



# The Importance of Conducting Background Checks

**LORMAN**<sup>®</sup>

Published on [www.lorman.com](http://www.lorman.com) - January 2018

The Importance of Conducting Background Checks, ©2018 Lorman Education Services. All Rights Reserved.

## INTRODUCING

Lorman's New Approach to Continuing Education

# ALL-ACCESS PASS

The All-Access Pass grants you **UNLIMITED** access to Lorman's ever-growing library of training resources:

- ☑ Unlimited Live Webinars - 120 live webinars added every month
- ☑ Unlimited OnDemand and MP3 Downloads - Over 1,500 courses available
- ☑ Videos - More than 1300 available
- ☑ Slide Decks - More than 2300 available
- ☑ White Papers
- ☑ Reports
- ☑ Articles
- ☑ ... and much more!

Join the thousands of other pass-holders that have already trusted us for their professional development by choosing the All-Access Pass.



**Get Your All-Access Pass Today!**

# SAVE 20%

Learn more: [www.lorman.com/pass/?s=special20](http://www.lorman.com/pass/?s=special20)

Use Discount Code Q7014393 and Priority Code 18536 to receive the 20% AAP discount.

\*Discount cannot be combined with any other discounts.

If you are serious about protecting yourself, your current employees, your inventory and your reputation, then you should absolutely be conducting background checks on your potential new employees. For a great number of reasons ranging from safety and security to your public image and reputation, background checks are a necessary step in the interviewing and hiring process for any company.

Let's begin by exploring what is probably the most important and certainly the most obvious reason for conducting background checks and that is the safety of yourself and the staff of employees you currently have working for you. I want to be very clear at this point and point out that I do not mean to imply, in any way, that any person who has ever been arrested and convicted of a crime is a dangerous or violent person. However, if your prospective employee DOES in fact have a history of dangerous or violent behavior, that is something you should very well know before making a hiring decision. We can all agree that there is a world of difference between someone who has been convicted of careless driving and someone who has been convicted of rape or assault. This is the type of information that a thorough background screening will provide. Also, by letting an applicant know in the interview process that you will be doing a background check, you afford them the opportunity to share any information with you that they deem relevant. For instance, if you explain to an applicant in the interview process that you will be doing a background check, you can then ask them if there is anything they would like to let you know about before the results come back. There are certainly varying degrees of severity involved with just about every type of crime and if a person has the chance to explain to you the circumstances surrounding an arrest it can go a long way towards building their credibility and making you both feel better about the interview and hiring process.

Another extremely important benefit of conducting pre-employment background checks is the security of your merchandise, inventory, office supplies and equipment. Internal theft is a very real threat and one of the largest problems loss prevention professionals deal with. A background check can let you know before it is too late if a potential new employee has a history of any criminal activity involving theft or fraud. Whether your business is a retail environment, an office environment, the restaurant or food service industry or any of the countless types of business in between, you have the potential to be the victim of internal employee theft. Internal theft can manifest itself in a small way such as the stealing of office supplies to something as large as the theft of a diamond ring by an employee of a jewelry store. No matter the amount of the theft these crimes are serious and directly affect your bottom line. Running background checks will not eliminate these issues completely but it will give you a chance to weed out a certain number of problems before they begin. Again, there are different circumstances involved with every individual situation and I wouldn't suggest that everyone who has ever been convicted of a theft related crime be eliminated from

consideration for employment. I would suggest that again you have the opportunity to tell your potential new employee, at the completion of your interview, that you intend to run a background check. Ask them if there is anything they care to share with you before you read it in the background report.

I once interviewed a 25 year old woman for a sales position. She interviewed wonderfully and I was excited about the prospect of bringing her on as part of my staff. At the end of the interview I mentioned to her that I would be doing a background check and asked her if there was anything she wanted to inform me of before I did so. She proceeded to tell me about a time, when she was 19 years old, that she was shopping with a "former" friend. The friend, without my applicant's knowledge, helped herself to some rather expensive make-up products. As my applicant and her friend left the store and made their way to their car they were stopped by a member of the store's loss prevention team. Both girls were taken back into the store while the police were called. They were both convicted of shoplifting. If I had run the background check on this individual without asking her for her input I would have seen a conviction for shoplifting and moved on to the next candidate, missing out on someone who turned out to be an excellent employee. That woman is the reason I feel strongly about not just running background checks but discussing them candidly with your applicants before you ever run them.

