

INTEGRITY TESTING

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White Papers



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WHAT IS AN INTEGRITY TEST?

Periodically human resources and loss prevention professionals have the perception that the polygraph and integrity tests are similar in nature. While the instruments originally were developed to address the same significant need (to prevent employee theft), that is really the only similarity between these instruments.

First, polygraphs are used to evaluate the veracity of an applicant's statements. The focus is on whether the person is lying about previous behavior. Based on the polygraph examiner's determination that someone is lying about their past behavior, the inference is made that the person may be dishonest on the job. In contrast, integrity tests were not developed to ascertain if a job applicant is lying. Rather, an applicant's answers are taken at face value and used to predict whether the individual will engage in certain inappropriate workplace behavior. The inferences drawn by scores on integrity tests are supported by validation studies that show that lower scores on these tests are associated with higher likelihoods of workplace counterproductivity. Thus, rather than being supported by a mere, but somewhat logical, rationale that liars are dishonest, integrity tests are supported by scientific research documenting their effectiveness.

Similar to polygraphs, initially integrity tests were developed to exclusively identify individuals that were high risks for stealing

an employer's money and/or merchandise. However, as the research base for these instruments expanded, it was found that integrity tests did a good job of predicting other forms of general counterproductivity, which includes turnover, absenteeism, disciplinary problems and wasting time. These tests have also been shown to be good predictors of the flip-side of the coin—high performing employees tend to score well on integrity tests. Bottom line, integrity tests tend to be a good measure of a large constellation of behaviors that are characterized as conscientiousness under psychology's Big Five Personality Factor model.

Today, a large number of North American employers utilize integrity tests to help identify individuals that will not walk out the back door with their employer's money and merchandise. However, employers are equally motivated to use these instruments because they enhance the likelihood of hiring highly conscientious and productive employees.

INTEGRITY TESTS SUPPLEMENT OTHER HIRING PROCEDURES

Not only does integrity testing do a good job of identifying individuals who will not engage in various forms of counterproductivity, these assessments are extremely useful for supplementing the information gleaned from other commonly used employment screening tools.

The vast majority of organizations use some form of application blank or resumé review



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as an initial component of the hiring process. However, research shows that employers should be very cautious about relying on the information provided on application blanks and in resumés.

Research commonly shows that 20% to 50% of applications and resumés contain material misrepresentations. This is truly driven home by the fact that many very high level workers have provided significant misrepresentations regarding their background. For instance:

- Senator Harkin from Iowa indicated that he spent a year in Vietnam flying combat missions. In reality, he was stationed in Japan and saw no combat experience.
- George O'Leary lost his football coaching job at Notre Dame due to falsely claiming he had a master's degree in education.
- The Research Director of Institutional Shareholder Services lost his job due to misrepresenting that he had a law degree.
- Kenneth Lonchar, CFO of Veritas Software, resigned after it was determined that he didn't have an M.B.A.
- The CEO of Bausch & Lomb didn't have the M.B.A. he claimed to have had and forfeited a million dollar bonus.
- The current governor of New Mexico has claimed for forty years that he was a draft pick for the Kansas City A's baseball team. Late in 2005, he admitted he had not been a draft pick.
- In February of 2006, the chief executive of Radio Shack resigned after the Fort Worth Star-Telegram found false information on his resumé.

- David Edmondson claimed he had degrees in theology and psychology from Pacific Coast Baptist College, but the school had no record of the degrees. Edmondson admitted the information was "incorrect."

Additionally, for the most part, the information contained within resumés and applications provide little insight regarding how well the job applicant actually performed in a previous job. While an applicant may have worked in a retail setting for the past three years, that doesn't mean the person was a high performer nor does it provide any insight regarding whether the person engaged in various forms of workplace counterproductivity.

While certain information contained within an application and resumé can be verified, it is important to recognize that applicants are now going to extremes to cover up their misrepresentations. For instance, dishonest applicants are now providing prospective employers with toll free numbers that are hooked up to fake degree providers that verify the applicant's stated educational background. Candidates for employment have even gone so far as to pay hackers to plug their names into the class lists of where they lied about going to college.

