

Are Electronic Tools and
Automated Processes
Changing the Dynamics of Hiring?

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I. INTRODUCTION

This white paper has two purposes: 1) to show readers how automated processes, tools, and methods are affecting the hiring process; and 2) to help readers examine the feasibility of introducing automated solutions into their hiring process.

Why is the entire pre-employment process moving toward automation? For all the right reasons, according to the consulting arm of one of the world's largest accounting firms. The company noted that increased demand "has been driven primarily by secular factors, including heightened safety, security, and legal concerns; a better awareness of the importance of screening and testing; and a general trend toward greater turnover (both of employees and customers)."¹ Also looming large in the trend toward automating the applicant management process is a growing confidence in automated

processes as a whole – not to mention the savings they accrue. With many HR professionals already reporting that their companies are doing background checks of new hires, the concept of performing pre-employment examinations is fast becoming an assumptive business practice. A leading provider of screening and selection services reports a 12 percent increase in the number of background checks they conducted for employers last year.²

One of the key benefits realized by companies using automated hiring management solutions is an *extraordinary return on investment*. ROI can involve more than cost savings. For instance, automated systems not only decrease an organization's cost to hire new employees, they can also identify applicable tax credits. By systemically integrating employment-based tax credit screening into the

application process, all eligible employees begin to accumulate credits for the employer. Manual, paper-based systems can't compete with automation in this regard because human intervention at its worst is prone to human error, and at its best, simply inconsistent.

If cost-savings, administrative efficiency, physical security, tax credits, and compliance are key benefits that employers expect from an applicant management solution, logically the next question is – what incremental new value could *automating* that entire process bring to the table?

¹ "Background Screening," KPMG Corporate Finance, Fall 2003.
² "ADP Pre-Employment Screening Index Reveals..." ADP Employer Services, March 12, 2006.

II. A TIGHT LABOR SUPPLY IS PUTTING INCREASED PRESSURE ON THE HIRING CYCLE

As the quantity of workers with satisfactory skills continues to shrink in many job categories and within many industries throughout the U.S. economy, employers are busy competing for talent, including hourly employees. The U.S. Bureau of Labor Statistics has predicted that the United States would “experience a shortfall of 10 million workers by 2010.”³ In addition, the National Association of Manufacturers reports that 83 percent of U.S. manufacturers are finding it difficult to find and hire skilled workers, with more than 80 percent acknowledging a “moderate or severe shortage” of machinists, operators, technicians and other workers.⁴

The hiring cycle is basically the same for most employers. It involves recruiting, identifying, interviewing, selecting, hiring, and “onboarding” candidates. To make a “good” hire – that is, an employee who is talented, helpful, honest, motivated, and

not a danger to his or her co-workers – takes the concerted effort of professionals (e.g., recruiters and hiring managers) who “own” each segment of the hiring cycle. However, with the current shortage of qualified workers in the available talent pool, the pressure to “fast track,” or to bypass altogether, important steps in the employment cycle can be alluring. This onus to hire applies especially to the hiring of hourly workers, who make up over 70 percent of the U.S. workforce and generally have a high voluntary turnover rate. A leading firm that provides research and advice to firms globally explains, “Companies that hire significant numbers of hourly workers – such as retailers, hospitality services, and call centers – are faced with the ongoing challenge of filling positions as expeditiously and economically as possible, while trying to attract the best workers.”⁵ Nonetheless, hastily hiring a

new employee to fill a vacant cubicle or a spot on an assembly line without following all the steps in the hiring process can be downright risky business. With nearly 2 million assaults occurring in the U.S. workplace each year, huge consequences await employers convicted of negligent hiring. According to one account, not only is negligent hiring litigation on the rise, but employers are “losing approximately 79% of all negligent hiring suits” – with average jury plaintiff awards in employment law cases continuing “to be in excess of \$1.6 million.”⁶

Employers that use automated tools to source, evaluate, and hire are less likely to be one of these statistics. However, before they can fully begin reaping the advantages of automation, they have to overcome a longstanding addiction – to *paper-based manual processes*.

