Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
ISSN Print: 3007-3146

DIALOGUE SOCIAL SCIENCE REVIEW

Vol. 4 No. 4 (April) (2026)

The Credential Reset: Micro-Credentials Vs. Degrees In Skills-Based Hiring An Empirical Inquiry Into The Evolving Architecture Of Talent Acquisition

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ABSTRACT
A shift is taking place in the global labour market in the way educational credentials are valued in the employment process. This paper explores the empirical battle between conventional four-year college degrees and the new type of micro-credentials short-form, competency-based certificates delivered by providers like Coursera, Google, IBM, and increasingly universities themselves. Using a mixed-methods data collection approach, including employer surveys (n = 412) from Pakistan, South Asia, and the Gulf Cooperation Council, graduate outcomes data from LUMS (n = 1,847), and a regression analysis of job posting data language between 2018-2024, this paper demonstrates that skills-based hiring has outpaced reality in most industries. Education continues to function as a proxy for cognitive and social ability and institutional affiliation, in addition to skill. Micro-credentials are showing a positive effect on job callbacks in high velocity technical jobs, particularly in data science, cloud and product management. The paper argues that, far from convergence, the credential system is diverging and giving birth to different "credential logics" for different labour markets. We conclude with an agenda for educational providers and HR policy makers in developing countries undergoing this shift.

Keywords: Micro-Credentials, Skills-Based Hiring, Human Capital Signalling, Degree Premium, Talent Acquisition, Pakistan Labour Market, Educational Credentialism

The Question That Wouldn't Wait

I would like to start our discussion with a story rather than a regression table. This past spring, I met with a hiring manager working at one of the fastest-growing fintech firms in Karachi. He had gone through 10,000 resumes and had very clear ideas about all of them. The first thing I asked him was whether Google Data Analytics Certification means anything to him.

He paused. Literally. He paused because his response wasn't supposed to require it in an automatic world. Finally, he said, "Yes, it means something." "It shows that the individual was motivated enough to take the course. But, I still need to find out where

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did they study from. This research paper revolves around that pause.

In recent years, the discussion about micro-credentials has moved quickly from the edges of educational policy to the center of corporate HR talk. The 2023 Workplace Learning Report from LinkedIn said that 63% more global employers were using skills-based hiring than in 2020. The World Economic Forum says that automation could take away 85 million jobs by 2025. At the same time, 97 million new jobs will need people to learn new skills that traditional four-year colleges and universities are not very good at providing. Coursera, edX, and Google are some of the companies that have responded by offering stackable micro-credential programs that promise verifiable, specific, job-ready skills at a fraction of the time and cost of a traditional degree.

But the degree is still alive. It hasn't even gone back yet. In Pakistan's formal labour market, as well as in most of the developing world, institutional credentials from prestigious universities continue to be the primary criterion for white-collar employment. This paper enquires: why? And, more importantly, what is causing that calculus to change?

Theoretical Foundation: Signals, Screens, and Human Capital

The economics literature has two models for employment and education. Firstly, there is the concept of human capital (by Gary Becker and the Chicago School) where education makes a person more productive by equipping them with cognitive skills, analytical abilities and expertise, making the worker better off. Firms employ educated employees as they are more productive.

Secondly, the signalling model of Michael Spence (1973) presents a rather dim, but perhaps more realistic, picture of the relationship between education and skills. In this model, education does not increase employee productivity, but signals. An employer who notices that a person has a degree, infers that this individual must have some characteristics: hardworking, responsible, smart, etc. All of these traits are hard to measure, but a degree signals them with high probability.

This point is rather important in micro-credentialing. From a signalling perspective, online certification programs of twelve weeks' duration are quite cheap. Nowadays, almost anyone can obtain a degree of that kind, if he or she spends time and money on that, as online certification courses become more and more common and affordable. So, if companies are looking for attributes and not acquired them. We want to know if the job market is set up to recognise and reward that skill, and if that setup is changing.

Information and Methods

Survey of Employers

We did structured interviews and gave a standard questionnaire to 412 hiring managers and HR professionals in three areas: Pakistan (n = 218), India and Bangladesh (n = 134), and the GCC (n = 60). The respondents were selected from a stratified sample encompassing five sectors: technology and software, banking and financial services, fast-moving consumer goods, consulting, and public sector organisations. We used targeted sampling, targeting those with the authority to hire lower- to middle-level workers.

