



# Fixing Hiring Through Science:

How to get the hiring results of world class companies at a fraction of current time and cost

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Spring 2011





# How to break the cycle of hiring on skill and firing on fit

**S**tandard hiring practice goes something like this:

An employer needs to fill a position. A job requisition is produced—recycled from an earlier hire or new-minted by a recruiter with limited familiarity with the job—and reviewed by a furiously busy hiring manager. The job requisition leads to a sourcing action—a job post online, a contract with a professional recruiter, a trawl through social networks, maybe an ad designed to make the job and company appealing. Huge numbers of jobseekers respond; clever technologies screen out applicants based on their résumés. The remaining candidates are reviewed, a few are shortlisted and interviews are scheduled. Impressions are compared, decisions taken. A hire is made.

Meanwhile, jobseekers find the job by keyword searching on job boards. Most apply quickly by uploading existing cover letters and résumés. Savvier jobseekers research the company, tailor their résumés and letters to the specifics of the job description, and present their experience in the best possible light for that role. Almost all jobseekers apply to multiple jobs because it is impossible learn enough about any role—or to be sure their résumé will get picked up—to limit their search. If they make it as far as interview, they try to give the right impression to land them the job, not necessarily to reveal the truth about themselves and their capabilities.

The results of this labor- and time-intensive process are shocking: Fewer than half of all newly hired candidates earn a “very good” or “good” rating six months after being hired and nearly half leave in the first eighteen months. 70% of hiring managers regret their decision a year after hiring. The cost of this systematic failure—lost productivity, reduced engagement of other workers, missed opportunities and spiraling recruitment expense—runs to many multiples of the annual compensation

*Only 48% of new hires are rated good or very good...30% of business failures are due to poor hiring*





for a job. The impact can be terminal: According to the U.S. Department of Labor, 30% of business failures *every year* can be traced back to poor hiring decisions.

This Working Paper looks at what has gone wrong with recruitment, and how it can be fixed. We expose the fundamental misunderstanding at the heart of recruitment's failure . We draw attention to the proven science that predicts job performance across all roles and we show how every business can get the recruitment results of world class companies at a fraction of current recruitment spend.

## Current hiring practices are suboptimal and unsustainable

There are 7 million authorized recruiters—people with hiring budgets—in the US. All want to attract the best talent at reasonable cost, effort and time-to-hire. Instead, they get an expensive, involved, inaccurate and time-consuming process that delivers extremely uncertain results.

### Hiring costs are spiraling at a time when business can least afford them

Nearly half (49%) of US companies aim to increase hiring spend in 2011<sup>1</sup>. Even channels that are shrinking as a percentage of budgets are rising in absolute terms: in 2008 business paid \$58 billion for recruitment ads; by 2012 this is predicted to grow to \$73 billion<sup>2</sup>.

*A big driver of rising costs is increased turnover – over 1/4 of employees have been with the organization less than one year*

Why is recruitment spending on the rise? One major reason is increased turnover. Average Americans now can expect three to five careers in their working lives. Those between the ages of 18 and 37 will most likely change jobs ten times<sup>3</sup>. Turnover has increased even at the top of the pyramid: executives now stay with an organization an average of 2.8 years, compared to 3.3 years in 2006.<sup>4</sup> Immediately prior to the downturn, more than one-fourth of employees had been with their current employer for less than one year, one-third for less than two years<sup>5</sup>. The recession dampened turnover, but it has now recovered:





According to the Department of Labor, job openings have risen by 32% over the past year and 84% of employees plan to look for a new job in 2011<sup>6</sup>. A recent LinkedIn survey found 78% of employees either searching or open to new opportunities.

The effect of this spiraling turnover is dramatic. The technical costs of managing a termination and recruiting a successor average 30% to 250% of annual salary for the position. When the full impact of a mis-hire – lowered productivity of the job holder, impact on team and organizational productivity and motivation – are taken into account, the costs rise to 1,400% to 2,800% of annual compensation for the role<sup>7</sup>.

*The full impact of a mis-hire can run from 14 times to 28 times annual salary for the role.*

### Application volumes are now so huge they are impossible to process meaningfully

The impact of suboptimal hiring is not just seen in costs. The volume of recruitment work has risen so swiftly the system is close to unmanageable.

Large companies get sent 25,000 résumés per week. A job posted on a major online job board generates, on average, 1,400 applications. One company we know received, in a single year, 1.4 million job applications. There are over 100,000 online job boards, web scrapers and aggregator

*Large companies receive 5,000 résumés every day*  
*124,000,000 online job searches are performed every month*

job boards that showcase several million potential jobs and encourage candidates to apply with a couple of clicks. In 2008, 48 million jobs were posted online and 77 million résumés were uploaded<sup>8</sup>. 124 million job searches are performed each month via the major search engines.

These volumes are impossible for hirers to process in any meaningful way. Technologies such as keyword searching of résumés have yet to deliver precise and meaningful results—semantic search is still a gleam in Google’s eye . Proven technologies like psychometric and other scientific assessments deliver impressive results but are expensive, time consuming and difficult to deliver at scale. Applicant tracking software often just digitizes the problem. No wonder average time to hire now ranges from 30 days to 100 days or more.

Processing overload unsurprisingly impacts quality. No recruiter processing hundreds of applications a day can give thorough consideration to each one. According to research by the Corporate



