3 “The Next Big Thing in Online Recruiting,” CareerJournal.com, Peter D. Weddle, April 9, 2006.
4 “Keeping America Competitive,” National Association of Manufacturers, <http://www.nam.org>.
5 “Hourly Hiring Management Systems: Improving the Bottom Line for Hourly Worker-Centric Enterprises,” Aberdeen Group, June 2002.
6 “Public Personnel Management,” USA Today, Nov. 21, 2003.

III. BIDDING FAREWELL TO THE PROVERBIAL PAPER CHASE

During the 20th Century – as the Industrial Age was giving way to the Information Age and computers – some processes associated with America’s Industrial Era, although anachronisms, managed to remain in the mainstream of business processing applications. The most widespread of these were manual processing methods, fueled by paper-based recordkeeping. Paper companies currently produce approximately 735 pounds of paper for every American man, woman, and child annually. One reason that paper usage and manual processes had reached “doctrinal” status in most businesses is that they had simply become habits; untouched and unchallenged by new, earthshaking technology since the invention of the Gutenberg Press. After 500 years of putting ink on paper, new technologies and methods emerged. The computerization, the Information Age – and later the global acceptance of

Internet technology – changed the world of business with reliable alternatives. The big breakthrough, of course, was the Internet. The Web made it economically viable for businesses of any size to access automated solutions to help them handle a wide spectrum of administrative tasks with speed, accuracy, and functionally inherent flexibility. Within a relatively short time, Internet usage has become ubiquitous. According to Nielsen//Net Ratings, “three out of four Americans have access to the Internet” and the trend is up for all age and gender categories, even the 55+ segment, where Web penetration is better than 60 percent.⁷ As businesses realized greater efficiencies and savings from automation, they cashed-in on the savings, typically from curtailing labor- and paper-intensive activities. For example, HR

departments that had formerly geared-up for benefit enrollment meetings with reams of paper forms, boxes of thick entitlement booklets and extra staffing now simply direct employees to the company Web site where electronic “wizards” guide them through enrollment 24/7/365. [Editor’s note: Even with the upsurge in Internet use, our global forests are far from being out of the woods. Paper usage is still trending upward and, ironically, the Internet is among the biggest culprits, with e-mail a major reason for the 40 percent increase in blank white paper consumption.⁸ People not only love their e-mail; they also love to *print* it.]

⁷ “Three Out of Four Americans...” Nielsen//NetRatings, March 18, 2004.
⁸ “The Paper Chase,” Jim Motavalli, eMagazine.com, May/June 2004.

IV. THE INFORMATION AGE INTRODUCED US TO NEW ELECTRONIC TOOLS

If you credit the World Wide Web with rearranging the business landscape and creating today's global marketplace, the personal computer ("PC") was clearly the Internet's enabler-in-chief. It was the precursor, the trigger, the firing pin that made the Internet such a widely used instrument of communication. Without the PC, would there be an Internet?

After the PC came to market in the latter part of the 1970s, it became an increasingly popular electronic tool that made it

possible for virtually every home and office to have a computer and pick fruit from the automation tree. The PC also performed another strategic service. It challenged the domain of entrenched, outmoded methods and accelerated the demise of manually based systems.

PCs essentially give users the ability to do more – and do it *faster*. For employers, that means gaining greater access to data and information that affects decision-making –

which could streamline operations, reduce risk, and affect profitability through lower expense levels.

Over time, as employers continued to gain confidence in the automated tools that the PC made available, a "drilling down" process was taking place. Companies eventually began applying automation to their most basic administrative functions and processes, such as payroll, benefits administration...and *hiring*.

V. WHY THE HIRING PROCESS IS A PRIME CANDIDATE FOR AUTOMATION

Costly, cumbersome, and lengthy, the hiring process easily qualified as a target for automation. Hiring was a business function consumed in paper and manual processes that did little to improve the job application cycle, time-to-hire, or cost-per-hire.

Recruiters placed employment advertisements in newspapers and encouraged the mailing of typed resumes to post office boxes. It might take another week to collect the paper resumes and several more days to sort out the best prospects. Add several more days to contact candidates by phone and set up interviews and a few more to conduct the interviews. The candidate would then complete a formal job application and other associated paperwork.

Afterwards, HR might or might not do a thorough check of references, and by the time a hiring manager was ready to make an offer to the best prospect, it was possible that the candidate might no longer

have been available – lost to the competition or simply any other company that made an offer.

