BIG INSIGHTS FROM SMALL AND MID-SIZED BUSINESSES

What local employers say about hiring challenges — and how policy can help

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BUSINESS LEADERS UNITED
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EXECUTIVE SUMMARY

Leaders across the United States share a common concern: how to ensure that workers have the skills they need to find quality jobs and that businesses have the talented workforce they need to thrive.

In response, policymakers and education and workforce leaders have been exploring new ways for workers to demonstrate their competencies.

One example is the growing adoption of "skills-based hiring" — an approach that prioritizes applicants' skills, competencies, and experience over bachelor's degree requirements. This approach has the potential to remove barriers for people without traditional degrees and widen talent pools for employers.

Policymakers are also focusing on short-term, quality non-degree credentials as a way for people to certify that they have industry-validated skills. States have made significant investments in these credentials;[1] and the federal government recently expanded its own investments via Workforce Pell.

As public investment grows, policymakers and skills advocates are working to ensure that these efforts lead to strong outcomes — but business perspectives are rarely researched. To fill that gap, Business Leaders United for Workforce Partnerships interviewed 75 small and mid-sized businesses[2] — primarily in manufacturing and construction — about their hiring and skills assessment processes.

How businesses view credentials in hiring

Businesses did not typically use vocabulary such as "quality non-degree credentials." In fact, many companies found the sheer number and wide variety of non-degree credentials confusing and overwhelming.

When hiring for entry-level positions, many small businesses were either unaware of credentials that could demonstrate a candidate's skills or unfamiliar with the particular credentials presented by jobseekers.

However, these same companies do value credentials when filling positions on the next rung of the career ladder, whether promoting from within or hiring new candidates.

And, although they didn't use the term, many firms described using processes akin to skills-based hiring.

Practices that set strong employers apart

A subset of the small businesses interviewed have developed a set of high-quality hiring and talent development practices, including skills and credential assessments.

These practices include:

1) Clear, standardized job descriptions with well-defined skills and competencies
2) Meaningful connections to education and workforce systems
3) Opportunities to collaborate with industry peers on talent development issues
4) A rigorous definition of interpersonal ("soft") skills that connects to the company's core mission and values
5) A robust feedback loop that allows for worker input into key issues; and
6) A collaborative approach to solving common work-life challenges that can affect turnover.

Most companies are still a work in progress — creating clear opportunities for public policy to help.

What policy can do to support employers and workers

The research illustrates the value of directly engaging with small and mid-sized businesses. Their perspective is crucial to making sure that education and workforce strategies can yield win-win results for business and workers.

Specific ideas offered by businesses, with public policy implications, include:

1. **Increase funding for workforce development and make it easier for small businesses to access.**
2. **Expand investments in upskilling and incumbent-worker training, especially for digital skills.**
3. **Strengthen and scale industry sector partnerships that connect businesses, educators, and workers.**
4. **Provide technical assistance to help small and mid-sized businesses engage with workforce systems.**
5. **Help small businesses understand the credential landscape, including exploring a standardized skills passport.**
6. **Support workers in developing foundational skills like math, English, and technology - taught in real-world contexts.**
7. **Expand high-quality work-based learning opportunities that provide hands-on experience.**
8. **Invest in systemic fixes for chronic challenges like childcare and transportation.**

FULL REPORT

BIG INSIGHTS FROM SMALL AND MID-SIZED BUSINESSES

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KEY INSIGHT

Small businesses value skills but find the credential landscape confusing. While most don't use the term "skills-based hiring," many are already applying its principles — defining the skills they need, partnering with local education and workforce providers, and using credentials when they can verify their quality. Public policy can help businesses by illuminating the credentialing landscape, strengthening training partnerships, and investing in the skill-building and supports that help workers and businesses succeed.

Businesses' concerns about skills and hiring

Business, policy, workforce, and education leaders across the United States share a common concern: how to ensure that workers have the skills they need to find quality jobs and businesses have the talented workforce they need to thrive.

In response, policymakers, education and workforce leaders, and businesses have been exploring new ways for workers to demonstrate their competencies for a particular job, and for businesses to recognize and value skills and experience that fit their needs.

One example is the growing adoption of "skills-based hiring" — an approach that prioritizes applicants' skills, competencies, and experience rather than merely focusing on bachelor's degree requirements.[3] This approach can remove barriers for people without traditional degrees and widen talent pools for employers. It also better aligns with the plurality of jobs in the labor market that require some education or training beyond high school but not a bachelor's degree.

At the same time, policymakers at both the federal and state level are focusing on short-term, quality non-degree credentials as a way for people to certify that they have industry-validated skills for specific jobs. Non-degree credentials include certificates, industry certifications, and occupational licenses. They are typically earned through short-term programs, such as community college certificates, continuing education programs, nonprofit job training programs, or apprenticeships.[4]

States have made significant investments in these short-term credentials.[5] One analysis found that there are now thirty-two states investing in short-term credentials and that spending on these programs increased by forty percent in just one year, from nearly $4 billion in 2023 to $5.6 billion in 2024.[6]

Federal investment in these credentials is also increasing. In mid-2025, Congress expanded federal Pell Grants to include certain high-quality short-term workforce training programs, colloquially referred to as "Workforce Pell."[7]

As public investment grows, policymakers and skills advocates are working to ensure that the programs and credentials in which funds are invested will lead to strong outcomes for both businesses and workers.

