

Background Screening Providers: Opportunity for Excellence



HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders. The markets served are North America, EMEA, and APAC. This report covers the North America Region.

This report examines the most important components and system capabilities of a background screening provider, and overall satisfaction with background screening provider service. Where appropriate, results from this study have been compared to prior *HRO Today* background screening reports from 2017 and 2019.

This study was sponsored by
Global HR Research.

Methodology

From December 14, 2020 through March 4, 2021, a series of email invitations were sent to North American subscribers of *HRO Today* Magazine and *HRO Today* newsletters to take part in an online study on behalf of *HRO Today*. Study respondents were managerial level or above within their Human Resource departments. In total, there were 100 usable surveys completed.

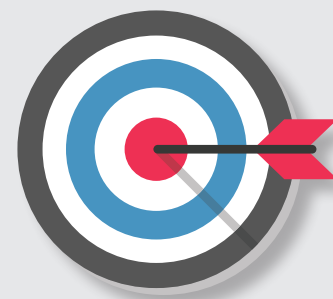
Respondents were screened to ensure that they were personally knowledgeable about the background screening process at their organizations, and that their company used background screening providers as part of their process to vet candidates.

Conclusions

There continues to be opportunity for background screening providers to improve the perception of their service delivery. Three-quarters (75 percent) of study participants ranked the overall performance of their provider as “Good” or “Excellent,” with an average score of 4.1 on a 5-point scale. Satisfaction with background screening providers has remained stagnant since 2017.

The annual *HRO Today* Baker’s Dozen for Background Screening Providers report outlines the key drivers of dissatisfaction, which focus on value and flexibility. The ability to add enhancements easily and affordably to a screening program and the perception of value for the service delivered are what can distinguish a service provider in a field that otherwise approaches commoditization.

Accuracy is consistently the most important component of the background screening provider deliverable, as selected by 82 percent of HR practitioners, while speed is close behind, with 73 percent selecting it. Both elements are vital to successfully serve background screening clients in the HR industry. Cost and customer service are the only other areas indicated by at least one-half of study respondents.

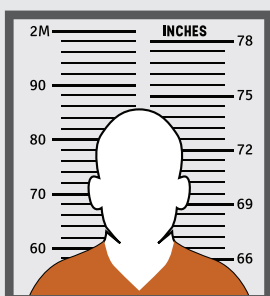


Conclusions (cont'd.)

Real-time updates and status information is the most important system capability a background screening provider can deliver, as indicated by 87 percent of study respondents. Recruiters not only need to provide the information to finalize hiring decisions but are working to provide rapid application status updates as the focus remains on candidate experience. Data protection and security with Personally Identifiable Information (PII) is also among the most important system capabilities. Data breaches are all too commonplace. State regulation is spreading across the country that imposes stiff penalties on businesses that fail to comply in their protection of employee and applicant data.



Ninety-three percent of clients are expecting results from background screening providers within four days. The average acceptable turnaround time remains a short 2.7 days, which has been consistent over the last two years.



Criminal and civil searches are expected by virtually every background screening client as part of what is delivered from their provider. Identity screening services are the second most important service, which are designed to ensure that no identity fraud is taking place.

DETAILED FINDINGS:

Most Important Components of a Background Screening Provider

Please select your top four most important components of a background screening provider.

Study participants were asked to select the four most important components of the services of a background service provider. Accuracy was selected as important most often, as indicated by over three-quarters (82 percent) of respondents. The first-place ranking has been consistent in all three waves of this study.

Speed/responsiveness of returning the results to the client was also selected as important by 73 percent, ranking it second. The job market changed drastically in 2020, with some industries, such as hospitality, imploding while others, such as video conferencing and online retailing, reported unprecedented sales. But speed returning reports remained crucial. Jobs needed to be filled quickly in response to unprecedented business challenges.

Cost has increased in importance in each wave of the study, moving from 7th in 2017 to 3rd in 2021. In a year dominated by news of plunging revenues for many companies, cost-cutting across all aspects of recruiting operations has become even more critical.

