

HRO Today Research Flash Report Is TA Fixing the Right Things?

HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders.



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Introduction

The highest inflation rate in decades has increased pressure on organizations to markedly increase employee compensation. Even as tech layoffs command attention in the headlines, the volume of job postings and vacancies reveal an economy where high-value skills remain in low supply compared to demand.

Despite the changing markets, many organizations are not monitoring workforce supply and demand or adjusting compensation to meet evolving conditions. The resulting disconnect can lead to lost candidates and higher employee turnover. The need to optimize recruiting structure is made more paramount because of the high demands being placed on the function. But HR technology currently being used may not be meeting the needs of recruiters under increasing pressure to deliver strong candidates.

How concerned should companies be about their readiness to address today's market challenges? To help shed light on the answers, *HRO Today* conducted a survey of HR and talent decision-makers, sponsored by Sevenstep. This report examines the results of that survey, revealing the extent to which organizations are concerned with losing candidates due to misaligned strategies related to compensation, skills, and changing priorities among workers. It also examines how closely they are monitoring market conditions, and how satisfied they are with recruiting technology at a time when flexibility and agility are greater necessities than ever before. Areas of focus in the report include:

- Concern About Losing Qualified Candidates
- Extent to Which Compensation is Adjusted to Current Market Data
- Extent of Trouble Attracting Candidates that Meet Non-Skills Requirements
- Emphasis On Skills Over Importance of Education and Years of Experience
- Extent Businesses Are Struggling to Adjust to Changing Needs for Talent
- Extent Organizations Have Invested in Technology to Adjust Quickly
- Extent TA Function has Optimal Tools
- Satisfaction with How HR Tech Addresses User Experience and Decision-Making

Methodology

A series of emails were sent to subscribers of *HRO Today* magazine and *HRO Today* newsletters inviting them to take part in an online study between November 2022 and January 2023. Study respondents were at the manager level or above within their human resources departments. Respondents were screened to ensure they were personally knowledgeable about their organization's recruiting practices. The total number of usable surveys was 56, and respondents were from North America. This study was sponsored by Sevenstep, though the sponsor of the study was not revealed to study participants.

Highlights

This study revealed four key findings about HR leaders' views of their TA infrastructure.

1. Concern about losing candidates because of compensation is high, but making sure compensation is competitive is not.

- Nine-in-ten (90%) senior HR executives are extremely or moderately concerned about losing candidates for critical roles to other organizations because of compensation.
- The extent organizations are making it a priority to ensure compensation is adjusted to current market conditions is modest at best. So while organizations aren't entirely ignoring the concern, there is a sizable gap between the extent of concern and what is being done to address it.

2. Organizations may be beginning to focus more on high-value candidate skills, while placing less emphasis on the importance of degrees and years of experience in job requirements.

- Overall, 40% have this focus as an essential or high priority, with only 20% relegating it to low or no priority. This means recruiters will have to be able to define those skills and locate candidates with them in future recruiting efforts.

3. Since the onset of the pandemic in 2020, two-thirds (67%) of organizations have struggled to adjust to changing needs for talent.

- Recruiters need to be able to achieve flexibility and agility in their recruiting organization to respond to rapidly changing market conditions and internal hiring demands.

4. Recruiters are not satisfied with recruiting technology, but organizations are reticent in investing more to address the challenge.

- Less than one-half of organizations (46%) currently have the tools needed to support their recruiting strategy over the next three years to a great or large extent.
- Yet, 61% of organizations are not making it a priority to invest in technology that will enable them to adjust quickly to dynamic TA needs.
- Current satisfaction with how HR technology addresses multiple areas is low. The average satisfaction rating is 3.36/5.00. The area with the lowest satisfaction is "benchmarks produced that can be used in decision making."

