



How AI Technology Transforms Recruiting & Hiring

A POWER-USER GUIDE



center of
excellence
by Paycor



What's Inside:

INTRODUCTION	3
THE CHALLENGES TO SOURCING DIVERSE, QUALIFIED CANDIDATES	4
HOW AI IMPROVES CANDIDATE SOURCING	9
HOW AI BOOSTS CANDIDATE ENGAGEMENT	15
HOW AI IMPROVES RETENTION OF DIVERSE EMPLOYEES	18
PAYCOR SMART SOURCING	22
ABOUT PAYCOR	23





Introduction

THE GOOD NEWS:

Talent acquisition leaders are thinking about AI as a viable technology to improve talent sourcing and recruiting.

THE BAD NEWS:

Most companies lack the data, tools, and knowledge to achieve their goals in a market where AI has become a buzzword, loosely used by many vendors.

However, with the right technologies and training, companies can achieve their hiring goals faster and more efficiently.

One of the most exciting features of AI is its ability to tap into a giant pool of passive candidates. Passive job seekers are individuals who are currently employed and not actively looking for a new job, but who may be open to a career opportunity if one came along. 70% of the global workforce are “passive” candidates (*LinkedIn*). Ignoring the potential of this talent pool is a big mistake. “Passive” candidates are 120% more likely to make a strong impact on the company that hired them (*JobVite*).

Let’s start by outlining the challenges that talent acquisition teams face when they try to hire “passive” job seekers.





The Challenges to Sourcing Diverse, Qualified Candidates

Limited Data

Most companies use tools such as LinkedIn to source passive talent. However, **LinkedIn is only one source for talent data.** If you're an engineer, most of your data is likely to be on sites such as GitHub and Stack Overflow. Moreover, with LinkedIn, you are limited to viewing talent within three degrees of separation from you. With a smaller pool of talent, minorities are harder to find. Limited data also challenges recruiters by making it impossible for them to know if they are searching the entire possible pool of candidates. With limited data, they don't know how many candidates are available for open roles and what can be done to expand that pool.



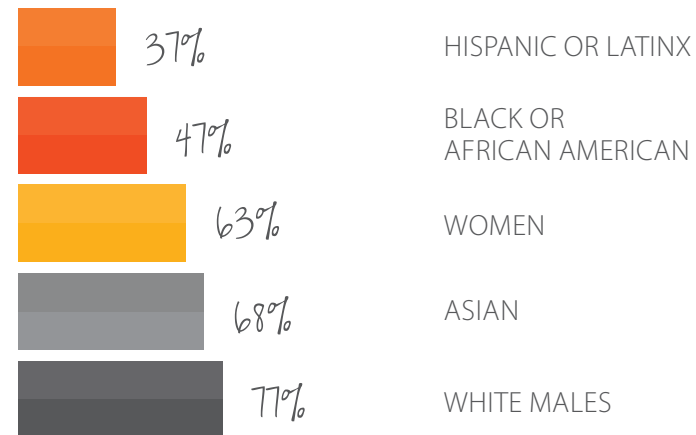
Antiquated Search Methods

For years, recruiters have used keyword search. **But keyword search is a method of trial and error in which recruiters sift through listings manually, a surefire way to miss qualified candidates.** Recruiters must know every possible job title for their searches and all skill permutations. They can only change one keyword at a time to gauge the impact of that keyword on the total available pool of talent. However, there are hundreds of search combinations that are impossible for human recruiters to run manually. Furthermore, keyword search is discriminatory, because it only shows you people with the “right” keywords on their profiles.



For instance, Paycor's research found that diverse candidates describe themselves differently from white males on public profiles such as LinkedIn. **Diverse candidates tend to post 10% to 17% fewer skills and write significantly less text about themselves.** These individuals are then ranked lower or completely overlooked when recruiters base their searches strictly on keywords. Here is a chart from the Paycor study that shows the skills gap between diverse talent and white males.

Diverse Profiles Include Fewer Skills, Making Them Harder to Find





Discriminatory Job Requirements

Hiring managers specify job requirements that are used by recruiters to run talent searches, but these requirements may unintentionally exclude diverse candidates. For example, if the desired job title is “Project Manager,” and recruiters use this keyword in their search, a female candidate who has the necessary skillset but refers to herself as “Program Manager” may be excluded. Or what if the position requires up to five years of experience and many black candidates have six years? The hiring manager may not mind expanding the required experience to six years, but they have no idea that this is an option.





