TALENT TECH LABS

TALENT ACQUISITION TECHNOLOGY

ECOSYSTEM 12 EXPLAINED



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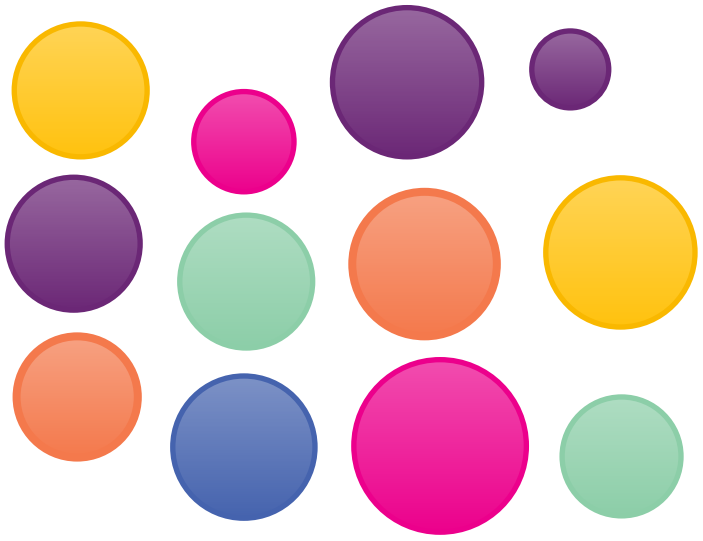
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INTRODUCTION

Talent Tech Labs is pleased to release the 12th edition of our Talent Acquisition Technology Ecosystem, which is a visualization of the most innovative and influential tools in hiring. The Ecosystem is continuously evolving, reflecting the constant expansion, re-sorting, and reshaping of technology that human resources and talent acquisition practitioners face on an everyday basis. The purpose of the ecosystem is to give talent acquisition leaders a better grasp on the technologies that can impact their organizations in substantial ways.

The Talent Acquisition Ecosystem is organized into four different stages of the hiring process: Source, Engage, Select, and Hire. Within each of these four stages are a set of sub-verticals–such as Job Boards or Applicant Tracking Systems–that form the most basic categories of talent acquisition technology. These sub-verticals are grouped into broader verticals–such as Candidate Engagement or Talent Intelligence–which are clusters of technology types that serve similar needs for TA teams. Sub-verticals are also categorized as serving Internal Workforce needs–which support internal recruitment–or External Workforce needs–which support areas like contingent hiring.



In Ecosystem 12, we added one sub-vertical, removed four, and broke another out into two distinct sub-verticals, which collectively better captures the current landscape of impactful tools in talent acquisition. Within each sub-vertical, we have added or removed vendors to highlight those that represent the most critical tools for organizations in 2024. Behind these changes lies a key driving factor that has motivated so much of talent acquisition technology selection right now: a changing hiring landscape.

CHANGING STATE OF THE HIRING LANDSCAPE

The economic climate plays a fundamental role in the talent acquisition technology preferences of most organizations, and a changing landscape impacts the hiring landscape, which in turn impacts technology choices within TA. Since the emergence from the first pandemic conditions of 2020, the economy has been resilient, with employment growth almost uniformly positive in that time. However, certain economic conditions have made it more difficult for organizations to keep up with the early frenetic pace of hiring since emerging from initial pandemic-induced cutbacks. Most prominently, inflation rose substantially and has only recently begun to cool off in markets like the United States. Interest rates increased substantially in response and they remain high compared to recent levels, despite indications that the rate will slowly start to drop in the coming year. In all, employment remains high, but so is the interest rate compared to recent levels, and inflation has stubbornly refused to fall to pre-pandemic levels.

With the economy steadily moving toward full employment and prices–including labor–relatively high for most organizations, those organizations responded, particularly in the past year, by slowing down the pace of hiring. We are seeing fewer job postings than in the recent past, even as job seeker traffic remains high. Some industries like tech have undergone several series of layoffs, more as a proactive response to economic uncertainty than a reactive one. Contingent workers, in particular, faced substantial cutbacks (resulting in a full-on recession in the staffing industry which were primary targets for cost cutting), though full-time workers by and large were retained. In turn, some of the biggest cutbacks unfortunately fell on talent acquisition teams in terms of headcount and in terms of budget. TA teams right now are being asked to do more with less.

Against this backdrop, we are seeing organizations prioritize a clear return on investment in the adoption of TA tech. Tools that do not necessarily have the greatest long-term impact are preferred because they demonstrate clearly translatable impacts on the TA function. Interview scheduling tools, for instance, might not normally take precedence over some other tools when it is time to make a TA tech investment, but TA leaders can more clearly quantify on the front end the time and resources saved through automated interview scheduling than they can for other tools. Interview scheduling is an easy win, and easy wins are top priority in the current environment.

Organizations are not hiring at their recent pace, while TA teams are running very lean, and it shows through in their talent acquisition technology preferences. We are seeing organizations prioritize a clear return on investment in the adoption of TA tech.

