Would standardized job testing assist employers in hiring the right employee?

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In most cases, interviewing and hiring the employees who are best suited for particular jobs is the manager's responsibility. With time and experience, one would think that a manager would get better at identifying the candidate who is a good fit. However, this is often not the case, as managers may be biased or have poor judgment. Is it possible for a manager to be completely objective and leave personal preferences out when selecting an employee for the job?

Today, firms relying solely on interviews, resumes, and manager decisions to hire low-skill, service-sector workers have been catapulted into a sea of poor-quality workers—workers with short-lived job tenures. In an effort to improve the hiring process, some firms are now using job testing and workforce analytics to evaluate job applicants. Do managers who have standardized test results at their disposal make better hiring decisions than managers who rely only on the application and interview? Should a firm rely solely on the job testing method for the hiring process? A recent study suggests that, for low-skill service sector employers, the answer to both questions is an emphatic "Yes."

In "Discretion in hiring" (National Bureau of Economic Research, Working Paper 21709, November 2015), Mitchell Hoffman, Lisa B. Kahn, and Danielle Li test the process of utilizing a job test and assess the value of managerial discretion in the hiring process.

The researchers conducted a study using data from an anonymous job-testing firm that provides online testing for 15 client firms who employ low-skill service sector employees. These tests were in the form of online questionnaires comprising a large battery of questions on technical skill, personality traits, cognitive skills, the applicant's suitability for the job, and different job scenarios. At the completion of the test, the job-testing firm identified the applicants whose responses matched those that have shown to produce successful employees in the past. Applicants were assigned a green–yellow–red color code associated with their scores. Green applicants scored highest on questions predictive of future workplace success, and red applicants scored lowest on such questions. This information was provided to the firms involved in the hiring process, and managers were encouraged to factor scores into hiring recommendations.

The data firms compared the traditional managerial hiring decisions relying only on managerial discretion with hiring decisions made using the job-test method scores. The authors found that increasing managerial discretion in hiring, by minimizing or ignoring job test scores, results in worse outcomes. This suggests that managers often hire using poor judgment and personal bias, resulting in poor quality workers, short job tenures, and agency problems. For the firms that relied most heavily on job test results to hire new employees, the researchers found workers with

higher scores who often made for better quality low-skill workers. Additionally, workers hired with job testing had about 15 percent longer tenures with each respective hiring firm.

In conclusion, testing from this research has shown that firms can improve hiring process and the quality of workers, resulting in longer-tenured employees, by relying on the job testing process. However, if the managers have access to other information that can provide valuable information on job applicants, firms may opt to use other methods to improve the hiring process and results.