



## **Background Investigations**

*Why pre-employment screening is invaluable*



Investment in background investigations is a crucial measure that must be taken in order to ensure success for any business. American DataBank found that 45 percent of potential employees either have a criminal record, poor driving record or a bad credit history and an astounding 30 percent of businesses fail because of employee theft. Moreover, because of palpable media coverage on shaky business practices, growing security pressures from terrorist attacks and the current difficult business cycle, employers are turning to pre-employment background investigations as a way to save their businesses a great deal of time and money.

According to Bankrate.com, a third of all resumes are exaggerated and sixteen percent of potential employees have false academic claims on their resumes. Therefore, if a candidate seems “too good to be true,” it may be beneficial to do some research; the economic cost of a bad hire can be extremely expensive for any company. Some examples of resume fraud can include the exaggeration of time frame, in which the candidate claims to have worked at a job for a longer period of time than is accurate, or an overstatement of a title, such as claiming to be a supervisor when the position was actually a file clerk. In even more serious cases, the applicant can even go as far as making up credentials completely.

CFO Research Services show that companies spend about 36 percent of their revenues on cost associated with labor; this includes the employee’s income and benefits as well as recruiting and training. According to a survey from Right Management, the average estimated cost of a bad hire is approximately two and a half times the employee’s salary. Furthermore, there are other indirect costs to a bad-hiring decision that can impede a company in the long run. This can include lost customers or business, which can be damaging to a firm’s credibility, obstruction of employee morale, brand destruction and lawsuits. The average costs of an award for a negligent hiring lawsuit is about \$1 million and can devastate mid-market companies, or even wipe out small businesses.

Not only can employers be sued for failing to use due diligence in the hiring a new employee, an employer can also be sued for negligent retention, if they fail to terminate or discipline another employee who is seen as a potential threat. Even the bad employee can get in the act and sue his or her employer for illegitimate termination. Negligent hiring cases are generally aimed towards health care, acts of violence or workplace theft and embezzlement. Therefore, a corporation can be sued for hiring an employee who steals confidential information for the purpose of fraud or identity theft, or sued for an employee that harasses other employees within the workplace.

Not only are negligent hiring litigations extremely costly for a business, the chance for an employer to win this type of case is not very promising. A study quoted in *The Reish & Luftman Practical Guide to Employment Law*, showed that sixty percent of employers in California lost these cases in 1999, and according to similar research, the statistics are relatively the same in other states. Furthermore, because these cases are becoming more and more prevalent, lawyers recently began writing in-depth



articles and books to assist in either suing or defending employers faced with negligent hiring; therefore, safe hiring is crucial if employers want to stay out of the courtroom.

It is also important to take into consideration hiring an individual with criminal records and the cost of workplace violence. An overarching, striking statistic that remains mutual among pre-employment screening agencies is that unless a business avidly engages in background checks, it is statistically proven that they will eventually hire an individual with a criminal record. It has also been proven that approximately ten percent of applicants have some sort of criminal record.

Any act of violence can have an astounding effect on a workplace in America. The average wages lost from workplace violence are roughly \$55 billion a year. However, this expense does not take into account the potential emotional and physical damage experienced by employees, nor does it consider the economic and legal damage inflicted onto the business. Although it is difficult to predict who will cause violence in a particular workplace, statistics show that those who have committed acts of violence in the past are statistically more likely to commit a violent act in the future. In the US, prison recidivism rates stand at 71%. In today's litigious world, conducting a criminal background investigation is a no brainer, to create a safe environment in the workplace, protect your business and stay out of court.

Working through established background investigations firms, employers have the advantage to scope out a potential employees background, before making a hiring decision. The following list entails all the possible records that an employer may have the right to access, when considering a candidate for a job:

- Driving Records and Vehicle registration
- Credit Records
- Social Security Number
- Court Records
- Bankruptcy details
- Neighbor interviews
- Property ownership
- State licensing records
- Past employers
- Criminal records including Incarceration records
- Sex offenders lists
- Education records
- Workers' compensation records
- Character and Personal references
- Medical records
- Military records
- Drug test records



In order to gather such valuable information, it is important for a business to seek outside help from a reliable source. Employers should turn to well-established background screening companies with sufficient experience and the proper resources to do thorough background investigations. Utilizing an outside source is a faster and simpler way to ensure a candidate has the proper qualifications and background that will be the right fit for your company and its values.

It is also important to use an outside source for pre-employment screening because even the most conscientious employer cannot keep up with the legality issues involving background checks. Strict laws surround background screening and one mistake can result in serious legal actions, enormous fines, or even worse, the termination of a successful business.

For instance, the Federal Credit Reporting Act (FCRA) provides specific regulations that employers must follow strictly before taking any inexpedient action. Moreover, the rigidity of these laws varies from state to state, some state laws being stricter than federal laws.

Background investigations enable businesses to attain prospective employees with the proper credentials and best talent because they will be properly informed on the candidate's qualifications. Therefore, relying on a company with a strong background investigation capability is extremely beneficial for any business, because at the end of the day, employees are investments. The amount of time and cost that goes into hiring, training, and employing an individual is a major commitment for a business, and one that should not be taken lightly. Investing in a reasonable and prudent background investigation policy for all new employees is the best way to uphold a dependable workplace while avoiding negligent hiring claims, concurrently.

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