

THE HIRING SYSTEM DIDN'T BREAK BECAUSE OF AI

Growth Exposed a Weakness. Automation Scaled It.

A systems analysis of modern recruiting, the information problem beneath the capacity problem, and what artificial intelligence is actually scaling.

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Employers say they cannot find qualified people.

Candidates say they are qualified and cannot get employers to see them.

Recruiters are overwhelmed by applications.

Candidates submit more applications because fewer seem to lead anywhere.

Employers increasingly use automation and artificial intelligence to source, screen, rank, assess and communicate.

Candidates increasingly use artificial intelligence to research, write, tailor, optimize and prepare.

Employers increasingly want people who know how to use AI.

Some of those same employers prohibit AI during portions of the hiring process.

Each side is responding to a real problem.

Yet the system continues to produce frustration, distrust and increasingly sophisticated attempts to manage the consequences.

It would be easy to conclude that artificial intelligence broke hiring.

The evidence suggests something more complicated.

Hiring was already struggling with a fundamental problem: how to translate human capability into information an employer could efficiently evaluate.

Then the system grew.

Digital recruiting dramatically expanded access and applicant reach. Human workarounds became harder to sustain. Employers needed greater processing capacity.

Automation helped provide it.

Then generative AI gave candidates unprecedented capacity of their own.

Today, both sides can operate at something approaching machine scale.

The result illustrates one of the most important principles in operations:

Growth exposes weak systems.

Growth does not prove that a system is weak. It tests whether the system can preserve the quality of its outcomes as volume increases.

Modern hiring may have revealed a problem that technology alone cannot solve:

We automated the capacity problem before fully solving the information problem.

SOMETHING DOESN'T ADD UP

Employers clearly perceive a skills problem.

The World Economic Forum's Future of Jobs Report 2025 found that 63% of surveyed employers identified skills gaps as a major barrier to business transformation. Employers also expect 39% of workers' existing core skills to change by 2030.

Source: World Economic Forum, The Future of Jobs Report 2025.

The shortage is not imaginary.

But workers see something different.

In the Indeed U.S. Skills Census Survey, conducted with YouGov in April 2026 among 1,012 job seekers and 504 employers, 75% of job seekers said their skills matched what employers were looking for. Only 56% of employers believed they were receiving applicants with the right skills.

Source: Indeed / YouGov, U.S. Skills Census Survey, April 2026; reported in The “Ghost Skills” Employers Want but Rarely Define.

That difference deserves attention.

It does not prove there is no skills shortage. Workers may overestimate their capabilities. Employers may underestimate transferable talent. Different industries may face genuinely different shortages.

And today's broader labor market is being shaped by forces far beyond recruiting technology. LinkedIn's 2026 labor-market analysis, for example, attributes sluggish hiring primarily to economic uncertainty and monetary-policy shifts rather than artificial intelligence.

Source: LinkedIn Economic Graph, Building a Future of Work That Works, 2026.

This publication is not an attempt to explain every weakness in the labor market.

The question is narrower:

Why does the process of matching employers and workers create so much friction when both sides have access to more information and more technology than ever before?

One possibility deserves investigation.

Perhaps part of what we describe as a shortage of qualified people is also a problem of translation, evidence and recognition.

BEFORE AI, HIRING ALREADY HAD AN INFORMATION PROBLEM

A human being is complex.

A résumé is not.

Organizations therefore use proxies.

- Job titles. Degrees. Years of experience. Industry background. Certifications. Software platforms. Keywords. Previous employers.

These signals can be useful. Some are essential. But they remain representations of capability rather than capability itself.

An organization may actually need someone who can diagnose operational problems, manage competing priorities, control costs, communicate across departments, lead people and improve processes.

Those capabilities are difficult to search directly. So they are translated into requirements that are easier to identify: five years in a particular industry, experience with a specific platform, a certain degree, a familiar job title, or a particular vocabulary.

Candidates perform the opposite translation. They take years of experience and compress them into a résumé, application and interview they hope the employer will recognize.

Information can be lost in both directions.

