

Introduction

OSAC, in collaboration with Alliant International University and with robust participation from its private sector constituency, set out to conduct a benchmarking study focusing on pre-employment background investigations.

Unlike most benchmarking reports put forth by an assortment of groups, OSAC sought to provide a free, comprehensive assessment of essential security provisions implemented by nearly all multi-national companies and other entities with operations across the globe. The objective of this study was twofold.

- (1) The study would compare similar entities with one another based on the industry type (i.e. apples to apples, oranges to oranges); and
- (2) The study would be designed to utilize predictive statistics with the hope that private sector security managers could know whether the lengths they go and the money they spend actually affects the security and safety of their organization. In other words, this study sought to determine whether specific implemented security practices have their desired effect supported by quantitative evidence.

OSAC, comprising thousands of loyal member companies, academic institutions, NGOs and faith-based entities, as well as a dedicated staff of analysts and security specialists, was well-suited to carry out this ambitious project. This study aimed to assess whether the security provisions companies implement actually affect the situations they seek to avoid, reduce, or eradicate.

The Challenges Addressed

Many agencies, professional organizations, and private research outfits have produced countless benchmarking surveys geared toward the security manager. After a critical review of a sample of the previous benchmarking efforts, several gaps in the research stood out.

For instance, most studies do not compare companies by size, sector, financials, or region; many do not compare companies that are predominantly retail, franchises, brick and mortar, or merely internet-based; and most do not group companies by their most fundamental similarities. In other words, they did not anonymously compare direct competitors. Moreover, even the best-developed and managed studies only provided results in rudimentary statistics: frequencies, percentages, and averages. Better data analyses would include correlations and percentages (mainly for illustrating demographics of the sample). To effectively measure “return on investment,” a study must show how a factor(s) (e.g. foot patrol) significantly affect(s) another factor(s) (e.g. vandalism, car theft, trespassing, etc.) through correlation analyses. It is a difficult endeavor to achieve these higher-level analyses and outcomes.

Despite these gaps however, the reports reviewed were generally professionally constructed (but expensive to produce), well-written, and interesting to read. Still, the few gaps mentioned above limit the ability of these products to fully equip security managers with an effective argument for existing and future security apparatus.

How this Study is Different

- OSAC, with its wide constituency, private sector partnerships, qualified analytical staff, and reputation as a fair and objective organization has the unique ability to coordinate this initiative.
- Effective survey analyses rely on 3 fundamental aspects: (1) obtaining both valid and reliable data by way of an expertly-constructed questionnaire, (2) having access to statistical analysis software and a specialist to implement the program appropriately and (3) having an objective statistician with the ability to understand the data and articulate the findings. The researchers believe they met these requirements by collaborating with an expert researcher from Alliant International University.
- Another challenge is gaining the trust of participants. Survey takers may be apprehensive to share security-related information about their organization. This trust issue may be accentuated by two factors: (1) The use of an online survey tool may pose an information-security/anonymity concern among participants and (2) trusting a researcher from a university to keep data confidential may hinder the participation of a number of potential subjects. Despite these concerns, the subject pool consisted of nearly 400 unique organizations-one of the largest security benchmarking samples in existence.

We believe so many organizations participated despite trust concerns because of OSAC's esteemed reputation among private sector security professionals and because a study of this kind was long overdue. Still, numerous surveys were submitted incomplete and could not be used, possibly due to the confidence issue. Unfortunately, several industry groupings could not be used in the final analyses because of incomplete data and small, often skewed sample sizes. Consequently, some of the challenges described above simply could not be overcome in this initial benchmarking effort.

The Demographics

Survey takers represented entities from a variety of industries, wide-ranging in market capital with operations throughout every region of the world. Of the 385 organizations that responded, 36% listed personnel between 1,000 and 20,000, while 33% reported more than 20,000 employees, and 30% indicated having an employee base of fewer than 1,000. All traditional regions of the world were represented with only sub-Saharan Africa represented by fewer than 50% of the survey takers (see Table 1.1 Demographic Information).

Table 1.1 Demographic Information

	N	(%)
Size of organization:		
More than 20,000 employees	128	33.2
10,001 to 20,000 employees	36	9.3
5,001 to 10,000 employees	40	10.4
2,501 to 5,000 employees	41	10.6
1,000 to 2,500 employees	23	6.0
Fewer than 1,000 employees	117	30.3
Organization's annual revenue:		
Over \$5 billion	126	32.6
Over \$1 billion but under \$5 billion	66	17.1
Over \$250 million but under \$1 billion	24	6.2
Over \$100 million but under \$250 million	20	5.2
Over \$10 million but under \$100 million	31	8.0
Under \$10 million	52	13.5
Not Applicable/ Not Available	61	15.8
Not-for-profit	26	6.7
Regions organizations operate in:		
United States	353	91.5
Canada	225	58.3
Mexico	223	57.8
South/Central America	241	62.4
Europe	283	73.3
South/Central Asia	233	60.4
East Asia/Pacific	263	68.1
Middle East/North Africa	228	59.1
Sub-Saharan Africa	169	43.8

Who is Investigated?

Of the 385 OSAC constituents surveyed, 337 reported they conducted pre-employment background investigations (BI) whereas only 49 entities reported they did not conduct pre-employment BI. Of those who do conduct BI, 74% do one on all personnel, 4.4% on only those being considered for sensitive positions, 2% for only senior positions and 2% for regulated positions.

What is the Average Cost per Background Investigation?

Of all the respondents, it appears the cost to run a BI on an applicant averages U.S. \$100. The responses concerning costs per BI were all over the board, suggesting respondents read this question differently. The next highest cost for a routine BI was U.S. \$50 (7%). After that, the costs for BI according to the survey takers ranged from U.S. \$6 (.5%) to \$500 (5%). Outliers included costs of U.S. \$1000 - \$5000. Since it is not likely that a *routine* BI would cost anywhere near these prices, the researchers removed these figures from the analyses.

The Findings

Despite the myriad challenges outlined earlier, the data revealed a first for security benchmarking: **statistically significant predictive data**. The greater the number of years of employment history examined in an initial background investigation, the less employee fraud, workplace crime, terminations for misconduct, employee workplace violence, and employee involvement in external crime. Other relationships (e.g. number of years investigating criminal history and terminations due to employee misconduct) were trending in the same direction but those variables had very uneven distributions. Because the researchers ended up with uneven sample sizes for the remaining variables, the variance among factors was artificially inflated, thus making it difficult to authenticate correlations statistically.

Additional benchmarking involved the comparison of background investigation practices among organizations of similar industries. A subset of data was collected on BI involving contractors. All usable data is summarized in the tables following this section.

Discussion

The study found that thorough pre-employment background investigations looking specifically into candidates' previous occupations should mitigate security issues on the job. Read another way, organizations which explore the maximum years of previous employment are less susceptible to hiring individuals who are dishonest. The study suggests that candidates who are untruthful concerning past employment during background screening are more likely to contribute to higher rates of fraud, crime, terminations for employee misconduct or workplace violence. Data suggests that investigating at least 7 years worth of previous employment history significantly reduces the likelihood of detrimental workplace issues.

Fortunately, the effect on employee misconduct and other negative issues like workplace violence and fraud is significantly related to employment checks going back at least 7 years. So, arguably, doing an entire employment check may be unnecessary. Most companies do at least 7 years because of the common misperception that the Fair Credit Reporting Act (FCRA) only allows for 7 years to be used in pre-employment screening. This is one case where the misperception works in favor of most organizations; the results of this study suggest that doing less than 7 years has no

practical benefit to the company while doing 7 or more has significant benefits to one's organization.

Employees who lie about their previous work experience may be trying to get the job at any cost. Their assumption is that an employer will not bother to check all of their listed occupations disclosed on an application. The research indicates that prudent companies conducting thorough investigations back 7 years or further have a greater chance of exposing a deceitful candidate prior to extending an employment contract. Those companies who either do not investigate employment history or do not investigate fully (or at least 7 years back), run the risk of higher rates of employee misconduct than companies that investigate 7 or more years.

Tables

The following table and excerpts provide information on participant responses to questions about their BI procedures. The table was created from responses to questions regarding whether several individual resources/criteria are checked during a BI and whether an organization would disqualify based on negative information found in each. (For example: Of the 17% of respondents who investigate fingerprints, 82% of those would disqualify a candidate based on negative findings.)

Overall Sample

Table 1.3 Background Investigations, Entire Sample

	Investigate	% who recommend DQ
SSN	59%	55%
Fingerprints	17%	82%
Criminal History	78%	
Felony		94%
Misdemeanor		47%
Motor Vehicle Violation		41%
Civil	31%	41%
References	56%	65%
Credit history	43%	
Late Payments		8%
Bad Debt		29%
Civil Judgments		38%
DMV Records	42%	64%
Certifications	39%	84%
Military Service Record	32%	71%
Sex Offender Registration	31%	92%
Terrorist Watch List	36%	89%
Social Networking Websites	10%	47%
OFAC	16%	88%
Interpol	4%	88%
Drug Test	55%	96%
Alcohol Test	13%	79%
Foreign Record Search	40%	92%

In your organization, who conducts background investigations?

Thirty-five percent reported Human Resources together with Security conduct BI; 25% said HR does them alone, 17% said a vendor completes the BI while, somewhat surprisingly, only 12% stated that Security manages background investigations alone.

In your organization, who adjudicates based on the findings of the BI?

According to the respondents, 30% stated that HR determines the eligibility of an applicant based on the BI while 28% reported that HR in collaboration with Security determines the suitability of an applicant. Nearly a quarter (23%) reported that the Hiring Manager plus HR adjudicated the applicant, while only 10% stated that Security has the final say in the adjudication of potential employees.

What is your corporate motivation for conducting background checks?

The overwhelming majority (60%) reported that self-governance is the driving force behind conducting backgrounds. Seven percent stated that regulatory requirements and industry licensing was the main motivation, whereas 34% stated that the principle motivation for conduction backgrounds was a combination of both self-governance and regulatory requirements accounted for why pre-employment BI are completed.

What factors does your organization consider when doing a past employment check?

Thirty-four percent look at a specific number of years (45% said 7 years while 34% said 10 years and 15% said 5 years) when checking a candidate's job history. Twenty-two percent reported checking all available employment data while 13% checked back 7-10 years as well as 3 previous jobs (74% stated they look at the previous 3 jobs, 11% said 1 previous job and another 11% stated they check into the last 2 jobs the applicant held). The high number of organizations only searching as far back as 7 years could be linked to the common belief that the FCRA only allows a company to search the last 7 years. See **Table 1.2 State/Federal FCRA Restrictions** for accurate requirements set out by FCRA.