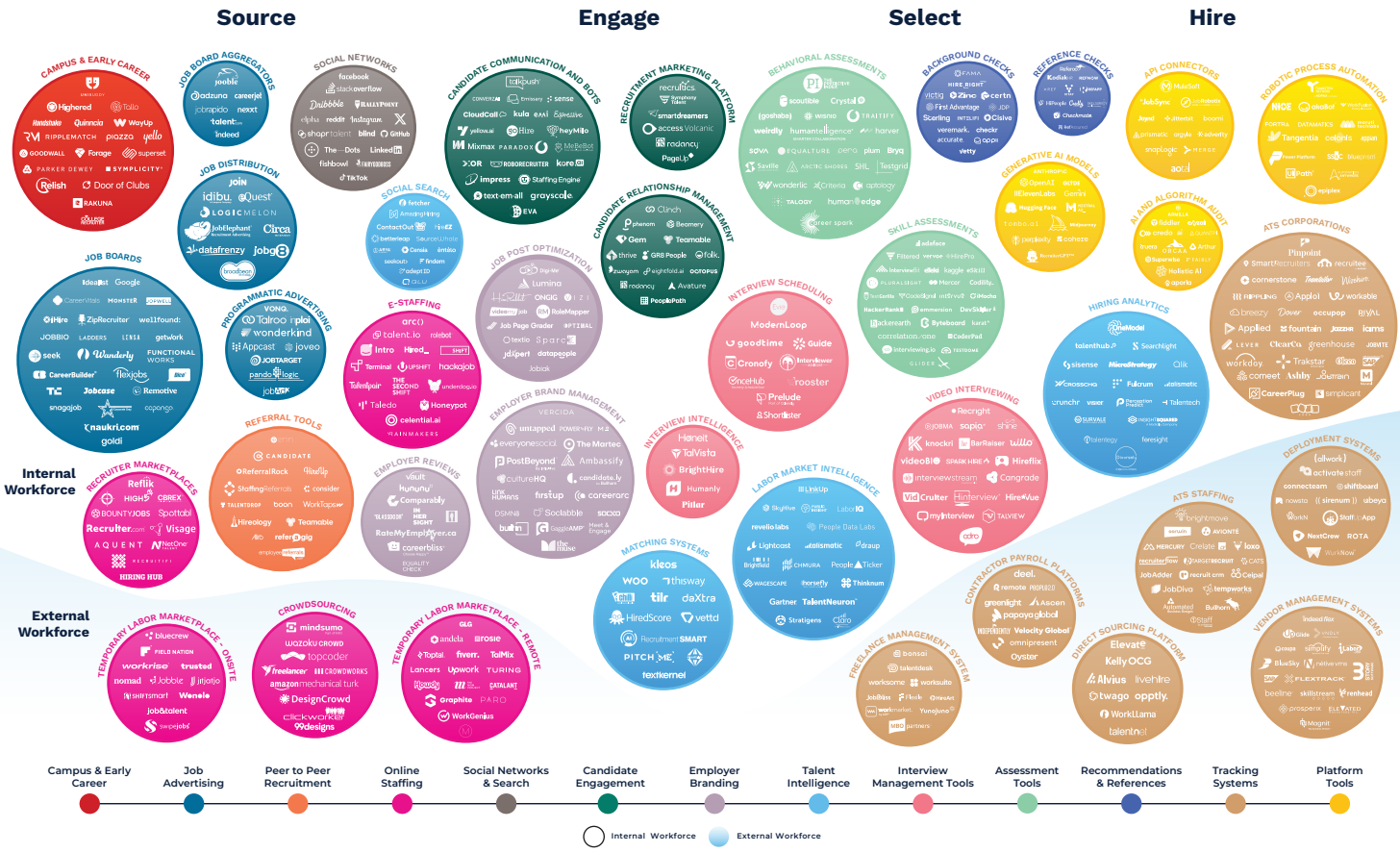
CHANGING STATE OF THE HIRING LANDSCAPE CONTD.

In the face of these challenges for talent acquisition, we still remain optimistic going forward. We are not seeing any clear indications of an economic downturn, or any kind of major cutback in hiring. TA teams should begin to scale back up as the immediate fears of a downturn start to subside. Meanwhile, we are in a fantastic moment for talent acquisition technology innovations, which we will talk about later on in this report. Vendors are helping to meet TA teams where they are, allowing teams to do more with less through tech. We see the Ecosystem evolving in a very positive way in both the short and long term.

CONSOLIDATION OF KEY TECHNOLOGIES

The current Ecosystem is undergoing an important change on the vendor side: vendors are consolidating, with smaller vendors among one sub-vertical being acquired by vendors in another as part of a larger plan to become all-in-one technology providers that keep the entire TA function under one brand as much as possible. In other cases, providers have introduced modules to their product suites that quickly become standard across the entire marketplace, effectively pushing out the standalone solutions that cannot innovate fast enough and drawing organizations toward comprehensive solutions.

We will talk more about this process of consolidation later in this report, but we use it as a preface to our overview of Ecosystem highlights because it has been such an important part of shaping the current landscape.



SOURCE STAGE | Internal Workforce

Campus & Early Career



Job Advertising









Peer to Peer Recruitment



S0URCE STAGE | Internal Workforce

Social Networks & Search



Online Staffing





Talent Intelligence



SOURCE STAGE | External Workforce

Online Staffing







SOURCE STAGE HIGHLIGHTS



Though employers are spending less money on job postings than in recent years, we expect that **Job Distribution** vendors have a promising future, based on recent activities. Veritone, which offered programmatic advertising platform Pandologic, acquired one of the major job distributors in the industry, Broadbean. This is the first in what we expect to be the consolidation of some of the job distribution space. Programmatic advertising and job distribution serve different purposes to their customers–with the former providing a broader brush stroke in job posting than job distribution, which is designed to provide efficiency to posting on a set of favored job sites. From our perspective, it makes too much sense for vendors not to offer both, thus capturing both customer profiles.

