

The 2020 Interview Gap report

Hiring's massive tax on
software engineering



Software engineers are coding the future. They are critical to the success of all organizations. Yet, interviewing and hiring processes tax engineering productivity, underachieve on hiring targets, and frequently produce new hires that fail to meet technical expectations. This often occurs when organizations lack the time and expertise to conduct the interviews needed to achieve hiring goals, creating an Interview Gap.

The Interview Gap impacts economic opportunity by constraining access to jobs in the technology field—especially for candidates from nontraditional backgrounds. In the best of times, these shortcomings have a negative impact on businesses. In a world turned upside down by a global pandemic, the repercussions are even more significant.

This report presents findings from recent surveys of engineering leaders, and explores three key areas:

1. How the Interview Gap impacts software engineering performance
2. How COVID-19 is affecting companies still actively hiring
3. How successful organizations are closing the Interview Gap and out-hiring their competitors

An Interview Gap occurs when organizations lack the time and expertise to conduct the interviews needed to achieve hiring goals.

This report explores the business impact of the Interview Gap. Future reports will dive deeper into the social and economic implications of the Interview Gap. You can read the survey methodology on page 12. If there's an area you would like us to research or perspectives you'd like to share, please reach out to us at press@karat.com.

EXECUTIVE SUMMARY

Engineers are highly valued, but traditional hiring processes fail to achieve hiring goals or accurately predict on-the-job performance.

Based on the findings from the May 2020 survey, 90% of engineering leaders say software engineers are more valuable than capital.

Despite that premium price tag, just half of engineering leaders are “very satisfied” with the performance of their software engineers, and just 44% are very confident in reaching hiring targets.

While nearly 9 in 10 engineering leaders (87%) agree that expertise in technical interviewing is critical for a successful hiring process, 72% agree that “very few people at their company know how to conduct interviews,” and nearly 73% say that “the typical technical interview fails to predict the performance of software engineers.”

Most engineering leaders (87%) agree that “it would be easier to reach hiring targets if they had more time to interview candidates,” but 87% also agree that “reaching hiring targets while delivering product features is challenging,” and 61% agree that “interviews are a financial drain on my company.”

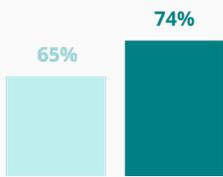


90% of engineering leaders say software engineers are more valuable than capital

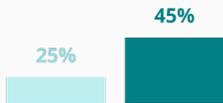
EXECUTIVE SUMMARY

The COVID-19 downturn has increased the supply of candidates, which makes it harder to find the right talent.

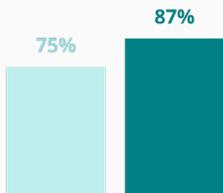
For years, organizations experienced a shortage of software engineering talent, but the sudden economic downturn has shifted the dynamic. As more software engineers look for work and there is less competition from companies that have paused or frozen hiring, the most resilient organizations are adapting and hiring software engineers aggressively. They are also feeling the strain of a growing Interview Gap.



74% of engineering leaders surveyed in May report that it is very/somewhat easy to identify potential software engineering candidates today, versus 65% of those surveyed in January.



45% strongly agree that “while there are a lot of software engineers available, it is hard to find the right ones,” compared to just 25% of those surveyed in January.



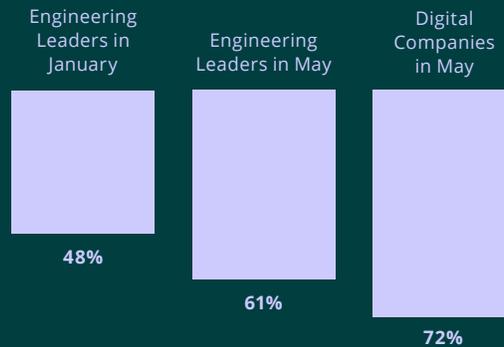
87% of engineering leaders now agree that it would be easier to reach hiring targets if they had more time to interview candidates, up from 75% in January.

The average digital business is **now investing nearly 40 hours of engineering time** conducting first-round technical interviews for each open role despite the lack of predictiveness, which has implications for product delivery and the bottom line.

EXECUTIVE SUMMARY

61% of engineering leaders surveyed in May agree that “interviews are a financial drain on my company” compared to 48% of those surveyed in January. Moreover, in May, 72% of engineering leaders at companies which were “born digital” or completed digital transformation shared this sentiment/opinion*.

Those who agree “interviews are a financial drain on my company”



The most successful organizations are closing the Interview Gap by improving interview capacity, consistency, and measurement.

Dedicating valuable engineering time to interviewing candidates is a significant investment. Based on our full January survey, engineering leaders who are very satisfied with their team’s performance and very confident in reaching hiring targets are more likely **to increase interview capacity, emphasize consistency, and measure results more intentionally.**



Capacity

Very satisfied engineering leaders average nearly 66% more technical interviews per hire than those who are less than ‘very’ satisfied.



Consistency

85% of very confident engineering leaders use a structured interview process versus only 73% of those who are less than ‘very’ confident.*



Measurement

73% of very satisfied engineering leaders say their companies track hiring funnel metrics versus just 57% of those who are less than ‘very’ satisfied.

