

# + First Advantage Background Screening Trends Report 2015: US Retail Industry



**First Advantage**

A Symphony Technology Group Company

INFORMATION YOU NEED. PEOPLE YOU CAN TRUST.

# + TABLE OF CONTENTS

3	Forward
4-6	Overview
6-11	Discrepancy Rates <ul style="list-style-type: none"><li>-Background check discrepancy rates</li><li>-Discrepancy rates by report type</li><li>-Criminal record hit rates</li><li>-Global discrepancy comparison</li><li>-Percent of total offenses</li><li>-Combining searches v. individual searches</li><li>-Most frequently ordered combinations</li></ul>
12-14	Individual & Multiple Searches <ul style="list-style-type: none"><li>-Most popular individual searches</li><li>-Performing multiple searches</li><li>-Common criminal record searches used in Retail</li></ul>
15-16	Moving Forward: Using this Insight to Improve Hiring <ul style="list-style-type: none"><li>-Benchmarking</li><li>-Accelerating time to hire</li></ul>
17	Conclusion



## Forward

Across the retail industry, employers are becoming increasingly tech-savvy. Through online and mobile platforms, they're creating a faster, smarter and more candidate-friendly screening and hiring process that is helping to differentiate their brand while also addressing key challenges such as seasonal hiring spikes, inventory shrink and data security.

Here we focus on the background screening portion of the hiring process. This annual report reveals broad-based patterns, trends and insights that are emerging on a national scale after tracking and analyzing millions of background screens performed by our top U.S. retail customers. As you'll see, many of these trends directly relate to challenges faced by retailers, large and small.

For instance, according to the 2014 Global Retail Theft Barometer Study inventory shrink cost North American retailers roughly \$42 billion in 2013 – 2014. Interestingly, our report shows that the second highest number of criminal convictions uncovered by criminal background checks within the retail industry was for theft, fraud or burglary.

Noteworthy connections can also be made between data breaches and fraud—both huge concerns among today's retail leaders—and employee honesty and trustworthiness, which is somewhat quantified by background check discrepancy rates. Discrepancies are inconsistencies between the information provided by an applicant and the information returned in their background check. According to the report, the highest discrepancy rates are among employment and reference checks, which in retail, are often reserved for higher-level positions that require expanded trust and access. Think: these are people who get the keys to the store.

Substance abuse is also worth mentioning. Drug-related convictions represent the highest number of convictions uncovered in the background checks analyzed for this report, with more than 28 percent of convictions relating to substance abuse. While the report does not measure drug testing among retail employers, it's a growing area of interest considering the magnitude of productivity losses linked to on-the-job alcohol and drug use. The effects of workplace drug abuse include increased tardiness, absenteeism and accidents, along with decreased productivity and poor workplace morale—all of which can drag down operating costs and profitability.

The retail industry faces unique challenges and as a whole, it's evolving at warp-speed with the introduction of new technology, business channels and even new economic models, such as the sharing economy. Retail employers need to optimize their business results by quickly, cost-effectively hiring the best talent in a fast-moving market, while comprehensively managing their employee-related risks.

Review the proprietary information within this report to help benchmark your current screening program, and share it with your peers in Human Resources, Loss Prevention, Security and Risk Mitigation across the industry.



## Report highlights at a glance

- **1 in 5 searches finds a discrepancy or criminal history.**
- **Top searches ordered by retailers:**
  - Felony / misdemeanor
  - National criminal database
  - Social Security Number verification and sex offender registry check
- **Top search with highest discrepancy rate: Social Security Number verification**
- **Search with highest overall discrepancy: Prior employment**
- **Retail search sweet spot: 5 checks**



## Did you know?

Studies show the root cause of a data breach 15 percent of the time was a trusted insider with malicious intent, and that insider misuse by trusted parties accounted for 8 percent of all security incidents and 18 percent of all incidents in 2013.

-Sources: 2014: A Year of Mega Breaches. Ponemon Institute LLC. January 2015; and Verizon 2014 Data Breach Investigation Report.



# + OVERVIEW

The background checks analyzed in this report were pulled from First Advantage customers within the U.S. retail and retail pharmacy industry, which employ more than 2.4 million full-time and part-time staff. Report data was drawn from more than 9.3 million checks and verifications conducted on candidates for the two years beginning January 1, 2013 and ending December 31, 2014.

At a high-level, **Chart 1** shows overall screening volumes for our U.S. retail customers mirrors traditional upticks in seasonal, pre-holiday hiring, with a predictable slow down at year-end. A closer look shows 2014 screening volumes never dipped below the lowest 2013 screening volumes. Further, our retail clients hired significantly more people during the holiday season in 2014, about 25,000 more in October alone and nearly 70,000 more during the last four months of the year than in 2013. We expect this year-over-year “heavily up” trend to continue into the 2015 hiring season. To support their multiple business channels, retailers must be well-staffed to provide clean, well-stocked stores, fast checkout lines, and for their ecommerce customers, quick online fulfillment from distribution centers.

