

RISK MANAGERS' FORUM

## NEW IDEAS TO REDUCE WORKERS COMPENSATION LOSSES

*Pre-employment screening can reveal tendencies towards accidents*

By Peter Bullard, Ph.D., and Stacy Shields

A risk manager typically uses his or her organization's loss experience to compute risk parameters for frequency (the number of losses) and severity (the loss profile for any individual loss). This exercise is very helpful in preparing a budget to pay for these predicted losses.

But every risk manager is also familiar with the 80/20 rule—80% of the cost will come from 20% of the claims. Researchers, risk managers, and safety experts have been busy trying to identify where those claims will come from and have developed a variety of useful safety initiatives. Yet given the huge costs associated with worker injuries, more remains to be done.

### Job tenure

The U.S. Bureau of Labor Statistics (BLS) offers statistics that directly bear on the question of where claims originate. About one-third come from those employed less than a year—in other words, new hires. And nearly 13% of claims are filed within the first three months of employment! These are the employees who have logged the *fewest* work hours.

Based on the BLS finding, risk managers might want to evaluate claims by hire date. Begin by dividing workers into two groups: “veterans” (12-plus months of employment) and “new hires” (less than 12 months). Next, compute their claim frequency separately as a function of the total workers in each group.

In other words, what is the claim frequency per 100 new hires vs. the claim frequency per 100 veteran employees? In some cases, it may be true that the veteran workers will have higher claims, particularly where there is an aging workforce in a physically demanding job. But the odds are good that, based on the BLS data, your new hires will have a significantly higher claim frequency.

### New hire risks

It is easy to imagine settings where it would be expected that new hires have more injuries. To take a dramatic example, consider a meat packing plant with sharp cutting tools. In such a setting there is no substitute for training and experience, two things most new hires have little of. With more work hours comes more training and more experience, which benefits veteran workers in staying injury free.

There is another factor that plays an important role in all work settings—the



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habits and traits of workers. The plant supervisor with high employee turnover is bound to have a higher frequency rate (per the BLS finding) than one who has a cadre of field-tested veteran workers on which to depend. This is because veteran workers become veterans due to their good work habits.

Unfortunately, most supervisors know relatively little about which new hires possess the habits and traits necessary to become a veteran, and which new hires will turn out to be expensive hiring mistakes.

### **Solutions**

Some companies have been successful in pre-screening their job applicants with “integrity tests” to weed out those applicants who are most likely to be involved in a work accident. These tests typically measure an applicant’s tendency to steal, engage in fights, and abuse drugs.

There are two kinds of such integrity tests: personality measures and behavioral assessments. Each has its strengths and weaknesses. Personality tests examine attitudes, opinions, and personal characteristics. Their questions have no obvious connection to theft behavior and personal drug use.

Applicants taking a personality test often have little idea of the test’s purpose, and such tests are generally very non-threatening. These tests do a good job of ranking job applicants by the risk they pose to the employer. Other types of personality tests are designed to measure specific traits that may be relevant to specific functions such as sales or customer service.

### **Behavioral assessments**

In contrast to personality tests, behavioral assessments ask very direct questions about theft and personal drug use. There is little subtlety. Applicants quickly understand what is being asked and why.

It would be easy to conclude that applicants, knowing they are applying for a job, would lie when answering such questions. But that is not the case. These tests obtain admissions of bad behavior as blunt as the questions themselves.

The reason job applicants are so open in responding to behavioral assessments is explained by a concept psychologists call “cognitive dissonance,” more literally a conflict (dissonance) in thinking (cognition). This concept has to do with how people handle anxiety and guilt.

When people first engage in activities they know are wrong (in conflict with laws and standards of acceptable behavior) they feel anxious and guilty. In order to resolve their anxiety and guilt (dissonance) they can either change their bad behavior, or change their beliefs about what constitutes bad behavior. Over time, those who persist in theft and substance abuse change their thinking and come to accept their activities as normal.

This is the reason thieves are convinced that everyone occasionally steals, and why drug abusers think society as a whole abuses drugs. They have rationalized what they are doing and no longer suffer anxiety and they have little hesitancy in disclosing their activities during a behavioral survey. One of the benefits of a behavioral assessment vs. a personality test is that the employer knows the exact nature of the risk. Hiring decisions based on behavioral tests are very easy to defend.

### **In conclusion**

Integrity tests—both personality measures and behavioral assessments—are useful pre-employment screening methods. They are powerful risk control tools. Some integrity tests have been shown to reduce comp losses among new hires by 50% or more when compared to the losses from more tenured workers. In organizations with high employee turnover and high comp losses, the savings can be huge. Risk managers in such organizations might want to consider pre-employment integrity screening. \*

**The authors**

*Peter D. Bullard, Ph.D., is an adjunct professor of industrial/organizational psychology at Portland State University. He is also the founder and current vice president of American Tesco LLC, a division of Merchants Information Solutions, and an integrity testing company that supports clients' employment hiring objectives. He can be reached at (425) 292-0521, (800) 422-6659, or at [pete@ati3.com](mailto:pete@ati3.com).*

*Stacy Shields is director of sales for American Tesco LLC and has 15 years' experience as a risk manager and property and casualty insurance broker. She can be reached at (602) 744-3790.*

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