

## **CHAPTER 11**

# **Pre-Employment Evaluation**

### **BUILDING A SOLID FOUNDATION BEGINS WITH PREPARATION**

Once you have identified qualified candidates, you should *diligently* continue the screening process through pre-employment evaluations. These can be conducted in two steps: (1) background checking and (2) candidate testing. These two steps are too often ignored by small business owners, yet they can keep the small business person from going under.

Most large corporations are aware of the necessity of pre-employment evaluations, but smaller companies often perceived as overkill. Not true! In smaller companies the need is even more critical. If you employ only four people and one of them turns out to be a poor choice and must be fired, you've lost 25 percent of your workforce! Organizations of all different sizes have proven that using pre-employment evaluations can reduce turnover. In "Attracting the Right Employees and Keeping Them" in an issue of *Personnel Journal*, it was reported that ServiceMaster, was able to cut its annual turnover rate from about 180 percent to 14 percent. Imagine what you could do for your company if you could reduce your turnover by even 10 or 20 percent!

The time, effort and money lost every time you have to go through the hiring process due to employee turnover should be motive enough to make sure pre-employment evaluations are done.

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### **Five Good Reasons for Pre-Employment Evaluations**

#### ***Reason #1: Limit Liability***

If a new employee is placed in a position where the company could be legally vulnerable (almost any position at all), pre-employment evaluation is an essential part of limiting liability. Certainly you have heard horror stories about companies who have not done this basic hiring homework, only to have the employee engage in a

questionable act which resulted in loss or damage and the company was liable. Diligent evaluation is critical to limiting legal liability.

***Reason #2: Determine Prior Performance***

Even if an employee does not do something that leaves you legally liable, poor performance will still cost you money. If you find out that a candidate performed poorly at a previous position, it's a good bet that he or she will repeat the same behavior at your company. Knowing in advance saves you the headache of having to fire an employee for poor performance.

***Reason #3: Identify Potential Problems***

Problems tend to recur. During pre-employment evaluations problems such as poor attendance, tardiness, substance abuse, a criminal history, and propensity toward theft or laziness can be uncovered.

***Reason #4: Reduce Turnover***

Pre-employment evaluations result in better hiring decisions, which automatically reduces turnover and increases productivity. Both are good for your business.

***Reason #5: Increase Quality of Employees***

Some candidates are better and more persuasive than others during interviews. By checking references, background, skill and abilities you can identify the true superstars from those who say they are superstars.

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## **Why Job Applicants Lie**

As mentioned earlier in this book, the Liars Index published by Jude M. Werra states that 15 percent of applicants for top-level jobs falsify information. Because this index is published annually in a number of well-known publications including *USA Today*, Werra had hoped the attention drawn to the number of people falsifying academic credentials would help reduce the index -- but that has not been the case. Werra tells me that applicants for executive positions falsifying academic credentials remains steady at just under 15 percent each year. The question is: Why?

Maybe lying just doesn't mean what it used to. There were so many lies exposed during the 1992 presidential election campaign, that *Time* magazine ran a cover shot of a person with a wide grin and sunglasses. The caption read, "Lying: everybody's doing it (honest)." The perception of everybody lying has taken the stigma away from telling "white" lies, omitting facts, fudging, or making misstatements.

Why do people lie in the first place? Job candidates lie, fudge, or make misstatements to conceal a shortcoming or problem, or to gain a perceived advantage. They might lack expertise in a particular area or experience in a specific discipline and want to "get their foot in the door." They may lie to cover up periods of unemployment, performance problems, or the fact that they left the position under less than desirable circumstances. Applicants rationalize the inaccuracies by stating that they help to "open the door" or compete with others who do the same thing.

It is important to state again that applicants and employers see resumes differently. Employers see a resume as a precise document that should be entirely factual. Job hunters, however, see a resume as a marketing tool and feel embellishments are natural and will be forgiven. Many lies are put on a resume early in a career to get a foot in the door or to give the applicant greater chance of getting the position. Some see embellishing as the only way to compete for any job because "everybody" does it.

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## Background Checks

A thorough examination of all candidates' references should sort out the qualified applicants. After you have interviewed your applicants, it's time to do a background check. Background checks normally include a person's criminal history, credit rating and driving record. They can also confirm employment, education and licensing. This kind of "undercover" work is now routine in many businesses largely due to the liability of negligent hiring and the legal maneuvering sometimes necessary to fire an unsuitable worker. An employee can sue for wrongful termination, so you need to be certain about a person before you hire them.

