

Employer Priorities When Selecting a Background Check Partner



HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. These are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders.

This report examines screening provider contract use and preference, the demands needed to be met for long-term contracts and identifying the biggest concerns with background screening programs.

This study was sponsored by
Global HR Research.

Methodology

A series of emails were sent to subscribers of *HRO Today* magazine and *HRO Today* newsletters inviting them to take part in an online study. Study respondents were senior HR practitioners familiar with their company's background screening contract. The total number of usable surveys was 102, and respondents were from North America.

Conclusions



Many clients are not using the contract type they prefer. While there isn't one type of screening provider contract used by a majority, the biggest share is on a project basis, with 39% using it even though only 25% prefer it. Instead, 40% prefer annual contracts even though only 26% use them now. Providers can further develop the relationship with many of their customers by proactively offering the option many already want.



The need for dedicated customer service is the benefit more desired in exchange for a long-term contract, with nearly three-quarters (74%) choosing it. Long-term contracts are preferred by 36% of study participants. Dedicated customer service can be a key component of a contract of any length.



Having a response to a question within a couple of hours is the most important benefit of a long-term contract. The high importance attached to customer service is directly addressed by having a dedicated team on the account and is a way background screening providers can distinguish themselves.



The biggest concern pertaining to background screening programs is losing candidates because the screening process takes too much time, according to two-thirds (67%) of study participants. Not only are recruiters facing enormous pressure to fill vacancies from hiring managers, but qualified candidates are accepting other offers if the hiring process does not proceed rapidly.



Electronic document access and upload is the most important mobile feature offered by background screening providers, with an average score of 4.62 on a scale of 5.00. A smooth and streamlined workflow is essential to facilitate the hiring process.



Less than one-quarter (23%) indicated their background screening platform is completely integrated with their HRIS system. This lack of integration comes despite the stated need for a smooth workflow in terms of electronic document access and upload. A screening platform that is integrated with existing HR technology is considered highly important despite the lack of full integration most recruiters currently have.



There is no dominant type of legal assistance used to comply with laws that govern business standards. The use of an outside legal team, a combination of outside and internal, and an in-house team are all used by about one-third of those who use legal assistance to ensure compliance.

DETAILED FINDINGS

Basis of Background Screening Contract

Which option below best describes your contract with your screening provider?

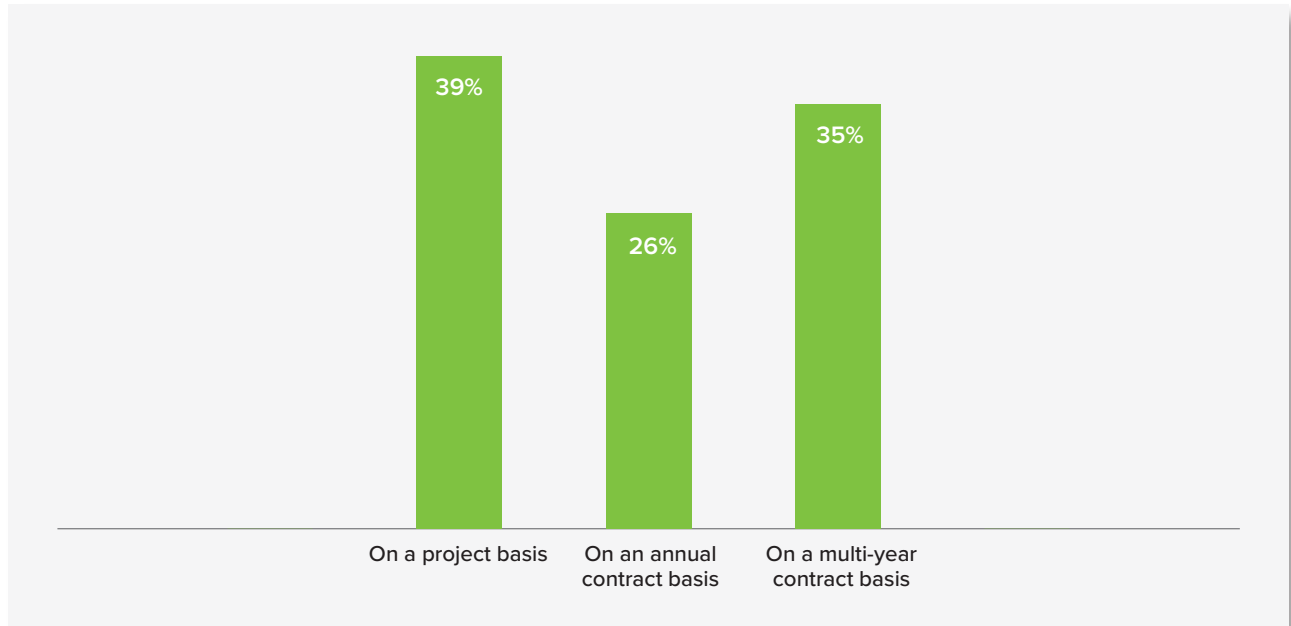
Study participants were asked to identify the option that most closely describes their contract with their screening provider. The most common option used is on a project basis, with 39% of respondents indicating it described their screening provider contract. A multi-year contract was the second most used, according to just over one-third (35%) of respondents.