Current research suggests employers recognize the problem.

Indeed found that 54% of employers said their greatest challenge when assessing candidates' skills was that résumés do not accurately reflect actual skills. Forty percent of job seekers agreed.

Indeed also found a striking difference in trust: 58% of employers trusted their sourcing technology to correctly interpret or infer adjacent skills from a résumé. Only 27% of job seekers shared that trust.

Source: Indeed / YouGov, 2026.

Another part of this translation problem is what Indeed calls “ghost skills”: important capabilities employers expect but may never clearly communicate in the posting.

- Problem-solving. Communication. Influence. The ability to translate complex information.

The employer may believe it has described the person it needs. The candidate may believe they have demonstrated that they are that person. The system can still conclude that they do not match.

No participant has to be irrational for that outcome to occur.

GROWTH EXPOSES WEAK SYSTEMS

A small process can survive weaknesses that a large process cannot.

People compensate.

- A recruiter reads one more résumé.
- A hiring manager recognizes transferable experience that does not perfectly match the posting.
- Someone asks another question.
- An exception is made.

Human judgment fills gaps in the process.

Scale removes some of that luxury.

The weakness that costs ten minutes at small volume can cost thousands of hours at large volume.

Growth does not necessarily create the weakness.

It increases the cost of the weakness until it can no longer remain hidden.

Digital recruiting brought enormous benefits. Geographic barriers fell. Opportunities became searchable. Employers could reach vastly larger pools of talent. Candidates could discover organizations they would never previously have encountered.

But lower friction also changed the system's capacity. More people could apply to more opportunities.

Eventually, employers faced a legitimate operating problem:

How do we evaluate far more people without proportionally increasing recruiting labor?

That is a capacity problem. Technology is exceptionally good at solving capacity problems.

AUTOMATION SOLVED CAPACITY

Applicant tracking systems, rules-based filters, ranking systems, workflow automation, machine learning and generative AI are not the same technologies. They should not be treated as though they are.

But they share an important operational advantage: they allow organizations to process information at a scale humans cannot efficiently match.

Today, recruiting is the most common HR practice area for AI use in SHRM's State of AI in HR 2026. Twenty-seven percent of organizations surveyed reported using AI in recruiting, ahead of HR technology at 21% and learning and development at 17%.

Recruiting executives expect substantially more. SHRM found that 87% expect broader AI and automation in general recruiting processes to become more prevalent, while 85% expect greater use of tools such as chatbots and automated résumé screening.

Sources: SHRM, State of AI in HR 2026; Recruiting Executives: Priorities and Perspectives 2026.

That response is not irrational. For many organizations, greater processing capacity is necessary. But capacity and decision quality are different measurements.

Efficiency asks how well the process moves. Effectiveness asks whether it produces the intended result.

A poor decision made in seconds is more efficient than the same decision made in hours. It is not more effective.

Among HR professionals surveyed by SHRM, 56% said their organizations do not formally measure the success of their AI investments at all. Only 16% reported using their own return-on-investment metric.

Source: SHRM, State of AI in HR 2026.

That does not demonstrate that AI is producing poor results. It demonstrates something narrower and perhaps more important:

Many organizations may not yet know.

AUTOMATION DOES NOT REPAIR THE LOGIC IT INHERITS

This is not a recruiting principle. It is an operating principle.

Automation amplifies the characteristics of the process into which it is introduced.

If a process is strong, automation can make it faster, cheaper and more consistent.

If a process contains weak assumptions, automation can execute those assumptions faster, cheaper and more consistently too.

If hiring criteria identify actual capability, automation can help identify that capability at scale. If the criteria rely too heavily on convenient proxies, automation can enforce those proxies at scale.

Technology does not repair flawed reasoning simply because it executes the reasoning faster.

That is why automation should rarely begin with:

What can we automate?

It should begin with:

What outcome is this process supposed to produce?

Then:

Does the existing process reliably produce it?

Only after answering those questions should scale become the objective.

CANDIDATES ADAPTED

Systems influence behavior.