These efforts often emphasize the importance of having data on businesses' demand for particular credentials (that is, what characteristics and skills businesses look for when filling specific roles).

But little research on this topic has directly asked business leaders how they hire, what role credentials play in hiring, and what else influences their hiring decisions. To fill that gap, Business Leaders United for Workforce Partnerships (the business engagement arm of National Skills Coalition) spoke with 75 small and mid-sized businesses about their hiring and skills assessment processes, including how and when credentials play a role.

This brief describes what businesses shared and the implications for policymakers and other leaders who are working to design education and workforce systems that effectively connect jobseekers and businesses. It recaps how businesses are working to meet their talent needs, describes practices common among the most effective businesses, and concludes with a set of ideas for how policymakers can use education and workforce policy to support small and medium-sized businesses in achieving positive hiring and skills-related outcomes for themselves and for jobseekers.

The research focused on the manufacturing and construction industries.[8] These industries are well represented across the United States and at the time of the interviews were hiring heavily. This ensured that the research would provide insight into current hiring practices and variables affected by geographic diversity.

How businesses view credentials when hiring

Interviews with small and mid-sized manufacturing and construction firms shed light on how they interpret information about jobseekers' knowledge and credentials; how they assess workers' skills at time of hire and throughout their employment; and how they design and implement their hiring, skills development, and promotion processes.

When describing their hiring processes, the businesses interviewed did not typically use the vocabulary or concepts that are prevalent in education and workforce development, such as "quality non-degree credentials."[9] In fact, many companies found the sheer number and wide variety of non-degree credentials to be confusing and overwhelming. As a result, they often did not view them as useful when hiring entry-level workers.[10]

This confusion highlights the key insight from the research: businesses value skills, but struggle to navigate the credential landscape that offers little clarity on which programs or certificates signal job readiness.

Jobseekers' resumes may present a myriad of different credentials, including those that are more generic and applicable across multiple industries; those awarded by national third-party industry certification bodies; those awarded by specific local training programs or educational institutions; and others. This mix makes it difficult for small and mid-sized companies to know which credentials reflect the skills they're looking for.

When it comes to hiring for entry-level positions in particular, the research found that many small businesses are either unaware of credentials that could demonstrate a candidate's skills they are looking for or unfamiliar with the particular credentials presented by jobseekers. Examples include general work-readiness credentials such as WorkKeys or soft-skills certifications. In addition, some companies are skeptical that broad industry certifications are relevant for their specific sub-sector, so they are hesitant to place much stock even in well-known certifications.

Significantly, however, these same companies do value credentials when filling second-level positions on the next rung of the career ladder. This is true regardless of whether they are promoting entry-level workers or hiring new external candidates. Firms were much more likely to know and trust, and sometimes require, at least one credential for these second-level positions. Depending on their industry sub-sector these may include milling and lathe certifications, avionics certifications or diesel technician certifications, among many others.

As the examples above show, the credentials that companies are familiar with and prioritize are technical credentials, including industry-recognized credentials. Other examples of technical credentials include forklift operator certifications, OSHA safety training certifications, and welding certificates. Some businesses also consider the attainment of *any* credential as a rough proxy for personal initiative or persistence and view it as a positive indicator when hiring.

In contrast, businesses are often unfamiliar with credentials that measure interpersonal skills (also referred to as soft skills, durable skills, or essential skills).[11] Nevertheless, virtually every business reported that they greatly value interpersonal skills such as teamwork, communication, and conflict resolution,[12] and were highly frustrated that they do not have effective ways to screen for or help workers develop those skills.

Beyond credentials, businesses also discussed their impressions when seeing specific Career and Technical Education (CTE) or community college programs on a jobseeker's resume. In general, businesses that have engaged with their local programs as advisors

Connecting Workers' Skills to Business Needs: Idaho Forest Group

As Director of Learning and Development, Marie Price is always thinking about how to help Idaho Forest Group's 1300 employees upskill and adapt to changing technology. With workers spread across six Idaho locations (plus one out-of-state site), and positions ranging from millwrights to electricians to truck drivers, there is plenty to do.

"In some cases, we provide training onsite via a vendor or other training provider," Price says. "They might be training people on new technology or equipment." In other cases, workers connect with a local community college or Career Technical Education program. This includes a short-term course in Programmable Logic Controls, hosted by the local community college which awards digital badges for completion. These Micro credentials align with competencies required for advancement of industrial electricians and controls technicians at IFG."

"In our registered apprenticeship programs everyone knows what the career pathway is," she explains, "and workers themselves help keep track of their advancement," as they turn in their training information, which the company tracks by spreadsheet. "Our mill is more automated than many others," she says. "We hire IT and software engineers to help develop and implement new technologies." After several years of planning, the company just launched a Fanuc robot that wraps lumber."