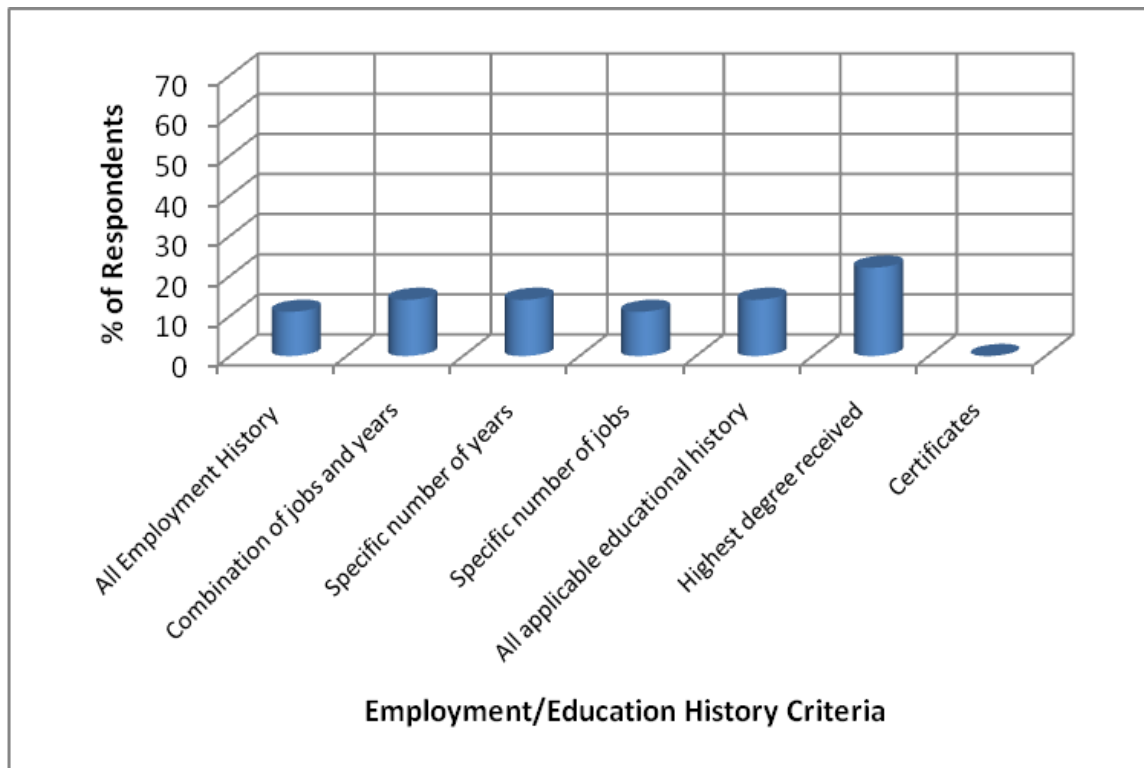
What educational history is investigated?

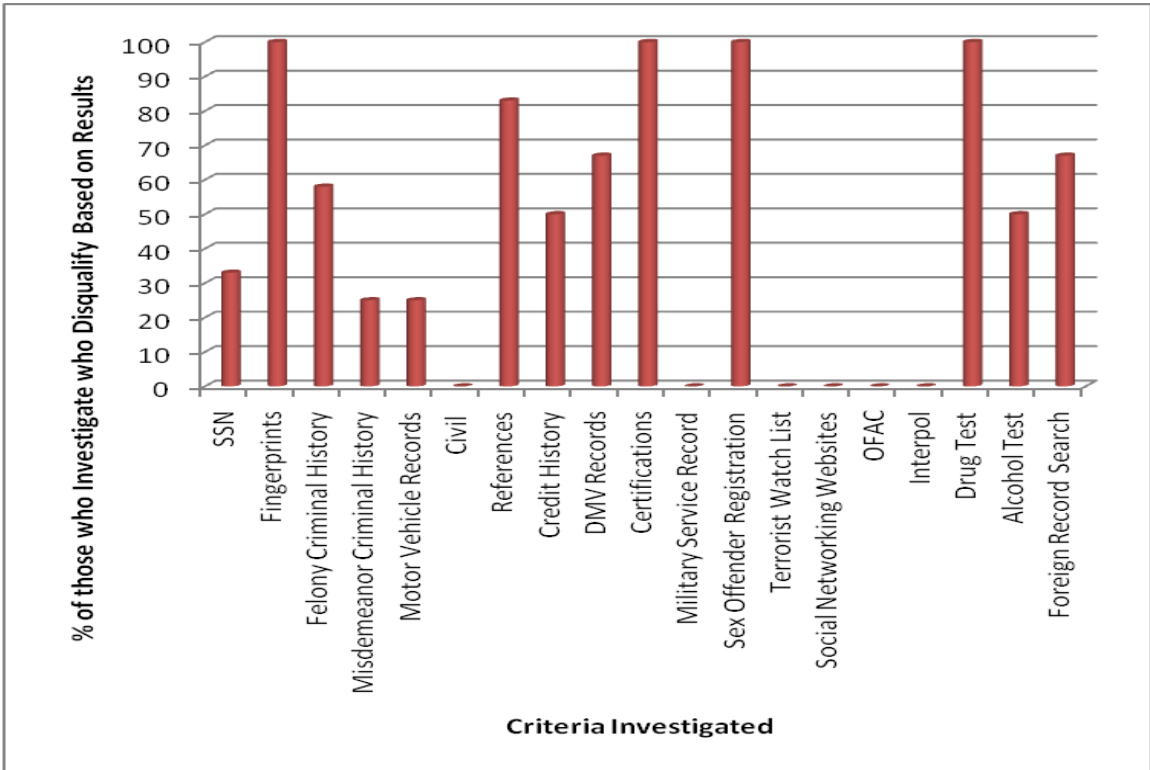
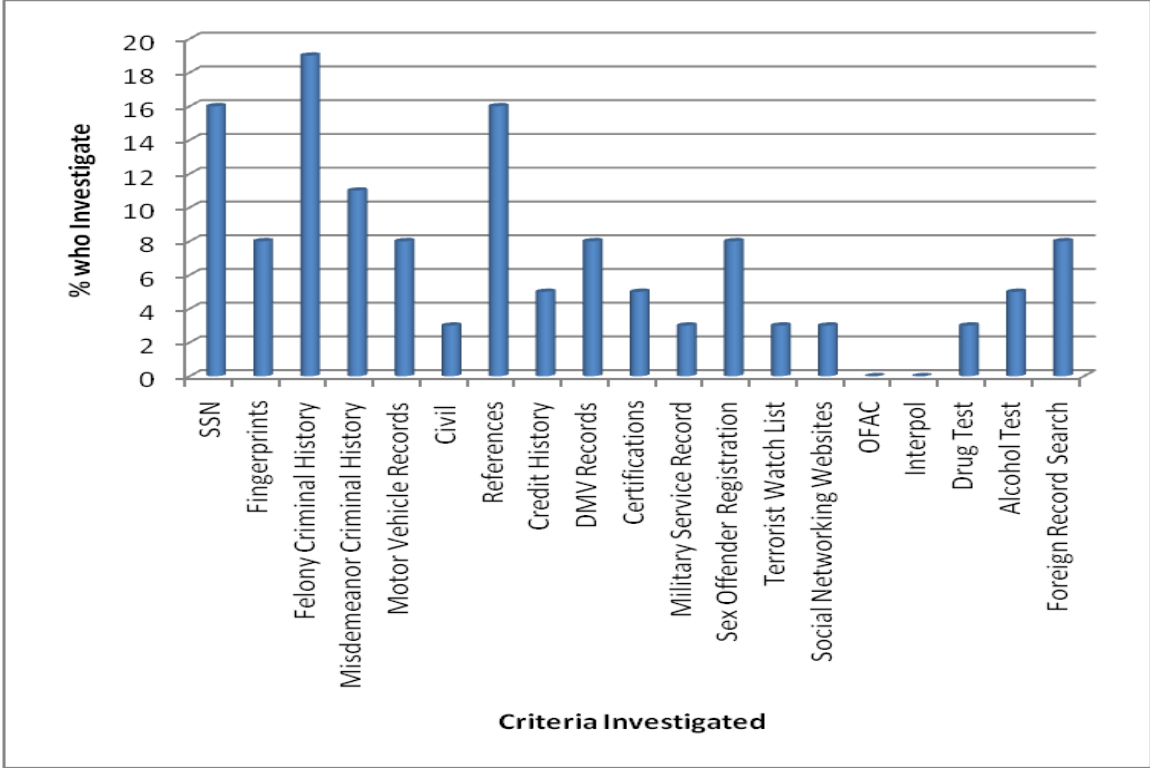
Nearly 40% reported checking an applicant's highest degree/diploma obtained whereas 28% said they check all applicable educational history, including high school. Interestingly, 11% of the respondents stated they do not check educational history.

