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Creative Solutions to the Credentialing Chaos

Stephen Crawford

In the 1950s and 1960s, skilled workers, whether factory workers, white-collar employees, or managers and salaried professionals, tended to work for the same firm for many years—often their entire careers.¹ In the words of economist Paul Osterman (2004, p.155), “The typical American worker averaged the same number of years at their employer as did the average Japanese employee, who lived under a system dubbed ‘lifetime employment.’” That meant that firms filled many job vacancies from their existing workforce—the “internal labor market”—and promoted existing employees to fill higher-level openings that arose because of turnover, retirements, or business expansion. In doing so, employers did not need credentials to tell them what these workers knew and could do, since they already had years of experience supervising them. Lower-skilled workers labored in the much more volatile “external labor market” but by definition lacked the kinds of marketable skills to which credentials typically attest. Thus, workforce credentials played a much smaller role in the labor market than they do today.²

That stable labor market has long since given way to one characterized by considerable volatility for most skilled as well as unskilled employees. Moreover, the skill needs of firms have increased dramatically, as evidenced by both the large expansion in the ranks of technical and managerial employees and the “upskilling” of many occupations. One result is that employers need many more skilled and highly skilled workers than in the past, yet rely far more on the external labor market for them.

In addition, much occupational knowledge has been codified, and educational institutions have emerged to transmit it to those who aspire to enter knowledge-based occupations. These schools and programs

award credentials that presumably strengthen their holders' position in the labor market, which in turn reinforces a "credentials competition" among both workers and the institutions that award them. That is, more workers seek higher-level credentials to distinguish themselves on the labor market, and more schools and programs offer their own distinctive credentials in an effort to stand out from their peers and attract more students.

These developments have vastly increased the labor market's dependence on credentials as attestations of their holders' knowledge and skills. Unfortunately, the credentials themselves perform this function badly. To begin with, there is a confusing variety of credentials offered, ranging from academic degrees, for-credit certificates and noncredit certificates to industry certifications, state and federal occupational licenses, apprenticeships, and badges. Degrees and certificates attest to the successful completion of a certain program of study, but they say little about what its holder can actually do in a particular work setting.

By contrast, certifications attest to the demonstrated possession of industry- or occupation-relevant skills, require periodic renewal, and can be taken away for unethical behavior or proven incompetency. Accredited certification programs go further, requiring that the assessments to demonstrate skills are carefully derived from job analyses and that these assessments are fair, valid, and reliable. However, according to Workcred (2018), only about 10 percent of certifications are accredited by either of the two main bodies, the American National Standards Institute (ANSI) and the Institute for Credentialing Excellence (ICE), and the quality of the unaccredited ones varies widely, so that some so-called certifications are in reality just certificates.

Adding to the confusion created by the different types of credentials is the sheer number of them. According to a recent report from Credential Engine (2018), there are 213,913 degree-granting programs (associate's through doctorate) and 66,997 for-credit certificate-granting programs at the nation's Title IV colleges and universities. There are also 13,656 federally registered apprenticeships, 8,864 state-issued occupational licenses, 5,465 certifications, at least 650 coding boot camp certificates, and 47 online MicroMasters and Nanodegrees, for a total of 308,942 credentials in the United States. This tally does not include the growing number of digital badges, nor does it include licenses issued by the federal government, noncredit certificates within and outside higher

education, or credentials issued by educational institutions not covered by Title IV, as there is no way to accurately count them.

With such a large and varied assortment of credentials—and many new ones emerging yearly—it is extremely difficult for either employers or those contemplating obtaining a credential to make sense of their options. McCarthy (2014) illustrates the problem well in the case of a Michigan woman seeking to become a medical assistant, an occupation that is a good first step on health-care career paths such as nursing, occupational therapy, and hospital administration. “A certificate in medical assisting,” she says, “takes less than a year to complete and, in some cases, can count toward an associate or bachelor’s degree” (p. 2). In Michigan, however, there are 59 institutions of higher education that offer certificate programs in medical assisting, and they vary widely in duration, costs, eligibility for federal grants and loans, and whether they provide credit toward a degree, says McCarthy.

In trying to navigate this confusing terrain, the consumers of credentials—students, parents, career counselors, loan agencies, employers, and so forth—often look to the quality assurance bodies that accredit, endorse, recommend, or otherwise approve specific credentials. Yet here too there is confusion about what these stamps of approval mean. Consumers are fairly familiar with the 6 major regional accreditors of higher education institutions,³ but they are far less familiar with the 10 national accrediting organizations, the more than 100 organizations that accredit specialized and professional programs, and the hundreds of accreditation bodies that are not recognized by the U.S. Department of Education or the Council on Higher Education Accreditation, some of which are “accreditation mills.”

The current credentialing landscape makes it virtually impossible for either an employer or a potential student to comprehend and compare what particular credentials represent in terms of competencies, quality of instruction, validity of assessment, relevance to current occupational requirements, market value, and so on. This is a serious problem in an economy whose prosperity depends on the development and deployment of human capital.

Troubled by this situation, policy researchers at think tanks and universities began exploring and discussing possible solutions with representatives of employer associations, higher education associations, and government agencies. This collaborative work resulted in several strat-

egies, one of which was the Credential Transparency Initiative, funded by the Lumina Foundation. This initiative developed a Credential Transparency Description Language for describing the critical features of all credentials and a web-based Credential Registry for aggregating this information and enabling customized searches. These features include costs, competencies, assessments, labor market outcomes, and quality assurance organizations that give recognition to the particular credential involved. Pilot testing showed this system to work so well that in 2016 the Lumina Foundation, with help from the Business Roundtable, created an independent nonprofit called Credential Engine to maintain this system and take it to scale.

