

WHITEPAPER

# Top 5 Talent Acquisition Technology Trends for 2018



American Staffing Association

## Top 5 Talent Acquisition Technology Trends for 2018

According to a team of researchers focused on technology trends affecting the staffing and recruiting business, these five tech trends will dominate the talent acquisition space in 2018.

By Brian Delle Donne

Here are the top talent acquisition technology trends affecting the staffing and recruiting business, according to researchers at Talent Tech Labs. Following discussion for each trend, it is categorized on a continuum that spans from additive (plus sign) to disruptive (lightning bolt) to the current staffing business model.

Visit [americanstaffing.net/techcenter](http://americanstaffing.net/techcenter) for a complete and interactive look at the Essential Elements of Staffing Technology, an integrated ecosystem map introduced to staffing and recruiting professionals by the American Staffing Association in October 2017. This unique tool aims to identify emerging technologies that will affect staffing and recruiting; innovation that will propel positive advances in the business; and competitive threats as they emerge and take shape.

Here are the top five talent acquisition technology trends staffing companies should know about and track in 2018.

### 1. E-staffing companies will continue to gain traction as employers get more comfortable with their service delivery models.

**Definition:** E-staffing companies are technology-enabled staffing companies. Today, e-staffing companies leverage technology to remove salespeople from the traditional staffing model—with the goal of reducing overhead costs and increasing operational efficiencies.

**Why now:** E-staffing companies utilize advancements in technology, such as automated email, text messaging campaigns, and contract generation, to reduce operating expenses. E-staffing companies also offer online self-service platforms, which greatly reduce personnel overhead—meaning they can operate at a lower price and still make the same or even better margins than traditional staffing models. This also means that they can engage directly with hiring managers, without a dedicated salesperson. That cuts down on costs, but it also creates a critical challenge and exposes a weakness in this model. Once the human element is eliminated, chances that the requirements of a job order could be misinterpreted or underrepresented greatly increase.

Ultimately this is about tech versus touch. Pure e-staffing companies are all technology with no personal touch; traditional staffing companies are high touch with little to no technology enhancing their processes. The most efficient outcome is a combination of the two—and this creates a race to the middle. Companies that strike the right balance between technology and personal interactions will emerge victorious.

*Editor's note: To qualify for ASA membership, e-staffing companies must have in place appropriate processes to ensure that staffing employees are correctly classified.*

**How to leverage:** There is no clear way for staffing companies to leverage e-staffing firms as they exist today, especially since many are intent on completely disrupting the traditional staffing model. However, it is a worthwhile exercise for staffing companies to examine their e-staffing company competitors with an eye toward either acquiring them or understanding how they utilize technology

to lower operating expenses. The end goal is implementing some of those cost-saving technologies themselves.

**Features and functionality:** E-staffing has been the breakout star in the online staffing subvertical of the Essential Elements of Staffing Technology ecosystem. These technologies are reinventing how traditional staffing works. Some common features include

- Online profiles that resemble traditional résumés—generally, these are more interactive than a static résumé
- Ability to distribute candidates to employers via email or through the online platform
- Ability for candidates to select which companies to hide their résumé from to prevent a current employer from being aware that they are looking for a new job
- Easy-to-use scheduling functionalities
- Applicant tracking system integrations

**Revenue Models:** E-staffing platforms all leverage similar revenue models. For the most part, they charge a fee per hired candidate. This fee is generally lower than traditional staffing fees and can be paid out in unique ways. In some cases, these firms charge a monthly recurring fee. For example:

- E-staffing firm Hired offers a 15% fee of the hire's first-year base salary with 100% money-back guarantee for 90 days. The firm charges a 15% markup on a placed temporary workers' hourly rates.
- Similar to Hired, e-staffing firm Vettery charges a fee of 15% of a new hire's base salary and also offers a 90-day guarantee.
- E-staffing firm GoGoHire focuses on tech sales talent and charges a fee of 15% of a new hire's base salary and also offers a 90-day guarantee.
- E-staffing firm InterviewJet focuses on engineering and data science talent and charges clients \$9,500 per full-time, permanent candidate hired.



## 2. Temporary labor marketplaces will move up the value chain and create new revenue opportunities.

**Definition:** Temporary labor marketplaces are two-sided marketplaces with talent on one side and the buyer of services on the other. The marketplaces match the parties for mostly task-based projects with limited scope. Early entrants in this area focused on website projects, creative tasks, and manual-intensive tasks such as data entry or sourcing. Currently, temporary labor marketplaces are being used for off-premises labor, but increasingly they are being utilized for on-premises labor needs. The temporary labor marketplace subvertical of the Essential Elements of Staffing Technology includes some of the largest labor pools today.

