TestGorilla

Talent over titles:

CAN SKILLS-BASED HIRING TRANSFORM TECH RECRUITMENT?

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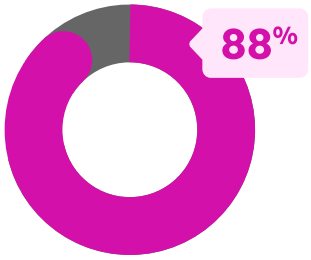
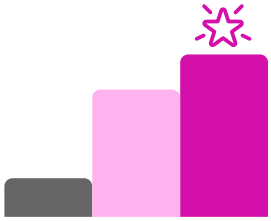
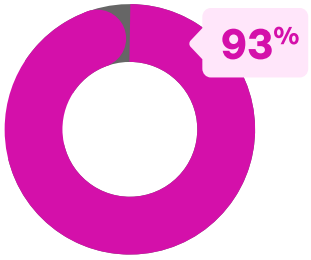
KEY FINDINGS



Majority (**88%**) of tech companies are using skills-based hiring to recruit



Tech employers are seeing **outstanding benefits** when they hire for skills

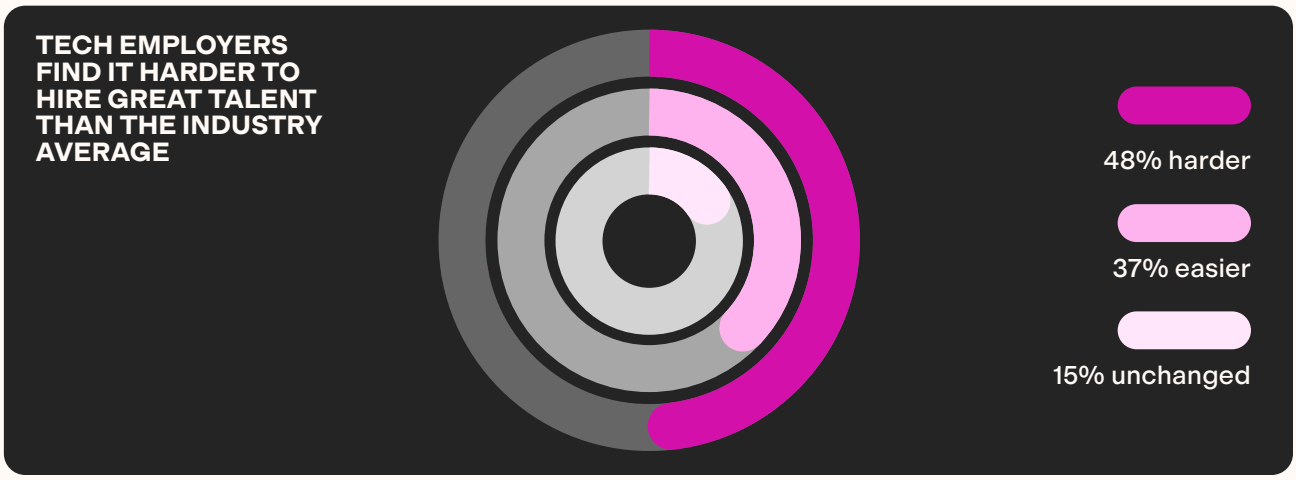


Skills-based hiring could solve tech's diversity problem: 93% of tech employers that use skills-based hiring have improved diversity

01 OUTLOOK: TECH RECRUITMENT IN 2024

The tech labor market has seen a tumultuous few years to say the least. With the mass layoffs that dominated 2022 and 2023 and non-stop rapid innovations in AI, tech employers and employees alike are having to evolve, innovate, and upskill fast. Our question is: How is this impacting tech recruitment?

- **48%** of the tech employers we surveyed are finding it harder to find great tech talent in 2024 than 2023; **37%** say it's easier, and **15%** say it's unchanged.