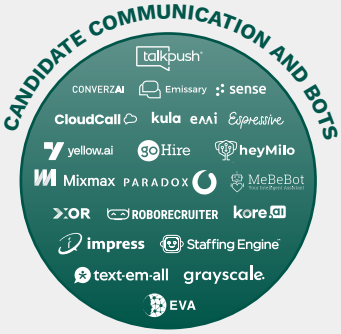
Programmatic Advertising is obviously susceptible to the slowdown in job posting activity we discussed above, but there is reason for vendors in this sub-vertical to be optimistic. Data from Appcast, the leader in the programmatic advertising space, suggest that clicks and applies per job posting are actually increasing even as paid postings are decreasing. The demand on job sites is there, but it is the supply that has slipped at some level. Ultimately, vendors in this space are beholden to employer activity, not job seeker activity, but we see no reason to expect a significant dropoff in hiring in the near term–and, by implication, a significant dropoff in job posting. One area of innovation is embedding programmatic offerings inside the ATS, so users can start sourcing requisitions in the same system they manage those requisitions.

E-Staffing has taken a hit over the past year, and the Ecosystem reflects that, with fewer vendors in the sub-vertical than in our last edition. Contingent workers were the hardest hit in recent patterns of layoffs, and hiring for contingent workers decreased in response. E-staffing vendors have also not quite cracked the code on developing a hardy business model. The goal of these vendors is to provide a more affordable way for organizations to enlist staffing support. In practice, organizations tend to offer up jobs to e-staffing vendors that are the most difficult to source, so there is less money earned on difficult-to-hire roles.

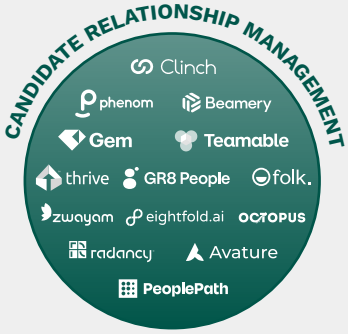
We've added more vendors to the **Temporary Labor Marketplaces** sub-vertical. We have seen some vendors take intriguing approaches to the space that we felt made them a great fit for inclusion in the latest Ecosystem. Some, like HunterOn, have traction in promising markets, while others, like Spottabi, are introducing AI to facilitate some of the process of matching talent to opportunities. Notably, the largest vendors in this category (Upwork and Fiverr) have continued to grow despite the pullback in external workforce hiring, suggesting the model is growing its market share.

ENGAGE STAGE | Internal Workforce

Candidate Engagement

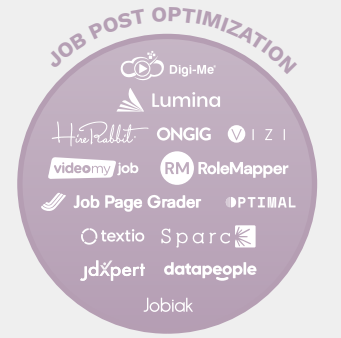






Employer Branding







ENGAGE STAGE HIGHLIGHTS



Candidate Communication and Bots is undergoing explosive growth due in large part to the introduction of mature conversational AI into talent acquisition. Organizations can now feel confident that a career site chatbot will be able to provide a good experience for candidates and usher them toward an application, whereas early-stage chatbots were prone to candidate dropouts because they were unable to answer candidate questions, handle complex conversations, or provide a custom-tailored experience for job seekers. Now, vendors like Paradox are building off of a foundation of conversational AI to develop comprehensive recruitment platforms–working from the chatbot out, flipping the product development process around entirely.

We have found ourselves asking recently whether **Candidate Relationship Management** is the new Applicant Tracking System. ATSs have long been criticized for offering a poor candidate experience, particularly with regard to candidate engagement, so organizations are looking to CRMs to use communication tools to keep candidates of all types in the mix. At the same time, CRM vendors are quickly adding new modules (e.g., conversational AI and interview scheduling) either via acquisition or internal development to broaden their reach, staking a claim in the all-in-one platform landscape that was traditionally composed of core ATSs. CRMs are one of the hottest sub-verticals for innovation and product development in the current Ecosystem. Though still early, some CRM providers such as Sense and Paradox have made the “plunge” and now offer a full-featured ATS.

Employer Brand Management vendors are in demand for much the same reason as CRMs. They help organizations to show themselves in the best possible light to candidates. High-volume recruiting organizations are some of the biggest beneficiaries of employer branding and in turn are some of the biggest spenders on these types of tools. Consider how a great candidate experience can impact a retail store’s bottom line, for instance. The biggest source of applicants for retail stores are their customers. People want to apply where they like to shop. Branding does not end with the customer experience, and if a retailer does not invest the resources into the candidate experience as it does into the customer experience, and customers get turned off by the application process, the retailer might lose them as both applicants and customers.

CRMs are one of the hottest sub-verticals for innovation and product development in the current Ecosystem.