Graphs

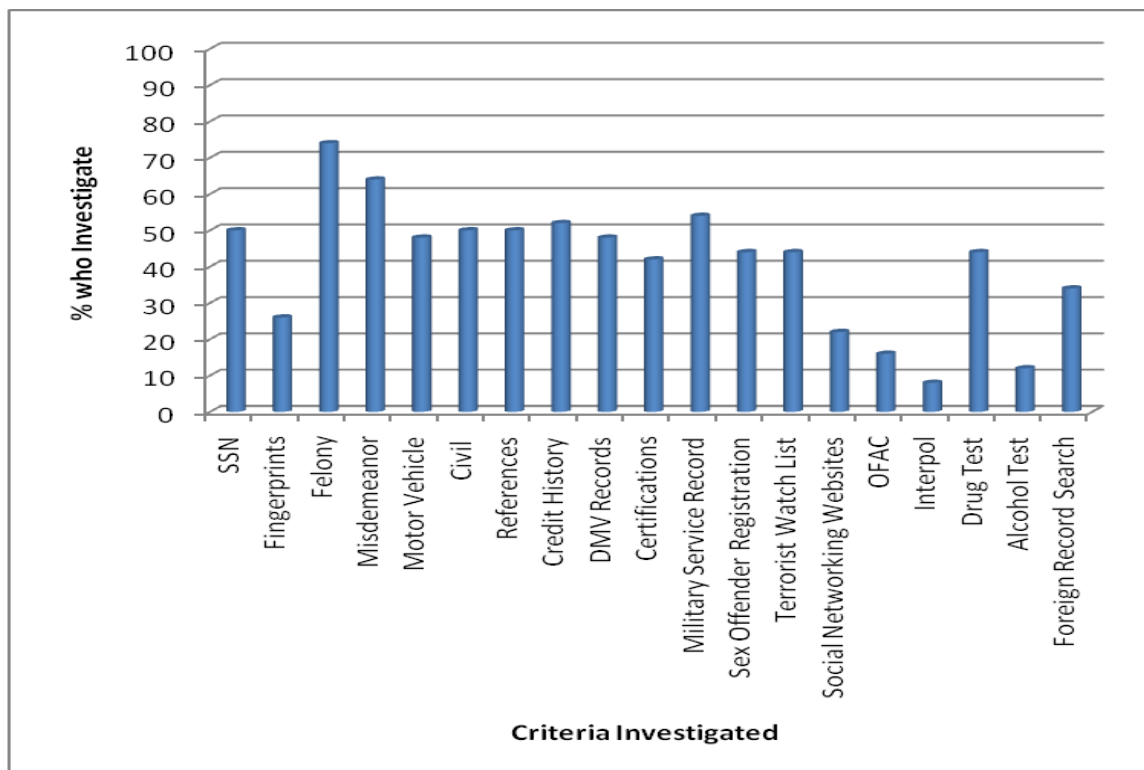
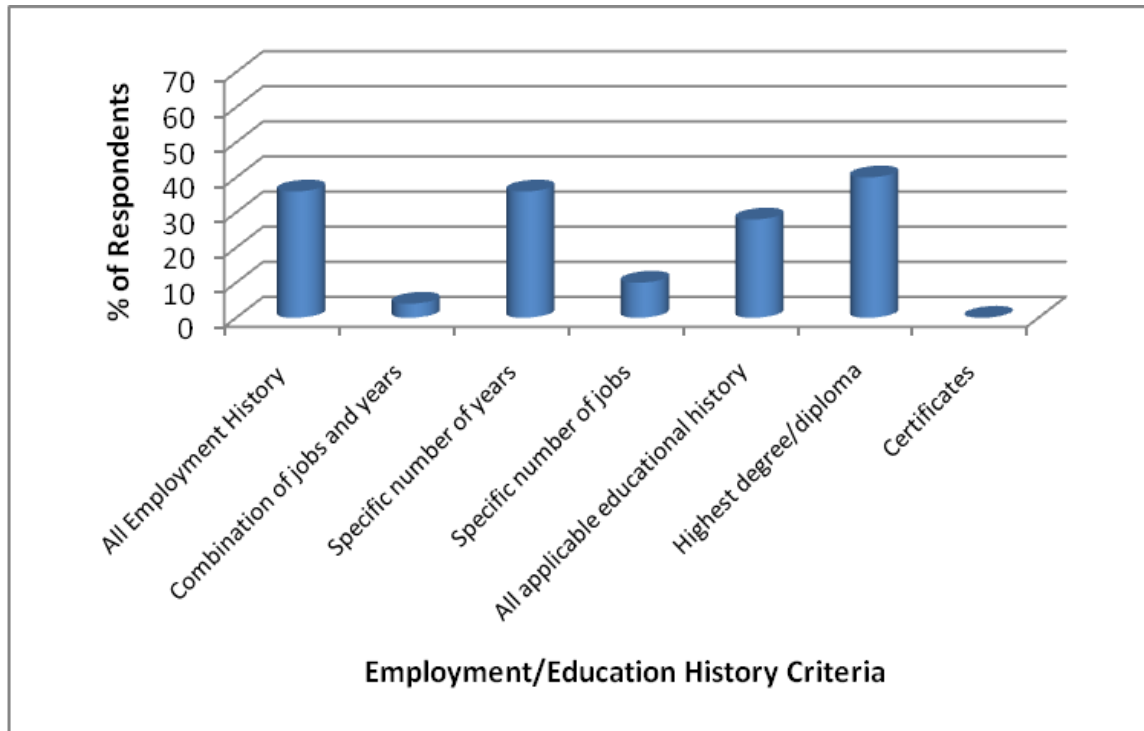
The following graphs provide information, divided by industry, on participant responses to questions about their BI procedures. The first graph in each industry is created from responses to questions regarding general investigation into previous employment and education. The second graph provides the percentage of respondents who investigate particular criteria during their BI process. The third graph in each section provides the percentage of respondents who would disqualify a candidate based on negative information found in each criteria.