**Why now:** Temporary labor marketplaces have begun to move up the value chain and, although there are still a number of companies covering the offshore, low-cost options, many are focusing on on-shore, high-cost, and high-value talent pools.

These marketplaces began with small and medium-size businesses that target client companies. However, they quickly realized that the unit economics didn't work and—given a high percentage of churn in clients—they decided to target large enterprises instead. With that they

encountered the rules and restrictions that enterprises enforce, particularly in their procurement processes.

**How to leverage:** It will be interesting to see if large enterprises can successfully utilize remote labor. Staffing companies should look at these marketplaces as opportunities to create new pools of remote labor. Some temporary labor marketplaces may have their own freelance management system, which can be used to track, manage, and pay remote workers. Staffing companies should look to leverage these tools as well.

**Features and functionality:** Many temporary labor marketplaces have found success focusing on specific vertical offerings because they are able to scale much more efficiently. These platforms include features that

- Allow applicants to create profiles that can be found by people looking for quick hires
- Leverage location for job search granularity
- Encourage employers to rate hires and see ratings of hires
- Show wages so you can hire someone who fits your budget
- Are mobile-friendly so you can hire and work on the go
- Allow for multiple language selections to streamline the process of hiring an employee you can communicate with

**Revenue models:** Temporary labor marketplaces generally charge a per-transaction fee. In some cases, there is also an additional monthly subscription fee to encourage repeat and consistent use. Going forward, staffing companies might consider looking to these marketplaces as an opportunity to create new pools of remote labor. Here are some examples of how these marketplaces work:

- Twago's pricing is based on a per-project percentage, around 10%, based on which monthly plan the buyer has purchased.
- Freelancer.com allows employers to create free accounts, post projects, and receive bids on those projects. For fixed-price projects, there is a fee of \$3 or 3% of the total price, whichever is greater. For projects priced by the hour, there is a 3% fee on each payment made.
- Upwork Pro charges a \$500 fee for posting a job and an additional 10% client fee on top of the invoice from the freelancer.



### 3. Social search will continue to offer increased access to untapped talent pools.

**Definition:** Social search companies provide advanced web tools that take into account online information about the person initiating a search query or the person being searched. Social networks, such as Facebook and LinkedIn, have risen to become arguably the most powerful force on the internet. They create free tools for people to share their information with one another, whether it's professional or personal. Social search strategy uses algorithms and machine learning to scrape the internet—including social networks—for public information about candidates to create full professional profiles. These resulting profiles are then made searchable.

**Why now:** Anyone or any company can use this tech-based strategy to build a deep talent database in a very short time period. This means a staffing company's proprietary database of candidates no longer carries the competitive advantage it once did. Plus, social search companies are typically focused on a specific business vertical, making them an efficient option for clients. Also, social search companies generally offer an added-value component to differentiate themselves. For example, social search company AmazingHiring sources software development and technical candidates across social networks; its added value is functionality that scores candidates' code.

**How to leverage:** Social search is additive, which means staffing companies can use this tech strategy to benefit their business. Therefore, staffing companies should look into securing social search licenses for their teams to supplement current talent acquisition processes.

**Features and functionality:** Social search leverages innovative algorithms and machine-based learning techniques to produce search results that provide significantly more visibility into the candidate being searched. These tools include

- Proprietary databases of candidates
- The ability to search candidates across social networks like LinkedIn, Twitter, Facebook, Github, Google+, about.me, and Xing
- Analysis of aggregate social data to identify high performers and best-fit candidates
- Technologies that leverage the most searched (i.e., effective) keywords to optimize job requisition language
- Organizational tools (e.g., workflow management) to help recruiters stay on top of candidates with notes, stages, tasks, and reminders.
- Applicant tracking system integrations to refresh and clean aging résumé databases with new social data

**Revenue models:** Social search tools are employer-focused and, for the most part, use a subscription-based revenue model. Pricing is based on number of users. Some examples of pricing and revenue models include

- HiringSolved charges a monthly fee to its clients. This fee ranges from a solo membership (\$50 per month) to an enterprise membership.
- TalentBin, a Monster company, charges \$500 monthly per user. Volume pricing applies.
- Aevy charges a monthly subscription fee and a success fee of 15% of a placed candidate's first-year base salary.



#### **4. Candidate relationship management and engagement strategies will increasingly become key to success.**

**Definition:** Candidate relationship management (CRM) tools have been on the market for several years, and the technology continues to advance to better meet the needs of recruitment companies worldwide. CRMs serve to nurture contacts through the recruitment funnel and keep contacts warm in a company's database. The general thesis is that it is less expensive to place a candidate you

already know—and one who already knows you—than it is to go out and find and nurture a new candidate.