The advantages of a multi-year contract are lower costs per year, no set up fees, and often all-inclusive

pricing. There is also no transition time to a new provider, which includes recruitment management systems integration. Further, multi-term contracts can offer greater familiarity with federal, state, and local regulatory compliance, including FCRA and EEOC guidelines for the company.

Contracts provide greater flexibility, particularly in times of hiring uncertainty, which may also result in cost savings if the volume of hiring isn't as high as anticipated at contract signing.

Basis of Background Screening Contract





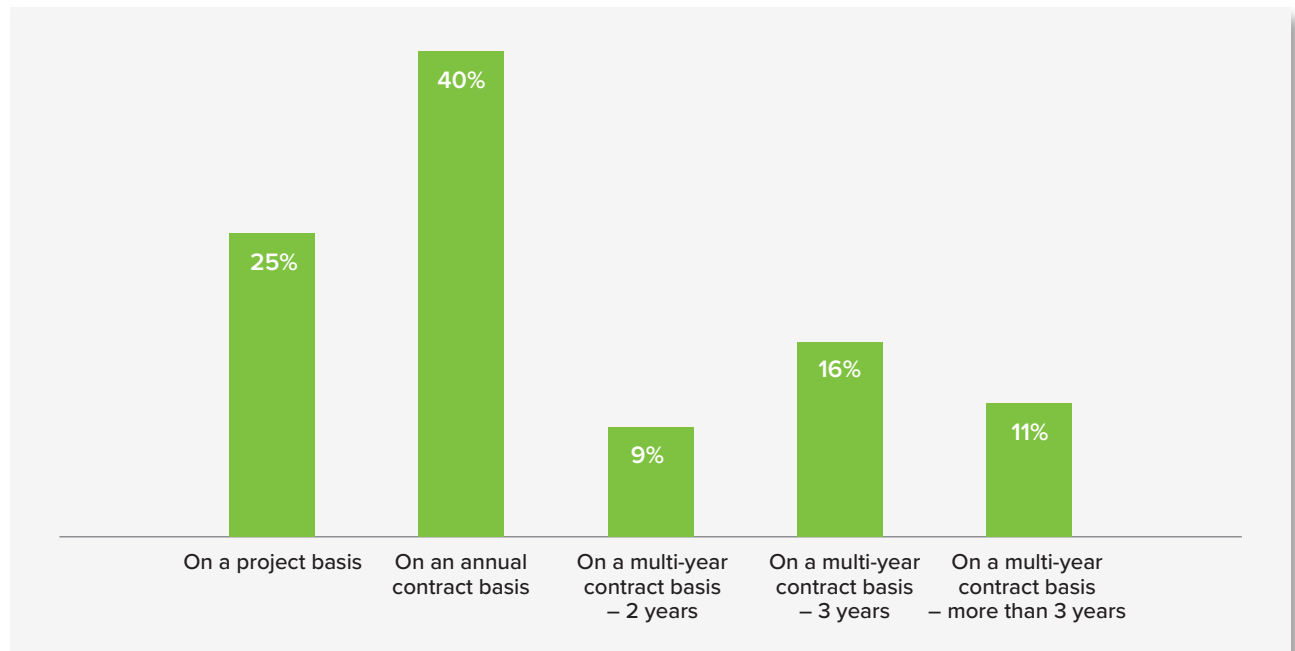
Preference for Background Screening Contract

How would you prefer your contract to be structured?

