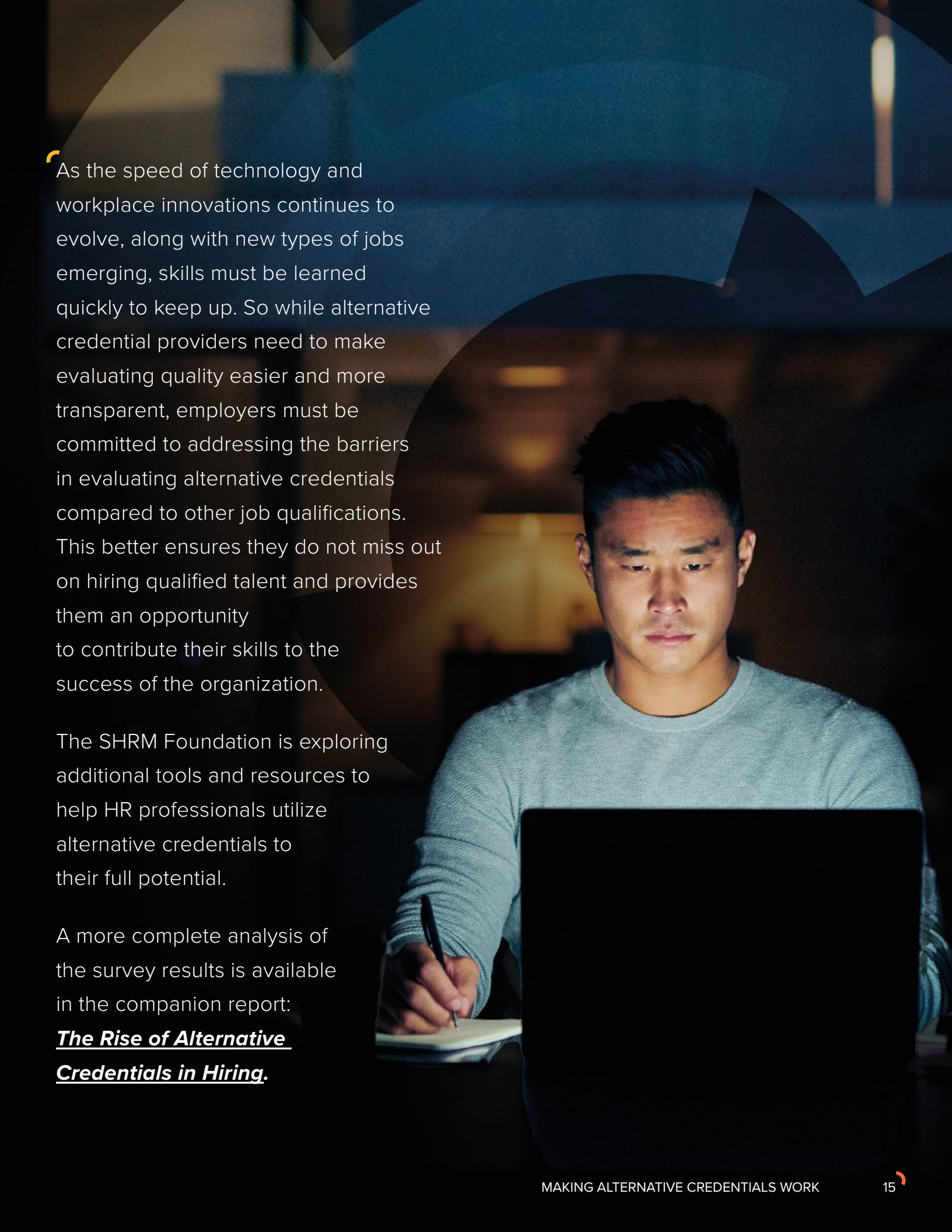
EXPLORE NONTRADITIONAL WAYS

for job applicants to present and verify their talents and skills. Begin by asking employees who hold alternative credentials if and how they were able to communicate their acquired skills during the hiring process.

CONFIRM THAT THE ATS IN USE IS IDENTIFYING ALTERNATIVE CREDENTIALS IN ALL CANDIDATES.

Hiring managers can begin by talking to HR about how their system screens candidates and the likelihood of qualified candidates slipping through the cracks if they lack the right combination of traditional education and work experience.

INITIATE CONVERSATIONS with human resource information system and human capital management vendors to communicate the importance of screening for the skills candidates with alternative credentials bring to the job. Emphasize the growing



As the speed of technology and workplace innovations continues to evolve, along with new types of jobs emerging, skills must be learned quickly to keep up. So while alternative credential providers need to make evaluating quality easier and more transparent, employers must be committed to addressing the barriers in evaluating alternative credentials compared to other job qualifications. This better ensures they do not miss out on hiring qualified talent and provides them an opportunity to contribute their skills to the success of the organization.

The SHRM Foundation is exploring additional tools and resources to help HR professionals utilize alternative credentials to their full potential.

A more complete analysis of the survey results is available in the companion report:

The Rise of Alternative Credentials in Hiring.

Employer & Employee Survey

SHRM conducted research on employer and employee views of alternative credentials and their use in employment processes during 2021. Data was gathered from the following four respondent groups:

Executives: A sample of 500 U.S. executives was surveyed online from July 15 to July 23, 2021. Respondents were sourced from Lucid.

Supervisors: A sample of 1,200 U.S. supervisors (i.e., workers who supervise one or more employees) was surveyed from July 15 to July 22, 2021. Respondents were sourced from Lucid.

HR Professionals: A sample of 1,129 U.S. human resource professionals was surveyed from July 14 to August 8, 2021. Respondents were sourced from 60,606 SHRM members invited via e-mail to participate in a survey, yielding a response rate of approximately 1.9%.

Learning Labs

Jobs for the Future (JFF) and the SHRM Foundation convened four “Learning Labs,” or interactive workshops, with HR professionals, hiring managers and business leaders to solicit deeper feedback on their experiences with and perceptions of alternative credentials.

Each Learning Lab provided an opportunity to share results of the SHRM survey for reflections, identify barriers to recognizing alternative credentials and highlight potential strategies to support greater integration of credentials into hiring practices.

The Learning Labs also focused on one industry sector or population (with the exception of the first Learning Lab) to determine the impacts of alternative credentials across a short list of focus areas. The focus areas included:

Learning Lab 1

General (no industry or population focus)

Learning Lab 2

Veterans and

Learning Lab 3

Information
Technology



About SHRM

SHRM, the Society for Human Resource Management, creates better workplaces where employers and employees thrive together. As the voice of all things work, workers and the workplace, SHRM is the foremost expert, convener and thought leader on issues impacting today's evolving workplaces. With 300,000+ HR and business executive members in 165 countries, SHRM impacts the lives of more than 115 million workers and families globally. Learn more at SHRM.org and on Twitter [@SHRM](https://twitter.com/SHRM).

About the SHRM Foundation

The SHRM Foundation is the 501(c)(3) charity affiliate of the Society for Human Resource Management (SHRM) and is supported by tax-deductible donations from individuals, groups and organizations that are committed to empowering HR professionals to build inclusive organizations. Visit us at shrmfoundation.org

About Walmart

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