



OUT OF SIGHT, IN MIND

THE IMPORTANCE OF INTERNATIONAL EMPLOYEE SCREENING FOR U.S. MULTI-NATIONAL COMPANIES

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In an increasingly global economy, multinational companies have a growing responsibility to monitor international applicants who have either been educated and previously employed overseas and are being hired by U.S. companies to work domestically or are being hired by U.S. companies to be employed in overseas facilities.

For companies based in the United States, this suggests that employee screening overseas should soon parallel the rising trend in domestic background checks, which has soared in the past decade.

More companies are recruiting overseas to fill domestic positions, and many companies are also outsourcing much of their labor force to overseas facilities. According to Kevin Wheeler, president of Global Learning Resources, a global hiring perspective is becoming critical for companies who “increasingly face the need to look beyond their local environments.” For example, Dell, which manufactures 95% of their notebook computers in their overseas plants in Malaysia and China, has also launched a concerted effort over the past few years to recruit internationally to fill high-level management positions here in the U.S..¹

International screening is critical for multinational companies to ensure safe hiring practices for international employees hired domestically as well as outsourced labor overseas, however, international waters are generally difficult to navigate, and the employee screening process for global hires is no exception. Steering through the laws and regulations of foreign countries can be daunting, as the privacy and data protection norms for each country must be evaluated on an individual basis. Moreover, the reliability of international records is a constant concern, as criminal and educational institutions often adhere to unfamiliar conventions.

In order to maneuver complex international customs and personal records in an increasingly global economy, companies are beginning to grasp the growing importance of hiring background screening firms for their overseas constituents.

BACKGROUND SCREENING: COMMITTING TO SUCCESS

Since the turn of the millennium, as the general background screening process has undergone a widespread evolution, the hiring of third party firms has continued to gain advantage. As companies begin to outsource much of their employment overseas, it is

¹ Frauenheim, Ed. "Special Report: Global Workforce". Workforce Management 24 Apr 2006: S1-S12.

crucial for the growing reliance on background checks within U.S. borders to resonate globally..

Recent Trends

Background screening has proven to be a critical resource in aligning companies with the most effective hires as well as maintaining a safe workplace environment. A growing awareness of this has been reflected by industry trends. According to the Society for Human Resource Management, in as early as 2006, over 80% of employers in the U.S. required background checks on their potential hires, nearly doubling the figure reported ten years earlier in 1996.²

The importance of background screening as a standard operation for most companies has only increased during the recent economic recession. As companies invariably find themselves sifting through a new host of applicants who have been negatively affected by the economy, employment becomes increasingly cutthroat. The rising level of unemployment and competition has made people desperate to get jobs, and lying on applications becomes a heightened concern to potential employers.³ Background screening firms track down such discrepancies, helping to maintain the safety and integrity of the workplace.

When translated overseas, the effects of the recession are real and dangerous for companies leaning towards global expansion. A recently observed trend shows a sharp increase in resume frauds in North India, resulting from the aftermath of the economic meltdown. The sharpest rise in fraudulent resumes occurred in March, which witnessed 16% resume embellishments. Not surprisingly, this was the month when the economy was at its worst, reflecting a tendency for job seekers to lie on resumes in order to catch the eye of potential employers. In assessing international applicants for domestic positions as well as overseas employment, it is necessary now more than ever for U.S. companies to set up risk management systems to curb the danger of fraudulent hires.⁴

A Protective Measure

In a modern economy that is simultaneously rapidly globalizing and waning in recession, the imperative of employee screening has taken on new meaning.

On the surface, hiring a background screening firm is an attractive option for companies seeking to manage risk by preventing workplace transgressions involving theft, violence and fraud. In the domestic manufacturing industry, for example, 7% of applicants screened by a third party were found to have had a criminal record in the past seven years, and 53% of applicants whose references were checked revealed a discrepancy between the information provided and their actual employment or educational background. Such has been the trend in all industries, with only a slight deviation of about 4% when criminal records were

² Pyan, Michelle. "Background Screening 2006 In Review: Industry Numbers." Job Employment Service Committee, Inc. (2006): n. pag. Web. 11 Apr 2010. <http://www.hudsonvalleyjsec.org/newsletter/issue4/background-screening.htm>

³ Halverstadt, Lisa. "Crimshield Inc. background screenings gains momentum in recession." Arizona Republic 23 Feb 2010: n. pag. Web. 7 Apr 2010. <http://www.azcentral.com/business/articles/2010/02/22/20100222biz-crimshield0223.html>.

⁴ Jayadevan, PK. "Job-seekers from North India fake it to make it." *New Indian Express Group* 14 Oct 2009: n. pag. Web. 27 Apr 2010. <http://expressbuzz.com/Cities/Bangalore/job-seekers-from-north-india-fake-it-to-make-it/111788.html>

compared horizontally across all industries.⁵ The background checks provided by third party firms can unveil any skeletons in the closet of a potential new hire, helping to distinguish which candidate could prove most effective in the workplace.