Respondents were asked what their preference was for their contract. The greatest percentage (40%) prefer an annual contract, while 36% want a multi-year contract of at least two years. In the prior question, 39% indicated they had a contract on a project basis, while in this question, only 25% preferred it. This suggests many clients could be moved to a contract length they find more appealing.

Annual contracts retain some flexibility that multi-year contracts may not, which is particularly important given current economic forecasts. After a tumultuous 2022, most economists agree on the one word to describe their outlook of what 2023 holds in store for the U.S. economy: uncertainty.¹

Preference for Background Screening Contract



Most Important Benefits in Exchange for Long-Term Contract

What benefits are most important to you in exchange for a long-term contract commitment?

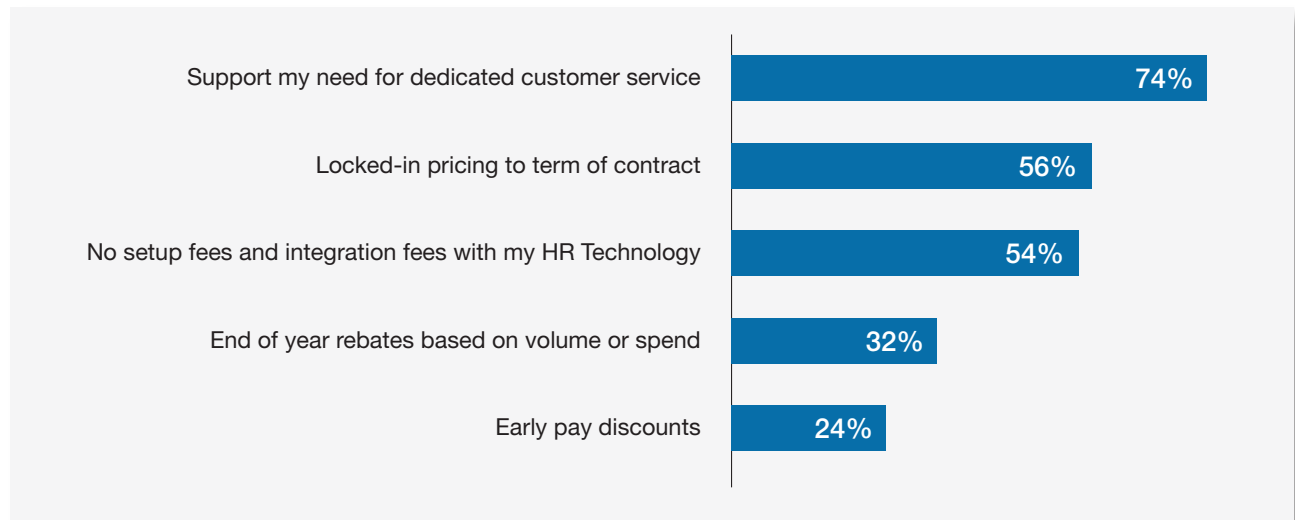
Study participants were asked to choose the benefits they would find most important in exchange for a long-term contract. Three of the five options offered were selected by at least one-half of respondents.

“Support my need for dedicated customer service,” was the benefit selected most often, with nearly three-quarters (74%) choosing it. Background screening clients often want a single point of contact, a dedicated Account Manager or representative. Having a dedicated Account Manager or representative helps to personalize the background screening process, leading to a greater understanding of client needs.

Dedicated account managers can help ensure personalized and consistent support.

