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The Truth About Integrity Tests: The Validity and Utility of Integrity Testing for the Hospitality Industry

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Abstract
Although not commonly used for selecting hospitality employees, integrity tests can help employers determine which of their prospective hires are likely to engage in unproductive, dangerous, or otherwise risky actions on the job. Candidates are surprisingly candid in answering test questions about their workplace theft or drug abuse, but the tests also have control questions intended to indicate when an applicant is attempting to game the test. Moreover, the tests do not violate U.S. employment laws since they neither create adverse impact on protected groups nor violate provisions of the Americans with Disabilities Act. Although tests represent an additional expense in the hiring process, a study of a large hotel chain found that the savings in screening out potentially expensive employees more than made up for the costs of conducting the tests. Not only could the chain count on employees who were reasonably honest and drug-free, but it found a substantial reduction in costly workers' compensation claims among the new hires. In the course of a year, the hotel chain administered an integrity test to just over 29,000 would-be employees, and hired just under 6,100 of those applicants. These data, which were made available by American Tescor, creator of the test, set up the opportunity to compare the workers' compensation claims from the new hires with the claims of already incumbent employees. The screened hires experienced a markedly lower incidence of claims compared to the unscreened, existing employees. The average cost per claim for the unscreened employees was $3,446, as compared to $2,119 for the screened group. The annual average cost per employee for workers' compensation claims was $97.77 for the unscreened group, but only $31.02 for the screened group.

Keywords
hotels, integrity testing, selection tools, employee theft

Disciplines
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Comments
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by Michael C. Sturman, Ph.D., and David Sherwyn, J.D.
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EXECUTIVE SUMMARY

Although not commonly used for selecting hospitality employees, integrity tests can help employers determine which of their prospective hires are likely to engage in unproductive, dangerous, or otherwise risky actions on the job. Candidates are surprisingly candid in answering test questions about their workplace theft or drug abuse, but the tests also have control questions intended to indicate when an applicant is attempting to game the test. Moreover, the tests do not violate U.S. employment laws since they neither create adverse impact on protected groups nor violate provisions of the Americans with Disabilities Act. Although tests represent an additional expense in the hiring process, a study of a large hotel chain found that the savings in screening out potentially expensive employees more than made up for the costs of conducting the tests. Not only could the chain count on employees who were reasonably honest and drug-free, but it found a substantial reduction in costly workers’ compensation claims among the new hires. In the course of a year, the hotel chain administered an integrity test to just over 29,000 would-be employees, and hired just under 6,100 of those applicants. These data, which were made available by American Tescor, creator of the test, set up the opportunity to compare the workers’ compensation claims from the new hires with the claims of already incumbent employees. The screened hires experienced a markedly lower incidence of claims compared to the unscreened, existing employees. The average cost per claim for the unscreened employees was $3,446, as compared to $2,119 for the screened group. The annual average cost per employee for workers’ compensation claims was $97.77 for the unscreened group, but only $31.02 for the screened group.
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David Sherwyn, J.D., is associate professor and academic director of the Center for Hospitality Research (dss18@cornell.edu). A Research Fellow at the Center for Labor and Employment Law at NYU’s School of Law, he is Of Counsel to the law firm of Shea Stokes. His primary research focus is labor and employment law issues relevant to the hospitality industry; specifically, mandatory arbitration of discrimination lawsuits and sexual harassment. Prior to his faculty appointment at the Hotel School, he practiced management side labor and employment law for six years. Sherwyn has published articles in the *Stanford Law Review*, *Berkeley Journal of Labor & Employment Law*, *Fordham Law Review*, *University of Pennsylvania’s Labor and Employment Law Journal*, and the *Cornell Hotel and Restaurant Administration Quarterly*. In 2002 Sherwyn conceived of, organized, and hosted the CHR’s first Hospitality Industry Roundtable, which has since expanded into a series of well-received Industry Roundtables in each of the disciplines that are represented in the school.
Designed to measure applicants’ attitudes towards theft, dishonesty, drug use, and other counterproductive work behaviors, integrity tests have existed for well over three decades. Despite research demonstrating the tests’ validity, however, practitioners in the hospitality industry still remain hesitant to implement them. Because we believe that employers would benefit from using such tests as an employment screen, this report (1) describes integrity tests; (2) reviews the research that provides extensive evidence indicating the value of these tests to the industry; and (3) demonstrates some of the benefits of integrity tests using an example of one such test that was implemented at a large hotel chain. In sum, the results show that integrity tests can work, can differentiate among applicants with varying attitudes towards counterproductive work behaviors, and can predict outcomes that have substantial financial implications for businesses. Ultimately, integrity tests can be a useful component of a selection system. As we will show in this report, adding integrity tests to a selection system can offer a substantial return on the investment. We want to acknowledge the support of American Tescor, for providing the integrity test data upon which this report is based. However, we want to also make clear that this report represents the independent work of the authors.
Integrity tests began as a method of detecting dishonest applicants without resorting to polygraph tests. Although integrity tests are no longer seen as basic substitutes to polygraph tests, research over the past thirty years has demonstrated that integrity tests can predict the sorts of employee behavior that employers would like to screen out. For example, studies have shown integrity tests can predict theft, illegal activities, drug use, absenteeism, tardiness, violence, and even low performance ratings. Their predictive power has been demonstrated at various levels of job complexity, both for existing employees and for job applicants.