In addition to clearly quantifiable expenses such as advertising, manual hiring processes also produced an expense that was not as quantifiable, but certainly just as costly. It was the expense of “aggravation”:

- *Recruiters* sorting through hundreds of pieces of paper, attempting to capture and record the best candidates’ information on paper spreadsheets;
- *Hiring managers* who easily became frustrated at not always being able to hire the best person within a reasonable timeframe;
- *Job applicants* who eventually seek employment along a quicker path; and
- *The hiring organization*, who not only stands to lose a candidate to another employer, but also takes a hit in productivity (if it is a replacement position) because the person who used to do the job is no longer there.

Multiply the average cost-per-hire for an hourly position in retail for example (\$2,000 to \$3,000+) by an employer’s annual turnover rate and you are talking serious money, particularly since retail has high voluntary turnover. Employers were looking for an equally serious capability to mitigate their cost-per-hire expense. As a result, automated tools were about to make improvements to the hiring management process that few employers ever dreamed of – and none too soon, as truth has increasingly turned “subjective” in candidate resumes. In releasing its ninth annual Screening Index this year – an annual evaluation of hiring trends and issues – ADP Screening and Selection Services noted that 49 percent of the education, employment, and credential verifications it performed through its pre-employment screening service for employers “revealed a data inconsistency compared to what the applicant reported.”⁹

⁹ “ADP Pre-Employment Screening Index Reveals...” March 12, 2006.

VI. AUTOMATING THE HIRING PROCESS BENEFITS BOTH THE HIRING ORGANIZATION AND ITS APPLICANTS

If you were to select the most strategic benefit of automation in the hiring process, it would have to be the ability of an automated hiring management system to integrate *all* of an employer's pre-employment screening – background checking, tax credit screening, drug screening and “best fit” candidate assessments – to ensure that one or more of the steps were not omitted in the “apply-to-hire” process.

Introducing automation into the hiring process is also an example of strategic foresight that can position an HR leader among an organization's most valued strategic thinkers. By adopting automation, the rewards are not only significant, but also long-term. Processes will be faster. Dollars will be saved. The top candidates will be identified much earlier.

Certainly, automation could not have produced the enormity of change it already has without changing the dynamics of the hiring process. The most

strategic change of all is a redefinition of the way that job applicants – and the companies to which they apply – **communicate** with each other.

The World Wide Web introduced employers, their employees, and *prospective* employees to the two-way sharing of information instantaneously online. Web-based self-service allows the rapid exchange of information, enabling senders and receivers to turn their access into *action*. The formula is a perfect way to efficiently engage recruiters and hiring managers with job candidates.

The document that powers the process is the **electronic job application**. With millions of these online applications filed with employers annually, the electronic job application is on track toward becoming the norm. Among major businesses that welcome job applications online are Wal-Mart, the world's largest retailer; Citibank, and Cendant. Obviously, these large companies benefit from

automating the hiring process and so do the businesses of America's heartland that employ from 500 to 5,000 employees. However, electronic access to hiring management tools today enable virtually *all employers* to gain from the increased communication and efficiencies of automation.

Job candidates once had to travel to a specific location to complete and submit a hand-written job application form. With Web access, candidates now have the freedom to complete an electronic job application at a prospective employer's office; at on online, in-location kiosk; or even at home.

The information flow typically follows this path:

- The applicant uses the electronic job application to enter his or her information, which the prospective employer utilizes in the interview and job offer segments of the process;
- Information is confirmed by the applicant;

Continued on the next page.

- The applicant updates new hire packet information electronically in the onboarding process; and
- Once a “hire” is made, all of the pertinent data on the successful candidate is then transferred to the HRIS or payroll system.

Company recruiters get **instant access** to online applications and hiring managers have an opportunity to make quicker and more informed decisions. Prospective employers can capture, store, and retrieve applicant data as the need arises, sharing applicant information among hiring team members. Conversely, applicants can send any required pre-employment forms to their prospective employer

online. No matter which way information is streaming, it helps to drive an application toward a more rapid decision than you would normally expect from a manual approach.