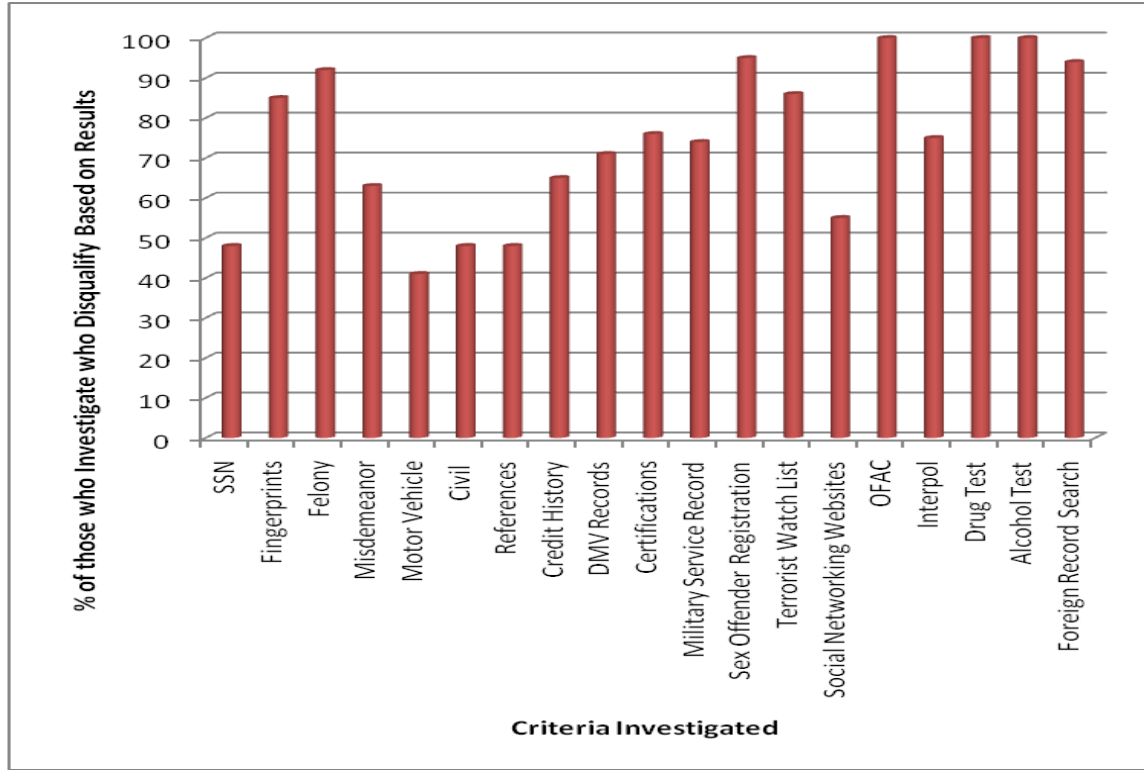
Academic Community



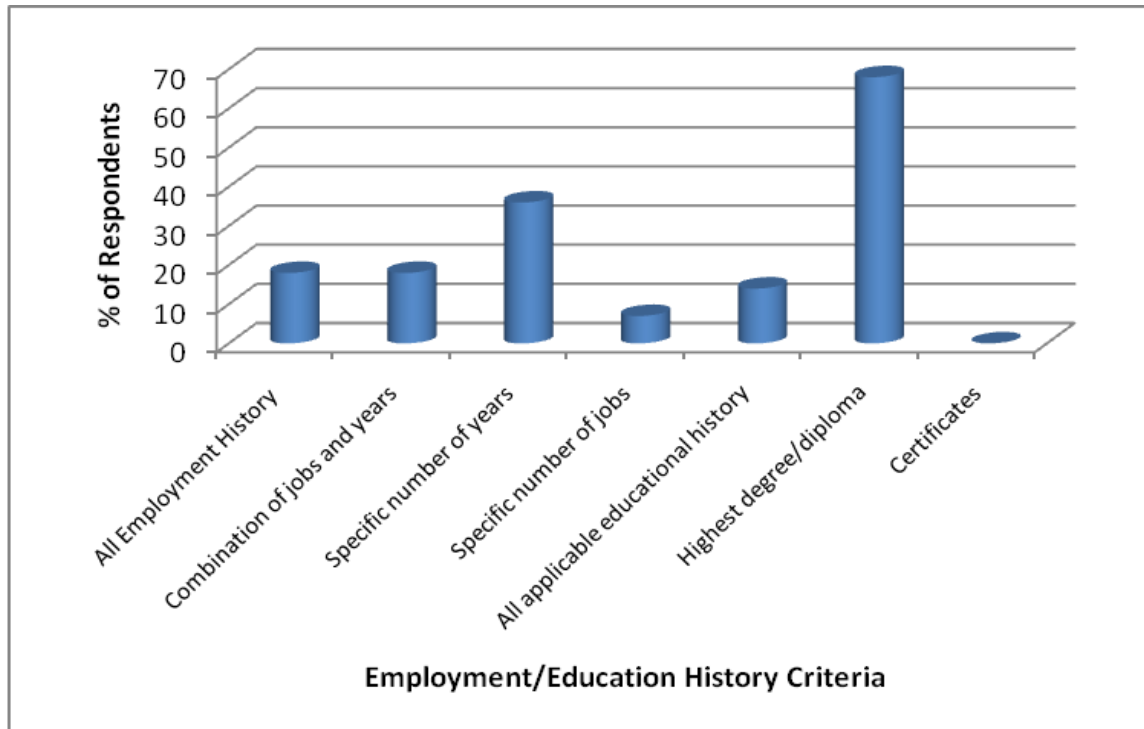


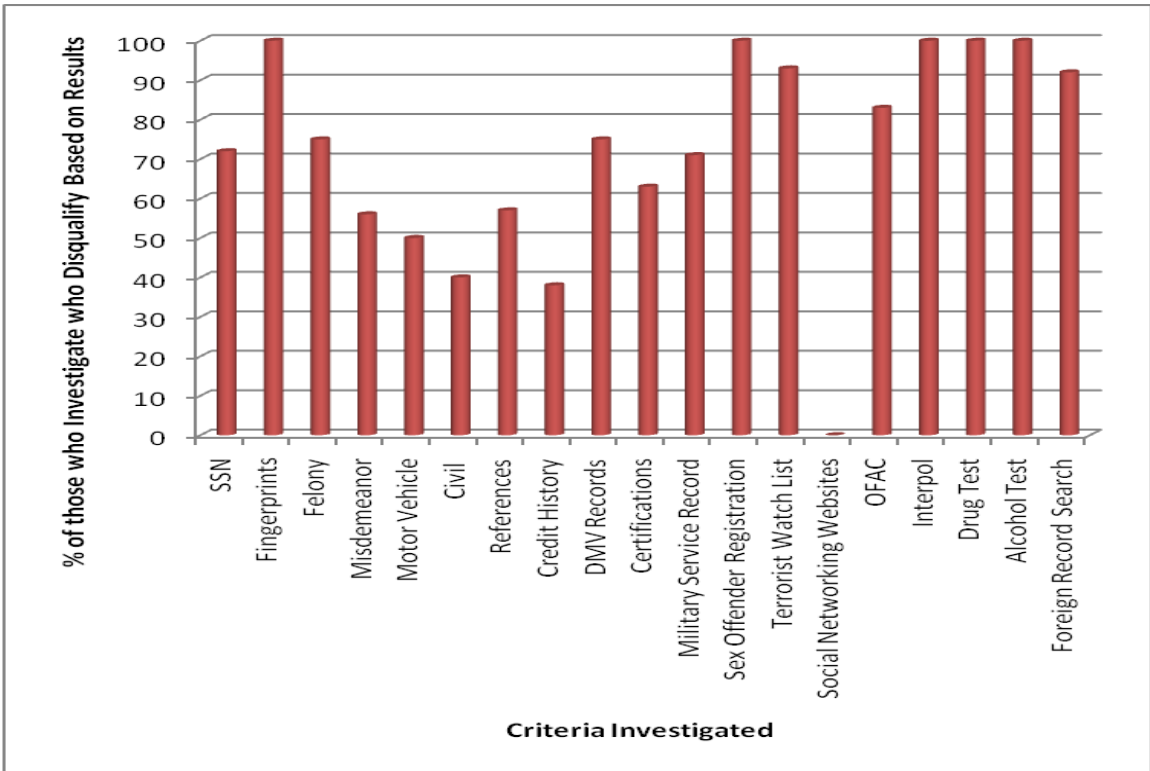
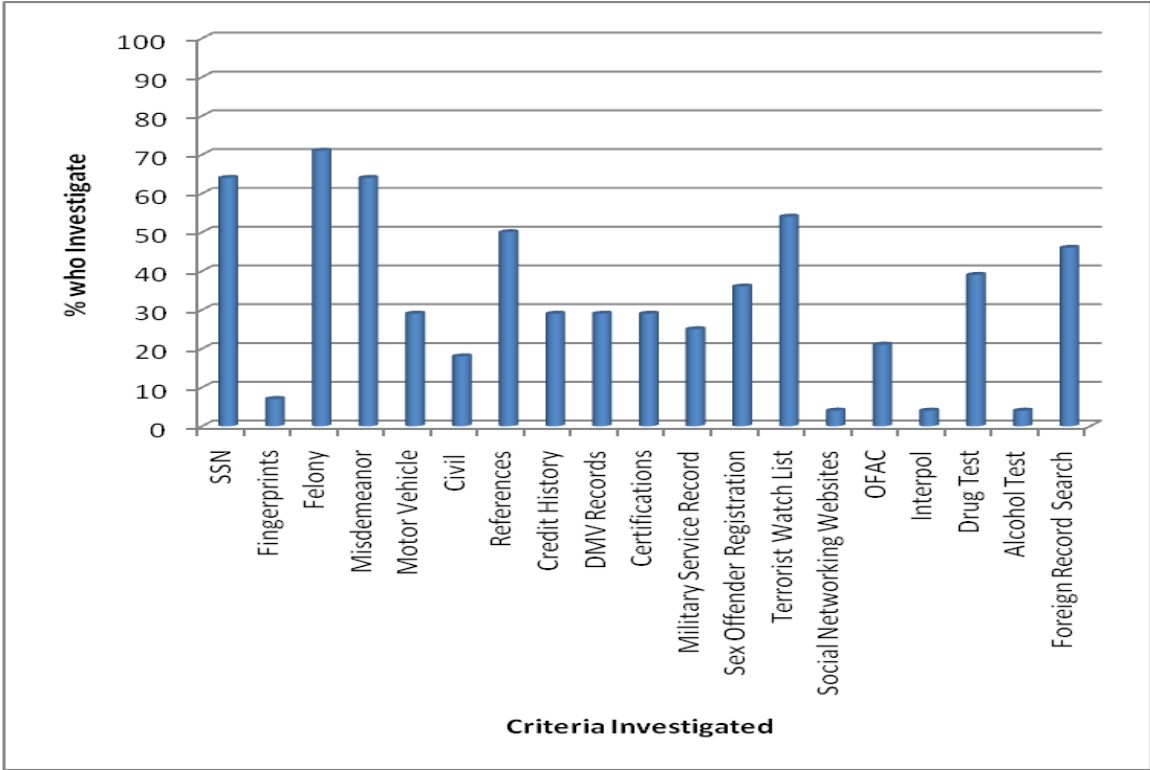
Consulting, Outsourcing, and Offshoring Industry



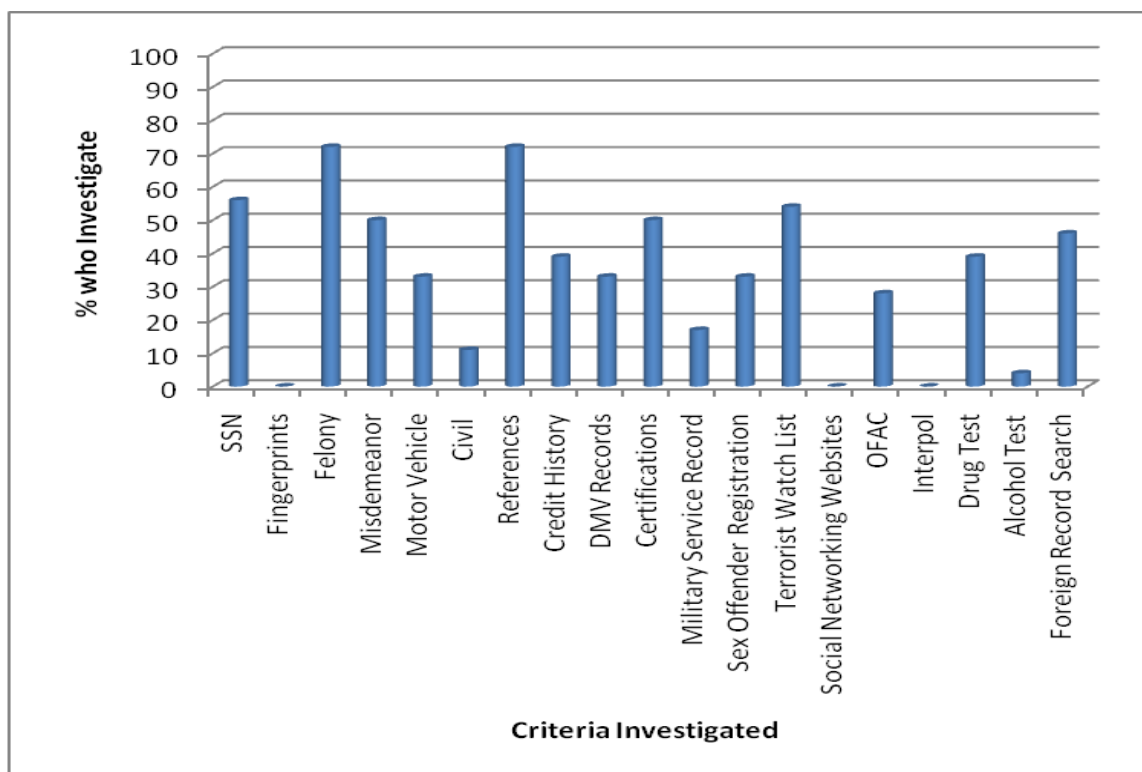
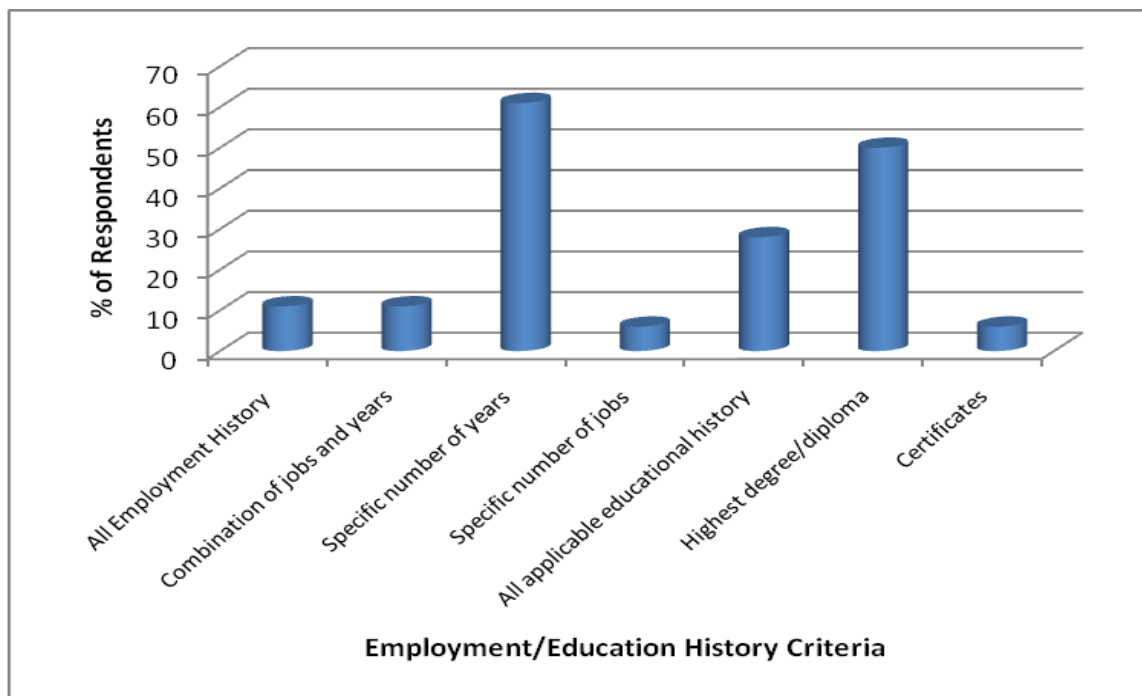