* Please use caution when interpreting these findings as base sizes are small, i.e. less than n=100

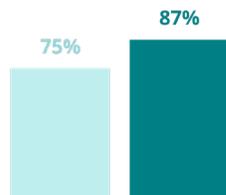
The growing Interview Gap

93% of engineering leaders from the May 2020 Hiring Survey say that improving their software engineering hiring process is an important organizational priority for 2020, but the Interview Gap constrains the number of candidates a company can evaluate. The sudden influx of software engineers on the job market, coupled with reduced competition, is exacerbating that gap.



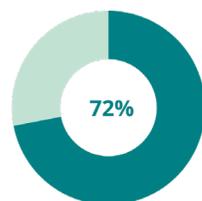
Engineering leaders average 20.7 first-round technical interviews per software engineering hire. Across digital businesses who are likely hiring most aggressively right now, that number is 26.3.*

Assuming 90 minutes per interview and write up, this means digital organizations are spending nearly 40 engineering hours on first-round technical interviews for every new hire, and that's before accounting for time spent in bad onsite interview loops, or the time it takes engineers to transition from productive coding time to interviewing and back.



Significantly more engineering leaders now agree that it would be easier to reach hiring targets if they had more time to interview candidates (87% in May compared to 75% of those surveyed in January.)

However, the capacity problem can't be solved simply by devoting more engineering time to interviewing due to a lack of expertise.



72% of engineering leaders agree that "very few people at my company know how to conduct interviews."

The Interview Gap is widening. Organizations need new approaches to reduce the time spent on hiring while, at the same time, improving both hiring yield and predictive interview signal.

* Please use caution when interpreting these findings as base sizes are small, i.e. less than n=100

The impact of COVID-19 on software engineer hiring

The lasting impact of COVID-19 won't be known for years, but the recent layoffs and hiring freezes have rapidly increased the perceived value of a software engineer. Now more than ever, engineering leaders recognize the value of engineering time and making the most out of every productive minute.



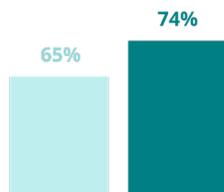
In January, prior to COVID-19, 80% of engineering leaders agreed that

“software engineers are more valuable than capital.” Today, in an increasingly cash-strapped environment, that number has increased to 90%.



Furthermore, slightly under half (47%) of engineering leaders now say that strong software engineers are worth at least 3x their total compensation, and 1 in 4 (25%), say at least 4x or higher.

COVID-19 has transformed the job market in favor of companies that are able to continue hiring and fine-tune their interviewing process to become more predictive of onsite and on-the-job-performance.

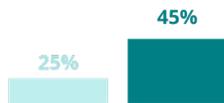


The shortage of software engineers is declining. 74% of engineering leaders report that

it is very/somewhat easy to identify potential software engineering candidates today, versus 65% finding it as easy in the January 2020 survey.

However, the increase in software engineers seeking employment is not equal across skill levels, as engineering leaders are finding it more difficult to attract the talent that meets their hiring bars.

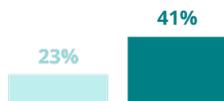
Today, 45% strongly agree that “while there are a lot of software engineers available, it is hard to find the right ones,” compared to just 25% of those surveyed in January.



Interviews tax software engineering productivity and morale

Prior to the start of COVID-19, engineering leaders were already feeling the numerous taxes on engineering productivity, including interviewing. The influx of talent and need to assess more software engineers for each open role is causing new anxiety about product development as a growth driver.

41% of engineering leaders now strongly agree that reaching hiring targets while delivering product features is challenging compared to just 23% of those surveyed in January.



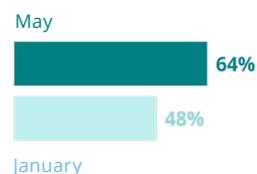
Time spent interviewing software engineers takes away from productive coding time

Based on the May survey, this tradeoff has the most significant impact on high performing engineering organizations. 80% of engineering leaders who are very satisfied with their hires' performance agree that “time spent interviewing software engineering candidates takes away from productive coding time,” compared to just 62% of those who are less than ‘very’ satisfied.



Time spent interviewing is a drain on morale

In addition to the financial drain, it also hurts team morale. 64% now agree that “time spent interviewing is a drain on morale” compared to 48% in January. Similarly to financial drain, digital companies feel this more acutely, with 74% agreeing.*



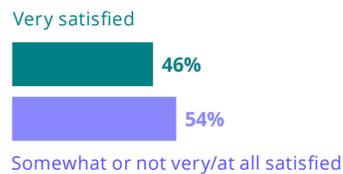
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How to hire software engineers like the best of the best

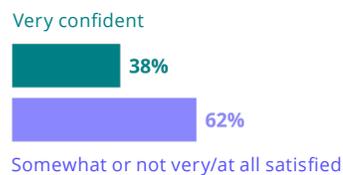
Dedicating valuable engineering time to interviewing candidates is a significant investment. Engineering leaders who are very satisfied with their software engineers’ performance and those who are very confident in reaching their hiring targets are **more likely to increase interview capacity, emphasize consistency, and measure results more intentionally.**

In the January 2020 Hiring Survey, we asked our 253 engineering leaders to measure their hiring success in two ways: satisfaction with the performance of their engineering hires, and confidence in meeting their hiring targets.