While compliance issues remain important, the relative ranking has dropped consistently, falling from second in 2017 to sixth in 2021. The Fair Credit Reporting Act (FCRA) governs the way employers may conduct background checks using credit reports in the hiring process and during employment. The pandemic had an impact on how stringent the federal government would be on compliance issues, suggesting more short-term leniency. On April 1, 2020, the Consumer Financial Protection Bureau (CFPB) issued a policy statement outlining the responsibility of credit reporting companies and data furnishers during the COVID-19 pandemic. In the statement, the CFPB stated that it expects creditors to comply with the CARES Act but suggested a more flexible supervisory and enforcement approach with data furnishers and the credit reporting agencies during the pandemic.¹



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Most Important Components of a Background Screening Provider

	2021	2021 Rank	2019 Rank	2017 Rank
Accuracy	82%	1	1	1
Speed/Responsiveness	73%	2	2	3
Cost	63%	3	4	7
Customer service	56%	4	3	4
Easy-to-use interface	37%	5	6	6
Clarity of reports	32%	6	9	5
Compliance issues	31%	7	5	2
Integration with existing HRIS/ATS	14%	8	7	10
Reporting customization/Flexibility	12%	9	8	8

Most Important System Capabilities of a Background Screening Provider

Please select the four most important system capabilities offered by background screening providers:

Respondents were asked to select the four most important system capabilities offered by background screening providers. Real-time updates and status information was again selected as the most vital system capabilities, selected by nearly nine-in-ten (87 percent) of study participants as among the four most important. Real-time updates and the need for urgency in turnaround of requested background checks go together. Recruiters want to be able to communicate status of the background check to eager hiring managers and candidates, as well as make contingency plans if there is a problem reported.

Data protection and security remains crucial, and over three-quarters (78 percent) indicated it was among the most important provider capabilities. A great deal of personal information is provided by candidates to complete a background check, and both potential employers and background checking providers have a responsibility to protect that data. Examples of PII include social security numbers, birthdate, passport number, driver's license number and credit card numbers, among other things. The new California Consumer Privacy Act (CCPA) has implications for not only business customers and employees, but also applicants. Under the CCPA, California consumers, including employees and applicants, affected by a data breach can bring a legal action for statutory damages when the breach is caused by the business's failure to maintain reasonable safeguards to protect a subset of personal information.²

In addition to driving policy talks in Congress, the CCPA may also become a blueprint for other U.S. states to issue their own laws, most notably in New York, Illinois, and Washington state.³

Custom reporting and tracking features were the third most selected system capability, with 73 percent of study participants including them in their list of the top four. These portals became important for more in 2021 than 2019, up a significant 10 percentage points. The cause of the dramatic jump may have been in response to the impact of COVID-19 on many industries, such as logistics and healthcare, that had to expand their workforce dramatically in a very short period. Some of those custom and tracking features include visualizations and reporting dashboards, and built-in questionnaire libraries to create custom surveys to gather feedback and communicate with their candidates. Further, segmentation by industry and occupation, such as finance or logistics, can be accomplished.