SELECT STAGE

SELECT STAGE | Internal Workforce

Assessment Tools





Interview Management Tools







Recommendations & References



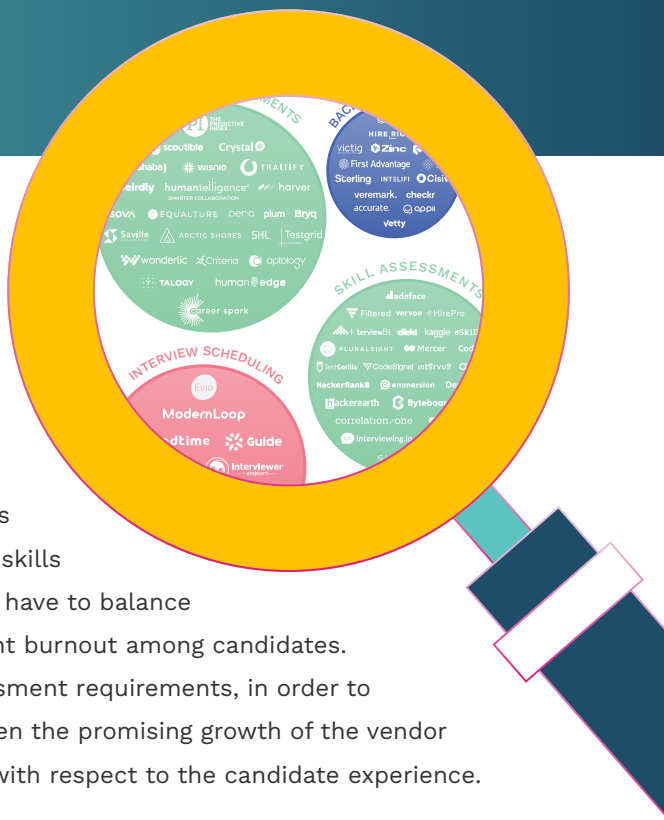


Talent Intelligence





SELECT STAGE HIGHLIGHTS



We've observed a good deal of growth among **Skills Assessment** platforms, in the form of new vendors as well as in mergers and acquisitions. Skills tech has been one of the faster growing parts of the ecosystem, and organizations are flocking to these tools to help make better hiring decisions to support long-term employee retention. Skills tools are seeing some demand in talent management, as well, as the attention shifts away from experience toward key skills among the workforce. Though vendor activity is promising, we have to balance it against what we have perceived as some level of assessment burnout among candidates. In response, some organizations have scaled back their assessment requirements, in order to reduce candidate dropout. We see some push and pull between the promising growth of the vendor landscape and the value skills assessment tools are offering with respect to the candidate experience.

Interview Intelligence is not a new type of talent acquisition technology, but it represents a new distinct sub-vertical in the Ecosystem. Vendors in this sub-vertical in many cases might offer interview scheduling natively, but they are distinct from the pure-play scheduling platforms in the Interview Scheduling sub-vertical. Interview Intelligence vendors put an emphasis on providing information about interviews that help organizations make better hiring decisions. They might help employers craft better interview questions, or they might allow hiring managers to more easily refer back to interview details to gain a better grasp of the interview as a whole, in order to hire the best candidates.

Labor Market Intelligence has been a part of the Ecosystem for some time, but we are observing some vendors in the sub-vertical make a shift in focus toward skills tech. Vendors in this sub-vertical tend to already make a good deal of investment in skills knowledge, in order to build a skills taxonomy that will inform labor market concentrations of skills that are critically valuable to customers. From this basis, these vendors can start to market skills tech to organizations that wish to get a better understanding of skills within the existing workforce and to help employees grow within the organization by developing new skills. We see both Lightcast and Claro–two of the most prominent vendors in the Labor Market Intelligence sub-vertical–making a significant push into talent management in this way.

Technology breathed new life into the **Background Checks** marketplace, providing even smaller-scale vendors the ability to manage background checks at scale and thus market themselves to enterprise-scale organizations. Sterling, one of the oldest vendors in the industry, remains one of the most prominent, but the industry is as saturated with vendors as ever, and innovation will help to keep it that way. In fact, Sterling was recently acquired by First Advantage, and First Advantage's CEO claimed that one of the motivations for the acquisition was to unlock new opportunities to invest in AI-driven automation. We expect that AI will help to make background checks easier, faster, and more reliable.

SELECT STAGE HIGHLIGHTS

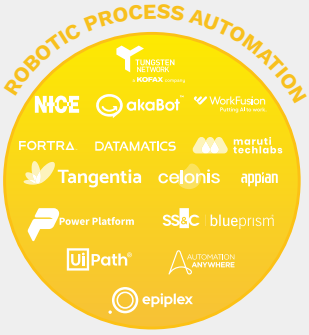
The number of standalone **Matching Systems** vendors is dwindling, as these platforms either get acquired by more comprehensive TA solutions or those all-in-one vendors build candidate matching into their core platforms. HiredScore, one of the most prominent matching solutions, was acquired by Workday, in one of the most notable deals across the Ecosystem. It is common to see AI-powered candidate matching as part of the standard product suite for CRM vendors like Eightfold, Phenom, or Avature, and many organizations are less enthused about the need to integrate their CRM with a standalone matching tool. We expect other standalone platforms to look to be acquired or expand into other categories (or risk going away altogether), with the way consumer expectations are shifting towards solutions with native AI-based matching.

