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

Rabia Manzoor
M.Phil. Scholar, Department of Education, The Women University Multan

Dr. Aabida Lateef*
Assistant Professor, Women University of Azad Jammu and Kashmir, Bagh
Email: abidalateef786@yahoo.com)

Sumaira Saleem
Lecturer, Department of Economics & Agri-Economics, PMAS-UAAR

Fariha Sohil
Assistant Professor, Department of Education, The Women University Multan

ABSTRACT
The global labour market is undergoing a structural transformation in the assessment of educational qualifications during the hiring process. This paper examines the empirical conflict between traditional four-year university degrees and the emerging category of micro-credentials short-form, competency-based certifications provided by platforms such as Coursera, Google, IBM, and increasingly by universities themselves. Utilising a mixed-methods dataset that includes employer surveys (n = 412) from Pakistan, South Asia, and the Gulf Cooperation Council, graduate outcome tracking data from LUMS alumni (n = 1,847), and a regression analysis of job posting language from 2018 to 2024, this study reveals that skills-based hiring rhetoric has surpassed actual implementation in the majority of sectors. Degrees still serve as proxy indicators for cognitive ability, social integration, and institutional affiliation, rather than solely for skill proficiency. In high-velocity technical roles, especially in data science, cloud infrastructure, and product management, micro-credentials are showing statistically significant positive effects on hiring callbacks. The paper contends that the credential landscape is diverging rather than converging, resulting in the emergence of distinct credential logics for various segments of the labour market. We finish with a framework for educational institutions and HR policy makers in developing countries who are going through this change.

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 want to start with a conversation instead of a regression table. Last spring, I sat across from a hiring manager at one of Karachi's fastest-growing fintech companies. This person had looked at ten thousand CVs and formed strong opinions about all of them. I asked him right away if a Google Data Analytics Certificate meant anything to him.

He stopped for a second. Actually stopped, in a way that an automatic answer wouldn't have needed.Finally, he said, "It means something." "It means the person was interested enough to do it. But I still want to know what school they went to.

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This paper is about 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

For a long time, there have been two main schools of thought in the economic literature on hiring and education. The human capital perspective, linked to Gary Becker and the Chicago School, posits that education enhances productivity by equipping individuals with cognitive skills, analytical frameworks, and specialised knowledge that genuinely augment their capabilities. Employers hire people with degrees because they get more done.

Michael Spence's famous 1973 model of the signalling view gives a more cynical and maybe more accurate picture. In this framework, education does not primarily generate ability; it uncovers it. Employers see that a candidate has certain traits, like conscientiousness, intelligence, and the ability to wait for rewards, when they see that they have completed a university degree. These traits would be hard to measure directly. The degree is a reliable sign because it is hard to fake.

This difference is very important for micro-credentials. In terms of signalling, a twelve-week online certificate doesn't cost very much. Almost anyone who wants one can get one, especially since these programs are becoming more common and affordable. If employers are mostly looking for underlying traits instead of learned skills, then micro-credentials will always have a hard time, no matter what skills they actually give you.

A third lens, institutional theory, adds more depth. DiMaggio and Powell's idea of institutional isomorphism says that businesses use hiring standards not only because they work, but also because they are fair. It is normal, safe for business, and defensible for organisations to hire from top universities. An HR manager who chooses a candidate with a Google certificate over an IBA graduate risks their own reputation. If someone hires an IBA graduate, even if that person doesn't do well, they are protected by institutional logic.The question is not if micro-credentials teach skills. The question is whether they have institutional legitimacy in the rooms where hiring decisions are made. — Interview, Senior HR Director, Lahore, July 2024

These theoretical tensions shape the way we look at the real world. We are not just asking if people with micro-credentials are skilled; most direct tests show that many of

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them are. 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. The sampling was intentional, focusing on people who have the power to make decisions about hiring entry-level and mid-level employees.

The survey included a conjoint analysis exercise in which respondents looked at hypothetical candidate profiles that differed in six ways: the tier of the degree institution, the subject of the degree, the number of years of experience, the type of micro-credential, the provider of the micro-credential, and a short written performance sample. This helped us figure out the extra value of micro-credentials while keeping other factors from affecting the results.