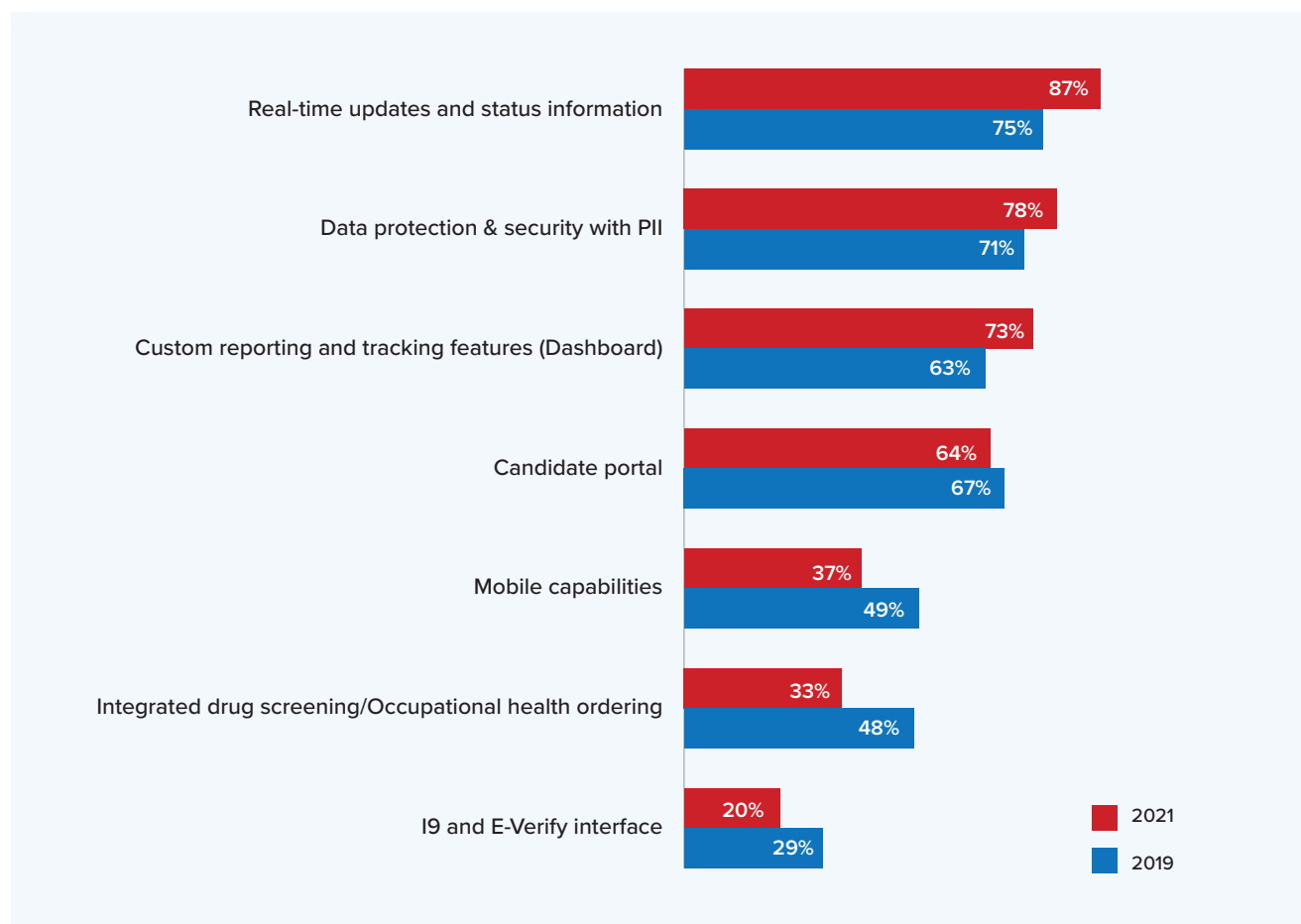
Under the CCPA,
California consumers,
including employees
and applicants, affected
by a data breach can bring
a legal action for statutory damages
when the breach is caused by
the business's failure to maintain
reasonable safeguards...



Without clear reporting that can be customized into meaningful segments, fast and accurate reports are useless. Detailed dashboards are an essential tool for communicating status, identifying trends, and anticipating roadblocks.

Candidate portals were the fourth most selected system capability, with over one-half (64 percent) of study participants including them in their list. Candidates see the hiring experience as an introduction to company culture. They want to be treated with respect, as this gives them an idea of how they will be treated on the job. Candidate experience remains a hot area in HR right now. A candidate portal offers transparency into background checking processes, consolidates all communication to a candidate in one place and provides access to live help, frequently asked questions, and other resources that may be needed by the applicant during the employment screening process. Offering the best candidate portal means making it accessible on a mobile device, and while mobile capabilities were selected by just over one-third (37 percent) of respondents, they are an important component of a top-tier candidate portal.