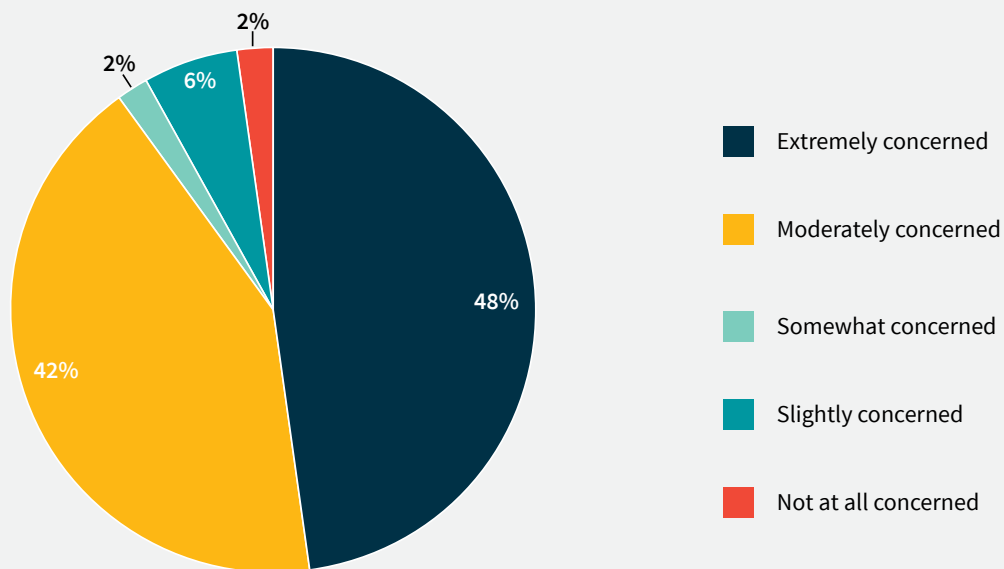
Detailed Findings

Concern About Losing Qualified Candidates

Study participants were asked to indicate their extent of concern about losing candidates for critical roles to other organizations because of compensation. Nine-in-ten (90%) are extremely or moderately concerned about the compensation issue. Only 2% are not concerned at all, indicating that this is a major area of alarm for recruiters.

The latest estimate available from the U.S. Bureau of Labor Statistics shows that over the course of 2022, total compensation in private industry rose 5.1%.¹ But for top talent in many professions, that estimate may be very low. Unless organizations make it a priority to monitor and adjust to rapidly raising compensation rates, they will often lose their candidates of choice.

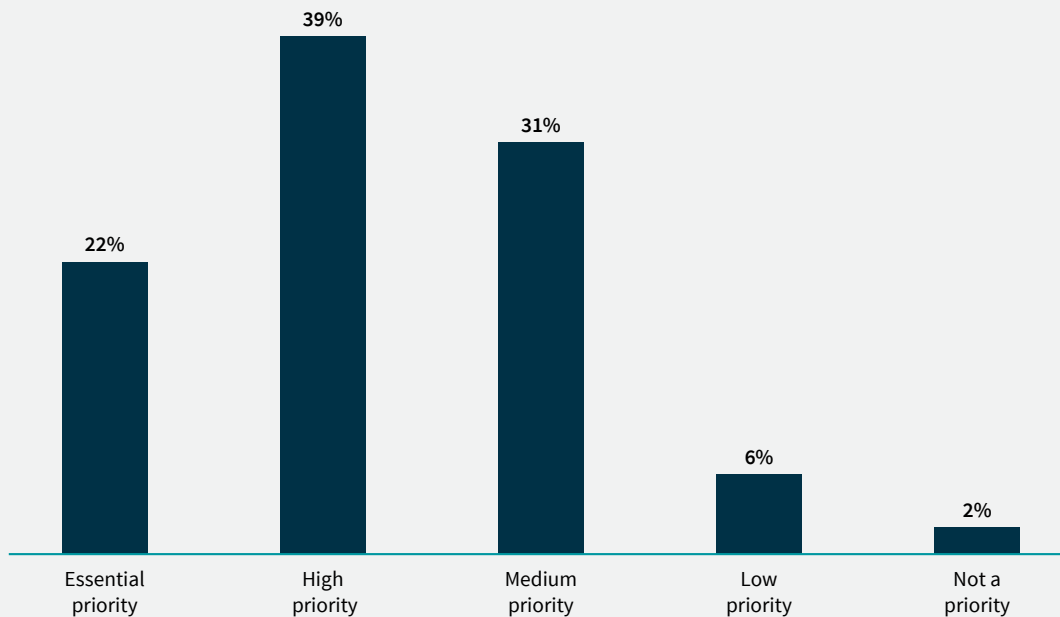
To what extent are you concerned about losing qualified candidates for critical roles to other organizations that offer more competitive compensation?



