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# THE STATE OF SKILLS-BASED HIRING
## in Finance 2024

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# KEY FINDINGS

**87%**
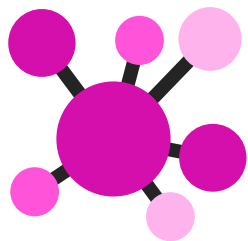
Majority **(87%)** of finance employers are using skills-based hiring to recruit

**92%**

Finance employers are seeing **outstanding benefits** with a skills-based approach, and **92%** are satisfied with the hires they've made in the last year

Finance employees' skill-sets are diversifying, making the industry ripe for a **multi-measure approach** to skills-based hiring

## 01.2 Finance employers find it easier to hire great talent than the industry average

**38%** of finance employers say it's harder to find great talent in 2024 than it was in 2023 compared to the industry average of **51%**. In finance, **46%** say it's easier, and **16%** say it's unchanged.

The fact that fewer finance employers are struggling to find great talent could relate to the fact that more of them are using skills-based hiring. In particular, there's a higher usage of multi-measure testing (an approach that involves combining skills-based tests and assignments to measure multiple job-relevant skills) for recruitment in finance than in other industries. More on this later on.

**FINANCE EMPLOYERS FIND IT EASIER TO HIRE GREAT TALENT THAN THE INDUSTRY AVERAGE**

- 38% harder
- 46% easier
- 16% unchanged
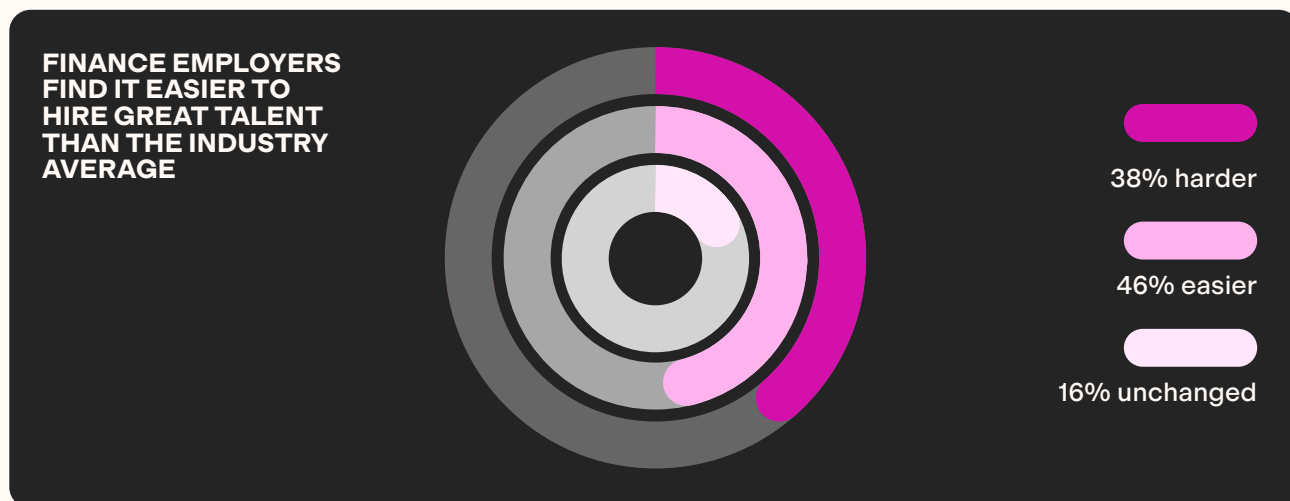
## 01.3 56% of finance employees say it's harder to find work this year

For candidates, **56%** of finance 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 not changed.

Hiring bias is slightly lower in finance than it is in other industries, with **29%** experiencing unconscious or conscious bias during recruitment for finance sector roles. This is 2 percentage points lower than the industry-wide average **(31%)**.

