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THE PROMISE OF SKILLS

We are stepping into a new era in the world of work. Labor markets across the globe are facing widespread talent scarcity, created by a perfect storm of demographic challenges – such as declining birth rates, tepid labor force participation, and an aging population. In response, organizations must expand their talent pipelines, meaning they can no longer afford to request inflated degrees or credentials that artificially constrain their candidate pools. At the same time, rapid technological change is constantly evolving the skills workers require to perform their jobs: in just a five-year span from 2016-2021, the share of top skills requested in the typical occupation changed 37%.² To adjust to these trends, many organizations are attempting to shed legacy approaches to hiring — which emphasize degrees and other shortcuts to assess candidates and shift toward a skills-based hiring approach that prioritizes workers with the right skills to perform a job, not just the right credentials.



¹https://lightcast.io/resources/research/demographic-drought

² Lightcast and Boston Consulting Group, Shifting Skills, Moving Targets, and Remaking the Workforce, May 2022.

While skills-based hiring can tear the "paper ceiling"³ that has prevented workers from entering certain fields, there is mounting evidence that skills-based hiring also supports favorable outcomes for employers. Lightcast research with Boston Consulting Group has found that the average worker who is hired based upon skills remains with their company for nearly 10% longer than a worker hired based upon credentials. The same research found that the turnover rate for workers with at least a bachelor's degree is 60% higher than workers with an associate degree, and workers hired based upon skills are successfully promoted at rates comparable to workers with more impressive credentials.4 Moreover, many credentials command salary premiums of \$10,000 or more, meaning there is a significant financial incentive for organizations to remove costly credentials when they are not truly needed for a role.⁵ Skills-based hiring can also help organizations increase candidate diversity by tapping into populations with the right skills, but not the right resumes, who were often overlooked in the traditional hiring process.

Despite these benefits, many organizations still struggle to develop a precise definition of skills-based hiring, let alone operationalize it. In part, this stems from the amorphous discourse around skills. There is limited consistency across managers, consultants, vendors, and other stakeholders when describing what skills-based hiring really entails, and many teams attempting to leverage skills-based hiring become paralyzed by guibbles over the differences between skills, competencies, knowledge areas, abilities, and tasks. Many organizations also rely on legacy talent management models that take a job-centric view of the workforce and were developed during times of talent abundance, but in our new era of talent scarcity and rapid skill change these models are outdated. Instead, organizations need to shift to work-centric models that incorporate skills more prominently. Furthermore, there is an ever-growing number of vendors creating skills-based tools, but they rarely integrate cleanly with one another. This gives rise to a patchwork of skills-based hiring initiatives across many organizations that fail to fulfill the full promise of skills-based hiring.



³ https://opportunityatwork.org/tear-the-paper-ceiling/

⁴Lightcast and Boston Consulting Group, Competence over Credentials: The Rise of Skill-Based Hiring, December 2023.

⁵ Lightcast analysis of salary premiums associated with specific certifications and degrees listed in job postings.

REALIZING THE TRUE VALUE OF SKILLS

To help organizations realize the true value of skills-based hiring, this toolkit provides practical frameworks, steps, and action items that support skills-based hiring and talent management practices. It was originally conceived as a commitment to support the implementation of the National Cyber Workforce and Education Strategy from the Office of the National Cyber Director (ONCD) at the White House, which heavily references skills-based hiring as a solution to persistent staffing challenges within cybersecurity. This toolkit is not limited to the cybersecurity workforce, however, as skills-based hiring is being adopted across industries as a solution to many ongoing talent challenges.

In working with hundreds of organizations of all sizes, it's become clear that most have a general understanding of potential benefits, but don't know how to get started.

