Usage of Credit Information in the Selection Process: A Unique Contribution

Research Proposal

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Abstract

Using credit information for employee selection began around 1988, after polygraph tests for such purposes were banned. Organizations sought other methods that predicted employees’ behavior and gave insight into their honesty, responsibility and integrity. Since the early 1990s, credit information’s influence on hiring decisions has increased significantly. As of 2010, 47% of organizations use credit information for specific jobs, and 13% use them for all jobs (Bryan & Palmer, 2012). The U.S. Equal Employment Opportunity Commission (EEOC) reported that organizations screen for negative credit histories and use that information to impact their hiring decisions (Bryan & Palmer, 2012). Many organizations anecdotally believe credit information indicates responsibility, honesty and accountability. This belief has face validity in the financial industry. Credit information has face validity in two ways during employee selection at financial institutions: 1) financial history relates to an ability to handle financial accounts, and 2) the opportunity to steal is greater at financial institutions (Nielson & Kuhn, 2009). While there may be face validity in the financial industry, most industries are relying on credit information to measure candidates’ conscientiousness and honesty. The assumption is that poor credit information implies some level of irresponsibility, which has the potential for workplace dishonesty or fraud (Bryan & Palmer, 2012). A study at Eastern Kentucky University on the validity of credit reports in predicting performance appraisal ratings and termination found no correlation between credit history and performance ratings (Bryan & Palmer, 2012). The purpose of this study is to determine if credit information has any unique contribution to the selection process, or if it is made redundant through other methods such as background and criminal checks. Data from a large government organization will be used, along with their selection process methods, to determine how much overlap exists between the different variables.
used in their selection process. A bivariate regression will be run on individual selection variables and a multiple regression will be run on the selection variables collectively. This study hopes to provide a better understanding of the unique contribution credit information may provide to the selection process.
Summary

Purpose of the Study
The current study is to determine if using a credit information in the selection process provides a unique contribution to the hiring decision.

Data Collection
Data used for this study will be archival. It will be from a large government organization in the state of Tennessee. All personal information will be redacted. The data will be used in accordance to how the data is used to currently make selection decisions.

Measures
Multiple regression and bivariate correlation will be used to analyze the data. The dependent variable will be whether or not the candidate was selected for a job offer. The independent variables will be credit information, social media, criminal records, education, and child support obligation. These variables will be analyzed to see how well they predict judgments in the selection decision.

Bivariate correlation analysis. Bivariate correlation will be used to determine if there is a significant correlation between each of the independent variables with the dependent variable.

Multiple regression analysis. Multiple regression will be used to determine the collective impact the independent variables have on the dependent variable. An analysis will be run to determine the overlap of variance between each independent variable to the dependent variable. The unique beta of the independent variables will be tested to determine significance in predicting the dependent variable. It will also show if any independent variables have a unique impact when used collectively.

Hypothesis

Hypothesis 1: Credit information will be a significant predictor in the selection decision.

Hypothesis 2: Credit information will provide unique variance and have a unique impact on the dependent variable.
References
