# REDUCING RISK WITH PRE-EMPLOYMENT TESTS

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Hiring is a fundamentally risky endeavor. With every new person you hire, you're taking a gamble on how well that person will perform within your organization. Traditional hiring metrics like interviews and resumes often do little to minimize the unknowable risks associated with each hire because the information they impart is often unreliable. For example, one study found that 57% of hiring managers had found lies or embellishments on a resume, and interviews are equally poor at predicting actual on-the-job performance.

While it's unlikely that traditional hiring metrics are going away any time soon, the hiring process is becoming more and more data-driven over time. This is a positive trend because incorporating objective metrics into the hiring process is one way to tangibly reduce your risks.

The benefits of data-driven, evidence-based hiring practices are pretty clear – they not only provide you with better hiring results thanks to predictive data, but they also help to reduce some of the unconscious bias that unavoidably slips into the process.

But that doesn't mean that any single data point or technology solution can eliminate all of the risks associated with each new person you hire. No single hiring tool will get you to "never make a bad hire again," and you shouldn't trust a vendor who makes that promise. What these data-driven tools do provide is a way to reduce your risks by enabling you to make more informed hiring decisions.

## THE RISKS OF HIRING

Everyone knows the cost of a bad hire can be astronomical. Here's just a few examples of what's at stake:

In **manufacturing**, there's the risk of hiring employees who don't follow safety procedures. The risks can be catastrophic, leading to damaged equipment, lost productivity, or worse, injury and death. In the US, workplace injuries cost employers almost $62 billion annually.

For the **retail** industry, companies are constantly seeking ways to reduce the risk of hiring employees who may commit theft of merchandise or cash. In 2014, retailers lost about $44 billion from shoplifting, fraud, or human error.

For any company that has a **social media** presence, it's clear why you'd want to reduce your risks when hiring employees who will be the face of your brand.

When hiring people who work in customers' homes unsupervised (like cable service providers and home repair workers), you want to trust that your employees will conduct themselves with integrity.

And in every industry and company, you always want to cut down on the risk of hiring a toxic employee. This goes beyond just lost productivity, but also the damage to employee morale and the risk of costly workplace errors.

## MINIMIZE THESE RISKS WITH PRE-EMPLOYMENT TESTING

One of the most powerful, data-driven methods for reducing your hiring risk is through scientifically validated pre-employment tests. Pre-employment tests are designed based on decades of research into the factors that lead to long-term job success. In fact, one of the biggest studies on the predictive power of different hiring factors found that cognitive aptitude is the single greatest predictor of job performance, far beyond resumes, interviews, or education. The result: pre-employment tests have the predictive power that effectively reduces your hiring risk every time you take that information into account.

> " *Pre-employment tests reduce your risk by providing data proven to predict job success.* "

## HOW TESTS REDUCE RISK

In the most general sense, pre-employment tests are able to reduce your company's risk because well-validated tests predict the likelihood that certain behaviors or outcomes will occur. Let's dive into some examples:

**1** **Reducing the Risk of Rule-Breaking Behaviors**

Integrity tests are often used to predict the likelihood that an employee will engage in counterproductive work behaviors. Examples include behaviors as minor as tardiness, time-wasting, and absenteeism or as extreme as theft, fraud, or sabotage. Integrity tests are a type of personality test that, when used in the hiring process, can dramatically decrease the chance that your employees might engage in these behaviors.

These tests are particularly powerful for evaluating entry to mid-level positions for which rule-adherence is critical. This includes everything from manufacturing and retail workers to medical assistants and field service technicians. Integrity tests are scientifically validated to accurately evaluate the risk that an employee may engage in activities that could negatively impact your business.

In one case study, a company wanted to improve the attendance of their call center employees, so they administered an integrity test, the Workplace Productivity Profile (WPP), to their employees. What they found was that those who passed the test were four times more likely to have a good attendance record.