The survey featured a conjoint analysis in which subjects were asked to evaluate hypothetical candidates with six different attributes: the quality of the degree university,

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Vol. 4 No. 4 (April) (2026)

the field of study, the years of experience, the type of micro-credential, the provider of the micro-credential, and a brief sample of performance. This allowed us to determine the additional value of the micro-credentials while controlling for other factors.

Tracking the Outcomes of Alumni

We used university placement data and LinkedIn profile information (with university permission) to monitor the long-term career outcomes of 1,847 LUMS graduates from 2017 to 2022. We tracked for each individual their original placement industry and occupation, any post-graduation micro-credentials obtained, and subsequent career velocity measures (promotions, salary quartile increases and lateral moves). This sample is an unusually pure natural experiment because everyone has a high quality degree. This allows us to observe the micro-credentials' small effect.

Looking at the Text of Job Postings

We collected and analysed 94,000 job listings from LinkedIn, Rozee.pk and Bayt.com from January 2018 to December 2024. And these were for jobs in Pakistan and the UAE. We tracked the evolution of job requirements over the past six years by using keyword extraction, topic modelling (LDA), and a machine-learning classifier that has been fine-tuned to distinguish between credentials-based and skills-based language. This allowed us to see whether the shift in the hiring conversation to being skills-based has been reflected in job ads.

Data Source	N	Period	Method
Employer Survey (Pakistan)	218	2024	Conjoint + Structured Interview
Employer Survey (South Asia)	134	2024	Conjoint + Structured Interview
Employer Survey (GCC)	60	2024	Structured Interview
LUMS Alumni Cohort	1,847	2017–2024	Longitudinal Tracking
Job Posting NLP Analysis	94,000	2018–2024	Text Classification / LDA

Table 1. Summary of Data Sources and Methodological Approaches

Results

The Degree Premium Exists, Is Distinct, and Varies by Context

The findings from our conjoint analysis show that, overall, the level of degree institution is the major factor influencing the employment preferences in all surveyed industries. 74% of Pakistanis and 69% of GCC participants showed preference for a job applicant from a Tier 1 institution such as LUMS, IBA, NED, IIT, or LSE compared to a job applicant from a Tier 3 institution holding identical credentials. Even prior to considering the field of study and micro-degree, the level of degree is a robust criterion.

However, this aggregate number masks some critical variances by sector. Upon analyzing the data by industrial sectors
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DIALOGUE SOCIAL SCIENCE REVIEW

Vol. 4 No. 4 (April) (2026)

Sector	Degree Tier Weight	Micro-Credential Weight	Experience Weight
Banking & Financial Services	61%	8%	31%
Traditional Consulting	58%	9%	33%
FMCG / Consumer Goods	52%	11%	37%
Technology / Software	34%	29%	37%
Data Science / Analytics	28%	38%	34%
Cloud & DevOps Roles	25%	41%	34%

Table 2. Weight of Signal Indicators by Sector (Conjoint Analysis, n=412)

The difference is absolutely clear. In conventional industries such as financial services and consulting, which are known for their extensive alumni network, strong organizational culture, and long-term career advancement programs, degree credentials still weigh heavier than micro-credentials, which add little extra signaling power. However, the mathematics of credentialing is different in tech, and especially when talking about roles involving large amounts of data. The weight of micro-credentials (41%) in cloud infrastructure and DevOps roles even outweights degree tier (23%). To the author's best knowledge, this is one of the first practical instances where this trend occurs in a developing country.
In addition to being more convenient, the reason behind this shift is not only the development of technical skills through certification programs, but also the auditability of these credentials. Unlike degree credentials, which are hard to prove otherwise (especially on paper), the results of certification tests (passed Amazon Web Services Solutions Architect examination), open-source repositories (deployed GitHub projects), and participation in online competitions (Kaggle) can all be audited.

Micro-Credentials and Career Velocity: Evidence from the Alumni Cohort
Of the 634 LUMS alumni we studied, 34% had earned at least one substantial micro-credential within three years of graduation. Employing a difference-in-differences methodology to compare career outcomes between credential-acquirers and non-acquirers within equivalent industry cohorts, we ascertain the following:

In the technology sector, alumni who obtained recognised technical certifications (AWS, Google Cloud, Meta, Coursera Specialisations with evaluated projects) exhibited a statistically significant reduction in time-to-promotion (mean decrease of 8.3 months, $p < 0.01$) and an increased likelihood of moving from execution to leadership positions within five years (OR = 1.47, 95% CI [1.21, 1.79]).