The second most often selected benefit was “Locked-in pricing to term of contract,” with 56% choosing it. The last benefit with at least one-half of respondents willing to exchange it for a long-term contract is “No setup fees and integration fees with my HR technology,” with 54% selecting it. Both benefits contain cost savings clients can achieve when a longer-term commitment is in place. Systems integration with existing HR technology also provides a user benefit that can lead to better analytics and a smoother candidate experience.

Most Important Benefits in Exchange for Long-Term Contract





Importance of Benefits

Please rank the benefits below that are important to you in exchange for a long-term contract commitment.

Respondents were asked to rank the five benefits that could be used to exchange for a long-term contract. Not surprisingly, the rank order is the same as the importance attributed to each in the prior question. But the key finding here is that only the first two benefits

(“Support the need for dedicated customer service” and “Locked-in pricing”) were consistently ranked as a first or second choice by at least one-half of respondents. The remaining three are all interchangeable and not driving importance.

Importance of Benefits

RANK	% TOP 2	BENEFIT
1	82%	Support my need for dedicated customer service
2	50%	Locked in pricing to term of contract
3	27%	No setup fees and integration fees with my HR Technology
4	20%	End of year rebates based on volume or spend
5	22%	Early pay discounts



Importance of Factors Related to Background Screening

Please indicate how important each of the areas below are to you.

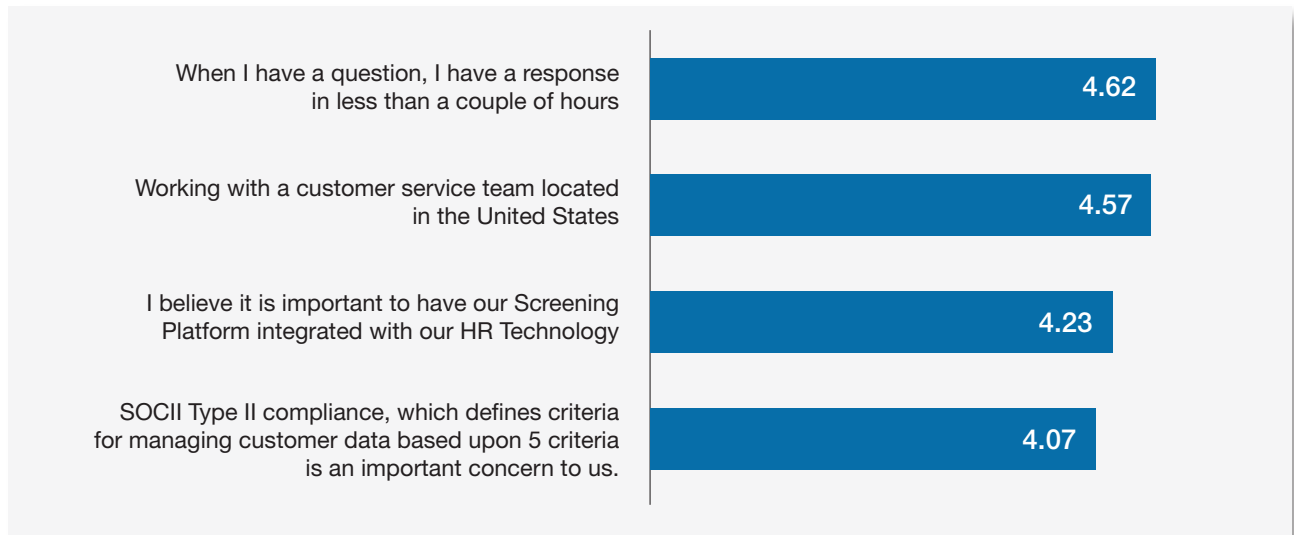
Study participants indicated the importance of four different areas related to background screening on a scale of 1 to 5, with five being very important and one being very unimportant. The average scores are shown below.

The factor with the highest average importance is “When I have a question, I have a response in less than a couple of hours,” with an average score of 4.62. The high importance attached to customer service is consistent with prior study findings about the importance of a dedicated team and is a way background screening providers can distinguish themselves. Given the current

tight labor market, decisions need to be made quickly, and a rapid response to a question is critical for recruiters so that they can make a hiring decision and extend an offer.

