

A guide to successful employee vetting

Ten steps to make sure you get it right – first time



Introduction

Avis Easteal, General Manager, Experian Background Checking, explains why employee vetting is an essential part of good corporate governance.



Hardly a day goes by without mention in the press of another employee in a well known company being found out. From contestants lying in The Apprentice, to bank employees who have committed fraud, to call centre staff who have been selling on customer data to fraudsters. It seems to happen in all walks of life and industry sectors, with alarming regularity. The implications for organisations of placing the wrong person in a position can be severe and have potentially high financial and reputational consequences.

Getting recruitment decisions right is essential at the best of times. However, in times of economic downturn, it seems to become even more critical. Add into that heightened security combined with a rise in various types of staff fraud, it is essential that employers deploy thorough employee vetting procedures. This is particularly relevant to organisations with large call centres or large IT departments, as employees can very quickly get access to a vast array of sensitive customer data. Interestingly, it's often some of the most junior employees who are the biggest threats in terms of employee fraud.

Employee vetting is not about finding out whether someone cheated at conkers! It's also much more than checking the key details on a CV. Employee vetting is about putting in place a process that ensures an organisation both complies with legislation and takes a rounded, balanced and accurate view of a candidate's background.

The recommendations contained within this guide aim to give those responsible a view of the essential things to consider in the employee vetting process – thereby providing confidence in the recruitment process and enabling organisations to get recruitment decisions right – first time!

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Employee vetting – it's certainly not a luxury

Have you ever had to hire someone? Looked through piles of CVs, spoken to numerous recruitment firms and what seems like hundreds of candidates? It's a daunting task and it is not made any easier by the candidates themselves. Are they telling the truth? Did they really work for that company? Did they go to that university? Are they really financially stable? Do they have a criminal record? The list is endless.

If you have ever asked yourself one of these questions, you are not alone. When the cost of hiring a new member of staff is between £4,500 and £8,000¹, not to mention the risks involved, can a business afford not to thoroughly check a candidate?

Failure to do so could expose your business to many risks including:

- Employee fraud
- Theft of company or customer information
- High staff turnover levels
- Unnecessary costs associated with negligent hiring decisions
- Litigation
- Reputational damage



The impact, both on internal and external relationships, of placing the wrong person in a position and having to replace staff, can be severe and have potentially high financial consequences. Added to that can be the hidden costs of management time spent exiting and replacing inappropriate staff. Considerable time and money can be saved, with the cost of a typical background check being only a fraction of the total cost of recruitment.

Legislation is driving change

One area that companies often overlook is temporary and contract staff. Both temporary and contract staff often have access to the same information that permanent staff do. This is particularly relevant to organisations with large call centres or large IT departments. These individuals can have access to a vast array of sensitive customer data and so must be thoroughly vetted to guard against potential fraudsters.

Regulation is also playing a more significant role in the recruitment process. Changes in the law now mean that employers can be held liable for their employees' actions, meaning organisations owe a greater duty of care to check the background of their employees at every level.

The Data Protection Act 2007

This Act states that anyone who processes personal information must comply with eight principles, which make sure that personal information is:

- Fairly and lawfully processed
- Processed for limited purposes
- Adequate, relevant and not excessive
- Accurate and up-to-date
- Not kept for longer than is necessary
- Processed in line with your rights
- Secure
- Not transferred to other countries without adequate protection

The Data Protection Act 2007 states that an employer should take into account the discretion and integrity of a candidate when they are being considered for employment. Organisations often do not give enough consideration to the potential risk to internal data security until it is too late. Companies spend millions investing in IT and security systems, but often forget to vet those closest to the business, rendering their external defences ineffective.

Corporate Manslaughter and Corporate Homicide Act 2008

This new Act means that for the first time, companies and organisations can be found guilty of corporate manslaughter where serious management failures result in a gross breach of a duty of care. Whereas previously employees were responsible for their mistakes, e.g., having an accident at work or in a work vehicle, the new legislation has shifted this responsibility onto the employers. Appropriate employee vetting means that if a business is ever in a situation where the Manslaughter Act might apply, they have adequate proof that they took the correct steps. For example, if a lorry driver is convicted of causing accidental death without a valid business driving licence, the company that employed him will face stiff fines. All the more need for employers to thoroughly check that the people they recruit have the relevant certification before they take them on.

Outsourcing to specialists makes sense

The arguments for vigorous employee vetting make sense. However, many HR departments struggle to find the resources to carry out such checks to the depth required. Outsourcing the process to specialists is proven to pay, both in terms of the effectiveness and efficiency of the recruitment process. In addition to the compelling cost benefits in outsourcing, there is a 15 percent drop-out rate when applicants are made aware that background checking is involved in the recruitment process. This highlights the strength of robust checking procedures in deterring time wasters and potentially fraudulent applicants.

Outsourcing is often quicker, cheaper and – given that time is often critical in securing the best candidates – those organisations that have an efficient, robust and rapid vetting procedure have the upper hand in securing the right individuals for the job.

Typically, organisations that outsource the process see that it:

- Raises candidate quality
- Reduces the initial sift process
- Deters time wasters

360 degree checks are vital

Employee vetting is not just about checking qualifications, references and criminal records – it also pays to look closely into an individual's true financial picture. That's where use of Experian's financial status data plays a part. This intelligence can highlight any financial red flags, such as bankruptcies and other adverse data, which can provide valuable warning signs into a candidate's character and suitability.