Recently, a fellow consultant shared a story about a candidate whose application only listed job experience with her father's company. She was hired without reference checks because it seemed futile to contact the father looking for a recommendation. After hiring, this new employee began a pattern of misconduct that ended when she took a sizable amount of money from the consultant's company. Finally then he began a background check that uncovered the truth. She had never worked for her father, had a consistent record as a problem employee and left under jobs several times under a cloud of suspicion of theft. This background work must be done *before* an employee is hired.

Much of the information you need is public record available to anyone, but it is smart business to hire a professional who can do the job quickly, thoroughly, professionally, and legally. Security companies and private investigators stay very busy doing these routine checks for a minimal fee between \$50 and \$500 (depending

on where you live and how much information you need). You can also find security investigators in the yellow pages under "Personnel Services" or "Employment Screening." They can also be found on the Internet, but tread here with caution. You must have a way of confirming an "investigator's" credentials, licensing, or capabilities. Ask them to provide references and credentials just as you ask applicants to verify performance. You need a reputable firm that will help you stay out of legal trouble. The firms listed in the Appendix G can help you get started.

You do not have to worry about running afoul of privacy laws when you do a background check if you've done your homework. Your application should clearly state your intention to conduct pre-employment evaluations and secure the applicant's approval. Most investigative firms will not begin without this signed form in their hands. You should also be careful to investigate only those circumstances that are directly related to the job. You need driving records only if driving is a part of the job. You want a consumer report even if the employee will not work with money (Although it's always a good idea not to put someone who is heavily in debt too close to the cash register!). A consumer report provides data ranging from names of past employers and residential stability to divorces and estimated prior earnings.

The turnaround time for a full background investigation is usually less than seven working days. If you do a lot of hiring, you might want to develop a relationship or enter into a contract with a pre-employment evaluation firm in order to speed the process.

**A word of caution about consumer reports.** Increasingly, employers look to consumer reporting agencies to investigate the credit history of job applicants. Be aware, however, that under the Consumer Credit Reporting Reform Act (effective September 1997) employers must disclose in a separate document that consumer reporting will be used in connection with employment decisions. Failing to do so exposes the employer to possible civil and criminal procedures.

There are two types of reports: consumer reports and investigative credit reports. A consumer report is simply any written or oral communication made to the employer regarding the applicant's general credit worthiness, credit standing, personal characteristics, general reputation, or mode of living. An investigative credit report has the same information, but goes a lot further. It adds information from interviews with people who are close friends, neighbors, and associates.

According to the law, if you deny employment in whole or in part based upon information contained in a credit report you must provide the applicant with (1) a copy of the credit report, and (2) a written description of the individual's legal rights concerning the use of credit reports. The credit reporting agency will provide you with a statement of these rights.

Credit checks can provide excellent information to assist in making an informed hiring decision; however, they must be used properly. It is in the best interest of the firm to receive competent legal advice on how they can legally use credit checks. Since rules vary from state to state, be sure to get advice from someone who knows the local situation such as an employment consultant or an attorney specializing in labor and employment law.

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## **Applicant Testing**

There are hundreds of different tools for applicant testing, but most can be grouped into the specific types of evaluations that are discussed here: 1) integrity testing, 2) values evaluations, 3) behavioral style evaluations, 4) job skills tests. (Physical exams and drug testing are other pre-employment tests, but they are conducted further along in the hiring process. See Chapter 13 for details.)

It is impossible to dictate which candidates must take which tests or instruments. As a general rule, integrity testing is used when the honesty of the candidate is critical, such as when handling money or merchandise. Values and behavioral instruments are used for positions that require independent decisions such as sales or management and when there is significant interaction with others. Job skills tests are used to verify demonstrable skills such as typing, electronic knowledge, or computer programming.

To determine which tests or instruments will benefit you in your hiring process, consult an employment specialist who is knowledgeable in the law, uses of pre-employment evaluation, and the position you're trying to fill. The following information will give you a working knowledge of the tests you can use in your hiring process.

### ***Integrity Testing***

The banning of polygraph ("lie-detector") tests in 1988 has spawned a growth industry of paper-and-pencil integrity tests. These tests ask applicants their attitudes about theft, uncover admissions of employee theft, and explore other work-related wrong doings. They ask questions that seem to be routine and innocent, such as, "Have you ever taken any items from work that belong to the employer?" They also assess personality traits that are usually associated with irresponsible behavior such as, "I sometimes went against the wishes of my parents."

