

# There is no Talent Shortage You're Just Looking in the Wrong Place

Companies have been dealing with a talent shortage since the start of the pandemic. Even in the best of times, hiring the right talent is tough. But talent shortages are often exacerbated by looking at the wrong benchmarks to identify talent. We are limiting our candidate pool by still choosing to focus on education and relevant work experience.

## So, what should we be looking at?

Pera conducted a study to assess the differences between selecting candidates based on competencies versus selecting candidates based on CVs. We created a fictional position and pulled data from close to 3500 candidates. When looking at who would likely be selected based on their CV and who would be selected based on their competencies, the study found that:

1. Educational background or relevant work experience does not equal competency in a role
2. Hiring based on competencies rather than CVs increases the talent pool by 30%
3. Competency based hires for sales jobs result in a 50%+ increase in revenue 18 months post-hire
4. Competency based hires stay at a company longer than CV based hires.

## Top recommendations for HR and Recruiters:

Companies that successfully tap into new talent pools implemented some of these recommendations:

- Remove all non-essential requirements or “nice-to-haves” in the job description
- Communicate that your organisation is open to candidates whose experience may not perfectly match the traditional background for this role
- Remove all unnecessary stages for the role you're recruiting for
- Review the candidate's CV only during the interview itself to avoid any opportunity for biases.

More details on the study, research and further recommendations can be found in the report below.

## The Current Hiring Landscape

Companies have been dealing with a talent shortage since the first COVID-19 lockdown. In the UK's June 2022 ONS job vacancy report, the number of job vacancies in March to May 2022 rose to a new record of 1,300,000; an increase of 503,900 from the pre-COVID-19 level in January to March 2020.

The Netherlands also continues to face a growing shortage of workers, with recent figures published by Statistics Netherlands (CBS) revealing the extent of the national labour crisis. In the first quarter of this year, the Dutch unemployment rate reached its lowest level in almost 20 years, while the number of job vacancies continued to rise.

In Germany, around 56% of companies in Europe's largest economy report being short-staffed, according to a survey from the Association of German Chambers of Commerce and Industry. Those polled said they considered the shortage one of the most significant risks they face.

### Influencing Factors

In addition to the macro environment, there are other factors influencing the hiring landscape. Industries are constantly changing and evolving with new roles created and new skills required for employees. With the right talent already difficult to find, demand will be even greater by 2030 thanks to the impact of the Fourth Industrial Revolution. Modelling by the McKinsey Global Institute (MGI) on the effects of technology adoption on the UK workforce shows that up to 10 million people, or around 30 per cent of all UK workers, may need to transition between occupations or skill levels by 2030.

Employers also need to be aware that candidates may not have the experience for a role because it has only recently come into existence. For example, candidates applying for Diversity and Inclusion roles are often required to have anywhere from three to ten years of experience, when most companies have only created these roles over the last five years – if at all.

### Gen-Z

Over the last few years, a new generation has entered the workforce: Gen-Z. To help recruiters understand how to hire and keep this talent, we dug into the research to find what they care about most.

- ♡ Growth possibilities
- ♡ Diversity and inclusion
- ♡ Flexibility
- ♡ Salary
- ♡ Work environment/Work-life balance

Our research shows that those hired based on competencies are more likely to have success in their role and stay longer, opening them up to more possibilities for growth. Competency-based hiring methods not only increase the talent pool but also help to remove biases that may lead to a less diverse shortlist of candidates and therefore, organisation. So, if you want to attract and retain talent from this new generation, moving to competency-based hiring is a good place to start.



## Case Studies

### **Hiring based on competencies rather than CV's increases talent pool by 30%.**

Looking at the post-hiring impact of competency-based hires versus CV hires over multiple years, case studies show that:

### **Hiring based on competencies result in hires who stay with the company longer.**

In 2018 and 2019, a multinational in the FMCG sector used the Pera digital interview to hire 246 management trainees out of thousands of applicants across eight different countries. Over several years and in each country, Pera studied the patterns in language use related to the competencies that predict success. In 2022, we conducted a review of each of the hires that were still working for the organisation after 24 months. 32% of the hires that did not match the competencies required for success had already left the company. The rate of turnover was 1.4 times higher than for the hires that matched the necessary competencies based on the Pera interview.