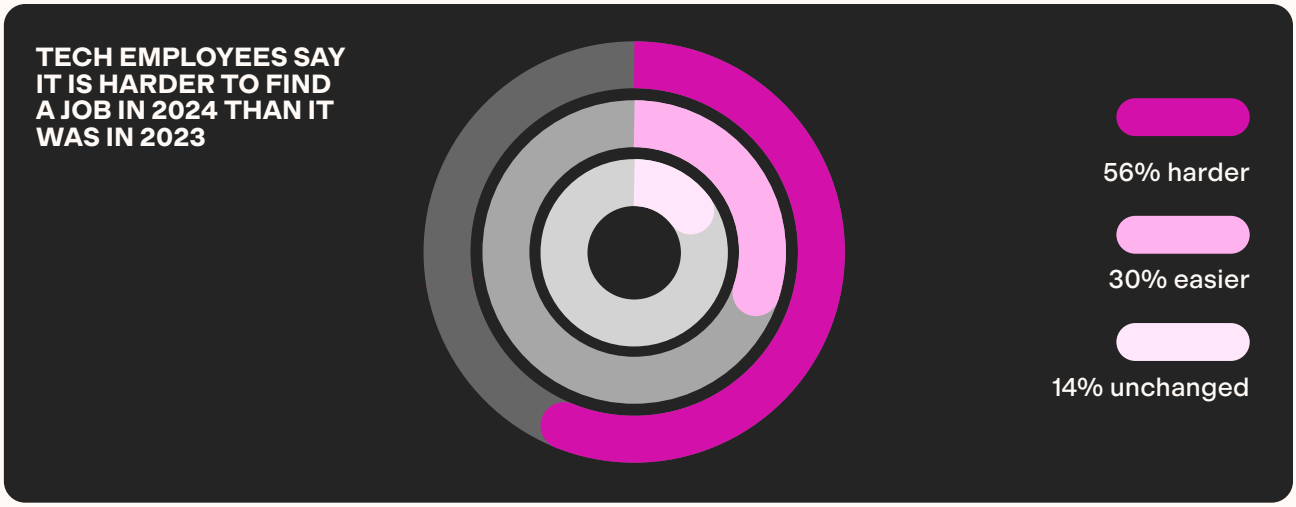
This is perhaps more balanced than expected. Although the tech industry is incredibly diverse and evades one sweeping diagnosis, we can credit this to a few things based on the data we've collected. Namely:

1. **Candidates are keeping up with evolutions in AI** and, generally, the new, up-and-coming skills that tech employers are hiring for are out there.
2. **Employee retention is high. 78%** of the tech employees we surveyed think it's harder to find a job than it was last year, and **79%** of employees across all industries plan to stay in their role for 3+ years in 2024. This is a big factor for employer satisfaction – employees who stay for less than a year are considered mis-hires, so higher retention rates generally lead to more satisfaction.
3. **More employers than ever are using** skills-based hiring. Hiring tools and processes are also evolving, and there are more solutions out there than ever to help tech employers hire top candidates.

Although opinions vary on whether it's easier or harder to find great talent, **89% of tech employers** are satisfied with the hires they have made in the last 12 months. This is 5 percentage points higher than the industry-wide average of 84%.

01.1 Hiring bias in tech is higher than the industry-wide average

56% of tech employees say it's harder to find a job in 2024 than it was in 2023 (30% say it's easier and 14% say it's unchanged). This is **6 percentage points higher** than the industry-wide average (50%), and reflects a challenging labor market for candidates across the board.

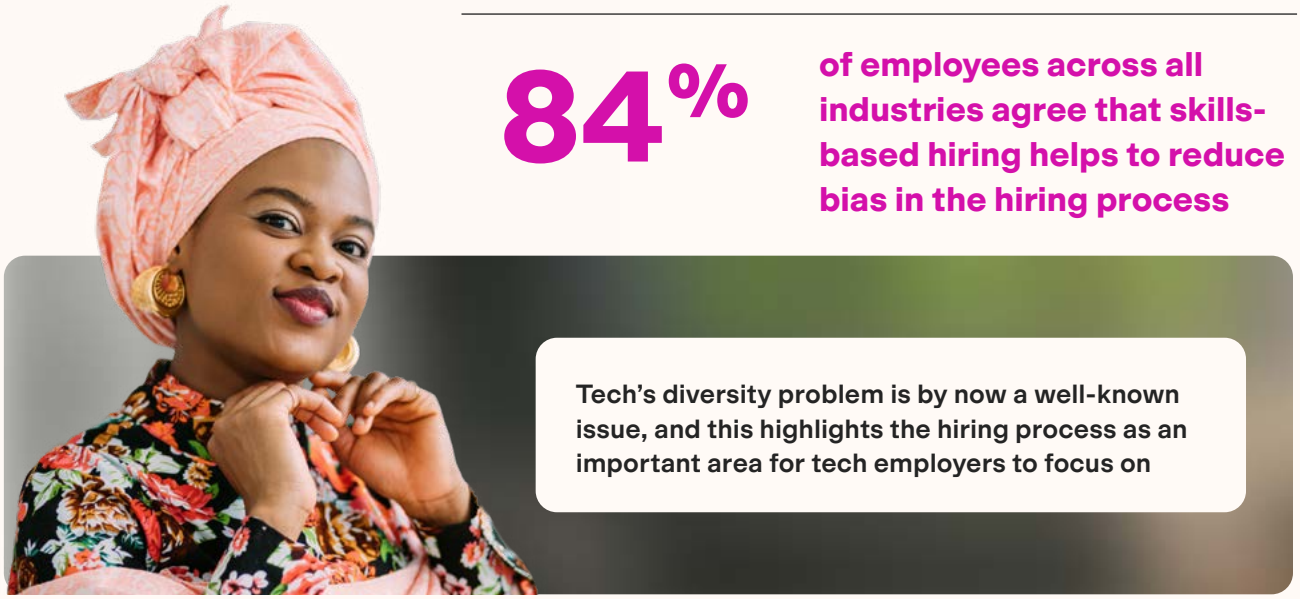


One statistic that does differ greatly for tech versus other industries is how many are experiencing hiring bias. **41%** are experiencing conscious or unconscious bias during recruitment processes for tech roles – **a 32% percentage increase from the industry-wide average of 31%.**

Tech's diversity problem is by now a well-known issue, and this highlights the hiring process as an important area for tech employers to focus on. Skills-based hiring will be key here: **84%** of employees across all industries agree that skills-based hiring helps to reduce conscious and unconscious bias in the hiring process, and **93%** of tech employers who use skills-based hiring see improved diversity.