The advantages of background screening services provided by a third party extend beyond the provision of sensitive application information. The process of hiring new employees is a complex issue that can get tangled a web of legal and regulatory elements, such as discrimination guidelines. As a result, a normative standard for hiring must be set to avoid lawsuits—precisely what a third party firm can offer.

The Fair Credit Reporting Act, which is the primary federal statute governing third party background checks, provides limited legal immunity to companies that hire third party investigators.⁶ While the FCRA manages hiring within the U.S., companies who are hiring employees from an international applicant pool to work for them domestically can still work with third party firms to receive protection from the FCRA.

When hiring employees who were educated and formerly employed overseas, it is of the utmost importance to defend against discrimination lawsuits by ensuring that company background checks abide by regulation. When sifting through an international applicant pool, it can be exhausting and expensive to do thorough and complete checks; hiring a third party firm can often be the cheaper and more time-efficient option.⁷ In addition, foreign documents require closer examination of their authenticity and a broader knowledge base of their importance, both of which are difficult to assert without outside help.

It is critical for multinational companies to understand that, as the web of issues surrounding employee hiring becomes more complex overseas, the protection offered by third party employee screening firms is invaluable to uphold both the integrity and efficacy of a growing company.⁸

GLOBAL HIRING: A SENSITIVE OPERATION

The notion of international background checks is widely perceived as too difficult and cumbersome; it is a country-specific process sensitive to foreign conventions. However, the difficulty of obtaining information does not relieve U.S. multinational companies of their obligation to provide diligent checks on job applicant.

The responsibility of companies to screen international employees, whether they are working for them domestically or in overseas facilities, is accompanied by the risks posed by having access to a limited version of a foreign candidate's history.

⁵ "Manufacturer's Guide to Background Screening." ADP Pre-Employment Services White Papers n. pag. Web. 10 Apr 2010.

⁶ Garvey, Charlotte. "Outsourcing Background Checks." HR Magazine (2010): n. pag. Web. 14 Apr 2010.
http://findarticles.com/p/articles/mi_m3495/is_3_46/ai_71969373/

⁷ "International Background Check Information." Public Records Guide 2010: n. pag. Web. 19 Apr 2010.
<http://publicrecordsguide.com/international-background-check.html>

⁸ Leonora M Schloss, J Gregory Lahr. "Watch Your Back: Smart Hiring and Proper Background Checks ", Employee Relations Law Journal. New York: Winter 2008. Vol. 34, Iss. 3; p. 46

As one industry expert notes, in order to exercise due diligence in hiring, companies should at the very least mandate international screening for criminal records, employment, education, and publicly available terrorist lists.⁹

To understand the full range of support that a third party firm can lend multinational companies, it is important to examine the complex particulars of global hiring.

Workplace Risks

When hiring international employees to work in overseas branches of a company, the potential dangers can be very complex. Just because a company has traditionally screened its domestic employees does not mean it can forego the screening process internationally and ignore the risks those applicants pose.

The effects of hiring unscreened international employees to work either domestically or in overseas facilities can be far-reaching. For example, a foreigner that is hired to work in an overseas facility might potentially climb the company ladder; eventually, that employee could even get transferred to work in the U.S. What if that company did not screen international employees of its overseas facilities and this particular employee had a criminal record? Without a system in place for foundational employee screening abroad, this company could hypothetically have a criminal in a high-level management position at home.

Foregoing background checks of any capacity would make a company more susceptible to employees exploiting such an oversight, thereby generating needless burdens and even possible lawsuits.¹⁰ Screening for hires at any level of a corporation cannot be ignored. In 2008, reports on a terrorist attack at a hotel in Mumbai indicated that two hotel employees were tied to the attack. While the CEO and Managing Director of the hotel company held that none of the terrorists were employed, the situation proposes a hypothetical scenario that should hardly be ignored.

As companies increasingly look overseas to outsource their labor, hiring workers for more basic components of a company still poses a risk, and preventative measures, such as background checks, should be enlisted to curb it.¹¹

Privacy Concerns

As companies expand their global workforce, third party background screening firms are also bolstering their skills in screening international applicants. There are a variety of fundamental concerns in hiring foreign applicants, and checking them correctly and legally is of the utmost importance.

The issue of privacy and data protection is handled differently outside of U.S. borders and can be the root of legal issues if not approached respectfully. For example, in 2008 the European Union passed strict privacy rules, mainly relating to online search engines, that set guidelines on how personal data can be obtained. As regulations such as this are strictly

⁹ Rosen, Lester. "Introduction to International Background Screening of Job Candidates." HR Communities 19 May 2009: n. pag. Web. 12 Apr 2010.

