How to Hire the Right Employee

to Avoid Immediate WC Problems

Introduction: (5 minutes – 2:05 pm)

- Welcome to WC Mastery training
    - Companies most valuable assets are it's people – Peter Drucker
    - Everything we do in WC management is about people
    - If have right people on the bus, everything is a whole lot easier
    - Increase odds of success so not swimming upstream
- Biggest Challenges
    - Turnover
    - finding qualified candidates
    - physically capable
- Introduce 3 Major Points
    - Cost of a Bad Hire
    - Employee Screening & Placement Best Practices
    - Integration and Implementation

Main Point #1: Cost of a Bad Hire – (7 minutes)

- Bad Hires Are Expensive!
    - Careerbuilder Study
        - 75% of companies affected by bad hire
            - United States Department of Labor up to 30% of the employee's wages for the first year
            - 41% said cost > $25k
            - 24% said cost >$50k
            - Average cost $17k
            - One CEO of Link Humans estimated cost as $240k

- Characteristics of Bad Hire
  - Lost productively
  - Lost time
  - Retraining
    - "Indirect workers' comp costs"
- Why Bad Hires
  - Fill position quickly
  - Lack of talent pool
    - Unemployment has remained low currently 3.9%
    - 9.6% in 2010
  - Sourcing techniques
- Fake References
  - 3 in 10 (29%) caught fake reference on application
- Studies of Tenure & Engagement
  - **Trial by fire: relation between job tenure and work injuries**
    - 4-6x injury rates.
      - *Injury rates 4-6x higher first month on job compared with > 1 year*
    - increased injury risk when new or unusual tasks
      - lots of employment movement in today's world
    - 2-4x lost costs.
      - Inexperienced workers have 2-4 times the loss cost relativity
    - Severity is higher in older workers, regardless of experience
  - **WCRI – Predictors of Worker Outcome Studies**
    - Tenure. Employees who had been at their companies less than one year were more likely to have a poor claim outcome.
      - 21% greater likelihood to not be working 3 years post-injury if job tenure was less than one year.
    - Other Predictors:
      - Education
      - Fear of Being Fired
      - Comorbidities
      - English language proficiency

- o **Gallop Poll: How engaged do you feel in your work?**
    - 30% actively engaged.
    - 52% not engaged
    - 18% actively disengaged
- o **NCCI:**
    - Injuries increase in times of recovery
- o **BLS:**
    - < 1 year employees account for 30% of injuries

Main Point #2: Employee Screening & Placement Best Practices

Goal: Reduce subjectivity in the hiring process.

Integrity Testing & Post Offer Testing – (15 minutes – 2:30 pm)

- What is Integrity Testing?
    - "Work with people who believe what we believe" - Simon Sinek;.
    - the quality of being honest and having strong moral principles that you refuse to change.
    - form of insurance: it guards against spending too much time and money on a candidate who should not be hired.
    - Screen out "bad actors"
        - *Screen out people with a poor value system*
- o What testing
    - Drug and alcohol
    - Hostility
    - Dishonesty
    - Theft
        - Absenteeism, grievances, overall job performance
- o People will tell you they are a bad actor
    - Cognitive Dissonance
    - Change value system
        - People rationalize behavior
        - "why they have insurance"

- Testing Example Questions and Workflow
  - Overt – direct questions
    - What is largest amount of money you have stolen in the past two years?
    - Filler questions to get people warmed up
      - How would you describe your attention to detail
      - How would you describe your work ethic
  - Pre-interview questionnaire, strictly pass fail
  - Test doesn't change, 54 questions, < 10 mins
    - 1% abandonment rate
    - Other tests 30% abandonment rate
  - Won't people just lie on the test?
- Issue of Lack of Talent – Getting Butts In Seats
  - engaging with candidates today is problematic - perception is not enough candidates for the jobs
  - Ghosting - 20-30 people applying for each job
    - How many applications each month?
      - Example:
        - 24,000 applicants
        - Hire 1,300
    - How many jobs filling?
      - Know your numbers
  - Engage right away
    - Micro-commitment - pre-interview questionnaire
      - Ask 'Out for Coffee' rather than 'Meeting the Parents'
    - People move quickly
  - Pre-Employment screening
    - Struggling to identify people early on
    - How many jobs hiring for?
    - How many applications are you getting?
    - Emotional – developing relationship
- Results
  - 25% fail rate on average
    - Value structure doesn't change based on economics, ethnicity, or culture

- Employers are not special or different
  - Roughly the same across industries
- 15% in transportation, lower in pharmaceuticals, financial
  - o Reject candidates that fail
    - Liability if move forward with hire
    - Know reason why failed
  - o Of those that pass test
    - 99% pass background and drug test (1% fail rate)
      - 88-90% pass normally w/o integrity test (10-12% fail rate)
  - o Less risky employees