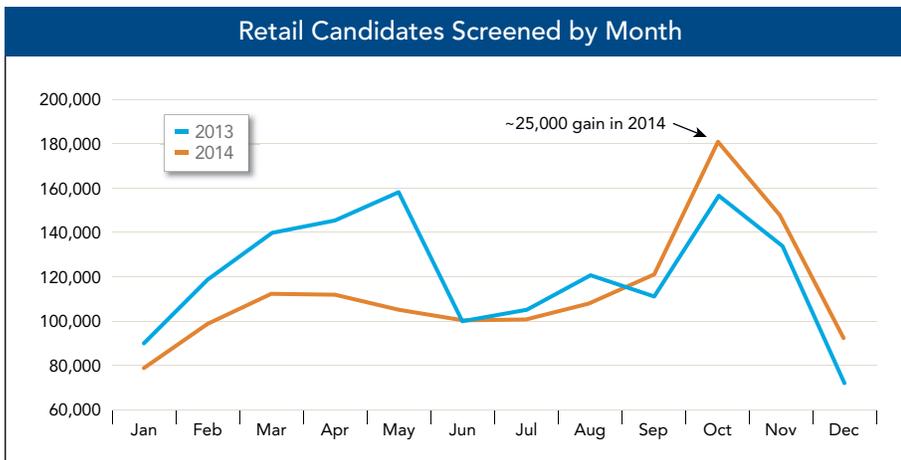


Chart 1. Retail Candidates Screened by Month



# + DISCREPANCY RATES

## Background check discrepancies

Overall we found that one in five candidates, or 21 percent, had a discrepancy, a criminal history or both on their background check performed over the two-year period. A discrepancy occurs when the information provided by a candidate differs from the information that could be verified in the background check including education, employment, Social Security Number, references, and professional licenses or accreditation. A hit is the discovery of a criminal conviction as legally reportable in compliance with the federal Fair Credit Reporting Act (FCRA) and other applicable state and local regulations.

Interestingly, **Chart 2** shows the combined discrepancy and reportable criminal history rate more than doubled during the third quarter of 2014 compared to the same time in 2013. Numbers are usually higher during the third quarter, as that's when most retailers start ramping up hiring for back-to-school and holiday support. However, the fourth quarter, when hiring plummets to its lowest point of the year, saw the second highest discrepancy rate. It may be that the most desirable talent has already been hired, leaving retailers with fewer qualified candidates. Additionally, the overall unemployment rate has been steadily falling which further reduces the pool of qualified candidates.

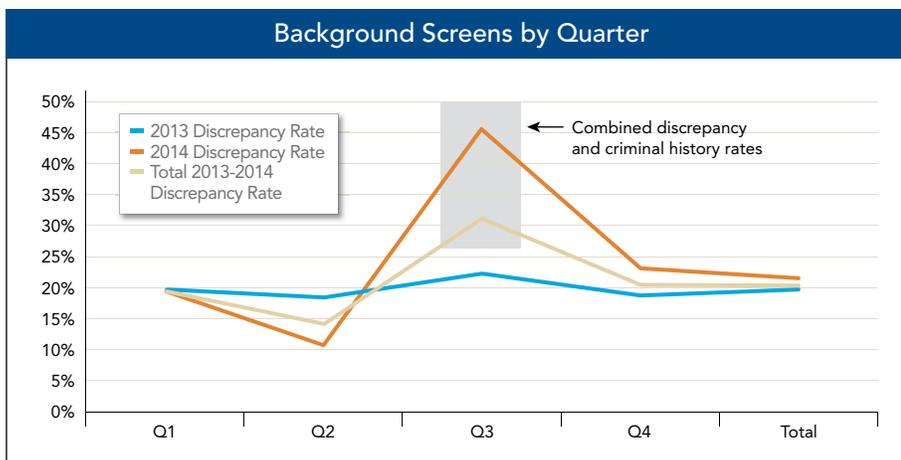


Chart 2. Comparison of Background Screens by Quarter

## Discrepancy vs. Hit?

A discrepancy occurs when the information provided by a candidate differs from the information that could be verified in the background check including education, employment, Social Security Number, references, and professional licenses or accreditation.

A hit is the discovery of a criminal conviction as legally reportable in compliance with the federal Fair Credit Reporting Act (FCRA) and other applicable state and local regulations.



## Best Practice Tip

Start your hiring process early and conduct multiple types of background screens in order to build a large, qualified pool of candidates and help ensure you're hiring the right employees for your business.