But beyond administrative streamlining is another benefit of automation that looms large with employers: **increased compliance capability.**

Automated hiring management solutions put up the equivalent of a “red flag” if an employer misses a step in the apply-to-hire process, including one that would cause a compliance problem. Automated hiring management solutions also make report-generating far easier than would be the case for a manual system; so tracking for EEO compliance, for instance,

is converted from a chore that can be missed, into a feature of a system that can’t be distracted or might otherwise be prone to the foibles of honest (or dishonest) human error.

The most useful automated solutions are also designed to interface with multiple databases, which give employers access to information that may improve workplace safety by heading-off bad and dangerous new hires. Hence, an employer not only can efficiently check out the references an applicant submits, but also review credit reports, driving records, workers’ compensation claim records...and criminal histories.

VII. BUILD IT OR BUY IT: CHOOSING THE BEST WAY TO LEVERAGE THE MOST VALUE

Once you conceptually recognize automated solutions as a means to streamline the way you manage your hiring process, take a deep breath. The next step is determining how best to convert the concept to practice in your workplace.

Except for those companies that make their living by providing such services, applicant management and pre-employment screening are largely considered “overhead” functions by most businesses. It does not contribute to the bottom line, but it can affect profitability if screening and compliance efforts somehow fall short of the mark (e.g., resulting in a wrongful termination or negligent hiring legal action).

Before you can consider whether you should manage your own automated hiring management system with in-house resources or should outsource the application, you have to understand what it takes to create, maintain, and upgrade an automated system:

- Design and Implementation – Who shapes the solution to meet the specific needs of a given employer? Who makes sure everything actually works? Whom do you call if it does not? Who trains the administrators and other users within the organization on the efficient use of the solution?
- Deployment – When and how does the solution begin to be used by the user organization?
- Ongoing Support – Whom do users call when they have questions about the application? Who takes users’ calls and provides help? Who maintains the hardware and software?
- System Upgrades – Who makes sure the solution is compliant with applicable laws and regulations of relevant government agencies? Who upgrades the software to reflect regulatory and other changes? Who takes care of relevant technology changes?

The In-house Model

Employers that value **total control, maximum convenience, and pride of ownership** usually prefer to have their company’s applicant management function built, managed, supported, and upgraded with in-house resources. The good news is also the bad news – you *own* it.

With an in-house system, perceived convenience and control can easily be overshadowed by *risk*. For one thing, your in-house staff operates without a safety net. If they – or the application software they use – fail to complete every step in the apply-to-hire process, you can open the door to significant problems, such as a negligent hiring action. Have an afterthought and fire the individual without proper counsel? Then you are looking at a wrongful termination lawsuit. All because somebody missed a step in the hiring process.

An in-house staff also is responsible for keeping current with applicable laws and regulations.

The goal is compliance. The task is a never-ending chore. If your system fails to stay current with the latest regulatory compliance changes, you can find yourself in the penalty box facing fines and legal action.

The Outsourcing Model

Employers that want to **minimize their investment in equipment, software, and staffing** are the best candidates for outsourcing. Here the preference is to buy a service rather than a system that would require maintenance, upgrading, and overhead.

Costs are based on a subscription rate, usually paid monthly, for services rendered by an outside vendor that will provide you with the information you want on job candidates. The burden of system ownership squarely resides not with the client but with the service provider. The provider manages the risks associated with system operation, handles technological upgrades, and has the responsibility to keep compliance up-to-date. Utilizing a qualified applicant management service provider may also offer your company limited legal immunity from some risks.

ADP¹⁰ is one of the market's major providers of outsourced applicant management (including background checking and pre-employment verification) services. ADP's applicant management solution is Web-based. It accepts job applications electronically and automates the redundant, resource-intensive tasks that are involved in the hiring process. Clients' job candidates complete all post-offer and new hire forms online through an employee self-service module. Client recruiters use electronic job application data to identify the best-qualified candidates and share the information with hiring managers.

ADP's automated solution achieves the high level of safety and confidence that employers expect. Essentially, ADP's service solution does not allow a client to proceed with the hiring process until all of the required steps are confirmed either via integration of internal applications, by confirmation from a third-party service, or by the manual override of a manager who is authorized to alter the process on an exception basis.

Do all these features contribute to quantitative savings? ADP maintains their automated outsourced solution cuts recruitment and hiring costs for clients in the retail, hospitality, healthcare, and manufacturing industries by up to 85 percent and time-to-hire by up to two-thirds.