Though there is some disagreement on whether these tests invade privacy and incorrectly diagnose some people, many business owners swear that their use helps curtail employee theft and substance abuse, and predicts the individual's tenure and manageability.

The first paper-and-pencil integrity test was developed in the 1960s by John Reid, a polygraph examiner for the Chicago Police Department. Today *The Reid Report* is widely used. Two other popular pre-employment evaluations are *Orion Systems* and *Stanton Survey*. These tests are scientifically validated, reliable, time-tested, and produced by reputable companies. There are other reputable test publishers listed in Appendix G. If you choose a test that is not mentioned in this book, be sure to ask if the test has a validated scale of control questions that act as a built-in safe-guard to determine whether the respondents are answering honestly. This is an important gauge of reliability. Before using any test, ask the publisher for a copy of studies demonstrating that the instrument meets all Equal Employment Opportunity Commission guidelines and does not discriminate. And also ask if they will defend you in court against charges of discrimination, at no charge, if you use their test within the prescribed guidelines and still end up with a suit on your hands -- some will!

The tests are relatively easy to administer and can be done within thirty to forty minutes at the place of employment. The responses are usually called in to the testing firm which quickly returns a score and its related level of recommendation. The cost is usually less than twenty dollars per applicant. This is an excellent investment because it can identify applicants with the propensity for theft and/or alcohol/substance abuse, and it can predict level of manageability and probable tenure.

### ***Values Instruments***

A person's values determine the decisions he or she makes in business and personal life. Although values instruments might sound similar to integrity testing, they are quite different. Integrity tests focus in-depth on what impacts the behavior of theft, substance abuse, and response to authority. Values instruments can index or measure very important values, such as the drive for economic benefit or money motivation. In short, they can reveal what makes a person tick. They can also indicate the amount of drive a person has to move forward.

Being able to index or measure the strength of these values is especially critical the position requires independent thought. We initially assume these are executive positions, but today almost all positions in smaller organizations require independent thought and initiative.

Value instruments are available from the sources listed in Appendix G. These firms generally give you summary report that describes the individual. The cost of this kind of paper-and-pencil instrument tends to be under \$20, although computerized reports may be higher and more complex and in-depth test costing up to several

hundred dollars. Regardless of the cost, they're a bargain compared to the possible consequences of hiring one wrong person in a key position.

***Behavioral Style Testing***

Behavioral style instruments look for certain qualities that are part of a person's natural makeup. For example, a behavioral style profile (sometimes incorrectly called a personality test) may uncover that the individual you felt would make a superior parts clerk does not like detail work and became bored easily. If this was not discovered before you hired this individual, imagine the chaos a few months later when you find your prized new employee has not been documenting the records well, has not placed the parts in the appropriate bins, and has brought total disorganization to the parts department. This problem stems not from lack of skill but from a behavioral style that is not suited to the job.

Behavioral style profiles can be geared toward specific positions and are especially common in the evaluation of salespeople. Based on the individual's natural behavioral style, these tests can identify whether a person has a natural ability for a specific type of selling, such as sales floor or cold calling. Some instruments probe the individual's ability to work with customers. If an individual has a natural tendency to be direct, abrupt, and brash, this would not be an individual you would want talking with irate customers, no matter how talented he or she is in other areas. It is much better to start with an individual who naturally fits the job rather than one who has to struggle to adapt to the job.

Most behavioral style tests ask applicants to choose terms to describe themselves, such as *open-minded*, *bold*, *daring*, *loyal*, *faithful*, *charming*, or *delightful*. The applicant's choices are then scored to measure and predict behavior.

Most instruments that index or measure behavioral style can be used in the work place and may be scored on site. The cost for the paper-and-pencil versions generally is under twenty dollars, while the detailed and extensive computer reports may cost up to several hundred dollars.

You might want to consider combining a values test and a behavioral style instrument to give you insight into both how an applicant makes decisions and then implements them. In short, values determine what we do and behavioral style determines how we go about it. To really match an individual to a position, it is important that you understand both the values and behavior required to do the job. For example, if an individual is applying for a sales position and has values which include a high drive for economic gratification, yet dislikes going into new situations or contacting new people, the individual would not be successful in a sales position which requires cold calling and generating new business.

Behavioral style instruments are available from the sources listed in Appendix G. Before you purchase these tests, you should get the advice of a trained professional in selection and use of these types of instruments.

