

PRE-HIRE ASSESSMENTS: THE FIRST TEST TO UNDERSTANDING THE CANDIDATE

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Report Highlights

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Market-shifting forces have created a talent gap by continued over-reliance on generations close to retirement, and a lack of investment in new generations beginning their journey up the corporate ladder.

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Best-in-Class organizations were 36% more likely than All Others (85% vs. 54%) to use assessments in the pre-hire stage, and to drive a constant information flow in the hiring process.

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Industry Leaders were 16% more likely than All Others (44% vs. 37%) to see their biggest talent management challenge, stem from an inability to develop internal talent to fill emerging skills gaps.

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Best-in-Class companies were 22% more likely than All Others (73% vs. 57%) to value assessments as having a medium to high impact on improved revenue per FTE.

Organizations are changing the way they approach talent acquisition, and the Best-in-Class are making extensive use of pre-hire assessments, to gather information about candidate skills sets, developmental resource requirements, and other best-fit characteristics, for integrating newly hired employees.

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As employers flounder with the disconnect in their understanding of the changing labor market, the world of employment is fast becoming a job seeker's market for those who know how to play the system.

The labor market is changing. The generational shift is causing a rift between what employers traditionally expect from incoming talent, and what new talent is bringing to the table. In 2016, 48% of Best-in-Class companies were likely to see talent turnover in zero to 20% of their workforce. Furthermore, turnover amongst younger generations remained above the 67% mark, as employers continued to get the formula for new generations wrong. Part of the problem is a growing gap between what employers expect from retiring generations, and what they can expect younger generations to bring to the table.

As organizations flounder with this break in the definition of reasonable expectations, the world of employment is fast becoming a job seeker's market for those who know how to play the system.

Employers are focused on defining top quality talent, making a priority of ensuring that applicants conform to their standards. From their perspective, fitting incoming talent to a standard mold creates a predictable expectation. Standardizing expectations should therefore be cost-effective, when comparing the combined costs of the hiring process to the labor spend lost on training a new employee. In, [Is Proactive Hiring More Than a Mindset?](#) (August 2016), Aberdeen looked at how assessments are used to effectively reduce inaccuracy in the hiring process, while improving HR's understanding of what leads to a changing, but understandable, definition of top-quality talent.

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Best-in-Class companies are 46% more likely than All Others to prioritize improving management of the multi-generational workforce.

Baby Boomers, and the Crossover Generation just after them, are staying in the workforce longer, subsequently preventing younger generations from entering the workforce and growing into management positions.

Sources of the Modern Talent Divide

Back in 2009, the [U.S. Social Security Agency](#) reported that by 2013, 36% of the workforce would be eligible for retirement. The reality is that the actual retirement rate of the Baby Boom and Crossover Generations is following an S-curve, meaning that the highest rate of retirement will happen as the peak of the combined generation bubble reaches the threshold for aging out of the workforce. Furthermore, the bulk of this retirement was delayed, due to the financial crisis, which, according to [Reuters](#), wiped out 20% of US household wealth from peak levels in 2007. Within that 20%, retirement accounts were nearly decimated. By 2016, the [National Institute on Retirement Security](#) noted that the average near-retirement household had only \$12,000 in retirement account assets. As the retirement trajectory approaches the peak population of these two age groups, data from the [Bureau of Labor Statistics](#), shows that the average retirement is deviating from the social security threshold by 10%.

The economic shift to the services sector, fueled by production outsourcing and reduced time between economic crashes, has decimated the pool of “no experience necessary” entry-level positions. As Generation X entered the market, they had little opportunity to join the labor force, or to rise into management in time for the Baby Boomers and the Crossover Generation to retire. Today, Generation X accounts for only 23% of the active, full-time, salaried workforce as employers are bypassing them for Generations Y, M (millennials), and Z.

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Market shifting forces have created a talent gap, fueled by continued over-reliance on generations close to retirement and a lack of investment in the infrastructure needed to nurture new generations.

What the Labor Gap Means for Hiring

Employers are at a loss, as the need to bring in new generations of employees is causing them to struggle to retain business continuity. HR is at the front lines, as hiring has had to account for a gap in the evolution of requirements for incoming talent. In 2016, Aberdeen found that Best-in-Class companies were 46% more likely than All Others (39% vs. 21%) to prioritize improving management of the multi-generational workforce as a top priority. As of now, the average Best-in-Class organization can only deliver two thirds of the leaders needed, in the coming three to five years. Moving forward, it is imperative that companies realign their hiring expectations with actual incoming talent.