Extent to Which Compensation is Adjusted to Current Market Data

Respondents indicated how much their organization has made it a priority to ensure that compensation is adjusted to current market and location data. In total, 61% have made it either an essential priority or a high priority, leaving 39% grading it at a medium priority or less.

How much has your organization made it a priority to ensure compensation is adjusted to current market and location data?



Referring to the prior finding, the average score for extent of concern about losing qualified candidates for critical roles because of compensation is very high at 4.26 on a 1-5 scale. But the extent organizations are making it a priority, to ensure compensation is adjusted to current market conditions, has a middling average score of 3.73 on a 1-5 scale. So while organizations aren't ignoring the concern, the extent to which they are making it a priority to address what is a major apprehension is very lacking.

Extent of concern about losing candidates because of compensation vs. priority to meet current market.

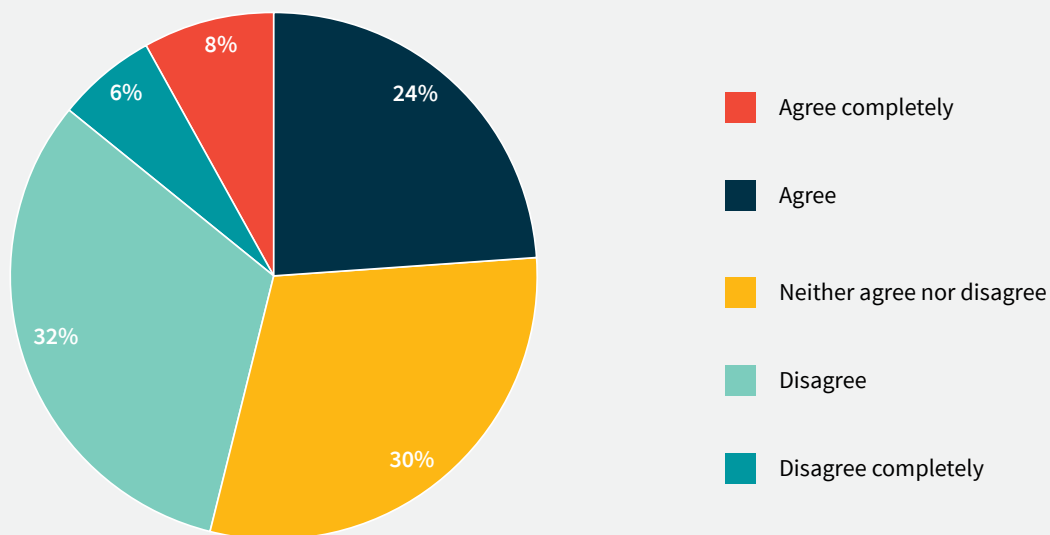
	Average Score
Extent of concern about losing qualified candidates for critical roles	4.29
Extent of priority to ensure compensation is adjusted to current market data	3.73

Extent of Trouble Attracting Candidates that Meet Non-Skills Requirements

Just under one-third (32%) Completely agreed/Agreed that they find attracting candidates with non-skills related requirements for critical roles to be challenging. Given a nearly historically low unemployment rate of 3.5%,² and the challenges that has caused recruiters, the lack of perceived difficulty in fulfilling non-skills requirements are not paramount in the minds of recruiters.