—Marie Price, Idaho Forest Group

or partners value seeing those on a resume because they view it as a signal of relevant education and skills attainment. However, businesses that have not engaged with their local education and training partners do not share that level of confidence and typically view this information as neutral.[13]

How businesses assess job candidates' skills

Numerous businesses described the difficulty of gauging whether an applicant for an entry-level role has the skills they need. Although they didn't use the term, many firms described processes like skills-based hiring. In the absence of what they view as meaningful indicators[14] from educational experience or credentials, businesses often rely on work experience in their industry as a proxy for skills.

While a handful of businesses described a rigorous and effective process of conducting standardized interviews and checking references, most companies expressed frustration with the reference process. Instead, those companies rely on a resume review and their own internal processes for assessing both technical and interpersonal skills during the interview and onboarding period.

For example, one business that hires a significant number of veterans reported that they review jobseekers' DD214 military discharge papers to better understand their skills and experience. Many businesses also shared that they rely on in-house tests or hands-on exercises, though they reported that these were of varying effectiveness. Some companies described using third-party tests such as personality quizzes or other assessments, but opinions were mixed as to their utility. Thus, although they do not require degrees for entry-level jobs, they are still attempting to identify and validate the skills of job candidates.

Businesses with strong hiring processes train their first-line supervisors and provide human resources support during the first 90 days. This helps assess and build new workers' skills. In contrast, companies that struggle to hire and retain workers often describe a "sink or swim" onboarding philosophy that relies on inaccurate assumptions about skills and talent. This leaves new employees floundering and tends to lead to high turnover.

Overall, the interviews revealed that a subset of small and mid-sized businesses have developed cohesive, high-quality hiring and talent retention processes, which include but are not limited to skills and credential assessments. These small manufacturing and construction firms said that they strive to be the employer of choice in their local communities as a competitive advantage, and their workforce development practices reflect that.

Regardless of where small businesses were on their journey to becoming employers of choice, they had insights into how public policies can help them find, train, and keep skilled workers.

Policymakers and education and workforce leaders may be surprised by what businesses said. In the spirit

of continuous improvement — much like the Lean Manufacturing principles that many leading small businesses follow — the findings in this study encourage leaders to re-think assumptions about what businesses most need in the realm of workforce development, and how systems and policies can respond.

Practices that set strong businesses apart

A subset of the small and mid-sized businesses interviewed for this project have developed a set of high-quality hiring and talent development processes. These companies often describe themselves as striving to be employers of choice in their local communities and typically have certain human resources and operational practices in common that facilitate good matches between jobseekers and open positions.

While these companies are good at assessing job candidates' skills, they typically approach it as just one part of a more cohesive, intentional, and thoughtful workforce development strategy. These companies recognize that recruiting and retaining a skilled workforce is not an isolated task but must be meaningfully integrated with other elements of business strategy and operations.

Understanding what these businesses have in common sheds light on what policymakers can do to support more businesses in attracting and retaining the talent they need, yielding better workforce outcomes for companies and workers alike. It also illuminates what education and workforce leaders can do to strengthen how they work with and alongside small businesses so that their students have confidence that pursuing skills training will help them achieve their employment goals.

Key elements shared by these leading businesses include:

- **Clear, standardized job descriptions with well-defined skills and competencies.** These companies have done the work to define the skills they need for each position (a critical component of skills-based hiring) and how workers can demonstrate that they have them. Their job descriptions and requirements are shared internally within the company and often externally as well. They give job applicants and existing employees an easy-to-understand roadmap for which skills and credentials are required to advance into higher-level jobs within the company,[15] so employees can see an explicit link between increased skills/credential attainment and higher wages/career advancement. Skills-based hiring does not stop once a person is hired but continues by providing pathways to advancement through upskilling. Businesses report that these tools help them attract the right workers and then retain them, because people can envision a meaningful future at their company. These tools also ensure the company

Relationships with Education and Workforce Partners: Gunny's Air Conditioning and Plumbing, Las Vegas Nevada

> Since taking on the CEO role six years ago, Founder and Operator Chris Marshall has worked actively to connect with local partners. "I am on the advisory board for the College of Southern Nevada, as well as other local trade schools and best practice associations," he says.
>
> That collaboration has yielded immediate results by ensuring that students graduate with necessary skills: "We've advised on training programs and curriculum to add specific skills, like being able to use certain Saas software platforms, and ensuring students are up to date on emerging technologies so that our workers have the skills they'll need on the job," Marshall says.
>
> It's also had longer-term benefits at Gunny's. "Being intrinsically involved in the workforce has opened many doors for us as a company," says Marshall. "We've been fortunate to give awards to students who are excelling scholastically and have given back to the community in partnership with [local TV] Channel 8, SNARSCA, and NV Energy with programs like the Gifting You A Cool Day Giveaways."
>
> Because the company has established itself as a community partner, they've been able to reap dividends. "When we're looking to hire, we send emails to the trade schools and we get flooded with resumes," says Marshall. "Sometimes we even get a call from the school, 'Hey, we have someone really good, you'll want to meet them.'"
>
> *— Chris Marshall, CEO, Gunny's Air Conditioning and Plumbing, Nevada*

is casting a wide net for talent and using objective measures for the internal promotion process.[16]