The foundations for this toolkit are rooted in frameworks that Lightcast uses to help organizations along their skills-based hiring journey, and presents these frameworks along with practical guidance for getting started with skills-based hiring in the following sections:

BECOMING A MATURE

Skills-Based **Organization** SKILLS-BASED HIRING JOURNEY:

Step-by-Step **Breakdowns**

3. PUTTING THEORY INTO PRACTICE:

Guide to Getting **Started Today**

6. https://www.whitehouse.gov/wp-content/uploads/2023/07/NCWES-2023.07.31.pdf



1. BECOMING A MATURE SKILLS-BASED ORGANIZATION

To help guide organizations in their skills-based hiring journey, Lightcast developed a skills-based maturity model that describes the key factors that determine skills-based hiring success. The model, shown in Figure 1.1, is informed by our work with numerous organizations on skills-based hiring initiatives, as well as our research and discussions with hundreds of talent leaders, hiring managers, skills vendors, and other subject matter experts. It outlines four key dimensions that organizations should consider for their skills-based hiring initiatives:

BUSINESS VALUE DELIVERED SKILLS STRATEGY AND DIRECTION SKILLS DATA MANAGEMENT STAKEHOLDER ENGAGEMENT

Organizations may use this model to baseline where they are today in terms of their skills initiatives and determine their desired future state for each dimension of skills-based maturity.

Figure 1.1: The Skills-Based Organization Maturity Model

The Skills-Based Organization

Lightcast's Maturity Model *

WORLD CLASS NI	LLS PROACTIVELY DRIVE IEW STRATEGIES AND VALUE CREATION	AGILE SKILLS STRATEGY ALIGNED WITH ORGANIZATIONAL GOALS	ADAPTIVE SKILLS CATEGORIZATION—SYSTEM/ DATA INTEGRATION	CONTINUOUS ENGAGEMENT AND FULL STAKEHOLDERS BUY-IN
ESTABLISHED				
	SKILLS CONNECT TO BUSINESS GOALS	CENTRALIZED SKILLS TEAM WITH CONSISTENT STANDARDS	UNIFIED SKILLS FRAMEWORKS – CONSOLIDATED DATA	ENGAGEMENT WITH ALL BUSINESS UNITS LEADERS
DEVELOPING	SKILLS CONNECT TO TALENT GOALS	LOOSE COLLABORATION ACROSS MULTIPLE TEAMS	ISOLATED TALENT TOOLS – OCCASIONAL DATA GATHERING	ENGAGEMENT BETWEEN HR AND SELECTED BUSINESS UNITS
Control of the Contro	SKILLS DON'T YET ONNECT TO BUSINESS GOALS	SCATTERED APPROACH WITHOUT A DEFINED STRATEGY	LACK OF SKILLS TRACKING	SKILLS-BASED INITIATIVES ARE CONFINED TO HR

2. SKILLS-BASED HIRING JOURNEY: STEP-BY-STEP BREAKDOWNS

While the Skills-Based Organization Maturity Model presents a high-level framework for organizations to assess the overall posture of their skills-based initiatives, organizations also need actionable guidance on where to begin their skills journey.

To outline the actions that organizations can take to adopt skills-based hiring and talent management practices, Figure 1.2 details a 12-step journey to becoming a skills-based organization. These steps are informed by Lightcast's work with organizations implementing skills, reviews of existing skills literature, and discussions with subject matter experts.

The steps along the skills-based journey are broken into three phases:

PLAN ARCHITECT OPTIMIZE

Although these steps may be followed sequentially, many of them can also be acted upon independently from one another. The right place to start depends upon your organization's current skills maturity level and priorities. Different steps may also be implemented by different teams across an organization, so all departments and hiring managers can choose the steps that are right for them as they begin leveraging skills-based hiring practices.