### ***Job Skills Testing***

In a specialized and highly complex business environment, it is very important to verify that a candidate can perform the tasks claimed in the interview. If a person claims to be able to operate a computer, type with certain proficiency, or perform other tasks, a job skills test is a good idea. A job skills test is simply audition an individual's ability to do what is claimed.

Job skills tests range from an impromptu audition like asking the candidate to type a letter, to very elaborate tests created by outside organizations. The best tests are often those you make yourself based on your own list of musts and preferreds created in determining your hiring criteria. If your list contains specific skills, such as typing, using a software package, or calculating certain math problems, a practical job skills test can be arranged. Select a few reasonable simple ordinary tasks which can be done without having specific knowledge of your business but will demonstrate the candidate's skill. Remember, to keep these tests simple because the individual is under stress during the interview and will not be performing at the top level of their ability.

Before using job skills test which you create yourself, it is important to ensure that both the test and its administration are legally sound:

- Use the same test for all individuals applying for the position.
- Make sure the test is job-related and reasonable. Don't ask an applicant to "sell me this pencil," for example, if selling that item cannot be related to the job. This can cause legal troubles and it's not a valid test of the skills you need in your employees.
- Keep a record of each applicant's test along with the folder of other employment information as outlined in "Store Employment Documents Carefully" in Chapter 4.
- Set acceptance standards in advance.
- Have a personnel consultant or an attorney specializing in labor and employment review your tests before you administer them.

If you'd rather not go to this trouble of creating your own skill tests, you can obtain packaged tests from professional testing companies. These are well-constructed and can provide standard scores that equate to levels of expertise. These tests are generally inexpensive, are easy to administer, and are readily available.

Companies, such as Wonderlick Personnel Testing Inc. of Northfield, Illinois, have an extensive battery of tests available and are happy to provide information about them.

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## **Innovative Ideas**

There are many ways you can match applicants to positions. The database and benchmark methods that follow are two ideas that show how top employees can be evaluated. You should use an employment consultant to get you started.

### ***Develop a Database***

If you have enough employees in the similar positions, you can create a database of traits or test scores common to strong performers. You can then use the database information to seek candidates whose personalities or behavioral styles are consistent with your company's best employees. Instruments can be used to measure candidates against the traits of the strong performers.

### ***Creating Benchmark***

Some organizations have conducted their own research to determine the traits and behaviors of successful and unsuccessful employees. By evaluating employees, it is simple to determine what set of traits and values apply to achievers (and failures) in the company. Once the pattern is defined, you can select a series of statements that describe high performing employees and compare all new applicants to these statements. These statements might include

- can handle conflict with employee or customer
- pays ample attention to details
- handles pressure well
- is emotionally stable and predictable

You might even ask applicants to rate themselves by using a scale where "5" indicates "strongly agree" and "1" to indicate "strongly disagree."

These are just two more methods of pre-employment evaluation. When searching for the best candidates, look over all the options mentioned in this chapter and choose the ones that you believe will help you find the level A employee who will be a good match and stay for the long term.

## ***FREQUENTLY ASKED QUESTIONS***

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***Q. What if I uncover that the candidate has been convicted of a felony?***

**A.** In itself, being convicted of a felony is not grounds for denying employment. To make an objective, realistic determination you must look beyond the conviction to the circumstances of the situation. For example, if a person was convicted of a non-work related felony many years ago, it would have little bearing on a hiring decision. However, a recent conviction for theft would have direct bearing on hiring a candidate for a retail sales clerk position handling cash. If the applicant was less than truthful and did not admit to the conviction when asked on the application, it is automatic grounds for denial of employment.

***Q. If I use pre-employment evaluation instrument the way the creator instructs am I liable for its use?***

**A.** Yes. You are liable for any practices your organization conducts in selecting employees. However, many of the more reputable firms will assist you to ensure they are used within the law. If you follow their instructions they will bear the responsibility of defending you in court.

***Q. If an outside source conducting a background investigation provides non-job-related information, such as marital or family status, can I consider it in making an employment decision?***

**A.** No. Regardless of where the information is obtained, prohibited information cannot be used in employment decisions.

***Q. Can I reject a person based solely on the results of a behavioral instrument?***

**A.** A behavioral instrument should never be used as the sole determination of whether to hire or not. It is an excellent tool that provides a great deal of information and when validated during interviews and reference checks should provide a strong indication of the individual's ability to be successful.