Most Important System Capabilities of a Background Screening Provider



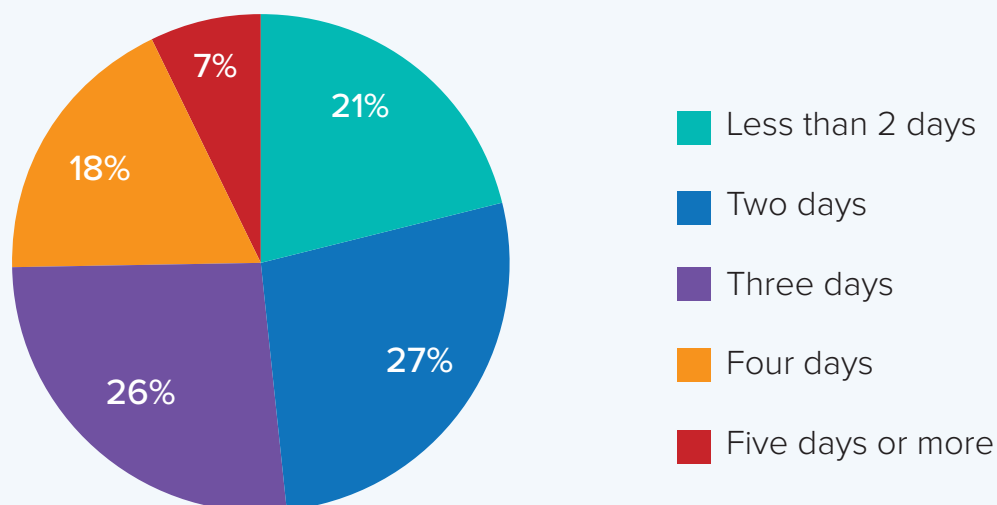
Acceptable Turnaround Time

What is an acceptable turnaround time for background reports?

Respondents were asked to indicate an acceptable turnaround time for background reports. Over nine-in-ten (93 percent) expect results in four days or less, with nearly one-half (48 percent) expecting them in no more than two days. On average, an acceptable turnaround time is 2.7 days, consistent with the prior wave of the study.

This conclusion is also consistent with findings presented earlier that show report speed is ranked as the second most important component of a background screening provider service element, behind only accuracy.

Acceptable Turnaround Time



Importance of Services Offered

What are the most important services of a background checking service? Please select all that apply.

Background screening providers offer an ever-increasing array of services to meet the diverse needs of their clients, but Criminal and Civil Searches (County, Statewide, Federal, National, Fingerprinting) are nearly universally regarded as among the most important services of a background checking service, as 93 percent of respondents selected it. No background checking provider can serve its clients well without accurately and quickly conducting these searches.