Working with a customer service team located in the US had the second highest average importance score (4.57). Rapid turnaround of responses, understanding the language nuances of concerns expressed as well as dealing with an organization with a US-based workforce all contribute to the importance of this issue.

Average Importance of Factors Related to Background Screening





Biggest Concerns When Considering Background Screening

What are your three biggest concerns when considering background screening?

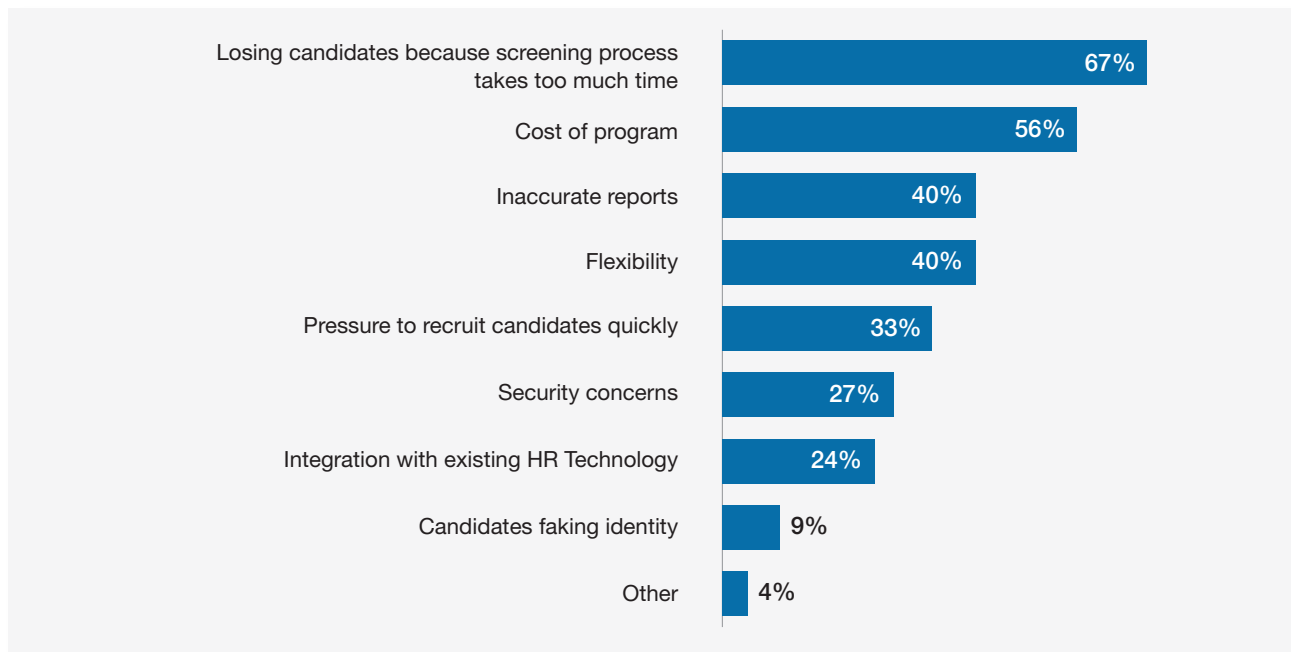
Respondents were asked to identify their three biggest concerns pertaining to background screening programs. The biggest concern was a component of the time-to-hire metric, “Losing candidates because the screening process takes too much time,” selected by two-thirds (67%) of study participants.

Recruiters are most concerned about losing candidates because the US job market remains red hot. So far in 2023, employers have added 1.14 million jobs through April, despite sporadic reports of layoffs, particularly in the tech sector. The unemployment rate was 3.4% in April, tied for the lowest level since 1969. A more encompassing number that includes discouraged workers and those holding part-time jobs for economic reasons edged lower to 6.6%.²

The only other area with at least 50% indicating it was among their biggest concerns was the cost of the program. Long-term contracts are typically less expensive, but don’t offer the flexibility that one year or project basis assignments do. In any event, the cost of the program should be weighed against the cost of a bad hire. While not exact, the U.S. Department of Labor’s estimate is simple — the average cost of a bad hiring decision is at least 30 percent of the individual’s first-year expected earnings. A bad hiring decision that could cost the company millions in liability claims.