**56% OF FINANCE EMPLOYEES SAY IT'S HARDER TO FIND WORK THIS YEAR**

- 56% harder
- 30% easier
- 14% unchanged
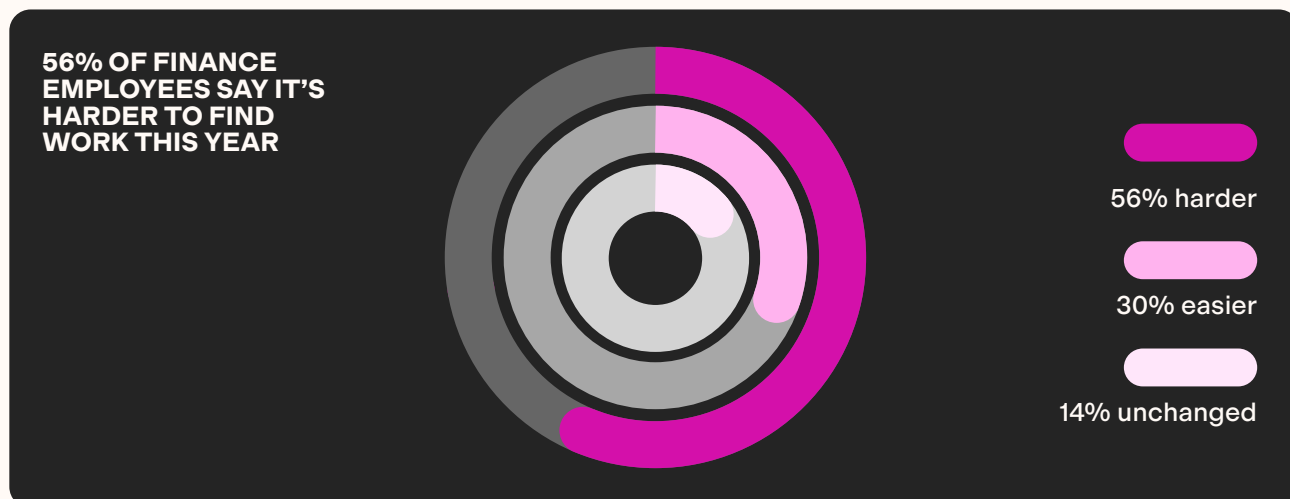
# 02 87% OF FINANCE EMPLOYERS ARE USING SKILLS-BASED HIRING

**87% of finance companies are using skills-based hiring in 2024.** This is 6 percentage points higher than the industry-wide average of 81%.

**87%**    **81%**    **6**PP

Finance industry     Industry-wide average     Percentage points difference
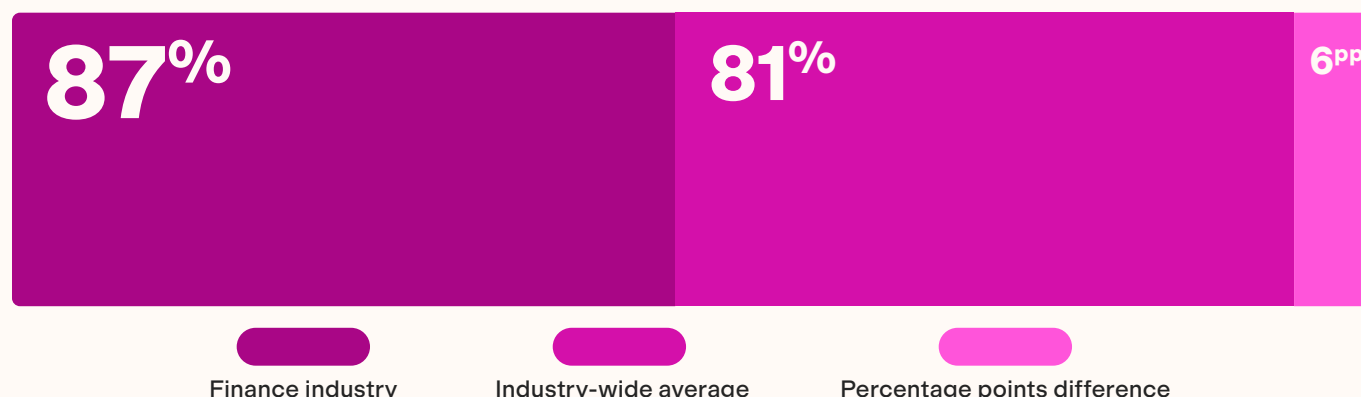


