



Modern Hire

2023 Hiring Trends:
The Flight to Quality



Chaotic labor conditions are expected to continue in 2023 with various industries and functions scrambling for candidates as others lay off talent to hit reset or survive. Amid these job market uncertainties, AI-based hiring tools continue to proliferate, and regulatory bodies are seeking to assess their responsible use. Meanwhile, last year's "warm body" approach to hiring is being called into question as turnover threatens companies' bottom line.

Welcome to the Flight to Quality.

As companies move to better understand and optimize their hiring technology, quality of hire, quality of practice, and quality of technology are the name of the game for 2023. Our survey work, client feedback and data analysis reveal trends that establish this "flight to quality" as the overarching talent acquisition theme of the year.

Let's look at three trends that are shaping the Quality Mandate of 2023.





INTRODUCTION

In many ways, 2023 trends are a response to those of 2021-2022.

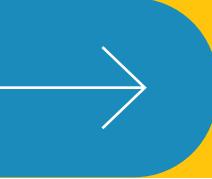
The combined rise of COVID-era remote hiring, flexible work arrangements, and a post-pandemic economic recovery drove a two-year flurry of attention on addressing worker mobility and labor scarcity. First the Great Resignation and then so-called Quiet Quitting were two often-invoked terms that attempted to encapsulate the complexity of labor market conditions, as workers flexed newly found muscle and companies accelerated their adoption of hiring technologies that would ease the pressure of change.

According to Bureau of Labor Statistics, job openings in early 2022 were nearly twice those of the preceding 10-year historical average. No wonder companies responded to the unusual market conditions with a flurry of top-of-funnel investments focused on recruitment and quickly driving candidate volume while speeding time to hire.

Unfortunately, market conditions led many companies and candidates alike to make of-the-moment decisions that have not always worked out for either party. According to a March 2022 Harris Poll survey for USA TODAY, only 26% of job switchers said they liked their [new] job enough to stay. On the employer side, HR technologies are being introduced faster than hiring teams can fully understand the impact or integrate them into their workflows. Not surprisingly, **2023 is shaping up as the year for HR professionals to leave behind the reactionary measures that became common during the pandemic and refocus on quality hiring techniques that will drive efficiency, effectiveness, engagement, and ethical outcomes.**

Here's what we see ahead.





QUALITY TREND #1: RENEWED FOCUS ON QUALITY OF HIRE

In a second-half 2022 survey conducted by Aptitude Research on behalf of Modern Hire, for the first time in two years Quality of Hire (QoH) was cited as a top technology investment priority. This trend will continue. While efficiency is still critical for companies looking to improve time to fill and recruiter productivity, there is a growing realization that a well-conducted, competency-based interview and a science-based pre-hire assessment still offer long-term return on investment.

WHAT IS QoH?

In many ways Quality of Hire is the ultimate metric of hiring success – encapsulating how well a new hire performs, their engagement and promotability, as well as how likely they are to remain at the new company over time. Because of this complexity, and because metrics such as turnover are often only sporadically tracked, it is also the hardest metric to measure accurately.

Thus, in the heat of a two-year post-pandemic labor shortage, many organizations short-circuited thoughtful hiring processes, electing to use a “warm body” hiring philosophy – that is, lowering standards to find anyone who could meet the minimum job qualifications.

Many companies have concluded that trading quality for speed has frequently come at a high price: a decline in new hire success, premature turnover, and the actual cost of rehiring and retraining, as well as longer term opportunity costs to the business. In 2023, leading organizations are recognizing that QoH – and hiring right the first time – are a vital gateway to creating value in a well-run organization. Additionally, the skills and competencies needed for most jobs are more complex and more urgent than they were even a few years ago, as digital, 21st century skills become table stakes. According to Gartner, one in three skills needed for a job in 2018 have become obsolete.¹ **The good news in 2023 is that advanced selection science provides the needed insights to match competencies and candidates to realize quantifiably better outcomes.**



PRE-HIRE ASSESSMENT BENEFITS WITH MODERN HIRE

Global Insurance Company

3x

Promoted in First 3 Years

Multinational Retail Corporation

2x

Converted to Full-Time

Multinational Financial Services Company

2x

Ramp-Up Speed

Multinational Professional Services Company

2x

Overall Supervisor Ratings

Bank Holding Company

2x

Overall Supervisor Ratings

IT Services & IT Consulting Company

2x

Annual Performance Evaluation

¹ <https://www.gartner.com/en/newsroom/press-releases/2021-10-20-gartner-survey-reveals-hr-leaders--number-one-priorit>