As candidates learned that applications were being filtered and ranked, they learned to optimize for the system. Keywords mattered. Formatting mattered. Terminology mattered. Matching the posting mattered.

That adaptation is understandable. If a system rewards particular signals, participants have an incentive to improve those signals.

Indeed's research illustrates how complicated this became. Sixty-nine percent of employers said they always or often invite people to apply even when they lack some listed skills. Only 45% of job seekers said they always or often apply when they do not meet every listed requirement.

Source: Indeed / YouGov, 2026.

The employer may view the posting as flexible. The candidate may interpret it as a checklist. The same document communicates two different standards.

Meanwhile, some applicants move in the opposite direction. Nearly seven in ten employers surveyed by Indeed said candidates always or often mischaracterize or exaggerate their skills to progress in hiring. Only one in four job seekers admitted doing so.

Source: Indeed / YouGov, 2026.

Whether that gap reflects perception, behavior or both, the consequence is similar:

The information becomes harder to trust.

Then generative AI arrives.

THE SECOND SCALE EVENT

Generative AI dramatically reduces the effort required to manipulate information.

That can be valuable. A candidate can analyze a job description, translate legitimate experience into unfamiliar terminology, improve weak writing, research an organization, prepare for an interview and identify transferable skills.

The same technology can also be used to exaggerate, substitute or fabricate. And it can operate quickly.

SHRM's 2026 recruiting analysis describes employers confronting applicants using AI-enabled tools to mass-apply, tailor résumés and generate interview responses while employers themselves increasingly rely on automation and algorithms to process the resulting volume.

Source: SHRM, Recruitment Is Broken. Automation and Algorithms Can't Fix It, 2026.

Something important has changed.

Both sides can now scale.

An employer can process thousands of candidates. A candidate can increasingly approach hundreds of employers. Each side solves its own capacity problem. In doing so, each can increase the other's.

This creates a systems paradox:

Automation can reduce the cost of each individual transaction while increasing the total number of transactions the system must process.

The candidate's cost per application falls. More applications become practical. The employer's cost per screening falls. Processing greater volume becomes practical.

But neither change guarantees that the quality of information exchanged has improved.

More activity does not necessarily mean better matching. More throughput does not necessarily mean better signal.

THE HIRING SYSTEM BEGINS TO DEFEND ITSELF

Once employers know applicants can optimize application materials at scale, they have reason to trust those materials less. Once candidates know employers use automated screening, candidates have reason to optimize more aggressively for the screen.

Each side responds to the other.

- Employers add filtering. Candidates improve optimization.
- Employers add assessments. Candidates prepare for assessments.
- Employers add verification. Candidates learn the verification environment.

Each response can be reasonable when viewed individually. Together, they can produce an increasingly adversarial process.

SHRM describes the current environment as an “AI arms race” between employers and applicants.

Source: SHRM, 2026 recruiting analysis.

Indeed found that 46% of job seekers said their single biggest barrier to demonstrating their actual skills was being automatically rejected before a human reviewed their application. Meanwhile, employers themselves reported that résumés often fail to accurately reflect candidate skills.

Source: Indeed / YouGov, 2026.

Both sides are questioning the evidence.

That may be the more important problem.

Once evidence becomes difficult to trust, adding more evidence does not necessarily restore confidence. Sometimes it simply creates more information to verify.

AI USE IS NOT ONE BEHAVIOR

Much of the debate treats AI use as binary: used AI or did not use AI.

That may be too crude for the workplace AI is creating.

Augmentation

AI helps communicate, organize, research or analyze legitimate human knowledge and experience.

Substitution

AI performs reasoning the individual presents as their own but cannot understand, verify or defend.

Fabrication

AI helps create credentials, accomplishments or experiences that never existed.

The technology can be identical. The integrity of the underlying evidence is not.

Consider two candidates. One has twenty years of legitimate operational experience but struggles to translate that experience into the language of a modern corporate résumé. AI helps accurately express what that person has actually done.

Another candidate asks the same technology to manufacture accomplishments that never occurred.

Both used AI. Only one falsified the evidence.