While a background check will show you a person's criminal history and whether or not they have any history of violence or issues with theft, it will also show you something else that is just as important if not more so, their credit history. You may ask yourself why a person's credit history is relevant to their potential employment at your company. The answer is simple. A person's credit history can tell you volumes of information about that person. Are they a responsible person? Are they a risk to steal from me? If they have made mistakes in the past with their credit are they working on turning things around? All of these questions have a direct bearing on what type of employee a person might be and all of them can be answered by looking at an individual's credit history. Now, when I say credit history I don't mean just getting a credit score and finding out if an individual would qualify for a car loan. What you need to look at is a full credit history. This will be a listing of every credit account a person has in their name, open and closed accounts. It will show you their payment history. Are they always on time with every payment? Have they had a few late payments? Do they have several accounts currently in collections? Obviously, the better a person's credit history looks the better they look to us as potential employees. A person who has multiple open accounts and has always made every payment to each account on time looks to me like a responsible person who can be held accountable. A person who has several open accounts and makes most of their payments on time with a few exceptions is still OK in my book. One scenario that may look negative at a glance but is actually a positive is a credit history that

shows a person who was behind on all of their payments a year or two ago and is now current on all of their payments. This shows a growth and maturity and signs of someone who was willing to work to get out of a difficult situation and succeed.

One aspect of the credit history that can be very telling about an individual's character is bankruptcy. Let me begin by saying that bankruptcy is not necessarily a bad thing. We, as individuals, experience many different situations in our lives. Many times we have things happen in our lives that are beyond our control. Unexpected medical bills, a divorce, the loss of a job are all things that can lead someone who is not prepared into bankruptcy. Bankruptcy can be a necessary tool that a person needs to get his or herself out of a desperate situation. The most useful piece of information on a credit history that you can use is how a person handles their finances after a bankruptcy. Did the individual file for bankruptcy, get their accounts in order and then begin to rebuild their credit? Or did they file for bankruptcy and immediately return to the spending and payment habits that got them there in the first place? There is nothing more discouraging than seeing a person who filed for bankruptcy two or three years ago, had all of their debts forgiven, and now has a cell phone bill, three credit card bills and automobile loan all in collection. What this shows us is irresponsibility. That is a person who didn't learn from their mistakes and has little or no accountability for their actions. Again, I don't want to paint everyone with one broad stroke. As I've mentioned each individual situation is unique. But this would be a situation where you would definitely want to gather more information before making a hiring decision.

A credit report is not only an excellent indicator of how a person has handled themselves in the past but it can also be a great snapshot of what their situation is right now. Perhaps you have an applicant whose accounts are not currently in collection but are on the verge. If you look at a credit history and see that all of the individual's accounts are several months past due and their house may soon be in foreclosure this is a huge red flag. This may be a person in a desperate situation and people in desperate situations do things they might not otherwise do. For instance, steal from their employer. I don't want to suggest that everyone who is behind on their payments is going to go out and steal. However, to use an example from above, if I managed a retail jewelry store I would be cautious about giving access to hundreds of thousands of dollars worth of inventory to someone who needs a few thousand dollars to keep their home. This, of course is going to be a case by case situation. Remember, there are certain things regarding an applicant's personal life we are simply not allowed to ask in the interview process. But, when they have given permission and signed a release for you to run a credit and criminal background check, you are now allowed to discuss with them the results of that background check. So if you see anything in the credit history that makes you question whether or not this is the right person for your company, don't hesitate to ask them about it.

One more piece of information you can gain by running a background check on a prospective new employee is whether they have been convicted of any crime that may have led to their driver's license be suspended or revoked. This is especially important for an applicant who may be applying for a position that requires him or her to drive on the job. Depending on the service you pay for, you may or may not see a full driving record including every speeding ticket or turn signal violation. You will, however, definitely see any convictions that were serious enough for the applicant to lose their license, for example DUI's, reckless driving, and others. If the potential employee is applying for a position that will not require them to drive for the job this may not concern you as much. But keep in mind these convictions, especially multiple convictions, may show you a pattern of behavior that is not what you're looking for. Also, the loss of one's driver's license may affect their ability to get to work. You certainly don't want to have to wonder if your brand new employee is going to be able to find a ride to work every day.

Running a background check can also show you a potential employee's previous employment history. Now, you will most likely already have their employment history on a resume or a job application. What you may find interesting though, is that often times previous places of employment show up on a background check that were left off of the resume or job application. These previous jobs may have been left off intentionally or unintentionally but it is your job to find out. Perhaps your applicant only listed the jobs that would give them a positive reference if you were to call the previous employer. Again, you won't know for sure if the other places of employment were left off on purpose or not but now you have the tool in front of you to ask the questions and get all of the information you need to make your hiring decision.