- **Meaningful connections to education and workforce systems**. Small businesses that are leading the way have established high-quality relationships with partners such as high school and community college CTE programs, nonprofit adult education providers, and workforce development organizations. These connections create a tight feedback loop between business needs and program design, which helps businesses trust that students will be prepared with relevant skills. It also helps reassure students that they are learning skills that will equip them for jobs in-demand locally, so they can achieve their career goals.[17]

  These relationships also allow businesses and their education and workforce partners to share information with each other and improve their mutual understanding of the incentives and pressures each partner is facing.[18] Businesses can advise training partners on the equipment necessary to provide industry-relevant training and even contribute to the purchase or donation of that equipment as appropriate. Finally, businesses can offer hands-on externships or other work-based learning opportunities — a best practice that provides training program participants with highly desirable real-world experience that can set them apart from other jobseekers after graduation.[19]

- **Opportunities to collaborate with industry peers on talent development issues**. Leading businesses participate in industry sector partnerships or similar entities that allow them to engage collaboratively with their peers on workforce development issues. For example, working together to develop a training curriculum can spark conversations among businesses about which skills are foundational across all roles versus more specialized. These conversations can also illuminate the nuances of hiring and retention challenges, so companies can check their assumptions about whether a given issue is industry-wide versus specific to their company.

  Effective industry sector partnerships can be especially helpful for very small companies. For example, companies that need only one or two apprentices per year might hesitate to launch an apprenticeship program on their own but would welcome the opportunity to work in tandem to build these programs with their peers.

- **A rigorous definition of interpersonal ("soft") skills that connects to the company's core mission and values.** For example, a company may identify the interpersonal skill of communication as vital to achieving its company-wide continuous quality improvement goals. In that case, workers are given clear expectations about what effective written and spoken communication with co-workers looks like and how it is evaluated, as well as meaningful assistance in improving their skills if necessary. (Notably, this rigorous approach to soft skills contrasts with a more common, superficial approach that does not reflect best practices. Earlier research has shown that narrow definitions of soft skills that emphasize compliance and "professionalism" can limit opportunities for talent to flourish and contribute to turnover.[20])

- **A robust feedback loop that allows for worker input into key issues.** In many companies, this is instituted as part of a continuous improvement practice such as Lean Manufacturing or Six Sigma (management approaches focused on efficiency and quality), or as part of an employee ownership model.[21] By creating an ongoing mechanism for workers to help shape the company's practices, businesses make it easy for small suggestions or issues about training to be raised. These can then be addressed promptly and productively before they grow into significant problems.[22] For example, one company mentioned their efforts to establish a tone of up-front communication from day one of a new employee's tenure, by explaining who workers should speak up to in the event of safety incidents, harassment problems, or simply general workplace issues.

- **A collaborative approach to solving common work-life challenges that can affect turnover.** Investing in practices that build worker skills is critical, but some people may struggle to take advantage of opportunities if work/life challenges (like caregiving or transportation issues) threaten their ability to stay on the job. Businesses that are leading the way in this area don't try to solve complex issues like childcare benefits or transportation access on their own. Rather, they initiate active partnerships with public agencies, nonprofit organizations, and industry associations that can help workers access supportive services.[23] Similarly, they recognize that worker feedback on company policies is vital intelligence that can help them improve retention. For example, they might gather input from workers to analyze the underlying cause of timeliness issues and then identify if there is a company change (such as adjusting shift start times) that could solve the problem and retain valued employees.

Tapping into Trusted Sources to Find Workers with Valued Credentials: Duncan Aviation

When Andy Richards is hiring an aircraft technician, he knows exactly what credentials he's looking for. "It's two separate certificates, airframe, and power plant. It's usually called A&P," he says. "It's the golden ticket. You can work anywhere in aviation with those certificates."

Richards knows what he's talking about. While he now serves as Chief Operating Officer at Duncan Aviation, he started at the company as a technician himself. Today, Duncan has 800 employees at its Michigan facility, plus more in Utah and Nebraska, and there is plenty of hiring to do.

Fortunately, the company has strong relationships with local educational institutions. "We go to Western Michigan University, Lansing Community College, SMAT (School of Missionary Aviation Technology)," Richards reels off a list. "Also, West Michigan Aviation Academy, a CTE program. And we train our own, through a Registered Apprenticeship program."

Beyond the A&P certificates, the company also looks for job candidates who have NCATT certification in avionics, as well as other authorizations from the Federal Aviation Administration. And to round out its hiring process, Duncan also conducts hands-on skills tests and checks for culture fit – with an emphasis on communication and teamwork skills.

— Andy Richards, Chief Operating Officer, Duncan Aviation, Michigan

Works in progress: How most businesses navigate talent development

A relative minority of the 75 small manufacturing and construction firms interviewed for this project had institutionalized most or all the above practices. Rather, most companies remained a work in progress, with varying degrees of awareness and capacity for pursuing leading practices.

Interviewees at these businesses spoke frankly about the headwinds they were navigating in trying to establish strong workforce practices. Lack of time, insufficient financial capital, and limited human resources staffing were the most frequently mentioned barriers. Many interviewees had a clear vision of what they would like to accomplish but were stymied by external constraints such as short-term customer contracts that made it near-impossible for them to commit to workforce upskilling efforts.[24]

Some interviewees confided that they were struggling to get buy-in for necessary modernization, with company leadership still endorsing outdated practices such as "weeding out" probationary employees with a sink-or-swim philosophy.