Solving for



Efficient
Effective
Ethical
Engaging



14%

Increase in diversity of graduate hires



~\$7M

Savings from decreased turnover



\$238M

Savings from improved
candidate screening



8,200 Hours

Saved through automation of
manual phone screens



3 Days

Reduction in average time-to-offer
during pandemic

E-Commerce Organization

\$30M

Annual savings from improving retention
and optimizing scoring

Large Aerospace Organization

40%+

Increase in new hire ethnic diversity

25%+

Increase in new hire gender diversity

Retail Healthcare Organization

40 Person Years

Savings of hiring manager time through
more effective candidate prioritization

QUALITY TREND #1: RENEWED FOCUS ON QUALITY OF HIRE (CONT'D)

TURNOVER REDUCTION

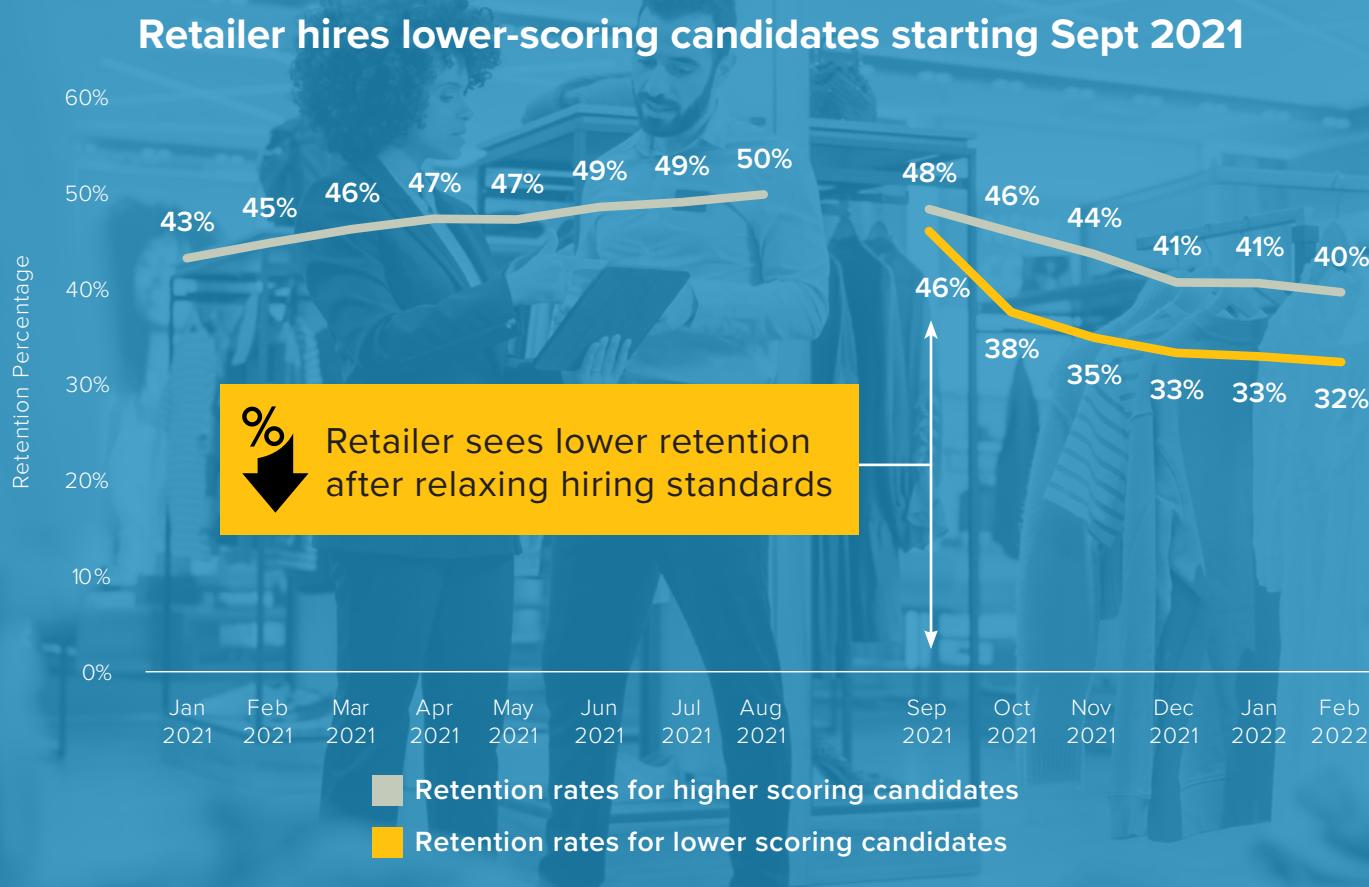
Turnover itself is a complex event with some causal factors beyond the control of organizations. To slow attrition in 2023, organizations are prioritizing two complementary strategies. One is helping employees feel more valued, respected, and connected to their organization. Large enterprises can focus on pay policies, offering more benefits that encourage employee well-being, and creating opportunities that help employees build interpersonal relationships at work. Many companies are transitioning to a more people-centric workplace with these engagement efforts.