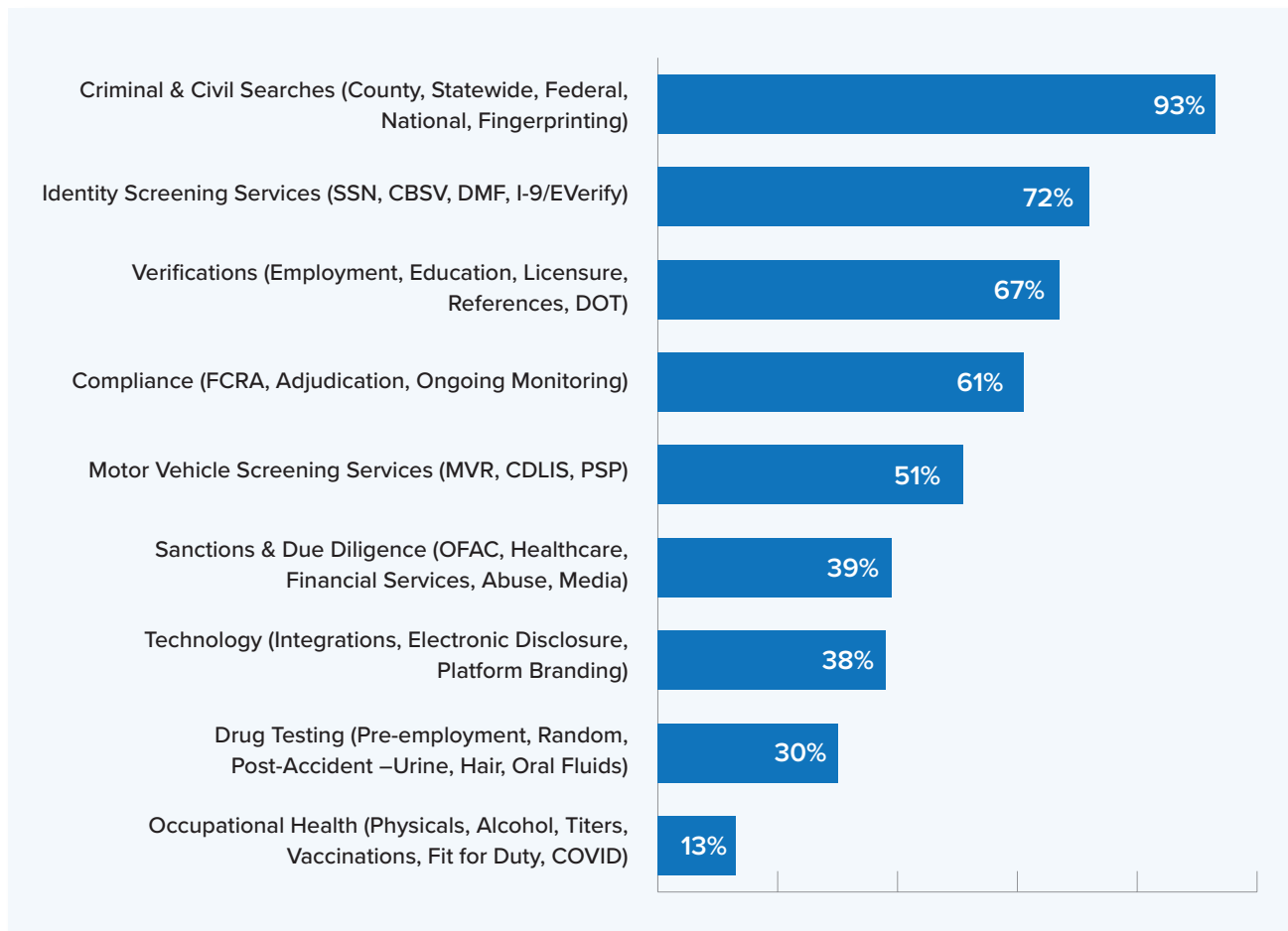
Identity Screening Services, which includes Social Security Number, Consent Based Social Security Number Verification (CBSV), Death Master File (DMF), and Employment Eligibility Verification (I-9/EVerify) was selected by just under three-quarters (72 percent), the second most important service. All these identity searches seek to ensure that the candidate is who they claim to be, and no identity fraud is taking place. Millions of identities are stolen each year, raising the risk that candidates may be using stolen identities when applying for jobs and completing their background checks. Of the 3.2 million instances of fraud reported to the Federal Trade Commission (FTC) in 2019, identity theft was the most commonly reported type of fraud, accounting for over 20 percent of cases.⁴

The third most important service is Verifications (Employment, Education, Licensure, References, and Department of Transportation), selected by two-thirds (67 percent) of study participants. This service helps employers ensure that applicants have the qualifications and backgrounds required for an open position.

The last area indicated by at least one-half (51 percent) is Motor Vehicle Screening Services, Motor Vehicle Report (MVR), Commercial Driver's License Information System (CDLIS), and the Pre-Employment Screening Program (PSP), which allows motor carriers to obtain five years of crash data and three years of roadside inspection data on prospective drivers. PSP records may not be used for current employees; they are to be used exclusively for pre-employment screening purposes.