Candidate Engagement is Manual and Limited

Assuming you found your ideal candidate's profile, what are the available options for you to engage with them? You can connect with them on LinkedIn, but you are limited to only 100 connect messages a week. What if they do not respond? You can send them InMail, but there is a limit to that as well. If you have an e-mail address or a phone number you can try either, but you may need to send multiple messages through a variety of channels to get a response. **To get a high response rate, you will need to personalize the messages.** This is a long, time-consuming, labor-intensive process. If you don't send messages to many (hundreds) of candidates, your interview pipeline will be too small.



How AI Improves Candidate Sourcing



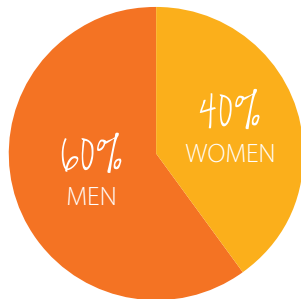
AI Taps into the Widest Possible Pool of Talent

AI tools collect public information from multiple sources, so you can access a wider range of talent without spending hours searching every possible source for candidates. LinkedIn is just one source, but if, for example, you are looking for engineers, more talent data can be found on sites like GitHub and StackOverflow. AI tools can collect talent data from a multitude of public sources, curate them into rich profiles, and increase your chances of finding the right talent for open roles. By using AI to tap into additional data sources and by curating them into unified and fresh profiles, you can more than double your talent pool, compared to using only LinkedIn, while making it much richer.

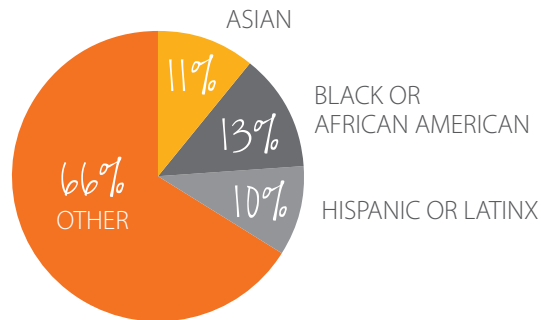
Available Talent Pool Analysis for Every Role

Diversity in the Entire Talent Pool

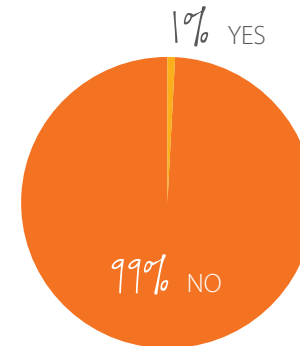
Women



Race/Ethnicity

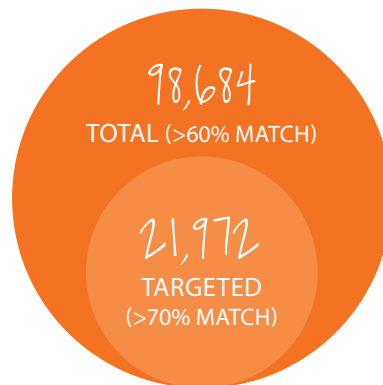


Veterans



Breakdown of Talent Pool Analysis

Pool Quality



Propensity to Change Jobs

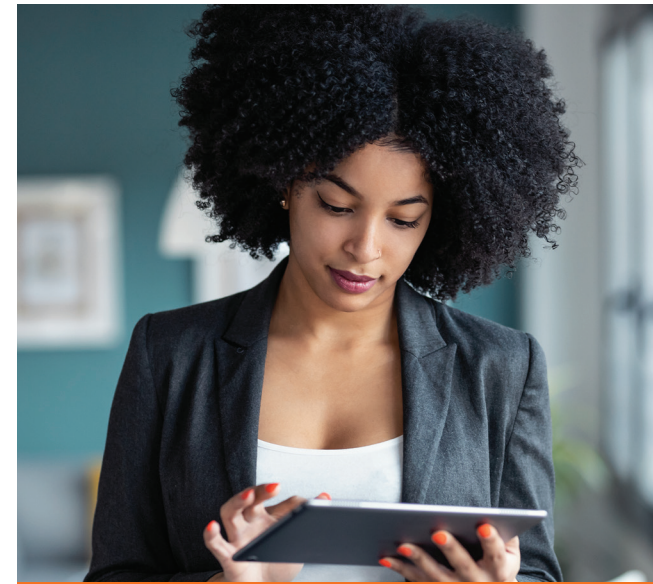


AI Searches for Talent (not Keywords)

AI technology can eliminate keyword search. It can read job descriptions, understand them in context, run a highly granular search and curate a list of targeted profiles. Then, machine learning kicks in. Recruiters can simply rate candidates by “thumbs up” or “thumbs down” and train the algorithms. **The software will look for commonalities in the recruiter’s selections and will prioritize the candidate list accordingly.** Simply put, it will bring more “lookalikes” to the profiles that were Thumbed Up and eliminate profiles that were Thumbed Down.

