



Who can benefit the most from pre-employment testing?

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Developing and implementing selection

systems to refine the applicant field can be an effective way to improve hiring decisions. Selection instruments can enhance objectivity, increase hiring process efficiency, reduce workforce needed for hiring, and improve the quality of hires for a company. In general, most businesses can benefit from using a pre-employment selection system. However, determining which companies can profit the most from pre-employment selection systems involves considering a few factors.

One of the most important factors to consider is the number of applicants/incumbents for a position. Jobs that are very specialized or have very few individuals in the position would have a poor ROI in using a pre-employment testing system (i.e., the amount of resources to create the system would outweigh the benefits). Thus, selection systems are typically better for medium to large sized companies where there are a number of employees in a particular position. Another reason selection systems are difficult for small companies to use is because of logistics. Pre-employment testing requires an adequate sample size in order to make valid inferences about the population. Thus, the smaller the sample size, the greater the chances are that the statistics will not detect significant results or substantiate false results (Cascio & Aguinis, 2005).

Another issue to consider is the current condition of the position in question. Are turnover rates high? Is employee performance, particularly among new hires, lower than expected? These issues may be the result of

employees not having the knowledge, skills, and abilities necessary for the position. Current screening methods may be ineffective and an established selection system could dramatically improve upon these results (Rust, 2007). Likewise, if employee retention and performance is exceptionally high, then a selection system may offer only incremental improvement. In these circumstances, however, it is important to consider the cost effectiveness and efficiency of a selection system over other screening systems heavy on business resources.

An additional factor to consider is the industry a company resides in. Certain industries are more prone to turnover than others because of various economic factors (competition, volatile market, etc.) or the characteristics of the job (seasonal, nature of work, etc.), and thus could benefit from more accurate and cost effective selection system, due to their increased hiring volume. For example, as reported by the Bureau of Labor Statistics, the average separation rate (i.e., employee layoffs, fires, or quits) for the month of May (2008) across all industries was 3.1%. However, there are several industries with much higher rates: Leisure and hospitality (5.7%), construction (5.1%), and retail trade (4.0%). In particular, the Bureau of Labor Statistics makes note of these industry trends:

“Several industries consistently have high rates of both hires and separations. These include construction; retail trade; professional and business services; arts, entertainment, and recreation; and accommodation and food services. In the 12 months ending in June 2008, these

5 industries produced 32.1 million hires and 31.5 million separations. Therefore, these five industries accounted for 58 percent of total nonfarm hires and 59 percent of total nonfarm separations while comprising only 40 percent of total nonfarm employment.”

Lastly, the type of position is also a pertinent factor to consider when looking at selection systems. Employees with specialized skills and valuable training and knowledge will have a more adverse impact on company financial operations when they leave than an employee in a low skill position. Approximations have been made that it will cost a company an employee’s first year of salary and benefits to correct a poor selection decision (Rust, 2007). Thus, the higher the salary of the position in question, the greater the ROI will likely be.