

# Towards a Skills-Focused Labor Market: Using Technology to Drive a Paradigm Shift

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**ABSTRACT:** A paradigm shift is underway in the world of work. Traditional approaches to career development focus on stories, personality preferences, and experiences. This paper explains how a skill-focused approach to career development can benefit clients. It provides information, ideas, and tools to shape the practices of career counselors and the career outcomes of job seekers in diverse environments, focusing on creating more equitable labor markets with employment opportunities for everyone.

## SKILL-BASED APPROACH IN THE LABOR MARKET

Skill-based hiring first gained popularity among employers. Around 2010, this approach sparked debate as major global employers announced that they were striving to eliminate unnecessary degree requirements from their job postings and hiring processes. By 2020, the proportion of job postings requiring a bachelor's degree declined overall by 12%; however, these changes in job postings were most often employer-specific. In other words, while some companies successfully transitioned to skill-focused practices, others did not (Filler, Langer, & Sigelman, 2022). For instance, as of 2024, among all companies intending to adopt skill-based hiring, 37% completed the transition successfully, while 45% implemented no relevant changes. Meanwhile, the remaining 18% initially

adopted skill-based hiring but reverted to previous hiring practices (Crist, 2024).

Regardless of these recent trends, evidence suggests that skill-based hiring will play a significant role in the future world of work. The European Commission recently concluded The European Year of Skills in 2023 ([https://year-of-skills.europa.eu/index\\_en](https://year-of-skills.europa.eu/index_en)) with a focus on fostering long-term sustainable growth through a skilled workforce equipped with the most in-demand skills. Such innovative initiatives suggest that career guidance and employment services must also follow this skill-based trend, which we label as skill-focused career development. Currently, a mutual struggle is ongoing between employers and job seekers. In particular, employers struggle to identify suitable talent, while job seekers struggle to effectively communicate their skills. Furthermore, universities and colleges remain siloed in

their understanding of outcomes and are often protective of their assets. This struggle is exacerbated by the increasing emergence of complex skills sought by employers, prompting some to steer away from the practice of using degrees as a proxy for assessing soft skills to compensate for a gap in hard-skill assessment practices and procedures.

To embrace skill-focused career development, we recommend the following broad actions to be undertaken at the professional association level: 1. Establish a standardized language for identifying skills that are in demand. 2. Encourage and incorporate achievements and credentials that demonstrate skills. 3. Articulate non-degree pathways to career opportunities.

While these actions are crucial at higher levels of professional action, the purpose of this paper is to guide practitioners on adapting their current practices to align with these changes.

### **TRANSLATING THE REQUIREMENTS OF THE SKILL-BASED APPROACH INTO SKILL-FOCUSED PRACTICES**

In this section, we will present how skill-based requirements can be put into practice by incorporating them into a technology tool developed by SkillLab, and used by SkillLab's partners across the Asia-Pacific region and worldwide. SkillLab is an impact-driven business that supports employment and career services in creating equitable labor markets through the universal language of skills. SkillLab's digital solution uses artificial intelligence technology to help people explore, capture, and demonstrate their

skills. Users input their experiences into the technology platform, including work, education, and life experiences (such as volunteering, sports, family care etc.). Skills assessment for each experience is recommended by the AI within the platform. SkillLab's tool leverages skill taxonomies, such as ESCO<sup>1</sup> and O\*NET<sup>2</sup>, to recommend different career and educational matches to users based on their skill profiles. Once users complete their profiles, they can generate customized curriculum vitae (CV), and explore diverse career and educational opportunities based on their skill profiles.

In addition to empowering users, the SkillLab tool also empowers counselors by enabling them to manage all their clients through a platform-based counselor portal, including functions such as inviting users, planning tasks, monitoring progress, and creating client reports.