The lack of alignment and employee development is causing key pressures in low innovation rates, low revenue per FTE, and declining employee productivity to emerge. The long tenure of Baby Boomers, and the Crossover Group that coincided with the technological transformation of the workplace, meant that employers could rely on employees to independently learn new skills, as technology entered the workforce. The hard stop, between generations, means that newer entrants are returning to the demands that mirror those of their grandparents. Included in these demands are stronger workplace definitions around role responsibilities and work-life balance. Furthermore, younger generations are demanding these definitions from the employer *before* they accept positions within the organization.

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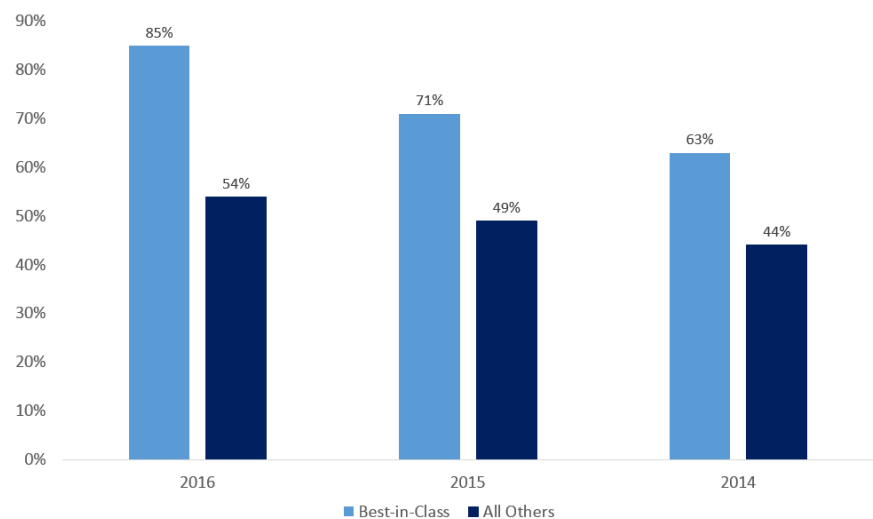
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As employers struggle to redefine those definitions, pre-hire assessments can be a useful two-way conduit of information between candidates and employers. Consequently, they can have a positive impact on HR indicators, such as time to hire, hiring manager satisfaction, employee retention, performance, and engagement. Furthermore, the information garnered from the assessments themselves, can help organizations understand the external business drivers, and internal characteristics, that affect hiring and retention.

Linking Assessments to a Stronger Labor Movement

Pre-hire assessments enable employers to better understand the strengths, weaknesses, perspectives, and specializations of incoming candidates.

Figure 1: Using Assessments in Pre-Hire and Hiring



Source: Aberdeen Group, October 2016 n = 204

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Best-in-Class companies are 25% more likely than All Others to define top quality talent based on internal and external business drivers.

Figure 1 (page 5) shows the use of assessments in pre-hire and hiring, from 2014 to 2016. In 2016, Best-in-Class organizations were 36% more likely than All Others (85% vs. 54%) to use assessments in the pre-hire stage, driving a constant information flow in the hiring process. Among Best-in-Class companies, use of these assessments increased 16% from 2015 to 2016. In [Pre-Hire Assessments: An Asset for HR in the Age of the Candidate](#) (May 2015), Aberdeen noted that companies are tired of relying on gut feel, and interview feedback, to make critical hiring decisions. In 2015, it was apparent that employers were looking for reliable data to match (against employee gauges) to drive towards the right candidate in hiring.

In [Is Proactive Hiring More Than a Mindset?](#) Aberdeen found that the employer transition had gone one step forward: as employers relied on assessments for reactive hiring, large-scale potential could be realized by shifting assessments – from providing information about individual candidates – to providing collective information about the talent stream. In 2016, Aberdeen found that assessments were taking on a new set of characteristics, as employers moved toward establishing a talent pipeline, and away from reactive hiring.

In a 2017 survey, Aberdeen found that Industry Leaders were 16% more likely than All Others (44% vs. 37%) to see their biggest talent management challenge stem from an inability to develop internal talent to fill emerging skills gaps. Leaders were also 46% more likely than All Others (56% vs. 30%) to experience moderate pressure coming from a lack of quality talent analytics. Best-in-Class companies are only just starting to define top quality talent,

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Best-in-Class companies are 22% more likely than All Others value assessments as having a medium to high impact on improved revenue per FTE.

based on internal and external business drivers. In 2016, the Best-in-Class were 25% more likely than All Others (52% vs. 39%) to be doing this. The Best-in-Class statistic has only just passed the halfway mark, in terms of using these factors as influencers in the definition of top talent.