Additionally, people want to advance. Seven out of ten (70%) frontline workers surveyed said they applied to career advancement opportunities either with their current employers or with different companies.² Employers can stem turnover by hiring frontline workers for fit, which makes it more likely new hires will stay during the critical first few months. During that time, employers can introduce resources and support employees can use to advance their careers.

LOWERING STANDARDS LEADS TO GREATER TURNOVER

Hiring practitioners are using scientifically designed selection procedures that leverage the power of AI. By using AI instead of traditional models for predicting turnover, we have seen significant increases in the success of turnover prediction.³ Modern Hire's tools have been proven time and again to predict long-term employee fit and retention, saving companies many millions of dollars in turnover costs. The quality of hire impact tends to be even greater.

The graph below shows how retention rates plummet for a major retailer who relaxed their assessment standards during the pandemic. The yellow line shows the lowest scoring candidates who were hired beginning in September 2021: retention of these poor-fit candidates was much lower than higher scoring candidates.



2 <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/bridging-the-advancement-gap-what-frontline-employees-want-and-what-employers-think-they-want>
3 Modern Hire 2020 Business Impact Brief: Turnover

STABILITY IN A JOB *IS* PERFORMANCE

Employee stability/reliability is showing increasingly strong positive relationships as a core competency in supervisor performance ratings, according to recent Modern Hire data. Other industry data supports the growing importance of employee retention.⁴ Performance in 2022 was simply “showing up” for work and displaying dependability, especially in entry level roles. Our takeaway: Expectations employers and employees hold about each other are shifting.



SHIFTING SKILLS

The skills employers will need for a strong, quality workforce in 2023 are shifting rapidly. As companies move permanently to hybrid work models and the use of intelligent technology, ideal employee profiles now include remote working skills, such as asynchronous communication and the capacity to advance work using a broad range of digital tools.

Skills available within the candidate pool are shifting, too. Traditionally underrepresented groups in the workforce, including the neurodiverse, are finding new ways to contribute and plug in. In addition, analysis of our data from candidate pre-hire assessments reveals a change in candidate response patterns: Candidates are more honest in reporting their skills and attributes.⁵ Overall, the data suggests applicants feel more confident about responding candidly during interviews in this candidate-centric job market.

As companies respond to changing skills requirements there's a growing understanding that “soft” doesn't have to mean subjective. While soft skills traditionally have been more difficult to identify in candidates, advances in scientific interviewing and AI make it not only possible but efficient to assess for soft skills with the same data-driven processes organizations are using elsewhere in their hiring.

HIRING FOR POTENTIAL

Soft skills are extremely predictive of job success and will be front and center in the 2023 trend toward hiring for potential. Modern Hire's family of pre-hire assessments, called Virtual Job Tryouts®, includes modern soft skills such as digital readiness, learning agility, and adaptability. Another Modern Hire scientific assessment tool, Find My Fit™, directs candidates to jobs for which they are qualified but may not have considered.

Modern Hire client Spectrum won a prestigious TIARA Talent Acquisition award in 2022 for its use of Find My Fit. These awards are given to employers who put excellence, innovation and achievement at the heart of their people strategies. The judging panel cited the automation and personalized candidate experience that Spectrum achieved with Find My Fit.

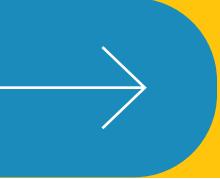
MODERN HIRE INTRODUCES GRADUATE VJT

Identifying and grooming promising young graduates has never been a more urgent priority for many companies. To help enterprise organizations assess their potential, Modern Hire has introduced the Graduate Virtual Job Tryout (VJT).