Many employers conduct criminal background checks to help ensure that members of their workforce are ethical and honest individuals. While this is certainly a useful approach, it has a number of constraints. First, employers can only



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legitimately consider criminal convictions in the employment process. It is noteworthy that a large percentage of crimes committed either go undetected or do not lead to convictions. Thus, certainly not all previous wrongdoers are identified through a criminal background check. Typically, criminal background checks have a hit rate of about 5%, with many of the convictions not being job-related or relating to integrity. This situation is exacerbated with applicant pools that contain a high number of young job applicants. Except in rare circumstances, juvenile records are sealed and not available to a prospective employer.

Finally, at one time employers commonly used references as a means of gauging the integrity of their applicants. Unfortunately due to concerns about defamation lawsuits, organizations commonly provide very little information to prospective employers. The information typically provided (e.g., job title, length of employment) provides no insight regarding an applicant's likelihood of engaging in workplace counterproductivity.

Bottom line, while applications, resumés, references and criminal background checks are important hiring tools that can provide useful information, the information they provide regarding a candidate's integrity is far from comprehensive and candid. Thus, the prudent employer who is concerned with workplace counterproductivity and performance will supplement these

procedures with a high quality test that is designed to effectively assess such characteristics.

EMPLOYEE STATISTICS DOCUMENT THE NEED FOR INTEGRITY SCREENING

While the need for screening for integrity is almost axiomatic, there is a wealth of research which also documents this fact. For instance, a 2005 study conducted by CareerBuilder.com found that approximately one in five workers lie at the office at least once a week. While the motivations for lying varied, some common reasons were to:

1. Cover up for a failed project.
2. Appease a customer.
3. Explain an unexcused absence or late arrival.
4. Get another employee in trouble.

Other research in 2005 from the Food Marketing Institute ("FMI") examined the major loss prevention and security challenges for the food retail and wholesale industry. The research looked at three common causes of shrink—employee theft, shoplifting and organized retail theft. According to FMI, and potentially somewhat surprising to some readers, employee theft accounted for 43.3% of total shrink, while the other two causes each accounted for about 25% of it. According to FMI's study, cash was the number one type of employee theft, with merchandise theft coming in a close second.

Beginning in 1991, researchers have conducted the National Retail Security



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Survey ("Retail Survey"). In 2004 the Retail Survey received data from 107 retailers representing 20 different retail markets. On average, these firms had a shrinkage rate of 1.54% of total annual sales or \$31 billion. Consistent with the results of the FMI study discussed above, the Retail Survey found that the largest contributor to shrinkage was employee theft, which accounted for 47% of shrinkage or \$14.6 billion. Additionally, this study found that organizations that had high levels of employee turnover experienced greater levels of shrink, and that employers with part-time employees had greater shrink.

From a non-industry specific perspective, according to a 2005 report released by the Association of Certified Fraud Examiners, U.S. organizations lose \$600 billion annually to fraudulent activity—an amount that exceeds the annual budget for the U.S. Department of Defense. According to the report, asset misappropriation (particularly cash) was the most common form of fraud. Further, the report recommends diligence in the hiring process to protect against employee fraud and abuse.

While maybe not as obviously problematic as stealing money and goods from an employer, time theft by employees is extremely costly. According to a 2005 study by Salary.com and America Online, the average worker admits to frittering away 2.09 hours per day, not counting lunch. This unproductive time costs employers

\$759 billion annually.

Similar to the research above, Wonderlic researchers have found that almost 15% of employees admit to spending more than 30 minutes of the workday surfing the Web for non-business reasons. Additionally, 7.3% indicate that they waste over 30 minutes of their workday playing computer games or sending text messages.

In conclusion, employers lose billions and billions of dollars each year due to various forms of employee theft and counterproductivity. As a result, employers can significantly impact their bottom lines if they utilize hiring tools, such as integrity tests, which help to identify job applicants who are likely to engage in these costly behaviors.

