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The Honesty Busi

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Paper-and-pencil honesty testing has gained a foothold in hiring policies, but complaints and concerns linger.

By Matthew Budman

When Congress banned polygraph testing for hiring purposes five years ago, pencil-and-paper integrity testing appeared ready to take its place. Written tests, proponents said, were simpler and quicker, less intrusive, and much less expensive—the perfect, painless antidote to the losses American companies suffer annually in pilfered cash and merchandise—up to $50 billion by some estimates.

In fact, most honesty tests *are* simple, quick, relatively nonintrusive, and cost only $6 to $15 a person (polygraphs cost $25 to $75). But even those who use the tests have concerns about them, which is one reason why companies haven't turned to the tests en masse.

Expected to skyrocket in popularity, written testing has grown slowly and today is scarcely more prevalent than the unwieldy, ineffective lie-detector exams it replaced. About 5,000 U.S. companies give job applicants some 2 million to 5 million honesty tests each year—fewer than tests of mechanical aptitude, industrial skills, knowledge, personality, or anything else, according to the Society for Human Resource Management (SHRM) in Alexandria, Va.

No one seems to have definitive data on the growth of honesty testing. David Arnold, general counsel at the Chicago-based publisher Reid Psychological Systems, estimates that industry sales are increasing perhaps 10 percent a year, and a 1990 *New York Times* article put the figure at 20 percent. But John W. Jones, who is perhaps the country's top expert on and spokesman for integrity testing, admits the industry has expanded only slowly recently (he cites the economy and slow hiring). Also, at an annual growth rate of just 10 percent, the industry would have nearly doubled since 1988—but industry spokesmen and observers have put annual U.S. sales at the same $25-million-to-$30-million level for years.

All this confusion demonstrates that no one knows by how much—if at all—testing has grown in recent years. By comparison, a 1993 American Management Association survey shows company drug testing increasing nearly 300 percent since 1987.

Part of the problem is classification: Integrity testing now is often folded in with general preemployment psychological testing. The narrowness of pure honesty tests, whose questions focus on the respondent's attitudes and past indiscretions, has made them increasingly rare, says Jones, vice president of research and development at Rosemont, Ill.-based test supplier London House. "What the trend seems to be is a multidimensional test that measures attitudes toward safety, service orientation, productivity, drug avoidance, and honesty. Then there's a composite score." That score represents an attempt to quantify the test-taker's potential quality and *predilection* for counterproductivity.

The Politics of Witchcraft

Testing proponents, unsurprisingly, feel their products have weathered scrutiny rigorous enough to win over naysayers. "There still are those who are skeptical or who do not like the tests, but that comes from lack of knowledge of their validity and nondiscriminatory nature," says Arnold, who also is secretary and general counsel of the Washington, D.C.-based Association of Test Publishers.

Others, examining the same data as Arnold, come to different conclusions. Many remain doubtful that tests are valid—effective at screening out dishonest applicants—or that they judge members of protected groups equally, meeting antidiscrimination requirements and laws.

Independent information about testing's validity and fairness is hard to come by; New York University Senior Instructor David Yamada, a former assistant attorney general in the Labor Bureau of the New York State Department of Law, notes that nearly every early study done on the subject is based on data supplied by the testing companies, and "the later studies appear to rely heavily on the earlier ones," he says. "There's a real void in the amount of independent research on honesty testing."

In his recent book *Testing Testing* (University of California Press), University of Kansas Professor F. Allan Hanson agrees: "Nearly all research on [tests'] validity and reliability has been conducted by persons associated with those companies rather than by independent scholars, and is unpublished or appears in reports issued by the test publishers," he writes. "Even the research on integrity tests conducted by interested parties raises grave suspicion as to their value." Only a handful of publishers have well-documented research of any kind, and independent agencies have been underwhelmed by the current state of testing: Congress' Office of Technology Assessment (OTA) published a mildly

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disapproving study of honesty tests in late 1990, and a 1991 American Psychological Association report, while accepting the concept of integrity testing as superior to most other preemployment testing, noted that publishers' accountability and documentation needed serious improvement.

Neither report constituted the ringing endorsement for which proponents had hoped, but Lewis Maltby, director of the American Civil Liberties Union's National Task Force on Civil Liberties in the Workplace, points out that Congress was unlikely to take action against tests unless the OTA's assessment resembled its previous report on polygraph testing; that one "came close to calling polygraphs witchcraft," he says.

Congress hasn't moved to ban the tests, and among the states only Massachusetts prohibits preemployment paper-and-pencil tests, though the issue continues to rumble quietly—very quietly—in Washington's back rooms and courtrooms, says Evans Thomas, public affairs writer at SHRM.