Connect skills to business strategy Evaluate organizational readiness for skills-based hiring Assess existing and desired skills infrastructure Plan skills-based hiring implementation and change management strategy ARCHITECT Develop internal skills library Connect skills data to other internal skills-enabled infrastructure Connect internal skills data to external talent intelligence OPTIMIZE Identify future skill needs and pinpoint key skill gaps Optimize talent development strategy Optimize talent sourcing strategy and diversify talent pipelines Develop targeted onboarding and training strategy Build career pathways and enhance internal mobility

STEP-BY-STEP BREAKDOWNS OVERVIEW

In the sections that follow, this toolkit will provide detailed information
about each step in the skills journey to provide organizations the tools and
knowledge they need to thoughtfully implement skills-based hiring.

FOR EACH STEP, WE PRESENT THE FOLLOWING:

- A checklist of action items
- A list of key stakeholders who should either lead or inform the action items
- A list of the skill priorities supported from the Skills-Based Organization Maturity Model
- "Pro tips" that will help organizations avoid common pitfalls and maximize the impact of skills-based initiatives

Our goal is for this toolkit to arm organizations with the information needed to maximize the likelihood of success in their skills initiatives and realize the full potential of skills-based hiring.



Plan

Connect Skills to Business Strategy

ACTIONS TO TAKE

- **Identify** strategic priorities of senior business leaders across the organization – such as new product or service offerings, planned technology investments, new process improvements, M&A activity, or other strategic transformations.
- Identify and prioritize the skills needed to support each strategic priority.

- Confirm skill needs with senior leaders and/or their teams to ensure alignment.
- ✓ **Determine** biggest talent challenges (e.g. hiring issues, retention challenges, low workforce diversity, etc.) facing your organization that may be mitigated by skills-based hiring.

KEY STAKEHOLDERS

C-Suite Department leaders HR

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Strategy and Direction Stakeholder Engagement

PRO TIP

Assess the anticipated bottom-line impact of strategic priorities or key talent challenges that a skills-based approach will support. This will make it easier to establish KPIs and demonstrate the ROI of skills-based hiring initiatives.



Evaluate Organizational Readiness for Skills-Based Hiring

ACTIONS TO TAKE

- Assess the existing hiring and talent development cultures, processes, and technologies that currently exist across departments.
- **Determine** the openness of different leaders and teams to embrace skills-based hiring.
- ✓ Identify leaders and teams that are either already experimenting with skills-based hiring or appear open to it.
- Assess the mentorship and career development skills of current managers.

KEY STAKEHOLDERS

C-Suite Department leaders Hiring Managers HR **Frontline Workers**

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Strategy and Direction Skills Data Management Stakeholder Engagement



Determine which internal teams and leaders are most receptive, and may stand to benefit the most, from skills-based hiring (the two may not be the same). Then prioritize those teams and leaders for initial skills-based hiring initiatives to maximize the likelihood of establishing early skills-based hiring wins.



Assess existing and desired skills infrastructure

ACTIONS TO TAKE

- **Inventory** existing or planned tools that store or utilize skills data (e.g. HRIS, LMS/LXP, ATS, Talent Marketplaces, talent intelligence tools, etc.).
- ✓ Identify and catalog existing skills information and datasets, including where they live, what they capture, who owns them, and how they are currently being used.
- ✓ Determine implementation plan and assign ownership for ingesting, storing, and sharing skills data.
- ✓ Identify gaps between existing tech infrastructure and what is needed to support skills-based hiring initiatives.

KEY STAKEHOLDERS

C-Suite Department leaders HR ΙT

SKILL PRIORITIES SUPPORTED

Skills Strategy and Direction Skills Data Management



Many HR tech and IT vendors already leverage skills in their solutions, but they may not always be explicitly mentioned. Ask your vendors whether they are already leveraging skills taxonomies and whether they interoperate and integrate with other tools or skill taxonomies.



Plan Skills-Based Hiring Implementation and Change Management Strategy

ACTIONS TO TAKE

- **Inventory** existing or planned tools that store or utilize skills data (e.g. HRIS, LMS/LXP, ATS, Talent Marketplaces, talent intelligence tools, etc.).
- **Identify** and catalog existing skills information and datasets, including where they live, what they capture, who owns them, and how they are currently being used.
- Determine implementation plan and assign ownership for ingesting, storing, and sharing skills data.
- ✓ Identify gaps between existing tech infrastructure and what is needed to support skills-based hiring initiatives.