To what extent would you agree with the following statement as it relates to your organization:

“We have trouble attracting candidates that meet non-skills related requirements, such as education and years of experience, for critical roles?”



Emphasis On Skills Over Importance of Education and Years of Experience

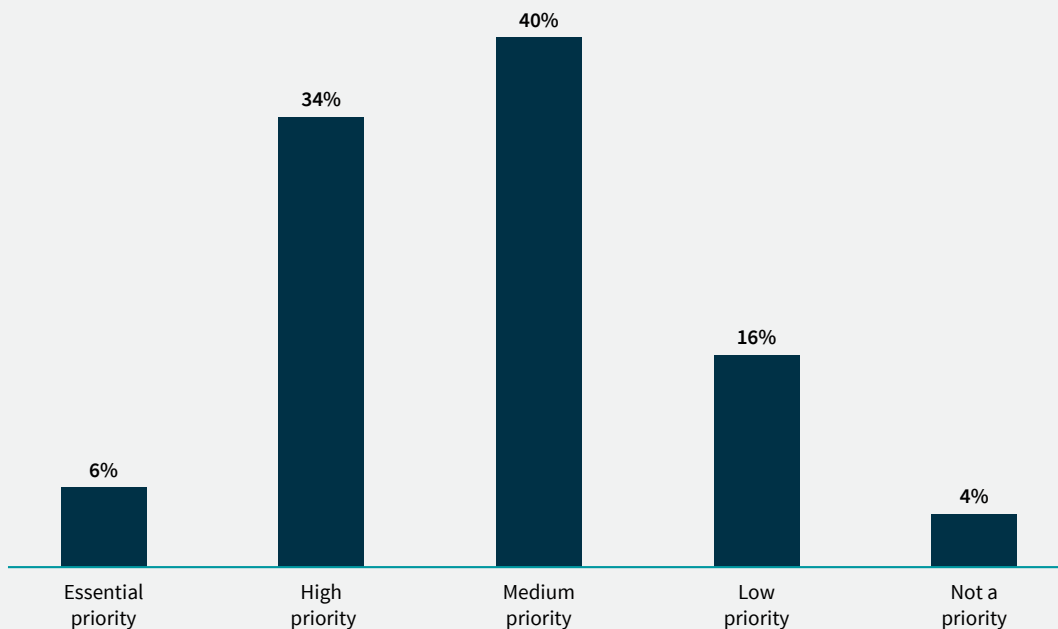
Study participants were asked how much of a priority they placed on emphasizing skills and re-examining the importance of degrees and years of experience in job requirements. Overall, 40% have made it an essential or high priority, with only 20% relegating it to low or no priority. Organizations are beginning to focus more on skills than more easily defined requirements like degrees and years on the job.

A recent article in Harvard Business Review supports this finding. The article states that:

“If demand for talent far outreaches supply, employers de-emphasize degrees. In evaluating job applicants, employers are suspending the use of degree completion as a proxy and instead now favor hiring on the basis of demonstrated skills and competencies. This shift to skills-based hiring will open opportunities to a large population of potential employees who in recent years have often been excluded from consideration because of degree inflation.”³

The report then goes on to state that employers who eliminated degree requirements frequently added more-detailed soft-skills requirements in their postings. Employers seem to be thinking more carefully about what capabilities they are truly looking for and are describing them more explicitly.

To what level has your organization made it a priority to emphasize skills and re-examine the importance of advanced degrees and years of experience in job requirements?