Built on the same foundation as Modern Hire's science-based Virtual Job Tryout simulation, the Graduate VJT helps hiring practitioners identify candidates with the skills to succeed, leading to increased quality of hire. **The Graduate VJT is designed to be used across a variety of entry-level roles, effectively predicting job performance among a pool of candidates with limited job experience.** In addition, it creates a fair, engaging hiring experience that, through a series of job-relevant exercises, helps candidates learn more about the organization and if the role is right for them.

4 https://hrexecutive.com/employee-retention-replaces-ta-as-top-hr-priority-for-next-year/?oly_enc_id=901810510589A67

5 Frost, C. and Stevenor, B. Candidate Responding to Candidate Market (in review). 2022



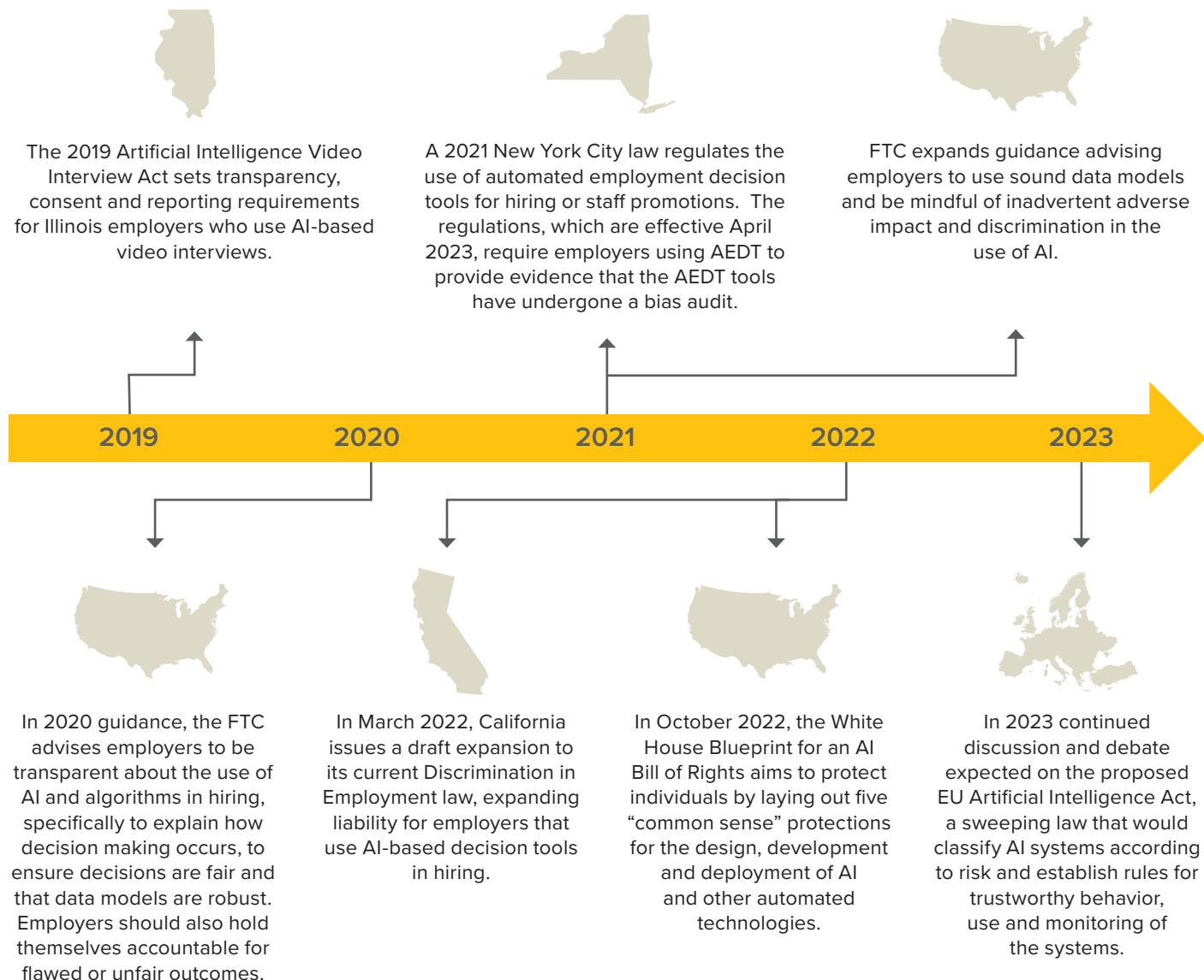
QUALITY TREND #2: MORE AWARE, MORE RESPONSIBLE USE OF AI IN HIRING

AI has come of age as a tool that can effectively accelerate quality hiring at scale, while minimizing the bias that is inherent with human raters. Globally, 45% of companies are using AI to improve recruiting and HR.⁶

However, not all AI is created equal, and AI-powered automation and scoring are gaining the increased scrutiny of special interests, city and state agencies and regulators worldwide for their potential to inadvertently introduce different types of discrimination into the hiring process.