VALIDITY EVIDENCE FOR INTEGRITY TESTS

Periodic debate regarding the validity of integrity tests generally stems from detractors being unfamiliar with the scientific research on this subject matter or reliance on a misleading 1990 paper published by the now defunct Office of Technology Assessment ("OTA"). Subsequently, scientific and exhaustive reviews of these instruments have always concluded that the research on integrity testing strongly supports their validity and utility for pre-employment screening. This section will discuss this research.

In the wake of the Employee Polygraph Protection Act of 1988 ("EPPA") being



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signed into law by President Reagan, four members of Congress who had vigorously endorsed and supported the EPPA requested that the OTA review the existing research on integrity testing in an attempt to form a basis for introducing restrictive legislation. In a similar vein, the OTA had previously reviewed the available research regarding the polygraph and concluded that it was not a valid instrument, which led to the introduction of the EPPA. These members of Congress misguidedly assumed that integrity tests were similar in intent, design and research to the polygraph. In support of the OTA study, integrity test publishers and the Association of Personnel Test Publishers (now the Association of Test Publishers) provided the OTA with volumes of research regarding validity evidence, but very little of this documentation was reviewed and reported by the OTA. In 1990 the OTA released a paper entitled "The Use of Integrity Tests for Pre-employment Screening", which was based on very little of the research provided to the OTA. Still the bottom line of the paper was that "The research on integrity tests has not yet produced data that these tests can predict dishonest behavior."

Unlike the OTA's earlier paper that evaluated the available research on the polygraph, the OTA's conclusions regarding integrity testing were inadequate to form the basis to introduce any restrictive legislation. Additionally, since the paper obviously did not address the wealth of research on integrity tests, it is important to

note that this paper was widely criticized by some of the most prominent industrial psychologists throughout the country. In fact, the 1992 Annual Review of Psychology concluded that, "The Congressional Office of Technology Assessment, after two years of study, released a background paper on integrity testing. This study is superficial and in part clearly erroneous..."

Moving on to the other reviews that have actually focused on the extant research on integrity tests, in 1991 the American Psychological Association ("APA") released a report entitled "Questionnaires Used in the Prediction of Trustworthiness in Pre-employment Selection Decisions." While this study did not involve as an exhaustive review as subsequently conducted studies, the APA certainly considered and reported on substantially more of the available research than the OTA paper. According to the APA's review, "The preponderance of the evidence is supportive of their [integrity tests] predictive validity.

In 1993 an article entitled "Comprehensive Meta-Analysis of Integrity Test Validities: Findings and Implications for Personnel Selection and Theories of Job Performance" ("Meta-Analysis") was published in the highly regarded Journal of Applied Psychology. This article evaluated over six hundred integrity test studies involving 576,460 test takers. A review of this research led the researchers to conclude that: "Results indicate that integrity test



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validities are substantial for predicting job performance and counterproductive behaviors on the job, such as theft, disciplinary problems, and absenteeism." Thus, the research indicated that these assessments not only do a good job of helping screen job applicants who may have integrity problems, but they are useful for identifying candidates who will be high performers. The Meta-Analysis also indicated that integrity tests are not likely to have an adverse impact on the basis of a job applicant's race or gender. Interestingly, the authors concluded the Meta-Analysis by acknowledging a tendency towards negative bias in conducting this comprehensive study. Specifically, they stated that: "When we started our research on integrity tests, we, like many other industrial psychologists, were skeptical of integrity tests used in industry. Now, on the basis of analysis of a large database consisting of more than 600 validity coefficients, we conclude that integrity tests have substantial evidence of generalizable validity...perhaps the most significant conclusion of this research is that integrity test validities are positive across situations and settings."...

The next, and most recent comprehensive analysis of integrity tests, appears in the 1998 edition of *Psychological Bulletin*. The article entitled, "The Validity and Utility of Selection Methods in Personnel Psychology: Practical and Theoretical Implications of 85 Years of Research Findings," was written by two of the

nation's most respected industrial psychologists—Frank Schmidt and John E. Hunter. Rather than focusing exclusively on the utility of integrity tests, these two researchers evaluated the effectiveness of 19 different selection procedures (e.g., work samples, interviews, integrity tests, reference checks, job experience), both individually and used in conjunction with each other. Their review concluded that the use of a general mental ability test and integrity test in combination yielded the highest validity of any combination of the 19 selection measures. They also noted that the combination did a good job of predicting job performance (not just counterproductivity) and tended to be an inexpensive means of selecting entry-level and experienced applicants. Also noted in the previously discussed Meta-Analysis, the use of an integrity test in conjunction with a general mental ability test will lead to less adverse impact than when the mental ability test is used alone.

