

Employee background checks can save your company thousands of dollars if the worst were to occur. Here's what you should know – management

In fact, workplaces are increasingly becoming scenes of crimes. Twenty-one percent of all reported assaults, 11 percent of all reported rapes and 7 percent of all reported robberies occur in the workplace, according to Bureau of Justice statistics.

As a result, authorities are demanding that employers do a better job filtering out criminals before they're hired--or pay the price.

The argument for negligent hiring suits, which are permitted in a majority of states, is that the employer can do more to make sure an applicant is harmless and legal to work.

Fortunately, employers can protect themselves by knowing what background checks and documentation a court might expect. And because of growing interest in preventing workplace crime, the time and money involved in conducting the checks are no longer as high as they once were.

The financial risk of not doing the checks, however, can be crippling.

"[A single employee] is all it takes to bankrupt your company," says Chris Karabinos, assistant vice president of the background checking service ChoicePoint, a division of Equifax, the Alpharetta, Ga.-based consumer credit agency.

Estimated employer costs of workplace crime are in the billions, according to a study released last February by the University of Iowa Injury Prevention Research Center. The average settlement for a business sued for negligent hiring is \$800,000. Despite these alarming figures, many small-business owners don't perform adequate background checks when hiring new employees.

"We find that many small businesses don't screen," says Craig Kessler, CEO of Backgroundchecks.com, which is headquartered in Irving, Texas. In addition, many employers who are screening aren't doing it thoroughly enough.

For instance, pool and spa professionals interviewed say they have never had a problem with an employee and don't view an in-depth background check as necessary.

"It's a crap shoot when you're hiring anyway," says Alison Felschow, owner and general manager of Crystal Pools in Columbia, S.C., a retail, service and construction business. "If their job history looks good, I go with my gut feeling."

Charlie Leuker, president of Lincoln Equipment in Concord, Calif., and employer of 35, says he doesn't see a need for anything more than calling the references.

"The people I draw from are from a bedroom community," he says. "If I were in a city and a rougher neighborhood, I might think about criminal history."

However, job candidates everywhere falsify information on a regular basis, according to Kristin Bowl, spokesperson for the Society of Human Resource Management in Alexandria, Va.

Thirty-seven percent of all applications are erroneous in some way and 65 percent of resumes enhanced, says Karabinos.

Some may put down friends or relatives as references. Some may try to hide a gap in work history or exaggerate training and experience. It may not be a big deal, but "you never know when a criminal history may be lurking," Bowl says.

If something does happen, the business may end up holding the bag.

"If someone [is hired] and that person offends a homeowner in some way, the court is going to ask why that homeowner was put in harm's way," Kessler says. And it will look to the employer for an answer.

Good information

For employers to show they made a reasonable effort to check out an employee, they need to make sure their job application collects as much information as possible. Information should include the applicant's full legal name, date of birth, Social Security Number (SSN), dates and places of previous employment, and any training or educational certificates received. Employers then must critically review the information, first verifying the person's identification. A copy of the person's driver's license and Social Security card should be made. While most employers will look at the driver's license and see if the picture and the information match the applicant, the Social Security Number often never gets checked. And SSN cards are easy to falsify, experts say.

"It is amazing how many dead people are working," Karabinos says. After verifying identification, the employer should have the candidate explain any gaps in employment history and the reasons for those gaps.

Former employers should be called, but they may not yield a lot of information, especially if it's negative.

"Most companies are now counseled by their attorneys to give very basic information," about past employees, usually just a verification of the dates of employment, says Bowl. "So someone may have been let go for displaying threatening behavior, but there will be no mention of it in the check."

Personal references also are problematic. "Who is going to knowingly put a negative reference down?" Kessler says. During a lawsuit, if the reference later turns out to be the brother or uncle of the employee and the employer did not catch it, the odds of the company being held liable increase.

That's why professionals stress the importance of doing at least a standard county criminal record check.

"You want to know what the state says about that person," Kessler says.

Checking the state records provides additional cover in the court system, says Gary Cornick, president of PeopleWise, a risk management subsidiary of LexisNexis based in Miamisburg, Ohio.

"The bottom line is that it is very important for companies of all sizes to check criminal history," he says. "Liability extends to all companies, no matter if they hire one employee or hundreds."

Employers can get criminal records from the local county courthouse; some will charge a small fee. Many are also putting their databases online.

When conducting a background check, it's important for employers to understand the law, which varies from state to state. For instance, California will not allow an arrest record to disqualify someone from employment; only conviction records count.

State and federal laws are also strict about using information obtained during a background search. If employers decide not to hire someone based on information they find, they must inform the applicant, in writing, of the reasons. They must also provide copies of the documents that contain the information.

That's why employers who rely on searching the Internet for information on job candidates can easily get into trouble.

"Some Web sites can be useful," Karabinos says. "But the government provides a lot of guidelines on this issue and many Web sites aren't compliant. They can get you into hot water."

The bottom line on background checks.

Calling references and verifying information is important, but companies may want to do more to protect themselves.

Yet some employers might feel intimidated by the responsibility such checks entail, not to mention the time involved. That's where background-checking services help--and they cost less than you might expect.

"You don't have to have a huge budget like IBM, which will spend \$100 a person," says Chris Karabinos. Assistant vice president of ChoicePoint, an Alpharetta, Ga.-based division of Equifax. "You only have to spend \$15 to \$20 a person."

Other companies quoted prices in the same range for a basic background check that includes a county criminal record check and verification of identification and references. Many will offer package deals if businesses refer subcontractors and similar companies.

Most background-checkers also will handle the paperwork and notification of no-hires if results turn up a criminal history. All the employer has to provide is the employee's application and identification information. The average time for most background Checks is 48 to 72 hours.

When choosing a service, be sure the company is in compliance with the Federal Credit Report Act, Equal Employment Opportunity law and any state regulations that apply. One way to check is to provide the service with your own information and see what results are returned.

Along with providing peace of mind, hiring a background-check company can be an effective marketing tool.

With the increasing awareness of security issues among the public, letting customers know you are doing something extra to protect them can be the hook that gets their business.

"Put it in your contracts--let the clients know you do background checks on everyone on site," says Craig Kessler, CEO of Backgroundchecks.com, which has headquarters in Irving, Texas. "The homeowner probably didn't even think about it, but once they see it, they'll feel good about it."