Tracking the Outcomes of Alumni

We tracked long-term job outcomes for 1,847 LUMS graduates from the classes of 2017 to 2022 using university placement records and LinkedIn profile data that we got with the university's permission. We documented for each alumnus their initial placement sector and role, the attainment of any post-graduation micro-credentials, and subsequent career velocity indicators, including promotions, salary quartile shifts, and lateral mobility. This group is an unusually clean natural experiment because all of the subjects have a high-quality degree baseline. This lets us see the small effect of micro-credentials.

Analysis of the Text in Job Postings

We scraped and looked at 94,000 job postings on LinkedIn, Rozee.pk, and Bayt.com from January 2018 to December 2024. These postings were for jobs in Pakistan and the UAE. We used keyword extraction, topic modelling (LDA), and a custom fine-tuned NLP classifier trained to tell the difference between credential-based and skills-based language to follow how hiring requirements changed over this six-year period. This let us see if the shift in conversation toward hiring based on skills has shown up in real 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

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Table 1. Summary of Data Sources and Methodological Approaches

Results

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

Our conjoint analysis results unequivocally indicate that, collectively, the tier of degree institution exerts the most significant influence on hiring preferences across all surveyed sectors. 74% of Pakistanis and 69% of GCC respondents preferred a candidate from a Tier 1 institution (like LUMS, IBA, NED, IIT, or LSE) over a candidate from a Tier 3 institution with the same qualifications. The degree itself, even before you think about the subject or micro-credential, is a strong primary filter.
But this total hides important differences between sectors. When we look at the data by industry:

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. Relative Weight of Credential Signals by Sector (Conjoint Analysis, n=412)

The pattern is very clear. In traditional financial services and consulting, which have strong alumni networks, deep institutional cultures, and long promotion pipelines, the degree premium is still the most important thing, and micro-credentials don't add much to the signalling value. But in tech, and especially in jobs that deal with a lot of data, the maths is changing. In cloud infrastructure and DevOps positions, the weight of micro-credentials (41%) surpasses that of degree tiers (25%). To the best of the author's knowledge, this is one of the first real-life examples of this inversion in a developing economy.
The process isn't just that these certifications teach people technical skills. It is that verifiable, demonstrable skills—such as a deployed GitHub repository, a passed AWS Solutions Architect examination, or a Kaggle competition result—can be subjected to audits in ways that a degree transcript cannot. The signal changes when the output can be looked at.

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:

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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-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. This null result is informative; it indicates that the degree signal continues to be the prevailing currency in these domains, and that micro-credentials serve as supplementary embellishments rather than replaceable assets.

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

Our analysis of 94,000 job postings from 2018 to 2024 shows a big difference between what people say and what really happens. The percentage of job postings that use explicitly skills-based language, like "demonstrated ability," "portfolio of work," and "certifications accepted in lieu of degree," has gone up a lot, from 11.3% in 2018 to 28.7% in 2024. This is more than double, and it fits with the bigger story that LinkedIn and WEF are telling about the skills-based hiring revolution.

When we look at the actual job requirement clauses, like the "minimum qualifications" and "education required" fields, though, we see that degree requirements have only gone down a little, from 87.4% to 79.2% over the same time period. In other words, there is a big and growing gap between the language used in job descriptions and the way hiring decisions are actually made. Companies are writing about skills but only looking for credentials. This inconsistency isn't just a matter of words; it has real effects on the people in the job market who make decisions about how to invest in education based on these signals.

"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.

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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. It shows that employers are really buying different things.
The second dimension is institutional: large, well-established companies in regulated fields have the most pressure to keep degree requirements, while startups, tech companies, and employers who want to hire people from other countries have more freedom to try out different ways of credentialing. The irony is that the companies with the best HR skills, like multinationals and big consulting firms, are often the most strict about credentials. This is because they have the most to lose if they hire someone with a bad reputation.

We suggest the following diagram to help you make sense of these results:

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. Proposed Bifurcation Framework: Credential Logics in Labour Markets

This framework has real-world effects on how colleges, platforms, and employers should think about credentials. It indicates that the inquiry "will micro-credentials supplant degrees?" is misguided. A more useful question is: which types of credentials are most useful for predicting job performance in which jobs and institutions, and how can we improve the labour market infrastructure so that candidates are sent to the right tests?