# + DISCREPANCY RATES

## Discrepancy rates by report type

Prior employment verification shows the highest overall discrepancy rate of all searches, despite being ordered on significantly fewer applicants according to the information reflected in **Chart 3**. Different types of employment discrepancies can involve the candidate's prior level of responsibility or job title, length of tenure, start or end dates, or sometimes there is no record of an individual having worked for an employer listed on the candidate's resume or job application. With education checks, discrepancies can arise from a significant difference in graduation date, which is relatively minor, to confirmation of an incomplete or unconfirmed degree, which is usually considered a major discrepancy.

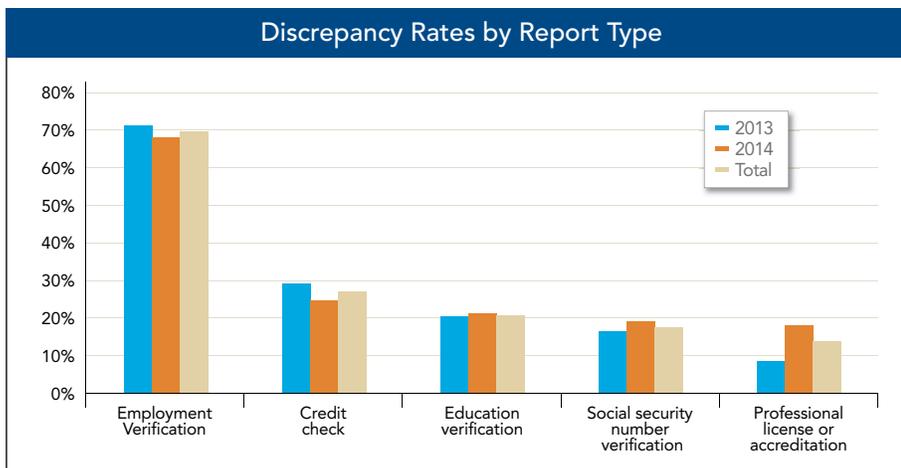


Chart 3. Discrepancy Rates by Report Type

"Interestingly, the combined discrepancy and criminal history rate more than doubled during the third quarter of 2014 compared to the same time in 2013, soaring from 22 percent to 45 percent."



### Best Practice Tip

Never skip an employment or education verification when hiring for key positions. They can reveal more discrepancies than other types of check.



# + DISCREPANCY RATES

SSNV is another top search performed by employers with the fifth highest total discrepancy rate, 17.6 percent, for both years analyzed. This is notable because SSNV is often the foundation of most background checks, and discrepancies can serve as an alert in terms of identifying potential discrepancies in a candidate's identification. Likewise, it may reveal additional addresses associated with the SSN/candidate, when compared to the information provided by the candidate. The addresses can be used as additional locations of county criminal searches if part of the screening package ordered by the client.

Criminal record history percentages including felony/misdemeanor records checks and national criminal database checks remained consistently low, rising less than a half a percent in the two years observed in the report.

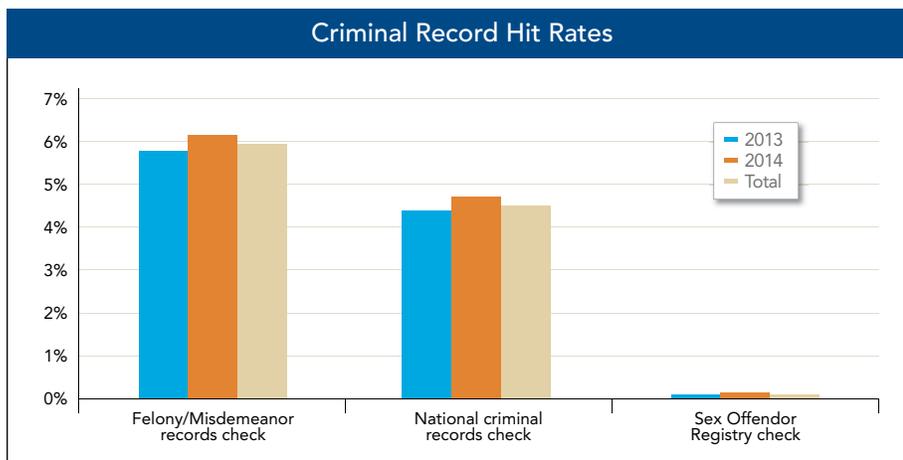


Chart 4. Frequency of Criminal Records Found



# + DISCREPANCY RATES

## Global discrepancy comparison

For added perspective, we compared the discrepancy rates in this report to a similar vertical segment of our business in the Asia Pacific including Australia, China, Hong Kong, Japan, Malaysia, New Zealand, Philippines and Singapore and found some consistencies. For instance, **Chart 5** shows that employment and education verifications resulted in the highest discrepancy rates, mirroring the trend in this report. Interestingly, the criminal history rate is also among the lowest in Asia Pacific as it is in the U.S.