Integrity tests are generally seen as coming in two forms: overt integrity tests and personality-based tests. The subject of this paper is overt integrity tests, which are specifically designed to predict the predisposition of job applicants to engage in some form of dishonest or otherwise disruptive work behavior. The other type, personality-based tests, do not specifically try to detect theft or theft-related behavior and do not on their face appear to be job related. Rather, they use measures of personality dimensions, such as reliability, conscientiousness, trustworthiness, and sociability, to predict an employee's behavior.

The typical overt integrity test is a paper and pencil form that asks questions of applicants about their views and personal experiences with regard to topics such as stealing and taking drugs. A question will ask, for example: “What is the most you have ever stolen: (1) $0; (2) $1-$200; (3) $201-$500; or (4) more than $500?” Another question frequently asked is: “Would you fail a drug test?” While it may seem obvious that the desired answer for the first question is (1) $0, and the desired answer for the second is no, integrity tests rely on the fact that applicants will choose other answers.

Contrary to what one might expect, people who engage in these types of behavior believe that most people are like themselves. That is, they think that most people steal or take drugs. Accordingly, those who engage in such risky behavior believe one of two things in connection with the integrity test. Either they think that answering that they neither steal nor take drugs would signal the employer that they are lying in their answers on the test, or they cannot see a problem in answering that they steal or take drugs. Perhaps such applicants will minimize their negative behavior by admitting to less stealing or drug use than is actually the case, but the fact remains that applicants who engage in such conduct often reveal such on a test. Certainly, the validity of this theory is subject to debate, but there are abundant data that support this perspective.

Despite the possible value of integrity tests, we see relatively few companies employing them. Based on our review of research and professional literature, discussions with organizations that sell integrity tests, and anecdotal accounts, we identified the following five issues that seem to make business operators hesitant to adopt integrity tests. The concerns are:

- whether applicants are able to fake results,
- whether the tests really predict employee behavior,
- whether the test creates adverse impact,
- whether the test violates the Americans with Disabilities Act, and
- the expense of administering the test.

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1 For most employment settings, polygraph (lie detector) tests have been made illegal by federal law, the Employee Polygraph Protection Act of 1988.

Addressing the Five Issues

We can only touch on the high points of existing research. For those interested in greater detail, extensive reviews have been performed on the subject of integrity tests, which provide in-depth information in addition to extensive citation lists of relevant material. We encourage those interested in the specific research findings to review those sources, listed at the bottom of this page.3

The example we employ in this report is for a specific integrity test implemented with the goal of reducing workers’ compensation claims. Although we have focused on drug use and theft in our discussion thus far, integrity tests also relate to injury claims and absenteeism.4 At the time the test was implemented, the hotel chain had 27,266 employees. Over nearly a one-year period, the test was given to 29,043 applicants, of whom 6,079 were hired. The company specifically tracked workers’ compensation claims from these new hires. In implementing the integrity test, the company hoped to reduce the number of accidents and workers’ compensation claims, the size of those claims, and the duration of an employee’s loss for a given claim.

The information from the company on workers’ compensation claims provides a useful complement to the research on integrity tests that has focused more on job performance ratings, drug use, and theft. Moreover, although we think of drugs and theft in conjunction with workers’ integrity, we argue that data on workers’ compensation claims are more valuable than those regarding drug use and theft. First, and most notably, workers’ compensation claims are expensive and cut directly into organizational profits. To be sure, stealing, absenteeism, tardiness, and poor performance are undesirable, but compared to workers’ compensation claims these matters do not necessarily have as direct an effect on profits, except, perhaps, as drug use has an effect on compensation claims. Reducing workers’ compensation claims by one dollar will increase profits (before taxes) by one dollar.