In a fully automated AI search, the algorithms will use “lookalike” profiles by looking at profiles of people who are currently employed by the company and have similar job titles, skills, and experience.

AI can also improve the search granularity by assigning different requirements different weights. For example, high importance skills will have a higher weight than nice to have skills. AI search reflects the way recruiters look at profiles which is very limited using keyword search.



LinkedIn is just One Source

Talent has digital footprints in multiple online sources.

Google GitHub indeed

TC
TechCrunch

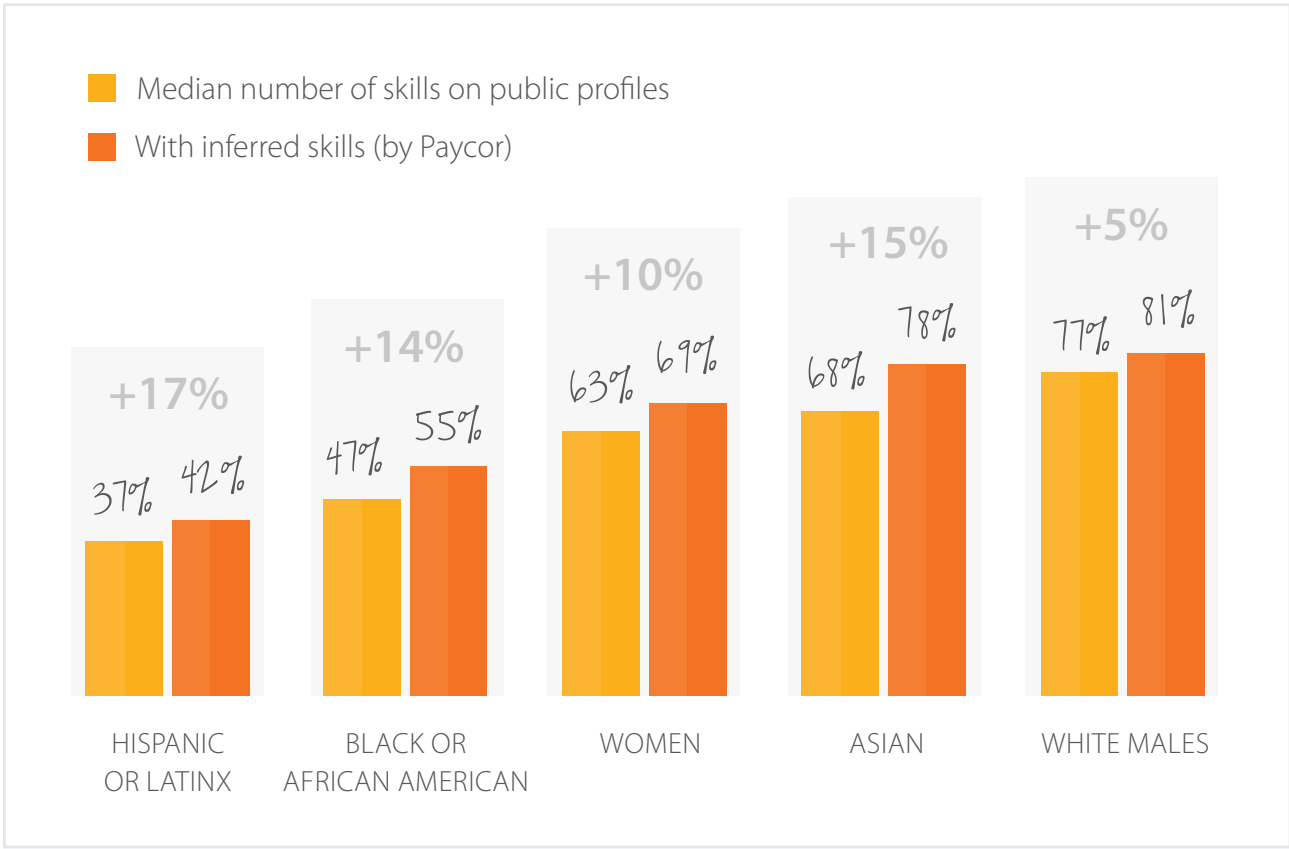
LinkedIn

AngelList

stackoverflow

AI can also help close the missing skills gap, by predicting missing skills and adding them to profiles, ensuring every talent, including diverse talent, does not get overlooked just because candidates failed to include specific skills on their profiles.