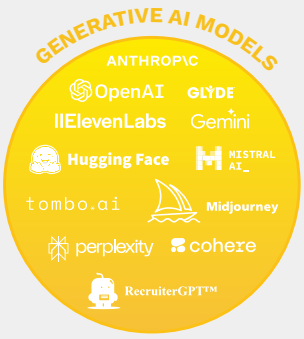
HIRE STAGE | Internal Workforce

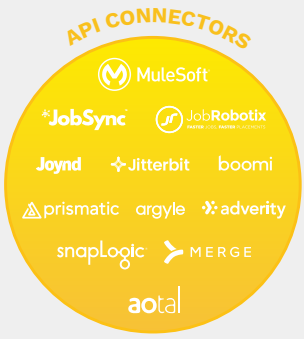
Tracking Systems



Platform Tools







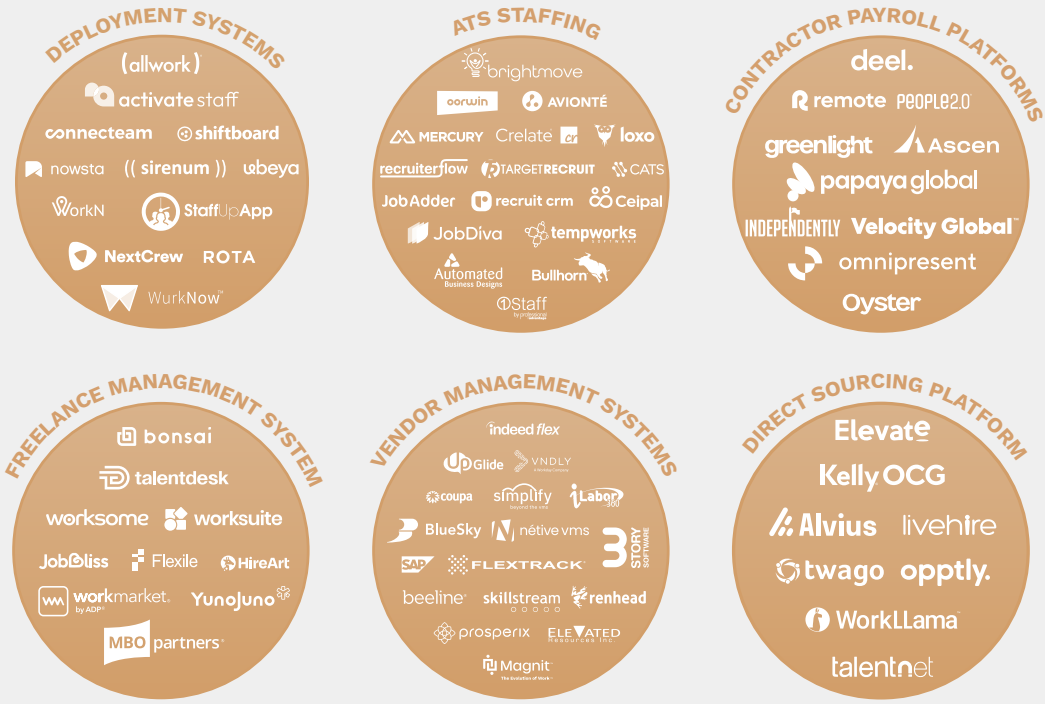


Talent Intelligence



HIRE STAGE | External Workforce

Tracking Systems



HIRE STAGE HIGHLIGHTS



Generative AI is having a profound impact on business and society, and recruiting is no exception. So we have to our Ecosystem the **GenerativeAI Models** sub-vertical to capture vendors that have had significant impact on talent acquisition so far, whether through providing the foundational tools to enable Gen AI or through Gen AI point solutions specifically oriented toward recruitment needs.

As Gen AI continues to stake out a place in talent acquisition, **AI and Algorithm Audit** vendors have become an increasingly important part of the talent acquisition tech stack, to ensure that organizations leveraging AI-based tools remain compliant with laws and policies to promote fair hiring through the use of AI. This is a key sub-vertical to watch, as we expect more vendors to crop up and organizations to treat them as critical to AI-based recruitment.

The current landscape of hiring has made for a more difficult period for vendors in the **Hiring Analytics** space. As we mentioned above, organizations are looking for TA tools that demonstrate quantifiable ROI from the outset. Hiring analytics tools are important for success–and often overlooked by organizations, which in many cases have little quantifiable insight into how well or poorly different teams or hiring strategies are performing–but they do not show as transparent ROI as some other tools. They generally support strategic decision-making, rather than day-to-day operations, and their champions are more often among TA leaders than individual recruiters. While we do not expect this sub-vertical to contract in a major way over the next year, the year might prove a more difficult one for its vendors than they might have faced to this point.

Contractor Payroll Platforms are growing as fast as any area of HR technology. Venture capital funding has shrunk significantly from its heyday in the 2010s, but in the HR landscape, payroll platforms are where a substantial proportion of venture capital dollars are flowing. Leading vendors in this category are looking to provide an extremely simple, candidate / employee friendly interface, and expand global capabilities. The distinction between these platforms and Freelancer Management Systems are also starting to blur, as firms in each category are building capabilities of the other.

Shifts in the Talent Acquisition Technology Ecosystem Explained

CHANGES TO THE ECOSYSTEM

Removal of Individual Career Management Vertical

We start this Ecosystem's list of changes with one of the largest but most necessary changes from our perspective: the removal of the three sub-verticals associated with Individual Career Management. The three sub-verticals within Individual Career Management are Job Search Organizer, Career Advice & Coaching, and Social CV & Resume Builder.

The main reason for removing this category is that there is little employer demand for these tools. Tools with an offering for employers are captured in other parts of the ecosystem. Further, these sub-verticals suffer some of the highest levels of vendor turnover, and companies in these categories by and large have not been able to scale. Finally, some vendors of this type nudge more closely toward "scammy" business models that promise outcomes to candidates that they are not able to deliver.

There are pockets of real innovation in Individual Career Management, and we may come back to it as a single sub-vertical of its own. There are tools of this sort that promote candidate skill development, self-directed learning, networking, and digital identity management and credentialing. In a future Talent Acquisition Ecosystem, we might consider packaging these tools together into their own sub-vertical(s). For now, we thought it best to remove candidate-facing tools and put the focus on enterprise-facing tools.

Deletion of Virtual Events

We have removed the Virtual Events sub-vertical from Ecosystem 12. Tools of this type grew more out of a unique workplace circumstance than a unique need within talent acquisition that remains unfulfilled through other technologies. We consider the rise of virtual events vendors to be a byproduct of pandemic conditions that forced organizations to substitute in-person recruitment events for virtual hiring.

While virtual events still have a place in hiring for many organizations, such capabilities have been subsumed into larger talent acquisition suites, like CRMs. Standalone virtual events platforms, meanwhile, rarely focus in particular on serving recruitment functions and instead facilitate virtual events of any type. Lastly, a number of the vendors in the Virtual Events sub-vertical have been acquired or are rarely used by recruitment teams.