	Global Regional Discrepancy Rate Comparisons	
	US Retail Sector (2013-2014)	Asia Pacific Consumer Products Sector (2011-2014)
Overall	21%	13%
Criminal	4%	3%
Employment	70%	53%
Education	21%	27%

First Advantage Background Screening Trends Report: Asia Pacific

Chart 5. Global Regional Discrepancy Rate Comparisons

When looking at overall criminal offenses for 2013 and 2014 in **Chart 6**, convictions related to substance abuse lead the way, with theft, fraud and burglary charges close behind.



# + DISCREPANCY RATES

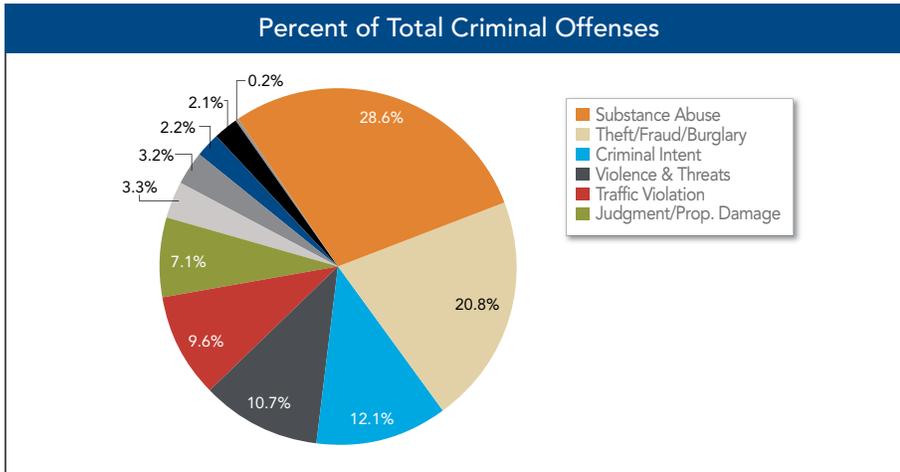


Chart 6. Percent of Total Major Criminal Hit Offenses

## Combining multiple types of searches vs. individual searches

While employers can choose to order an individual background check, the power of background screening is clearly demonstrated when multiple types of checks are conducted together. In Chart 7, our data over the last two years shows that checking at least five aspects of a candidate's history helps reveal criminal histories 26 percent of the time, which equates to one in four candidates.

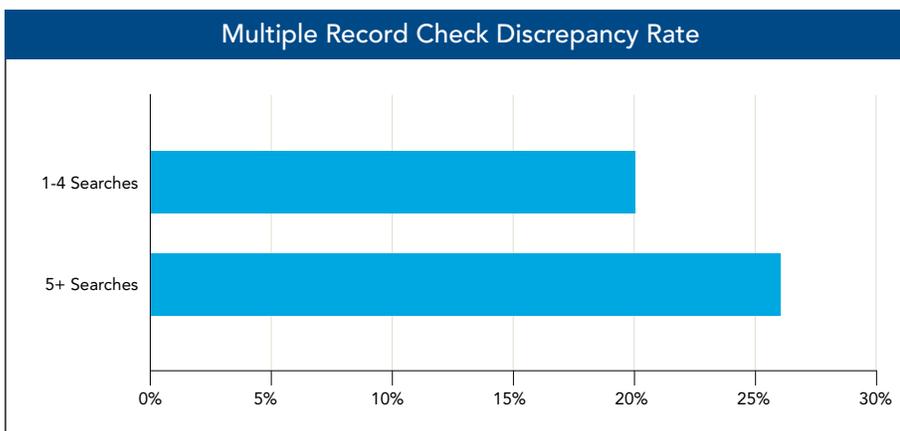


Chart 7. Multiple Record Check Discrepancy Rate



### Best Practice Tip

The best way to ensure a candidate is who they say they are is to order five or more different background checks.



# + DISCREPANCY RATES

Most of the top retailers included in the study checked an average of 3.3 different records or verification types as part of every background screening request to First Advantage over the last two years.

Outside of an SSNV, the most frequently ordered report combinations included a national criminal database check, a felony and misdemeanor criminal check and a review of sex offender registries. In fact, 51 percent of all cases where three or more records were checked for a candidate included these record types. Of that 51 percent, the most frequently ordered combinations of record checks excluding SSNV are shown below in **Chart 8**.