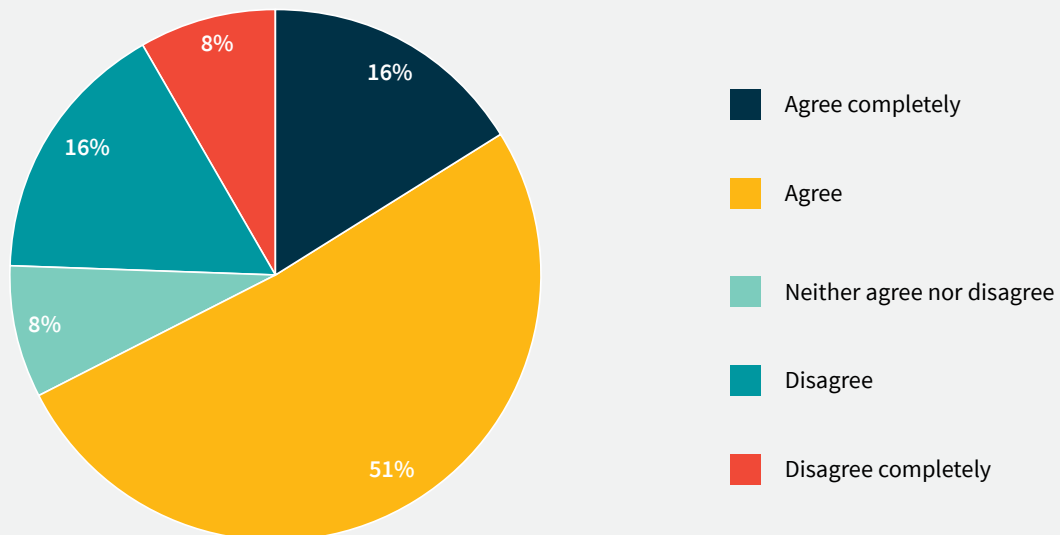
Extent Businesses Are Struggling to Adjust to Changing Needs for Talent

Respondents were asked to indicate how much they agreed that since the onset of the pandemic, their business has struggled to adjust to changing needs for talent. Overall, two-thirds (67%) agreed with the statement. Underlying this struggle is the need for flexibility and agility in recruiting.

The goal of agility is to enable organizations to respond quickly to short-term changes, shifting market trends, internal mandates, and HR technology evolution. Agility allows HR professionals to adapt to company needs and apply effective talent strategies to deliver impact for their organizations.

To what extent would you agree with the following statement as it relates to your organization:

“Over the past three years, our business has struggled to adjust to changing needs for talent such as increases in hiring, hiring for different skills and roles, or changes in locations or remote work.”

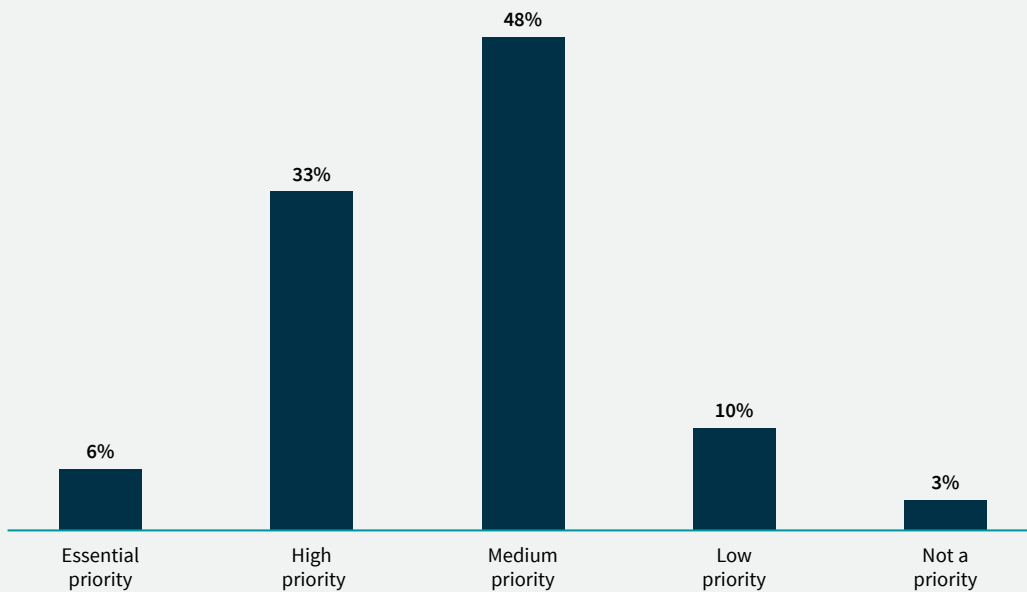


Extent Organizations Have Invested in Technology to Adjust Quickly

Study participants were asked to estimate the extent to which their organization has made it a priority to invest in technology that will enable them to adjust quickly to dynamic TA needs. Overall, only 39% have made it an essential or high priority, with the largest segment, 48%, relegating it to being a moderate priority.

