

A Case for Background Checks

By Todd Carpenter, President

Background screening is an essential part of the hiring process, and a valuable tool that helps identify an applicant's qualifications. Employers have an obligation to learn about the candidates they are evaluating for hire. There is also a duty to ensure a potential hire does not have an adverse history that could raise a red flag for potential harm to a business or pose a safety risk to employees and clients.

Businesses that lack a screening program put themselves at risk for potential legal consequences associated with poor worker selection. If information should surface that an employee is unfit for the job, a business can be held liable for negligent hiring. No business is immune from negligent hiring situations due to substandard hiring practices.

Negligent hiring is based on the premise that employers have an obligation to protect employees and clients from harm or injury (or "foreseeable" acts) caused by an employee. If a company fails to conduct a background check prior to hiring and an employee commits a crime, the employer assumes the liability for the employee's actions. This is why it's necessary for employers to perform due diligence and conduct background checks on applicants and employees, regardless of business size.

Statistics of Interest:

- 17% of adults in the U.S. have been married two or more times
- Of all U.S. residents age 15 and older:
 - 13% have been married twice
 - 4% have been married 3 or more times

Source: U.S. Census Bureau, Press Release, March 10, 2015

- Survey results conducted by Right Management in 2012 revealed that 42% of respondents indicated that the average cost of a bad hire is at least 3 times the employee's salary.

Workplace violence (including assaults and suicides) accounted for 16 percent of all work-related fatal occupational injuries in 2014, per the Bureau of Labor Statistics (BLS). The process of conducting criminal background checks can reveal whether an individual has an unfavorable history. Employers can also use a background screening report to determine if an applicant has been honest on the job application or resume. Supplying false information is often a red flag for employers, and can be an indicator of potential risk.

With the job market becoming increasingly competitive, individuals are more inclined to embellish or omit various aspects of their history in order to appear more lucrative to employers and recruiters. According to a survey conducted by CareerBuilder in 2014, fifty-eight percent of employers have caught a resume lie, with the most common relating to:

- Embellished skill set – 57 percent
- Embellished responsibilities – 55 percent
- Dates of employment – 42 percent
- Job title – 34 percent
- Academic degree – 33 percent
- Companies worked for – 26 percent
- Accolades/awards – 18 percent

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While some of these actions can be somewhat obvious, not all will be revealed until a background check is completed. According to a survey by Robert Half, 95% of employers feel that a poor hiring decision affects the morale of the whole team. The survey also showed that managing a bad hire can take 17% of a supervisor's time.

Employers also need to obtain a thorough understanding of a prospective employee's history, particularly if that person will have access to company systems, applications, or financial and personal information. Fraud covers a lot of ground, and can be a difficult problem to identify. When a fraudulent act is committed by an employee, it makes matters even worse. While cases are uncovered and reported, most go undetected until it is too late.

Unfortunately, some businesses deem fraud and pilferage as a cost of doing business. And many don't want negative publicity for being a victim of fraud. It causes widespread embarrassment. Fear of client loss and creditors is of major concern. The risk of fraud can be offset with properly designed policies and procedures that are embraced company-wide.

Another issue is workplace drug use, which can dramatically impact an employee's ability to contribute to a company's success. Substance abuse can lead to absenteeism, tardiness, employee turnover, attitude problems, low productivity, workplace injury, crime and violence. According to the National Council on Alcoholism and Drug Dependence Inc. (NCADD), drug abuse costs employers \$81 billion annually. And the Substance Abuse and Mental Health Services Administration (SAMHSA) has revealed that of the 22.4 million current illicit drug users aged 18 or older in 2013, 15.4 million (68.9 percent) were employed either full or part time. Testing your employees can help prevent and detect workplace drug abuse. Further, regardless of the size of a business, it is still necessary for companies to be aware of the effects of substance abuse at work.

Background checks should always be a component of a company's overall goal to minimize risk. An employer's obligation to maintain a safe working environment arises from legal principles. While not all states or industries require background checks, the potential for lawsuits and corporate liability for negligent acts reinforces the importance of due diligence in hiring practices. As the demand for background checks continues to increase, learning the legalities involved and implementing the right screening policies and procedures can set a benchmark for your business.

Statistics of Interest:

- According to a 2014 report by the Association of Certified Fraud Examiners:
- The typical organization loses 5% of its annual revenue to occupational fraud.
- The median loss caused by the occupational fraud cases in the study was \$145,000. More than one-fifth of the cases caused losses of at least \$1 million.