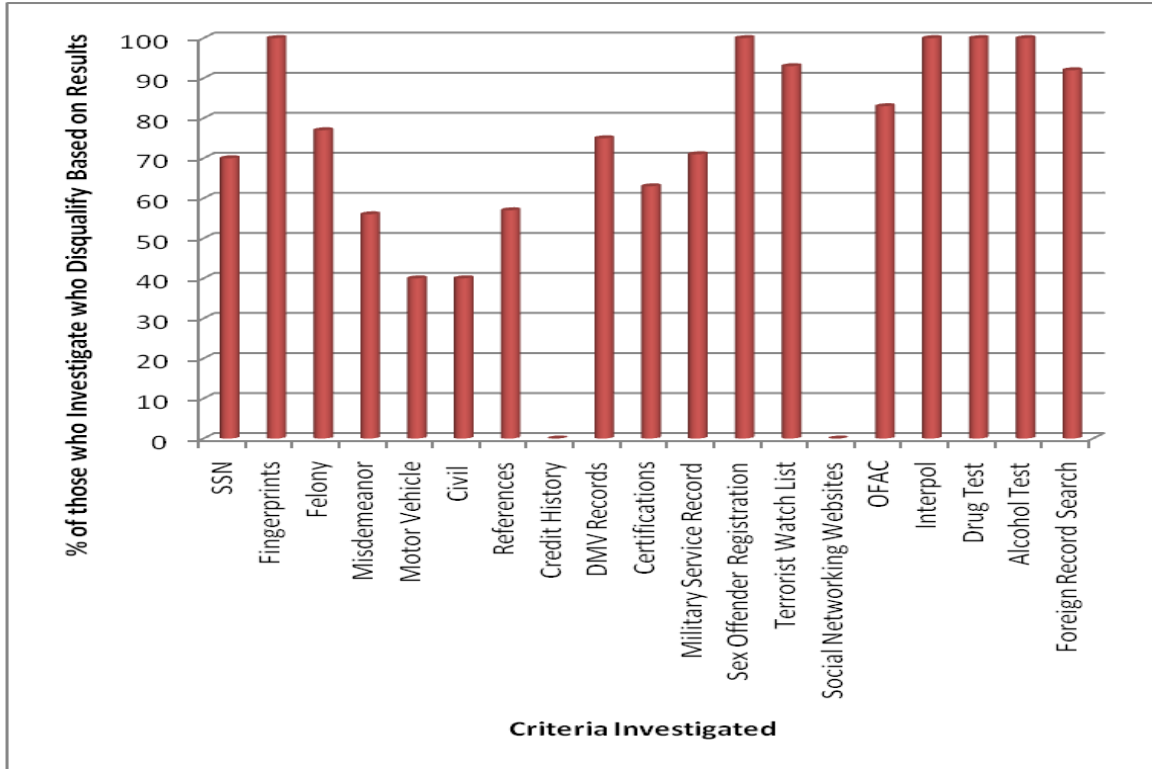
Computers, Information Technology, and E-Commerce Industry



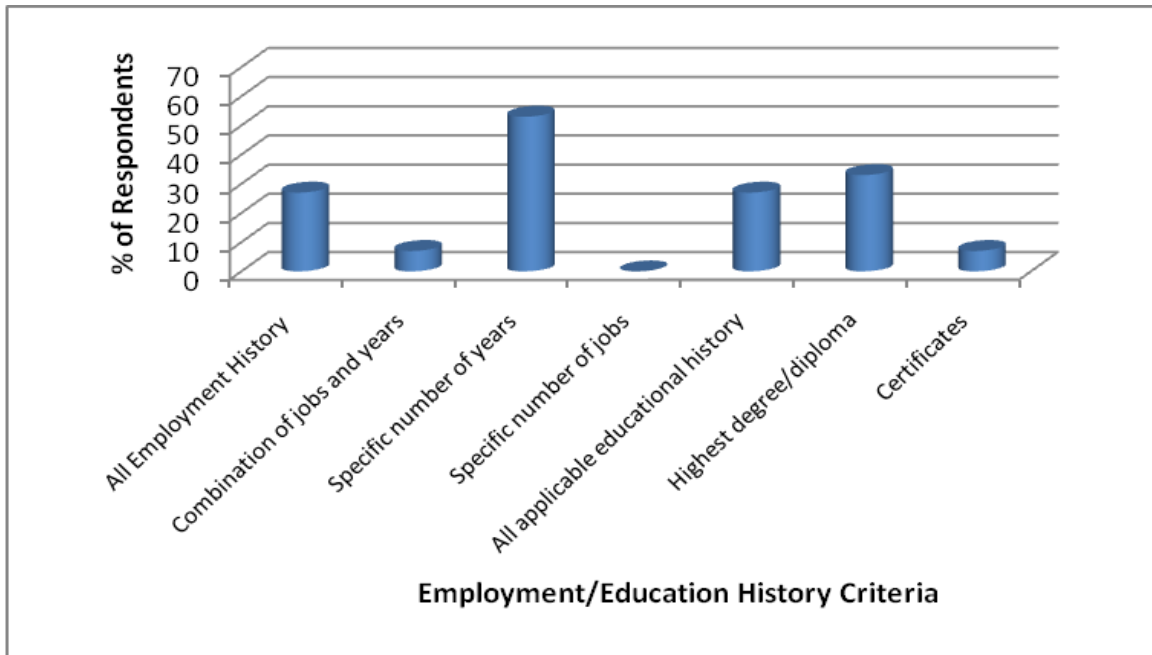


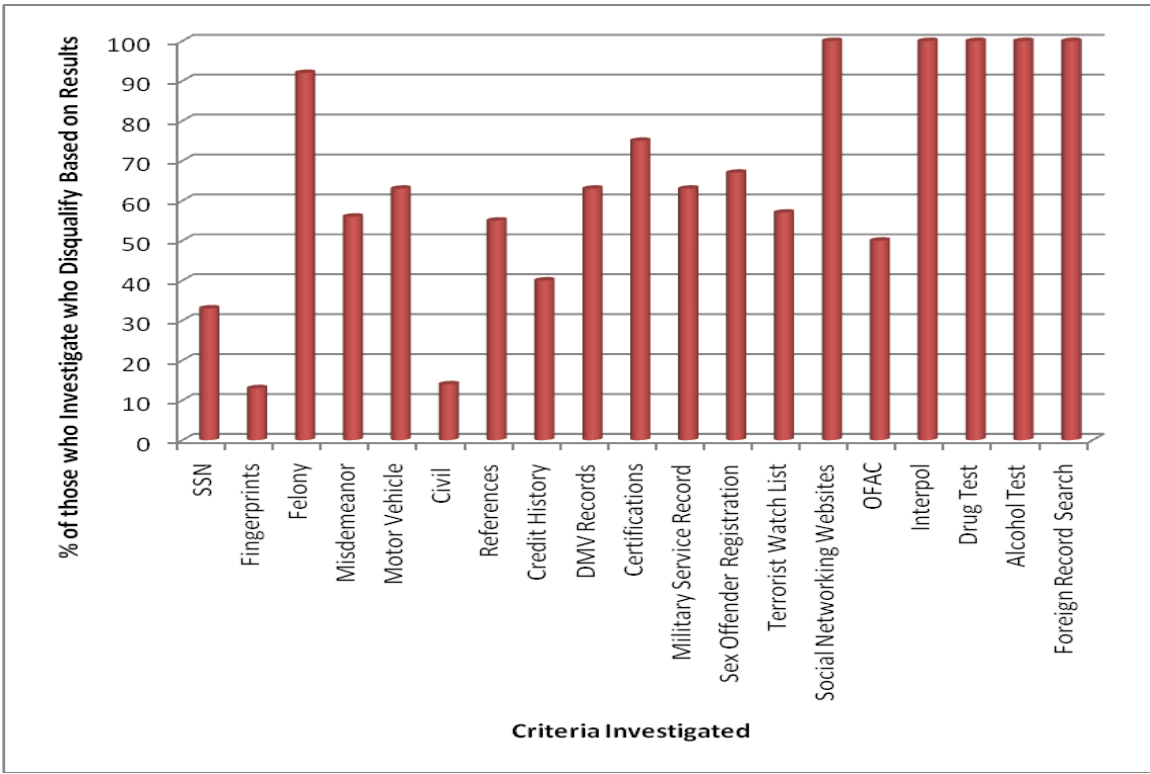
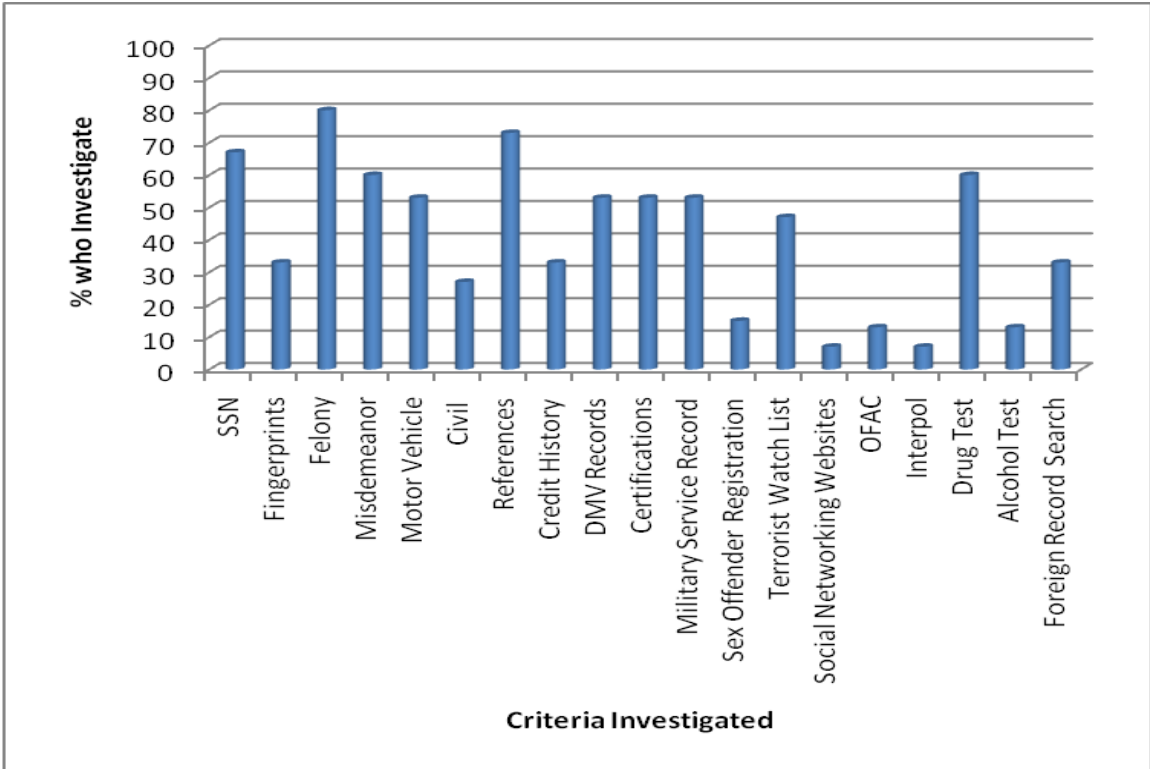
Health Care Industry