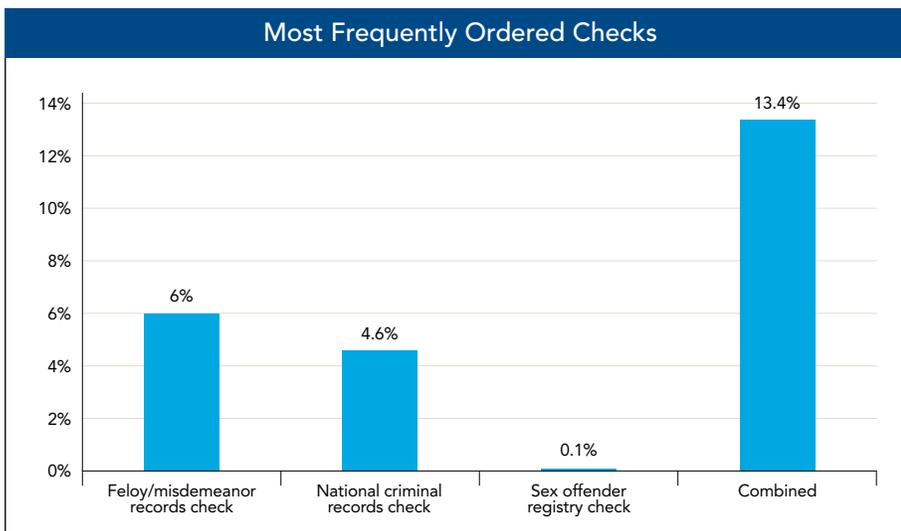


Chart 8. Most Frequently Ordered Record Combinations (excluding SSNV)

Interestingly, when a felony/misdemeanor records check is added to a candidate background check, the likelihood of finding a criminal history increases by nearly 13 percent. This was the only record type that showed an increase in overall criminal history findings by being added to a set of searches. Additionally, the data showed that when employers chose to check felony/misdemeanor history, they typically checked more than one location where the candidate lived or worked, at an average of 1.3 per candidate.



## Best Practice Tip

According to the U.S. Census Bureau, the average American will move about 11 times in their lifetime.<sup>2</sup> By checking all locations where a candidate has lived or worked for the past seven years, employers will significantly improve their ability to identify prior criminal activity even if it doesn't appear in the current location the candidate lives.



# + INDIVIDUAL & MULTIPLE SEARCHES

## Most popular individual searches

With a wide variety of background checks to choose from, most employers tailor their selection of individual searches to meet specific industry or business needs. In **Chart 9**, our data shows the most frequently ordered check in retail is a felony/misdemeanor records check, with the second most popular search being a national criminal database check. Social Security Number verifications (SSNV) and sex offender registry checks come in the third and fourth place. While ordered on about two-thirds of all retail applicants, the SSNV has the highest discrepancy of the top categories.

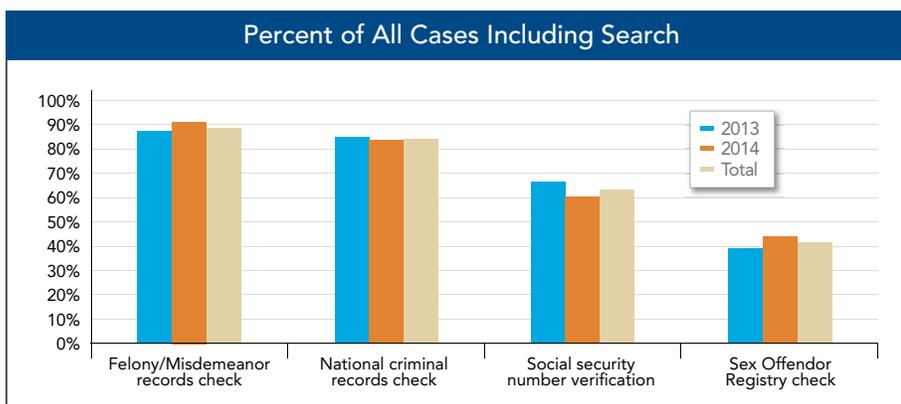


Chart 9. Percent of All Cases Including Search

## Performing multiple searches

Ordering specific types of searches in multiples—particularly reference checks, and employment and education verifications—is also prevalent among our U.S. retail employers. As **Chart 10** reveals, employers are clearly following the traditional “rule of three” when asking for references, while also checking two different previous employers and verifying at least one educational degree.

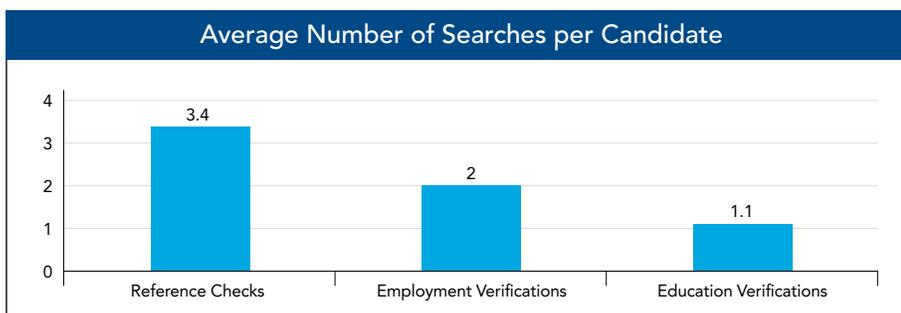


Chart 10. Average Number of Searches per Candidate



### Best Practice Tip

It is imperative, in order to affirmatively and positively match criminal record information, to provide a candidate’s first, middle and last name, as well as the correct date of birth (DOB), SSN, and residential addresses from the last seven years, if possible.