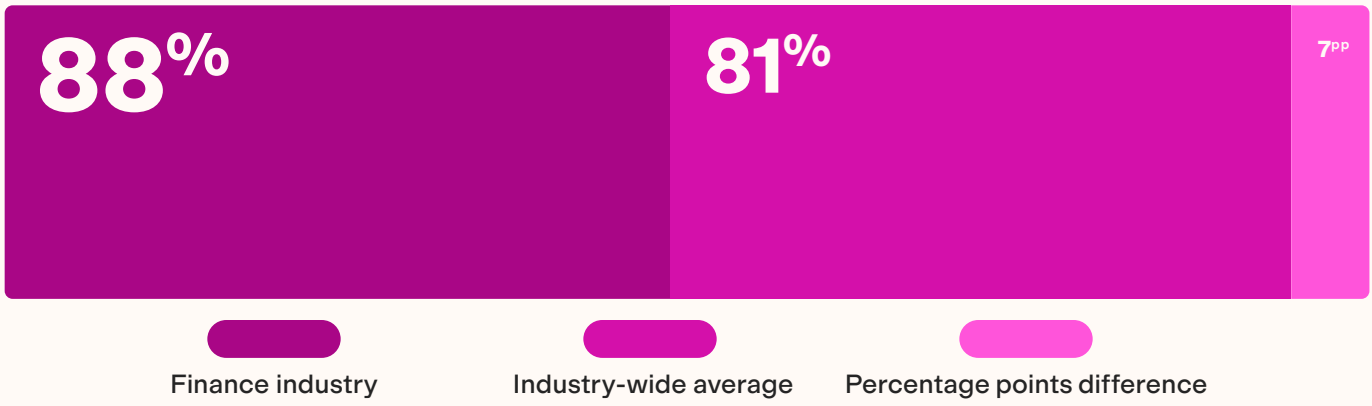
93% **of tech employers who use skills-based hiring see improved diversity**

84% **of employees across all industries agree that skills-based hiring helps to reduce bias in the hiring process**



02 88% OF TECH COMPANIES ARE USING SKILLS-BASED HIRING

88% of tech companies are using skills-based hiring in 2024. This is 7 percentage points higher than the industry-wide average of 81%.

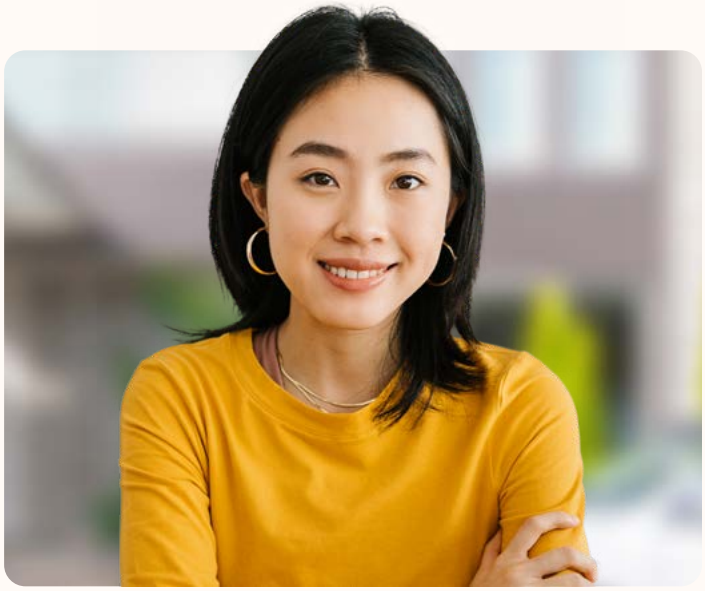


> **Testing is definitely important, especially now in this age where the cognitive requirements for most tasks are increasing. That alone warrants an assessment tool measuring cognitive capacity. And then, of course, we need to test for specific skills that can't be demonstrated in a resume, like coding. Someone can claim they've been coding for ten years, but the technology changes extremely fast.**
>
> Jonas Atil, Director of Recruitment at NexusHR