A surprising number of companies do not regularly measure their turnover rate, much less quantify its financial impact.[25] This lack of analysis makes it difficult for business leaders to know if their recruitment and hiring processes are conveying accurate information to jobseekers and training programs and resulting in high-quality hires. It also makes it hard to see if there are factors that correlate with turnover, such as whether a candidate came prepared with a specific workforce credential and/or experience in the industry.[26]

The interviews suggest that many businesses are still developing their approaches to hiring and talent. This creates opportunities for peer learning with businesses which excel in these areas, for dialogue with education and workforce leaders, and for public policy to provide additional support. The next section describes some of these policy opportunities.

What policymakers can do to support businesses and workers

This research illustrates the value of directly engaging with small and mid-sized businesses. Their perspective is crucial to making sure that education, workforce, and talent development strategies are responsive and can yield the win-win results for business and workers that policymakers and advocates desire.

Importantly, small and mid-sized businesses are often weighing different considerations than their larger peers (that is, companies of 5,000+ employees). But unlike those larger companies, small businesses often don't have the time or personnel to participate in a workforce development board, community college advisory

The businesses interviewed overwhelmingly affirmed the central role of well-resourced education and workforce development systems, and the urgency of public investments to ensure that those systems can perform to their highest capacity.

council, or other formal workforce development discussions, so their viewpoint is rarely heard.

The businesses interviewed overwhelmingly affirmed the central role of well-resourced education and workforce development systems, and the urgency of public investments to ensure that those systems can perform to their highest capacity.

Businesses spoke extensively about the value of high-quality relationships with community colleges and other education and workforce partners; the importance of venues in which they could engage with their best-in-class industry peers for peer learning; and the need for more hands-on technical assistance in navigating the array of credentials in today's labor market, as well as the myriad workforce resources available through public systems.

Notably, many of their top suggestions also reflect the concerns of educators, workforce leaders, and worker advocates – an excellent indication that these have a strong base of support and are ripe for public policy action.

Specific ideas offered by businesses, with public policy implications, include:

Strengthening public investments

1. **Provide more funding for workforce development and make it easier to access.** This was far and away the most common refrain in conversations with small businesses. They appreciate public investment in workforce development and have a host of ideas for how these investments can rise to meet the moment as the economy undergoes significant shifts. Overall, business leaders want to see more funding for workforce development, greater responsiveness to emerging skill-building needs (especially related to technology), and a more streamlined process for accessing funds, with a quick turnaround time and straightforward reporting requirements.

2. **Make bold investments to upskill the existing workforce.** Numerous businesses expressed eagerness to see a boost in funds for upskilling their incumbent workforce.[27] Many of these businesses also expressed a strong desire to promote from within, but recognize that their entry-level workers often need assistance in building leadership and supervisory skills before they can be successful in higher-level roles.[28]

   Leading businesses understand that being able to provide meaningful upskilling opportunities is part of an implicit bargain with workers: We'll help you gain more skills, which will equip you to advance to higher-paying roles within our company and thus make you more likely to stay.

3. **Scale up industry sector partnerships — a proven strategy that brings businesses together to advance workforce goals.** Industry sector partnerships and similar efforts are an effective strategy for small and mid-sized businesses in the same industry to jointly identify talent needs and develop shared solutions. Public funding for industry partnerships equips them to provide key services that businesses value, such as access to technical assistance in setting up apprenticeships and other work-based learning opportunities, and meaningful opportunities to inform program design and credential development.

   However, existing industry partnerships reach only a small fraction of potential businesses. The subset of businesses who strive to be employers of choice were plugged into these types of employer networks already, but many other companies were struggling alone. In some cases, a lack of dedicated resources[29] meant that there was no local peer group available to join. Public policies can remedy this by funding the anchor organizations and backbone staff members required to effectively coordinate industry partnerships.

More technical assistance for small businesses

4. **Build additional technical assistance capacity to serve small and mid-sized businesses.** When businesses have clearly defined and easily accessible connection points to education and workforce systems, they experience those systems as true partners—helping them grow, innovate, and remain competitive while also cultivating a skilled local workforce that benefits from stable, well-paying jobs and clear career pathways.

   Business leaders at small and mid-sized companies said they often don't have the time or in-house

expertise to research complex education and workforce systems and navigate the process of connecting with appropriate partners. However, those that *have* been able to establish solid relationships greatly value them. They described how having a direct connection with education and workforce partners had allowed them to help shape training programs that lead to credentials, which then provided them with strong job candidates — that is, workers who had the right skills to meet business needs, and who were able to hit the ground running when hired.

