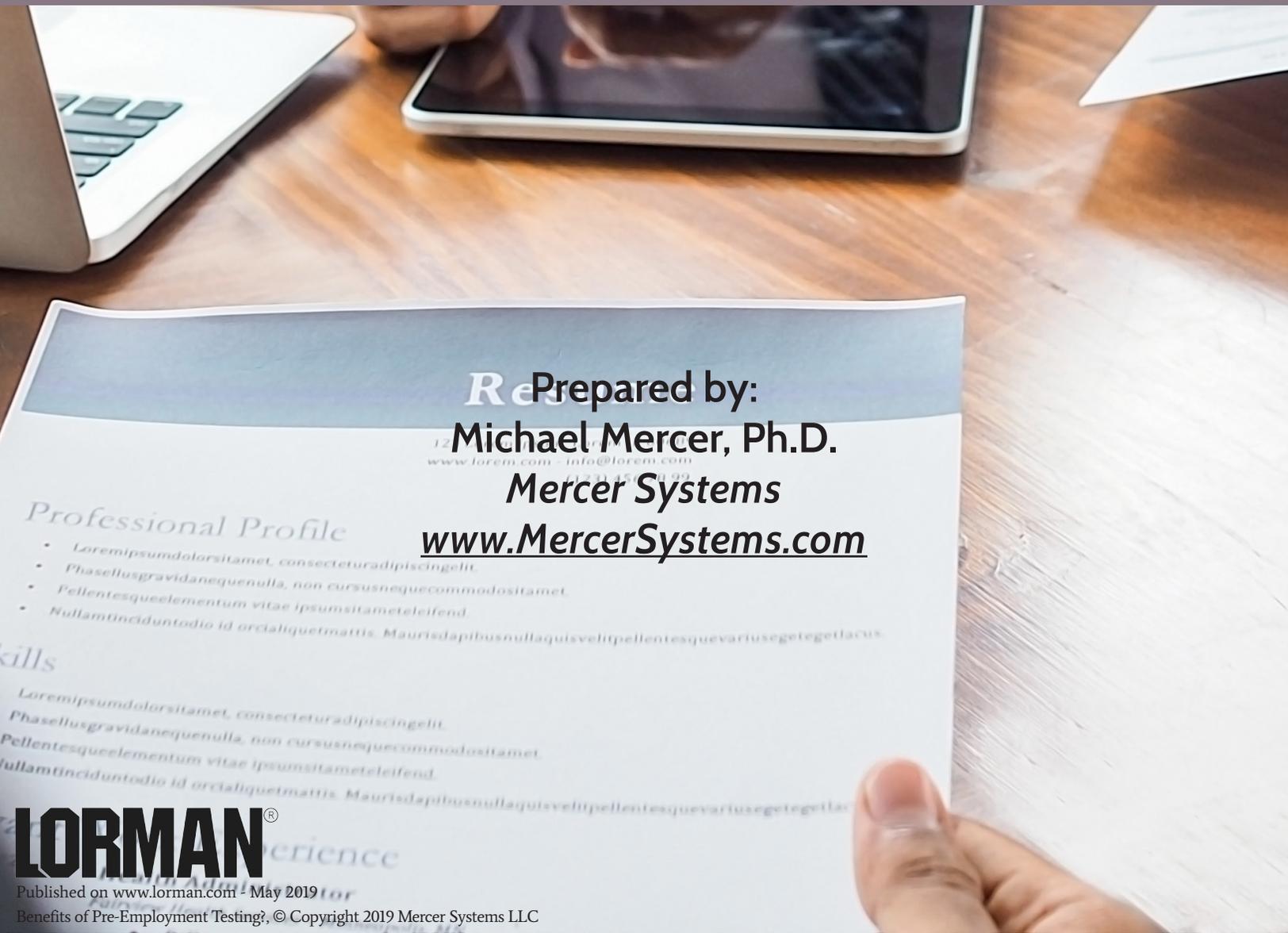




# Benefits of Pre-Employment Testing?



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# Benefits of Pre-Employment Testing?

*Written by Michael Mercer, Ph.D.*

**Why should companies and businesses use pre-employment tests?** There are many proven benefits for pre-employment testing. Here are some important reasons and answers to the questions most managers and executives pose regarding employment tests.

## **A. Pre-employment Testing Helps You Avoid These Common Hiring Mistakes**

### **1. Interviewers typically do a lousy job at predicting job success.**

This is a proven fact, verified by a lot of research. Statistically, most interviewers do about as well as flipping a coin! Pre-employment tests are an objective tool to hiring.