## 02.1 Why do finance employers use skills-based hiring more?

1. There's a long tail of jobs within the financial industry that are generic and not specific to the sector – roles such as project managers, salespeople, and software developers. A recent analysis by TheCityUK found that **roughly one third** of the roles within financial services are specific to that industry. [2] This means that transferable skills are really relevant for this industry, and it makes sense for finance employers to hire for skills over experience.
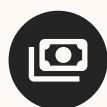
2. The **median pay** for those in financial and business occupations is far higher than the overall average. The Bureau of Labor Statistics reports that the median annual wage for this group was $79,050 in May 2023, and the median across occupations was $48,060. [3] This means that the cost of a mis-hire will be greater, on average, for a finance employer. Skills-based hiring has emerged as an effective way to reduce mis-hires, hence its appeal to finance employers.

## 02.2 Which test types are most popular among finance employers?

Cognitive ability tests are most popular among finance employers, with 59% using them to hire in 2024.

**FINANCE EMPLOYERS: WHICH TYPE OF SKILLS-BASED TEST DO YOU USE?**

59% use cognitive ability

52% use role specific

50% use multi-measure

46% use work samples
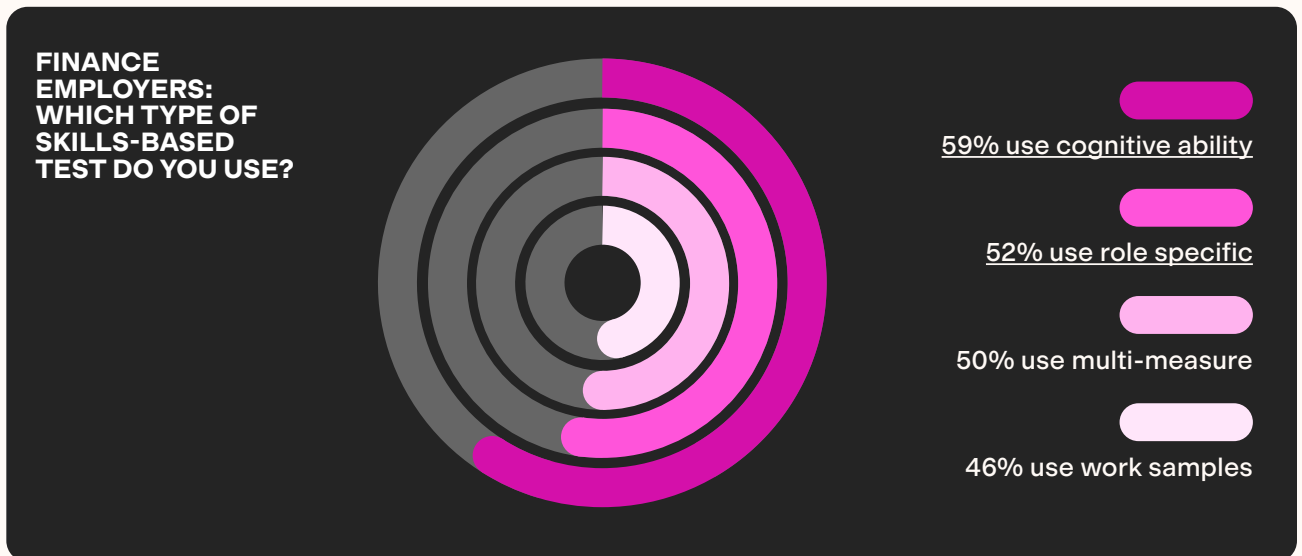
## 02.3 Half of finance employers are using multi-measure testing