02.1 Why do tech employers use skills-based hiring more?

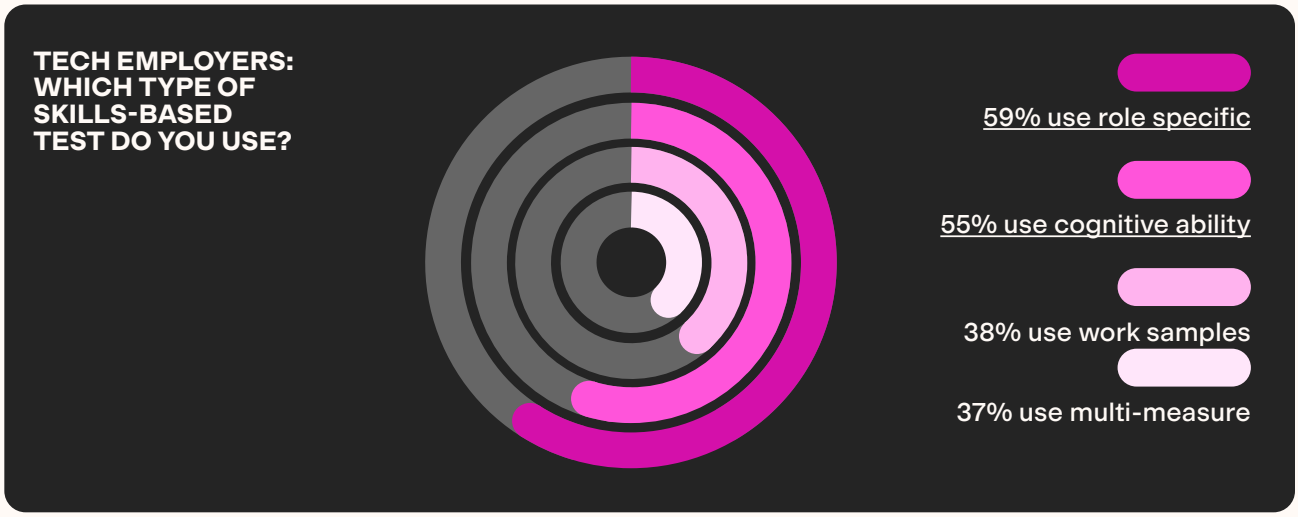
1. Software development is the **world's most remote-friendly career option**, and skills-based hiring lends itself well to remote working models because skills-based assessments are typically completed online. [1]

2. **56%** of business leaders in the tech sector identify **skills-shortages** as one of their biggest challenges, and skills-based hiring is an effective strategy for identifying candidates with the skills a company is missing. [2]



02.2 Which test types are most popular among tech employers?

Role-specific tests are most popular amongst tech employers, followed closely by cognitive ability tests. This is unsurprising given that technical skills are crucial to this industry, and online programming tests are increasingly being used to hire software developers.



Our data shows that employers across all industries see higher retention, less mis-hires, and a lower cost and time-to-hire when they use **multi-measure** testing (where you different combine skills-based tests and assignments to measure multiple job-relevant skills).

Assessment scientists recommend that testing for multiple measures during skills-based hiring is the best way to predict job success, but only **38%** of tech employers are using multi-measure testing – 2 percentage points less than the industry-wide average (40%). [3] Tech companies should consider testing for multiple measures if they want to improve the way they do skills-based hiring.

38% **of tech employers are using multi-measure testing**

40% **2 percentage points less than the industry-wide average**

Multi-measure testing is research backed: It's empirically proven that it offers the most effective and reliable way of assessing a person's capabilities for a specific job. So if you're worried about making valid hiring decisions that lead to better job performance, I strongly recommend using multiple measures of assessment.

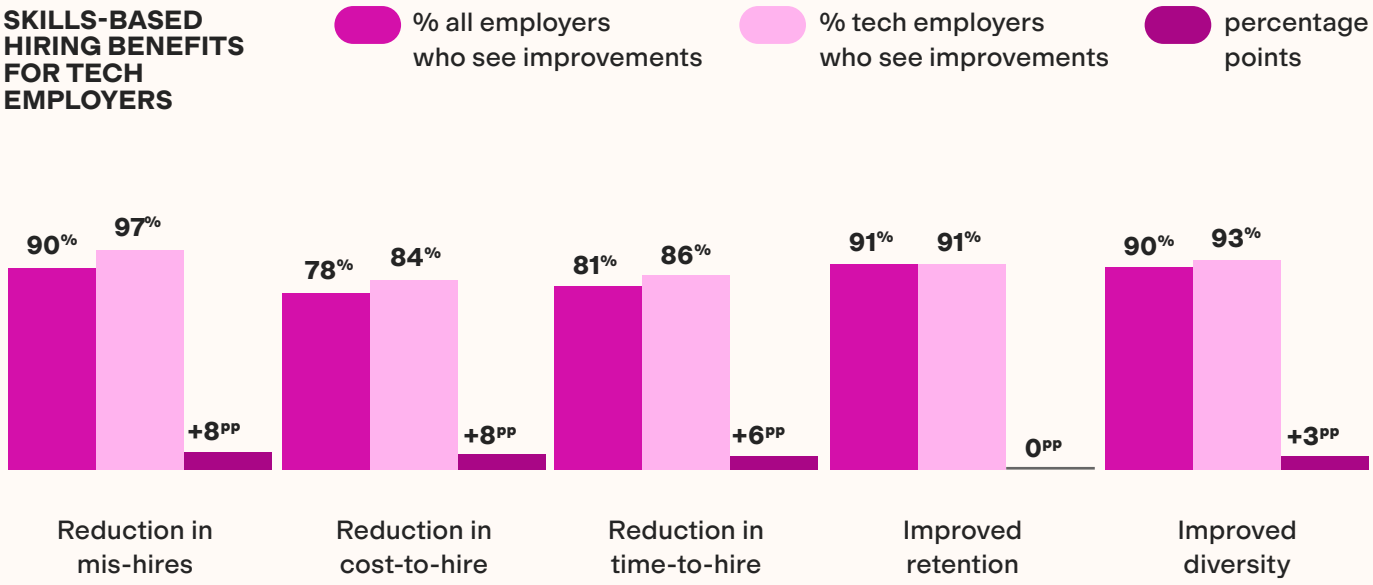
Kim Severinsen,
Head of TestGorilla's Science and Assessment Innovation CoE