"The fight's not entirely over," Maltby says, "but the location of the fight has changed: It's now in the courts. This issue's not going to go away if we have anything to say about it." However, it's been some time since any court case tackled the subject.

False Positives and "Christian Charity"

The primary argument against integrity testing centers on the issue of false positives—those who are honest but happen to score poorly on the tests. Typically, at least 40 percent of all test-takers receive failing marks (presumably eliminating them from consideration), which throws out hundreds of babies with every tubful of bathwater.

Even Jones' pro-testing book *Preemployment Honesty Testing* (Quorum Books) notes that, using a standard test and procedures, "35 percent of the applicants testing positive would be incorrectly identified as being dishonest."

Those false positives present ethical dilemmas as well. In *Testing Testing*, Hanson examines studies of test results and notes that "something is seriously wrong with integrity testing. It is, of course, unlikely that all dishonest employees will be apprehended, but it is alarming that . . . those labeled dishonest by integrity tests outnumber those who are actually caught in dishonest behavior by between ten and twenty to one."

Maltby points out that many honest people simply don't score well on any of the 40-odd tests in circulation, which use similar procedures and deliver comparable scores for a given person. When trying to answer questions truthfully, "I cannot pass one of these tests to save my life," Maltby says. "I've tried over and over. Some of the people I admire most can't pass them when I have them take the tests for fun."

The sticking point much of the time is the issue of punitiveness—how punishment-oriented the respondent is. "Many honesty tests include a punitiveness scale containing questions which instruct applicants to agree or disagree with disciplinary actions imposed upon employees who are caught stealing," Yamada says. One typical Reid Psychological Systems question reads, "Do you believe a worker who takes money from the place where he works should go to jail?" (See box below for more sample questions.)

An oft-repeated example of what Yamada terms "the types of individuals who are likely to fail honesty tests" offers a Minnesota nun "whose failure of an honesty test was ensured because her answers on the 'punitiveness' questions reflected her 'Christian charity'," Yamada says.

"If these tests become universal," Maltby says, "there will be many stellar individuals who will never get hired."

Yamada agrees: If companies begin to share data—which he feels is likely to happen, given rapidly moving technology—those failing one test could be marked for life. "When I hear talk about the 'information highway,' I see some real

Your Answers Could Win—Or Cost—Your Job

For some, the questions asked on a typical clear-purpose integrity test, one in which the test-taker is fully aware of the test's purpose, are "no-brainers"—of *course* it's wrong to give other employees improper discounts. But others see in the questions more gray than black and white.

In *Testing Testing*, University of Kansas Professor F. Allan Hanson advises that "the most effective strategy when confronting an honesty test may be to throw honesty to the winds—to learn the kinds of considerations that go into the scoring and to answer the questions accordingly, without regard for truth."

With that in mind, ask yourself these questions, from a list of Reid Psychological Systems' sample questions, and be honest: What would you do with the $100?

- **Do you believe a person who writes a check for which he knows there is no money in the bank should be refused a job in which honesty is important?**
- **Do you think a person should be fired by a company if it is found that he helped the employees cheat the company out of overtime once in a while?**
- **If you found $100 that was lost by a bank truck on the street yesterday, would you turn the money over to the bank, even though you knew for sure that there was no reward?**
- **Do you think it is all right for one employee to give another employee a discount even though the company does not allow it?**
- **Do you believe that an employee who regularly borrows small amounts of money from the place where he works without permission, but always pays it back, is honest?**
- **Do you think that the way a company is run is more responsible for employee theft than the attitudes and tendencies of employees themselves?**
- **On the 20th of each month, an old employee took company money to pay on his mortgage. On the 30th of each month, payday, he paid it back. After 15 years the man finally was seen by his boss putting the money back. No shortage was found, but the boss fired him anyway. Do you think the boss was right?**
- **Do you think you would ever consider buying something from somebody if you knew the item had been stolen? —M.B.**

problems with what could happen in the future," he says. "It could be like what happens when a credit bureau gets misinformation—then everyone has this information on their computer hard drives. The way the information highway is developing, I can see bad information going into the system and rendering some people unemployable.

"It's premature to say 'ban the tests,' " he continues, "but there should be disclosure restrictions." Yamada favors "careful, thoughtful regulation and monitoring by the government."

Using Testing as a Tool

Companies that use integrity tests—60 percent are retailers—usually do so as only a part of a series of tests, and cite their importance in terms of their industries' credibility. "We do use a Reid questionnaire and attitude survey," says Margot Callahan, spokesperson at the Pittsburgh-based Thrift Drug Co., who says the company has had no real theft problems before or since beginning testing five years ago. "We feel it lends credence to our business," she says.

