



# Skills-Based vs. Degree-Based Hiring: Impact on Performance & Retention

Atharva Kashid , H.R. Kulkarni , Radhika R. Nikam\*

G. H. Raisonni College of Arts, Commerce and Science, Wagholi, Pune, Maharashtra, India

\* Author For Correspondence Email: [nikamradhika20@gmail.com](mailto:nikamradhika20@gmail.com)

DOI: <https://doi.org/10.56975/jetir.v13i3.576734>

## ABSTRACT

This study compares the impact of skills-based hiring (SBH) and degree-based hiring (DBH) on employee performance and retention. A quantitative, descriptive design was employed, using a structured questionnaire administered to 45 professionals. Data were analyzed via descriptive statistics. Findings indicate SBH is strongly favored for enhancing practical performance (84.4% agree), problem-solving (88.9%), adaptability (91.1%), and retention (80%). DBH is valued for ensuring foundational knowledge (75.6%) and long-term career growth (71.1%). Critically, 88.9% of respondents advocate a hybrid model combining both approaches. The study concludes that while SBH drives immediate productivity, DBH supports theoretical depth. Organizations should adopt integrated, role-specific hiring strategies.

## Keywords

Skills-Based Hiring, Degree-Based Hiring, Retention, Performance, Hybrid Recruitment, HRM.

## Introduction

Recruitment strategy is a cornerstone of organizational success. Traditional degree-based hiring (DBH) relies on academic credentials as proxies for capability and discipline. In contrast, skills-based hiring (SBH) prioritizes demonstrable competencies, aiming for better job-role fit and faster onboarding. This shift is pronounced in tech-driven sectors but creates a strategic dilemma for HR: prioritize theoretical assurance or practical readiness? This

study empirically investigates the comparative impact of SBH and DBH on employee performance and retention to inform data-driven recruitment policies.

## Literature Review

Human Capital Theory (Becker, 1964) and Person-Job Fit Theory (Kristof-Brown, 2000) provide the framework. SBH directly invests in job-ready human capital and enhances fit, theoretically boosting satisfaction and output. Empirical studies (e.g., Lee et al., 2021) show SBH hires can outperform DBH peers in productivity by ~20%. However, DBH ensures standardized foundational knowledge critical for complex, regulated roles (Smith & Johnson, 2020). Emerging consensus suggests a hybrid model may yield optimal outcomes by leveraging both theoretical and practical strengths (Rodriguez, 2022).

## Research Methodology

A descriptive, quantitative design was used. Convenience sampling secured 45 respondents (predominantly male [97.8%], aged 31-50 [93.3%], with 1-6 years' experience [81.8%]). Primary data from a 30-item questionnaire were analyzed using descriptive statistics (frequencies, percentages). Hypotheses tested included: H<sub>1</sub> (SBH leads to higher performance), H<sub>2</sub> (SBH improves retention), H<sub>3</sub> (Hybrid model is most effective). Limitations include sampling bias and reliance on perceptual data.

## Findings & Discussion

- **Performance & Capability:** SBH is perceived as superior for job performance (84.4% agree), practical problem-solving (88.9%), and reducing training time (71.1%). DBH is favored for foundational knowledge (75.6%). This supports H<sub>1</sub> and indicates a complementary relationship: SBH for application, DBH for theory.
- **Retention & Engagement:** SBH is strongly linked to higher retention (80% agree) and is seen as the best method to reduce turnover (55.6%). It is also believed to increase employee engagement (77.8%). This supports H<sub>2</sub>, aligning with Person-Job Fit Theory.
- **Adaptability & Growth:** SBH hires are viewed as more adaptable to change (91.1%). However, DBH is linked to better long-term career growth (71.1%), reflecting its role in career scaffolding.
- **The Hybrid Consensus:** A near-unanimous 88.9% agreed a combination of skills and degrees is the most effective strategy, strongly supporting H<sub>3</sub>. This indicates a strategic preference for balanced, context-sensitive recruitment.

## Conclusion

The study concludes that SBH and DBH are not mutually exclusive but complementary. SBH excels in driving immediate productivity, adaptability, and retention. DBH underpins theoretical depth and long-term progression. The overwhelming endorsement of a hybrid model points to the future of recruitment.

## Recommendations

- Implement role-specific hybrid models (e.g., SBH-heavy for tech roles, DBH-required for legal/finance).
- Integrate standardized skills assessments (tests, simulations) into all recruitment cycles.
- Link promotion and advancement to demonstrated skills to motivate all hires.
- Use training programs to bridge gaps: upskill DBH hires practically, offer theoretical development to SBH hires.
- Regularly analyze recruitment metrics (performance, retention by hire type) to refine strategy.

## References

- Becker, G.S. (1964). *Human Capital*. Univ. of Chicago Press.
- Kristof-Brown, A.L., et al. (2005). Person-job fit meta-analysis. *Personnel Psychology*, 58(2).
- Lee, K., et al. (2021). Skills-based hiring and performance. *IJBMS*, 13(4).
- Rodriguez, M. (2022). Hybrid hiring approaches. *HR Review Journal*, 10(2).
- Smith, J. & Johnson, R. (2020). Degree-based vs. skills-based hiring. *JHRM*, 8(3).
- SHRM. (2021). *Skills-Based Hiring Practices*.