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Importance of Services Offered



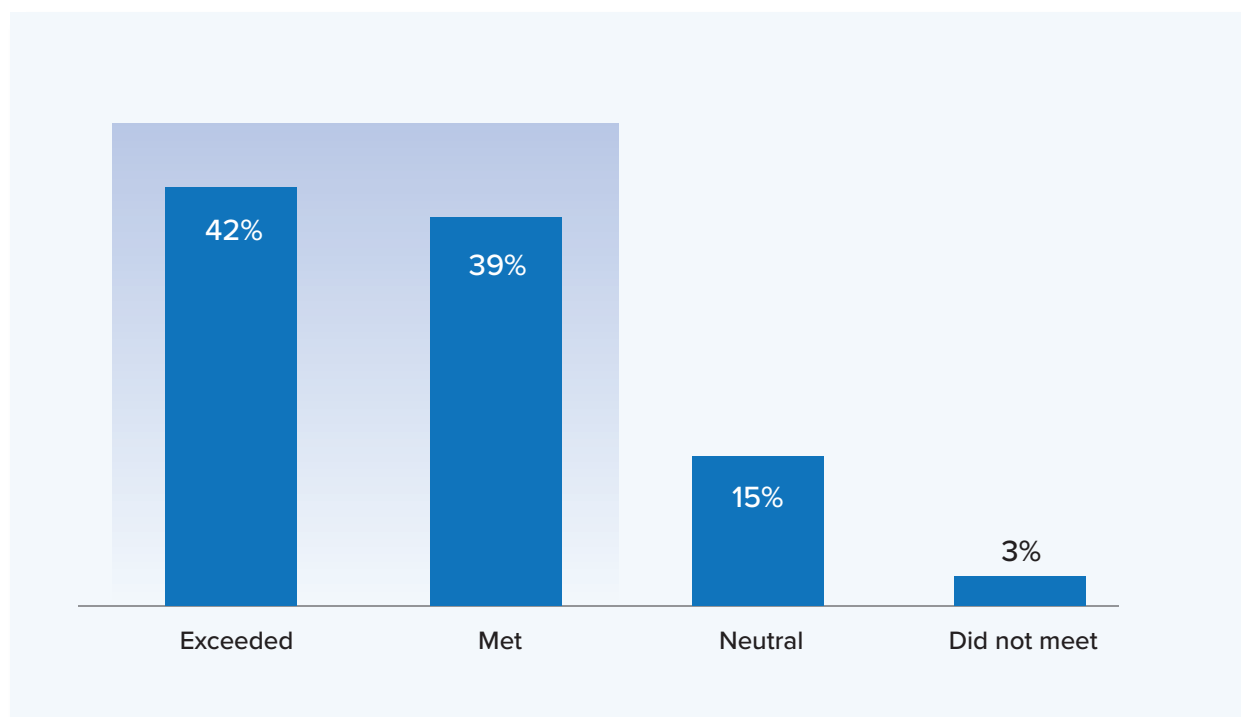
Contract Implementation Satisfaction

How well did the implementation of your contract with your current background screening provider meet with your expectations?

Study participants were asked to indicate how well their contract implementation met with their expectations. Over three-quarters (81 percent) indicated that the implementation met or exceeded expectations.

The 2020 *HRO Today* Baker's Dozen for Background Screening Providers, which offers an annual ranking of the 13 best background screening providers, revealed that overall satisfaction with a provider and likelihood to retain them at contract renewal is highly correlated with how well the provider does at contract implementation. This is specifically true if the implementation of an outsourced relocation program met each of the following criteria: on-time, on-budget, and acceptable in terms of disruption to the business.

