

Adverse Selection: Are You Attracting Criminals to Your Workplace?

By: Ron Lashier

In today's security-conscious business environment, more than 80 percent of all large companies are conducting background checks as part of the hiring process, and many mid-sized to small companies are following suit. But what about those companies that don't perform background checks? They may be risking more than they realize due to a phenomenon called adverse selection.

Adverse selection occurs when applicants who would not meet the requirements of a background check or drug test seek out and apply to companies that do not conduct these screenings. These applicants often gain employment in such companies, and as a result, these companies tend to have a higher percentage of employees, who may have criminal records, use drugs, or have lied about their credentials, education or experience.

One mid-sized company learned the hard way the impact adverse selection can have on the organization. After the company's HR manager received a violent threat following a layoff announcement, the company began conducting background screenings on all new and existing employees. Through this process, the company discovered that the employee, who made the threat, as well as several others, all had records with violent criminal convictions. By being diligent about conducting background checks and by publicizing that policy among job applicants, companies can avoid the dangerous legal and safety pitfalls this unfortunate company faced.

In contrast to the alarming risks adverse selection can mean for a company that does not conduct effective background screenings, it can also offer positive effects for companies that do screen applicants and employees. Through self-selection, often just by telling applicants about the screening process, companies can get candidates to weed themselves out of consideration if they have something to hide. For example, a major nationwide hospitality company has found that by advising applicants after a brief initial interview that the company does an immediate, on-site drug test, a number of candidates will give an excuse and remove themselves from the running. In this way, the company eliminates applicants who do not meet its standards early in the hiring process before very much time is invested in the applicant.

As the growing majority of organizations screen applicants for criminal histories and conduct drug tests and verifications of education, job history and credentials, the remaining organizations that do not conduct these tests will be more likely to ignorantly hire applicants who would not meet the background check requirements.

Adverse selection can offer companies both positive and negative outcomes. It can work in a company's favor through self-selection, thus saving the hiring manager time and resources. It can also bring about dangerous situations and potential legal liabilities when it leads to an unsafe workplace environment. Companies of all sizes would be best served to conduct comprehensive background screenings as a way to attract high caliber candidates.

About the Author

Ron Lashier is Vice President of National Accounts for employment screening provider, HireRight. With more than 15 years of background screening experience, Ron Lashier has been a contributory author and frequently cited in some of the most established publications in the HR and security industries. For more information, contact HireRight at 1-800-400-2761 or www.hireright.com.