

**Hiring**

## **We Can Now Automate Hiring. Is that Good?**

by Peter Cappelli

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One of the things that is different since the recession is the approach that most companies are taking to hiring—where virtually everything about the process is automated or outsourced. As with all major trends, this one has been underway for a while, but it has been given a push by five years of relentless cost-cutting. Unfortunately, the emphasis on cost-cutting has shifted managers' attention away from the value they should be creating from these new latest hiring practices—and this is where the future of hiring lies.

Ironically, these approaches did not start out as cost-cutting measures. Recruiting—the gathering of candidates—was long ago turned over to websites and software to simplify the process for finding good candidates in a tight labor market. Starting in the late 1990s, employers facing what was then a shortfall in candidates tried to make it easy for candidates to apply by putting simplified applications online and then managing them with applicant tracking software. Then, as the labor market changed, automation was simply the most efficient way of dealing with a deluge of candidates. When the economy turned down first in the recession of 2001 and then

massively so in the Great Recession starting in 2008, unemployed candidates flooded employers with applications, and companies had no choice but to use software to process and screen them.

The idea behind applicant tracking software was to provide a simple first cut of applicants to see if they had the basic attributes the jobs required. The pool that survived that cut would then be turned over to recruiters who would then consider them carefully for hiring. But during the Great Recession those recruiters themselves lost their jobs—why keep them when there was no hiring? As hiring starts to come back, companies are trying to do it without hiring back recruiters and, as a cost-savings effort, in some cases trying to do it with no recruiters at all.

How is that possible? One bad way has been to screw down the requirements on the existing applicant tracking system to screen out all but a few candidates. It's almost impossible to do that with any precision, and a likely consequence is overreliance on credentials or experience that are not all that relevant to the job.

An obvious way to get by without recruiters is to outsource the entire recruiting and selection process to a third party. The growth of these Recruitment Process Outsourcers (RPO's) has been spectacular.

Another reasonable approach is to automate even more and to use technology to handle some of the more standardized tasks associated with selecting the best candidates. Think of every time you've been hired for a job and all the steps you went through involved after you submitted your application. Every one of those can now be done by computers.

Consider, for example, the process of checking references. That can be done now online by companies like SkillSurvey.com, who standardize the process and push it to the referees to do on their own schedule. Bringing candidates in for interviews can also be eliminated with tools like Hirevue.com, who conduct standardized, video interviews that are scored and that employers can then review

on their own time. HireIQ.com moves the interview process to automated telephone interviews that are taped and assessed for personality and other attributes. What's the appropriate salary to pay? Vendors like salary.com or payscale.com can tell you what market wages are for jobs like yours in your community and what benefits competitors are offering.

Is this automated approach a good thing? One scenario the automated approaches eliminate is where the unusual but plucky candidate who doesn't fit the mold has the opportunity to persuade the recruiter to give them a chance. No doubt there are many nice examples where that scenario plays out well for all sides, but there are far, far more stories where the candidate who doesn't meet the requirements is going to cost the business a lot of time and money if they are hired only to prove in the end that they were not a good choice. The alternative to standardized, data-driven practices is unfortunately not a wise, experienced, recruiter with an open mind. It is more likely to be a hiring manager who has no training in selection who "goes with their gut," which means they hire someone who looks like them. It is hard to argue with approaches that rely on data and standard practices to bring rigor to the hiring process. But whether that is actually what's going on is not so obvious.

Beyond the potential cost-savings and rigor of these new hiring processes, lie a host of reasons why companies need to think more deeply about their potential costs (are you just transferring the costs from hiring and recruiting to the costs of managing a poor employee, for example) and the potential benefits (such as getting better talent). Yes, this automated approach is a good thing; but only if companies are actually creating value with it.

It's difficult to think of any decision that is more important to an organization than determining who it hires. One reason why hiring is even more important now than in the past is because employers do it so frequently: High turnover means continual hiring, and most companies now look outside to fill vacancies for all jobs, not just for

those we used to call “entry-level.” Using vendors who have expertise in hiring to aid the process could make perfect sense as a way to get better candidates —and create value.

But companies aren’t there yet. When one talks to these vendors and to the RPO’s, the story they tell overwhelmingly is that clients are interested in their services to cut hiring costs. That’s not a bad thing per se. What is bad is when hiring costs become the only objective.

Evidence that cutting costs is the main objective comes where we see these hiring vendors being managed not by the client’s HR department but by the vendor management department. A cheap approach to hiring that leads to poor hires is one of the worst decisions one could possibly make given all the possible costs associated with making a bad hire and the benefits of good hires.

Why would an employer possibly take such risks just to save a few bucks up front? It happens when the people in charge see data on the costs of hiring but no data on the outcomes of hiring. We manage what we can measure, and without evidence that hiring practices matter, we just squeeze the costs down. It can be difficult to generate such evidence, and few companies these days still have the capability in the HR departments to do so.

So, the answer is to press the vendors for evidence that what they are doing pays off by giving you better hires. If they don’t have it, ask them to get it. More important, when you engage them, ask them to help you assess the value they are creating for you so that you can sell the case for better hires to company leaders. If they can’t do that, get another vendor.

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