03 SKILLS-BASED HIRING HAS OUTSTANDING BENEFITS FOR TECH EMPLOYERS

- **97% reduced mis-hires** (8 percentage point increase from the industry-wide average)
- **84% reduced cost-to-hire** (8 percentage point increase from the industry-wide average)
- **86% reduced time-to-hire** (6 percentage point increase from the industry-wide average)
- **91% improved retention** (same as industry-wide average)
- **93% improved diversity** (3 percentage point increase from the industry-wide average)

This speaks again to how well-matched the tech industry is for a skills-based hiring approach. It's an industry that lends itself well to remote work, and tech employers have a very clear need for specific skills (such as coding) that can be assessed online.

SKILLS-BASED HIRING BENEFITS FOR TECH EMPLOYERS



03.1 Companies could save millions on software engineer recruitment with skills-based hiring

According to oft-cited research by Dr. Bradford Smart, the cost of a mis-hire ranges from **5 to 27** times the amount of that hire's salary. [4] Software engineers have some of the highest salaries around – the average salary is $144,332 in the US – so by that logic one mis-hired software engineer alone costs US employers **between $721,610 and $3,896,964**. [5]

Since **97%** of tech employers reduce mis-hires when they switch to skills-based hiring (56% of them report reducing mis-hires by **over 25%** and 21% by **more than half**), transforming tech hiring processes could lead to hundreds of thousands, if not millions, of dollars saved.

97%

of tech employers reduce mis-hires when they switch to skills-based hiring

56%

of them report reducing mis-hires by over 25%

21%

of them reduced them by more than half

03.2 Learning to do skills-based hiring at scale

When we asked tech employers about the challenges and concerns they're encountering when trying to implement skills-based hiring:

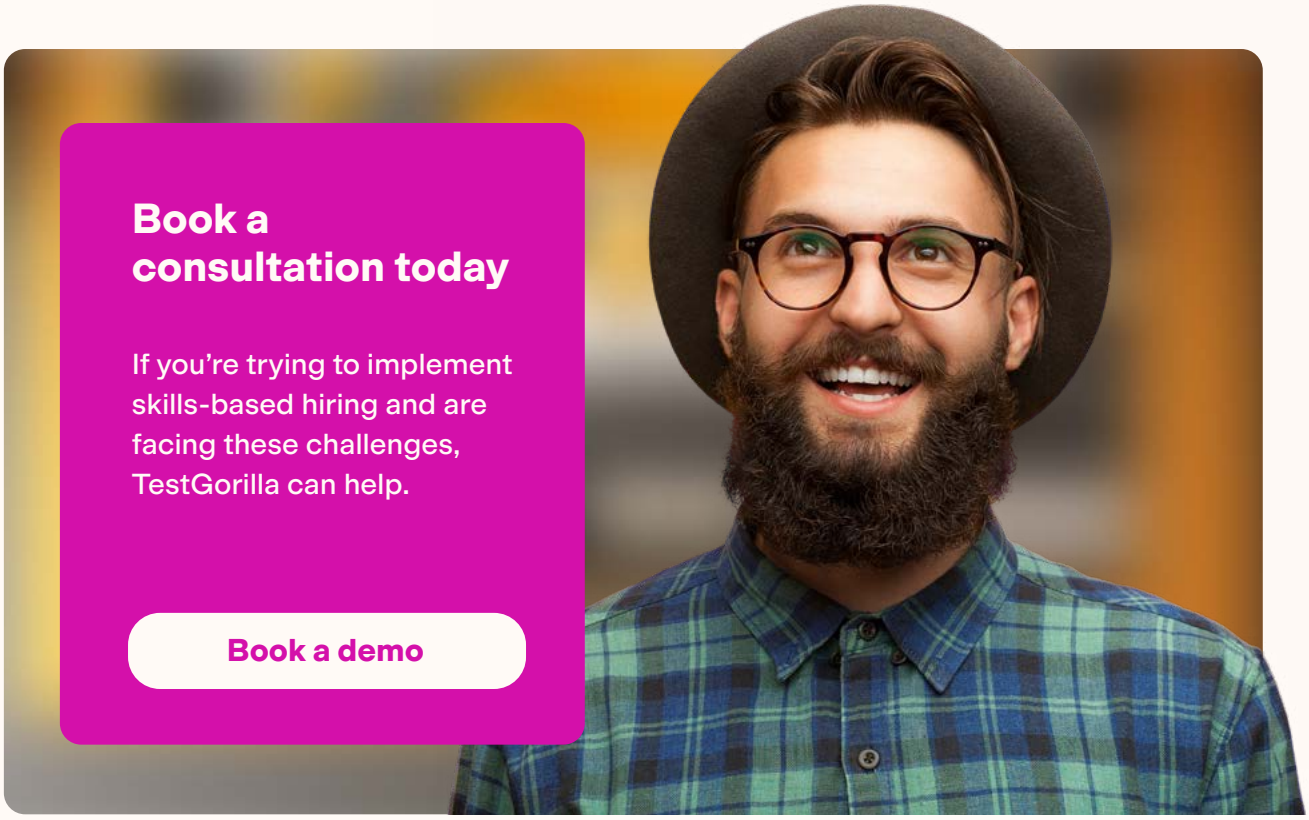
43%

told us it's difficult evaluating results from a large number of candidates

41%

told us they're concerned about adding an additional step to the hiring process

> **For me, the biggest problem was assessing and comparing the quality of the candidates. When you have to hire twenty people in one process, it's difficult to remember how each applicant scored on their tests by the time they get to the interview.**
>
> Jonathan Couverchel, VP of customer care at Click&Boat



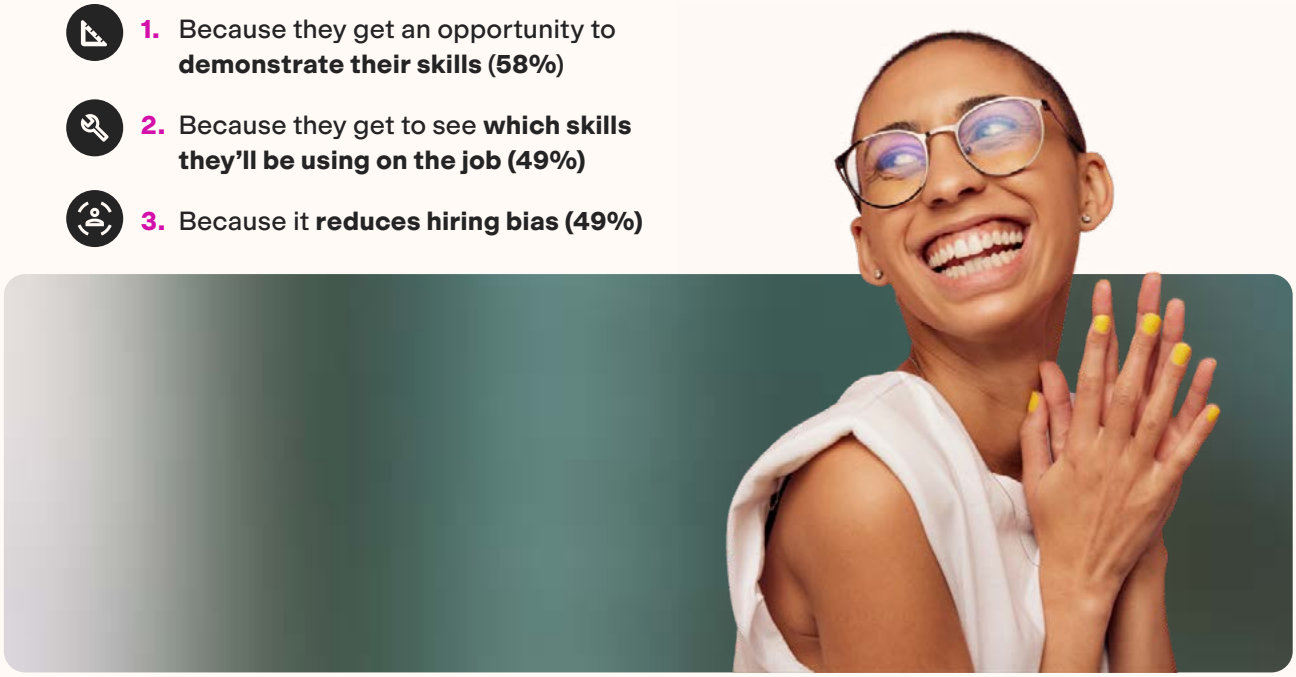
04 TECH EMPLOYEES PREFER A SKILLS-BASED APPROACH

80% of tech employees prefer a skills-based hiring process. This is **12 percentage points higher** than the industry-wide average (68%).