It is important to note that this effect was not the same for all types of certificates. Finishing non-assessed, non-proctored certificate courses had no noticeable effect on careers ($p = 0.43$), but finishing vendor-specific, proctored exams with practical parts had the biggest effects. This indicates that the market is starting to differentiate not only between degree and non-degree credentials, but also between high-integrity and low-

ISSN Online: 3007-3154
ISSN Print: 3007-3146

integrity micro-credentials—a distinction that has been overlooked by much mainstream commentary.

In non-technical positions such as marketing generalists, human resources, strategy consulting, and corporate finance, there is no notable impact on career progression from obtaining micro-credentials. It is quite enlightening not to find any differences between degrees and micro-credentials in the data collected for this research; this demonstrates that the former continues to be the dominating currency in these sectors while the latter act as supplemental adornments but not substitutes to each other.

What Job Postings Show About the Difference Between What People Say and What They Do

The research conducted on 94,000 job postings made between 2018 and 2024 revealed an enormous discrepancy between rhetoric and practices. Specifically, the number of positions which were described through explicit use of skills-based language has increased dramatically during these years (from 11.3% in 2018 to 28.7% in 2024). Thus, this is twice as much as before; furthermore, it confirms the rhetoric put forward by LinkedIn and WEF about the new skills-based hiring revolution.

At the same time, when speaking of explicit mentions of credentials and degrees in job requirement clauses, such as minimum qualifications and education required, we can observe a minor decline only (from 87.4% to 79.2%) from 2018 to 2024. As one can easily see, there is a growing gap between the language used in job postings' descriptions and their practice. That is, companies tend to talk about skills while they continue hiring on the basis of credentials exclusively. "We say we hire for skills, but when it comes to the final shortlist, someone always asks, 'Okay, but where did they study?'" — HR Lead, Technology Firm, Islamabad, September 2024

The Bifurcation Thesis

I want to fight the urge, which is common in policy papers on this topic, to pick a winner. The empirical evidence does not substantiate a narrative suggesting that micro-credentials are supplanting degrees, nor does it endorse the contrary narrative that micro-credentials merely serve as a novel means of resume enhancement. I think the picture is more interesting and has more texture than either pole.

The data suggest that the credential landscape is splitting into at least two parts. The first dimension is occupational: technical roles with outputs that can be checked and verified are moving toward skills-based evaluation, while relational and institutional roles, where cultural fit, network access, and socialisation are just as important as technical skills, are still based on degrees. This is not a short-term problem with the market that needs to be fixed. Employers are clearly looking for a variety of things.

The second dimension is institutional; larger, longer-established organizations within regulated industries are under more pressure than those from companies in other fields such as start-ups and technology firms (as well as companies that hire from abroad) to maintain degree requirements. It is ironic that companies with the best HR capabilities (i.e., large international businesses and major consulting firms) are often the most stringent about credentialing, because of the relatively high risk to them if they hire someone with a poor reputation.

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Vol. 4 No. 4 (April) (2026)

We present the following illustration to help you understand the results listed above.:

Credential Logic	Dominant Sector	Hiring Driver	Micro-Cred Impact
Institutional Prestige	Banking, Law, Consulting	Network / Signalling	Low
Competency Verification	Tech, Data, Engineering	Task Performance	High
Hybrid / Transitional	FMCG, Healthcare IT	Both	Moderate
Experience-Primary	Operations, Sales, Trade	Track Record	Negligible

Table 3. The Proposed Bifurcation Framework is about Credential Logics in Labour Markets.

This Credential Logics in Labour Markets framework has effects on how colleges and employers think about credentials. It shows that asking if micro-credentials will replace degrees is not the question. A better question is: what kinds of credentials are best for figuring out how well someone will do their job and how can we make the labour market better so that people take the tests for the job they want.

The Pakistan Context is important to consider when talking about credentials. There are things that make Pakistan different from countries. Three things are especially important.

First there is a problem with degree inflation in Pakistans formal sector. More people are going to university now than twenty years ago. The HEC says that university enrolment went from about 135,000 students in 2000 to than 1.7 million in 2023. This means that just having a degree is not as special as it used to be but going to an university like LUMS or IBA is still very valuable. Having the LUMS or IBA name on a CV means you are good at what you do. You were chosen from a lot of other people. Micro-credentials cannot do this because they do not have a way to show that you are special.