### LIKELIHOOD OF GOOD ATTENDANCE BASED ON WPP SCORE
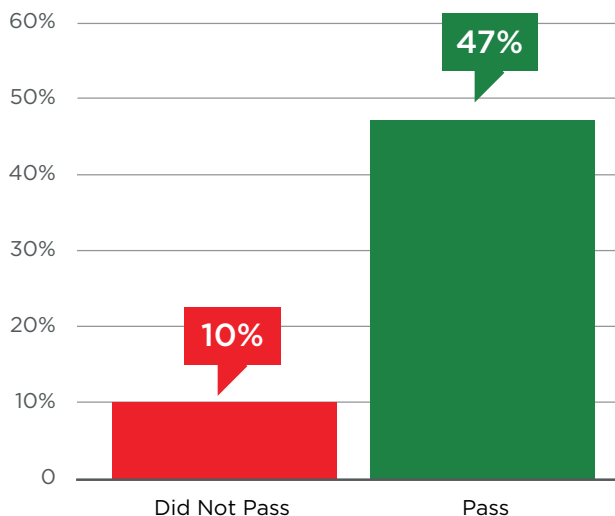


> **"** *Employees who passed an integrity test were four times more likely to have a good attendance record.* **"**

Another company used the same integrity test to reduce disciplinary issues amongst their employees, including theft, absenteeism, tardiness, and time-wasting. Those who passed the WPP were 58% more likely to receive a good discipline rating from their manager.

### PERCENTAGE OF HIGH PERFORMERS IN DISCIPLINE BY WPP SCORE
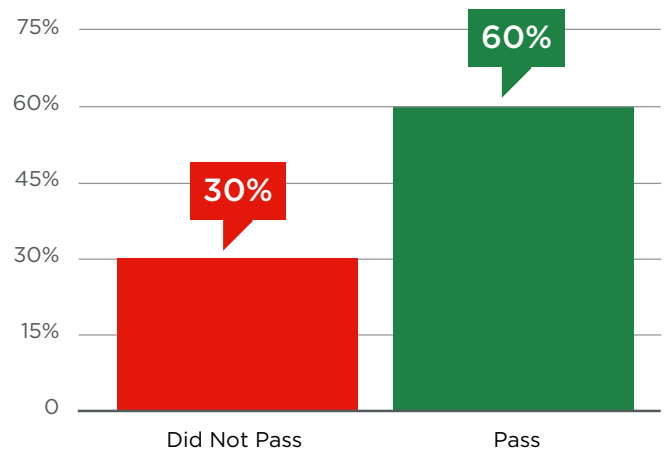


Integrity tests are so successful at reducing risk that some insurance providers give discounts to companies that use them in the hiring process.

**2** **Reducing the Risk of Careless Mistakes**

Filtering out employees who may intentionally harm your business is a no-brainer, but what about those employees who might unintentionally cause some damage? While mistakes and human error are bound to happen to anyone, tests can be used to predict how likely someone may be to make a costly mistake.

Some aptitude tests, for example, measure abilities like attention to detail which can be critical for just about every position. Think about an analyst who submits a final report with a calculation error, or a marketing writer who

prints 1,000 copies of a tradeshow handout that spells your company name incorrectly. You want to be able to entrust your employees to produce quality, detail-oriented work without being micromanaged. Tests can often pinpoint some of the factors that contribute to those levels of attention to detail.

## 3 Reduce the Risk of Turnover

It goes without saying that turnover is expensive. Estimates vary widely as to the true cost, with some estimates putting it at 30-50% of the employee's first year salary. Turnover can be voluntary or involuntary, and minimizing the risks of both types of turnover can have an immediate impact on your bottom line.

> *The cost of turnover can be 30-50% of the employee's first salary.*

When someone leaves **voluntarily**, it could mean that they were unhappy or uncomfortable in that particular role. Personality tests can help assess someone's comfort level in a certain type of position. For example, a salesperson may quit their job after six months if they realize their personality isn't suited to the demands of a sales role. Decades of personality research has enabled pre-employment tests to evaluate and identify the traits that are correlated with success in certain roles. Having this

information in the hiring process increases your chances of hiring someone who will be comfortable in that position.