04.1 Why?

When we asked tech candidates why they prefer skills-based hiring, the top 3 reasons were:

1. Because they get an opportunity to **demonstrate their skills (58%)**
2. Because they get to see **which skills they'll be using on the job (49%)**
3. Because it **reduces hiring bias (49%)**



Of the 20% of tech employees who don't prefer a skills-based hiring process:

30% said it's because it takes up too much time

30% said it's because it makes them anxious

20% said it's because the tests aren't relevant

04.2 Skills-based hiring could help solve tech's diversity problem

Tech has a diversity problem. Just **17% of leadership positions** in tech are held by ethnic minorities – in the UK this shrinks to a measly 2.6% – and only 26% of jobs in computer-related sectors are held by women. [6] To add to this, our data shows that tech employees are **10% more likely** to experience hiring bias than employees in other industries.

A myriad of things need to change, but skills-based hiring could be part of the solution. **84% of employees** across industries agree that skills-based hiring helps to reduce conscious and unconscious bias in the hiring process, and **93% of tech companies** using skills-based hiring have improved diversity by doing so.

84%

of employees agree that skills-based hiring helps to reduce conscious and unconscious bias

93%

of tech companies using skills-based hiring have improved diversity

> **I'm a staunch supporter of skill-based hiring. It ensures that candidates are evaluated based on their actual abilities and competencies rather than traditional metrics like education or experience, leading to more qualified and diverse teams.**
>
> Shalabh Jain, GMAT Expert, SJ Consultants

05 WHAT'S NEXT FOR SKILLS-BASED HIRING IN TECH?

05.1 Tech hiring expected to accelerate in 2024

According to projections from the U.S. Bureau of Labor Statistics and Lightcast, the tech workforce will grow twice as fast as the overall U.S. workforce in the next ten years. [7] Since skills-based hiring is now the #1 recruitment method across industries, it's crucial for tech employers to learn how to use it effectively at scale.

x2

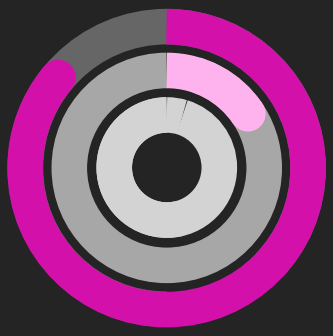
The tech workforce will grow **twice as fast** as the overall U.S. workforce in the next ten years

#1

Skills-based hiring is now the **#1 recruitment method** across industries

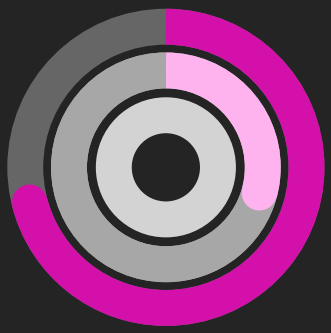
05.2 Tech employers set to use skills-based hiring more

TECH EMPLOYERS: IS SKILLS-BASED HIRING THE DOMINANT RECRUITMENT TREND OF THE FUTURE?



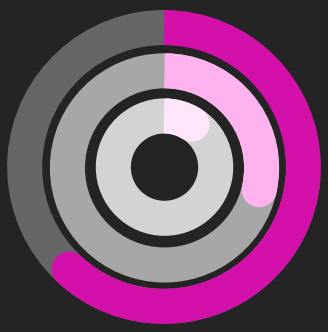
- 86% agree
- 15% neutral
- 0% disagree

TECH EMPLOYERS: WILL YOU USE SKILLS-BASED HIRING MORE IN THE NEXT 12 MONTHS?



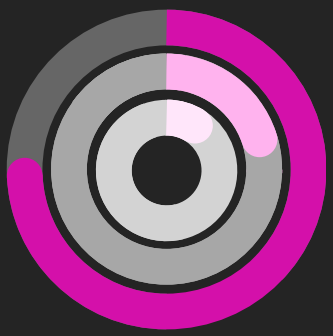
- 71% will use more
- 29% will use the same
- 0% will use less

TECH EMPLOYEES: DO YOU WANT TO SEE SKILLS-BASED HIRING USAGE INCREASE?



- 75% want increase
- 20% stay the same
- 5% want decrease

TECH EMPLOYERS: WILL YOU INCREASE YOUR BUDGET FOR SKILLS-BASED HIRING IN THE NEXT 12 MONTHS?