Here is an example that shows how AI can level the playing field for diverse talent by adding “AI derived skills” to their profiles.



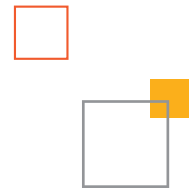
Source: Paycor research on over 10 million profiles across roles and functions





AI Predicts Diversity Categories

AI can help identify diverse talent, based on dozens of **parameters** such as pictures, first and last name, historically black colleges and universities, place of birth, etc. AI can also categorize talent in your potential talent pool to provide a full picture of availability for every open role (including breakdown by diversity) so you can adjust your search accordingly.



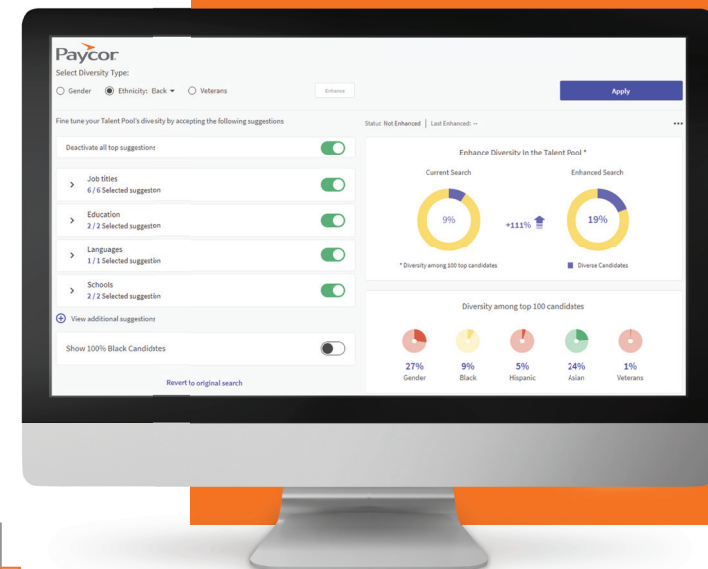
AI Can Run Search Simulations

AI can run hundreds of variations of one search and recommend small changes, like tweaking keywords or altering requirements to expand the talent pool.

When a job has several requirements, it is impractical to create hundreds of variations of such requirements and see their impact on the number of diverse talent in the pool. Educational requirements, seniority level, years of experience, and industry are just examples of requirements that may impact the number of diverse talent in the pool, in addition to skill requirements and job titles used in the search. This is a perfect job for AI algorithms that can run hundreds of search simulations and come up with recommendations for changing the search to be more equitable. As the changes apply to all candidates, diverse candidates do not receive preferential treatment, but the search will be more equitable and diverse talent will be given a fair opportunity to be considered.



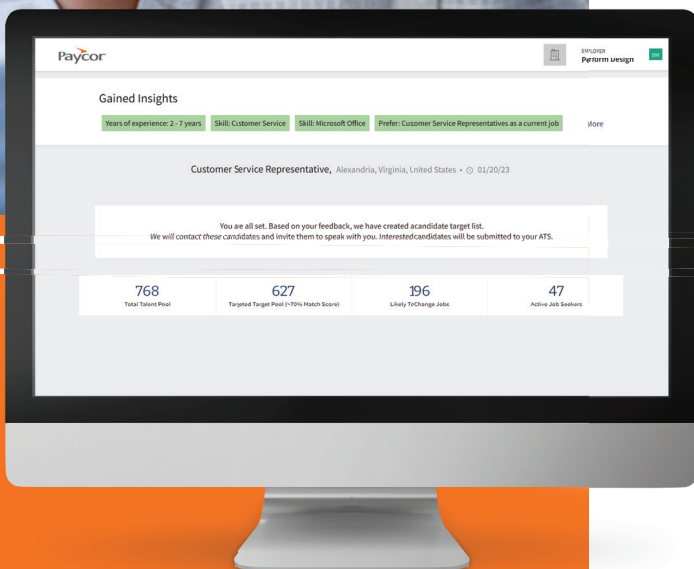
AI recommends changes to job requirements to *increase diversity* in the pipeline.