Another area where Experian differentiates itself is in the use of its identity authentication products in the employee vetting process. One of the first steps an HR team should take is to check that a candidate is who they say they are. Many background checks are rendered ineffective if a candidate's basic details are incorrect. For example, a candidate can avoid a criminal



records check by omitting addresses, or by providing false addresses or by giving incomplete contact details including alias information, such as maiden names.

So, employee vetting really is a key part of sound corporate governance. Doing it well involves a multi-stage process that enables recruiters to have a clear picture of the candidate from a variety of data sources. Outsourcing this process to a specialist makes absolute commercial sense.

¹According to the Chartered Institute of Personnel and Development

Experian Background Checking's ten top tips

1. Carry out a HR health check

The processes that many HR departments have in place may not be as effective as they think. Some practices may be out-of-date or simply not as efficient as they could be. For example, many businesses will still take personal references if there are gaps in an employment history. However, how often is a candidate going to give their new employer the name of someone who will not give them a good reference? HR teams need to run regular process checks to assess exactly what services they require and if their current systems supply them.

2. Mitigate reputational risk

A business' reputation can be seriously damaged if an employee's misdemeanour is made public and it is clear that it could have been avoided by background checking. This is particularly true for companies working in sectors that deal with sensitive data or customer-facing environments, such as call centres or utilities service providers. Employers who supply staff in these sorts of positions of responsibility have to ensure the integrity of their staff, or risk the consequences. Recent legislation means that companies can also face high fines or even prison sentences if they fail to carry out appropriate checks. At a time when customer churn is already high, maintaining a strong brand identity can be key to businesses ensuring success in the market.

3. Use criminal records checks as part of your overall assessment

Some businesses may be concerned or confused about criminal records checks or they may not wish to appear to doubt the word of the candidate. However, the importance of criminal records checks should not be overlooked. Criminal records checks can protect an organisation from hiring someone who may be unsuitable or even dangerous to the organisation's staff and reputation. For example, would a call centre feel confident employing someone who had a previous conviction for fraud? Would its staff be happy to work with someone who had not been truthful on their CV?

4. Confirm a candidate's identity

The first steps an HR team should take is to verify that a candidate is who they say they are. Many background checks are rendered ineffective if a candidate's basic details are incorrect. For example, a candidate can avoid a criminal records check or a potential employer gaining references by omitting addresses or providing false addresses. Not including certain information does not have to be a deliberate act. It is possible for a candidate to remain undetected by providing out-of-date contact details, such as a maiden name. A 'know your candidate' check should be your first stage.

5. Use background checks to get a 360 degree view of a candidate

An interview can only reveal so much. No matter how good a judge of character someone is, intuition should always be supported by proof. A candidate's trustworthiness can be confirmed by their details being validated via background checks. Many areas of a candidate's life can be checked, from education and work history, to criminal records and adverse financial checks – all helping to provide recruiters with a better idea of the person they may be employing.

6. Get the facts on their figures

Financial red flags, such as bankruptcies and other adverse data, can provide valuable warning signs into a candidate's character and suitability. As well as providing valuable information on a person's background, it can also highlight external factors that might affect their work. An individual's performance can have a knock-on effect on the rest of a work force, so employers should be aware of the impact that financial pressures may have on potential staff.

7. Always provide an audit trail

Using a third party background checking company to validate a candidate's qualifications can ensure that industry and legal requirements are met. The recent introduction of the Corporate Manslaughter Act means that companies now have to provide evidence that they have carried out the proper health and safety checks on their staff, e.g., if a lorry driver is convicted of causing accidental death without a valid business driving licence, the company that employed him will face prosecution. Employers need to thoroughly check that the people they recruit have the relevant certification before they take them on – and be able to provide this information years down the line.

8. Don't just check senior positions

It is often a common misconception that the more senior a position, the more checks are required, as they are perceived as holding positions of power and responsibility. However, junior or temporary staff often have less to lose and subsequently can have little or no loyalty to the company. These employees are also often the ones with the widest access to sensitive information, as they often have greater direct access to customers and customer information than staff in management positions. Temporary staff or those provided by a third party recruitment agency will also need further background checks to ensure that the proper protocol was carried out by the original interviewer. For example, a person on the telephone at a call centre is likely to have much more access to customers' information, such as credit details, addresses, telephone numbers etc than the Managing Director of the company will. The same also applies to the utilities industry, where employees regularly come face-to-face with customers in their homes. In these situations, a business has to be certain of the integrity of their employee.

9. Prevention is better than cure

Background checks can also work before candidates have even applied. If a company advertises that it carries out extensive background checks, it can help deter rogue candidates. After all, on average, it costs between £4,500 to £8,000² to recruit someone. Is this money that most companies can afford to waste? It is far better for a company to be 100 percent sure that a candidate is suitable, before they hire them.

10. Understand the law when it comes to international candidates

The Immigration, Asylum and Nationality Act 2006 presents stricter guidelines for recruiting immigrant workers, coupled with harsher punishments for employers caught breaking the law. It is now more important than ever that companies ensure that employees are entitled to work in the UK. Since the Act came into force this February, 265 firms have been fined a total cost of £2.35 million for employing illegal immigrants. With rising numbers of foreign workers, it is vital that HR departments validate documents that they may not always be familiar with. For example, it is unrealistic to expect a HR manager to recognise passports from every country around the world. Technological advances mean that scanners are now available, which can verify passports from every country, thus reducing the chances of ID fraud.

²According to the Chartered Institute of Personnel and Development

For further information on our background checking services, please contact your Experian Account Manager or call us on 01628 488 223.

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