Certainly, a lack of background screening isn’t the only reason for a bad hiring decision, but it is a factor.³

Biggest Concerns When Considering Background Screening





Average Importance of Mobile Features

Rate the order of importance related to mobile features.

Study participants rated the importance of five mobile features offered by background screening providers. The average score was for electronic document access and upload was 4.62 on a scale of 5.00, the highest overall.

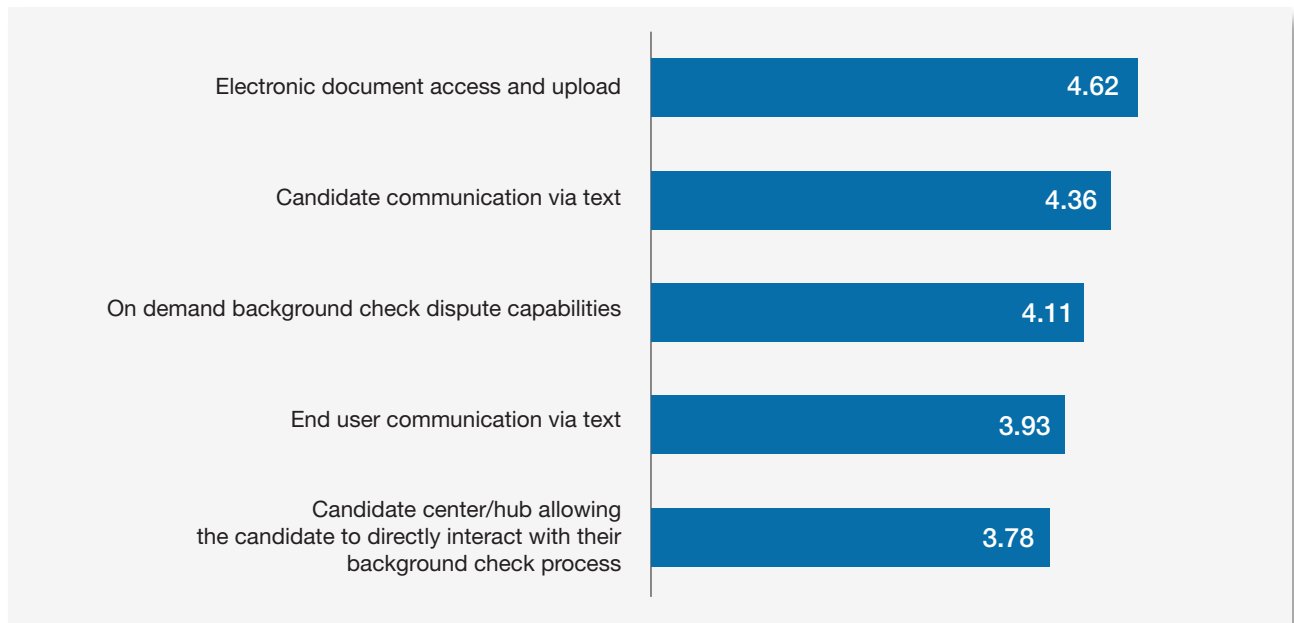
Electronic document access and upload is a component of workflow. Optimal portals provide multiple methods of ordering, receiving, and evaluating consumer reports on candidates, ideally integrated with existing HRIS systems. Access to the information is best controlled by the implementation of classified permission levels.

The second most important area related to mobile features is candidate communication via text, with an average score of 4.36 out of 5.00. Background screening

is part of the candidate experience. Among the most common complaints candidates have is a lack of information about where they are in the interview process. The most recent estimate reveals that smartphone penetration in the United States is 82.2%.⁴ Candidates, particularly Millennials or younger, want to be communicated with through use of their smartphones.