In this section, the chapter authored by Ken Sauer and Stephen Crawford describes how Credential Engine works and is addressing the scaling problem of critical mass—of getting enough credentialing organizations to post information on the Credential Registry to make it of interest to potential users. To combat the understandable reluctance of credentialing organizations to be early adopters, Credential Engine is working with a few state governments to build up a critical mass of credentials in one industry. In this chapter's case study, the state is Indiana and the industry is health care. The Indiana Commission on Higher Education is taking the lead, building on existing initiatives—especially those involving transitioning veterans—to successfully engage various stakeholders in the health-care credentialing arena.

Credential Engine exemplifies the potential of a carefully designed digital platform to improve the functioning of the labor market by standardizing supply-side terminology, aggregating information, and enabling easy access to it. Could the same principles be applied to the demand side—the skills that employers seek from potential workers? The U.S. Chamber of Commerce Foundation's Jason A. Tyszko makes a powerful case in his chapter that they can, and he shows how his organization's Talent Pipeline and Jobs Registry initiatives are already doing so. These initiatives are developing processes for signaling at the competency level and in machine-readable ways the skill and credential requirements of local employers within the same industry and for communicating this information to the market, thus enabling job seekers and credential providers to respond more effectively. Tyszko's chapter goes beyond creative ideas to discuss pilots that are well underway in several cities.

Robert Sheets was intimately involved in the creation of Credential Engine and the Chamber initiatives mentioned above. In his chapter, he builds on lessons learned along the way by analyzing the weaknesses of the current system, illustrating the potential inherent in new technologies and recent private-sector innovations, and offering policy recommendations aimed at creating a more flexible, integrated, and effective system—an open-source public-private data infrastructure for labor market information.

The final chapter, by Alejandro Crawford, offers yet one more creative way to improve the credentialing marketplace: by creating a national credential for entrepreneurs. Here, too, much depends on developing satisfactory definitions of key competencies, standardizing the language used to describe them, establishing methods for demonstrating and assessing entrepreneurial skills, and providing a common digital platform for enabling this activity. Creating a credential for entrepreneurs and supplementing it with associated assessment tools is especially challenging because entrepreneurial competency makes sense only in terms of interactions between the entrepreneur and a dynamic ecosystem of investors, markets, talent sources, testing labs, production facilities, and business regulations.

This chapter is a fitting conclusion to the section because, among other things, it points to a curious relationship between the need for an entrepreneurship credential and the growth in the importance of other credentials discussed above (degrees, certificates, licenses, badges, etc.). As more and more Americans have sought and obtained credentials to improve their labor market prospects, those interested in starting their own businesses face additional opportunity costs, especially if they took out loans to acquire a credential. The past few decades have seen a decline in the rate of new business formation (J.D. Harrison 2015), and one reason may be that once a credential is obtained, the temptation to cash in on its labor market value overwhelms any inclination to gamble on an entrepreneurial venture. If that is the case, the rise of credentials makes it all the more desirable to develop a credential for job creators.

All four of this section's chapters are by authors who work directly with the stakeholders involved—colleges, employers, entrepreneurs, and policymakers—and understand their information needs. The authors all build on recent advances in data structuring and the use of digital platforms for aggregating and sharing data.

Most importantly, they recognize and address the challenge of standardizing the terms used to describe skills, assessments, and related information, while still allowing enough flexibility to accommodate desirable variation and adapt to future change. The point is to use standardization not to reduce differences (the way the National Skills Standards Board tried mightily to do in the 1990s), but to make differences more transparent in a rapidly changing marketplace.⁴ This bottom-up (vs. top-down) form of standardization enables meaningful comparisons of credentials and thus an effective market where buyers and sellers can make informed choices about the best value for their purposes. Such standardization, combined with sophisticated systems for assembling, verifying, and distributing the relevant information in real time, holds out enormous promise for improving the development and deployment of the nation's talent.

In short, the subsequent chapters offer creative solutions to major problems in today's credentialing marketplace. It remains to be seen whether these visionary solutions will be widely adopted, but given the importance of credentials in our knowledge-based economy, it is vital to consider and build on them.

Notes

1. For this paper, we define a "skilled" worker as any worker who has acquired special skill, training, knowledge, and ability in his or her work, whether gained through college, technical school, or experience on the job.
2. See also Cappelli (1999, 2008).
3. The six regional accreditors are the Middle States Commission on Higher Education, the New England Association of Schools and Colleges, the Northwest Commission on Colleges and Universities, the Higher Learning Commission, the Southern Association of Colleges and Schools, and the Western Association of Schools and Colleges. Additionally, the Board of Regents of the State of New York is recognized as an accreditor for degree-granting institutions of higher education in states that designate the agency as their sole or primary accrediting agency.
4. The National Skills Standards Board was a congressionally chartered federal initiative funded from 1994 to 2003, administered by the U.S. Department of Labor and charged with improving methods for defining and measuring human work performance across multiple industry sectors. When congressional funding ended in 2003, key staff members continued its work through the Global Skills Exchange. See www.skillsdmo.com/who-we-are/.

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