In the U.S. alone, more than two dozen policies have been passed by cities or states or are pending.⁷ Meanwhile, the European Union's proposed Artificial Intelligence Act may require companies using AI-based hiring tools to allow independent audits and adopt other forms of controls.⁸ If approved, the act has implications for companies inside and outside the EU and may galvanize similar laws in the U.S. and China.

AI REGULATIONS TIMELINE



⁶ [https://newsroom.ibm.com/2022-05-19-Global-Data-from-IBM-Shows-Steady-AI-Adoption-as-Organizations-Look-to-Address-Skills-Shortages-Automate-Processes-and-Encourage-Sustainable-Operations#:~:text=Global%20AI%20adoption%20is%20growing,report%20they%20are%20exploring%20AI](https://newsroom.ibm.com/2022-05-19-Global-Data-from-IBM-Shows-Steady-AI-Adoption-as-Organizations-Look-to-Address-Skills-Shortages-Automate-Processes-and-Encourage-Sustainable-Operations#:~:text=Global%20AI%20adoption%20is%20growing,report%20they%20are%20exploring%20AI%20This%20becomes%20superscript%206%20and%20footnote%20source%20is%20https://newsroom.ibm.com/2022-05-19-Global-Data-from-IBM-Shows-Steady-AI-Adoption-as-Organizations-Look-to-Address-Skills-Shortages-Automate-Processes-and-Encourage-Sustainable-Operations#:~:text=Global%20AI%20adoption%20is%20growing,report%20they%20are%20exploring%20AI)

⁷ <https://venturebeat.com/ai/ai-regulation-a-state-by-state-roundup-of-ai-bills/>

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A52021PC0206>

QUALITY TREND #2: MORE AWARE, MORE RESPONSIBLE USE OF AI IN HIRING (CONT'D)

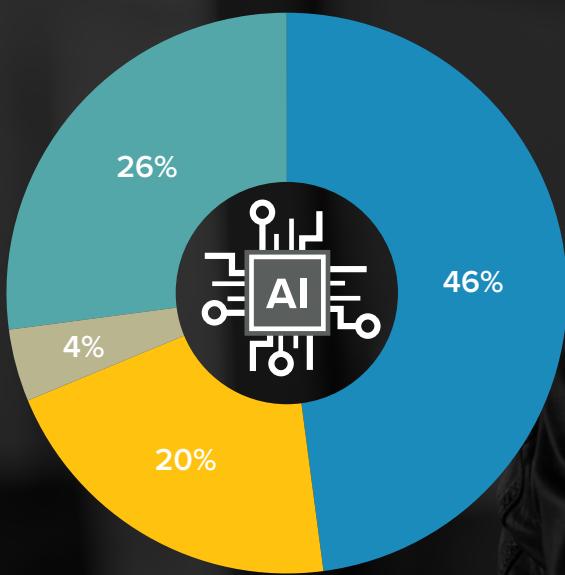
Regardless of the appearance or rigidity of current and upcoming AI-centric legislation, this truth remains: As responsible users of AI and ethical HR professionals, it is critical for hiring practitioners to be certain that AI is being used in an ethical manner in the interview and assessment technology they implement. **AI can be integrated with interviewing technology in many ways, but only careful use of AI enhances predictive validity and reduces bias.** Scoring facial features or the sound of a candidate's voice leads to little increase in validity while opening the door to significant levels of bias.

How can companies ensure that their use of AI in hiring is both legally valid and ethically sound? HR needs to take the lead.

Even as enterprises increasingly turn to automated solutions to evaluate candidates for known competencies and predictors of success, **HR pros admit that they are not always sure when their hiring technology actually uses AI for this purpose.** In Modern Hire's 2022 Aptitude Research Talent Acquisition Technology survey conducted by Aptitude Research, more than half of respondents indicated some level of confusion about the status of AI in their TA tech stack.

Expect that to change. AI has an important place in the ideal hiring practice, but HR leaders must be prepared to carefully manage it to prevent potentially harmful consequences and should also rely on vendors who know the difference.