We have good reason to believe that workers’ compensation claims can be affected by hiring with an integrity test. By eliminating those who take illegal drugs or are inclined to abuse drugs or alcohol while at work, the company can eliminate or reduce one of the most common causes of workplace accidents. Moreover, by eliminating those who are inclined to steal or engage in other illegal activities, one can eliminate from the employee pool those who may be willing to fake an injury or otherwise inappropriately report an injury from elsewhere as a workplace accident.

Gaming the System

While it is certainly possible for test takers to provide false answers on integrity tests (e.g., saying they don’t take drugs when in reality they do), we know of little research examining what percentage of people fake their answers. Instead, the research on faking on integrity tests focuses on the effect of any faking, rather than its prevalence. For example, test-takers in experimental studies who are told to fake being good or to respond as an applicant would respond tend to get better scores than those who are asked to respond honestly.5 Thus, while there is evidence suggesting that employ-

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4 The company employed the Tescor Survey, which is a version of an overt integrity test. Note that although American Tescor provided the data for this study, the company provided no funding for writing this report. More information on American Tescor can be found at www.americantescor.com.

ees can indeed fake an integrity test, there’s no indication that they actually do so.

To help mitigate the potential for faking, integrity tests often include control questions designed to detect such behavior. For example, tests will include questions such as: “Have you ever told a lie?” and “Do you ever get angry?” Since everyone has told a lie or become angry at some time, it is assumed that persons who respond negatively to these questions are probably answering other questions dishonestly. While we know of no firm data on the percentage of those who fake their answers, we believe that it’s safe to say the following: if integrity tests were invalid, we’d see no research evidence that they foretell undesirable behavior. To the contrary, our examination of the hotel chain’s data supports the assertion that integrity tests elicit truthful responses. Those data support the conclusion that a large percentage of applicants either answer the questions more or less honestly by reporting that they engage in risky, unethical, or illegal behavior or are caught by the control questions.

According to the chain's test results, individuals who apply for a job do, indeed, report that they engage in questionable behavior. Of the 29,043 applicants who took the integrity test, 31 percent were classified as “high risk,” based on their test answers. For instance, 1,881 employees admitted to stealing from their employers in response to the test question that asks employees to report how much they have stolen. The amounts reported were not negligible: 698 (37%) employees reported stealing up to $25; 275 (15%) reported stealing between $25 and $500, and 908 (48%) reported stealing over $500! Roughly 2,400 applicants admitted that they took merchandise from previous employers, with 796 (33%) reporting the theft of over $500 in merchandise. Employees also responded positively to questions regarding whether they had shoplifted in the past year, would help a friend steal, would steal if they had low pay, or would fake time cards if those were never checked.

The chain's applicants were equally candid about their use of illegal drugs. The most common admissions were for cocaine (1,507), hashish (1,100), and hallucinogens (1,050). Additionally, 1,338 employees admitted to regular drug use at work, and 1,955 reported drinking at work. Beyond that, nearly 2,000 employees stated that they would fail a urinalysis. Finally, the chain's test did indicate potential fakers by flagging roughly 9 percent of applicants. It should be noted that there are no data to determine whether those flagged as fakers are actually undesirable employees, but it was felt that selecting those providing unrealistically positive answers constituted an unnecessary employment risk. Though the test cannot be 100-percent accurate, the implication is that they should be screened out, given that the employer would want to err on the side of caution.

**What the Tests Predict**

Many of the studies on integrity tests have examined what is referred to as “counterproductive work behavior” or CWB. The CWB score is usually expressed as a scale that tallies a broad spectrum of disruptive activities, such as actual theft, admitted theft, dismissals for actual theft, illegal activities, absenteeism, tardiness, and violence. An extensive analysis of existing studies has shown integrity tests to be fairly strong CWB predictors. That meta-analysis also showed overt integrity tests to have similarly strong validity for predicting overall supervisory performance ratings and moderate validity for predicting theft.

**Money saver.** One way to measure the test's value to the hotel chain is to examine the frequency and size of workers' compensation claims. Despite many studies performed on integrity tests, we are unaware of any that have examined the effect of the test on workers' compensation claims. The logic

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7 Integrity tests predicted overall job performance ratings with a corrected validity of .30 (.18 uncorrected). However, when looking at only predictive studies with samples of job applicants, the estimated true correlation was .41. Tests predicted theft with a correlation of .13. However, because theft has a low base rate (i.e., it is a relatively rare event), correcting the correlation for this low base rate yields an estimated validity of .33 for predicting theft. See: *Ibid.*
those screened candidates who did file a claim was $2,119, whereas the average claim for an unscreened incumbent was $3,466. The difference is significant, according to statistical tests. While we cannot conclusively determine that this difference is solely attributable to the use of the integrity tests, the company made no other changes to its selection system during this time period. Thus, we feel the evidence is compelling that the use of the integrity tests led to this substantial decrease in workers’ compensation claims.