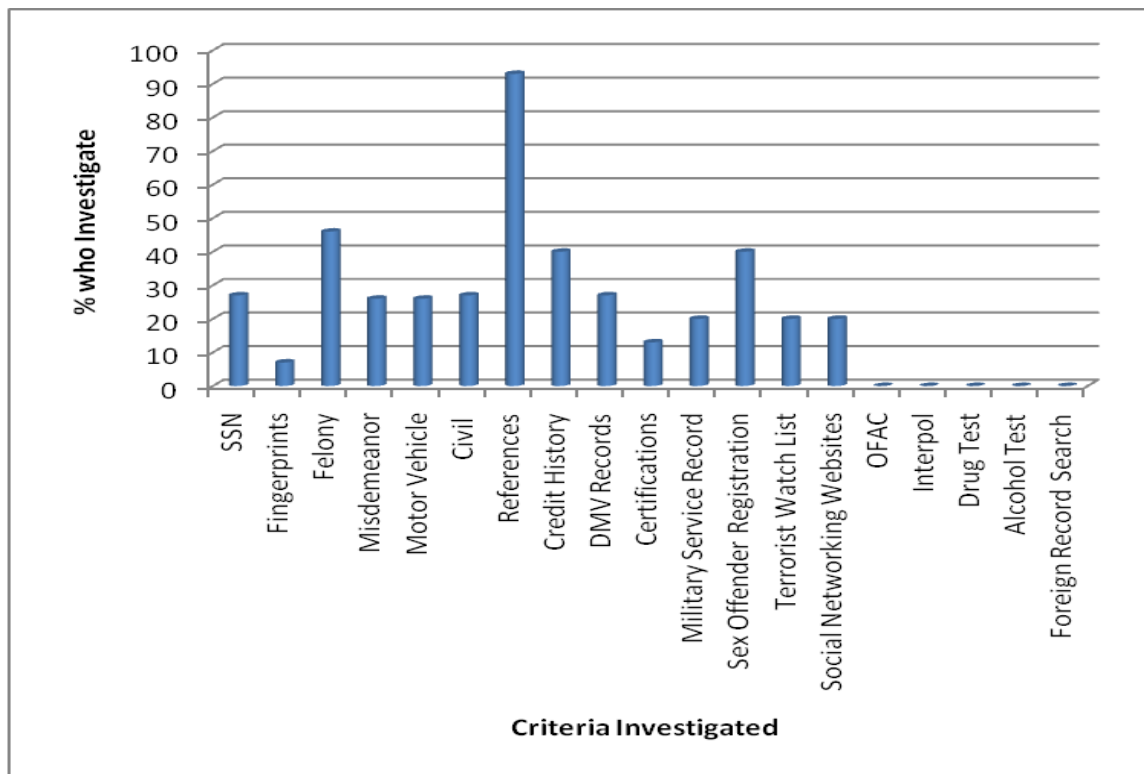
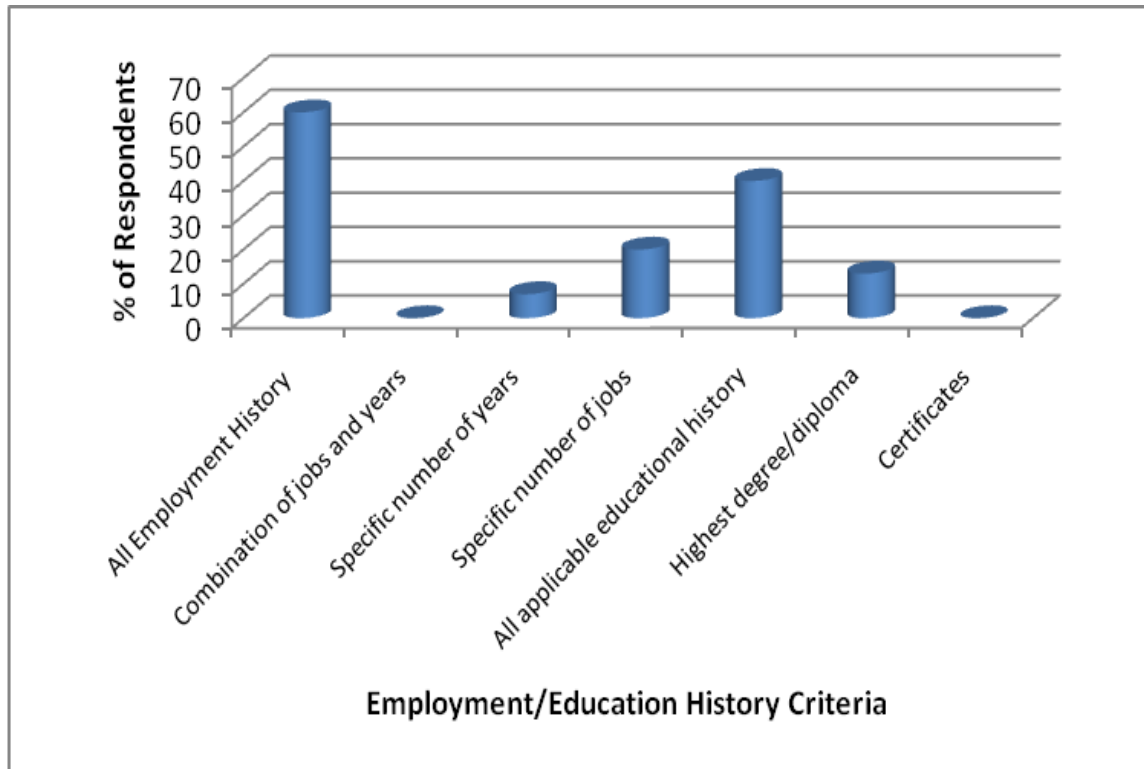


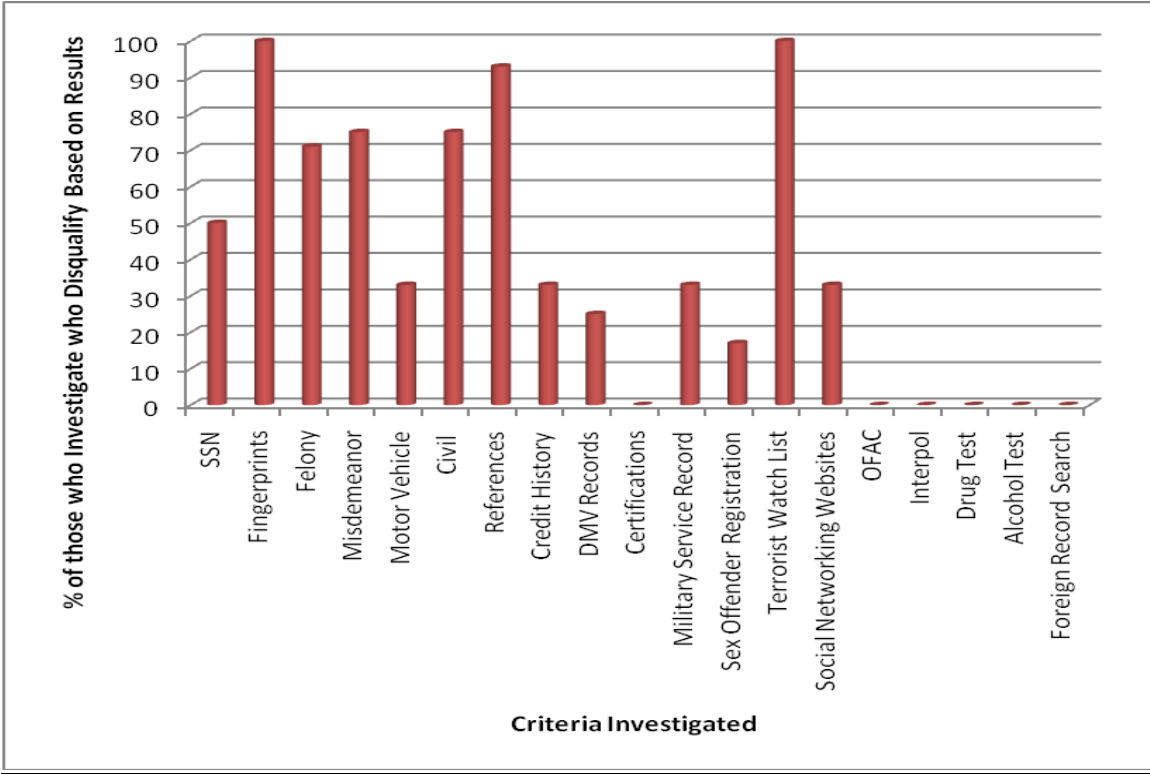
Transportation and Supply Chain Industry