In all, we felt it best to remove Virtual Events as this capability is now better described as a feature of broader talent acquisition suites rather than a solution that needs to be purchased standalone.

Breakout of the Interview Management Tools Sub-Vertical

We have also broken out two sub-verticals within an existing vertical in the Ecosystem, helping to reshuffle how we classify tools in that vertical. In Ecosystem 11, Interview Management captured tools in the Video Interviewing and Interview Management Tools sub-verticals. For one, the naming conventions were confusing, with what we felt was the duplicated use of "Interview Management." Second, Interview Management Tools had enough feature distinction that we thought it best to break the sub-vertical out into two sub-verticals to better reflect how these are purchased and sold in the market.

For Ecosystem 12, the Video Interviewing sub-vertical remains the same, but the Interview Management Tools sub-vertical was separated into Interview Scheduling and Interview Intelligence. Interview Scheduling includes platforms that have a core function of allowing recruitment teams to easily schedule candidate interviews, generally integrating well with the ATS so that candidate flow is not disrupted or poorly communicated between systems, resulting in extra work.

Interview Intelligence platforms provide the tools not only to interview but also to gain information about the interview, typically using an AI-based analysis of the interview itself. A number of tools in this sub-vertical allow users to schedule interviews, but their core value is in tracking the interviews to provide users with digestible information that will save them time in evaluating candidates or in preparing interviews. Some tools might provide automatically generated interview transcripts that highlight keywords (like skills) or add timestamps to interview questions to allow users to quickly play back important questions and answers. Other tools might help organizations to craft more inclusive or more collaborative interview questions.

We think this new breakout highlights the unique strengths of the platforms in each sub-vertical.

Interview Intelligence platforms' core value is in tracking the interviews to provide users with digestible information that will save them time in evaluating candidates or in preparing interviews.

A New Sub-vertical: Generative AI Models

Generative AI technology has become as much a part of talent acquisition as any area of HR, or perhaps the entire workplace. As such, we collected the Gen AI vendors that we thought best served talent acquisition needs and grouped them into a new sub-vertical: Generative AI Models. The vendors in this new sub-vertical

offer a range of services to recruitment teams. Some provide voice technology to take on the role of recruiters and handle candidate interviews. Others serve as digital assistants, answering user questions or providing administrative support. Some vendors use Gen AI to help users craft effective job descriptions. Others provide organizations with information about the labor market to make more informed hiring strategies.

Some vendors in this sub-vertical are focused predominantly on the foundational models and capabilities of Gen AI–such as OpenAI–while others were built from the ground up to serve TA-specific needs through a large language model approach–such as RecruiterGPT.

Meanwhile, we have kept in place the **AI and Algorithm Audit** sub-vertical, which was new to Ecosystem 11. These vendors serve a much different purpose of ensuring that AI tools are in compliance with laws and policies, as well as unbiased. However, the sub-vertical is growing quickly. We have added several new vendors to it since last year, such as Fairly and Superwise, to name just two.

On Our Radar for Future Ecosystems

There were a handful of areas of talent acquisition technologies that did not make Ecosystem 12 but are on our radar and which may find themselves either in or out of or altered for future versions.

We are observing a number of vendors whose core function is candidate matching either shifting toward other areas of recruitment or getting acquired by comprehensive TA systems. Candidate matching is also becoming a more standard feature for larger platforms like CRMs. We expect that at some point we will need to address how we treat the Matching Systems sub-vertical in our Ecosystem, as vendors that put a core focus on candidate matching are dwindling.

We are continuing to watch the evolution of the Job Post Optimization sub-vertical. It remains its own sub-vertical in Ecosystem 12, but we are seeing a number of platforms in other sub-verticals (e.g., ATS and CRMs) take on job post optimization as part of their offerings. Like Matching Systems, we may need to revisit how we define the vendors in the sub-vertical in future iterations of the Ecosystem.

There are also several types of talent acquisition technologies that we are exploring, with the possibility of inclusion in future Ecosystems. For one, **digital identity management/skills passports.** As we mentioned in the discussion of removal of candidate-facing sub-verticals above, there might be a place in the Ecosystem for platforms that provide these types of services for candidates to build consistency to the application

process or to help employers validate skills efficiently. We are also tracking resource and **bench management-related tools.** These tools can help organizations save time and money by better leveraging talent to serve ongoing needs. We are tracking **TA-focused upskilling tools.** We already have our eye on workforce-oriented upskilling tools in our Talent Management Ecosystem, but there are talent acquisition vendors that are helping individuals to build critical skills without a degree and find them great jobs (e.g., skilled trades, discussed later). Lastly, we are keeping our eye on **product gamification for talent acquisition tools**. Gamification has already made its way into the talent management space. We expect that it will find a fit in the recruitment process, as well.

The Macro Level Perspective

Like each of Talent Tech Labs' talent acquisition ecosystems, Ecosystem 12 represents the most recent look at a constantly changing landscape. What drives these changes are a number of ongoing trends that we have observed over the past year, motivating technological changes that shape the latest products in talent acquisition. Indeed, now is a particularly active moment in talent acquisition, and we have observed the wide range of macro trends detailed below.