Taking into account the impact of internal, and external business pressures, is becoming a best practice in talent acquisition. Assessments are increasingly important as a driver to relay information in two different ways: to management from internal and external talent pools, and to talent pools by way of stronger career and talent branding from management. In 2016, Best-in-Class companies were 36% more likely than All Others (36% vs. 23%) to attribute a high impact on improved employee performance to their use of assessments. Best-in-Class companies were also 22% more likely than All Others (73% vs. 57%) to value assessments as having a medium, to high impact, on improved revenue per FTE. These figures continue a trend from 2015, when Aberdeen found that hiring managers at Best-in-Class companies were 36% more likely than at All Others (7.6% vs. 5.6%) to be satisfied with their new hires, when pre-hire assessments were used in vetting and hiring.

The Best-in-Class are changing their hiring strategies to identify disconnects, between valuable candidates, and the workplace they are interviewing to enter. More, now than ever before, employers are demanding greater insights about their operations, as they relate to candidate perception and goal sets.

By the end of 2016, industry leaders were still defining top talent predominantly by a willingness to take initiative beyond the original role description, as well as a will to contribute external resources of the candidate's own accord to develop leadership characteristics into management opportunities. In other words,

employers were hiring talent to fit a certain mold, while expecting employees to define their own career track and manage their own development.

Heading into 2017, industry leaders recognize that there is a problem with expecting incoming top talent to understand what to do, and be satisfied with whatever resources they are given to do it. In fact, Leaders are 68% more likely than All Others (44% vs. 14%) to be expanding spend on talent branding and analytics; and 90% more likely than All Others (20% vs. 2%) to be expanding spend in applicant tracking and assessments. They are 71% more likely than All Others (56% vs. 16%) to be expanding spend on developing internal talent, to become equally competitive to new-hires.

Connecting the Dots

The world of hiring is convoluted, confusing, and crowded. Thousands of candidates are vying for the same jobs with the same training and the same 'well-rounded' characteristics every day. Getting to the bottom of the information cesspool created by resume submissions can be a tough task to handle on the part of HR. As outsourcing costs for pre-screening became prohibitive for certain segments of the market, automated pre-screening and assessments emerged as a cheap alternative to benchmark incoming candidates, against a predetermined set of desirable workplace characteristics.

In [Is Proactive Hiring More Than a Mindset?](#) Aberdeen took note of how the overuse of assessments at every stage of the hiring process not only broke down candidate engagement, but perpetuated the status quo on labor quality and productivity.

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Employers need to match hiring tactics, with the actual state of the business. Using assessments in pre-hiring helps do this.

To break out of this paradigm, employers need to match hiring tactics, with the actual state of the business. Placing assessments in the pre-hiring stage, helps to do this in the same way feedback surveys help to understand process deficiencies: by creating a collective return of information. As generations change in the workplace, new employee development is starting from square one, after years of employer neglect. For employers, this means that they must rethink their resource deployments that will train newer generations in how to manage continued growth and development.

The first step to identifying how the new labor force and the changing work environment will fit together, is to understand how the work environment can meet the demands of incoming employees. From there, employers should be using pre-hire assessment information to understand what the collective qualifications are for the set of respondents for an initial role. Understanding the qualifications helps them know where talent branding might be failing, and where the workplace is failing to be attractive and conducive toward the achievement of management goals and objectives. Employers need to be aware that their expectations may be set too high, and that they may be over-catering to individual needs, as opposed to the subset of employees they are seeking to attract.

In 2016, Aberdeen found that while 75% of Best-in-Class companies were seeing improvements to employee performance, only 25% were experiencing these improvements alongside higher achievement of management goals and objectives. If this statistic has any hope of improving, employers need to realize that they have very little understanding of the pulse on the new talent market. As the data shows, the earliest way to remedy this, is to collect information to regroup, redesign, and redeploy the talent acquisition methodology. The first step to doing so: re-strategize

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around the positioning of pre-hire assessments, to collectively determine hiring characteristics, and then push those characteristics to market by way of stronger career branding for open positions.

For more information on this or other research topics, please visit www.aberdeens.com.

Related Research

[*The Power of an Integrated HCM Ecosystem;*](#)

December 2016

[*Is Proactive Hiring More Than a Mindset?;*](#)

August 2016

[*Bridging the Skills Gap: Taking the Internal Approach;*](#) November 2016

[*Pre-Hire Assessments: An Asset for HR in the Age of the Candidate;*](#) May 2015

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