46% were very satisfied with the performance of their software engineer hires versus 54% who were somewhat or not very/not at all satisfied.



38% were very confident in their company’s ability to meet their 2020 software engineer hiring targets versus 62% who were somewhat or not very/not at all confident.*



Engineering leaders who expressed confidence in reaching hiring targets are more inclined to intentionally invest in interviewing—conducting more interviews per open role, building a more structured interview process, and measuring results at a more granular level. This manifests in three categories:

Interview capacity

Very satisfied engineering leaders planned to conduct more technical interviews, increasing their interview volume by training more interviewers and dedicating time for it.

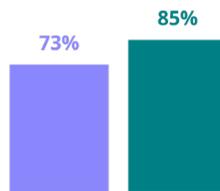
Very satisfied: averaged 20.1 technical interviews per hire / Less-than ‘very’ satisfied: averaged 12.2 technical interviews per hire.

There is not enough time to interview as many candidates as needed to find the right talent—just 53% of very confident engineering leaders agree versus 72% of less-than ‘very’ confident.*

*Please use caution when interpreting these findings, as base sizes for the “very confident” subgroup are small, i.e. less than n=100.

Interview consistency

Very satisfied engineering leaders and very confident engineering leaders from the January 2020 Hiring Survey rely on interviewing and hiring processes that are more rigorous and structured.



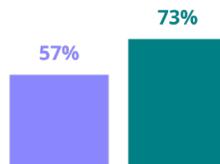
85% of very confident engineering leaders use a structured interview process versus only 73% of less than 'very' confident.

Very confident engineering leaders are directionally more intentional about who conducts their technical interviews, with 71% selecting the interviewer based on expertise in interviewing versus 66% of those who are at best somewhat confident.

Engineering leaders who are at best somewhat confident about their company's ability to meet their 2020 software engineer hiring targets were directionally more likely to make their interviewer selection based on similar job function to a specific candidate (63% versus 56% among those very confident) rather than expertise.

Measuring interview results

Very satisfied engineering leaders from the January 2020 Hiring Survey have better visibility into their pipelines and performance.



73% of very satisfied engineering leaders say their companies track hiring funnel metrics versus just 57% of less than 'very' satisfied.

Getting even more detailed, 41% of companies who are very confident in hitting their hiring targets track onsite-to-offer ratios versus just 33% of less than 'very' confident.

Conclusion

The companies that are aggressively hiring are taking advantage of the current situation to refine their processes and accelerate growth. They are employing strategies to help increase their interviewing capacity, consistency, and measurement while emphasizing predictiveness in a sustainable way.

This will continue to increase the divide between the software engineering haves and have-nots, especially as the economy opens up and competition starts to increase for great engineers once again; thus, resulting in an even steeper climb for companies looking to complete digital transformations and reignite growth.



To learn more about how companies can close the Interview Gap, read Flatiron Health's story at go.karat.com/IG2020.

About Karat

Karat conducts live, highly predictive technical interviews and powers world-class hiring processes for leading software organizations.

Karat's network of experienced Interview Engineers have conducted tens of thousands of technical interviews with software engineering job candidates. Clients increase capacity to interview with structure and consistency, all while providing highly predictive results and exceptional candidate experiences. Karat has amassed the largest, most robust dataset of structured-interview intelligence to produce never-before-seen hiring analytics.

Method

Karat partnered with The Harris Poll to conduct two online surveys of engineering leaders in the United States.

The January 2020 Hiring Survey was conducted from January 3–16, 2020 among 253 engineering leaders defined as follows:

- US Resident Age 18+
- Employed full-time
- Have title of manager or above
- Work for companies with revenue of \$100 million+
- Involved in their company's decisions about hiring software engineers

The May 2020 Hiring Survey was conducted from May 11-15, 2020 among 100 engineering leaders to follow-up on and complement the findings of the January 2020 Hiring Survey. Engineering leaders were similarly defined, but some adjustments were made to reflect the current environment:

- US Resident Age 18+
- Employed full-time
- Have a title of manager or above
- Work for companies with \$100M+ in revenue
- Involved in their company's decisions about hiring software engineers

Work for companies in the Technology Services, Telecommunications, Engineering Services, Banking and Finance, Retail and Insurance industry sectors

Work for companies that are currently hiring software engineers or plan to hire software engineers before the end of 2020

Please note that given the differences in the sample definitions of these two survey, when findings from the May 2020 Hiring Survey are compared to the findings from the January 2020 Hiring Survey, only a subset of engineering leaders from the January 2020 Hiring survey is being used for direct comparison. This subset comprises 128 engineering leaders who completed the January 2020 Hiring Survey and work for companies in the Technology Services, Telecommunications, Engineering Services, Banking and Finance, Retail and Insurance industry sectors.