In sum, the objective and scientific reviews of integrity tests have determined that these instruments have high utility and validity for predicting not only counterproductive behaviors like employee theft, but also for identifying individuals who will be superior performing employees. The importance of this is reinforced in the Schmidt and Hunter article discussed above, wherein they state that: "In economic terms, the gains from increasing the validity of [a company's] hiring methods can amount over time to literally millions



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of dollars. However, this can be viewed from the opposite point of view: By using selection measures with low validity, an organization can lose millions of dollars in reduced production."

LEGAL ISSUES

Polygraph Prohibitions

Periodically, there seems to be a general misunderstanding regarding the purpose of integrity tests vs. that of the polygraph. Contrary to the beliefs of some commentators, the two instruments are very dissimilar. Polygraphs and lie detectors were developed to determine whether a person is lying based on their physiological responses to questions. In contrast, integrity tests were developed to predict various aspects of work performance based on a person's answers to a questionnaire.

Due to the misguided approach of lumping integrity tests in with polygraphs, a limited number of professionals believe that federal and state prohibitions regarding lie detectors apply to written integrity tests. In reality, only two state polygraph statutes restrict the use of written integrity tests. In Massachusetts, employers may not use any written instrument that provides a diagnostic opinion of honesty, while in Rhode Island such tests cannot be the primary basis of an employment decision.

Additionally, in the two states where there has been litigation regarding this issue, the courts have held that their lie detector statutes do not cover the use of written

integrity tests. Specifically, over 20 years ago the Minnesota Supreme Court addressed this issue in *Minnesota v. Century Camera, Inc.*, 309 N.W.2d 735 (1981). Under the relevant Minnesota statute, employers cannot require employees or prospective employees to submit to a "polygraph, voice stress analysis, or any test purporting to test the honesty" of a person. The court held that the statute applied only to tests that measured physiological changes and specifically precluded coverage of written psychological questionnaires used to gauge honesty.

Under current Wisconsin law an honesty test is defined as a "polygraph, deceptograph, voice stress analyzer, psychological stress evaluator or similar mechanical or electrical device" used to evaluate honesty. Hence, the current Wisconsin statute obviously does not apply to written integrity tests because they are certainly not "mechanical or electrical devices". However, before the Wisconsin legislature amended and clarified the relevant statute by adding the "mechanical and electrical devices" language, a Wisconsin appeals court had spoken to the issue of whether the state's polygraph statute covered written integrity tests. Use of a written integrity test was not a violation of the state's polygraph statute because the test did not measure physiological responses, according to the appeals court in *Pluskota v. Roadrunner Freight Systems, Inc.*, 524 N.W.2d 904 (1994). The court distinguished the devices



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covered by the statute from written tests, noting that paper and pencil tests are designed to measure attitudes regarding honesty, while polygraphs measure physiological changes and make determinations regarding deception.

In sum, no states other than Rhode Island and Massachusetts place restrictions on the use of written integrity tests via their lie detector statutes. Additionally, such instruments do not fall within the purview of the federal Employee Polygraph Protection Act of 1988. As a result, integrity tests are commonly used by employers throughout the U.S., as well as Canada.

Do Integrity Tests Exhibit Adverse Impact?

One of the major concerns regarding hiring procedures, including integrity tests, is whether they tend to exhibit adverse impact on the basis of race or gender. While test publishers and researchers certainly have generated significant documentation that integrity tests do not exhibit adverse impact, employers responding to applicant challenges have provided such information as well. With respect to challenges of adverse impact, employers in over thirty cases have been able to demonstrate to administrative agencies that these instruments do not exhibit adverse impact. To the best of our knowledge, there has not been a single Equal Employment Opportunity Commission, state/provincial human rights agency or court determination holding that

integrity tests exhibit an adverse impact on the basis of race or gender—regardless of subgroup status, job applicants tend to pass such tests at pretty much the same rate.