Many organizations discover too late that although traditional processes for sourcing talent, reviewing applications, and moving candidates through the interview process worked well for hiring for familiar roles, volumes and market conditions, but they are inefficient when attempting to scale up, shift to new talent types or adjust to changing markets. It is difficult to scale up quickly, and likewise, when hiring declines, organizations are forced with the difficult decision to reduce recruiting staff. The right technology and scalable resources can smooth the rapid shift needed to rapidly adjust to market conditions.

To what level has your organization made it a priority to invest in resources and technology to adjust quickly for changing talent acquisition needs?

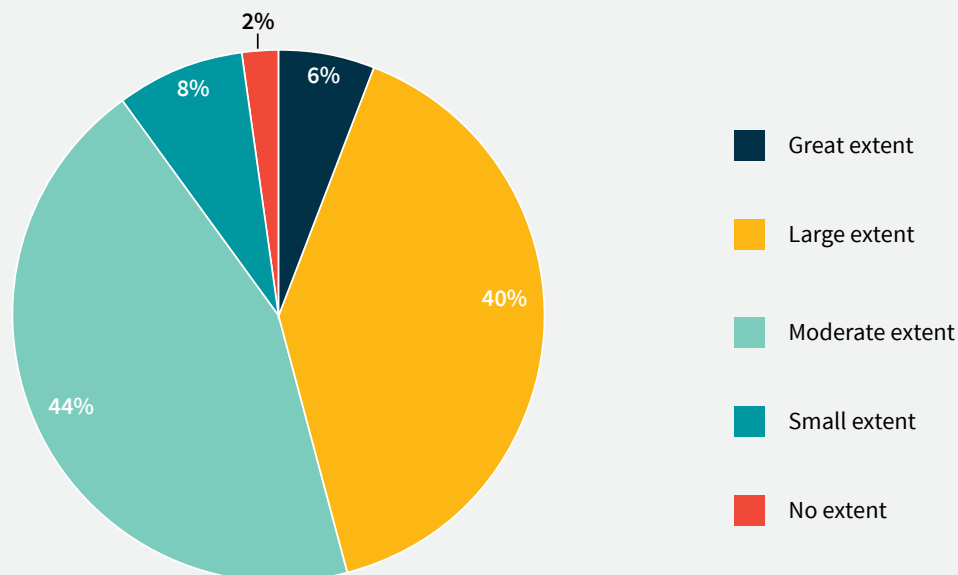


Extent TA Function has Optimal Tools

Respondents estimated the extent to which their TA function currently has access to the optimal combination of tools needed to support their recruiting strategy over the next three years. Less than one-half (46%) have those tools to a great or large extent.

Recruitment software tools automate and facilitate the job search for candidates and employers, helping recruiters organize applications and interact with talent. These tools improve both efficiency and effectiveness. Examples of the range of functions provided include organizing and compiling applicant information and securing it, attracting talent through posting and job opening promotions, tracking the application process, communicating with applicants, and recording recruiting statistics and providing meaningful benchmarks.⁴

To what extent does your TA function currently have access to the optimal combination of tools, applications, and services necessary to support your recruiting strategy over the next three years?



Satisfaction with How HR Tech Addresses User Experience and Decision-Making

Study participants were asked to rate their satisfaction with how well their HR technology addresses six different areas. The scale used was 1-5, with one being very dissatisfied and 5 being very satisfied. The average across all six areas was a modest 3.36, with scores between a high of 3.55 and a low of 3.19.