5 **Help small businesses understand the credentialing landscape.** Businesses are keenly interested in clear guidance on navigating the array of certificates, certifications, licenses, and badges that appear on jobseekers' resumes and in understanding which matter for their company's specific roles. They are agnostic about how public partners can help them verify credentials and skills attainment, though several expressed curiosity about a potential skills passport (a standardized way for workers to document their skills) as some states have begun to experiment with.[30]

Businesses also expressed a strong desire for policymakers to do more to help them define and measure interpersonal ("soft") skills. Even businesses that had thought carefully about which interpersonal skills workers needed were still struggling to figure out how to assess those skills in job candidates and how to help workers build them. Businesses want a reliable way to signal to jobseekers and training providers which interpersonal skills they need for a given role, and an equally reliable way to determine which applicants are likely to have those skills. They are eager for policymakers to invest in developing (or disseminating, if one already exists)[31] a high-quality, easy-to-use standardized tool.

Businesses want a reliable way to signal to jobseekers and training providers which interpersonal skills they need for a given role, and an equally reliable way to determine which applicants are likely to have those skills.

Support workers in developing skills

6 **Expand support for workers who are developing their foundational skills.** Businesses repeatedly emphasized the value of workers having a strong base of foundational skills, including in math, English, and technology. Importantly, they affirmed the existing education best practice of teaching these skills in the real-world context in which they will be used – such as converting from imperial to metric measurements, using computer-based timecard systems, operating robotic machinery, etc.

Again, businesses that had working relationships with their local education and workforce partners generally expressed confidence that they understood what programs or credentials signaled that a worker had acquired foundational skills. These companies also drew on these relationships to know where to direct their employees if skill-building was needed.

7 **Provide more opportunities for new workers to gain hands-on experience.** Repeatedly, businesses emphasized how much they valued real-world experience. For job candidates who are new to an industry or new to the labor market in general, gaining that experience before their first job can be difficult. One solution is to expand public investments in skills training programs that include a work-based learning component.

There are numerous such models,[32] which vary in specifics but share a common thread: Students or workers who participate in them gain paid, on-the-job experience that helps them acclimate to and prepare for their future careers. By partnering with businesses to ensure that the work-based learning design mirrors the skill demands, physical environment, and schedule of entry-level employment in their industry, training programs can assure students and companies alike that program graduates are well-prepared for working life.

8 **Invest in systemic fixes for chronic challenges like childcare and transportation.** No employer can solve these issues alone, and small businesses are at a particular disadvantage due to lack of scale. Employers of choice recognize when workers lack access to supports like childcare or transportation, it becomes much harder to retain entry- and mid-level staff. They are eager for policymakers to support innovative and creative approaches[33] that can help workers solve common barriers and stay on the job.[34]

CONCLUSION: TURNING BUSINESS INSIGHTS INTO BETTER POLICY

Making sure that workers can effectively demonstrate their skills and qualifications to potential employers, and that businesses can accurately identify which job candidates have what they need to fill open jobs, is fundamental to making good hiring matches.

But this research indicates that the current system is not always working as intended. For example, credentials play a useful role for workers already in a career path who want to advance, but they seem to be less useful in equipping people to get their first job in an industry. Small businesses find credentials to be a more useful data point if the company has already mapped out the specific skills and competencies they're looking to hire for, and if they have some connection to the education and workforce partners that are awarding credentials.

Policymakers can help more small businesses adopt effective hiring practices that identify the skills they need and the credentials aligned with them. Public policy can also support stronger relationships between education and workforce providers and small businesses.

These steps will help workers as well as education and workforce leaders have confidence that training programs are preparing people with in-demand skills and credentials. Workers can then trust that pursuing training will help them reach their career and income goals, and businesses will be able to make hiring and promotion decisions with greater clarity.

In particular, public policies that invest in skills, explain credentials, and strengthen partnerships between business and training providers will mean that employers can more easily identify the skills they need, and workers can more easily demonstrate them.

As small businesses continue to navigate a complex and sometimes volatile economic landscape, policymakers and education and workforce advocates' intentional and regular engagement with these companies can ensure that their experiences and needs help to shape policies that improve outcomes for all.

APPENDIX: OUR METHODOLOGY

Over a two-month period in Spring 2025, Business Leaders United for Workforce Partnerships conducted individual interviews with seventy-five small and mid-sized businesses, and approximately two dozen national workforce and education experts. Interviewees at the companies were primarily in CEO or Senior Human Resources Director roles, although a few were direct hiring managers. Companies ranged in size from 15 employees to 4,000 employees, though most were in the 200-600 range.

While some firms were publicly traded, most were privately owned. The businesses were located in 40 states, with most companies having 1-3 locations. Urban, suburban, exurban, and rural locations were all well represented.

A substantial majority of firms were in the manufacturing sector, and most of the remainder were in the construction sector, with a tiny handful scattered across other sectors. (Interviewees in this last group were typically referred to BLU by another interviewee as someone with particular insight into skills and hiring issues or had prior experience in manufacturing. For example, one woman shared insights into how the HR practices she had developed in the manufacturing sector had helped to boost retention at her new employer, a nursing home.)

BLU interviewed a very wide variety of manufacturing firms, including those that manufacture food products, precision optics, marine technology, lumber, and firearms, as well as custom metal fabrication. Similarly, construction firms included those focused on modular affordable housing, high-end residential, commercial, and utility infrastructure.