1 VENDOR CONSOLIDATION ACROSS TALENT ACQUISITION

We will start with perhaps the most impactful macro trend in talent acquisition: vendor consolidation. This has become prominent enough at the vendor level that in some cases, we are observing whole technology types merging into others, leading either to multifaceted but still distinct vendor categories or in some cases, vendors of a particular sub-vertical becoming what we might call "all-in-one" platforms. Vendors in talent acquisition are asking themselves, "How can we do more? Where are the accessible areas of the hiring process that single vendors can take on to provide more value to customers?" Vendors are looking to provide organizations with the ease of working within a single platform or group of platforms ideally at a lower price point than purchasing from several vendors that may or may not communicate with each other smartly and, perhaps most important of all, affordably.

We have observed vendor consolidation most prominently, perhaps, in the area of Talent Intelligence. Talent Intelligence tools provide organizations with better insights into the needs for their workforce and the capabilities of the labor supply. Vendors have concentrated on delivering skills knowledge most of all (which can then expand into talent management, as many vendors already have). We would point first to WilsonHCG's acquisition of Claro Analytics to expand on its sourcing core function (e.g., executive search, RPO, contingent workforce) into labor market intelligence. Meanwhile, Lightcast has over time been expanding from its core labor market intelligence function–which already had a substantial emphasis on skills taxonomy in order to accurately evaluate opportunity areas in the labor market–to support areas like organizational DEI efforts as well as workforce planning. Relatively recently, ServiceNow acquired Hitch Works, to introduce AI-powered skills insights into its enterprise management suite of tools.

In what might represent a seismic shift in the matching systems landscape, Workday in February announced that it would be acquiring HiredScore. We see HiredScore as one of the strongest platforms at pure candidate matching, and it sets Workday up to be more competitive with some of the CRM-turned-ATS platforms (discussed below) like Phenom or Avature that have built AI-based candidate scoring and matching into their candidate management capabilities. In fact, we see this acquisition as the latest instance of

candidate matching becoming a branch of the larger process of candidate tracking, rather than serving its own standalone function in the talent acquisition tech stack. At some point, we might expect that Matching Systems will no longer serve as its own sub-vertical in the Ecosystem.

We are seeing other forms of consolidation, as well. A number of major ATS or CRM platforms (e.g., Paradox, Phenom, Avature, iCIMS) offer interview scheduling natively, either through acquisition (e.g., Phenom acquiring My Ally) or product expansion. Assessment platforms are being folded into other platforms to create a single apply-to-hire process within a single vendor.

For instance, Harver, with clear plans to expand from reference checking toward a holistic platform for high-volume clients, acquired Pymetrics, to offer native skills assessments. HireVue recently acquired Modern Hire in part to build up its assessment capabilities in the expansion toward apply-to-hire. We expect to see more vendor consolidation going forward as vendors seek out that all-in-one functionality for talent acquisition.

2 ENGAGEMENT > TRACKING: CRMS NOW DOING BOTH

Expanding on the concept of a shift toward all-in-one functionality, we are seeing platforms with a core function of candidate relationship management begin to expand into candidate tracking, with the goal of serving as the candidate system of record while still providing a much better form of candidate engagement than traditional applicant tracking systems.

The value of the ATS has historically come on the employer side often at the expense of a good candidate experience, including candidate engagement. One of applicants' biggest complaints was submitting applications into the so-called "black hole," never to be seen or heard from again. Candidate relationship management systems have become much more prominent, offering employers the ability to maintain regular communication with candidates throughout the hiring process, as well as to reach out to previous but high-quality candidates that would otherwise have gotten lost in the ATS.

Now, though, CRMs have taken advantage of the migration away from the core ATS toward the CRM to offer those ATS capabilities as part of a total package that offers what they feel is the best of both worlds to employers: candidate tracking with great communication, as well as potentially great matching, rediscovery, scheduling, and so on. Paradox, Eightfold, Sense, Phenom, Rippling, Ascendify (now owned by Radancy) and others have built their own native ATS, though generally these products are not as mature as today's applicant tracking market leaders. Will there come a time at which the CRM replaces the ATS? We're not certain, but we can see the CRM beginning to take over the role of the keystone of the TA tech stack that the ATS has traditionally held.

3 BUILDING A RECRUITING TEAM THROUGH AI

Artificial intelligence is now a standard component of the talent acquisition process, from as light a touch as AI-powered search and match to as deep as candidate-centric conversational AI. Although large language models (LLMs) have been a key part of improving the candidate experience, through career site chatbots that can field complex questions, schedule interviews, and receive applications, LLMs have also made their way into the employer experience in the form of AI copilots that are capable of taking on just about any aspect of the recruitment process. These tools can save substantial amounts of time and money for recruitment teams, if fully deployed, but at a simpler level can provide a great administrative tool to manage information about candidates.

Where we see the industry going, however, is toward recruitment that can be totally managed through artificial intelligence. Tools are now capable of handling every aspect of the recruitment process for an organization. They can source, searching large external candidate databases or the internal candidate database for great candidates, match those candidates against vacancies, reach out to candidates, then continue toward facilitating the application, scheduling interviews, and moving candidate information into the system of record. Organizations may wish to pass some or all of these tasks off to the AI tool, depending on the preferences or resources available toward hiring recruiters.

Particularly for enterprises, one of the key questions moving forward is the degree to which organizations that use these AI copilots will adopt an existing tool or have their IT teams build out a unique one for the organization. So far, most AI talent acquisition tools remain task-specific, rather than holistic, with some like Hopward that might focus on some tasks but be quite expansive in full capabilities. For now, it might serve organizations better to focus on particular needs in a tool buildout or purchase. However, we are already seeing organizations grappling with potentially dozens of chatbots, looking for more comprehensive solutions through a single or small group of vendors. We expect as time goes by, much as we are observing vendor consolidation across the TA Ecosystem, there will be more consolidation of AI copilot functionality, and organizations will opt for a small number of capable AI tools.