**50%** of tech employers are using multi-measure testing – **25% higher than the industry-wide average (40%).**

This is significant since the industry-wide data we've collected also shows that employers see better benefits when they take a multi-measure approach to skills-based hiring. Employers see higher retention, fewer mis-hires, and a lower cost and time-to-hire when they use multi-measure testing, and assessment scientists recommend that testing for multiple measures during skills-based hiring is the best way to predict job success. [4]

# 50%
**of tech employers are using multi-measure testing**

# 40%
**of the industry-wide average are using multi-measure testing**

# +25%
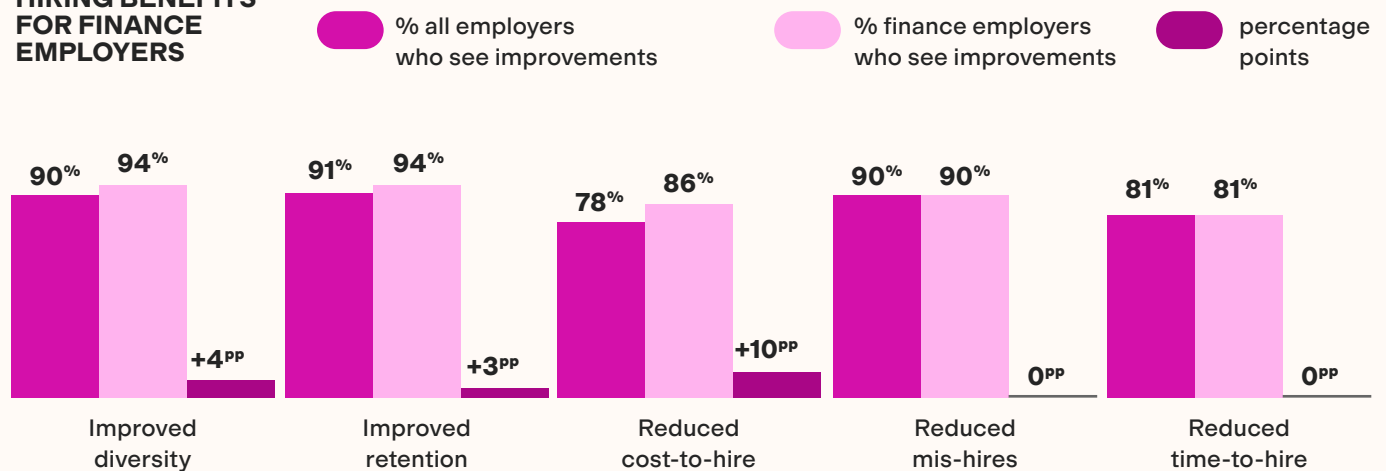**multi-measure testing is used 25% more in finance'**

> 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

The rise of fintech is impossible to ignore. Its impact on the finance industry means finance workers are required to have a wider and more diverse skillset than ever before. The prevalence of multi-measure testing, then, makes sense, since it's a highly effective approach for roles where multiple job-relevant skills are crucial.

# 03 SKILLS-BASED HIRING HAS OUTSTANDING BENEFITS FOR FINANCE EMPLOYERS

**SKILLS-BASED HIRING BENEFITS FOR FINANCE EMPLOYERS**

- % all employers who see improvements
- % finance employers who see improvements
- percentage points

| | Improved diversity | Improved retention | Reduced cost-to-hire | Reduced mis-hires | Reduced time-to-hire |
|---|---|---|---|---|---|
| % all | 90% | 91% | 78% | 90% | 81% |
| % finance | 94% | 94% | 86% | 90% | 81% |
| pp | +4PP | +3PP | +10PP | 0PP | 0PP |