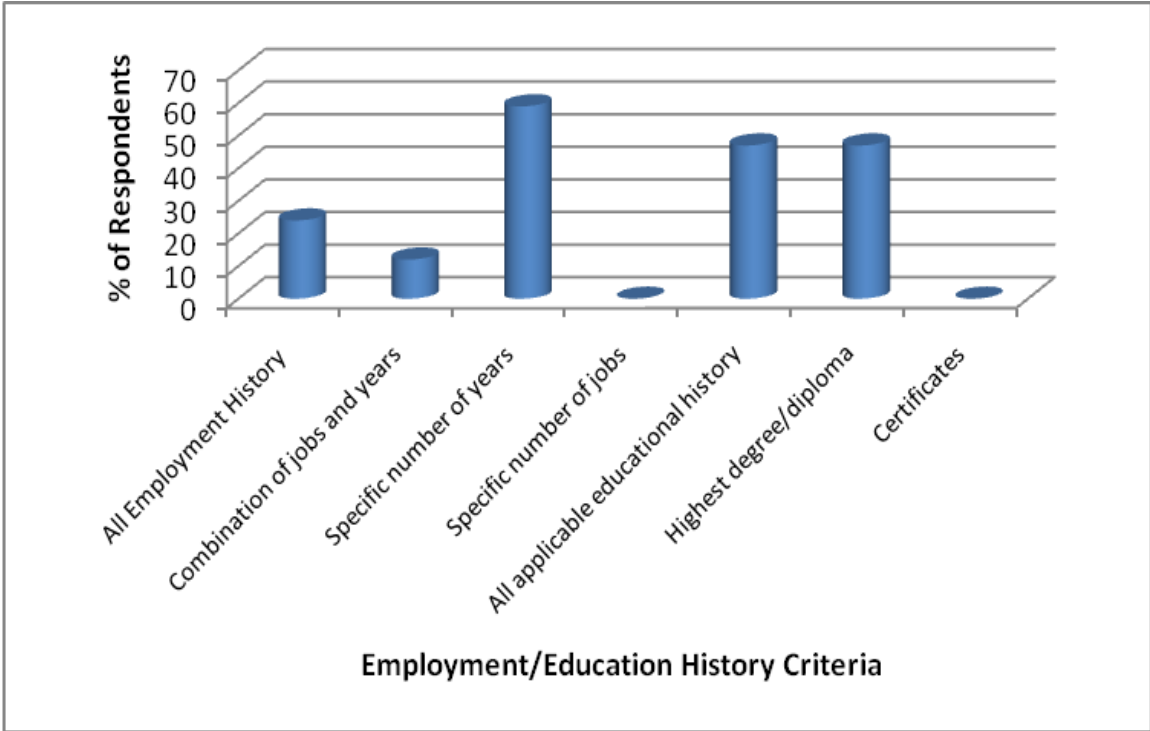


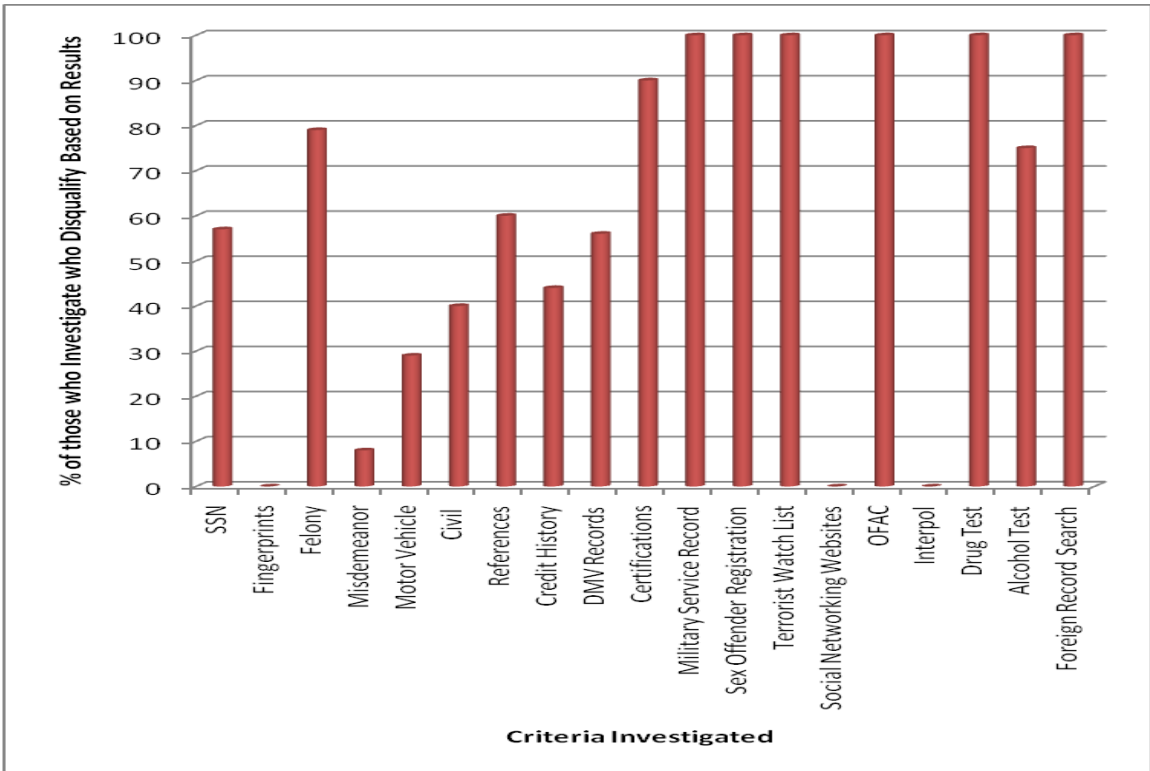
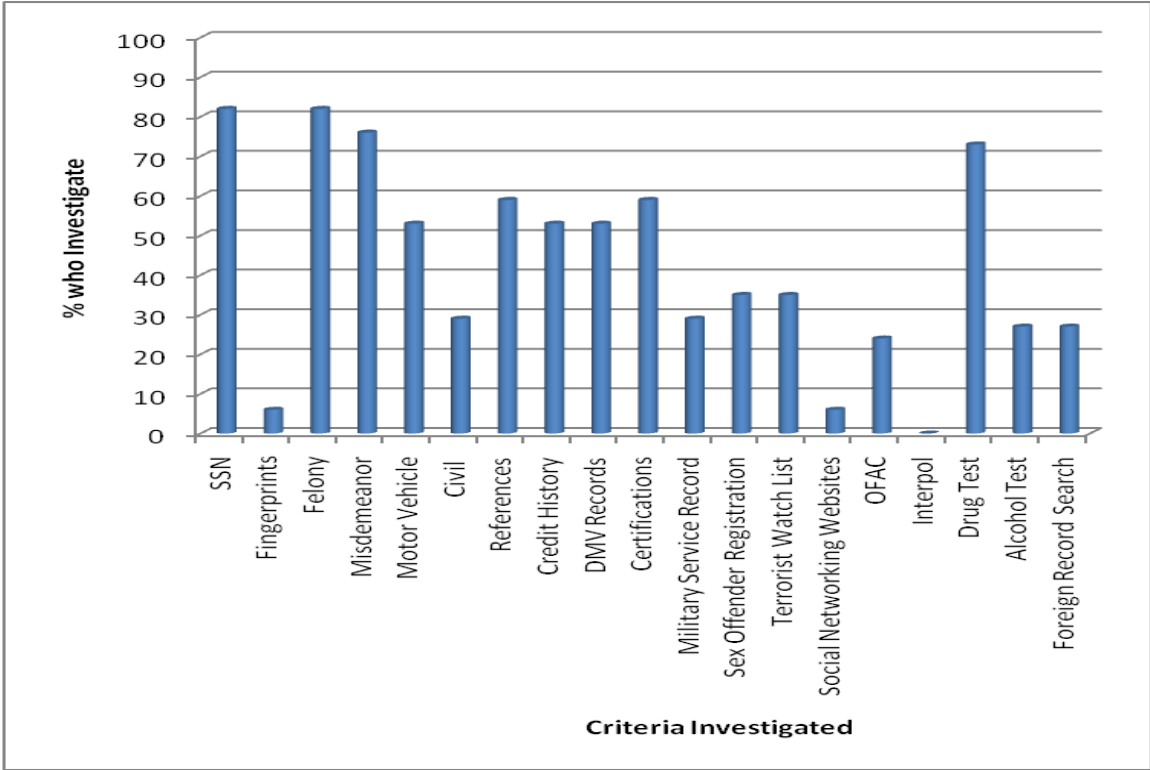
Faith-based Organizations