10 ADP provides market-leading payroll, HR, benefit administration and other services to employers in the United States and globally.

VIII. IS YOUR BUSINESS A GOOD CANDIDATE FOR AN AUTOMATED HIRING MANAGEMENT SOLUTION?

Can I improve my business with an automated hiring management solution?

If after reading this white paper you're still not sure, consider asking yourself these specific questions:

- 1) Is my hiring process fragmented and labor-intensive?
- 2) Does my business approach the "apply-to-hire" administrative process in a systematic way that is not prone to human error?
- 3) Has my business already experienced at least one serious workplace incident attributable to making a bad hire?
- 4) Could my business be at risk because of negligent hiring?
- 5) How high are my recruiting costs and my average cost-per-hire?

- 6) Do I currently have a system in place that tracks my equal employment opportunity compliance?
- 7) How successful have I been in hiring and retaining high quality, productive employees?
- 8) Do I have efficient methods and processes in place to identify top-tier candidates within a large pool of applicants?
- 9) Have I lost qualified candidates to competitors because my company could not complete the screening and hiring process in a timely manner?
- 10) Does my existing hiring management system help me to identify tax credits that may be available to me from the federal, state, and local governments?

If you responded "yes" to just one of these questions, your business might well be a candidate for an automated hiring management solution. If you responded affirmatively to more than one question, an automated hiring management solution is something your business should probably already be using.

IX. CONCLUSION AND TAKE-HOME POINTS

Here is a recap of key points that you should take away from reading this white paper:

- A) There is a *general trend* toward technology-based, self-service assisted, automated solutions and away from manual processes, procedures, methods, and transactions.
- B) By integrating all pre-employment assessments, an automated hiring management solution improves due diligence, ensuring that *no steps are omitted* in the “apply-to-hire” process.
- C) Automation has changed *the applicant/candidate experience*. Applicants have become far more engaged in the applicant management process by being able to access information and submitting paperwork in real-time, within a hiring process that was designed to move faster.

- D) Automation provides employers with *unprecedented access to information*, which increases the probability of making a good hire and lessens the likelihood of making a bad one.
- E) Automated tools and processes are clearly *changing the dynamics of the hiring process*, reducing time-to-hire and cost-per-hire, integrating a variety of pre-hire assessments, and creating a new performance standard. The automated environment enables employers to compete better for the best talent available, with less likelihood of losing great candidates to the competition because the pre-hiring administrative process moved too slowly.

- F) Outsourcing solutions offered by service providers are making automated job applicant management *more accessible and affordable to employers of any size*, by assuming system maintenance and upgrades costs and offering services with convenient “pay-as you-go” subscription arrangements.



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About ADP Pre-Employment Services:

ADP Pre-Employment Services (PES) realizes the primary objective for our customers in deploying a new technology is to increase productivity. This increase in productivity provides a rapid return on investment, justifies the investment, provides a competitive advantage and ultimately results in higher profitability and growth.

ADP has an integrated hiring suite for your success. An easy 'add-on' to your current ADP payroll and HR services, PES completes the talent lifecycle of human resources. Here are the tools you can use to create the solutions that fit your company:

VE Professional – Empowers recruiters. Streamlines and automates key tasks within the recruitment process from creating and posting a job requisition, to making an offer and initiating pre-hire activities.

VE High Volume – Provides an automated hiring solution for the always open, need-driven positions. Combines applicant tracking, pre-screening, assessment, drug and background testing, tax credit capture, interview scheduling and payroll integration into one system.

VE Pilot – Award winning talent CRM. Strengthens and deepens relationships with potential talent by developing people strategies, to manage and create a talent pipeline where potential employees are qualified and excited about the prospect of coming to work for your company.

Screening & Selection Services – Adds an important check to your hiring process by ensuring that you hire safe and honest employees through identity validations, background checks, credit checks, reference checks and more.

I-9 Compliance Services – Ensures compliance with the laws and regulations regarding employment eligibility and the federal Form I-9 by making the process simple, intuitive and easy to track.

Tax Credits & Business Incentives – Turns cost centers into profit centers by capturing tax credits based on the employees that you hire and securing business incentives for normal business activities such as training.

For more information about ADP Pre-Employment solutions, visit www.nas.adp.com or call (877) 485-5454.



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