- **94% improved diversity** (4 percentage point increase from the industry-wide average)
- **94% improved retention** (3 percentage point increase from the industry-wide average)
- **86% reduced cost-to-hire** (10 percentage point increase from the industry-wide average)
- **90% reduced mis-hires** (no change from the industry-wide average)
- **81% reduced time-to-hire** (no change from the industry-wide average)

## 03.1 Companies could save millions on 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. [5] Generally, finance salaries are high – the median finance salary in the US is $79,050 according to the Burea of Labor Statistics – so by that logic one finance mis-hire alone costs a US employer **between $395,250 and $2,134,350**. [3]

Since **90%** of finance employers reduce mis-hires when they switch to skills-based hiring (53% of them report reducing mis-hires by over **25%** and 28% reduced them by **more than half**), transforming finance hiring processes could lead to hundreds of thousands, if not millions, of dollars saved.

**90%** of finance employers reduce mis-hires when they switch to skills-based hiring

**53%** of them report reducing mis-hires by over 25%

**28%** of them reduced mis-hires by more than half

## 03.2 A better use of hiring managers' time

Andrew Kyriacou, assistant financial controller for Ocean Outdoor UK's finance department, recently made the switch from a **lengthy recruitment process** involving external recruiters and manual sifting processes to a **data-driven approach** that includes a talent assessment from TestGorilla.

> **"**
>
> **We don't want to waste our time. And we don't want to waste the candidate's time by bringing them in for an hour-long interview and then, say 20 minutes in, realizing that someone who looked good on paper was someone that we probably wouldn't be able to work with. That's not a good time for anyone**
>
> Andrew Kyriacou, assistant financial controller at Ocean Outdoor UK

Their skills-based hiring process includes a 45-minute assessment comprising an attention-to-detail test and various role-relevant essay questions. These included a number of custom questions, which allow Andrew to tailor assessments for the specific job, i.e., questions for a purchase ledger clerk versus a management accountant.

Their skills-based hiring process includes a 45-minute assessment

This assessment includes an attention-to-detail test and role-specific essay questions

**"**

**We have the attention to detail quiz, which the roles we hire for. It's very important. If you miss an invoice with VAT on it or you miss that you must accrue for this amount, that can mess up accounts for the whole month. We can't afford that. So, attention to detail is always critical for our team**

Andrew Kyriacou, assistant financial controller at Ocean Outdoor UK

As a result, Andrew's finance team estimate that they've saved up to **9 hours of work per position** with skills-based hiring, and have decreased the rate of unsuccessful hires by approximately 44%.

The finance team estimate that they've saved up to **9 hours of work per position**

The finance team have decreased the rate of unsuccessful hires by **approximately 44%**

# 04 80% OF FINANCE EMPLOYEES PREFER A SKILLS-BASED APPROACH

## 04.1 Why?

When we asked finance employees why they prefer a hiring process that includes skills-based assessments, the top 3 reasons were:

**87%** — Because they get an opportunity to demonstrate their skills

**76%** — Because they get to see which skills they'll be using on the job

**37%** — Because they reduce hiring bias

Of the 20% of finance employees who don't prefer a hiring process that includes skills-based assessments:

- **64%** said it's because it makes them anxious
- **29%** said it's because they take up too much time
- **29%** said it's because they're not relevant

**57%** of the industry-wide employees who don't want a skills-based hiring process cite anxiety, suggesting that test anxiety is more common in finance. To support their candidates, finance employers who are using skills-based hiring should foster transparency and accessibility around their skills-based hiring processes.

> **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

## 04.2 Overcoming challenges

When we asked finance employers about the challenges and concerns they encounter when trying to implement skills-based hiring:

**56%** say they're concerned about adding an additional step to the hiring process

**50%** have difficulty evaluating results from a large number of candidates

**42%** face a lack of buy-in from internal stakeholders

Finance employers differ from the industry-wide employer picture here, where **38%** are concerned about adding an additional step to the hiring process, and only **25%** face a lack of buy-in from internal stakeholders.