### **2. Reference checks fail to tell you what you really need to know.**

Most employers are so freaked out about giving reference checks that they tell you nothing or barely anything useful about how an applicant performed on-the-job. Another way to put that is most reference checks are about as non-useful as simultaneously flipping a coin while rubbing a rabbit's foot!

### **3. You relied on your "gut feel" or "intuition" & you were wrong.**

Later, as you moaned about the mistake you made by hiring the wrong person, you asked yourself, "I knew what I was feeling. But, what was I thinking?" Pre-employment testing gives you an objective way to evaluate a job applicant.

### **4. You used subjective prediction methods to make hiring decisions.**

For example, you relied on subjective interviews, subjective reference checks, or subjective “impressions” of the applicant. Then you were wrong and your company needed to pay for your incorrect hiring decisions. That is expensive, time-consuming, and frustrating.

#### **5. You used no objective + customized prediction method.**

Research shows pre-employment tests are the most objective method to make predictions. But, make sure you use a test customized for specific jobs in your company. If you have not used tests customized for specific jobs in your company, then you really have missed out on the most objective and customized prediction method you could use.

#### **6. You told the applicant what you were looking for in a new employee.**

Then, lo-&-behold, the applicant spent your entire interview telling you s/he just happens to possess all the skills, talents and qualities you told the applicant you want in an employee. For example, let’s say you told the applicant you need to hire an employee who excels at teamwork, customer-service, and correctly handling small details. I bet I can predict what that applicant told you in the interview: The applicant told you – with a serious yet pleasant expression – that s/he excels at teamwork, customer-service, and correctly handling small details. And then, when you hired the person who gave you all the answers you told the applicant you want, you pay the price of having an employee who may not really be talented at teamwork, customer-service, or handling small details. You got fooled and you have only yourself to blame.

#### **7. You terribly harm any person you should not have hired.**

Let’s be humanistic about it. If you hire the wrong person, the applicant also loses. People crave to work in a job where they will do well and enjoy it. People hate a job where they will perform only average or below average, and not enjoy the work. So, you actually benefit the applicant you carefully evaluated using customized, objective hiring methods.

## **B. Return-On-Investments: Increased employee retention + reduction in turn-over costs = ROI**

What are the costs of Pre-hire tests and is it worth the investment? What is your return-on-investment? Here is what you need to know about ROI.

Hiring ROI simply is cost of hiring an employee compared to the ultimate, actual financial results that employee provides for your company. If you spend on expertise and hiring tools that result in you hiring highly productive, long-term employees, you achieve a huge ROI. But, when you hire a lousy, unproductive employee, you get negative ROI (a) financial loss for your company, and (b) bad reputation for your management career.

Imagine the ultimate financial value in productivity and profits that a terrific, long-term employee is worth at your company. For example, the owner of a maid company phoned me to use my pre-employment tests to increase the odds his company hires highly productive maids. His company provides maid services to homeowners. I asked how much a maid is worth to him. His first answer was the maid's annual salary. So, I said, "No, the salary is not the ultimate financial value of a productive maid at your maid-service company. When you hire a productive maid, how much is that worth in maid service sales and profit for your company?"

He calculated this while on-phone with me. It took 20 minutes. Lo-&-behold, a highly productive maid can produce \$50,000/year profit for his company. With that financial value in mind, he commented that my pre-employment tests' cost a "tiny percentage" of the financial value of hiring productive maids.

### **HORRIBLE TRUE STORY of FOCUSING on COST RATHER THAN RESULTING VALUE**

My wife wanted eye surgery to improve her vision. The leading researcher who created this eye surgery was in Scottsdale, Arizona, 1,700 miles from our Chicagoland home. I took her to that eye surgeon – because he was THE expert. He insisted on doing the surgery at four times. So, we traveled to Arizona

four times for the surgery. That was a lot of travel plus hotel and food costs. Good news = 20 years after the surgery, my wife's vision still is 20/20.

Three of her friends decided to get the same vision correction surgery. We recommended they go to the expert in Arizona. But, her two friends said it would be too expensive to travel from Chicago to Arizona. So, her three friends got their eye surgery from local-area eye surgeons. Good News: All three friends have 20/20 vision – in one eye. Bad News = Two friends are almost blind or have very blurry vision in their second eye. Yes, those three people saved a lot of expense. They focused on the cost – and not the ultimate result they needed. Their cheapness created horrible problems for them.

Interestingly, many hiring managers also focus on the cost of using an expert's good hiring tools. They fail to consider how a tiny investment in expertise and good hiring assessments immensely pays off when they hire terrific employees. Instead, their cheapness increases the likelihood they hire lousy employees who are unproductive and hurt profits.