Contract Implementation Met Expectations



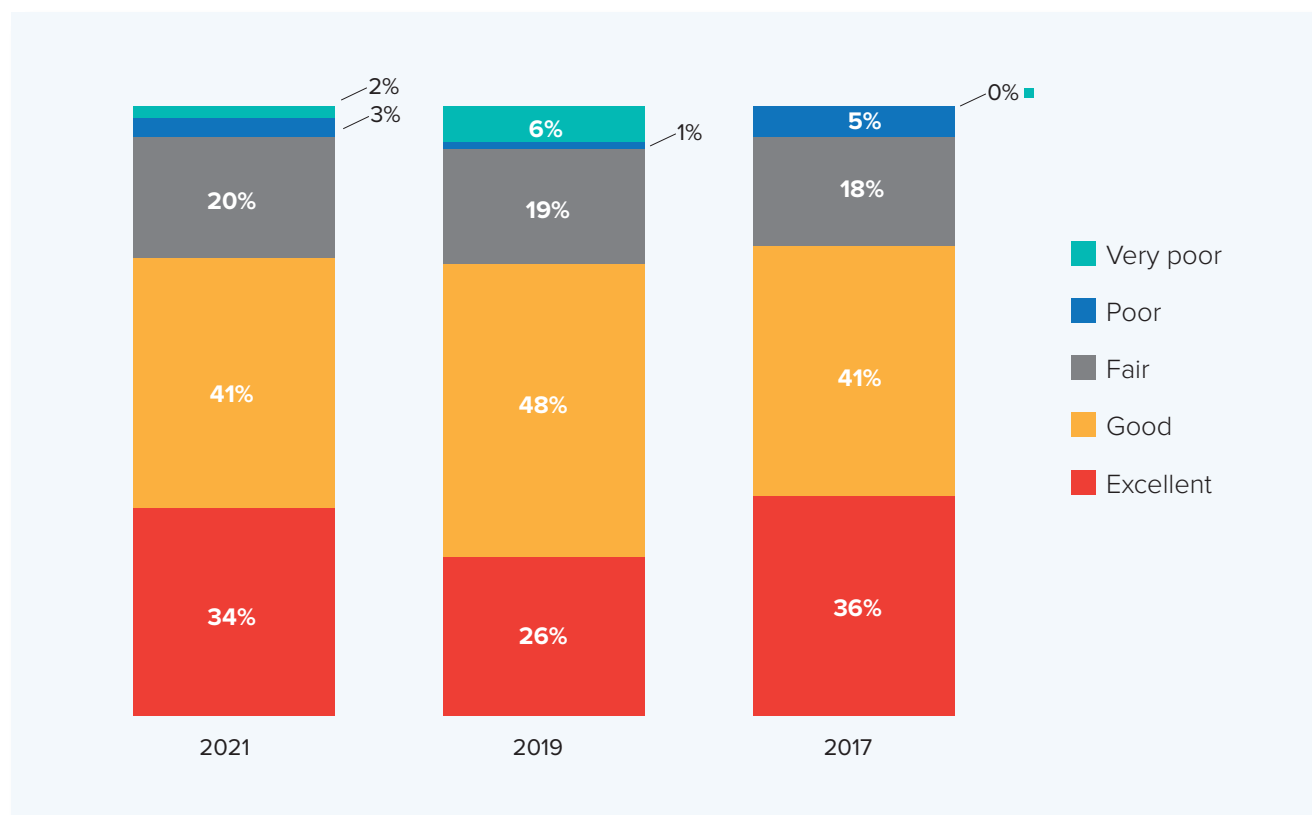
Overall Satisfaction with Background Screening Providers

How would you rank the overall performance of your background screening provider?

Study participants were asked to rank the overall performance of their background screening provider. Three-quarters (75 percent) ranked the overall performance as “Good” or “Excellent.” Satisfaction has remained about the same since 2017.

The average score was 4.1/5.0, up slightly from 2019’s average of 3.9. Overall, it is still a mediocre rating and should cause some alarm among providers as it shows a lack of enthusiasm for the client-provider relationship, which could negatively impact client retention.