Candidate Experience

The area with the highest average satisfaction was candidate experience, with an average score of 3.55, which is mediocre at best, and suggests there is considerable room for improvement. Given the continuing shortages of high-value talent and competition for workers that now spans industry boundaries, a positive candidate experience is essential.

Several factors contribute to a positive candidate experience, the goal being a “consumer-like experience” with the same level of speed, transparency and clarity users now come to expect when they make purchases online. In the job seeking process, this level of transparency means they are updated about their application status on a continual basis. Further, the application process needs to be streamlined to avoid cumbersome fields that are difficult to interact with, particularly using mobile devices. If a candidate is frustrated with entering and re-entering resume information into tiny fields, for example, they can easily abandon the process and pursue applications elsewhere.

Hiring Manager Satisfaction

Hiring manager satisfaction had the second highest rating with an average score of 3.45. Hiring managers are focused on speaking to an assortment of qualified candidates from which to choose quickly. While they understand how market employment conditions influence recruiting speed and outcomes, they still hold their recruiter responsible to fill open positions under agreed time frames and quality standards.

Data, Visibility, and Intelligence

The three areas related to recruiting intelligence had similar satisfaction average scores in the range of 3.28 to 3.36. These areas addressed quality of hire, locating talent, and cost.

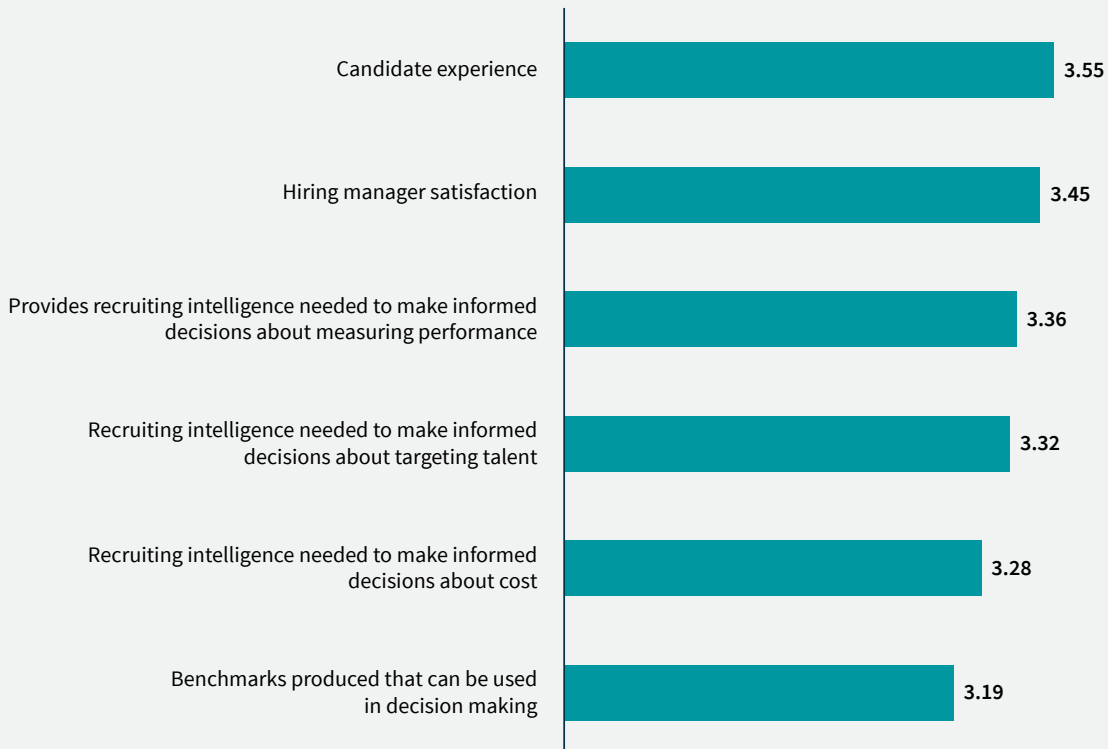
AI-powered tools can streamline many of the tedious, repetitive tasks that consume large amounts of a recruiter’s time. These tools can identify best-fit candidates through matching and scoring capabilities, often ranking top talent based on defined criteria. This automated capability allows recruiters to focus on top prospects during the hiring process, which reduces time-to-hire and cost-per-hire metrics.