¹⁰ "Company Unveils List of 2009 Background Screening Trends." Occupational Health & Safety 07 Jul 2008: n. pag. Web. 12 Apr 2010. <http://ohsonline.com/articles/2008/07/company-unveils-list-of-2009-background-screening-trends.aspx>

¹¹ Adith, Charlie. "Corporations may tighten norms to screen employees." Business Daily 30 Nov 2008: n. pag. Web. 19 Apr 2010. <http://www.intlscreeing.com/2008/11/30/corporations-may-tighten-norms-to-screen-employees/>

imposed on the collection of personal information, it can become increasingly difficult for companies to truly know the employees they hire in an international setting. Background screening firms, however, are more able to gain access to protected data, through extensive research and by aligning themselves in cooperation with foreign customs. Most screening firms, for example, are members of the U.S. Department of Commerce Safe Harbor program, which demonstrates a devotion to the European Union privacy and data protection laws and allows them access to protected data. This is one of many advantages background screening firms provide in the unpredictable terrain of international expansion and hiring.¹²

Criminal, Education, and Employment Records

In addition to basic privacy laws, there are various other special topics that carry a weighted importance for global employee screening,.

Criminal records can be vitally different in each country, and there are many evasive measures that can be taken by international applicants to bury their criminal past. In the U.S., we take advantage of public records, but that is not always the case overseas. Some countries will, like the U.S., have criminal records available in courthouses, but others will have them only accessible through police departments.¹³ Moreover, the opportunities for applicants to hide their criminal past multiply in an international setting. If criminal records are available only through courts, it is crucial to know the residential history of an applicant to determine which courts must be contacted. Unlike the network of federal and state courts in the U.S. that provide readily-accessible criminal data on domestic job applicants, the international landscape is vast and variable; extensive knowledge is required, of where an applicant has lived throughout his or her life, in order to uncover criminal records. In addition, name changing is a major concern when screening for international records. Many countries have naming conventions different from those of the U.S., such as matrilineal cultures that pass down the surname of the mother. Also, complications can arise from names using non-English letters, such as Chinese or Arabic characters, which can be host to a variety of translations or transliterations in the English language. The process of tracing a criminal past for overseas applicants must be done carefully and diligently, with a detailed understanding of the culture and customs of a particular population.¹⁴

In order to avoid fraud and promote honest hiring practices, it is also essential to verify education credentials. Industry statistics provided by the National Association of Professional Background Screeners has revealed that 1 in 4 international education credentials are fraudulent.¹⁵ As higher education has become more global and commercial, education fraud has become somewhat of a phenomenon, able to slide under the radar due to a lack of cooperation among international governments to check for fraud. According to one report, few nations understand the gravity of the problem. China, for one, has been implicated as a hub for selling degree certificates and transcripts from the buyer's institution

¹² "EU mulls new measures to protect privacy on the Web." EurActive Network 07 Feb 2008: n. pag. Web. 11 Apr 2010. <http://www.euractiv.com/en/infosociety/eu-mulls-new-measures-protect-privacy-web/article-170156>

¹³ Rosen, Lester (*Op.cit.*)

¹⁴ Cohen, Eyal. "Navigating the International Background Screening Jungle Safely and Legally." Employee Screen IQ 07 Apr 2010: n. pag. Web. 12 Apr 2010. <http://university.employeescreen.com/navigating-the-international-background-screening-jungle-safely-and-legally/>

¹⁵ "Facts and Statistics Don't Lie." Employment Background Investigations. N.p., 2009. Web. 19 Apr 2010. http://www.ebiinc.com/background_check_stats.html

of choice.¹⁶ It is therefore crucial to check that any school referenced is accredited and actually exists.

Moreover, when hiring from an international applicant pool, it is imperative that a company have the resources and skills to screen for falsehoods on an application. References to past employers need to be checked extremely carefully, as the international barrier provides incentive for fabrication. It is critical for past employers to be contacted personally, which can be very difficult without the assistance of a third party employee screening firm. Interpreters are often needed, and scheduling may create issues when different time zones are in play.¹⁷

The various avenues that must be explored in the global hiring landscape indicate both the necessity of employee screening as a precautionary measure, and the convenience of hiring a third party firm to provide the effective means of taking these measures.

CONCLUSION

In a global setting, it is critical for multinational companies to work closely with an employee screening firm to evaluate and interpret the countless international laws and regulations.

Background checks are becoming more standardized, setting a normative practice for hiring which is vital to ensure workplace safety and legal safeguards. In addition, the current recession has caused job applicants to take desperate measures, prescribing a delicate responsibility for employee screening firms to zero in on creditable applicants.

International hiring poses risks in all levels of employment for a multinational company, and the process of employee screening should thus be indiscriminate and far-reaching. Screening criminal and education records is a sensitive operation, requiring good standing with international authorities as well as due diligence in examining the documents.

As complex regulations and questionable applicant practices abound, the role of third party background screening is decisive in to international hiring.

¹⁶ Tysome, Tony. "Fraud booms worldwide". Times Higher Education 5 Aug 2005:
<http://www.timeshighereducation.co.uk/story.asp?storycode=197701>

¹⁷ Silva, Rudy. "Thing You Need To Do In Pre-Employment Screening." Screening One n. pag. Web. 13 Apr 2010.
<http://www.articlesnatch.com/Article/Thing-You-Need-To-Do-In-Pre-employment-Screening/1090915>