- ROI
  - o $10-$20 test based on volume
    - Subscription model; screen as much as needed
      - $4k for 1,000 hires
  - o 8 to 1 ROI across clients
  - o 2009 Cornell University: "The Utility of Integrity Testing for Controlling Workers' Compensation Costs"
    - 27k employees
      - Tested 29k candidates
      - Hired 6k employees
    - 1 year later
      - 2x Frequency
        - o Untested group double the frequency of screened group
      - Higher average claim per claim
        - o Untested group higher average cost per claim
  - o 2011 Pacific University
    - Use of Integrity Tests May Reduce Workers' Compensation Losses
      - 4 industries:
        - o Auto
        - o Nursing home
        - o Food processing
        - o Multi-media

- Unscreened employers higher likelihood to file claim
  - Lowest 2.5x in food processing
  - Highest 4.8x in auto
- Average cost per claim didn't vary much between groups

Post-Offer Testing

- Conditional offer of employment:
  - "We are pleased to conditionally offer you the position noted above based on your ability to physically and mentally perform substantially all of the essential job duties of the position"
- Background testing
  - Criminal records
  - Driving records
  - Credit report
  - SSN verification
- Drug testing
  - U. S. Drug Enforcement Administration: substance abusers are 60% more likely to be involved in a workers' compensation claim

Compliance & Job Descriptions (10 minutes – 2:40 pm)

- Adverse Impact: Must Be Related and Consistent with Business Necessity
  - EEOC vs. Dial Corp, November 17, 2006
    - $3.4m in damages to 52 employee for discrimination of employment test
- ADA – Essential Functions & Reasonable Accommodation
  - Can't discriminate against disability
    - Medical condition likely qualifies as disability
  - Reasonable accommodation – change way things done to accomplish essential functions
    - Output equal to employee w/o accommodation
- Accurate Job descriptions at core of decision making
  - Interactive process to accommodate essential functions
  - Essential vs not essential

- Basis of accurate testing is accurate essential functions
- Test for the Job Itself
  - o Validate essential functions
    - one of most important points is to validate the essential function
    - Best things to protect is have experienced people go through and tell you this is what we do; validate essential functions
    - ADA is not a charity
  - o Follow system to stay out of trouble
  - o Better off to have no job descriptions vs generic job descriptions

Functional Evaluation – Physical Testing (15 minutes – 2:55 pm)

- What is functional evaluation testing?
  - o Examination and evaluation to objectively measure the employee's level of functioning.
  - o Document the employee's ability, or the lack of ability, to perform the essential functions
    - NIOSH Equation - 1978
      - Using boxes to test physical ability
      - 95% predicable using boxes to test actual essential functions
  - o Legitimizing people's physical and mental ability
    - Test your ability; if not an undue hardship then will accommodate you
  - o More Flexibility in Testing Than People Realize
    - Can have employee pay for the test
- Timing
  - o Post-offer test: biggest bang for buck
    - Essential functions test
    - Wide range of testing options are allowed
    - Employer protection under ADA:
      - Requires employee to be honest; falsification of information could lose job or benefits
      - Can withdrawal job offer
  - o Fit for Duty test
    - Confirm ability to work

- inhuman to put employee in unsafe position
    - Challenge "off work for 2 months" from doctor
    - Peer-peer discussion of ability to work
  - Testing
    - At time of injury
    - At MMI
    - Proactively if limping (triage)
  - ADA tells when can test
    - 19 different parameters
    - Employee can't decline
- Sincerity of effort
  - 2001 Study: Test was 99.9% accurate in classifying sincerity of effort
  - Significantly more accurate than the use of observational and subjective input commonly used in medical practice
    - Take to doctor and get full duty release to work
- Issue of Lack of Talent – Getting Butts In Seats
  - 7% fail screening process
  - Asking for trouble hiring bottom of barrel

Establish Baseline

- Identify pre-existing conditions (8% or 10% impairment)
- Avoiding "buying" pre-existing injuries
- Can tell doctor exact difference in function and strength
- Accommodate the ones you can
- IF YOU DON'T HAVE A PRE-EXISTING MEASUREMENT, NO PRE-EXISTING INJURY EXISTS
- Establish Impairment Rating
  - Accurate settlement assessment
- Cost and ROI
  - $100 - $200 / test
    - Number of claims and cost per claim typically reduced 50% in one year
  - Decrease absenteeism
  - Better retention

- Employees better matched to the right jobs
  - BIGGEST DETERRENT TO HIRING SOFT TISSUE CLAIMS IS FACT THAT TEST EVERYONE FOR BASELINE
- Sequence:
  1. Integrity Testing
  2. Interview
  3. Conditional Offer of Employment
  4. Baseline Test
  5. Placement

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Main Point #3: Integration & Implementation (5-7 mins – 3:00 pm)

- Getting started:
  - Start with biggest problem areas – can isolate by job title
- Be prepared:
  - Make sure job descriptions are accurate
  - Be proactive
- Different testing strategies based on companies needs
  - Can start with warehouse position with Integrity and physical testing; then change in a few months
  - Based on the companies desires and what they need
- Pilot program: Test and evaluate effectiveness