These concerns make sense, given that finance is a heavily regulated industry worldwide, but the data we've collected for this report shows that **finance employers have more to gain** from skills-based hiring than the average. Skills-based hiring advocates in the industry can use this data to increase buy-in and convince stakeholders that this particular additional step is a necessity rather than a burden.

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

## 05.1 Finance roles will increasingly require a mix of tech-related and soft skills

The Financial Services Skills Commission (FSSC) has flagged 13 future skills in its most recent future skills report, [1] and they're almost evenly split between tech-related and soft skills:
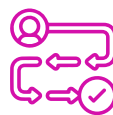
**TECH SKILLS**

Data analysis and insights

Digital literacy

Software development

Cyber security

User experience

Machine learning/AI

**SOFT SKILLS**

Adaptability

Coaching

Relationship management

Creativity

Agility

Teamwork

Empathy

Across all industries, our data shows that **84%** of employers are taking steps to prepare their workforces for the rise of AI, with **52%** hiring for AI-related skills. Additionally, **89% of employers think it's more important for candidates to have soft skills than it was five years ago**. This is the third year in a row that our data has demonstrated an almost unanimous agreement that soft skills matter.

## 52%

of employers are hiring for AI-related skills
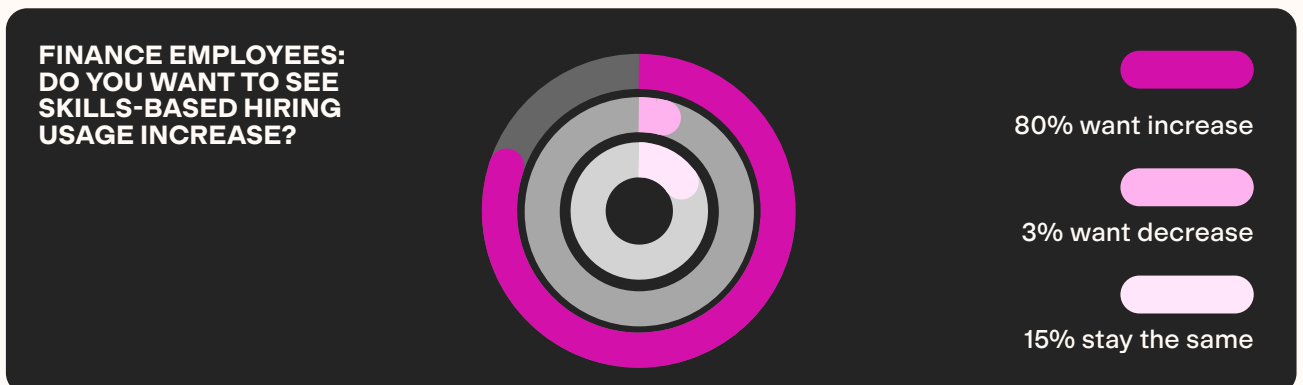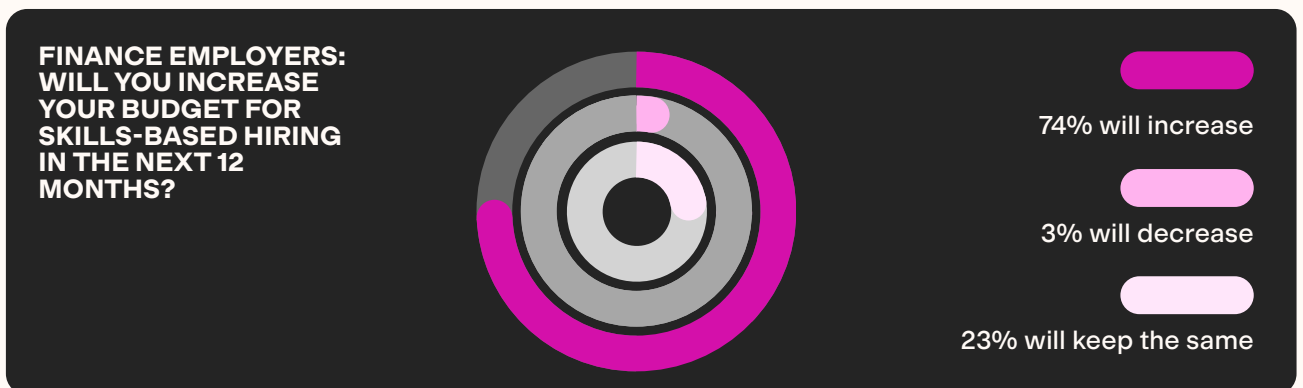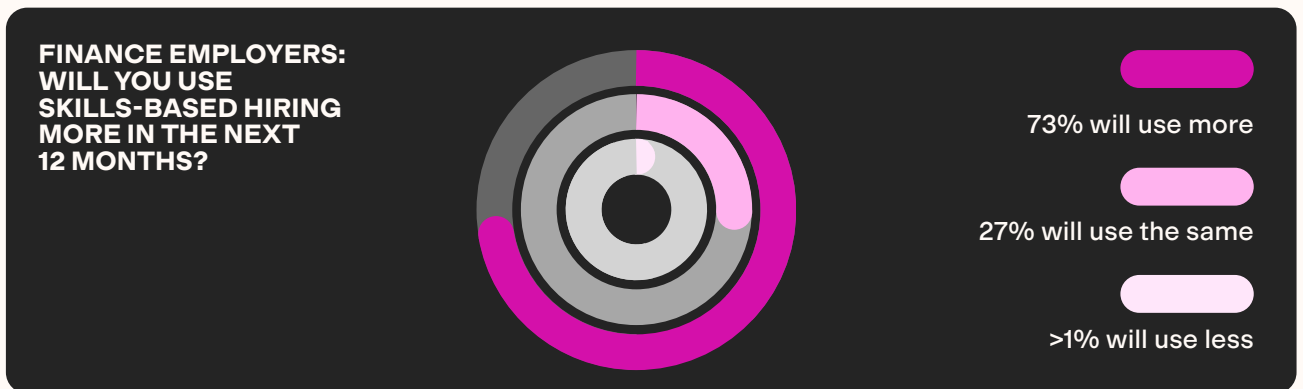
## 89%