How AI Boosts Candidate Engagement

AI is widely used in a variety of marketing tools, but its use in recruiting is limited. New AI tools take candidate engagement to the next level of efficiency and effectiveness. **First, AI can find and engage with hundreds of candidates for every role.** The sheer number of engaged candidates is itself a major reason for a higher response rate.

Second, AI can optimize the message content and sequence to a science. A specific message may work better with engineers, another with salespeople. AI can also determine what engagement channel to use with each candidate, what day of the week and hour in the day are best for sending messages to ensure the best response. Job description landing pages can be optimized similarly to advertisement landing pages and achieve superb conversion. AI-powered campaigns can be reported and analyzed through a variety of dashboards.





Chatbots Increase Candidate Engagement

Over the past few years, chatbots have become a go-to marketing tool, and they're now proving their value for recruiting. **AI-powered recruiting platforms automate up to 75% of the recruiting process** by answering candidates' questions, verifying qualifications, and updating applicants throughout the hiring process (*VentureBeat*). Applicants who engage with chatbots are more than 3x more likely to hear back from a recruiter or hiring manager.

Even more exciting, AI has the potential to help recruiters personalize employee value propositions (EVPs). A boilerplate EVP is not likely to appeal to all candidates. **With AI, companies are able to analyze millions of data points that provide insight into a candidate's personality and values.** From there, AI can construct a more personalized EVP for that applicant.

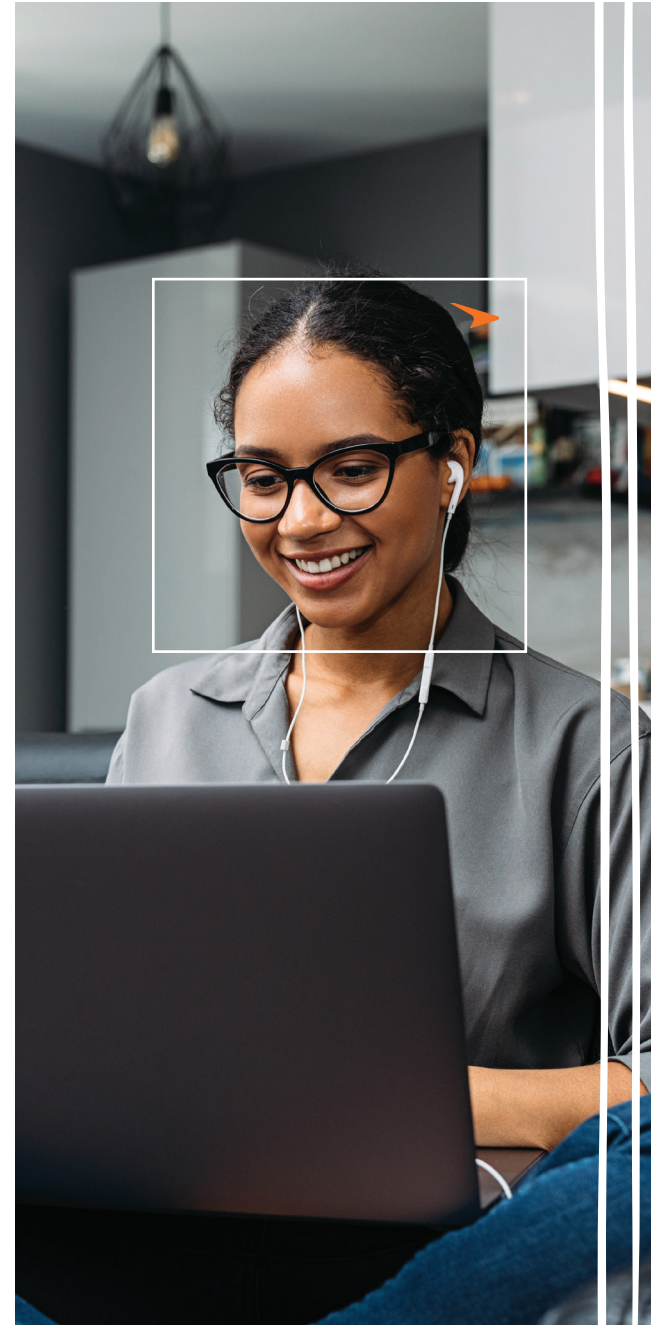




AI Engages with Talent at the Right Time

When it comes to “passive” job seekers, it’s paramount to engage with them at the right time—moments before they start their job search. When they change their status on LinkedIn or write “looking for my next challenge,” it’s usually too late. AI can predict a candidate’s propensity to move to a new job. It analyzes career patterns, company hiring or firing rates, and signals received from candidates in social networks. This is not something a human recruiter can do, but AI can. AI can even prioritize candidates based on their propensity to leave their jobs.

