

EMPLOYMENT TESTING

A White Paper

The Problem

Expense, Retention, Talent, and Risk are the top concerns of employers today. Hiring the right employee may come with an initial cost, but a lower risk of expensive long-term costs. Unscientific or unproven screening opens the employer to high risk behavior such as turnover and theft. These integrity based issues like fraudulent worker compensation claims are real. They take place everyday in the labor force and are extremely costly for employers.

Employee Turnover

The cost of hiring and training a new employee can vary greatly from only a few thousand dollars for hourly employees to between \$75,000 and \$100,000 for top executives. Estimates of turnover costs may range from 25 percent to almost 200 percent of annual compensation. Costs that are more difficult to estimate include customer service disruption, emotional costs, loss of morale, burnout/absenteeism among remaining employees, loss of experience, continuity, and "corporate memory." The real turnover cost for one employee making minimum wage is \$2678.

KEEPING THE PEOPLE WHO KEEP YOU IN BUSINESS: 24 Ways to Hang on to Your Most Valuable Talent
by F. Leigh Branham (AMACOM; October 2000)

Employee Theft

According to the 2002 National Retail Security Survey;

- Employee theft is the single most significant component of inventory shrinkage.
- Retailers attributed 48% of their inventory shrinkage to employee theft.
- Employee theft continues to increase significantly.
- There is no other form of larceny that annually costs American citizens more money than employee theft.
- The US annual employee theft price tag of slightly over \$15 billion.

2002 National Retail Security Survey

Richard C. Hollinger, PhD., Jason Davis, University of Florida

An Incomplete Solution

The three most common methods employers use in the hiring process are interviews, background checks and drug screens. The big three have their place in the in the hiring process but are not by themselves fool proof.

Drug Testing

Urine based drug testing is the most widely used form of screening for drugs of abuse in the hiring process. The problem with this form of testing is the wide array of adulterates available to defeat them. An internet search of the term "drug test" will produce more websites that sell products to defeat urinalysis drug tests than drug testing providers and some of them work.

Background Screening

While background checks can be very effective at finding out the background of an employee, they are not full-proof and can contain errors. Additionally, they do not reveal the attitude of the applicant or predict future behavior. Not all criminals are caught. There are over 3000 counties in the United States that have criminal courts. Some of the conviction data is reported on a timely basis and some of it is not. Another issue with background screening is that the vast majority of states do not have a central repository for conviction data. The result is that employers must do a county search to find the information that is so vital to their hiring process. While this option is available from GoTo Hire and HRM Direct, it can be costly to search every county and so many employers choose only to screen in a few county groups which can cause a recorded crime to slip through the cracks.

Employment Interviews

"Most managers don't know how to conduct a proper interview. Even managers trained in behavioral interviewing don't use it because it's too complicated. Instead, they substitute their emotions, gut feelings, and intuition. Making matters worse, they don't know what they're looking for with respect to real job needs."

Lou Adler Of the Adler Group, a training and consulting firm helping companies hire more top talent by implementing performance-based hiring.

The Missing Piece

A 1990 review of the research on the validity of Integrity-honesty tests performed by the U.S. Congress's Office of Technology Assessment found no studies conducted by independent researchers in which detected theft was used as the criterion. Surprisingly, they found that if questions were asked correctly, survey respondents would reveal costly and revealing attitudes toward theft.

Excerpts from the Academy of Management Journal

In the first such study, we found that scores on an honesty test successfully predicted detected theft for a group of convenience store employees. No significant differences on the test emerged as a function of race, gender or age.

Why individuals would knowingly present themselves as sympathetic to theft is not well understood but is perhaps related to their thinking that those attitudes are normal and not unsavory. Research has

shown that the job applicants most likely to engage in theft-related activity perceive themselves as average people in a basically dishonest world. According to one popular theory, by projecting their own dishonesty, dishonest people can rationalize that everyone steals, so they are acting according to accepted norms.

VALIDITY OF AN HONESTY TEST IN PREDICTING THEFT AMONG CONVENIENCE STORE EMPLOYEES;

H. John Bernardin, Donna K. Cooke, Florida Atlantic University

Attitude based Pre-Employment Testing

It has been our firm belief for the past three decades that attitudes are measurable; that attitudes and behavior are inseparable; and that knowing an applicants attitude is a window into the future. Attitudes can predict behavior and indicate relative risk levels far better than any other information or method, including traditional confession based integrity tests.

THE IMPORTANCE OF HIRING THE RIGHT JOB CANDIDATE

Robert W. Cormack, Personnel Systems Corporation

Conclusion

Adding validated employment testing has been proven to be a major enhancement to the hiring process. In many labor intensive industries it provides a more significant return on investment than any other profit enrichment strategy.

About HRM Direct and GoTo Hire

HRMDirect is at the forefront of a revolution in the way businesses invest in technology. As one of the only 100% Software-as-a-Service (SaaS) providers in the human capital industry, HRMDirect offers clients an exceptional level of quality and support at dramatically reduced costs. Our flagship Applicant Tracking System, **Resume Direct**, is widely renowned as one of the easiest-to-use ATSs on the market despite offering a feature set competitive with most "enterprise" systems costing three to ten times as much. HRM Direct continues the revolution with integrated services that cover the entire hiring spectrum from pre-employment assessment to background checks, to onboarding. HRM All-in-one is changing the way companies recruit. www.hrmdirect.com

GoToHire, a wholly owned subsidiary of HRM Direct is the exclusive provider of the online **PASS III** survey with instant self-contained surveys and grading for immediate results and interview follow-up. www.gotohire.com

About PASS III

The **PASS III** ® Survey is only pre-employment test produced by the founding members of the Association of Test Publishers. **The PASS III** ® Survey is the original noninvasive character survey designed to evaluate your employment applicants. For nearly 35 years, **PASS III** has led the industry track record of helping recruiters reduce theft, hire top quality applicants, reduce employee turnover, enhance employee morale, minimize personnel problems, improve profits by reducing hiring costs. www.gotohire.com