KEY STAKEHOLDERS

C-Suite Department leaders HR IT

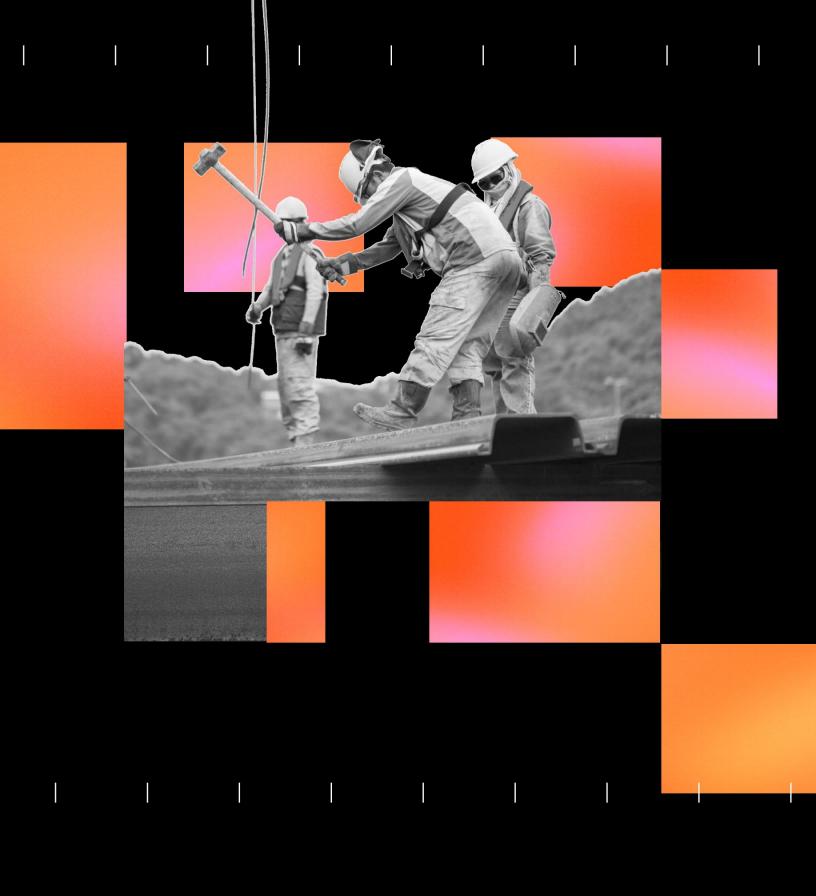
SKILL PRIORITIES SUPPORTED

Skills Strategy and Direction Skills Data Management



If certain teams or leaders within your organization are hesitant to embrace skills-based hiring, or if you want to evaluate your skills investments before scaling them, starting with a smaller pilot program can be an effective way to generate quick skill-based wins, build on lessons learned, and demonstrate value to reluctant stakeholders.





Architect

ARCHITECT:

Develop Internal Skills Library

ACTIONS TO TAKE

- **Build** a standardized skills taxonomy and centralized repository for skills.
- **Develop** ability to log changes to skills taxonomy for version control purposes.
- ☑ Develop inventory of skill requirements that maps skills to individual roles within the organization.
- ☑ Determine whether proficiency levels are needed for planned skills-base hiring initiatives.

KEY STAKEHOLDERS

HR IT

SKILL PRIORITIES **SUPPORTED**

Skills Data Management



Save time by identifying existing skill libraries or taxonomies that you can adopt from third parties, many of which are available for free (full disclosure: Lightcast offers a free skills taxonomy).