**Why now:** As with social search, the CRM trend means it's no longer how large a staffing company's database is, but rather how engaged that database is with the staffing company.

Some CRMs provide the infrastructure and functionality that allows a staffing company to communicate with all its talent from one platform as well as track and measure campaigns. Other CRM tools offer new channels altogether, such as text messages and chatbots.

**How to leverage:** Many CRMs integrate with a company's ATS, and such technology should be layered on top of existing processes for candidate engagement. It's important to keep in mind that there will be process change associated with the implementation of a new CRM. For example, recruiters can use CRM tools to engage with passive candidates. It would be worthwhile to allocate personnel resources to focus on passive candidates and let recruiters deal solely with active candidates. The skill sets required to deal with passive and active candidates are different, and there may be economies of scale involved with this methodology.

**Features and functionality:** CRM technology continues to advance, as these tools are applicable in sales and marketing as well as recruiting. This trend has a lot of companies working to increase their usefulness. Some CRM features of note include

- Ability to easily create talent profiles
- Search functions that target external sources, such as job boards, social media sites, and other internet sites for résumés
- Content curation features that can provide relevant information to candidates
- Ability to engage candidates with automatic targeted email campaigns
- Features that allow for targeting individuals with social advertising on Twitter and Facebook
- Reporting functions that analyze the effectiveness of individual and combined campaigns to compare return on investment

**Revenue models:** CRM tools generate revenue through a software as a service (SAAS) model. In some cases, there is an implementation fee. Examples include

- Hire Nurture's pricing is tiered based on the number of candidates engaged. The entry price is \$1,000 per month for up to 2,000 candidates, and it scales up as you add more candidates to the platform.
- Avature's pricing is dependent on the solution and the number of users. Typically, the cost for the CRM is \$10,000 for implementation and configuration and \$30,000 per year for up to 10 users.
- Talenthook's price varies significantly depending on the options, duration of the contracts, and number of licenses purchased. It is a cost-per-license subscription model.



**5. Vendor management system (VMS) platforms will begin to source candidates on their own.**

**Definition:** VMS platforms provide software solutions used to manage a company's temporary labor needs. Most often, the VMS strategy is used in conjunction with a managed service provider (MSP). VMSs are a relatively mature talent acquisition technology segment and are used primarily to drive transparency around a company's contract workforce spend; increase transparency around contractor usage and performance; and ensure compliance with state and federal requirements.

**Why now:** The VMS trend is being fueled by an increase in functionality as it moves from dealing primarily with temporary workers sourced through staffing companies (as part of a traditional VMS-MSP relationship) to supporting workers who are sourced through service contracts.

Going forward, VMS platforms may begin partnering with talent marketplaces as well as with providers of payroll and background check services. This would create a complete end-to-end solution.

**How to leverage:** Using VMS features and functionality, companies can leverage new workforce channels, such as freelancers, in a controlled and strategic way. This allows for greater flexibility when it comes to filling job orders, reducing time to fill, and driving overall efficiency.

**Features and functionality:** VMS platforms offer software solutions to enable the comprehensive management of a company's contract workforce. Features and functionality include

- Full support for automating contract workforce management, including procurement and sourcing, timesheet and expense report submission and approval, and billing
- Resource tracking of all labor types and projects to increase cost visibility and ensure compliance; real-time analytics to measure and monitor staffing company performance, cost, and consistency
- Hosting at secure data centers, a protective technology stack, and security protocols to ensure the integrity of systems and data
- Workforce analytics solutions to identify spend categories, better understand internal and external labor market dynamics, and make forecasting decisions about the flexible workforce
- Intuitive, role-based user experience for executives, hiring managers, workers, and suppliers
- Integration to sync data, such as cost centers, users, and approval chaining; accounts payable; security; project management; time tracking; and invoicing
- Statement of work enhancements, such as request for information management that includes templates and added team collaboration tools

**Revenue models:** VMS platforms typically leverage similar revenue models. They may charge an implementation fee due to the laborious nature of their setup, and then they generate revenue as a small percentage fee on the throughput processed by the technology. The percentage charged is dependent on the size of the contract and the complexity of the solution needed. For example, if a company has upward of \$20 million in total annual expenditure on contractors, a VMS might charge 1-3% of the contract spend that flows through the platform. VMSs have historically taken their fees out of the staffing providers' markup, making them very attractive for corporate buyers to adopt.



Brian Delle Donne is president of Talent Tech Labs, based in New York City. This article is part of an ongoing series of print and online content focused on technology solutions for the staffing and recruiting industry. Read more at [americanstaffing.net/techcenter](http://americanstaffing.net/techcenter).