The third most important area, and the last one with a score of at least 4.00 was “On demand background check dispute capabilities,” with an average score of 4.11. The importance of this feature speaks to both the cost of hiring the wrong candidate as well as the need to hire quickly in a job market with 3.5% unemployment.⁵

Average Importance of Mobile Features





Extent HR Systems are Integrated with Screening Platform

To what extent are your internal HR systems integrated with your screening platform?

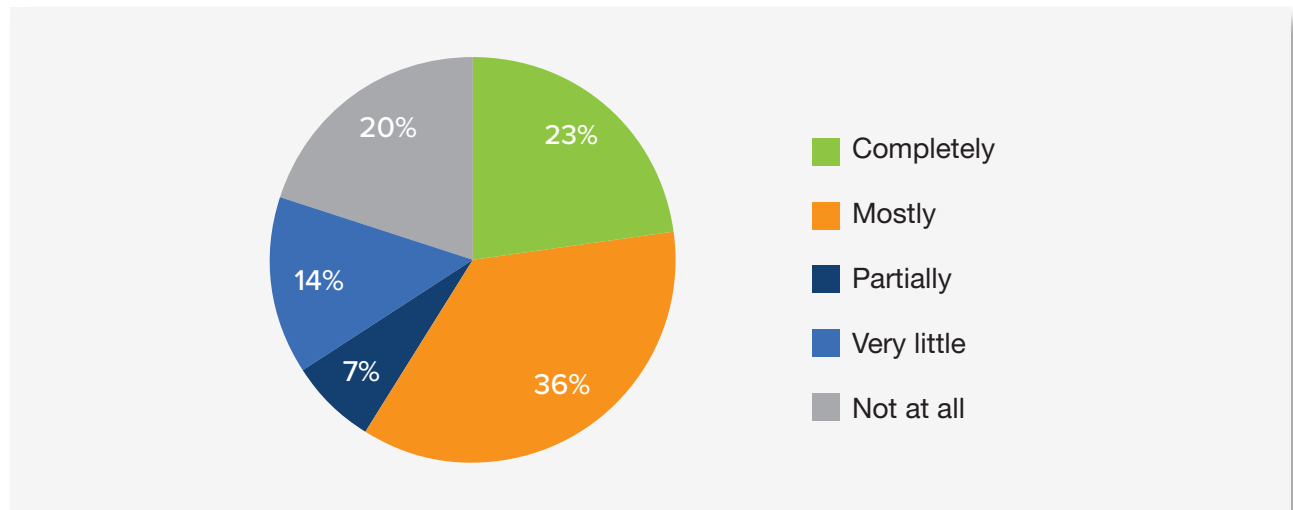
Respondents were asked to estimate the extent to which their internal HR systems are integrated with their screening platform. Overall, just over one-half (59%) indicated they are mostly or completely integrated, with under one-quarter (23%) of that group completely integrated.

When background checks are integrated within an HRMS platform, time can be saved by eliminating

redundant data entry leading to improved time to hire.

Further, using real-time reporting, employers can see if workers or candidates have submitted the necessary information, signed releases, and submitted drug tests along with other requirements through a singular dashboard.

Extent HR Systems are Integrated with Screening Platform





Type of Legal Assistance

Finally, what type of legal assistance are you utilizing that ensure that your business standards are compliant with today's laws?