Artificial intelligence and machine learning can be leveraged to assist in this process by instantly searching through a substantial data pool to find candidates who meet the search criteria. The more the recruiter uses the AI, the more it will “learn” what outcomes the user is seeking.⁶

Benchmarks produced that can be used in decision making was the area with the lowest satisfaction average score of 3.19. Providing data itself is only part of the need. Information can be used for analytic capability that provides context to answer detailed questions that drive meaningful outcomes.

Satisfaction with How HR Tech Addresses User Experience and Decision-Making (continued)

How satisfied are you with how well your HR technology addresses each of the areas below?



Conclusions

Recruiters express anxiety about issues they face but are often not able to address them though increased funding. While concern over losing candidates because of compensation, organizations are often not taking the steps necessary to prevent it, such as ensure compensation is adjusted to current market conditions.

Examining satisfaction with recruiting technology shows that recruiters are not satisfied, but organizations are often unwilling to invest in it. Less than one-half of organizations currently have the tools needed to support their recruiting strategy over the next three years to a great or large extent. Yet, most are not making it a priority to invest in technology that will allow them to support the workforce goals being set.

Notes

1. "News Release: Employment Cost Index - December 2022," *U.S. Bureau of Labor Statistics*, January 31, 2023. <https://bit.ly/41tGmQZ>
2. "Labor Force Statistics from the Current Population Survey," *U.S. Bureau of Labor Statistics*, accessed January 19, 2022. <https://www.bls.gov/cps/>
3. Fuller, Joseph et al. "Skills-Based Hiring Is on the Rise," *Harvard Business Review*, February 11, 2022. <https://hbr.org/2022/02/skills-based-hiring-is-on-the-rise>
4. "10 Recruitment Tools for Getting the Most Out of the Hiring Process," *Indeed*, Accessed January 19, 2022. <https://www.indeed.com/hire/c/info/recruitment-software-tools>
5. "News Release: Bureau of Labor Statistics, The Employment Situation – January 2023," *U.S. Bureau of Labor Statistics*, February 3, 2023. www.bls.gov/news.release/pdf/empsit.pdf
6. Windley, David. "Is AI The Answer to Recruiting Effectiveness?" *Forbes*, June 16, 2021. <https://www.forbes.com/sites/forbeshumanresourcescouncil/2021/06/16/is-ai-the-answer-to-recruiting-effectiveness/?sh=5622fdc12d7c>



About *HRO Today*

HRO Today magazine and newsletters are read by more than 140,000 HR executives and leaders worldwide and cover the latest industry trends in HR outsourcing, services, shared services, and operations. *HRO Today* magazine is the publication of choice for the most senior executives facing the strategic decisions about operational excellence. *HRO Today* magazine and www.hrotoday.com offer the best content choices for the HR leaders seeking online information in the form of newsletters, webinar series, and online video content. *HRO Today* is a product of SharedXpertise.

SEVENSTEP

About Sevenstep

Sevenstep is a global leader in total talent outsourcing and solutions. Annually ranked as a top enterprise recruitment process outsourcing (RPO) provider on *HRO Today*'s Baker's Dozen list and a leading managed service provider (MSP), Sevenstep provides services in nearly 50 countries spanning six continents. A bespoke suite of total talent services and solutions includes enterprise RPO, project RPO, MSP solutions, data analytics, employer branding, and talent attraction capabilities. Sevenstep's solutions are all powered by Sevayo Insights, a comprehensive talent and business intelligence technology platform and service designed to provide stakeholder visibility into talent acquisition and business performance.

Sevenstep's unrivaled partnership-driven approach and unbounded vision to total talent means talent acquisition wins and business performance gains. Learn more at sevensteprpo.com