# + INDIVIDUAL & MULTIPLE SEARCHES

## Common criminal records searches used in Retail

Criminal background checks can be complicated, as there are numerous types available. To provide insight around which options are more relevant to retailers, **Chart 11** defines the most common criminal checks used by the employers included in this study.

Record Check Type	Record Check Name	Record Check Definition
PRI-FFM	Federal Felony And Misdemeanor	This search checks one district court based on the county submitted. Criminal felony and misdemeanor cases involving federal law are filed with the U.S. District Courts. Examples of federal criminal cases may include bank robbery, embezzlement and tax evasion. Response may include defendant, case number, file date, charges and disposition or current status. Note: Many federal criminal case files do not contain identifiers such as date of birth or Social Security Number. Federal criminal records archived at a separate location from the U.S. District Court; depending on the court, may be archived after two months or ten years. If First Advantage receives a comment in a report indicating the case is located in the archive, we will contact you for approval prior to retrieving the case. This will require 6-8 weeks, and an additional charge.
PRI-FIM	Felony Including Misdemeanor	This search checks for all felonies filed at the main courthouse (county seat) and for misdemeanor information available from the same location / filing area. Infractions and traffic violations are not included. The seriousness of the charge determines in which court a criminal action is filed. Examples of felony cases include grand theft, rape and murder. Examples of misdemeanor cases include trespassing, driving under the influence (DUI), possession of a controlled substance and petty theft. Response may include defendant, case number, file date, charges and disposition or current status.
PRI-FAM	County Seat Felony & Misdemeanor	This search checks for all felonies filed at the upper-level court(s) and for misdemeanor information available at the lower-level court at the county seat in the county requested. Infractions and traffic violations are not included. The seriousness of the charge determines in which court a criminal action is filed. Examples of felony cases include grand theft, rape and murder. Examples of misdemeanor cases include trespassing, driving under the influence (DUI), possession of a controlled substance and petty theft. Response may include defendant, case number, file date, charges and disposition or current status.
PRI-MRI	Misdemeanor Record Information	This search checks one lower level court based on the city and county submitted. It provides information consisting of lower level (misdemeanor) charges. Upper level (felony) charges may or may not be included. The seriousness of the charge determines which court a criminal action is filed with. Examples of misdemeanor cases include trespassing, driving under the influence (DUI), possession of a controlled substance and petty theft. Infractions and traffic violations are not included. Response may include defendant, case number, file date, charges and disposition or current status.
PRINCRFn	FADV National Criminal File	First Advantage National Criminal File proprietary database provides affordable, instant access to criminal records across all 50 states by combining records from multiple sources: <ul style="list-style-type: none"> <li>• State Sex Offender Registries</li> <li>• State and county criminal record repositories</li> <li>• Proprietary criminal records</li> <li>• State Departments of Corrections</li> <li>• Administrative Offices of the Courts</li> </ul> Our database is managed by an expert team of associates who are dedicated to maintaining the highest quality of data, and ensuring that the data is updated on a regular basis.



# + INDIVIDUAL & MULTIPLE SEARCHES

Record Check Type	Record Check Name	Record Check Definition
PRINCRP	FADV National Criminal PLUS	<p>As part of your First Advantage National Criminal File PLUS solution, you automatically gain access to our powerful 50-state National Criminal File proprietary database. Sometimes serious offenders move from state to state and do not provide complete address histories when applying for employment. The First Advantage National Criminal File proprietary database search can help uncover crimes committed in locations of unreported addresses.</p> <p>Using proprietary technology, the First Advantage National Criminal File PLUS instantly searches for additional names that may have been associated with the candidate's Social Security Number (SSN). It then searches the National Criminal File database using:</p> <ul style="list-style-type: none"> <li>• The original first and last name entered by the employer.</li> <li>• Any additional names associated with the SSN, such as maiden names, nicknames or misspelled names.</li> <li>• The original date of birth (DOB) and SSN entered by the employer.</li> </ul>
PRI-CR	Statewide Criminal	<p>This search checks the central criminal repository for the selected state. Information usually consists of upper level (felony) infractions. Lower level (misdemeanor) infractions may or may not be included. Each state varies in regard to what is maintained in its criminal repository. The seriousness of the charge determines which court a criminal action is filed with. Examples of felony cases include grand theft, rape and murder. Response may include defendant, physical description, arrest date, arresting agency, case number, charges and disposition. Criminal information may not be returned because some data may not have been submitted to or retained by the state's criminal repository. Requests are submitted to match with records in national fugitive files. If fugitive status is discovered, you may be contacted by a law enforcement officer.</p>
PRI-SEX	State Sex Offender Registry	<p>The state-specific Sex Offender Registry search provides a search of information on Sexual Offenders who are required to register in the state in which they reside.</p>
PRINSOS	National Sex Offender Registry	<p>The National Sex Offender Registry Search contains information from all 50 states and the District of Columbia. Each individual state's statutes drive what level of sex offender registry information is made available to the public. There are restrictions of use of sex offender registration information for employment purposes in California and Massachusetts, and legal approval is required</p>

Chart 11. Common Criminal Record Searches Ordered in Retail



# + MOVING FORWARD: USING THESE INSIGHTS TO IMPROVE HIRING

On its own, the data featured in this report is useful for benchmarking purposes, but these exclusive insights can also help improve key areas of the hiring process such as speed-to-hire.

