



2005 Background Checking Survey Report - Preliminary Results

PreemploymentDirectory.com

Background Screening Research - March 2006

Publisher Information

This report is published by the National Institute for the Prevention of Workplace Violence, Inc. All content is for informational purposes only and is not to be construed as a guaranteed outcome. The National Institute for the Prevention of Workplace Violence, Inc cannot accept responsibility for any errors or omissions or any liability resulting from the use or misuse of any such information.

© 2005 National Institute for the Prevention of Workplace Violence, Inc. All rights reserved. Printed in the United States of America.

This publication may be reproduced as long as the following citation appears with all uses of information from this report:

“The above information is based on the results of the 2005 Employers Practices in Background Screening Survey conducted by PreemploymentDirectory.com and for more information go to www.PreemploymentDirectory.com”

For more information, please contact:

W. Barry Nixon, SPHR
Executive Director
National Institute for the Prevention of
Workplace Violence, Inc
22701 Woodlake Lane
Lake Forest, CA 92630
949-770-5264
wbnixon@aol.com

About This Report

In June of 2005, PreemploymentDirectory.com conducted a survey on the current practices that businesses were using to conduct background screenings. The survey explored in depth the full realm of checking applicants backgrounds ranging from the types of checks conducted, to the content contained in background screening policies to key selection factors in choosing an outsourced background screening firm.

The following is a preliminary look at the results. A detailed in depth analysis is in progress and when completed the results will be released.

The number of responses were 273 which based on conventional statistical methods did not meet our defined criteria to be statistically significant. While we believe the data is informative and presents a picture of employer practices readers are advised to be cautious in drawing definitive conclusions based on this data alone

About PreemploymentDirectory.com

Preemployment Screening Directory is the largest and most comprehensive web based directory of background screening firms designed to make it easy for employers to quickly find a company to meet their screening needs. The Directory consist of four sections to guide employers quickly to the company that will serve them best:

1. U. S. Domestic Section (firms are listed by their location, State by State)
2. International Section (firms that conduct background screening internationally)
3. Vendor Showcase (firms that provide services to the background screening industry)
4. Alphabetical listing

The Directory has over 800 firms listed and is continuously growing. Visit us at www.PreemploymentDirectory.com

Introduction

In today's turbulent work environments employers are challenged by identify theft, fraud, workplace violence, theft, sabotage, negligent hiring, terrorism, etc. to name a few of the issues. This may be the 'Interesting Times' that Charles Dickens famous quote 'Shall You Live in Interesting times' was meant for. Due to concerns about the above issues background checking has skyrocketed to record levels and is continuing to grow annually. The number of firms that provide outsourced background screening services has leaped to well over 2,000 and is growing daily.

In parallel with the unprecedented growth of the background screening industry we have seen more concerns about privacy and security of the data obtained. ChoicePoint recently settled an issue surrounding a breach of their data for 10 million dollars. This case along with numerous others will inevitably lead to new data protection laws.

Many are predicting the days of using birth date and social security numbers as identifiers are numbered and will give way to biometric solutions, some of which border on science fiction. Consequently, the landscape of background screening will continue to evolve and employers will need to keep up. A very promising trend that has

emerged in background screening is that we are increasingly seeing stand alone screening feeds being integrated into firm's human resource information systems.

A pressing issue that is confronting background screeners is the proliferation of the fake diploma and degree mills. Simply verifying educational background is no longer sufficient. Screeners must now verify that the source of the education is legitimate and for foreign degrees their equivalency.

There are also clear signs that background screening is increasingly going global as the economies in India, China, Europe, etc. continue to prosper and recruiters span national borders to find people. The international marketplace is likely to be the brave new world that background screening must master.

Despite the challenges that will be faced there is no question that background screening has become an integral part of the hiring process. Driven by the need to know whom they are hiring and to discover the best information possible to make quality hiring decisions will continue to make a background screening valuable for years to come.

Methodology

The survey questions were developed by an Advisory Committee specifically formed for the purpose of creating the survey. The Advisory Committee was composed of a variety of Human Resource, Employment, Background Screening, Security and Management professionals.

The survey was emailed to a cross section of members of the Society for Human Resource Management (SHRM), ASIS International, Association of Threat

Assessment Professionals (ATAP) as well as members of several online HR communities. An invitation to participate in the survey was also posted on the home page of The National Institute for the Prevention of Workplace Violence, web site www.Workplaceviolence911.com. 7,000 emails were delivered and each recipient was sent an email invitation containing a link that directed the participant to the online survey. Three email reminders were sent out to sample members in an effort to increase the response rate.

Key Findings:

It was interesting to see that while 80% of employers conduct background checks on applicants only 58% conducted them on current employees. At one level this is understandable since it is easier to implement a program focused on job candidates versus having to tangle with the complexity of screening employees. From our experience we believe the trend is towards doing more internal screening, however, we will have to see what results in future surveys.

It was also interesting to note that less than 50% of responding firms conduct background checks on applicants from other countries. Given the increasing focus on globalization juxtaposed on top of concerns about terrorism and the viewpoint that many of these individuals are from countries outside of the US it would appear that our background screening processes are out of sync with this perspective. Or perhaps this reflects the challenges and complexity of conducting international background investigations or vetting with the myriad of legal, privacy, political, cultural and language issues. Either way, this may be an issue that senior management may want to take a closer look at to ensure that their background screening practices are consistent with their risk management profile.

The most prevalent types of background checks were criminal records, previous work history and references and 85% of companies conduct background screenings for all open positions.

Overwhelmingly firms are using Authorization & Disclosure forms with 90% of respondents stating they use them. Despite this high number this potentially means that 10% of responding firms are apparently operating outside of established Fair Credit Reporting Act procedures.

Two Thirds of businesses outsource their background screening to an external service provider and 66% of these firms were either 'extremely or very satisfied' with the level of service provided by background screening firms. In addition, 25% were moderately satisfied with the services they were receiving. These findings support indicators that the professional background screening industry is experiencing rapid growth and the number of background checks being conducted continues to grow.

The survey results clearly indicated that Human Resources was the discipline primarily responsible for overseeing background screening. 83% of respondents indicated that Human Resources was the responsible function and 11% indicated Security held this responsibility.

63% of firms responding have a formal background screening policy contrasted with 74% having a workplace violence prevention policy. This was interesting

given that a progressive workplace violence prevention policy should include background screenings as one of the tools that must be used in the battle to prevent workplace violence. So either there are some problematic workplace violence prevention policies that need tightening up or our line of questioning did not account for firms that have background screening provisions within their workplace violence prevention policy.

With regards to the demographics of firms responding to the survey:

- 56% were from employers with less than 500 employees
- 69% from private sector employers
- 32% had revenues of less than 10 million, 28% more than 10 million and 41% had revenues of more than 50 million