- 62% will increase
- 29% stay the same
- 9% will decrease

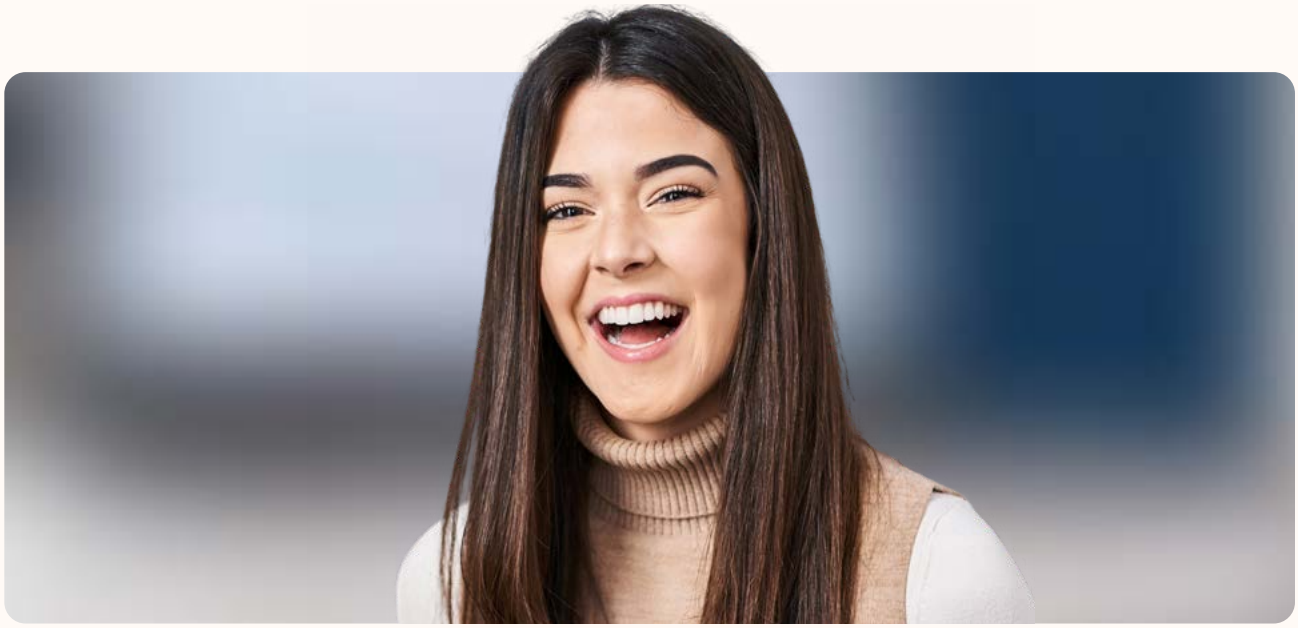
05.3 But they should hone in on how they're doing skills-based hiring

The data we've gathered across countries, industries and company sizes this year paints a clear picture. **Skills-based hiring is the #1 way to hire**, although employers are not yet sure how to do it best.

Luckily, best practices are emerging. Our data shows that employers see better results when they:

1. **Measure for multiple job-related skills** (i.e. practice multi-measure testing). Employers who make it multi-measure see better results according to our data, and it has been empirically proven that this is the best way to predict job success.
2. **Screen resumes after testing for skills**. This reduces the chances of hiring bias creeping in, and our data shows that employers who use resumes beforehand are less satisfied with their hires than those who use them after.
3. **Automate assessment evaluation at top of hiring funnel**. This will help employers to overcome the most common challenge with implementing skills-based hiring: evaluating a large number of skills-based assessments.
4. **Are transparent with their candidates** about what your hiring process entails. Anxiety is the top reason for candidates who don't like a skills-based hiring process, and transparency and communication is crucial to alleviating this.

> **Empathy is key when utilizing skills-based hiring. Companies should create a transparent, low-pressure environment that empowers candidates to showcase their abilities without undue stress.**
>
> Nginda Nganga, Co-founder at ToffeeTribe



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07 METHODOLOGY

For this report we surveyed 119 employers and 81 employees in the tech industry (defined as scientific or technical services, information services, or data and software) from the UK, US, Canada, Australia, Latin America, Spain, Germany, and France in March 2024. This was part of the 1,100 employees and 1,019 employers we surveyed for The State of Skills-Based Hiring 2024. All data was collected through independent channels and analyzed by our team.

08 ABOUT TESTGORILLA

TestGorilla is a talent discovery platform that is shaping the future of work through skills-based hiring. Our library of over 400 scientifically validated, skills-based tests offers a scalable way for companies to hire better, faster, and without bias. Meanwhile, candidates use TestGorilla to discover and showcase their skills and potential, ensuring all talent gets a shot at landing their dream job.

Our globally distributed team provides over 10,000 customers and millions of candidates with skills-based testing and talent discovery solutions. TestGorilla is ranked number 1 on G2 for talent assessment software, and has been recognised globally for its growth and impact – we've been named in twice in Sifted's B2B SaaS Rising 100, and regularly top G2's list of fastest growing software.


TestGorilla