WHAT IS COMPENSATORY SELECTION? (and how does it differ from restricted range)

Restricted Range Selection Effect (can occur when using a cutoff)

Compensatory Selection w/ Valid Test (no restricted range, but no correlation)

Compensatory Selection w/ Invalid Test (misleading negative correlation)

Assessing the predictive validity of standardized test scores is difficult if admissions use a high cutoff. In this case, there is no correlation between test scores and degree success owing to a restricted range selection effect (insufficient test score variation).

An optimal admissions policy that admits using a combination of all valid predictors will reduce or eliminate the correlation between scores and subsequent degree success even though there is no restricted range. For the entire pool of applicants, those with higher scores would do better, but this is not true among those who are admitted.

If test scores are invalid predictors but nonetheless used for admissions along with other predictors, this would create a paradoxical negative correlation. An applicant admitted based on a high test score is less well prepared. Such negative correlations are rarely observed.