### **Hiring based on competencies rather than traditional backgrounds can boost performance.**

In March 2017, an international recruitment consultancy firm began exclusively hiring analysts and consultants with high competency scores. Recruiting consultants generate revenue for the firm by prospecting clients and filling client vacancies. In 2020, the study compared the cohort hired in the previous 12 months before the introduction of the digital interview against the cohort hired in the 12 months thereafter. Results showed that 18 months after onboarding, the accumulated revenue of hires based on the digital interview was almost 50% higher than the accumulated revenue of the previous cohort hired with traditional methods.

# How can you hire based on competencies?

## Recommendations for HR and Recruiters

### Pre-application

- Ensure that the job description provides valuable information on the kind of candidate you're looking for – enough for the candidate to self-select
- Remove all non-essential requirements or “nice-to-haves” in the job description
- Communicate that your organisation is open to candidates whose experience may not perfectly match the traditional background for this role

### Application

- Try to keep the application process as short as possible – around 15 minutes
- Remove all unnecessary stages for the role you're recruiting for – don't ask for a motivation or cover letter if a “why do you want to work here” will also give you the information you're looking for
- Process applications quickly, sharing confirmation of next stages within 24 hours

### Interview

- Review the candidate's CV only during the interview itself to remove any opportunity for biases
- Structure interviews around the competencies you're looking to hire for and give them opportunities to demonstrate those competencies
- Using tools and software to help you hire in non-traditional ways is great, but be sure to avoid generic standard assessments

### Post-hire

- Ensure that the successful candidate has the support and training they may need to fill in any knowledge gaps once they're in their role

# What do we mean by competencies?

	Definition	Examples
<b>Skills</b>	Specific learned abilities that you will require to perform a given job successfully.	Handling accounts; coding; welding; writing tenders; computer programming; foreign language proficiency.
<b>Competencies</b>	Knowledge and behaviours that lead you to be successful in a job.	Innovative mindset, business agility, boldness, organizational excellence, team work, influencing, customer focus, driving results.

## What is a Digital Interview?

A digital interview is a structured interview based on three open questions that can be answered in writing on a mobile or laptop at your own pace and time. The answers are benchmarked against candidates that have proven to be successful in similar jobs.

“The greatest barrier for progress is our inability to recognize human potential. At Pera, we do this by looking at people differently to everyone else. We study people’s written language use like a fingerprint. Drawn from millions of interviews and many years of studying people in their jobs, our data models identify the competencies that predict success for now and years to come”.

**Pera – Rina Joosten-Rabou,  
Co-Founder and CEO**



## Methodology and Findings

We used a sample of 3466 anonymous candidates from our database. In addition to submitting their CV, each of these candidates also completed a digital interview. In this digital interview, candidates were asked to reply to three open-ended questions. Their answers were automatically scored by an algorithm on nine competencies that are predictive of success in various job roles.

Next, we created three (fictitious) positions: a sales position, a management traineeship and a product manager position. With two different approaches, we created shortlists of 20 candidates for each of these positions.

The first approach searched the CVs for typical keywords. For example, for the sales position, this search included terms related to jobs or specific skills such as “sales manager”, “lead generation”, “cold calling”, or “social media skills”.

The second approach ranked candidates based on how they scored on the nine competencies predicted from the digital interview. For each position, weights were assigned to each competency that reflected their importance. For example, for the sales positions, most of the weight was assigned to the competencies “Drives Results” and “Customer-Focus”.

The top 20 candidates of both approaches were compared on several characteristics, namely (1) percentage of candidates with traditional backgrounds, (2) years of total work experience, and (3) years of relevant work experience.

The results show that searching for candidates based on CVs finds candidates that (almost by definition) have clearly fitting backgrounds with, on average, 6.7 years of working experience, of which 6.1 years is relevant. Candidates shortlisted based on competencies pulled from the digital interview show a different pattern. The top 20 have, on average, 3.8 years work experience, of which 2.3 years can be marked as (traditionally) relevant. Furthermore, six people (30%) have backgrounds that can be marked as non-traditional.