4 THE IMPORTANCE OF ROI IN TALENT TECHNOLOGY SELECTION

Although economic indicators remain positive, we are seeing data that show job postings starting to decline from the high volume of the past few years. It is a tougher time for organizations to hire, and by implication, it is a tougher time for hiring teams to build out their TA tech stacks. As a result, teams are shifting how they value different types of technologies that provide that direct relationship with return on investment are in the greatest demand.

Some types of technology are much easier to tie back to ROI than others. While it might be difficult to demonstrate the impact of tools like social search to key stakeholders–even if they might be beneficial–it makes for an easier conversation demonstrating the impacts of tools like CRM, interview scheduling, or skills tech-related platforms. A recruitment team can point to all of the messages that were handled manually without the use of a CRM, or the amount of back-and-forth communications to prepare an interview without a scheduling tool, or the mismatch between workforce needs and available resources without tools that give insights into candidate skills.

We expect to see the pace of hiring continue to level off, as the labor market gets nearer to full employment and organizations face uncertainties about their future hiring needs. In turn, recruitment teams will continue to put their attention toward those technologies that offer the clearest ROI, even if they are not always the most optimal tools for an organization's particular needs. These tools are easy wins for recruitment teams, particularly if they come at a reasonable price.

5 COST-PER-USER TO COST-PER-USE

We are starting to see pricing of some tools in talent acquisition modeled on a per-use basis, rather than a per-user. The classic SaaS subscription model priced technologies based on the number of users, expressed as unique logins. This model might be great for organizations with few users performing actions at volume, but vendors have more difficulty tying pricing to performance, while organizations that need to perform certain critical actions less frequently will have less incentive to purchase an annual subscription that might go unused some days, weeks, or months.

Vendors have come to adapt by introducing cost-per-use models, where organizations pay by the action, either in advance (buying usage credits in bulk) or following completion of an event. This model has been commonplace in the staffing industry for some time, but it is making its way into software. Indeed recently tested out a migration from cost-per-click to cost-per-application, with the hopes of increasing the number of quality candidates and generating a better experience for users, though it has phased out cost-per-application. However, cost-per-click is its own form of cost-per-use that has become the industry standard in job posting. Most background check vendors price on a per-check basis–only in rare circumstances can organizations purchase subscriptions.

We might expect to see this type of pricing work its way into areas like conversational AI, where pricing is determined by a successful interaction, for instance, rather than a monthly fee. Hopward, for instance, which is a conversational AI-based candidate search platform, charges customers for a set number of sourced candidates.

6 CAN ENTERPRISE-SCALE ORGANIZATIONS HANDLE NEXT GENERATION VENDORS?

In some ways, vendor capabilities are ahead of organizational needs, and organizations have sought ways to keep up with the tools in their own tech stacks. Vendors once faced an obstacle of building technologies capable of handling the scale of enterprises–quantity of unique instances, highly configured builds, and customer support, among other needs. Today, vendors have caught up, often taking an enterprise-first approach, then scaling down solutions to accommodate the mid-market. But in the process, some tools have become so customizable, optimizable, and feature-rich that in many cases, we encounter organizations that have taken on these tools but put in too little time or investment to make great use of them.

We've found that our own work, for instance, has changed at some level from recommending great tools to support enterprises to helping enterprises to adequately support their great tools. Organizations that might otherwise look to switch to a new tool have not sufficiently made use of their existing tools, and they find that those tools are more capable than they imagined. Talent acquisition tools have outpaced their users.

Vendors seem ready to take on enterprise-scale problems, but the change management associated with radical new capabilities must be accounted for organizations to achieve desired outcomes.

7 FROM FOUR-YEAR DEGREE REQUIREMENTS TO SKILLS-BASED REQUIREMENTS

Lastly, we are observing a shift away from the base requirement of a four-year degree for many jobs toward a top prioritization of the skills that make workers able to meet job expectations or toward occupation-focused resources. Organizations at a minimum seek employees that are able to jump in and do the work, and ideally they seek employees that have the necessary skills to quickly expand their capabilities and move up through the organization without as much training or additional classwork. Job requirements do not as commonly include four-year degrees as they did in even the very recent past.

Not surprisingly, TA tools are adapting to this change of philosophy by reprioritizing sourcing to focus on skills over degrees. Social search tools like Seekout or HireEZ have always placed an emphasis on matching by key skills for mid-career candidates. Now, increasingly early career sourcing platforms are doing the same for early career candidates often through various kinds of psychometric or other assessment platforms. The large-scale shift toward skills tech has made it much easier to identify the best talent–defined by skills–to match candidates, such that the degree no longer has to function as strongly as the “signal” that

demonstrates skill development. Portfolios or other training are sufficient, and platforms can match even early career candidates on these traits.

In addition, platforms like Classet expand this philosophy to the skilled trades, creating an online community for the skilled trades workforce that helps individuals learn relevant skills and find good jobs. The degree is no longer a minimum requirement for finding a great job in our economy. There are great jobs for individuals in the skilled trades. Similarly, tools are popping up to help nurture candidates and find them great jobs.

ABOUT TALENT TECH LABS

Talent Tech Labs is an independent, unbiased research and advisory firm focused on analyzing technological developments in the field of Talent Technology. The company was founded a decade ago with a vision to clarify the complex talent technology landscape. Since then, Talent Tech Labs has evaluated thousands of technologies and offers actionable insights into applications at every stage of the employee lifecycle.

The company helps buyers and users of talent technology solutions gain a better understanding of the complex market, learn about future trends and influences shaping the market, and provides them the strategic direction to transform their business through the intelligent use of talent technology today and in the future. To learn more about TTL, visit our website **here**

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