ARCHITECT:

Connect Skills Data to Other Internal Skills-Enabled Infrastructure

ACTIONS TO TAKE

- **Map** skills to internal job titles or job roles.
- ✓ Connect skills to HRIS, ATS, LMS, talent marketplaces, talent intelligence platforms, or other skills-enabled tools.
- Map skills to learning content.
- Develop plan and identify tools needed to assess and/or infer skills across existing workers.

KEY STAKEHOLDERS

Department leaders Hiring Managers HR

SKILL PRIORITIES SUPPORTED

Skills Data Management



It can be a large undertaking to integrate skills with your existing infrastructure, so start with the easiest connections to find quick wins and generate momentum. Don't worry if you can't integrate skills into all of your workflows all at once.



ARCHITECT:

Connect Internal Skills Data to External **Talent Intelligence**

ACTIONS TO TAKE

- **Determine** metrics and KPIs you wish to track related to your skills-based initiatives.
- ✓ Identify sources of external labor market data (e.g. data vendors, government agencies, etc.).
- Assign ownership for external skills data collection and analysis.
- Develop plans for data collection, storage, integration, and access.

KEY STAKEHOLDERS

HR IT

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Strategy and Direction Skills Data Management

Common metrics and KPIs used to inform and assess skills-based hiring include: Time to fill Turnover rates Tenure

Promotion rates Average hiring costs





Optimize

Identify Future Skill Needs and Pinpoint Key Skill Gaps

ACTIONS TO TAKE

- Assess skills needed to support future business priorities.
- ✓ Identify emerging, high-value skills across your industry and main competitors.
- ✓ Compare current skills of organization with future skill needs and identify gaps.
- Prioritize skill gaps to close and develop roadmap to close key skill gaps.

KEY STAKEHOLDERS

C-Suite Department leaders Hiring Managers HR

SKILL PRIORITIES SUPPORTED

Business Value Delivered Stakeholder Engagement

PRO TIP

Reviewing market data on emerging skills across your industry is a good way to pinpoint skills you may want to build to keep pace with your peers. However, it is also important to not simply imitate others in your industry, but also develop skills that differentiate your workforce. This can help you build competitive advantage through unique skillsets on your team.



Optimize Talent Development Strategy

ACTIONS TO TAKE

- ✓ Assess internal leader preferences for various buy, build, borrow, or bot talent development strategies.
- Identify any cost, urgency, headcount, or proficiency constraints for all outstanding skill needs.
- Develop a data-driven process to quickly evaluate the cost, time-to-fill, talent availability, worker proficiency, or other key considerations associated with different buy, build, borrow, and bot strategies.

KEY STAKEHOLDERS

C-Suite Department leaders Hiring Managers HR

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Data Management Stakeholder Engagement

Prioritize your most critical roles first when first building out a skillsbased talent development strategy. You can determine these roles by identifying the largest, hardest to fill, or most strategically important roles in your organization. This can help you demonstrate quick wins and reduce the time to value of your skills-based initiatives.

Optimize Talent Sourcing Strategy and Diversify Talent Pipelines

ACTIONS TO TAKE

- **Audit** job descriptions to separate necessary from preferred requirements and remove requested degrees, credentials, or skills that are not strictly necessary.
- **Ensure** all filters in your ATS or other hiring tools are updated to remove extraneous requirements.
- **Develop** consistent hiring and interview processes that strive to minimize bias and remove unnecessary barriers such as lengthy prescreening questions, unreasonable numbers of interviews, etc.

- Identify and learn about new populations of workers to recruit from (e.g. job seekers without a bachelor's degree, neurodiverse workers, workers with a criminal record, etc.).
- Partner with organizations and attend events that cater to these populations.
- ✓ Identify new working arrangements (e.g. remote work) that may expand access to more workers.

KEY STAKEHOLDERS

C-Suite Department leaders Hiring Managers HR

SKILL PRIORITIES **SUPPORTED**

Business Value Delivered Skills Strategy and Direction Skills Data Management Stakeholder Engagement

PRO TIP

Some KPIs you can track to assess and communicate the ROI of expanding your candidate pool include average hiring costs, average time to fill, retention rates of new hires, and various DEI metrics.