## Benchmarking

Since one in five searches analyzed in this report reveals a background check discrepancy or criminal history, how does that compare to the results you're seeing in your background screening program? If your discrepancy rate is considerably lower, maybe you could try expanding the number of checks you perform on each candidate. The data shows that performing five checks per candidate makes it much more likely that you will uncover a discrepancy, an inconsistency or a criminal record of some kind.

SSNV discrepancy rates are another metric to watch. How does yours compare with the industry average of 17.6 percent? SSNV is a highly effective tool in determining previous names and addresses associated with your candidate and for finding possible fraudulent use of an SSN. What's more, you can use the additional data, such as undisclosed names and addresses, to perform subsequent criminal records searches, which increases your chances of uncovering a prior criminal conviction.

## Accelerating time to hire

High turnover rates and significant increases in seasonal hiring mean that retailers need a faster hiring process. Since the report data shows that combining multiple searches can significantly improve the effectiveness of a background check, consider grouping searches into automated packages by job type, such as seasonal temporary, hourly, field management and corporate. This streamlines hiring by automatically launching multiple background checks once the candidate information is captured.



# + MOVING FORWARD: USING THESE INSIGHTS TO IMPROVE HIRING

We recommend always including these three checks, as they can usually be completed within 24 hours: SSNV, National Criminal File and a Sex Offender Registry search. An SSNV search in particular is fast, low cost and provides one of the highest discrepancy rates. On the other hand, consider replacing federal court or statewide repository searches with an employment verification for seasonal or hourly associates. Federal and statewide searches can be high cost with minimal discrepancy rates, while employment shows one of the highest discrepancy rates. **Chart 12** includes a few package recommendations.

Position	Package Components	Estimated Turn-around Time (TAT)
Seasonal Temporary	SSN National Criminal File Sex Offender Register	Within minutes Within minutes <24 hours
Hourly	SSN National Criminal File Sex Offender Register County Felony / Misdemeanor	Within minutes Within minutes <24 hours 2-48 hours
Management	SSN National Criminal File Sex Offender Register Employment Verification Education Verification Felony / Misdemeanor	Within minutes Within minutes <24 hours 24-72 hours 24-72 hours 2-48 hours
Corporate	SSN National Criminal File Sex Offender Register Employment Verification Education Verification Felony / Misdemeanor	Within minutes Within minutes <24 hours 24-72 hours 24-72 hours 2-48 hours

Chart 12. Retail Background Screening Package Recommendations



# + CONCLUSION

By using the data and recommendations in this report to strengthen and update your background screening strategy, you can boost your ability to swiftly recognize and hire the right people to support your retail business. Further, as the retail industry continues to evolve across increasingly efficient channels, such as online, mobile apps and through sharing economy platforms, you'll be able to more effectively compete for the best talent to support your retail business, while minimizing long-term costs related to increased employee turnover, internal fraud and theft or worse.

1. **National Council of Alcoholism and Drug Dependence,**  
<https://ncadd.org/for-youth/drugs-and-crime/230-alcohol-drugs-and-crime>
2. **US Census Bureau, Migration/Geographic Mobility, based on 2007 American Community Survey (ACS) data,**  
<http://www.census.gov/hhes/migration/about/cal-mig-exp.html>



# We can help. For more information, contact First Advantage today:

## Within Asia Pacific Region:

Call +65 6534 3262

Email [info-sg@fadv.com](mailto:info-sg@fadv.com)

Visit [fadv.com/apac](http://fadv.com/apac)

## Outside Asia Pacific Region:

Call +1 844.717.0510

Email [solutions@fadv.com](mailto:solutions@fadv.com)

Visit [fadv.com](http://fadv.com)