UNDERSTANDING OF AI



- █ We are not always clear on when we are using AI
- █ We don't know when we are using AI
- █ We have a clear understanding when we are using AI
- █ Other



THE NEW YORK CITY AEDT LAW

Modern Hire recently hosted a well-attended client webinar about New York City's Local Law 144 on automated employment decision tools (AEDT), now expected to take effect on April 15, 2023. It requires local employers to post disparate impact calculations on their websites, and to inform candidates or employees that reside in the City about the use of AEDT in assessment or evaluation for hire or promotion.⁹

As an attempt to harness and regulate AI, the NYC AEDT law is the first of its kind. It remains unclear exactly how an AI-based automated employment decision tool will be defined, but in the absence of federal government legislation, we can expect many other similar laws to follow.

Regardless, to comply with the NYC AEDT law and others like it, organizations using AI-based tools may need to monitor their tools and prepare for new requirements by consulting with legal counsel and other experts, and by relying on vendors with experienced IO psychology and data science teams who can help to ensure that AI is ethically developed and evaluated.

The White House is also entering the fray to influence the practices surrounding AI in hiring in 2023 and beyond. Its recently released Blueprint for an AI Bill of Rights offers a guide, not binding law, aimed at promoting common approaches to AI innovation while protecting people from harm.¹⁰ The Blueprint offers a solid, relatively future-proof foundation organizations can use as guidance in architecting their AI processes. The Blueprint does not expressly urge restrictions on controversial AI technologies such as facial recognition or various military applications.¹¹ However, these practices have already been widely discredited as being fundamentally antithetical to quality HR. "In hiring, best practices have long been established. AI does nothing to change that. Good hiring is effective at identifying high performers who will stay; it is efficient at processing candidates; it is engaging and fair to all parties."¹²



"... Legal compliance is a major factor when considering different vendors that offer AI / ML powered solutions. We want a partner who can provide solutions that we can stand behind confidently..."

VP of HR, Healthcare Company

Modern Hire can provide detailed analysis of the NYC AEDT law and its implications for clients. Contact your client success manager for details.

9 <https://www.idsupra.com/legalevents/nyc-artificial-intelligence-law-on-5739723/>

10 <https://www.whitehouse.gov/ostp/ai-bill-of-rights/>

11 <https://www.protocol.com/policy/ostp-ai-bill-of-rights>

12 https://www.hr.com/en/magazines/all_articles/what-does-white-house%28%99s-blueprint-for-ai-bill-of-r_ib4nju8y.html

QUALITY TREND #3: NEXT-LEVEL INTERVIEWING

If the one-two punch of labor shortages and remote work accelerated the adoption of talent acquisition technology over the last three years, the trend shows no signs of stopping. According to the recent Talent Acquisition Technology Trends survey from Aptitude Research (sponsored by Modern Hire), 73% of companies increased their investment in TA tech last year, and 70% plan to continue their investment, even in a recession.

By 2022, interview technology was enjoying mainstream use. The mechanics of seamless interview scheduling, conducting a text-based screener, and advancing the candidate to an on-demand interview are now the stuff of standard operating procedure, especially among large companies hiring at scale.

However, in 2023, talent acquisition will more formally advance from “interviewing with technology” to the “intelligent interview.” The traditional interview process – long fraught with inefficiency, inconsistency, bias, and poor experience – is on the chopping block, as science and next-gen technology tackle the urgency felt by companies and the frustration experienced by candidates to move the game to the next level.

WHAT IS AN INTELLIGENT INTERVIEW?

Put simply, the intelligent interview is one that uses data and experience to continuously learn, improve, and evolve. More specifically, an intelligent interview embraces the following:

- The use of **science, analytics, and AI** for greater automation and insight and reduced bias;
- Clarity, accessibility, transparency, and humanity in the **candidate experience**;
- **Global candidate reach** through multilingual capabilities and support for international talent markets;
- Seamless workflows and **extreme ease of use**.