BLU decided to focus on the manufacturing and construction industries because they represented a middle ground in how various industries were considering credentials as part of the hiring process. In contrast, the healthcare industry is at one end of the spectrum (highly regulated, with many occupations requiring credentialing and licensure), and the retail industry is at the other (traditionally requiring very few if any credentials for entry-level workers).

Interviews were conducted using a semi-structured interview protocol comprised primarily of open-ended questions. Businesses were recruited to the study via personal introduction, chamber of commerce or industry association referral, listserv announcement, and other mechanisms. Nearly ninety percent had not engaged with Business Leaders United or National Skills Coalition before, and many reported that they had never or rarely been asked to share their perspective on workforce issues with any organization.

ENDNOTES

1 See, for example: Jennifer Stiddard et al., *State Financial Aid for Non-Degree Credentials*, National Skills Coalition, July 2024, https://nationalskillscoalition.org/wp-content/uploads/2024/07/State_Financial_Aid_July_2024.pdf/

2 Learn more about BLU's methodology in the Appendix to this publication.

3 Learn more: "Empowering Progress: Harnessing Skills-Based Strategies to Drive Public Sector Excellence," National Governors Association, February 6, 2025, https://www.nga.org/publications/empowering-progress-harnessing-skills-based-strategies-to-drive-public-sector-excellence/

4 Amy-Ellen Duke-Benfield et al., *Expanding Opportunities: Defining Quality Non-Degree Credentials for States,* National Skills Coalition, September 2019, https://nationalskillscoalition.org/wp-content/uploads/2020/12/9.18-NSC_QNDC-paper_web.pdf

5 See, for example: Jennifer Stiddard et al., *State Financial Aid for Non-Degree Credentials*, National Skills Coalition, July 2024, https://nationalskillscoalition.org/wp-content/uploads/2024/07/State_Financial_Aid_July_2024.pdf/

6 See: "A 2024 Update of State Investments in Short-term Credential Pathways," HCM Strategists, last accessed October 23, 2025, https://hcmstrategists.com/resources/a-2024-update-of-state-investments-in-short-term-credential-pathways

7 Brooke DeRenzis et al., "Making Workforce Pell Deliver for Workers, Local Businesses, and Shared Prosperity," National Skills Coalition, October 20, 2025, https://nationalskillscoalition.org/blog/news/making-workforce-pell-deliver-for-workers-local-businesses-and-shared-prosperity/.

8 Learn more about BLU's methodology in the Appendix to this publication.

9 There is not an agreed-upon set of alternative terms that businesses use instead of these phrases. In fact, BLU found that businesses often simply described their practices, without using any umbrella term to characterize them.

10 However, many of these same companies do find credentials useful when hiring or promoting workers into second-level roles. This finding is discussed in more detail below.

11 While there are a plethora of assessment tools and certifications that measure such skills, they largely have not broken through to awareness among the small businesses BLU spoke with. There are a variety of possible explanations for this finding, but one hypothesis is that there are simply too many different and competing tools. Some businesses did report using personality assessments as part of their hiring process, but these assessments are generally not designed to measure interpersonal skills per se.

12 Recent research shows that employers of all types and sizes place a high value on those skills. See: *Durable by Design: An Update on the High Demand for Durable Skills*, America Succeeds, July 2025, https://americasucceeds.org/wp-content/uploads/2025/08/Durable-by-Design_July-2025-.pdf

13 Only a very small minority of businesses interviewed indicated that they view this type of information as negative, and then only because they had prior experience with a given program that had not been a match for their hiring needs.

14 As noted above, jobseekers may use a variety of signals on their resume to indicate their skills and competencies, but if businesses are unfamiliar with or do not value these signals, they are not meaningful to them

15 Notably, once skills and competencies are clearly defined, it is much easier to map to the specific training resources that help people build those skills. This helps education and training providers ensure their programs prepare workers with the skills they need for local jobs, and removes guesswork for incumbent workers seeking to upskill. Job descriptions that spell out which credentials are desirable or necessary also reassure workers that pursuing those credentials will pay off, and signals to education and training providers where their focus is needed.

16 Standardized job descriptions create shared understanding of what skills are needed for promotion across supervisors and departments within a company. They also allow human resources staff and supervisors to assess candidates equally, without subjective methods such as informally deciding a worker is "ready," which are vulnerable to affinity bias, in which a supervisor is more likely to promote a worker who reminds them of themselves.

17 Having a strong feedback loop in place means that companies can explain to education and workforce partners not only what skills they are looking for in job candidates, but also how their industry works in general, so that educators can better prepare people for the work environment they will encounter. For example, one educational institution told BLU that their partnerships with local employers led them to restructure training programs to better reflect real-life working hours and conditions (e.g. lockboxes for cell phones) in industries as diverse as military contracting and the entertainment field.

18 For example, businesses may not know that if they hire a student before that student has completed a training program, the college may be penalized for having a lower program completion rate. Conversely, colleges may not understand that if their educational environments don't accurately convey the working conditions that students are likely to encounter on the job (e.g., heat, noise, schedules), businesses may face an unacceptably high 90-day attrition rate for new employees.

19 Learn more about partnerships between businesses and community colleges: Kate Kinder et al., *College and Career Possibilities Rooted in Place*, National Skills Coalition, 2024, https://nationalskillscoalition.org/wp-content/uploads/2024/04/NSC-collegeandcareer_final.pdf.