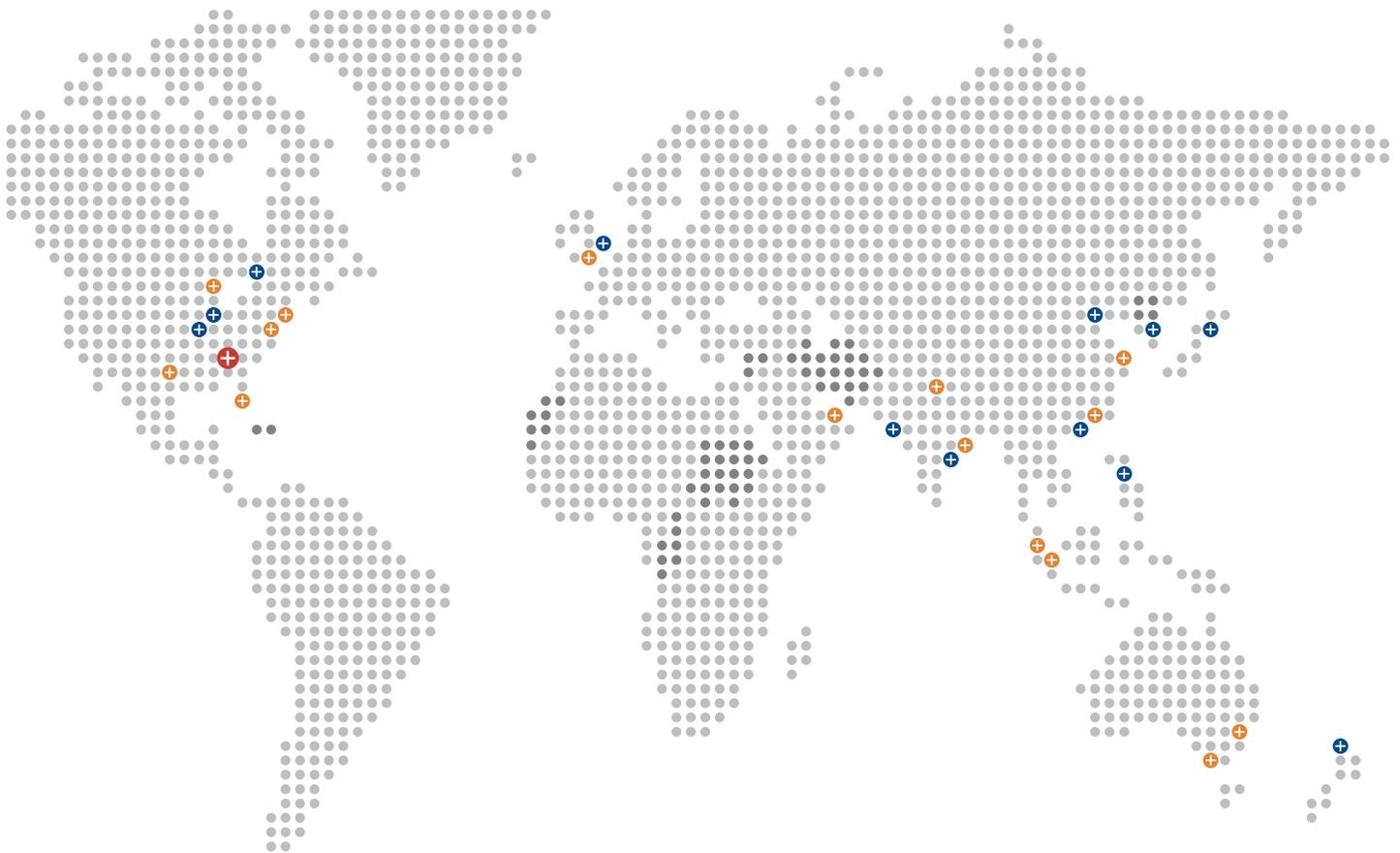
 First Advantage Corporate Global HQ  
and Operational Center

 First Advantage  
Operational Centers

 First Advantage  
Offices

 Countries First Advantage  
Conducts Screenings

 Countries First Advantage  
Conducts Limited Screening



As the trusted partner of over 35,000 organizations worldwide, we at First Advantage provide easy-to-understand background screening results so you can confidently make decisions about prospective employees, vendors and renters. Not only does this safeguard your brand, but you also arrive at dramatically better background insights – insights you can rely on.

It's time to partner with First Advantage. Now in 26 locations, 14 countries and conducting over 55 million international background screens on 17.2 million applicants annually. **Trusted Knowledge. Exceptional People.**



**First Advantage**

A Symphony Technology Group Company

[FADV.com](http://FADV.com)



# First Advantage

A Symphony Technology Group Company

The purpose of this report is to categorize and the quantify the discrepancy trends found while conducting background screening on current and potential employees in Asia Pacific. First Advantage presents this report to provide employers through Asia Pacific a glimpse into the trends observed in background screening results of organizations country-wide and to help employers benchmark their current background screening practices against their peers and adopt the industry best practices.

**Disclaimer**

This report is for informational purposes only and should not be relied upon for any particular purpose. First Advantage assumes no responsibility for errors, omissions or inaccuracies in the information contained herein or for interpretations thereof. Copyright © 2017 First Advantage. All Rights Reserved. First Advantage does not provide legal advice or services and its research findings should not be construed or used as such.