SCIENCE

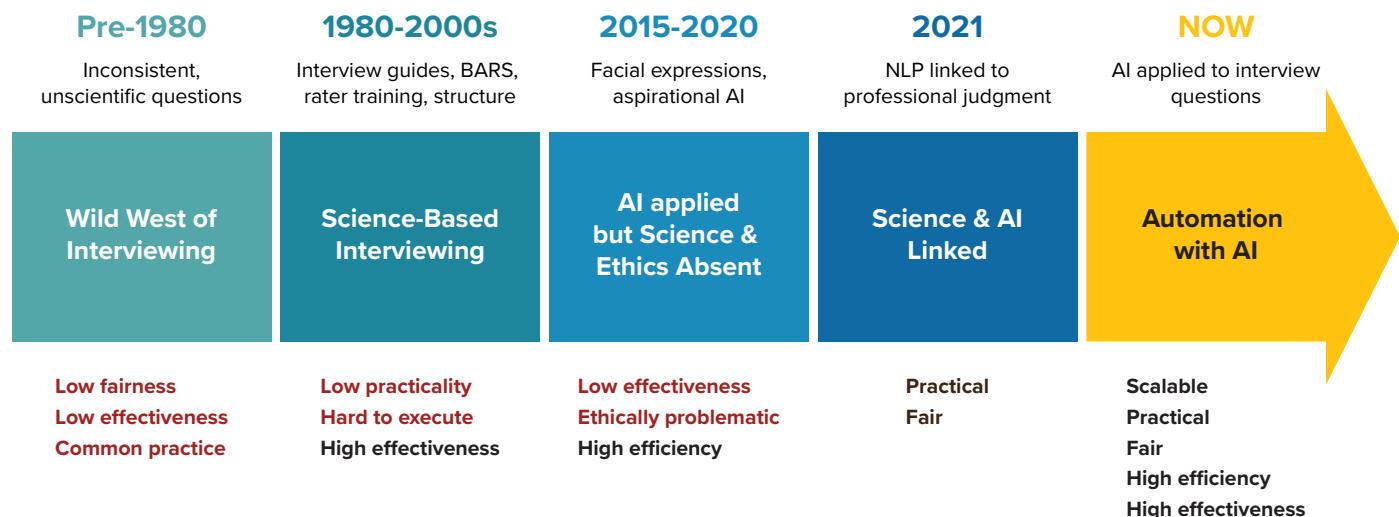
Interviews have been conducted since the beginning of civilization, and for most of that time they were largely atheoretical and subjective, resulting in significant bias and poor predictive validity. In the 1980s, psychologists began to research the idea of structured interviews, and this led to the well-known structured behavioral interview formats of today. In 2023, advanced interview technology will include **built-in structured interviews** across job families and roles, featuring questions that are proven to be job-relevant and focused on factors related to job success, keeping the process vastly more objective, authoritative, and consistent.

In addition, TA professionals can get a further assist from **automated AI-based scoring**. Now, AI techniques allow us to attach a valid and fair numerical score to the words a candidate speaks during an interview, yielding job-relevant, competency-based scores and rankings that can be used in decision making.

Beyond AI scoring, hiring intelligence is increasingly allowing companies to match candidates to jobs that they are likely to fit, before they become formal applicants. And candidates are grateful for this type of early guidance. Early matching is an indication that organizations recognize the importance of ensuring a two-way fit – it is no longer acceptable for companies to “gift” candidates with a job only when they deem them worthy. Candidates must also pick the company, and especially the job.

With the intelligent interview, organizations also gain a greater ability to turn up or turn down the flow on candidates. They will become more adept at adjusting their selectiveness as their candidate population changes. In a variable and uncertain labor market, modern hiring technologies should give organizations the flexibility to meet whatever conditions they face at that moment, and the ability to realign quickly **without sacrificing quality**.

TRANSFORMATION OF THE INTERVIEW



CANDIDATE EXPERIENCE

In a tight, technology-forward labor market where the meaning of “UI” has native understanding and high expectations, having a first-rate candidate experience has become both table stakes in recruiting talent, and a competitive mandate for the business. As a result, over the last several years, the talent acquisition ecosystem has exploded with research, forums, and solutions to address and improve the hiring experience for recruiters, hiring teams, and candidates alike. What are some of the hallmarks of “state of the art” candidate experience technology?

In 2023, seamless scheduling, for starters. Candidates should be able to easily schedule and change their interview times. Calendar functionality is well understood by candidates in 2023, and simplicity of design will reign. And, by providing candidates with a painless way to drop out of the process and cite their reasons, they will be less likely to “ghost,” leaving the recruiter flat-footed and without insight as to why.

In addition to scheduling, accessibility is a major issue for 2023. The EEOC released guidance¹³ in 2022 aimed at helping organizations better comply with the Americans with Disabilities Act. This document points out the importance of allowing candidates to request a reasonable accommodation in the hiring process, and that companies should not, intentionally or unintentionally, screen out disabled candidates who could perform the job with a reasonable accommodation. As part of the growing recognition of the importance of accessibility, WCAG (Web Content Accessibility Guidelines) compliance and mobile-first interfaces will be especially relevant in 2023.