One thing that is often overlooked when it comes to the importance of hiring the right people is the cost involved with hiring the wrong ones. The cost of employee turnover is absolutely astonishing. Recruiting, interviewing, running even more background checks, training, severance pay, and unemployment benefits are just a few of the countless expenses associated with employee turnover. That is why it is so important to do those things as infrequently as possible. Unfortunately, many hiring managers are so desperate for employees that they are willing to hire any and every warm body that walks through their door holding a job application. By the way, these are the same managers that always seem to be hiring because that can't keep their staff. By taking the time to really do your homework, dig a little bit and get your hands dirty to find the perfect employee for the job you are offering, you can send much more of your profit to your bottom line. Background checks are an expense and you will have to invest a little time into reviewing the reports and asking follow up questions based on what you may see or not see in the background check. However, this time and expense are worth every penny when you consider that by doing so you may be finding a

long term employee that will be an asset to you and your company for years to come.

Hiring properly also has a substantial effect your company's overall professional image and reputation. You want to put the best face on your business that you possibly can. You do that by hiring the best people you possibly can. A professional, motivated, veteran staff can be the best advertisement available to your company, especially if you work in a retail environment or in a business where your employees have regular, face to face interaction with your customers. Nothing goes farther to make a customer feel good about doing business with you than walking into your store or office and seeing the same faces every time. Long term employees are just good for business, and these are the type of employees you are going to find if you're willing to take the time to properly screen your applicants.

Proper hiring can go a long way, also, in keeping up the overall morale of your entire staff, old and new. An employee who has been with you for a long time and knows that you ran a background check on them before they were hired knows that you're going to run a background check on any potential new employees also. This can go a long way towards making your current staff feel comfortable that their potential new co-worker will be someone who is safe to be around, responsible, and a good fit within your company. If your staff knows you are going to do everything you possibly can to make sure their new co-worker fits in well, that will relieve a lot of the tension and anxiety involved with adding a new employee to an existing staff. Remember, when you hire a new person there is nervousness not only on the side of your new hire but on the side of your current employees as well. The first few interactions between your existing staff and a new employee can go a long way in determining if your new employee will be a long term employee or not. But if your current staff knows that you, their boss, are going to do everything in your power, including running a background check, to ensure the new hire is good fit much of that tension will never even arise.

Finally, I'd like to discuss the topic of due diligence. Running background checks on all of your potential employees can protect you legally if something terrible ever did happen in your store. Let's say, for example, that you hire a new employee without doing a background check. One day this new employee gets into an argument with a co-worker, gets violent and hurts someone and trashes your office or store. Later, it comes to light that the employee you hired had a history and had been convicted of assault, disorderly conduct, and destruction of property. The employee that was hurt finds out that the employee that assaulted him had this criminal history and you could have and frankly, should have, known about it. But you didn't do your due diligence and run a background check and now you're being sued by someone who used to be a good employee of yours. This case may seem extreme but variations of it take place in our country every single day. It is important that you do everything you can to

make sure your staff, and your property, are safe. Obviously, running background checks won't eliminate every instance of office violence. But, if you had run a background check on that person you most likely never would have hired them. Let's take it one step further. Assume you ran the background check and the criminal history didn't exist. Say the office fight was a one-time thing and the guy just lost his temper and took it out on his co-worker. Now you can say you did your due diligence and checked in to this person's background and there was nothing there that would lead you to believe he would do something like that. Now you're much more likely to avoid legal action.

The benefits of running background checks are so numerous that they far outweigh the cost involved. If you are serious about protecting yourself, your company, your current employees and your image and reputation, then you should absolutely be running background checks on all potential new employees.

---

The material appearing in this website is for informational purposes only and is not legal advice. Transmission of this information is not intended to create, and receipt does not constitute, an attorney-client relationship. The information provided herein is intended only as general information which may or may not reflect the most current developments. Although these materials may be prepared by professionals, they should not be used as a substitute for professional services. If legal or other professional advice is required, the services of a professional should be sought.

The opinions or viewpoints expressed herein do not necessarily reflect those of Lorman Education Services. All materials and content were prepared by persons and/or entities other than Lorman Education Services, and said other persons and/or entities are solely responsible for their content.

Any links to other websites are not intended to be referrals or endorsements of these sites. The links provided are maintained by the respective organizations, and they are solely responsible for the content of their own sites.