### **QUESTION FOR YOU = WHAT'S COST of HIRING AVERAGE OR LOUSY EMPLOYEE?**

Recently, a city government called about using my pre-employment tests when they select Firefighters. When they hire a Firefighter, it is a lifelong expense for that city with salary, benefits and retirement costs. They previously hired some Firefighters who were lazy, did horrible work, and after their probationary periods did just enough work to not get fired.

But, the city's treasurer did not want to spend on pre-employment tests, because it was not something they previously paid for. Translation = They would rather incur a huge expense over many decades of a Firefighter's career and retirement, than spend a tiny percentage on pre-employment tests to help them hire good employees.

### **EXAMPLES of "SAVING A DIME WHILE WASTING A DOLLAR"**

## 1. Sales Rep

If you hire Sales Reps, how much is a productive Sales Rep worth to your company in terms of (a) sales and (b) profits? You can use this financial value calculation easily to see how spending on good hiring tools can help you hire highly productive Sales Reps.

## 2. “Blue-Collar” Employee

Entry-level employees are rather cheap on the payroll. But a good one can reap benefits for your company for a long time. In contrast, a lousy entry-level employee can be expensive – e.g., lazy, unproductive, impulsive, accident-causing, stealing, or substance abusing. Isn't it worthwhile to invest a tiny percentage of an entry-level employees' pay into pre-employment tests and other hiring tools that help you hire excellent ones?

## 3. “White-Collar” Employee

A productive “white-collar” employee – skilled or professional or managerial employee – absolutely must be financially worth a lot more than their annual salary. So, you readily can imagine the financial value when you spend a tiny percentage of their salary on professionally developed pre-employment tests and other good hiring tools that increase your chance that you hire the best.

### **Here is a simple method I developed to Calculate Turnover Costs**

Managers realize turnover is expensive, but they seldom know how to measure turnover costs. What is your company's turnover cost? Don't know? To fill this vacuum, **I devised a four-part turnover cost formula** (*more details in my book "Hire The Best — & Avoid The Rest™"*) and it includes these factors:

1. **Separation costs**, including exit interviews and record-keeping
2. **Replacement costs**, such as advertising, administrative actions, interviewers' salary and benefits, tests, and meetings to discuss candidates
3. **Training costs** for new-hire, for instance, manuals, workshops, coaching time,

and salary and benefits of new employee until s/he becomes productive

#### 4. **Lost business and lost productivity** (this is the most expensive problem)

Many managers know the cost of everything – but the resulting financial value of nothing. My wife and I knew the ultimate value of paying the national expert to do her eye surgery. Her friends only looked at the cost and they ‘pay’ for their horrible results from their cheap eye surgery until the day they die.

Likewise, hiring managers must focus on the potential bottom line, financial results of each employee they hire. When doing this, those wise managers realize the cost of good hiring tools – including pre-employment tests – is a tiny percentage of the actual financial results they achieve when they select productive, profitable employees.

### **C. EXPENSIVE PROBLEMS A GOOD PRE-EMPLOYMENT TEST HELPS COMPANIES AVOID**

When you give an applicant an employment test, make sure the test will “catch” applicants who try to lie or “outwit” the test by giving answers to make himself seem “better or different” than he truly is. If you hire an applicant who lies on a pre-employment personality test, you may need to deal with expensive problems.

That lying person may

1. not follow directives or instructions you tell them to use to do their work
2. not tell you when they have problems doing their work
3. create a lousy work environment for other employees, because of “1” and “2”

When managers call to tell me they hired an applicant that my pre-employment personality tests warned them was a liar, they report those three problems. I resist saying, “You should have listened to my test’s results and my advice.” Instead, I try to comfort the manager by saying, “Well, you learn from experience.” Then, the manager sighs – and then replies, “Well, Dr. Mercer, that was a very expensive experience! I should have listened to your test and to your advice.”

Remember = If you want to hire hard-working, productive, low-turnover employees, make sure pre-employment personality tests you use “catch” lying, deceptive applicants. Fortunately, a scientific, logical method is used in certain pre-employment tests to “catch” those liars.

#### **D. Legal Aspects of Employment Testing + what you need to know**

Here is a generally overview of legal aspects of employment testing. Specifically, three main legal guidelines exist:

1. Use valid and reliable tests
2. Monitor for adverse impact
3. Use tests within framework of legal hiring procedures

**First**, only use tests developed via research that clearly establishes the tests are **(A) valid and (B) reliable**. Such tests generally are developed by industrial psychologists. Such psychologists possess expertise in workplace testing to predict on-the-job performance. Ask about the test’s research base. Also, feel free to ask for a copy of the test’s “technical manual” which describes research results establishing the test’s validity and reliability.

