

Do You Know Who You're Hiring?

You're looking to bring on a new employee, and your prime candidate looks great on paper — plenty of experience, consistent work history, and ideal professional credentials. But, how much do you really know about the applicant? Before making an offer, where appropriate, consider checking their background to help you understand who you're adding to your team.

The cost of the wrong hire

What could go wrong if you don't perform appropriate background checks on your potential employees? Best case scenario: nothing. Consider these other potential scenarios that could have more severe consequences for your business.

- A driver with a history of serious traffic incidents causes a fatal crash and lands your business in a lawsuit.
- A technician with a significant and serious criminal record stole from a customer's home, which led to a negligent hiring lawsuit.
- An office worker with poor credit history and access to company finances skimmed money without anyone realizing until months later.

It's hard to put a dollar amount on hiring a candidate who's not right for the job — or worse, a candidate who commits a crime against your business or your customers. But HR professionals have estimated costs can reach the hundreds of thousands¹. And, on top of the financial costs, a bad hire wears on management, can hurt team morale, and generally be a drag on company resources.

Writing a policy that fits

A one-size-fits-all background check policy does not exist. If you're interested in creating a new policy or revamping one you already have, first consider your business's needs and discuss with your attorney any laws or regulations that may apply to your business in creating such a policy.

Will your employees be driving? If so, consider whether a motor vehicle record (MVR) check might be appropriate. Does drug use affect employees' safety and performance on the job? Then, where appropriate, consider drug testing. Will your employees be working directly with customers or entering their homes? Where appropriate, a criminal background check could reveal a history of violent or property crimes. Do you need someone to help handle money or have access to customers' private information? Where appropriate, a credit check could help you recognize an elevated risk of fraud, theft, or embezzlement. Whatever you decide to do, have your policy reviewed by an attorney to ensure it follows federal and state laws and regulations.

While there's no guaranteed way to avoid making a bad hire, one thing is sure: it's always better to appropriately screen job candidates before they join your team.

¹ "The Cost of a Bad Hire Can Be Astronomical." <https://www.shrm.org/resourcesandtools/hr-topics/employee-relations/pages/cost-of-bad-hires.aspx>. Accessed January 2021.

This article is for general information and risk prevention only and should not be considered legal or other expert advice. The recommendations herein may help reduce, but are not guaranteed to eliminate, any or all risk of loss. The information herein may be subject to, and is not a substitute for, any laws or regulations that may apply. Qualified counsel should be sought with questions specific to your circumstances. © 2020 Federated Mutual Insurance Company.

**Federated Mutual Insurance Company • Federated Service Insurance Company*
Federated Life Insurance Company • Federated Reserve Insurance Company* • Granite Re, Inc.*†**

*Not licensed in all states. †Granite Re, Inc. conducts business in California as Granite Surety Insurance Company.
federatedinsurance.com | © 2021 Federated Mutual Insurance Company