A different approach to the data is to examine the frequency and size of large claims. Only 20 percent of claims exceeded $2,000, but those claims accounted for over 89 percent of total claim amounts. Of that group, only 17 were from screened employees (representing 0.28 percent of the screened group), whereas 158 came from unscreened employees (0.58 percent of the unscreened group). The average claim size was $9,564 for screened employees, and $15,070 for unscreened employees. Both the different probability of being in the large-claim group and the differential in the average size of the claims were statistically significant between the two groups.

By inference, we can conclude that screened employees were statistically significantly less likely to file a “large claim” ($2,119, whereas the average claim for an unscreened incumbent was $3,466. The difference is significant, according to statistical tests. While we cannot conclusively determine that this difference is solely attributable to the use of the integrity tests, the company made no other changes to its selection system during this time period. Thus, we feel the evidence is compelling that the use of the integrity tests led to this substantial decrease in workers’ compensation claims.

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8 A statistical test showed that the probability of observing this difference due solely to chance was less than .0001.

9 A t-test based on an analysis assuming unequal variances for the two groups showed that the difference between the two groups is statistically significant at $p < .05$. Note that the test for unequal variances showed that the variances of claims from the two groups were significantly different ($p < .0001$).

10 A screened employee was statistically significantly less likely to file a “large claim” ($p < .01$). The average size of a “large claim” for screened employees was also statistically significantly smaller than for unscreened employees ($p < .01$).
The Matter of Adverse Impact

All employment tests invite potential legal concerns, as do other screening practices. Although tests may provide valuable information about would-be employees, they must not violate relevant employment laws. In terms of United States law, the tests should not discriminate against protected classes (either intentionally or inadvertently). Although valid job-related test results can be a defense against claims of adverse discrimination impact, the better situation is no evidence at all to suggest a prima facie case of adverse impact.

Under federal discrimination law, a prima facie case for adverse impact is met if the passing rate for a given protected class (e.g., women, persons over age 40, African Americans) is less than 80 percent of the passing rate for the majority group—whatever that group might be.\(^\text{11}\)

Research results suggest that adverse impact is not a significant risk for integrity tests (see Exhibit 2). A study based on four large databases found no significant differences in test outcomes for African Americans, Hispanics, Asians, or American Indians compared to whites.\(^\text{12}\) With regard to age discrimination, individuals over 40 actually scored somewhat higher than those under 40. The research did provide some evidence of adverse impact against men, as women scored 0.16 standard deviations higher than men did on the tests. Because of the large sample size, this seemingly tiny difference is statistically significant; however, the magnitude of this effect is generally interpreted as being small.\(^\text{13}\) It is also not clear whether this effect would be large enough to violate the 80-percent rule. Nonetheless, it is a point of potential concern.

For the chain’s results, we find results similar to those reported in the previous research. Women did score somewhat higher than men, with 72 percent being classified as employable, compared to 67 percent of the men. The test did not violate the 80-percent rule, though, because men were classified as employable in this instance at 93 percent of the rate of women. For race and age, all passing ratios were at least 90 percent, with the exception of those classified as “Other,” whose portion of those passing the test was

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\(^\text{11}\) The 80-percent rule, also referred to as the 4/5 rule, says that the passing rate of a test for a minority group cannot be less than 80 percent (i.e., 4/5) of the passing rate of the majority group. Although this comparison is often against the mean for whites or men (as the typical majority group), it must be made against whatever group constitutes the majority. In this case, the majority group is non-white (71% considered hirable, as moderate or low risk; 54% were classified as low risk) compared to whites (67% classified as hirable, with 45% classified as low risk).


\(^\text{13}\) Effect sizes less than 0.20 are considered to be small, according to: J. Cohen, *Statistical Power Analysis for the Behavioral Sciences* (San Diego: Academic Press, 1977).
Integrity tests constitute a valuable selection tool that offers a good return on the investment.

still 85 percent of the majority group (which in this case was Latinos), and 93 percent of the pass rate of whites.