Develop Targeted Onboarding and Training Strategy

ACTIONS TO TAKE

- ☑ Build onboarding plans and materials that are personalized for different populations
- Prioritize skills to train for based upon their importance to the business.
- Build personalized training recommendations for individuals based upon their current role, skills, and future aspirations.

- Equip managers with the skills and tools needed to mentor and guide workers along their training and career journeys.
- Encourage an organizational culture of continual learning.

KEY STAKEHOLDERS

C-Suite
Department leaders
Hiring Managers
HR
Frontline Workers

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Strategy and Direction Skills Data Management Stakeolder Engagement



Training for skills that are the highest-growth and highest-cost in the market can help you maximize the ROI of your training initiatives. It can also help you differentiate your workforce your competitors.



Build Career Pathways and Enhance Internal Mobility

ACTIONS TO TAKE

- **Develop** career pathways that provide a clear roadmap of transition opportunities between skill-adjacent roles within your organization.
- Connect career pathways to learning content and other resources that will support workers on their career journey.
- ☑ Build succession plans between skilladjacent roles at all levels, not just executive roles.
- ☑ Track and benchmark key mobility metrics against peers - such as average tenure and internal promotion rates.

KEY STAKEHOLDERS

C-Suite Department leaders **Hiring Managers** HR Frontline Workers

SKILL PRIORITIES SUPPORTED

Business Value Delivered Skills Data Management Stakeholder Engagement



Use career pathways to expand the diversity of your talent pipeline for critical roles by identifying skill-adjacent fields with a more diverse talent pool that can be redeployed into fields with less diversity.



3. PUTTING SKILLS INTO PRACTICE: GUIDE TO GETTING STARTED TODAY

In our experience working on skills initiatives with hundreds of organizations, from start-ups to the Fortune 50, it's critical to start small and gather insights along the way. Initial tests or proofs of concept can have meaningful results themselves, and provide data that help inform the business case for additional resources.

Here's the set of initial steps we recommend for getting started with skills today:

A. IDENTIFY CRITICAL ROLES

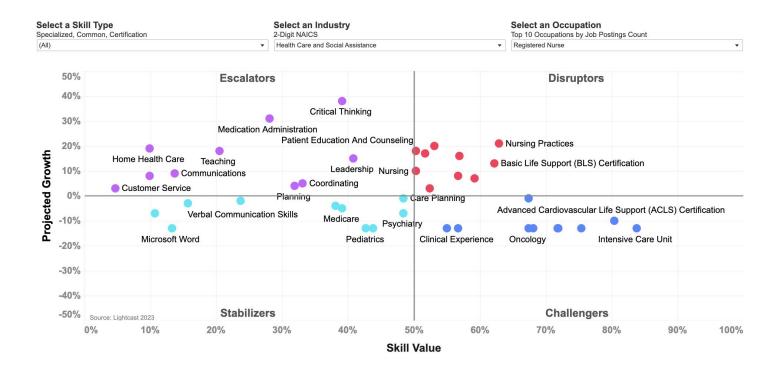
The best way to get started is to identify key roles that are a business priority for your organization in the next 12 months. This may include roles with high turnover rates, hard to find candidates in the market, or strategic importance to the organization. Generate a list of 5 or 10 priority roles to start.

B. IDENTIFY THE MOST MEANINGFUL SKILLS

For each of these roles, not all skills are created equal. Skills and their importance for different roles are constantly changing alongside your organizational priorities and technological advances. Correctly identifying and prioritizing skills needed in these roles can be the key factor in driving impact for your organization.

Informed by thousands of hours of data analysis and our skills taxonomy, we've created a tool - free to access - to help identify the priority skills for each role. Start here to help shed some light on the critical and disruptive skills with Lightcast's Disruptive Skills Matrix.