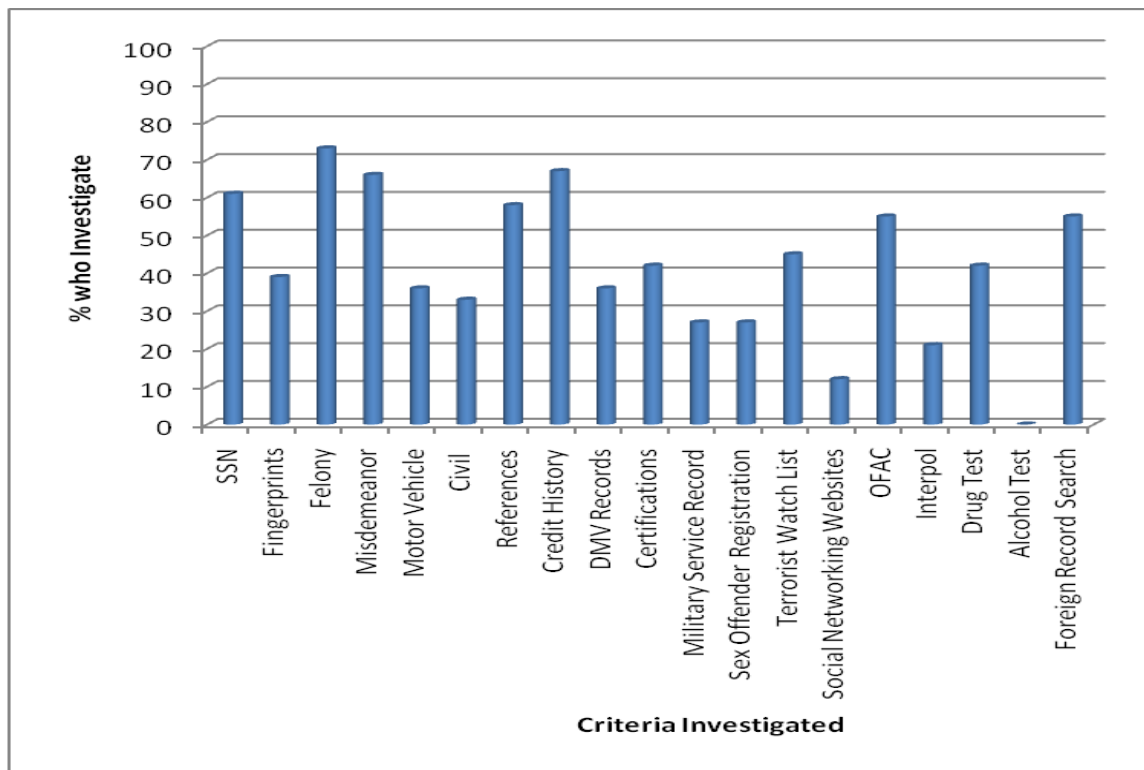
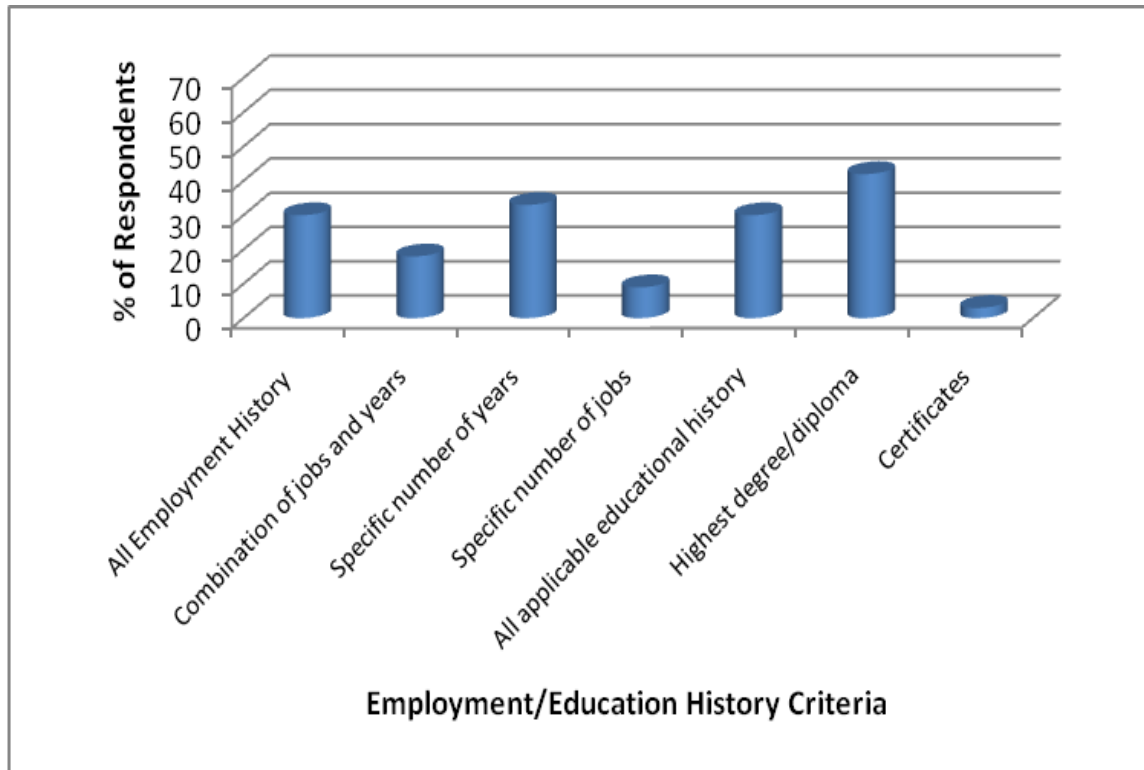


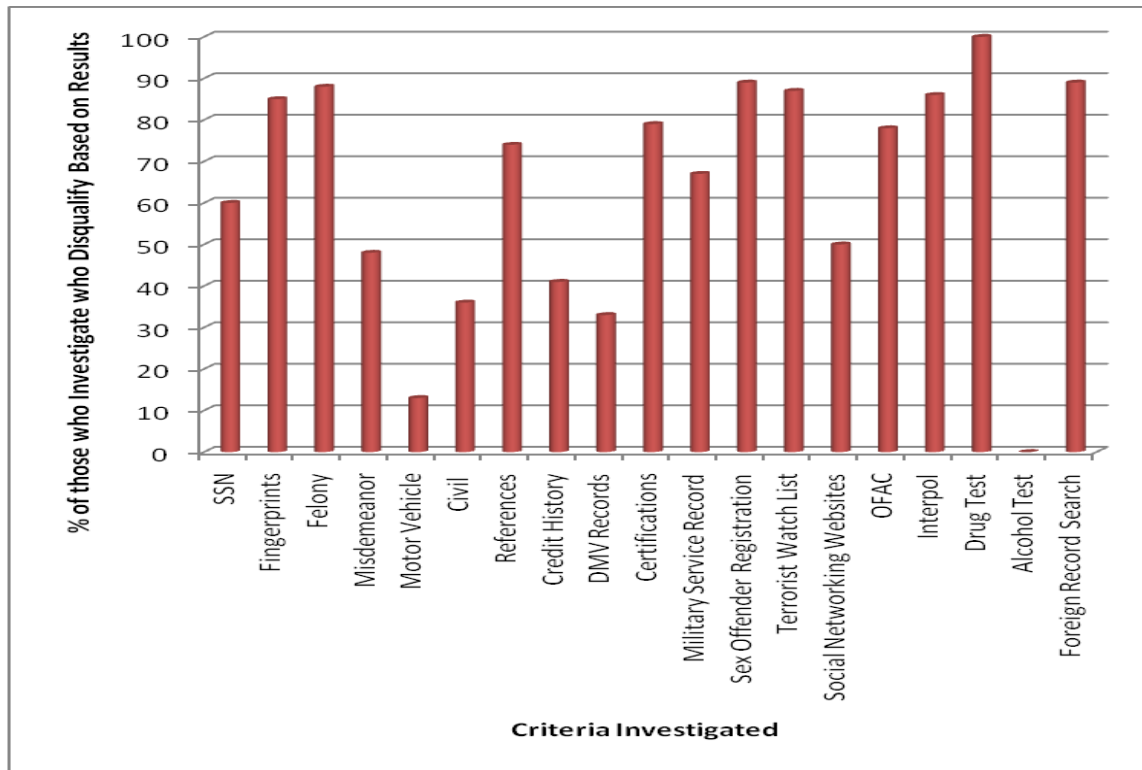
Engineering, Research, Development, and Nanotechnology Industry





Financial Services Industry





Recommendations for Future Research Design

The researchers found that many of the 385 participating organizations did not complete the surveys through to the end. The point at which most of the non-completers abandoned the survey was the final section of post-background outcome questions. This section required participants to enter the approximate number of specific activities within the organization over the past 12 months (fraud, terminations over misconduct, workplace violence incidents, or investigations). Many security managers may not have had this data readily available and thus either chose to skip the section or to leave the questionnaire to search for the answers from the knowledgeable departments but never returned to the survey. Whatever the case may be, having missed this data affected the ability to significantly correlate all other elements of background investigations other than the number of years of previous employment. Additionally, companies from a variety of other industries were queried. Regrettably, incomplete surveys had to be dismissed; therefore, there was not enough data to include prominent OSAC constituent groups such as Oil/Gas/Extraction companies.

Recommendations for future survey construction would include interspersing these outcome questions throughout the entire questionnaire rather than have a specially-dedicated section. The employment history questions were within the predominantly multiple choice section of the survey; these questions were answered robustly and a significant correlation was achieved.

Appendix

According to the restrictions outlined in the Fair Credit Reporting Act (FCRA), most states allow for investigations of applicants' credit, criminal, and employment records going back further than 7 years. The exceptions to this provision include California, Montana, Nevada, and New Mexico who put additional restrictions on criminal history investigations. Several other states and the Federal FCRA allow for investigations beyond 7 years with a salary threshold (e.g. Massachusetts allows for an investigation beyond 7 years as long as the salary for the potential employee is \$20,000 or above). See Appendix for complete outline of State/Federal FCRA criminal history restrictions.

State/Federal FCRA Restrictions

State	Conviction/Prosecution Pending –within 7 year limit	Conviction over 7 years old	Non-Convictions over 7 years old	Notes
Federal FCRA	Yes	Yes-unless a State has a special State FCRA restriction	No-unless the applicant of a restricted State will earn \$75,000 or more in which case the stricter law will apply.	There is no salary restriction on convictions. However, no non-conviction information over 7 years may be reported unless the applicant is scheduled to earn \$75,000 or more.
California	Yes	No	No	Cannot report non-convictions unless the case is currently a prosecution pending within 7 years. Diversion & deferred adjudication cases cannot be reported.
Montana	Yes	No	No	No non-convictions over 7 years.
Nevada	Yes	No	No	No non-convictions over 7 years.
New Mexico	Yes	No	No	No non-convictions over 7 years.
Kansas	Yes	Only if salary threshold is met: \$20,000	Refer to Federal Law	Non-Convictions over 7 years would default to Federal Law.
Kentucky	Convictions only	Yes	No	Only convictions can be reported.
Maryland	Yes	Only if salary threshold is met: \$20,000	Refer to Federal Law	Non-Convictions over 7 years would default to Federal Law.
Massachusetts	Yes	Only if salary threshold is met: \$20,000	Refer to Federal Law	Non-Convictions over 7 years would default to Federal Law.
New Hampshire	Yes	Only if salary threshold is met: \$20,000	Refer to Federal Law	Non-Convictions over 7 years would default to Federal Law.
New York	Yes	Only if salary threshold is met: \$25,000	No	Cannot report non-convictions unless the case is currently a prosecution pending within 7 years.
South Carolina	Yes	Yes	Refer to Federal Law	All pre-trial intervention programs are not reportable.
Texas	Yes	Only if salary threshold is met: \$75,000	Refer to Federal Law	Non-convictions over 7 years would default to Federal Law.
Washington	Yes	Only if salary threshold is met: \$20,000	Refer to Federal Law	Non-convictions over 7 years would default to Federal Law.
All other States & D.C.	Yes	Yes	Refer to Federal Law	Non-convictions over 7 years would default to Federal Law.