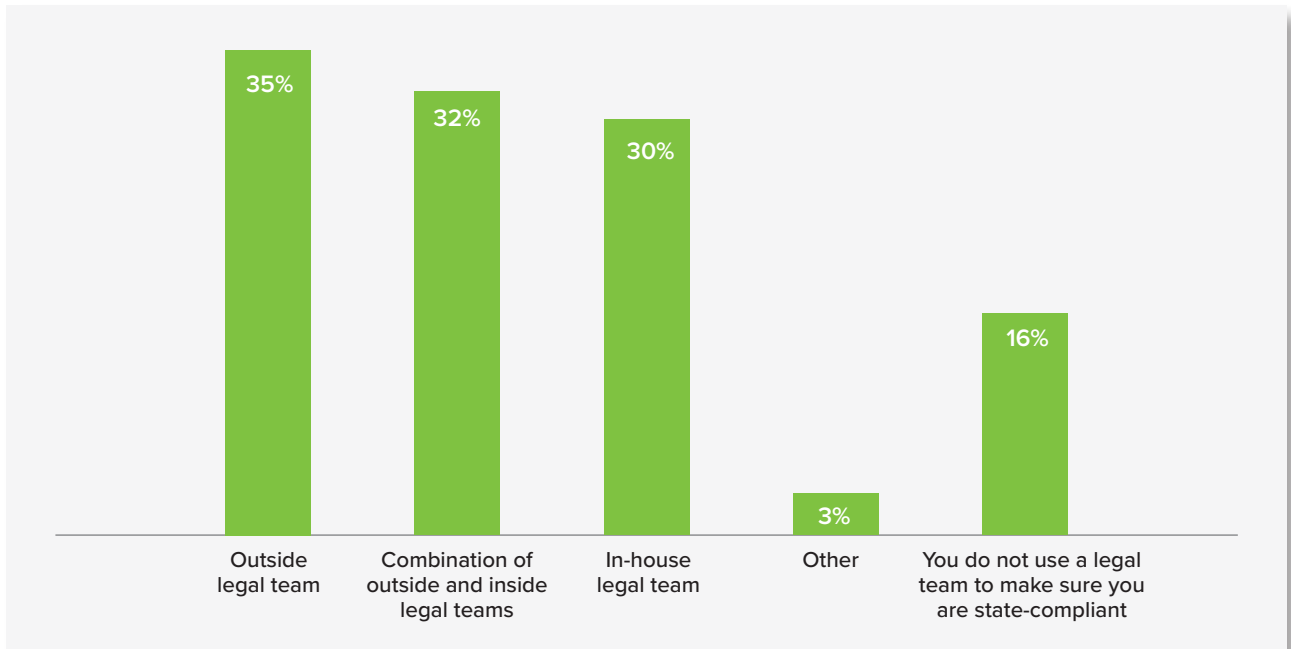
Study participants identified the type of legal assistance they use to comply with laws that govern business standards. The results reveal a range, with no single type being used significantly more than any other. The use of an outside legal team, a combination of outside and internal, and an in-house team are all used by about one-third of those who use legal assistance to ensure compliance.

Interestingly 16% do not use a legal team to make sure they are state-complaint, which leaves the organization vulnerable to penalties and fees if they are not

compliant. HR compliance means adhering to all applicable labor laws. The larger an organization and the more geographic regions they operate in, the more regulations must be met.

The number of laws, in addition to wage and hour regulations at the federal, state and local levels that HR must know to stay compliant can be overwhelming. Some of the more prominent regulations include the Fair Labor Standards Act (FLSA), Affordable Care Act (ACA) and Equal Pay Act (EPA) to name just three.

Type of Legal Assistance



Notes

1. Smart, Tim. "Uncertainty Prevails for the Economy in 2023," *US News and World Report*, January 3, 2023. <https://www.usnews.com/news/national-news/articles/2023-01-03/uncertainty-prevails-for-the-economy-in-2023>
2. Cox, Jeff. "Job growth totals 253,000 in April, beating expectations even as the U.S. economy slows," *CNBC*, May 8, 2023. <https://www.cnbc.com/2023/05/05/jobs-report-april-2023-job-growth-totals-25300-in-april.html>
3. "The Cost of a Bad Hire," Northwestern University, *Human Resources*, February 2019. bit.ly/3IEcMRS
4. "Penetration rate of smartphones in selected countries 2021," *Statista*, Accessed January 9, 2022. <https://www.statista.com/statistics/539395/smartphone-penetration-worldwide-by-country/>
5. "Labor Force Statistics from the Current Population Survey," *U.S. Bureau of Labor Statistics*, Accessed January 9, 2022. <https://www.bls.gov/cps/>



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