This first legal guideline shows tests offer much more objective and scientific rigor and, as such, are easier to defend in court, than typical interviews. Why? Tests are validated using research, while interviews almost never are validated. If a candidate decides to sue, all selection techniques — including interviews and reference checks — must be justified, not only tests. As such, using tests provides companies with the opportunity to show that one screening method used — tests — have established validity and reliability, although the other screening methods used — interviews and reference checks — do not possess verified validity and reliability.

**Second**, monitor for adverse impact. An important component of this is the “**80% Rule**.” This is a rule-of-thumb that basically says an employer should hire qualified minority candidates at least 80% as frequently as the company hires qualified

non-minority applicants. To do this, (A) keep records of who is hired, (B) make sure the “80% Rule” was followed, and (C) look at the ultimate result of the screening, namely, how well interviews, reference checks and tests predicted candidates’ actual on-the-job success or failure.

**Finally,** use tests as one component in a framework of legal hiring procedures. To do this, first collect a pool of candidates. Screen out unqualified candidates using consistent, job-related criteria. Then, interview, test and do reference checks on candidates who seem most qualified to do a good job, often the best two to five finalists. Find out if a candidate can take the tests you give. For example, a dyslexic candidate may have a hard time reading certain tests. Keep in mind that ADA specifies the candidate must tell the employer if he or she has a disability that prevents the candidate from suitably handling an interview, test, or other screening method.

Also, be sure the test is job-related and does not discriminate on the basis of physical or mental impairments. How? Develop a job description following ADA guidelines. Then, test for a candidate’s abilities or skills listed in the job description.

Finally, use the test in a non-discriminatory manner. For example, do not test only members of one group and not others. Plus, do not selectively apply results. Analyze each person’s test results the same way, regardless of the person’s race, gender, or other such factors.

It proves very costly and time-consuming to hire below-average candidates who do not dive into their work and do a good job. Also, since a company is vastly more likely to be sued for terminating an employee than for not hiring an applicant, it becomes all the more crucial to hire people who are likely to become good employees.

By following these guidelines you should use legally justifiable testing. On top of that, you also hopefully will avoid the nightmare of putting the Employee-from-Hell — or other low-productivity or trouble-making employees — on your payroll.

## **Remember when choosing a Pre-Employment Test these Very Crucial Items**

### **First, are the tests valid and reliable? What is test validity and reliability?**

Use tests that are only developed using research to establish the test is both valid and reliable.

### **Validity of a test means it accurately predicts or forecasts exactly what it is meant to predict.**

For example, if one scale or section of the pre-employment test aims to predict if a job applicant is teamwork-oriented, then that test scale is valid only if accurately measures how much or how little an applicant likes teamwork. Or, if a test scale helps predict Problem-Solving Ability, then that Problem-Solving Ability section must be a valid or accurate measure of Problem-Solving Ability. If a test scale helps predict Theft/Stealing concerns, then it needs to be a valid or accurate prediction of an applicant's possible Theft/Stealing behavior.

### **Reliability of pre-hire tests is different than validity**

Reliability of a test can be established through research in a number of ways. In general, reliability means a test reliably or consistently measures what it is supposed to measure. For instance, if multiple questions predict Teamwork, then those Teamwork questions must overall measure Teamwork and not some other factor. Also, test-retest reliability means that if a job applicant takes the hiring test day and then takes the same test at a later date, such as a month later, then the applicant's scores should be the same in at both times.

### **What "Assessments" Are not Hiring Tests? Second, Am I choosing a test the is legally defensible?**

Pre-hire assessments are specially researched and created specifically for testing job applicants. In contrast, some organizations mistakenly use “assessments” meant for ***training or teambuilding with current employees when they evaluate job applicants.***

This is *wrong* to do for a number of reasons. For instance, such “assessments” are not researched, designed, nor justifiable for testing job applicants. Also, if any question is raised about the use of such “assessments,” the organization certainly may have a very hard time explaining why it used an “assessment” meant for training or team-building to evaluate job applicants. Also some personality tests are made to measure mental health/illness and their questions are not appropriate and relevant to the workplace, which is difficult to justify or defend legally. In all, employment tests should assess job skills and traits that are job-related. So, only use tests that actually are researched and designed to test job applicants. Do not use “assessments” that are not researched, designed, meant for, nor justifiable in your evaluation of job applicants.

**Follow the general guidelines in this article to help you hire the best job applicants. Contact Dr. Mercer to discuss pre-employment testing at your company.**

Michael Mercer, Ph.D., is creator of the 3 “Forecaster™ Tests” - pre-employment tests - and author of Hire the Best & Avoid the Rest™. He can be reached at [www.MercerSystems.com](http://www.MercerSystems.com).

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