A hiring system that treats those behaviors as equivalent loses information.

**The more useful question may not be: Did this person use AI? It may be:
What did this person use AI to do?**

THE AI HIRING PARADOX

This question becomes more important because employers increasingly want AI-capable workers.

LinkedIn's 2026 labor-market analysis found that U.S. jobs requiring AI-literacy skills grew 70% year over year.

Source: LinkedIn Economic Graph, 2026 labor-market analysis.

At the same time, the World Economic Forum expects technological skills such as AI and big data to grow in importance alongside distinctly human capabilities including analytical thinking, resilience, leadership and collaboration.

Source: World Economic Forum, Future of Jobs Report 2025.

The emerging workplace therefore does not simply require human reasoning or artificial intelligence. Increasingly, it requires both.

Yet some employers that value AI proficiency also prohibit its use during portions of candidate assessment.

That is not automatically hypocrisy. There is a legitimate reason to measure unaided human capability. An employee who can generate impressive output but cannot recognize when the output is wrong creates risk.

The more useful question is:

If AI proficiency matters to the job, where does the employer measure it?

If the real working environment allows employees to use company information, research, software, colleagues and AI while the hiring process measures only how someone responds alone without those tools, the assessment may measure something valuable without measuring the complete capability required by the job.

The issue is not whether AI should always be allowed. It is whether the organization knows what it is trying to measure.

MEASURE THE CAPABILITY YOU ACTUALLY NEED

There is no single assessment design appropriate for every position. A high-volume frontline role, a software engineer, an accountant and a Director of Operations should not necessarily be evaluated the same way.

But the principle can remain consistent:

If independent reasoning matters, test independent reasoning. If AI proficiency matters, test AI proficiency. If the position requires both, measure both.

Can You Think?

Give the candidate a relevant problem without AI assistance. Evaluate foundational knowledge, reasoning, communication, judgment and recognition of uncertainty.

Can You Use AI?

If AI proficiency is relevant, test it deliberately. Give the candidate a different problem and observe how they use the tool.

- What context do they provide?
- What information do they withhold because of privacy, security or confidentiality?
- How do they challenge the response?
- What assumptions do they identify?
- What do they verify? What do they reject?
- Where does their own experience improve the result?

AI proficiency becomes observable rather than assumed.

Can You Integrate the Two?

For positions where it is appropriate, provide a realistic problem and allow the tools reasonably available in the actual job.

Then require the candidate to own the recommendation. Defend it. Change an assumption. Explain the tradeoffs. Identify missing evidence. Describe what would change the decision. The objective is not to make hiring longer. It is to make the evidence more relevant.

THE EXPERIENCE PROBLEM IS CONNECTED

Technology cannot solve another part of the system by itself.

Employers want experience. That is reasonable. Experience reduces uncertainty. But experience has to come from somewhere.

Deloitte's 2025 Global Human Capital Trends research found that 66% of managers and executives said most recent hires were not fully prepared, with experience the most common deficiency. Deloitte also cites research finding that 61% of employers had increased experience requirements during the preceding three years.

Source: Deloitte, Closing the Experience Gap, 2025.

At the same time, new workers and career changers struggle to find foothold roles through which experience can be acquired, and many so-called entry-level jobs now expect previous experience.

That creates another systems question:

If every organization wants to purchase experience, which organizations are producing it?

Training an inexperienced worker can look like an expense when viewed from one company's budget. Hiring an experienced worker can look like risk reduction.

Both decisions can be rational individually. Across the labor market, however, this creates the possibility that organizations collectively contribute to the experience scarcity they later encounter individually.

Technology may help identify experienced candidates. It cannot manufacture the years in which that experience was acquired.

THE SYSTEM MAY BE PRODUCING ITS OWN SYMPTOMS

Viewed separately, modern hiring appears to contain many different problems:

- Skills shortages and experience shortages.
- Too many applicants and too few qualified applicants.
- Qualified candidates being overlooked.
- Résumé optimization and automated screening.

- AI-generated applications, exaggeration and fraud.
- Employer distrust and candidate distrust.
- More assessments, more verification, more filtering and more automation.