20 Research that explores these issues includes: Philip Moss et al.: "'Soft' Skills and Race: An Investigation of Black Men's Employment Problems," reprinted by Social Science Library, last accessed October 23, 2025, https://socialsciencelibrary.org/wp-content/uploads/2024/10/368_Soft-Skills-and-Race_An-Investigation-of-Black-Mens-Employment-Problems.pdf and Phomdaen Souvanna, "Care, Power, and Race: The Job Training Experiences of Low-Income Youth of Color," Brandeis University, The Heller School for Social Policy and Management, ProQuest Dissertations & Theses, 2022, 28964194, https://www.proquest.com/openview/a501a71aebf763be374f05415b52d8b5/1?pq-origsite=gscholar&cbl=18750&diss=y.

21 Interestingly, although BLU did nothing to select for or try to recruit Employee Stock Ownership Program (ESOP) companies in this research, a surprising number of leading companies fell into this category.

22 Economist Albert O. Hirschman examined related issues in his classic work *Exit, Voice, and Loyalty*, Harvard University Press, 1970. Hirschman described three possible responses to a difficult organizational situation: Exit (quitting your job), voice (speaking up about the difficulty in the hope of bringing about change), and loyalty (staying quiet).

23 Michigan's TriCare program is one example. This childcare program is funded via a three-way split between workers, employers, and the State of Michigan. Learn more: https://mitrishare.org/

24 For example, one construction company told BLU that their customers had almost entirely switched to hiring them via 6-month contracts. That made it essentially impossible for them to commit to a 2- or 3-year hiring and retention strategy, or even to provide training for workers that covered more than a single 6-month period.

25 Earlier research illustrates the extent of this challenge among 1,000 businesses (not limited to small businesses). A survey conducted by the American Management Association's AMA Enterprise found that 12% of businesses surveyed did not track turnover at all, and many others tracked it informally or did not even know if they tracked it. Only 42% of the 1,000 businesses surveyed had a strong handle on their employee turnover rates. See: Margery Weinstein, "No More Revolving Door," Training Magazine, July/August 2013, pp. 50-53, last accessed October 23, 2025, https://www.slideshare.net/slideshow/trainingmag-201378-skill-gap-part-3-step-up/81844706#50.

26 In contrast, leading companies were not just tracking turnover but analyzing its cost and factoring that cost into decisions about internal processes, supervisor training and support, etc.

27 A fascinating additional finding in BLU's research was how the gradual shift of the US manufacturing sector over the past half-century from large-scale to more boutique has affected the demand for workforce training. Whereas the 1970s might have seen numerous large companies hiring thousands of workers in similar roles as their competitors, today's specialized manufacturers need workers with equally specialized skills. As a result, training needs have shifted to reflect more localized, sub-sector specialty skills rather than a generic set of skills that can be mapped on to any number of manufacturing subsectors. For example, one end-to-end manufacturing firm told BLU that even taking advantage of a standardized national training curriculum had proven difficult for them because of the diverse machinery they had.

28 While some of these companies had tapped into available incumbent worker training dollars via the public workforce system, others reported that there was too little funding available or that funding was simply unavailable for the type of upskilling they wanted to implement.

29 For example, the federal Workforce Innovation and Opportunity Act (WIOA) does not include dedicated resources for industry partnerships. Nor does the most recent proposed WIOA reauthorization legislation: Caroline Treschitta et al., "House WIOA Reauthorization Bill Doesn't Go Far Enough," National Skills Coalition, January 12, 2024, https://nationalskillscoalition.org/blog/news/house-wioa-reauthorization-bill-doesnt-go-far-enough/

30 One example is the Alabama Talent Triad's skills wallet, viewable at: https://www.alabamatalenttriad.com/. Learn more about skills passports in general: "Growth of Digital Tools: Digital Wallets, Skills Passports, and Digital ID Wallets," Learn & Work Ecosystem Library, June 26, 2025, https://learnworkecosystemlibrary.com/topics/growth-of-digital-tools-digital-wallets-skills-passports-and-digital-id-wallets/

31 BLU recognizes that there have been many efforts to develop such tools. See footnote 8 for more on this issue.

32 Common work-based learning models include Career Technical Education programs with a worksite experience component and registered apprenticeships. Learn more about public policies supporting work-based learning: Bryan Wilson et al., *Work-Based Learning Policy 50-State Scan,* National Skills Coalition, 2017, https://nationalskillscoalition.org/wp-content/uploads/2020/12/WBL-Learning-Policy-50-State-Scan.pdf

33 One particularly notable example is The Source in Michigan, which brings together multiple manufacturing employers along with nonprofit and public partners to help employees access resources needed to stay on the job: https://www.grsource.org/about-us. Learn more about Employer Resource Networks generally: "An Employee Retention Solution with Real Social Impact," ERN-USA, last accessed October 23, 2025, https://ern-usa.com/

34 For example, Iowa's Child Care Assistance program provides financial support for low-income workers to help cover childcare costs. Learn more: https://hhs.iowa.gov/assistance-programs/child-care-assistance

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