

For immediate release

NEW IZA World of Labor Report Use of ICT and artificial intelligence systems has improved the job recruitment process but exclusive reliance on it can result in low-quality hirings.

Summary: Use of technology and online job boards has improved the managing and sharing of information during the recruitment process. AI technology can also help but there is a risk that the volume of information now available is having a negative impact on quality. On-the-job training is therefore required for recruiters to ensure they have the correct skills to understand both the benefits and risks of using different types of information and communications technology (ICT) in the recruitment process. There is increasing reliance by employers on technology when recruiting. That use of technology allows for speed and ease of dissemination and simplified processes for searching for jobs or candidates. But exclusive reliance on technology can result in inefficient hiring processes.

A new IZA World of Labor report (released on 18th August 2021) shows that whilst online job sites have improved the ease by which job vacancies can be shared and accessed, they can also lead to stale and out-of-date information remaining online which can negatively impact the quality of outcomes for both recruiter and job-seeker.

The report, by Vera Brencic, looks at the interaction between technology and recruiting practices and finds that online job platforms are low-cost and increasingly easy to use but that exclusive reliance on technology can lead to inefficient hiring and shorter tenure of new hires.

Widespread adoption of information sharing through websites and job boards will continue to dominate all aspects of the hiring process from the identification of required skills to how those job vacancies are advertised to evaluating the candidates or potential new hires.

There is evidence that employers who are looking for workers with technical or non-cognitive skills, and less experience, benefit the most from using ICT when looking for hires and this suggests that offering training and incentives that enhance ICT skills through public policy could benefit both employers and job seekers.

Brencic suggests that the advancements in ICT which have led to the introduction of software and tools that can store, share, and analyze large amounts of data are now widespread and allow for data to be quickly and extensively shared. Social networking sites have also become a depository of information about individuals and employers are using them to gain information about their job applicants. The report looks at the costs and benefits in this rapid rise in use of technology for recruitment.

The report looks at the evidence on the benefits and risks of using ICT in the job hiring process and whether ICT is a good substitute for more traditional recruitment processes or should merely complement them. One conclusion from the study is that there is irregular updating of the information leading to a large amount of irrelevant information online. The report concludes that specific skills training is needed to use ICT effectively and to respond to changes in required skills linked to various occupations.

There is growing evidence that use of ICT in recruitment needs to be more dynamic to respond to changes in the labor market and that the use of AI can support recruitment, allowing employers to use the large amounts of data on candidates that is available to them. One study found that the

introduction of a recommendation system for contract labor increased employer-initiated invitations to job searchers to apply for job vacancies,

There is evidence that algorithm-based recruiting has led to applicants who are more successful in interviews and are more likely to receive and accept job offers. However, there are a number of potential concerns with being solely reliant on using AI and recommendation systems, including the fact that those systems use existing data which can be influenced by pre-existing biases and that using performance outcomes of existing workers ignores the performance of those who were not hired. Use of recommendation systems can also lead to unintended biases which may not result in finding the best candidates.

The report concludes that employers should take into account the costs and benefits of using ICT, AI, and recommendation systems and the greatest potential benefits will come from policies that seek to upskill recruiters to allow them to adopt and use ICT effectively which could be done through seeking subsidies for on-the-job training. The report also calls for online regulators to publish the details of underlying algorithms and for the data to be publicly available for review to minimize biases that can be present in AI-backed recruiting.

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