Disruptive Skills Matrix

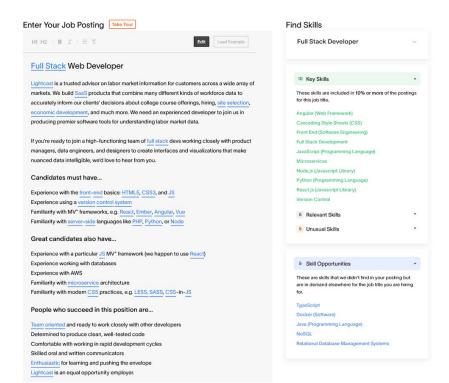


This allows you to see the skills that are growing (forecasts two-year skills growth, identifying skills that are growing or declining compared to other skills) and valuable (the difference in market salary for a role with and without a given skill requirement expressed as a percentile) for a given occupation and industry, ranking them into four quadrants. Organizations need to focus on building disruptive skills into their organizations to maximize the value of each employee be better prepared for the future of work.

UPGRADE YOUR JOB POSTINGS ACCORDINGLY

Most hiring managers have no way of knowing what kind of talent exists in the market or how the skills or other requirements they're asking for impact the pool of potential candidates. This is where data-informed skills analysis can offer insights and help to optimize job postings.

Take a deep dive into understanding the skills needed for these roles and which skills you are missing by using our free online Job Posting Optimizer tool. Copy the text of your posting into our Job Posting Optimizer and watch it instantly extract all the skills you're listing (including ones you didn't realize you were asking for). Now you can refine the posting by taking note of which skills are common, which are



priorities, which you can exclude, and new ones to include.

Pay particular attention to the job titles of your posting - it's a best practice to verify the market skills associated with the top market skills for that job title. Also, assess which credentials or other requirements you're requesting - such as degrees, certifications, or experience levels - are truly needed. If they are not absolutely necessary for the role, consider removing them to expand your candidate pool.

DEVELOPING A SKILLS-FIRST MINDSET ACROSS YOUR **ORGANIZATION**

This toolkit was developed to demystify skills-based hiring and arm employers with actionable advice on how to leverage skills across the talent management lifecycle. It also aims to help stakeholders across an organization develop and apply a skills-first mindset. Skills-based hiring should not be a siloed endeavor confined to HR – it should be an organization-wide muscle that helps employers tap into new talent pools and align their talent management practices with strategic priorities. Leaders and hiring managers across an organization, regardless of department, can adopt the skills-based practices outlined in this toolkit, even if only by one incremental step at a time. By doing so, organizations can develop a skills-first mindset, which can enhance hiring outcomes, reduce costs, and expand opportunity for employers and employees alike.



ABOUT LIGHTCAST

Lightcast provides trusted global labor market data, analytics, and expert guidance that empowers communities, corporations, and learning providers to make informed decisions and navigate the increasingly complex world of work. With a database of more than one billion job postings and career profiles, our team provides best-in-class customer service with robust data, clear analysis, and expert guidance on skills, jobs, and opportunities.

Lightcast is active in more than 30 countries and has offices in the United States, United Kingdom, Canada, Italy, New Zealand, and India. The company is backed by global private equity leader KKR.

For more, visit lightcast.io.

ABOUT LIGHTCAST OPEN SKILLS

The Lightcast Open Skills Library is a free open-standard skills taxonomy available via API and Snowflake that provides a reliable shared language for every skill on the labor market. A dedicated team of Lightcast taxonomists and engineers cleans, checks, and updates each entry to ensure it always provides the most accurate and up-to-date picture of the skills in supply and demand across the labor market.

Learn more at lightcast.io/open-skills.

WRITTEN BY

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Special thanks to Caroline Effinger and Elizabeth Crofoot who contributed input and ideas to the toolkit.



SKILLS-BASED HIRING TOOLKIT

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