If someone leaves **involuntarily**, however, it could be for a number of reasons, but often it's because the person wasn't capable of performing the job to a satisfactory level. Cognitive aptitude tests in the pre-hire process can screen for people who have the base-level capability to perform the job successfully after training and onboarding.

In one case study, a company wanted to improve both the training completion rates and six-month retention of their employees. They administered a cognitive aptitude test like the Criteria Cognitive Aptitude Test (CCAT) to their new hires and compared their scores to training completion and retention. The results showed that their scores not only predicted their ability to complete the training but also predicted the likelihood that they would still be at the company six months later. (Those who passed the test were 37% more likely to still be at the company after six months.)

### RETENTION RATE BY CCAT SCORE

| Score | Retention |
|-------|-----------|
| Low Scores | 51% |
| High Scores | 74% |
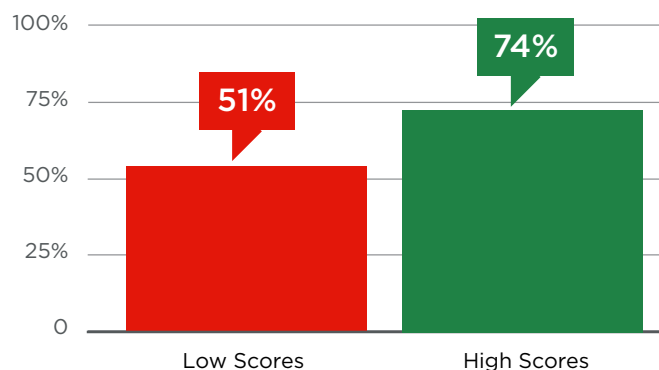
# 4 Reduce Legal Risks

One common misconception about pre-employment testing is that using tests in the hiring process increases a company's legal exposure or somehow leads to additional legal risk. For companies that use professionally-developed, well-validated tests, the opposite is in fact true. If properly implemented, pre-employment testing actually enhances the objectivity, equitability, and legal defensibility of an organization's hiring process, because testing makes the selection process fairer and more objective for all candidates. For example, tests are less subjective than interviews, for which the personal biases of interviewers are much more likely to lead to discrimination claims.

The U.S. Equal Employment Opportunity Commission (EEOC) provides legal guidelines for using tests, most of which revolve around the requirement that the tests are job-related. For example, testing fluency with basic math skills is clearly a job-related test for bank tellers who have to deal with currency and numbers as part of their everyday tasks. On the other hand, using a typing test for a forklift driver who won't be required to type on the job is NOT a job-related selection measure. Using well-validated tests and making sure that the tests are job-related is the best way to ensure legal compliance. You can learn more about the EEOC's guidelines here.

> " *Think of reducing your hiring risk as improving your batting average.* "

## IN CONCLUSION

Reducing your hiring risks isn't about hiring the perfect person every time. It's about improving the number of good people you get in the door and avoiding the truly toxic hires. Think of it as improving your batting average. Through predictive validity, pre-employment tests provide a powerful tool for minimizing risk in the hiring process, arming you with valuable data to help you make more informed hiring decisions.

# MAKE SMARTER HIRING DECISIONS

Criteria's testing platform, HireSelect®, empowers companies to make more informed hiring decisions through a comprehensive suite of scientifically-validated aptitude, personality, and skills tests.

**No Per-Test Fees**

Administer unlimited tests with flat-fee subscription pricing, resulting in predictable costs and more efficient hiring.

**Ease of Use**

Easily create testing links and paste them directly into your job postings. Applicants take tests remotely with a click of a button, and results are instant.

**Dedicated Customer Support**

Get unlimited training and support from your dedicated Customer Success Manager throughout your entire HireSelect® subscription.

## Take a Test Drive with a 30-Day Free Trial