Data and advanced analytics have transformed the way companies do business. In the areas of talent sourcing and retention, AI tools are maturing. However, best practices are still evolving. If you’re ready to put your corporate commitments to AI-enabled hiring into action, it’s important to have accurate data, KPIs, and the right tools to work with.





How AI Improves the Retention of Diverse Employees

AI Taps into the Widest Possible Pool of Talent

We know it's a lot cheaper and less time-consuming to retain than recruit, but not enough attention is paid to understanding why diverse talent leaves an organization.

Knowing which KPIs to focus on is a first step in addressing churn among your diverse employees.





Here are the main diversity KPIs to consider:



Diversity Breakdown

First things first. **You need to know the diversity breakdown of your employees** in terms of race/ethnicity and gender and how that stacks up to your competitors.



Average Tenure

Average employee tenure helps you benchmark retention rates against competitors and industry standards. If they stay less time at your company, you have an opportunity for improvement.



Participation in Managerial Roles

It's important to keep track of the diversity of your management and leadership. Equitable participation in managerial roles is a powerful driver of retention.





Internal Mobility

When employees have held more than one job in your company, it means they are happy at your company, but also that you are giving employees an opportunity to advance their careers, either laterally or vertically. **Paycor Smart Sourcing measures the percentage of people who have had more than one job in the company.** The higher the percentage, the greater the level of internal mobility. If that percentage in your company is lower than that of your competitors, you may have an issue to address. There are many solutions for a low rate of internal mobility. For example, for every open role, you can set a rule that current company employees be considered for that role, as well. For many jobs, internal candidates would be a great fit with little training and at a much lower cost than hiring external candidates.



Risk of Churn

AI can predict the propensity of employees to leave their company. This can be used to gauge the risk of losing your employees, especially diverse employees. You not only need to know the percentage of employees who are highly likely to leave you, but also where those churn pockets are. For example, you may discover that employees with 1-3 years' experience at your company are at the highest churn risk level. Data like this will help you address risk pockets at the right places.





AI-powered Dashboards Tracking Main Diversity KPIs Among Your Employees

AI and big data help companies create a roadmap for hiring and retaining employees in general, and diverse employees in particular.

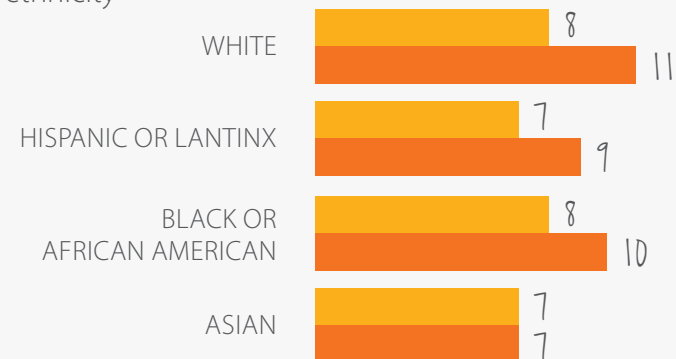
Average Tenure in Years

Competitors Your company

Gender



Race/ethnicity





About Paycor Smart Sourcing

Paycor Smart Sourcing offers an AI-based recruiting function that automates sourcing and increases candidate diversity. The tool sources passive job seekers and candidates from a database of over **1.5 billion profiles**. Customers can **reduce time to hire** by sourcing candidates actively looking to change jobs and passive candidates who may not be in the market, as well as diverse candidates who may be ideal for the role but overlooked by traditional systems.

[PAYCOR.COM/SMARTSOURCING](https://paycor.com/smartsourcing)

About Paycor

Paycor's human capital management (HCM) platform modernizes every aspect of people management, from recruiting, onboarding and payroll to career development and retention, but what really sets us apart is our focus on leaders. For more than 30 years we've been listening to and partnering with leaders, so we know what they need: a unified HR platform, easy integration with third party apps, powerful analytics, talent development software, and configurable technology that supports specific industry needs. That's why more than 29,000 customers trust Paycor to help them solve problems and achieve their goals.

LEARN MORE AT [PAYCOR.COM](https://www.paycor.com)

CALL 844-981-0040

