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## STAFFING RESEARCH

### *Getting to Know the Candidate* *Conducting Reference Checks*

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HR: Leading People,  
Leading Organizations



Hiring a new employee is a huge undertaking of both time and money, and the responsibility for finding the best person for the job lies, in part, with an organization’s HR professionals. Resumes and interviews are obviously invaluable in the hiring process, but to get the complete picture of a candidate, it is necessary to broaden the sources of information to include processes such as interviews with former employers, verification of education, certifications and information from criminal and driving records. What information is collected will depend on the nature of the job, but reference and background checking and verification are a vital part of the hiring process.

Even seemingly objective information, such as degree verification and criminal background checks, can be cumbersome to obtain. There is no central database against which information provided by an applicant can simply be checked. But the consequences of not getting this information can be severe. In the past few years, a number of organizations have been embarrassed to discover that an individual they hired to a high-profile position had actually misrepresented credentials as basic as a college degree. In December 2001, for example, newly-hired Notre Dame football coach George O’Leary resigned after only five days when it was discovered that he had lied for years about lettering in college football and obtaining a master’s degree from New York University. Sandra Baldwin, President of the United States Olympic Committee, stepped down in 2002 over educational inaccuracies on her resume.

To gain a better understanding of organizational policies regarding reference checking, SHRM Survey Program surveyed 345 HR professionals in 2004.\*

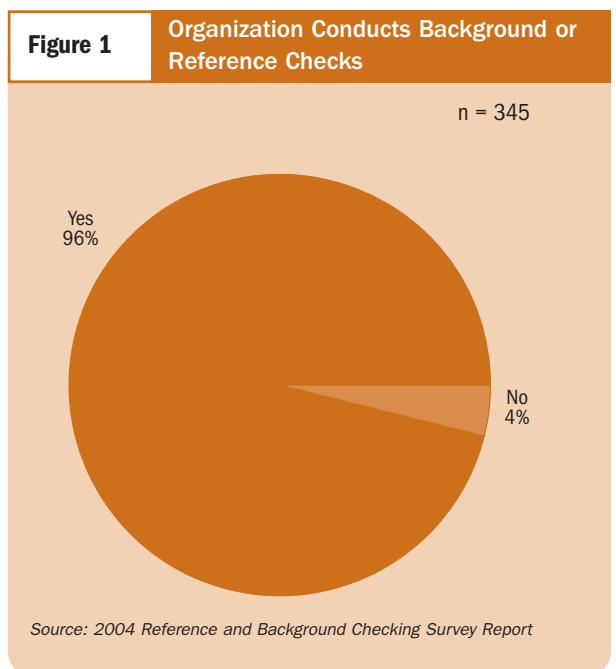
As seen in Figure 1, 96% of HR professionals indicated that their organization conducts some form of background or reference check on job applicants. This includes verification of information provided by a job applicant (e.g., employment history),

documentation regarding a job applicant (e.g., credit report or driving record) and/or communication with people regarding the job applicant (e.g., a former supervisor or coworker). This also includes both checks conducted by the organization itself as well as checks conducted by a third-party agency hired by the organization.

Table 1 shows the percentage of HR professionals, among those who conduct some form of reference checking, who indicated that their organization has certain policies or procedures in place for conducting reference checks on job applicants.

**Basic Precautions**

There are several very basic actions an organization can take to discourage applicants from providing false or misleading information. A simple but prominent notification to job candidates that any false information provided in the application process is grounds for dismissal if hired can act as a deterrent to providing inaccurate information, and 92% of



\*The number of respondents to each question is indicated by “n” in tables and figures

HR professionals indicated that their organization provides such a notification.

Additionally, 89% of HR professionals indicated that they require candidates to sign and date an employment application, which can reinforce the official nature of the application to the candidate and thereby encourage accuracy. Such simple reminders in the application process cost hiring organizations minimal time or money, but may help increase the veracity of the information obtained.

Two-thirds of HR professionals (66%) indicated that their organization requires that a reference be obtained from at least one past employer or supervisor of a job applicant. Nineteen percent of HR professionals said they specifically require a reference from the applicant’s current employer or supervisor. References from a current job may be harder to obtain for applicants who do not want their employer to know they are job searching, which may be part of the reason so many more HR professionals indicated that their organization accepts the reference from any past employer. Other organizations will make a conditional offer

pending a satisfactory reference from the current employer.

Almost half of HR professionals (48%) indicated that their organization has a policy that no candidate is offered a position until a suitable number of references have been conducted.

Such policies help provide standard treatment to all applicants, as well as prevent the organization from facing a situation where an employee is hired before a subsequent reference check turns up questionable information.

**Legal Precautions**

Other reference checking policies can help an organization defend against certain worrisome potential legal actions. Eighty-one percent of HR professionals have standardized questions to be asked by the person conducting a reference check. Such questions help ensure that similar information is gathered on each candidate and that sensitive subjects that could lead to discrimination claims, such as race and marital status, are avoided.

**Table 1** Use of Reference Checking Policies and Procedures

	n	Percentage of Respondents
A notification to candidates that any false information provided in the application process is grounds for dismissal if hired	323	92%
A requirement that candidates must sign and date an employment application before being considered for a position	325	89%
Standardized questions for the person conducting the reference check	306	81%
A requirement that all attempts to verify references be documented, no matter what the outcome	317	73%
A policy that no references are obtained without signed consent from the candidate	318	72%
A requirement that a reference be obtained from at least one past employer/supervisor of the job applicant	313	66%
Training those responsible for checking references to look out for “red flags”	311	52%
A policy that no candidate is offered a position until a suitable number of references have been conducted	315	48%
Training those responsible for checking references to be more effective	302	44%
A written policy for employees to follow regarding conducting reference checks	310	38%
A requirement that a reference be obtained from the job applicant’s current employer/supervisor	305	19%

*Note: Includes only respondents who indicated that they conduct some form of reference checking.*

*Source: 2004 Reference and Background Checking Survey Report*

Written policies regarding conducting reference checks can provide similar protections, but only 38% of HR professionals indicated that their organization has such policies.

Almost three-quarters of HR professionals (73%) indicated that their organization requires all reference check attempts, no matter what the outcome, to be documented. In addition to providing a defense against discrimination claims, this documentation could also potentially help rebut a negligent hiring claim by proving that the employer put forth an effort to get complete background information on an employee before hiring.

Seventy-two percent of HR professionals indicated that their organization has a policy wherein no references are obtained without the signed consent of the candidate. This type of notification can help deter fraud before it occurs, defend organizations when they do not hire an applicant due to a negative reference and also encourage reluctant reference providers to give more information.

## Training

Just over half of HR professionals (52%) indicated that their organization provides training for those conducting references to learn to look for “red flags” in the process, and 44% of all HR professionals said that they train reference checkers to be more productive. Training can be particularly helpful for the person conducting the reference check who is not an HR employee and therefore may not be aware of which questions to ask and which to avoid. Training also provides an opportunity for the organization to communicate any specific policies and procedures it may have in place to the people who will be responsible for carrying them out. Finally, training can help teach reference checkers how to get more complete information from individuals who may at first be hesitant to cooperate for fear of legal action, thereby making the information obtained much more useful.

## Information Checked

Table 2 shows how frequently organizations check different kinds of information about job candidates, according to HR professionals. