WorXsiteHR Workers' Compensation Benchmarking Whitepaper

April 2017

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For purposes of ensuring that organization needs are fulfilled, the HRX Integrity Test aims to establish differences between unscreened and screened employees and how these differences affect organization performance. Considering that integrity testing is only conducted on new employees, organizations should ensure that they have an automatic built-in integrity test process to examine existing unscreened employees. The differences between unscreened and screened employees are determined through calculations based on severity and claim frequency rates. For example, in this paper, integrity studies that were conducted in early 2017 examined the differences between the two groups of employees. The studies established when organizations incurred claims, and the quantity of claims. It was noted whether employees had been screened. Claim rates were significantly curtailed. The test was given without additional strategies being implemented. It is worth noting that certain organizations in the study implemented other strategies besides integrity testing. For example, certain organizations used new safety and return-to-work program incentives concurrently. Claim rates were not curtailed.

The HRX Integrity Test program incentive is the most effective implementation of such programs because it accurately establishes loss ratios even WITH other programs functioning concurrently. In such cases, there are no differences between groups of employees receiving new safety and return-to-work program incentives and those who do not. Obviously, the correlations only apply to companies who agreed to have employees screened while implementing other concurrent strategies.

As nearly all other methods used for reduction of losses for either new or existing employees in an organization show little or no correlation with the strategies implemented,

integrity testing is regarded as the most reliable method. If administered to all new employees, it is the only method that can accurately project losses due to workers' compensation.

Over the past several years, WorXsiteHR has completed several major workers' compensation benchmarking studies. Their results are summarized in the table below where 51% of organization losses shows the severity of claim frequency rates in unscreened employees compared to screened employees working at the same time on the same job.

According to the research that was conducted by Sturman and Sherwyn (2009), they established that the integrity test method can be used by organizations to determine which of their prospective employees are likely to cause an organization to incur losses. However, as in most cases, candidates are less than candid when they are asked test questions regarding their performance or on issues related to theft and drug abuse. However, the integrity test method has specific questions that are structured to gather true answers about employee behavior (Sturman & Sherwyn, 2009).

Since HRX does not charge for integrity testing, there is no additional cost associated to utilizing it during the hiring process. A study of a large California based security guard company, found that the savings in screening out potentially expensive employees saved the company **$583.00/per employee /per year in claims cost alone.** Based upon 1000 full time security guards, a premium savings $1,060,000 per year can be attained (California guaranteed workers' compensation policy) once the data works its way fully into the NCCI experience modification formula. A conservative estimate can be made that, phased in over the course of three policy years (on a linear formula), a company which uses HRX Integrity testing will experience a 40% reduction in annual premiums.

Sturman, M. C., & Sherwyn, D. (2009). The utility of integrity testing for controlling workers'

compensation costs [Electronic version]. Cornell Hospitality Quarterly, 50(4), 432-445.

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