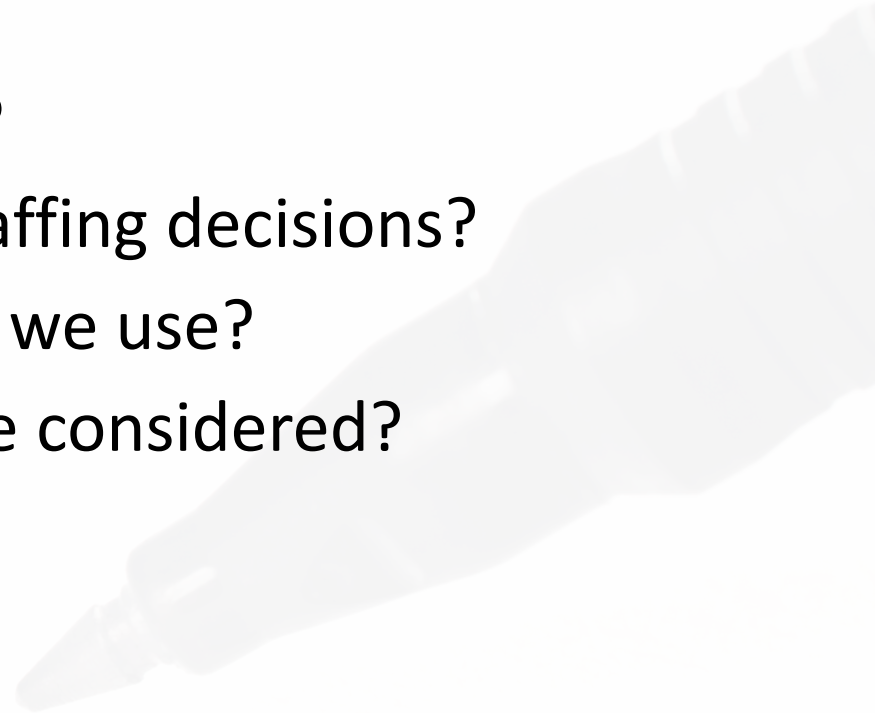


# Staffing Decisions



# Discussion Questions

- What are staffing decisions?
- How can we make better staffing decisions?
- What staffing models might we use?
- What legal issues need to be considered?

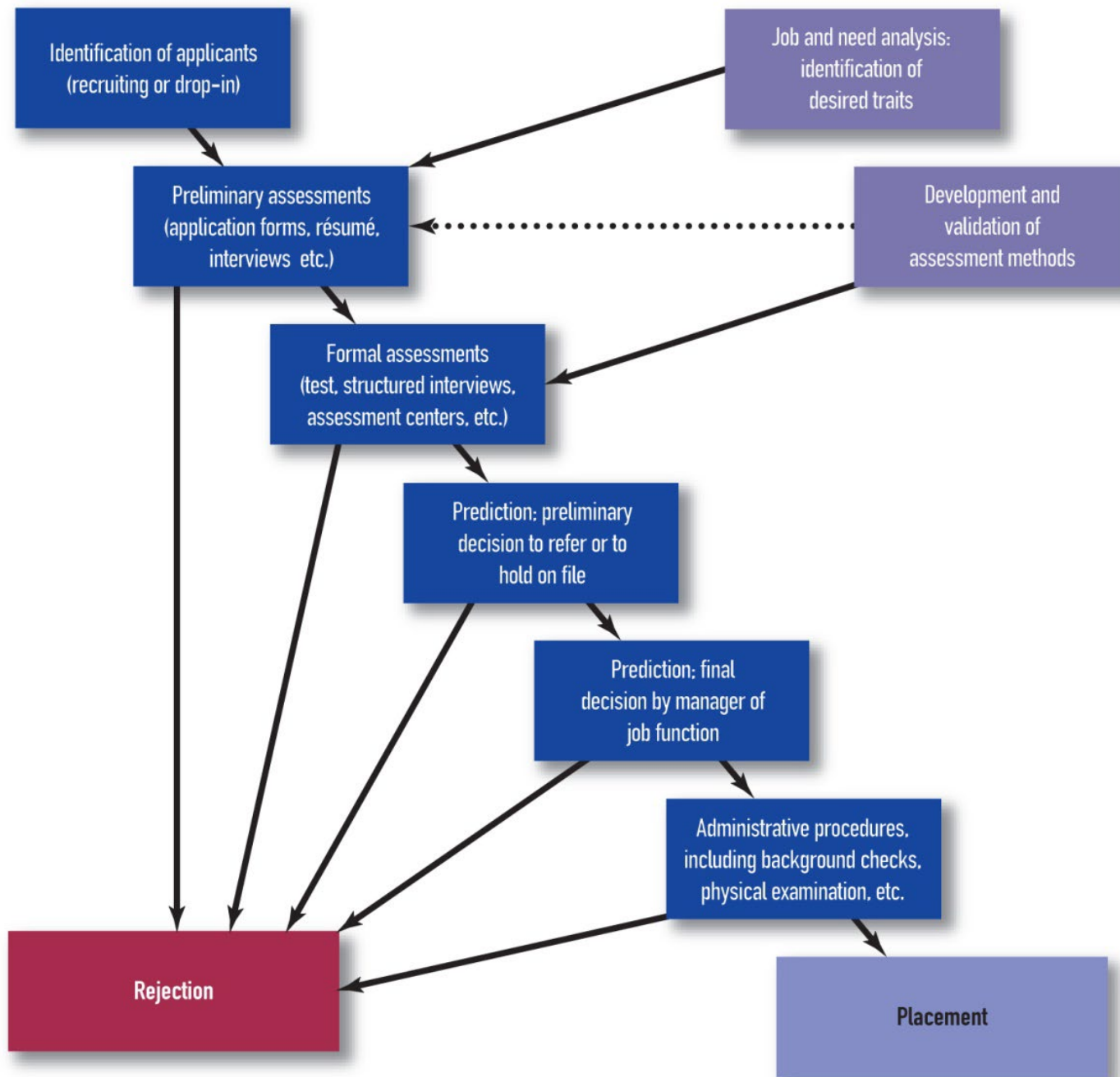




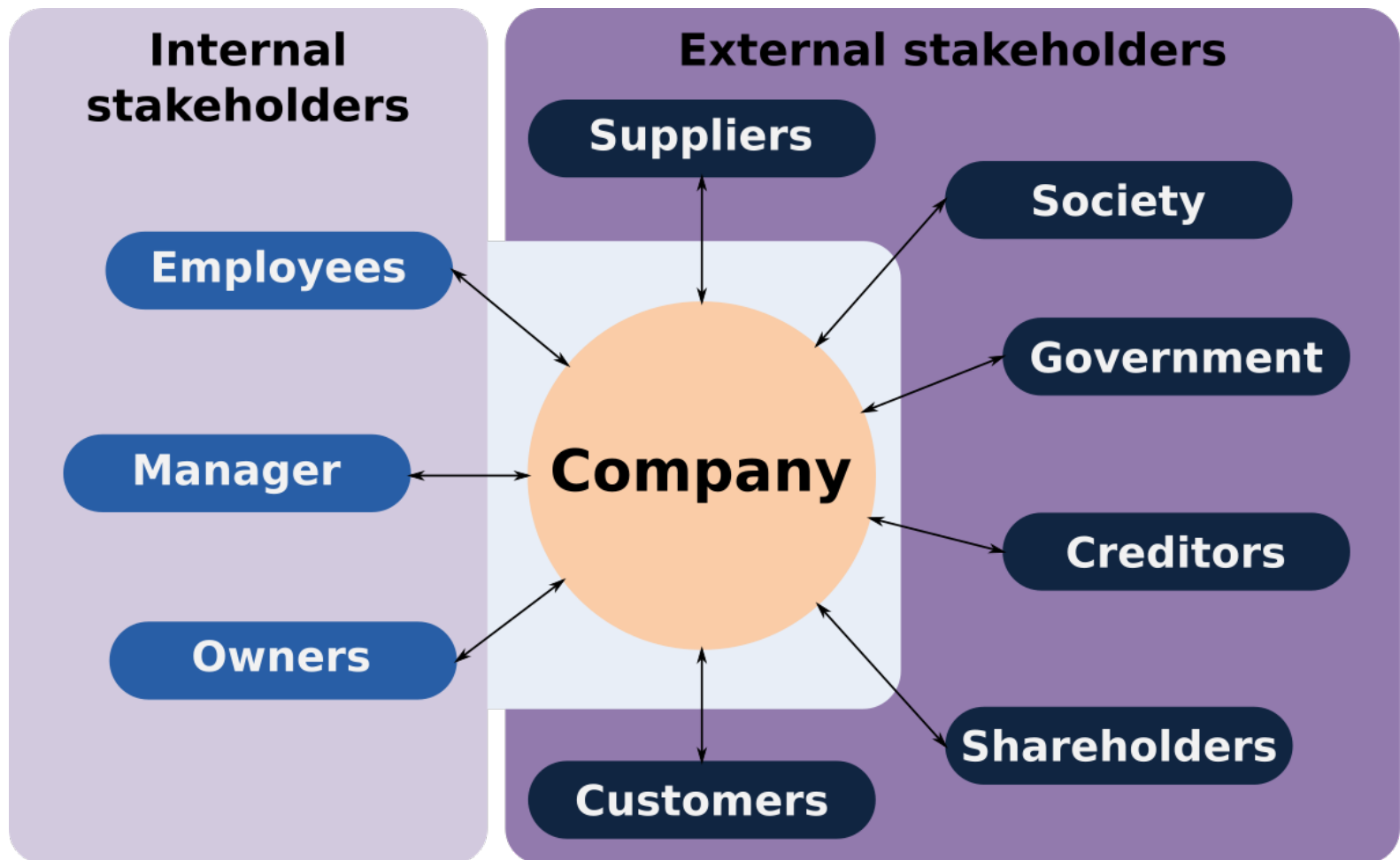
What are staffing decisions?

# What are staffing decisions?

- **Staffing decisions:** Decisions associated with recruiting, selecting, developing, promoting, and terminating employees
- **High performance work practices:** Practices that include the use of formal job analyses, internal selection for key positions, merit-based promotions, and formal assessment devices
- Thought to influence critical individual and organizational outcomes



# What are staffing decisions?




# What are staffing decisions?

- **Uniform Guidelines on Employee Selection Procedures**: Official government guidelines designed to assist employers, labor organizations, employment agencies, and licensing and certification boards to comply with laws

## General Principles

Sec.	
1607.1	Statement of purpose.
1607.2	Scope.
1607.3	Discrimination defined: Relationship between use of selection procedures and discrimination.
1607.4	Information on impact.
1607.5	General standards for validity studies.
1607.6	Use of selection procedures which have not been validated.
1607.7	Use of other validity studies.
1607.8	Cooperative studies.
1607.9	No assumption of validity.
1607.10	Employment agencies and employment services.
1607.11	Disparate treatment.
1607.12	Retesting of applicants.
1607.13	Affirmative action.



How can we make better  
staffing decisions?



# How can we make better staffing decisions?

- Calculate selection ratio
- Establish cut scores
- Conduct utility analysis
- Assess validity



# How do we conduct a utility analysis?

- **Utility analysis:** A technique that assesses the economic return on investment (ROI) of staffing decisions
- Compares the utility of a new system with the utility of the old system
- Does NOT take into consideration inflation, taxes, turnover, or stakeholder reactions



# How do we conduct a utility analysis?

- Considers the base rate and cost
  - **Base rate:** The percentage of the current workforce that performs at a high level
    - If the base rate is high, a new selection system is NOT likely to increase performance.
  - If the costs are greater than the potential increases in revenue (from hiring better employees), a new selection system may be desirable.



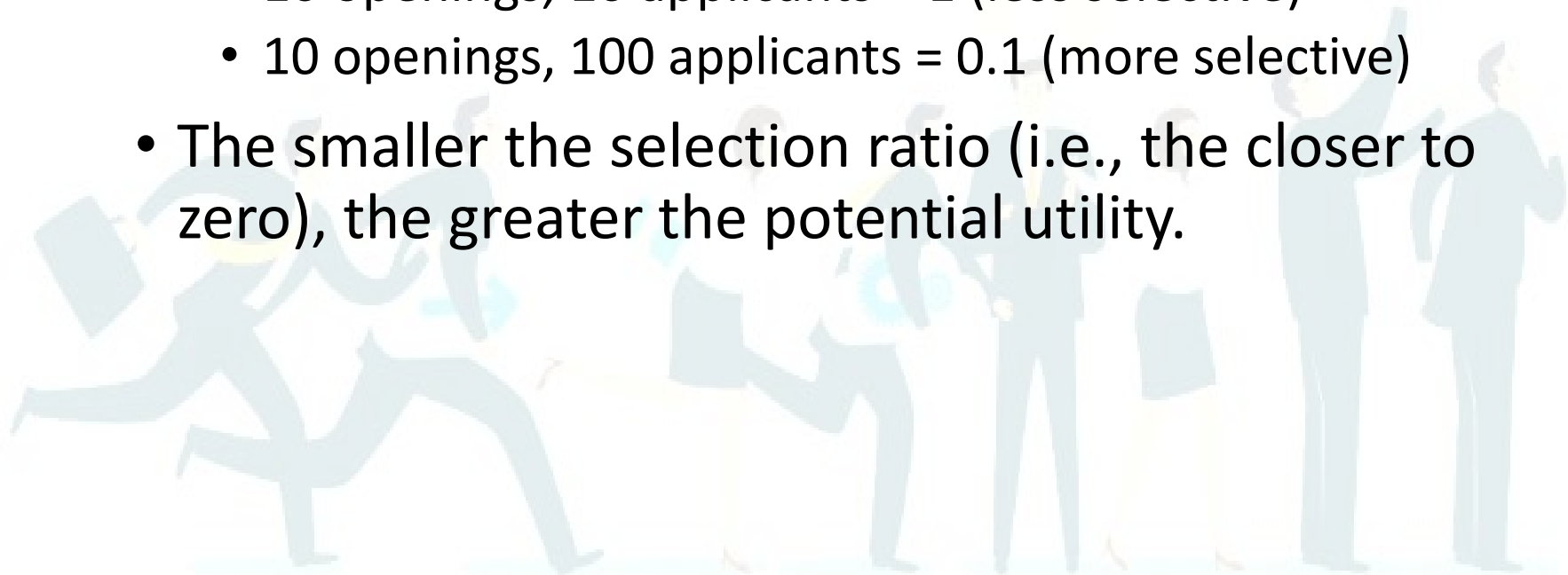
# How do we conduct a utility analysis?


Suppose we plan to hire 10 auditors per year, and the average person in this position stays 2 years. Assume the validity coefficient is .40, and the average annual salary for the position is \$30,000. Imagine we have 50 applicants for 10 openings. The standardized average test score is 1.4, and the test costs \$10 per applicant to administer. By using this test instead of random selection, a company will save \$133,900 over the 2 years that auditors usually stay with the organization.

$$[10 \times 2 \times 0.4 \times \$12,000 \times 1.4] - [50 \times 10] \\ \$134,400 - 500 = \$133,900$$

# How do we calculate a selection ratio?

- **Selection ratio:**  $\# \text{ of employees selected} \div \# \text{ of applicants}$ ;  $\# \text{ of available jobs} \div \# \text{ of applicants}$ 
  - 10 openings, 10 applicants = 1 (less selective)
  - 10 openings, 100 applicants = 0.1 (more selective)
- The smaller the selection ratio (i.e., the closer to zero), the greater the potential utility.

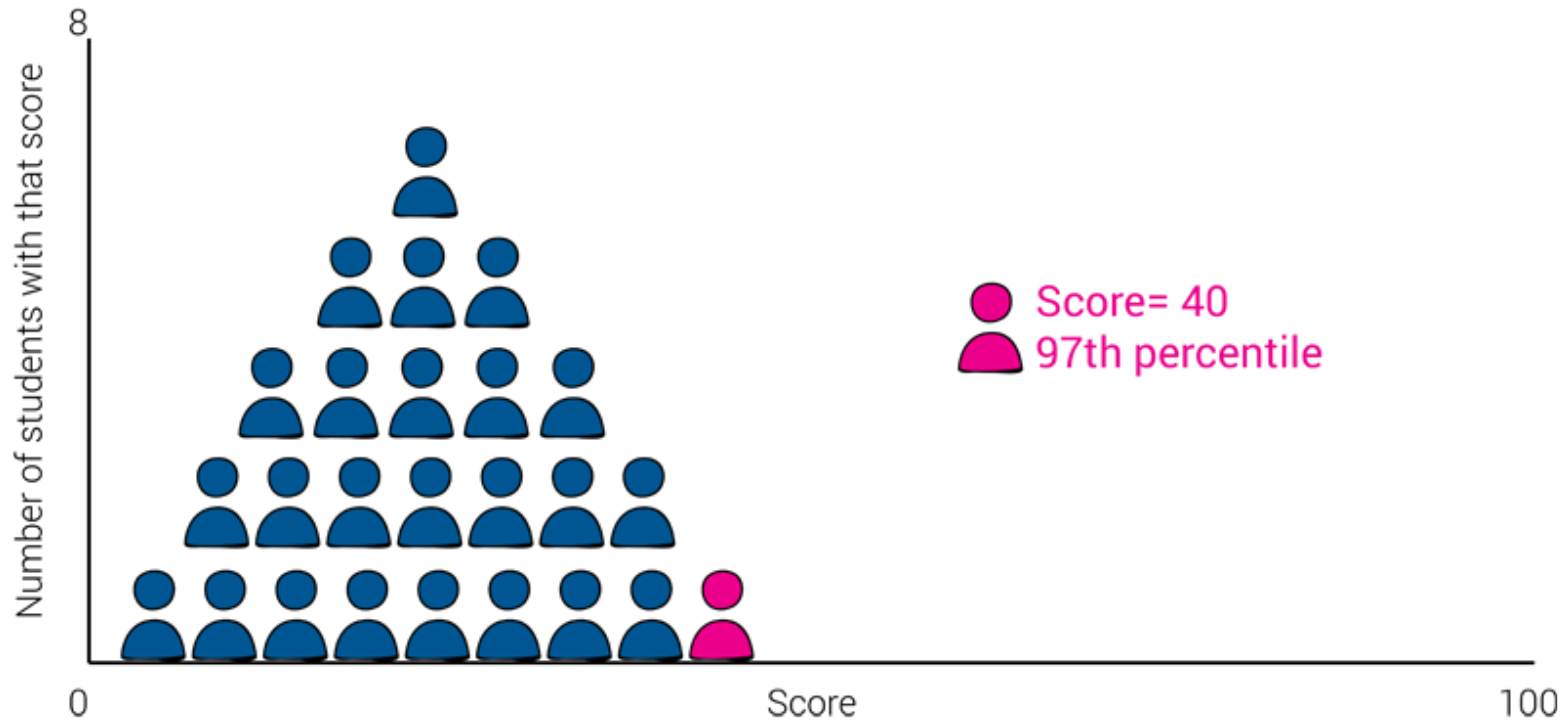




# How do we establish a cut score?

- **Cut score:** A specified point in a distribution of scores below which applicants are rejected
- **Norm-referenced cut score:** Established by first identifying the average

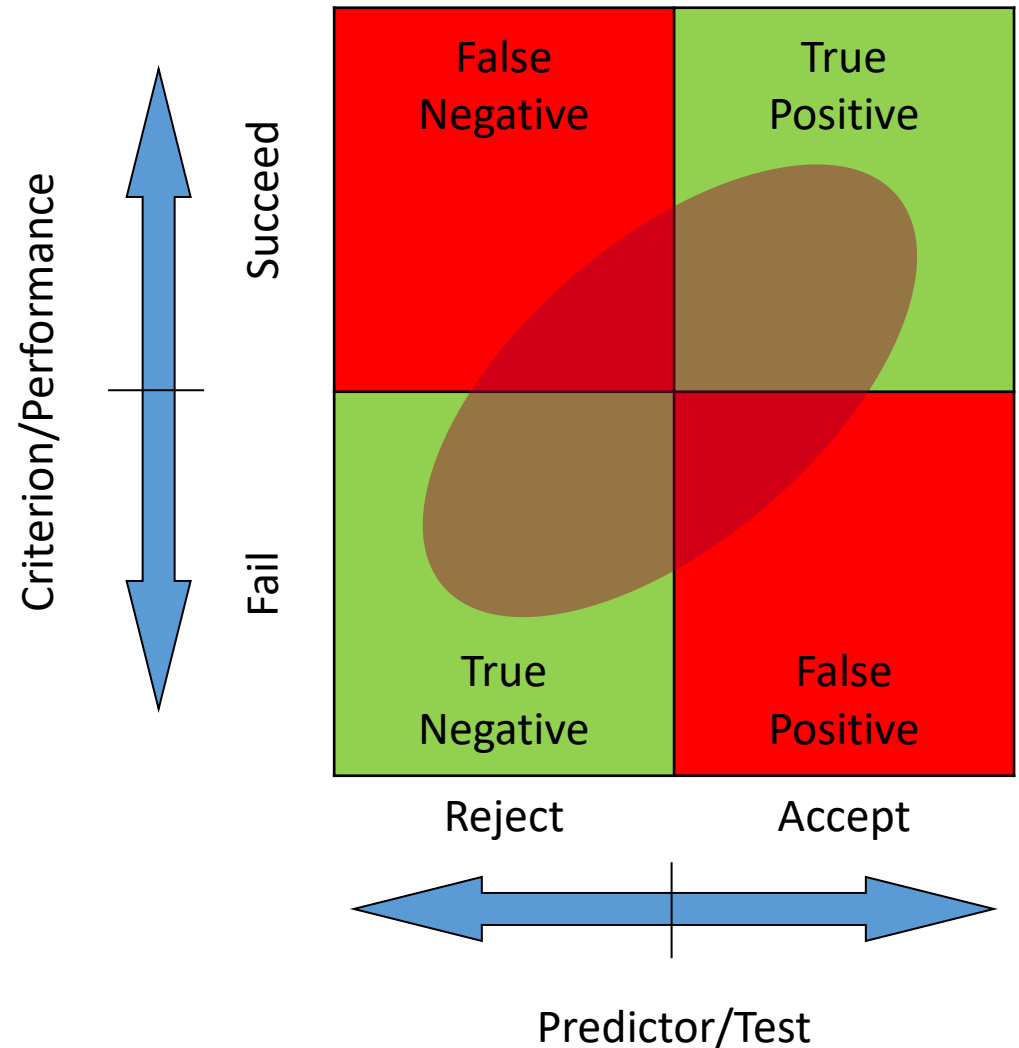
# How do we establish a cut score?



On a norm-referenced test, an individual's percentile rank is calculated according to the performance of other test-takers.

# How do we establish a cut score?

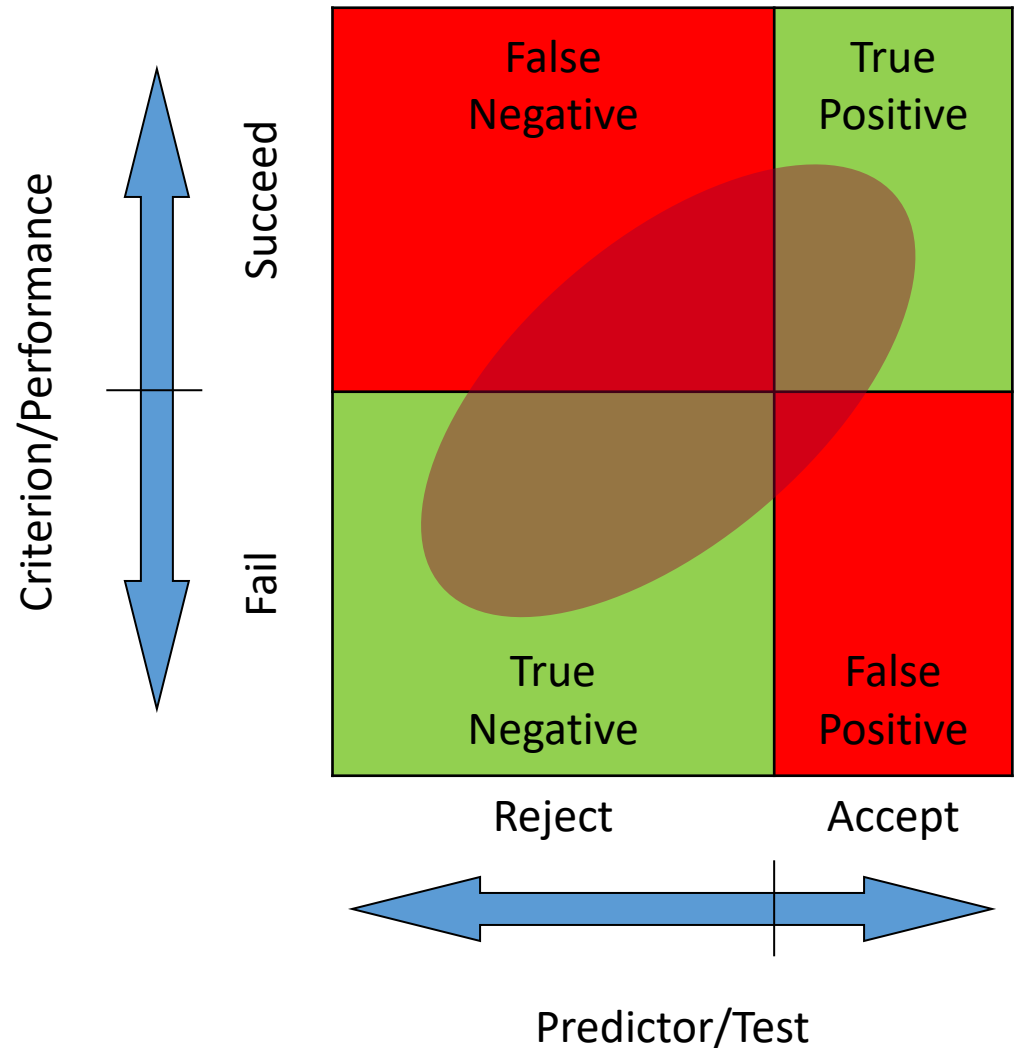
- **Criterion-referenced cut score:** Established by first identifying the desired criterion level and then identifying the corresponding predictor score





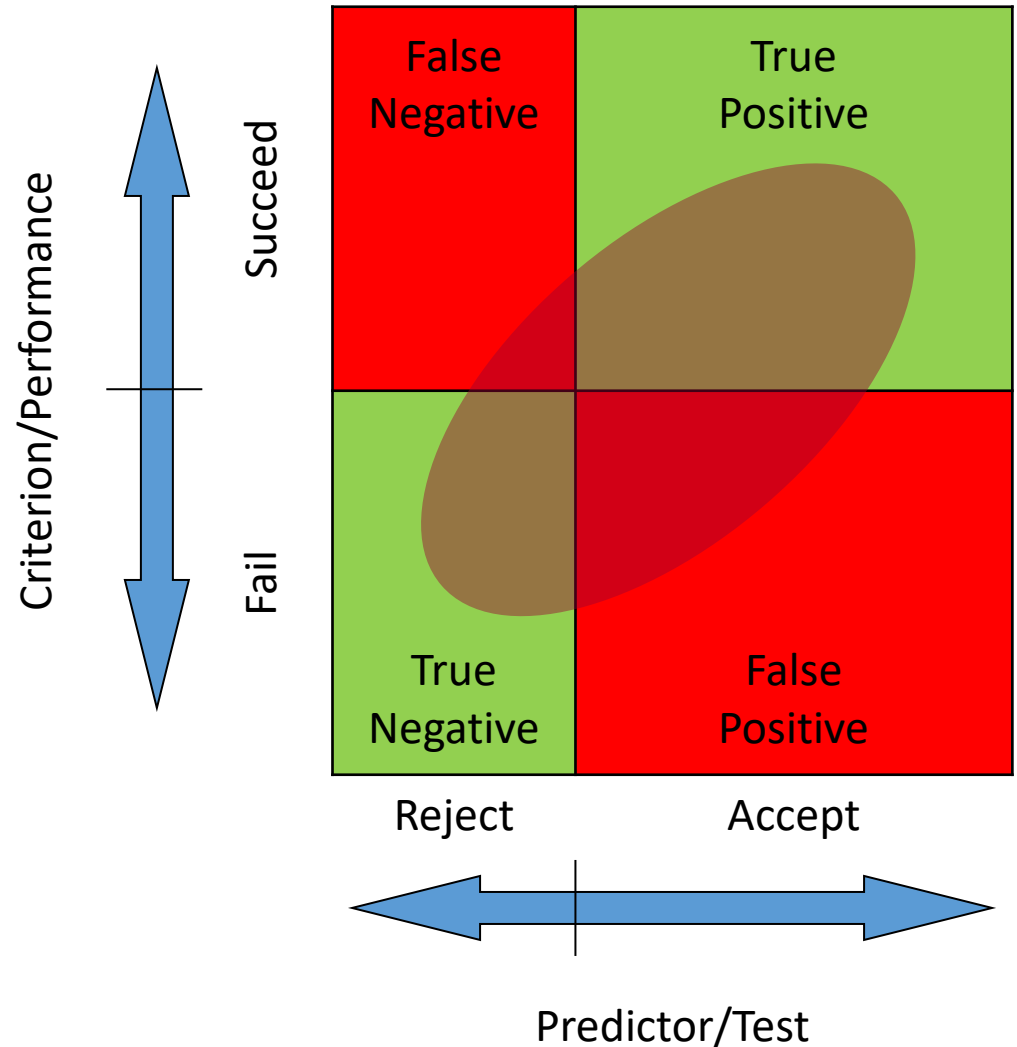
# How do we establish a cut score?

- Raising cut score will result in fewer false positives, but more false negatives

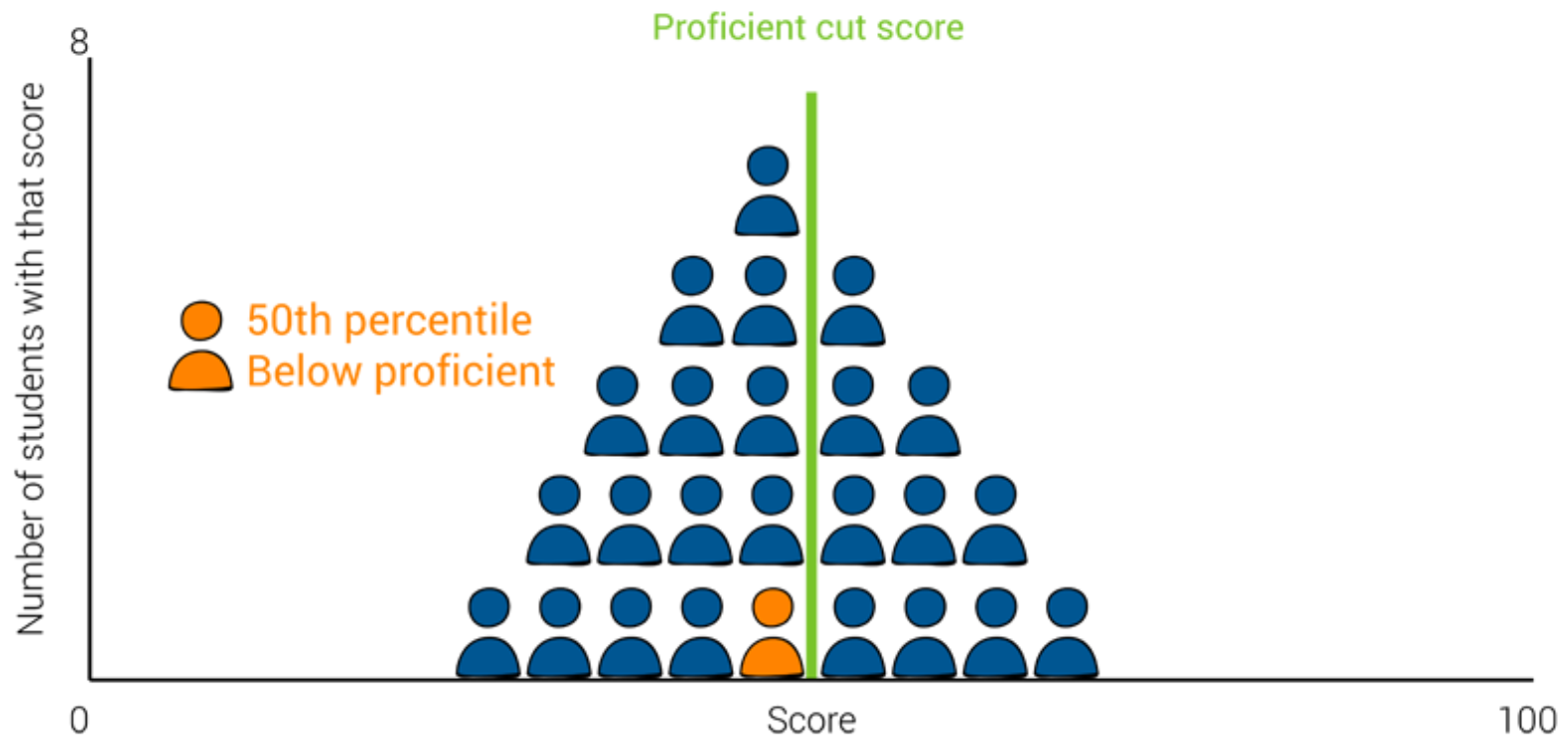


# How do we establish a cut score?

- Lowering cut score will result in fewer false negatives but more false positives

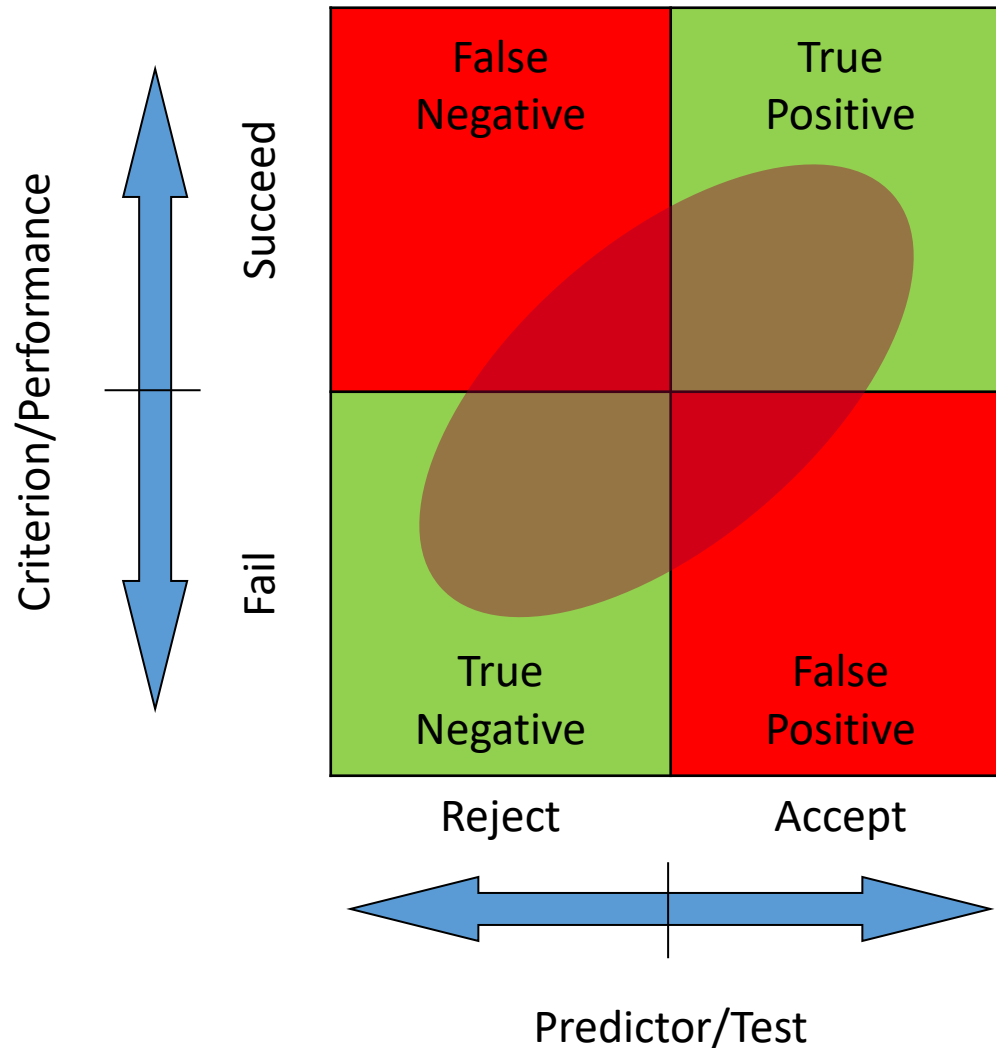


# How do we establish a cut score?



An individual may be “typical” according to norm-referenced measures but not according to criterion-referenced measures.

# How do we assess criterion validity?



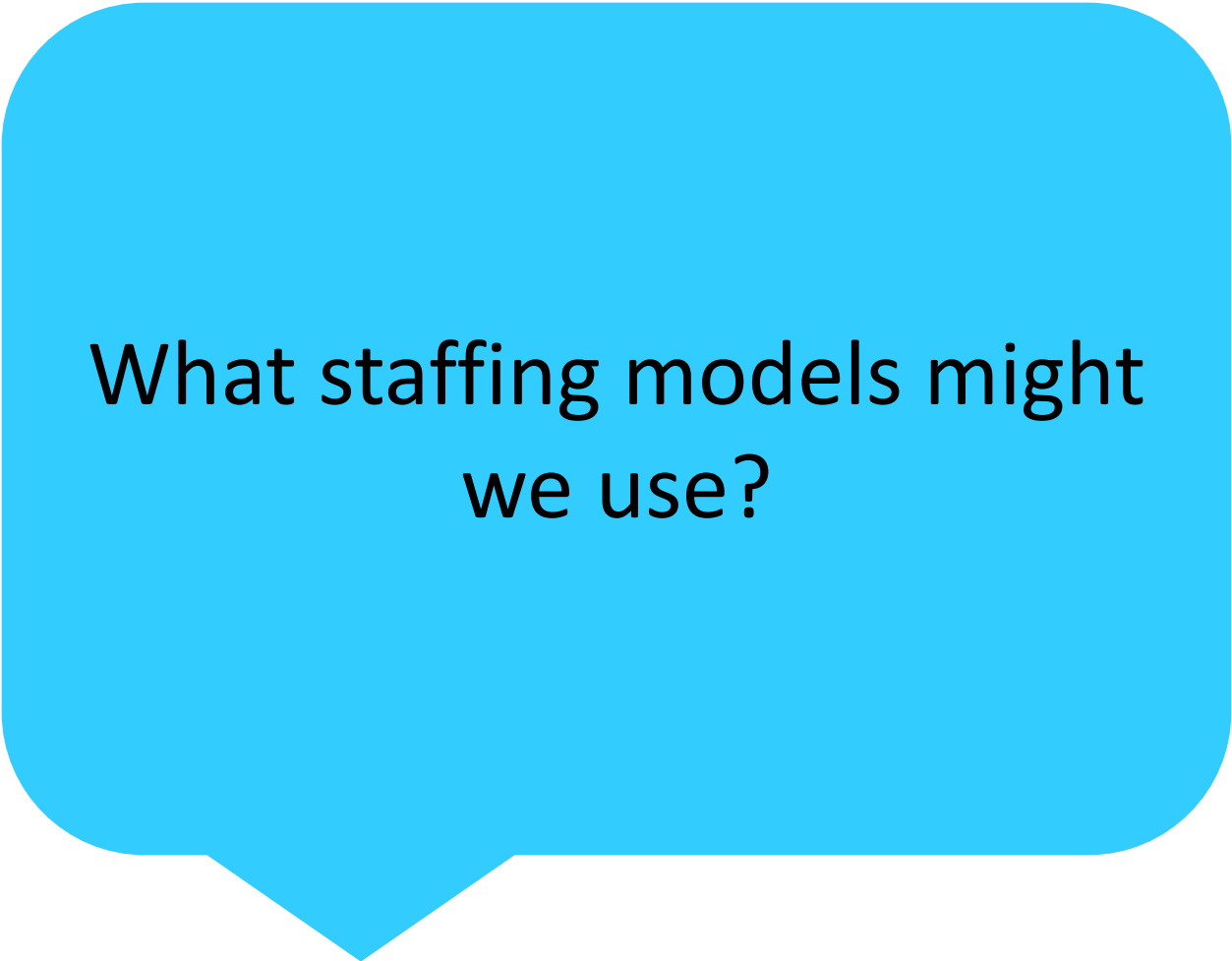
# How do we assess criterion validity?

## Errors

- **False positive:**  
Applicant was accepted but performed poorly
- **False negative:**  
Applicant was rejected but would have performed well

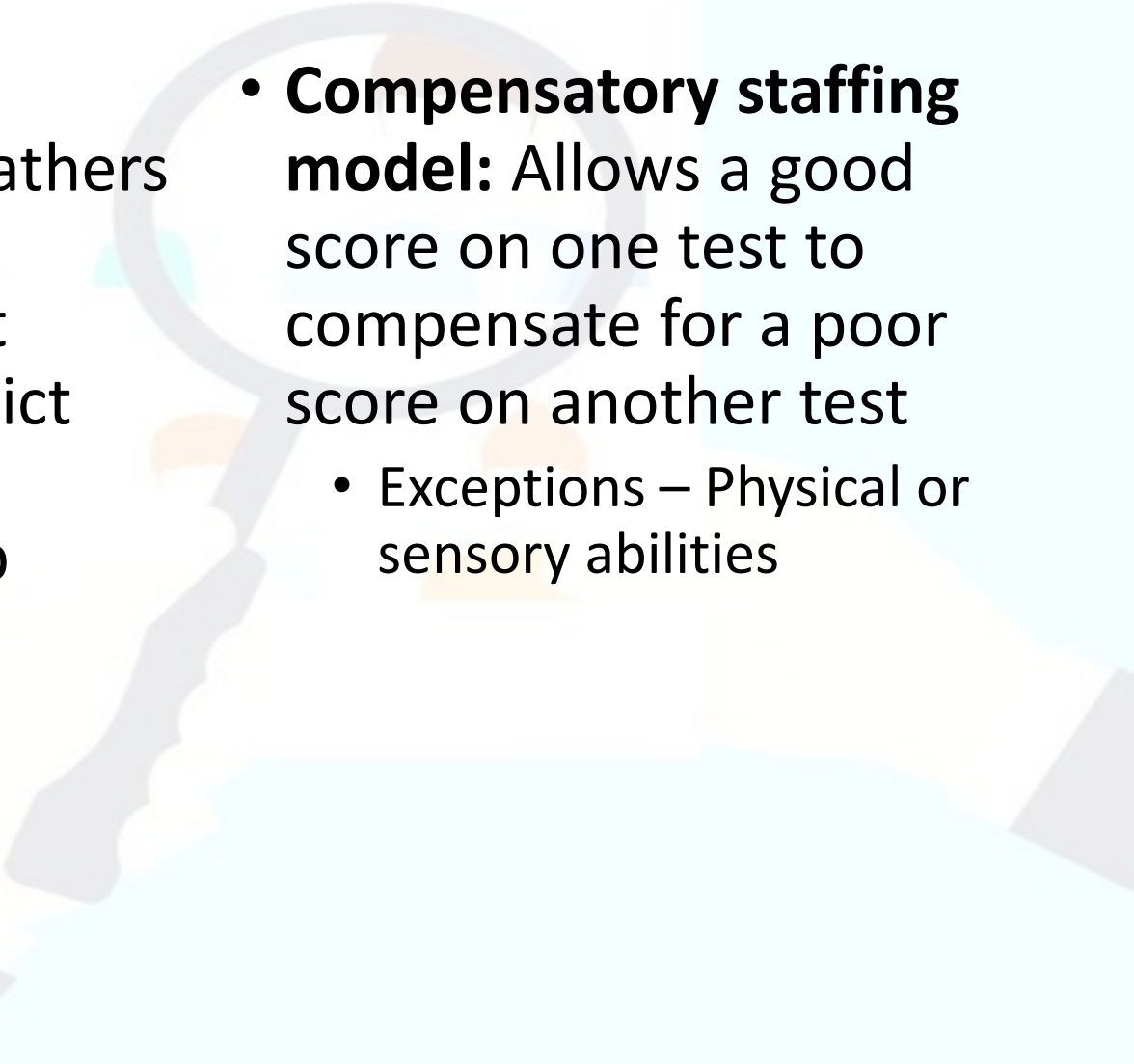
## Correct Decisions

- **True positive:** Applicant was accepted and performed well
- **True negative:**  
Applicant was rejected and would have performed poorly



What staffing models might  
we use?

# What staffing models do we use?

- **Comprehensive staffing model:** Gathers high-quality information about applicants to predict the likelihood of success on the job
  - **Compensatory staffing model:** Allows a good score on one test to compensate for a poor score on another test
    - Exceptions – Physical or sensory abilities
- 

# What staffing models do we use?

- **Clinical decision making:** Uses intuition and feelings

- **Statistical decision making:** Uses mathematical formulas

<i>CANDIDATE</i>	<i>ORAL COMMUNICATION</i>	<i>WRITTEN COMMUNICATION</i>	<i>COGNITIVE ABILITY</i>	<i>EXPERIENCE</i>	<i>CONSCIENTIOUSNESS</i>	<i>TOTAL SCORE</i>
A	5	7	8	4	5	29
B	9	8	6	5	9	37
C	9	9	4	3	6	31
D	6	6	9	7	5	33
E	5	5	7	6	7	30

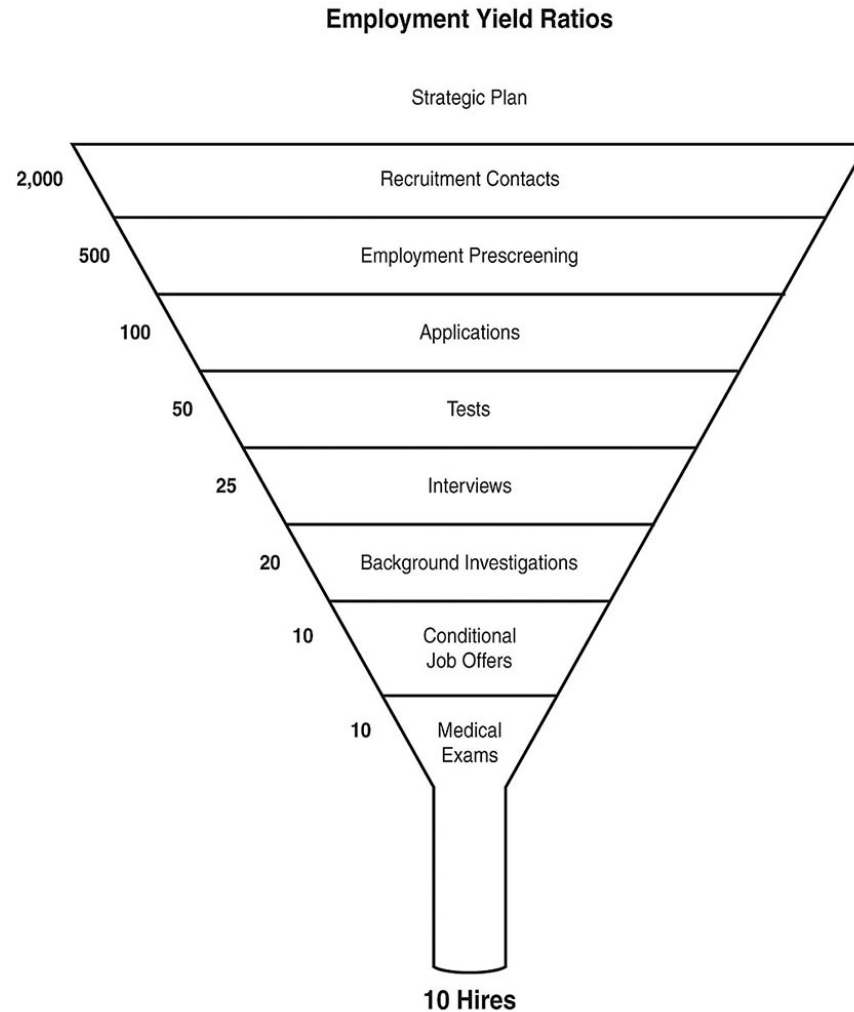



# What staffing models do we use?

- **Hurdle system:** Does not allow applicants to compensate for low scores
- **Multiple hurdle system:** Constructed from multiple hurdles so that applicants who do not exceed each cut score are excluded



# What staffing models do we use?





What legal issues need to be considered?

# What legal issues need to be considered?

- Employment discrimination is often the result of decisions (not tests) that violate the law
  - Equal Pay Act
  - 14<sup>th</sup> Amendment (equal protection under law)
  - Family and Medical Leave Act
  - Title VII of the Civil Rights Act
  - Americans with Disabilities Act
  - Age Discrimination in Employment Act

# What legal issues need to be considered?

- Most suits are filed by individuals without the involvement of the Equal Employment Opportunity Commission (EEOC)
- Consequences can be substantial (e.g., loss of money, customers, stock value)
- I/O psychologists serve as expert witnesses who voice their opinions about organizational practices

# What legal issues need to be considered?

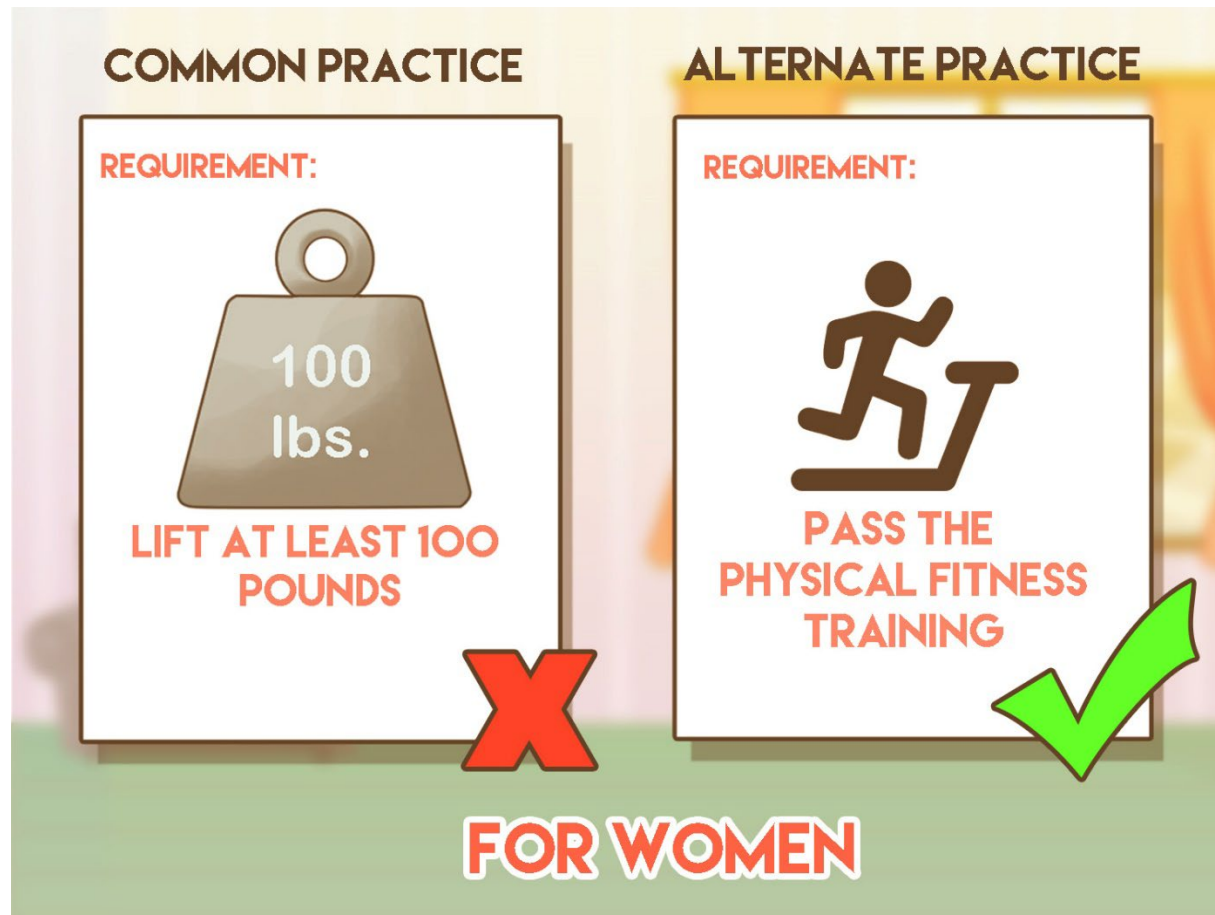
- **Adverse treatment:** A type of discrimination in which plaintiffs attempt to show that their employers *intentionally* treated them differently than most others
- **Adverse impact:** A type of discrimination in which plaintiffs attempt to show that their employers *unintentionally* treated them differently than most others
  - Occurs when a protected group receives less than 80% of the outcomes received by the majority group

# What legal issues need to be considered?

- **80% (4/5ths) rule:** A guideline for assessing whether there is evidence of adverse impact
- **Adverse impact ratio:** Selection ratio of protected group ÷ Selection ratio of the majority group
  - Less than 80% = Evidence of adverse impact

Applicants	Selected	Selection Ratio	Adverse Impact Ratio
25 females	1 female	$1 \div 25 = 4\%$	$4 \div 16 = 25\%$
50 males	8 males	$8 \div 50 = 16\%$	

# What legal issues need to be considered?





# What legal issues need to be considered?

- The presence of adverse impact alone does not indicate employment discrimination.
- Plaintiffs must demonstrate that they are part of a protected group and that this group was disadvantaged (using the 80% rule).
- Defendants then refute the evidence.
  - If adverse impact exists, defendants may use a *business necessity* defense and show evidence that the measure is job-related.