### **APPLYING THE SKILL-FOCUSED APPROACH IN COUNSELING**

Our research focused on examining how the application of the skill-focused approach and skill-based technology in counseling affects the work of career counselors. Between February and April 2024, we conducted 12 qualitative interviews with counselors who used the SkillLab tool in their daily work. These counselors were affiliated with public employment organizations, non-governmental organizations, and private employment services from six countries across three continents. Their target groups included refugees, NEET<sup>3</sup> youth, and registered unemployed individuals. After conducting the interviews, we analyzed the

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<sup>1</sup> European Skills, Competences, Qualifications and Occupations, skill taxonomy of the European Union

<sup>2</sup> Occupational Information Network, the occupational taxonomy of the United States of America

<sup>3</sup> Not in Education, Employment, or Training

collected data, and identified three themes illustrating the effects of the skill-focused approach in counseling.

### **Empowering Clients**

The first theme focuses on how the skill-focused approach can empower the clients of career counselors. The interviewed counselors reported that implementing the skill-focused approach and the SkillLab tool significantly helped clients understand themselves better, and recall their previous experiences in relation to their work skills. In the past, counselors had to mostly rely on their clients' memories, often leading to incomplete assessments owing to forgotten experiences. In addition, the participating counselors reported that the SkillLab platform made the career counseling process more efficient (i.e., shorter).

The SkillLab tool enables clients to learn about various career options aligned with their skills, and acknowledge skill gaps for roles they aspire to pursue. This makes it much easier for counselors to recommend possible educational and career paths.

Focusing on skills and using the SkillLab-generated CV enhanced the visibility of job seekers to employers. Some counselors even reported that employers viewed the SkillLab CV as a model of the high-quality and modern CVs frequently sought from applicants.

One important impact of the SkillLab tool is that it educates both counselors and their clients about skills in general, including different skill categories and transferable skills: *"The tool offers you more technical skills to choose from, which is an upgrade from what we did before when we had more general, overarching descriptions like 'digital skills'; and now we, can choose any specific skill that people have."*

Most importantly, the participating counselors highlighted that the SkillLab tool and the skill-focused approach significantly enhanced their clients' self-efficacy, self-esteem, and confidence, thus producing the most substantial changes and effects in the long term.

### **Empowering Counselors**

The second theme identified in our analysis focuses on the changes brought about by the implementation of the skill-focused approach and SkillLab's tool in the counseling process. Counselors reported that using the tool enabled them to understand their clients better and communicate with them more effectively and efficiently: *"This is extremely important for us because people are at an emotional low point, and it is very important to encourage a person to engage in a sincere conversation so that they formulate for themselves what they want in the end. [...] This makes it easier for us to communicate with the job seekers, and find them a job."*

Adopting skill-based technology, such as SkillLab, enables both counselors and their clients to save time, enables counselors to automate processes, and adds complexity to their career advice: *"Before, our approach was purely work-based learning, and we did it all manually. With SkillLab, we were able to automate everything. The sectors are easier to identify, as are the industries, the career interests, and the matching. Everything is done swiftly compared to how we did it before. SkillLab was able to provide a layer of not complexity but also offered more industry-aligned terms and industry-aligned features of CVs that are being used."*

### **Leveraging Technology**

The third and final theme is leveraging technology to not only support skill-focused

career guidance but also make career guidance accessible to as many people as possible. Counselors emphasized how technology, particularly mobile-first solutions such as the SkillLab tool, can benefit individuals with limited resources. This is particularly relevant for target groups from vulnerable backgrounds, as they often do not have computers or access to internet cafes.

Counselors also frequently discussed the SkillLab CV, noting that the process of creating and obtaining a modern, skill-based CV is made much easier by the tool: “*You do not need a laptop or a computer or anything else, as it’s easy to complete the assessment, save the CV, and then send it from your phone. This takes two minutes—while you’re on the bus, you create and update your CV, and apply for a job.*”

### CONCLUSIONS

The experiences of counselors adopting the skill-based approach and skill-based technology developed by SkillLab prove the application feasibility of the skill-focused approach in career guidance. This approach yields positive results for different labor market stakeholders. Furthermore, by empowering counselors and their clients, this approach makes significant and long-lasting impacts on individuals’ lives and the future of labor markets.

### REFERENCES

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