The Pakistan Context: Structural Amplifiers

Any examination of credential dynamics in Pakistan must contend with contextual amplifiers frequently absent from the prevailing Western literature that governs this discourse. Three are especially important.
First, there is a lot of degree inflation in Pakistan's formal sector. The increase in university enrolment over the last twenty years—HEC data shows that enrolment grew from about 135,000 students in 2000 to more than 1.7 million in 2023—has made a generic degree less valuable as a signal, while making an elite institutional affiliation more valuable. The LUMS or IBA name on a CV is not just a sign of a degree; it is also a sign of being chosen from a very competitive market. Micro-credentials cannot easily replicate this function because they lack a comparable selectivity mechanism.

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Second, network capital in Pakistan's job market is very concentrated. 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 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, this needs structured work assessment parts, like code reviews, case simulations, and work samples, that can give independent, checkable proof of competency that adds to credential signals. A number of innovative companies around the world have gone this route, and they have seen measurable improvements in the quality and diversity of their hiring.
It is important to note that lowering credential gatekeeping without replacing it with a strict competency assessment is just switching one type of noise for another. The goal is not to get rid of filtering, but to make it more accurate.

For Students
The most practically significant message derived from this research is one of context-dependency. Micro-credentials clearly speed up careers in technical fields with outputs that can be checked. In these areas, a well-chosen certification from a recognised provider, completed with care and backed up by a portfolio of work, is not just something to put on your resume. It is a real investment in your career.

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In areas where institutional prestige and relational capital are more important than micro-credentials, the return on investment (ROI) is low, so students should adjust their investments accordingly. This doesn't mean that credentials don't matter in these fields—continuous learning is valuable in and of itself—but it does mean that you need to be more realistic about what you can expect from the job market.

Restrictions and Prospective Investigations

There are some problems with this study that need to be honestly acknowledged. Our employer survey is important, but it doesn't represent the whole country and focuses too much on formal sector, white-collar settings. The informal economy in Pakistan, which employs most of the workforce, works on completely different credential logics that our data can't explain. Our alumni cohort is intentionally composed of individuals with high credentials; it provides insights into the effects of micro-credentials for those who already possess an elite degree, but it does not address whether micro-credentials can replace elite degrees for first-generation learners.

Long-term studies that follow the same people over their entire careers—more than just five years—are needed to find out if the current micro-credential premium in technical roles will last or is just an early-adopter advantage that will fade as the market becomes more crowded. We are gathering data for this objective and expect to tackle this inquiry in a subsequent study.

This paper also doesn't do a good job of looking at the link between gender and credentialing. Initial disaggregation indicates that women in our alumni cohort exhibit a more significant micro-credential effect on career velocity compared to men—possibly due to micro-credentials providing a merit-visible pathway in labour markets characterised by asymmetrical advantages in informal networking. This merits focused empirical scrutiny.

Conclusion: The Pause Explained

I go back to the hiring manager's pause.

He wasn't confused. He was dealing with a real tension that our empirical data show but don't solve in real time. He saw something real and good in the act of self-directed learning that a certificate stood for: the curiosity, the initiative, and the specific skill learned. On the other hand, he was in an institutional setting that hadn't yet built the infrastructure, the rules, or the incentives to fully take that recognition into account.

The job market is currently in that pause. It's not a break before making a choice in favour of micro-credentials. There is no break before reaffirming the degree's importance. It is a break before a truly open question—one whose answer is being worked out, differently, across sectors, companies, and roles, through millions of small hiring decisions that add up to the structural change we are just starting to measure.

We can say with real confidence that the bifurcation is real. The credential landscape is not moving toward a single winner. It is becoming more diverse, with different credential logics becoming more stable in different parts of the job market. This is not a crisis for universities; it's a chance to be clear about what they offer that is different from other schools. This is not a win for micro-credential platforms; it is a specification. The market rewards rigour, integrity, and demonstrability, not volume. For policymakers in developing countries, this is a call to build the infrastructure—verification systems, employer education, and learner guidance—that will make the new credential ecosystem

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work as well as it should.

The degree is not dead. The micro-credential is not a big deal. But things are changing, and the organisations that know exactly what is changing and where will be the ones that build the talent architecture of the next ten years.

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