Professional Security Bureau Ltd., a Nutley, N.J. contract security agency, has used London House tests for five years, says Teresa Testa, director of human resources. "The test asks for people's attitudes about stealing, about drug use, about customer relations," she says. "We use it as a tool in addition to our interviews and background checks; in our industry we need to use them. We would never use it solely to make a decision, but we require everyone to get an acceptable score before we start doing their background checks."

Finlay Fine Jewelry Corp. of New York has used integrity tests for seven years, says Dennis Kelly, director of loss prevention. "The Personnel Selection Inventory test from London House is just part of a number of different tests we use," he says. "We're in a very security-conscious industry. We explore every aspect of an employee's background before making a hiring decision."

Kelly says Finlay researched tests carefully before committing to using them. "Before we started using London House, we used a number of others and compared the results of each survey. In addition, we ran a blind test, meaning we hired people not knowing what their scores were. We found that people who got failing scores or low passing scores did worse on their job performance, their attendance was terrible, and they didn't stay with the company very long."

While it's impossible to determine precisely the results of a company's beginning a testing program—changes in rate of shrinkage may reflect the economy, the company's fortunes, or just plain chance—a few claim to have seen real improvement. "Our inventory shortage was extremely high, roughly 4.0 percent," Kelly says. "Now it's down to eight-tenths of 1 percent; it probably dropped $2 1/2 million a year." However, Kelly cautions against placing too much emphasis on the role played by testing. "We implemented a lot of measures," he says. "We can't credit London House with that entire change."

But most companies still reject even comprehensive attitude testing in favor of traditional interviews and background checks.

"We have not seen a test we believe is validated," says Leonard Strom, vice president of human resources at Towson, Md.-based The Black & Decker Corp.

"We don't feel they do what they're supposed to do," says Carolyn Freeman, senior specialist, public relations at Federal Express Corp. in Memphis, Tenn.

"We have not found a vehicle that beats the federal requirements for being nondiscriminatory," says Collin Quigley, director of human resources at the Dallas-based Dr Pepper/Seven-Up Corps. "We'd have to develop our own test, and that would take five years. It's not the cost that's the problem; it's the time."

At least one company is struggling with the flaws of honesty testing, weighing pros and cons. "Though our situation hasn't changed, we are looking into integrity tests again, looking at how effective they might be," says Michael Polzin, media relations specialist at Walgreen Co. in Deerfield, Ill. "At one time we had some pilot programs for integrity testing, and we had what we called an integrity interview, with written questions. We do use a computer test that includes some integrity-related questions.

"You're getting into kind of an inexact science," Polzin continues. "We've never made hiring decisions based on attitude testing, saying that, 'This person tends to be likely to have the integrity we want.' We base it on concrete evidence—say, if they were caught stealing at a previous job. You don't want to not consider someone because they might be more *likely* to steal something." Yet this, of course, is precisely what honesty tests strive to determine.

Even some who use integrity tests question their value. "They're not 100 percent accurate," Testa says. "If you do really thorough interviewing, I think you'd get a better picture of someone. Some people just don't score well on tests."

The ideal preemployment screening method, of course, doesn't yet exist. The polygraph's inaccuracy is legendary, and virtually no research has been done on other preemployment testing of any kind. "One of the missing pieces of the puzzle in honesty testing is that we don't have comparison data on other forms of employment screening," Yamada says. "We don't even have data on interviews. It's a murky area, and people are kind of shying away from it."

"Hang 'Em All"?

Don't expect honesty testing to die out anytime soon. As researcher Philip Ash points out in Jones' *Preemployment Honesty Testing*: "Honesty testing is not a recent development. Its origins go back to Greek civilization, its psychometric formulation to the first decade of the twentieth century, and the evolution of clear-purpose tests to the World War II period."

And the general-testing trend is going strong. "Speaking as a former corporate manager," Maltby says, "I'm appalled by the trend of companies hiding behind tests instead of using their own judgment in who they hire."

Others feel less strongly. "Some people don't believe in using tests at all; some trust in them for everything," says Jack Fraser, vice president at the National Retail Federation in New York. "And some believe if there is a valid test that can screen in good people who are not prone to theft, you're better off."

Preemployment honesty tests clearly *can* eliminate bad apples from consideration. The problem—in addition to issues of time, cost, and ethics—is just how many good apples get tossed away as well. Companies' willingness to discard a sizable chunk of the labor pool will determine the future of integrity testing.

"It is obvious that staggering numbers of honest individuals are branded as dishonest by integrity tests," Hanson writes. "Reversing the principle of the American justice system that it is better to acquit several guilty individuals than to convict a single innocent one, integrity tests seem to be more akin to the philosophy that, 'If you hang 'em all, you'll be sure to get the guilty ones.' " ■