Americans with Disabilities Act Analysis

Another concern of integrity tests is that they may violate the Americans with Disabilities Act (ADA). The ADA provides than an employer “shall not conduct a medical examination or make inquiries as to whether such applicant is an individual with a disability or as to the nature or severity of such disability.” According to EEOC guidelines, employers may provide psychological testing to applicants so long as the examination is not medical (such as for identifying a mental disorder). Because overt integrity tests are not designed to diagnose psychological conditions, but rather to assess characteristics such as integrity, drug habits, and proclivity for theft, integrity tests would generally not fit the definition of “medical” under the ADA.

Cost and Availability of Integrity Tests

Integrity tests often require psychometric testing, and thus are not simple tools that can be designed by non-experts. Consequently, chances are good that a business wishing to use this technique would have to purchase the test. The tests are widely available from many vendors. In addition to the test employed in this study, which was provided by American Tescor, Inc., other integrity tests include the Personnel Selection Inventory, the Reid Report, and the Stanton Survey. The cost of purchasing a test is often a function of multiple factors, including how many tests will be purchased. That said, the cost of an integrity test is relatively low. The Tescor screening test used in this report costs at most $20 per test, with discounts for volume. The hotel chain we described above spent roughly $9.30 per test, because it purchased so many copies.

We believe that the benefits of a test probably will outweigh the costs, but that is a decision which each manager must make individually. In making that decision, a company should have a clear purpose for purchasing an integrity test. Goals would include such issues as improving job performance, turnover, and absenteeism, or, as in the case of this study, workers’ compensation claims. When considering the purchase and use of integrity tests, companies should seek information on both the design of the instrument and evidence of its validity. Ideally, tests should be evaluated independently using the company’s own measures. Companies should also keep their own data on the results of integrity tests and validate their own results (as we did in the study presented here). Data should be collected, and relationships should be tested. Even though we found that the effect on workers’ compensation claims can be substantial and other research indicates that the effects on other variables can also be sizable, companies still should collect their own data and verify these results for their own situation.

In addition to traditional paper-and-pencil methods, integrity tests can electronically scored or web based. The test described in this report can be administered in any of these three ways. Each generally takes less than 20 minutes to complete. Additionally, tests are are written at the 5th grade reading level, in many different languages.

Conclusions

Overall, the results suggest that integrity tests can be a valuable selection tool. Using the example in our study, the large hotel chain spent $9.30 per test per applicant to hire an employee that, on average, cost $66.75 per year less than those who were not screened and already on staff. Given that there were 29,043 applicants screened and 6,079 employees hired, the test had an expected benefit of $405,773 at a cost of $270,100. We calculate this as an immediate profit of $135,673, and a return on investment of 50 percent. We think that our calculations in this regard are conservatively stated. If employees remain with the company for several years, the savings are multiplied but there is no additional selection cost. The monetary benefits that we calculate here are only those relating to workers’ compensation, since we

14 As an example, the Tescor Survey is available in Albanian, Bosnian, Chinese (Mandarin), Creole (Haitian), English, French, German, Hmong, Oromo, Polish, Portuguese-Brazilian, Portuguese-Continental, Romanian, Russian, Samoan, Serbo-Croatian, Somali, Spanish, Tagalog, Tongan, and Vietnamese.
could not quantify the other benefits of integrity tests. All of this benefit occurred without any evidence of harm due to adverse impact or risk of violating the ADA.

Not to minimize the cost of the test, we underscore the point that this company benefited from purchasing the integrity test in bulk. Thus, the real return for any company will depend on the actual price paid for the test in addition to the ratio of number of hires to number of applicants. Let's use the $20 sticker price for the test and apply that to the statistics for the large hotel company. Given that 69 percent of applicants were classified as employable, at an average cost of $20 per applicant and an average annual benefit of $66.75 per hire, the average return of the integrity test per hire at the full cost would be $37.76 per hire (or an ROI of 130%) if the integrity test is the only selection device used in the hiring decision. Since most companies use at least some other selection devices, it is likely that this return will be decreased as more individuals need to be tested, because some applicants classified as employable by the integrity test will be rejected based on the results of other selection devices. (In the example we described, 21% of applicants were hired, although 69% of applicants passed the integrity test.) That is why we suggest that companies consider carefully the role that integrity tests will play in their overall selection process.

In sum, research evidence and the example from a hotel company show that integrity tests (1) can predict outcomes of importance to organizations, (2) elicit reliable responses from applicants that allow rejection of potentially high-risk employees, (3) do not create adverse impact, (4) do not violate the ADA, and (5) produce substantial returns on the relatively low cost of administering the test. It thus appears that an integrity tests is a selection tool of potentially high usefulness, and one that hospitality companies should consider implementing.
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