Overall Satisfaction with Background Screening Providers



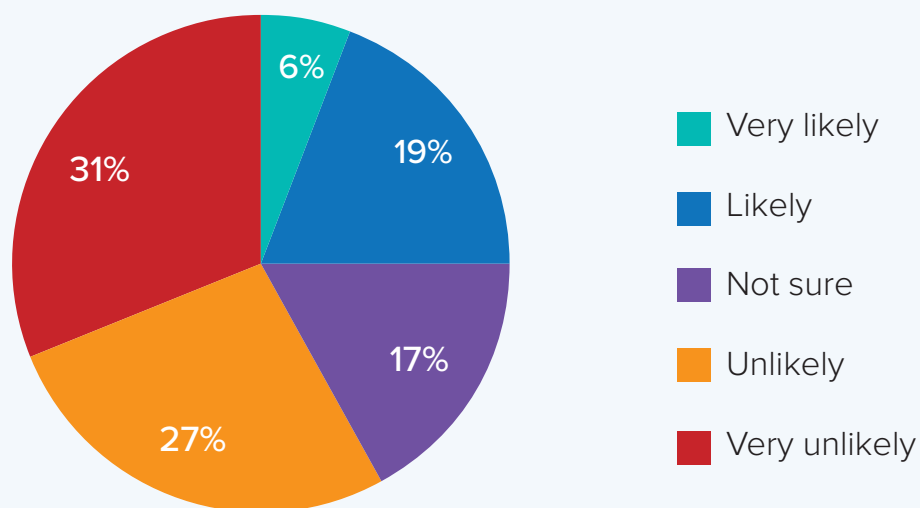
Likelihood of Renewal

How likely are you to look for a new background service provider within the next 12 months?

Respondents were asked how likely they were to look for a new background service provider in the next 12 months. One-quarter (25 percent) felt it likely they will look for a new provider. That is the same percentage as those that were not satisfied or indifferent with their provider in 2021. (See prior chart).

According to the 2020 *HRO Today* Baker's Dozen findings, nearly two-thirds (63.7 percent) of background screening contracts are up for renewal within 12 months. This suggests that one in four contracts will not be renewed with the same provider in a short period of time.

Likelihood of Looking for a New Screening Provider



Again, looking at 2020 Baker's Dozen for Background Screening Providers data, the key drivers of dissatisfaction can be uncovered, which is highly correlated to looking for a new provider. The six dimensions shown below, which include scores clients have assigned to their provider, reflect that correlation. The table below compares those not satisfied with background screening provider and those satisfied.

The key drivers of dissatisfaction center mainly around the perception of value and flexibility, as the five statements below illustrate. Further, those satisfied with their provider are nearly three times more likely to receive strategic input into HRO policies than those who are not satisfied, 59 percent vs. 21 percent, respectively. This input is a way to add value to the relationship. ■

Key Drivers of Dissatisfaction* — Average Scores: 5-Point Scale

	Not Satisfied	Satisfied
In the past 18 months, my company has not contemplated ending our outsourcing relationship with this provider due to value issues.	2.24	4.75
This provider improved our screening function during the time we outsourced to them.	2.36	4.70
This provider makes it easy to add enhancements to my screening program.	2.45	4.68
This provider makes it affordable to add enhancements to my screening program.	2.48	4.58
My company has received good value for the money it has spent on this provider.	2.48	4.72
This provider provides strategic input into our HR policies for screening. (Percentage agreeing with statement)	21%	59%

*Source: 2020 HRO Today Baker's Dozen Background Screening

Notes

1. "Recap: Changes to the Fair Credit Reporting Act in the Wake of the Unprecedented COVID-19 Pandemic," *The National Law Review*, April 23, 2020. <https://www.natlawreview.com/article/recap-changes-to-fair-credit-reporting-act-wake-unprecedented-covid-19-pandemic>
2. Lazzarotti, Joseph. "CCPA Is Here, and it Does Have Requirements for Employees, Applicants, etc." January 2, 2020. <https://www.workplaceprivacyreport.com/2020/01/articles/california-consumer-privacy-act/ccpa-is-here-and-it-does-have-re-quirements-for-employees-applicants-etc/>
3. Bracy, Jedidiah. "With the CCPA now in effect, will other states follow?" *iapp*, Accessed January 25, 2021. <https://iapp.org/news/a/with-the-ccpa-now-in-effect-will-other-states-follow/>
4. "Consumer Sentinel Network Databook 2019," Federal Trade Commission, January 2020. https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-2019/consumer_sentinel_network_data_book_2019.pdf

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TODAY**About *HRO Today***

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