But what if some of these are not independent problems? What if they are stages of a reinforcing system?

The available evidence does not establish one universal causal chain across every employer, industry or labor market. But taken together, the findings support investigating a pattern.

1. Representation problem

Human capability is compressed into imperfect proxies.

2. Scale event

Digital recruiting expands reach and application volume.

3. Capacity response

Employers increase filtering and automation to process the load.

4. Adaptation

Candidates learn to optimize for what those systems reward.

5. Second scale event

Generative AI lowers the cost of tailoring, preparation and application.

6. Counter-response

Employers increase automation, assessment and verification.

7. Emergent problem

Throughput increases without guaranteeing better information, making authentic capability harder to distinguish and trust more expensive to establish.

This leads to Foundation's diagnosis:

The hiring system did not merely automate decision-making. It automated an unresolved translation problem, then gave both sides the ability to participate at machine scale.

That is a different diagnosis from simply saying: AI broke recruiting.

A FEW REVISIONS BEFORE WE SCALE AGAIN

A labor market this complex does not have a five-step solution. Nor should every organization redesign recruiting identically. But if the diagnosis is directionally correct, several principles follow.

Define capability before credentials. Determine what the successful person must actually be capable of accomplishing. Then distinguish genuine constraints from convenient proxies.

Separate evidence from representation. A résumé describes experience. It is not the experience. Use representations to identify what should be investigated rather than assuming they contain the complete answer.

Design assessments around the decision. Determine what each stage is intended to measure - independent reasoning, technical knowledge, communication, AI proficiency, judgment or integrated professional performance - and build the assessment around that capability.

Make AI boundaries explicit. Tell candidates where AI is permitted, where it is prohibited and why. Distinguish augmentation from substitution and fabrication.

Create experience instead of only purchasing it. Organizations cannot indefinitely demand experienced talent while reducing the pathways through which people acquire experience.

Measure hiring quality, not only processing efficiency. Time-to-fill, cost-per-hire and recruiter workload matter. So do quality of hire, retention, performance, candidate experience and whether the process consistently identifies people who succeed after joining the organization.

The objective is not simply a faster hiring process.

The objective is a better hiring decision.

MOVE THE STARTING LINE

Most current debate begins with artificial intelligence.

- Should candidates use it?
- Should employers use it?
- Should it screen résumés?
- Should it conduct interviews?
- Should it write applications?
- Should it detect fraud?

Those questions matter. But they may begin too late.

Before asking what AI should do, perhaps we should ask what the hiring system itself is supposed to accomplish.

Before automating a job description, determine whether the job description identifies the capability required.

Before filtering résumés, determine whether the résumé contains sufficient evidence to support the decision being made.

Before demanding experience, examine where the next generation of workers is expected to acquire it.

Before banning AI, determine whether the assessment is measuring human reasoning, AI proficiency or integrated professional capability.

Before adding another verification layer, determine why the existing evidence stopped producing trust.

And before automating another part of recruiting, ask the question every growing organization should ask before scaling a process:

If we make this system faster, are we certain we want more of what it currently produces?

Growth did not create every weakness in hiring. It exposed weaknesses that were easier to absorb when the system was smaller.

Automation did not create every weakness either. It gave the system capacity.

Generative AI then gave that capacity to both sides.

That does not make technology the enemy. It makes system design more important.

Because growth exposes weak systems. Automation scales them. And artificial intelligence can amplify both their strengths and their failures.

The opportunity is not to retreat from technology. It is to improve the system before asking technology to scale it again.

Perhaps the future of hiring is not human versus artificial intelligence. Perhaps it is a deliberately designed system that understands what each does well.

**Human judgment to understand capability.
Artificial intelligence to expand our ability to see it.
And enough discipline to know which one we are actually measuring.**

RESEARCH & EVIDENCE

Statistical and factual claims in this publication are grounded in the sources below. The connections among those findings, the capacity-versus-information framework, the systems model and the resulting diagnosis are Foundation Building Advisors' analysis.

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