As an aside, while employers' perfect success rate in defending their use of integrity tests in response to the thirty plus formal challenges speaks extremely well for such tests, it also indicates that integrity tests are not lightning rods for litigation. Millions of integrity tests have been administered since the advent of the Civil Rights Act of 1964—given the fact that there have only been about thirty challenges indicates that employers are not increasing their exposure to litigation through test use.

Privacy Issues

Commonly the popular press, as well as human resources and legal publications, indicate that integrity tests contain invasive questions, which makes them a likely target of litigation. In reality, this is far from true. The confusion regarding this issue apparently stems from the fact that certain clinical personality tests have been inappropriately characterized as integrity tests. Clinical personality tests that were developed to assess emotional stability in healthcare settings commonly contain invasive items regarding sexual practices, bodily functions, religious beliefs and disabilities, and are periodically used in the employment domain. In a few instances involving their misuse, these clinical personality tests have been the focus of



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invasion of privacy suits.

In contrast, integrity tests have not been the focus of invasion of privacy challenges simply because they do not contain items that are perceived as invasive by job applicants. A good example of this fact stems from a suit against Target Stores (*See Soroka v. Dayton Hudson*, 235 Cal.App.3rd 654 (1991)). This case involved a challenge regarding the invasive nature of tests used by Target to screen store security personnel. Target's testing consisted of one instrument comprised of the Minnesota Multiphasic Personality Inventory (MMPI) and the California Personality Inventory—a clinical personality instrument that contained various questions about religious beliefs and sexual practices, as well as an integrity test called the Employment Inventory. Upon plaintiff's review of all tests used by Target, the integrity test was dropped from the litigation because it contained no inappropriate or invasive inquiries.

In sum, the notion that integrity tests contain invasive items, which are likely to trigger litigation, is without merit. First, such tests do not contain odd or invasive items. Second, as stated in the previous section regarding disparate impact, there have only been about thirty challenges to the use of integrity tests over the course of over forty years—no challenge has alleged invasion of privacy.

Americans with Disabilities Act

Turning to the Americans with Disabilities Act (ADA), the most common concern here seems to be whether integrity tests are medical in nature, which would mandate that they only be administered after a conditional offer of employment. In this vein, the Equal Employment Opportunity Commission's ("EEOC") general guidance in this area was cited in a recent Seventh U.S. Circuit Court of Appeals opinion that held that a clinical personality test (MMPI) was a medical examination (*See Karraker v. Rent-A-Center*, 411 F.3d 831 (7th Cir. 2005)). In its holding, the Court of Appeals referred to that guidance in stating that "Psychological tests that are designed to identify a mental disorder or impairment qualify as medical examinations, but **psychological tests that measure personality traits such as honesty, preferences, and habits do not**" (emphasis added). Hence, integrity tests can, and in fact should, be administered prior to an applicant receiving a conditional offer of employment. Note, the EEOC has indicated in various policy letters that only medical examinations should take place after a conditional offer of employment has been tendered. This has been strongly reinforced by the Ninth and Fifth U.S. Circuit Courts of Appeals. *See Buchanan v. City of San Antonio*, 85 F.3d 196 (5th Cir. 1996) and *Leonel v. American Airlines*, No. 03-15890 (9th Cir. 2005).

In conclusion, while all tests should be reviewed to ensure that they are not



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medical examinations under the ADA, integrity tests are typically not considered medical in nature. As a result, the lawful timing for admission of such instruments is prior to a conditional offer being tendered by an employer.

CONCLUSIONS

The use of integrity tests has been growing over the last 30 years. This is mainly due to the extremely favorable research results supporting the use of these instruments, as well as their ability to withstand judicial scrutiny. Additionally, in today's highly competitive business climate, employers are extremely concerned with employee productivity and counterproductivity issues. Only through diligence in applicant screening and a strong focus on employee conscientiousness can employers be truly competitive in today's environment.