Another central topic for 2023 relates to the transparency and accessibility of hiring systems. With the widespread adoption of AI, it is critical to ensure that candidates are comfortable with the technology powering your hiring solutions. For AI-based tools, this means informing candidates about the nature of the technology and allowing them to opt out if they choose.

There has been considerable buzz over the last few years about how AI-based tools can propagate unintentional bias in hiring. However, AI is a powerful tool to **remove** bias, when developed responsibly. Since AI and other advanced analytics are often used to create numerical scores for hiring, these scores can be monitored in an ongoing manner for disparate impact. As a result, we expect 2023 to bring significant progress on equitable hiring.

Expect advances in candidate feedback, too. In the past, many organizations were reluctant to provide candidates with feedback on how they performed in the hiring process, fearing this would create too many questions and potential legal risk. However, the tide is turning. More organizations see the long-term benefits of establishing a relationship with candidates and do so by providing useful feedback from the interview in recognition of the candidate’s valuable time and interest. We expect this trend to continue in 2023 as organizations adopt automated feedback tools that can make this additional insight easy to provide.

GLOBAL CANDIDATE REACH

Widespread use of the metaverse may be a ways off, but digital technology is quickly shrinking the world and allowing collaboration across languages and borders. Accelerated by talent shortages and remote work options, virtualization is becoming the talent acquisition norm. Hiring technology will increasingly provide companies with a seamless and optimized experience regardless of where candidates live or what language they speak. Along with this, expect to see AI tools that were developed in U.S. English be increasingly expanded to include other languages and cultural norms.



13 <https://www.eeoc.gov/laws/guidance/americans-disabilities-act-and-use-software-algorithms-and-artificial-intelligence>

EXTREME EASE OF USE

High tech solutions are not always designed in a way that optimally supports human workers. While AI can automate various parts of the workday and help us understand complicated data, it can also be difficult for employees to understand and fix, and can lead to decreased autonomy and engagement.¹⁴ In the early days of AI, new tech was rolled out frequently with little thought to how it impacted the user experience. As AI and other advances are integrated into the hiring process, expect to see a renewed focus on ease of use for both internal corporate users and candidates.

This will include making it easier to conduct effective, efficient, ethical, and engaging interviews; enabling users to leverage data and insights from their workflows for decision making and improvements; as well as ensuring ongoing compliance with client requirements and regulatory needs. One way this

trend will manifest is in using AI capabilities to help human interviewers be more effective, such as with AI-recommended questions and scoring capabilities.

SCIENCE DRIVES QUALITY AND INSIGHT

Improved QoH and higher retention. Sound AI that stands the test of fairness. The emergence of “intelligent interview” tools and techniques. What’s the common denominator of these Flight to Quality trends in 2023? The use of embedded hiring science and automation to drive data-informed outcomes, ensure fairness and improve experiences at scale.

Labor market and regulatory trends may remain disconcerting and uneven in 2023, but for companies committed to quality hiring (and hiring quality), the future is bright.



NEW TOOLS FOR THE INTELLIGENT INTERVIEW

Modern Hire’s Automated Interview Creator applies AI to interview development to provide a structured interview that’s a strong predictor of a successful hire. The AI-driven search engine, robust question library and recommendation tool within **Automated Interview Creator** all ensure hiring teams are asking the optimal questions with clarity and consistency.

Modern Hire’s AI-enabled **Automated Interview Scoring** transcribes and scores what candidates say in an interview against job-relevant competencies. These scores are almost 4x lower in disparate impact than human ratings of interview responses. Available in 34 languages, AIS is truly a global solution.

Modern Hire’s **Candidate Feedback Report** is available to clients whose candidates complete a Modern Hire Virtual Job Tryout pre-hire assessment. Drawing from the candidate’s responses, the report distills the individual’s top strengths and provides personalized feedback to leverage with future opportunities either with that company or others. It helps build a richer candidate experience that increases both goodwill and the likelihood of candidate referrals post-interview.

14 <https://www2.deloitte.com/us/en/insights/topics/talent/human-machine-collaboration.html>



Modern Hire

Seriously better hiring.

Modern Hire's intelligent hiring platform transforms each step of the process with screening, assessment, interview, and workflow automation tools that make hiring more effective, efficient, ethical, and engaging. Modern Hire is differentiated by its advanced selection science and is trusted by more than 700 leading global enterprises and nearly half the Fortune 100.

Find out more about Modern Hire's commitment to seriously better hiring.

modernhire.com