Second, who you know is very important in Pakistans job market. The Credential Logics in Labour Markets framework needs to consider this when thinking about credentials in Pakistan. Network capital in Pakistans job market is very concentrated which means that some people have a lot of connections and others do not. This affects how Credential Logics, in Labour Markets works in Pakistan. Our employer interviews indicate that informal referral networks constitute approximately 55-65% of mid-level appointments in the private sector, aligning with previous sociological research on Pakistan's labour market. In this context, credential evaluation is not always the main way to do things. Who you know and where you studied often affect who you know in ways that are hard to measure but are very important.

Third, Pakistan's digital infrastructure for checking micro-credentials is still not very good. A number of HR managers we spoke with said they had seen fake completion certificates and didn't have a good way to check them. Until credentialing that is based on blockchain or is otherwise tamper-evident becomes the norm, as platforms like Credly

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and Accredible are starting to make possible, the risk to integrity that comes with micro-credentials lowers their value in the job market, regardless of their actual quality.

Consequences for policy and responses from institutions For Colleges
The best thing for universities to do is not to try to compete with micro-credential platforms on their own terms. Universities can't keep up with the speed, cost, or specificity of short-form certifications, so they shouldn't. Instead, universities should concentrate on their unique capabilities that platforms lack: the curation of a social and intellectual milieu that fosters the development of generalised human capital with enduring signalling value. They should also aggressively incorporate recognised micro-credentials into their curricula as embedded pathways, as several leading programs in the UK and Australia have commenced, ensuring that graduates possess both the institutional signal and the validated competency stack.

LUMS has a chance here. In this market, the LUMS brand is worth a lot more than other brands. A formal micro-credential pathway endorsed by LUMS could capture value that is currently going to international platforms while also helping to develop human capital in Pakistan's rapidly growing digital economy. This pathway would keep the institutional signal while making it easier for people who don't want to get a degree to learn.

For Employers
Companies that want to hire based on skills need to close the gap between what people say they want to do and what they actually do, as our text analysis showed. At the shortlisting stage we need to assess work such as code reviews, case simulations and work samples. This is a credential signal as well as a proof of competency. And many companies around the world have done so. They've seen big improvements in the quality and diversity of their hiring.

It is important to realise that reducing gatekeeping without the introduction of a strict assessment of competency just changes one kind of noise for another. The point is not filtering itself, To make it more accurate.

For Students

The main message of this research is that context matters. Micro-credentials are really helpful for careers where you can verify the outputs. A solid certification from a known provider, done with care and backed up with a portfolio of work, is an investment in your career in these areas. It's not something you put on your CV.

Where institutional prestige and relational capital matter more than micro-credentials, the return on investment is low. Therefore, students should adjust their investment strategies according to it. Now, that doesn't mean credentials aren't important in these fields. Continuous learning is a plus. That does mean that you have to be more realistic in terms of what you can expect from the job market.## Limitations and Future Directions

There are some problems with this research that need to be acknowledged. Our employer survey matters. It's not the entire country and it's too focused on formal sector, white-collar environments. In Pakistan, where most of the workforce is employed in the informal economy, credential logics that our data cannot explain operate. The alumni

ISSN Online: 3007-3154
ISSN Print: 3007-3146

cohort from our program is credentialed, and it provides us with a lens on how micro-credentials impact individuals who are credentialed with an elite degree. It does not speak to whether micro-credentials can substitute for elite degrees for first-generation learners.

Longitudinal studies of the people throughout their careers. In five years. Must have. We are collecting data for this purpose. Don't be surprised if you see this question addressed in a future study.

This paper also does not look into the link between credentialing and gender. Initial disaggregation shows a large micro-credential effect on career velocity for women in our alumni cohort compared to men. This needs to be a lot of scrutiny.## Why the Pause

I return to the hiring managers' pause. He was not confused. He was wrestling with a tension which our empirical data show but do not solve in real time. He saw the merit in self-directed learning that a certificate represented: the curiosity, the initiative and the specific skill gained.

The job market is in that pause right now. It's not a breather before picking micro-credentials. No pause before the reiteration of the importance of the degrees. It's a break before an open question. The answer to which is being worked out differently across sectors, companies and roles through millions of small hiring decisions.

There is no trending winner in the credential landscape. It is more diverse, with different credential logics becoming more stable in sectors of the job market. This is not a crisis for universities but an opportunity to be explicit about what they do differently from schools.

The degree is not dead. The micro-credential is not a deal.. The world is changing and the ones that know exactly what is changing and where will be the ones that build the talent architecture of the next 10 years.

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ISSN Online: 3007-3154
ISSN Print: 3007-3146

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Vol. 4 No. 4 (April) (2026)

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