of employers think it's more important for candidates to have soft skills than it was five years ago

## 84%

of employers are taking steps to prepare their workforces for the rise of AI

## 05.2 Finance employers set to use skills-based hiring more

**FINANCE EMPLOYERS: IS SKILLS-BASED HIRING THE DOMINANT RECRUITMENT TREND OF THE FUTURE?'**

89% agreed

8% neutral

3% disagree

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

73% will use more

27% will use the same

>1% will use less

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

74% will increase

3% will decrease

23% will keep the same

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

80% want increase

3% want decrease

15% stay the same

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

As finance worker skillsets continue to diversify, multi-measure testing will remain crucial. Finance employers are already ahead of the curve here, with **50%** of them using multi-measure testing. But uptake must increase if finance employers want to fully embrace the advantages of skills-based hiring.

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 the top of the 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.
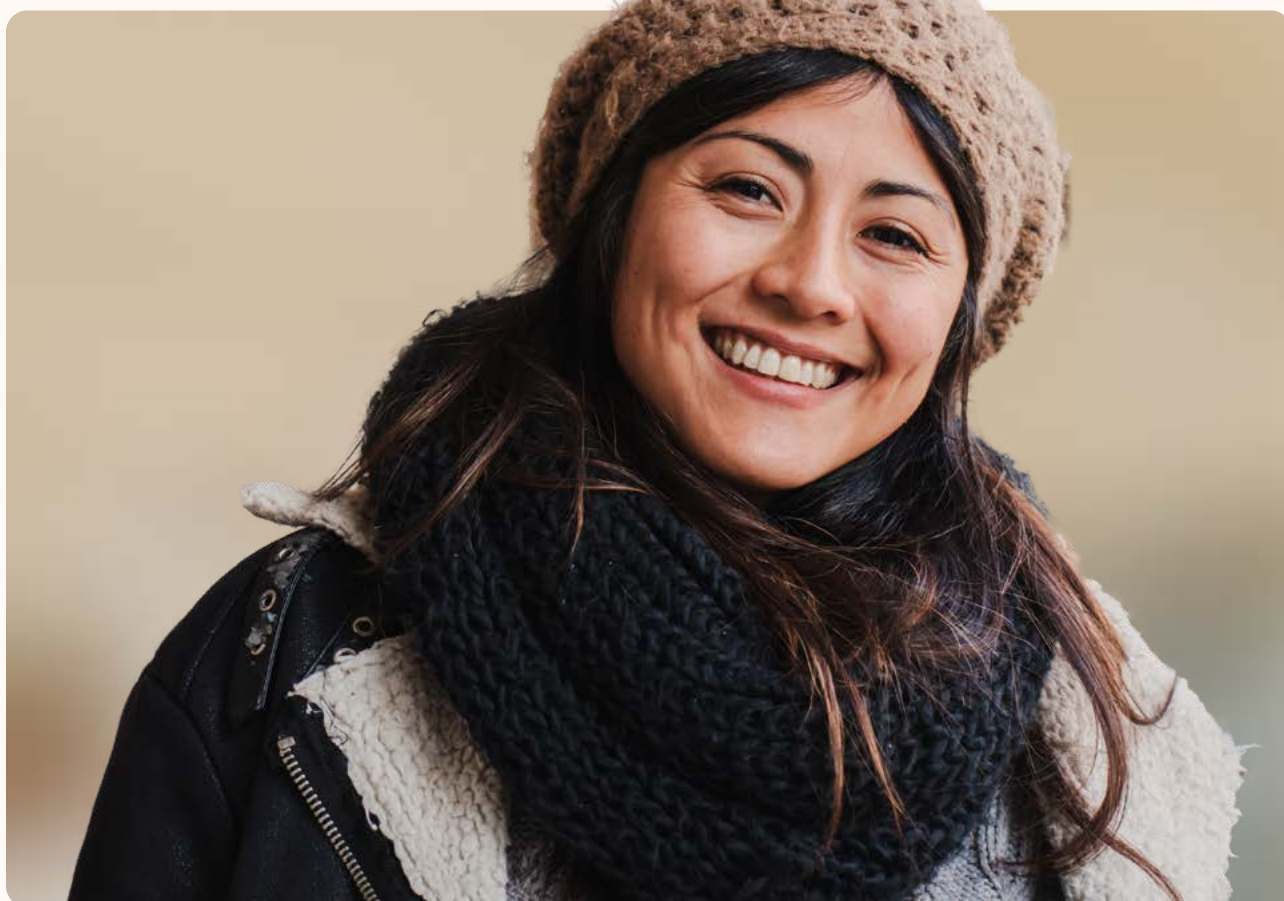
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2. TheCityUK, 'Labour Demand, Job Roles, and Skills in Financial Services' (2023) https://www.thecityuk.com/news/labour-demand-job-roles-and-skills-in-financial-services/

3. US Bureau of Labor Statistics, 'Occupational Outlook Handbook: Business and Financial Occupations (2023) https://www.bls.gov/ooh/business-and-financial/home.htm

4. Sackett, P. R., Zhang, C., Berry, C. M., & Lievens, F. 'Revisiting meta-analytic estimates of validity in personnel selection: Addressing systematic overcorrection for restriction of range.' Journal of Applied Psychology (2022) https://psycnet.apa.org/record/2022-17327-001

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# 07 METHODOLOGY

For this report we surveyed 138 employers and 94 employees in the finance industry 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.