

## FACT SHEET: Pre-Employment Assessment

### General Facts

- ❖ More than **50,000 organizations** in the U.S. alone use testing to help them make decisions about hiring, placement, and promotion.
- ❖ Over **2.5 million** “honest/integrity tests” (i.e., pencil-and-paper tests, not polygraphs, which have been banned as a pre-employment screening device) are administered annually. Integrity testing is the most delicate area, legally speaking, yet millions are still given each year.
- ❖ A survey of **500 top HR executives** found that 76% of these companies test 150 or more people/year and 35% test over 500 people/year. 30% also said that they will increase their use of pre-employment testing during the coming year.
- ❖ An individual being hired at even a modest level of annual compensation (\$25K), benefits, and employment-related expenses represents at least a **\$1.5M investment** in current dollars over the course of that person’s entire career.
- ❖ Companies are now burdened with legal exposure to so-called “**negligent hiring**”; that is, the failure to uncover a job applicant’s incompetence or lack of fitness for a job.
- ❖ Interviewing alone, using the most advanced techniques and with no limit on time expended, selects accurately about two-thirds of the time. However, it’s been demonstrated that most hiring decisions are really **made during the first five minutes** of the interview! The accuracy hit-rate plummets under these circumstances.
- ❖ High performers are as much as **25-50% more productive** than sub-par performers. If an organization could accurately hire only top performers they would, then, likely see a reduction in their payroll alone of upwards of 25%.
- ❖ A study in the Journal of Applied Psychology (1990, 75(1), pp. 28) found that the more complex the job, the greater the difference in productivity between top performers and average performers. The percentage difference in productivity ranged from 52% in low-complexity jobs to 85% in medium to 127% in high-complexity roles.

### Costs of Inaccurate Hiring

- ❖ Turnover costs for a production worker are **\$30,000** (TRW Corp.)
- ❖ For a \$48,000/year professional it’s **\$76,000** (DDI)
- ❖ For a sales person it’s **\$155,000** (Riordan Research)
- ❖ For an engineer it’s **\$180,000** (TRW Corp.)
- ❖ For a mid-level manager it’s **\$320,000** (TRW Corp.)

❖ **True turnover costs** equal the sum of:

- ❖ out processing
- ❖ management down-time related to the exit
- ❖ reduced productivity, increased rework, and morale problems prior to termination decision
- ❖ severance (pay, benefits, and/or outplacement)
- ❖ replacement (advertising, recruiter's time, interviewer's time, agency/search fees, candidate expenses [travel, moving, and hiring incentives])
- ❖ duration-of-vacancy costs
- ❖ training for replacement
- ❖ learning-curve inefficiencies for replacement
- ❖ operating costs (lost sales, continuous process deterioration, etc.)
- ❖ re-integration inefficiencies of replacement into organization, team, staff, and other internal stakeholders
- ❖ disruption of relationships with external stakeholders and increased risk of losing such relationships because of poor service, discontinuity of service, or ill-will
- ❖ litigation exposure for wrongful discharge and/or negligent hiring
- ❖ tarnishing of reputation as employer-of-choice
- ❖ adverse impact on organization's unemployment compensation profile

### **Legal Issues**

- ❖ **Title VII (1964) Civil Rights Act** encourages companies to use psychological selection techniques to augment objectivity and fairness.
- ❖ **EEO Guidelines** state: "...tests, when used in conjunction with other tools of personnel assessment, ...aid in the development and maintenance of an efficient workforce and ...aid in the utilization and conservation of human resources."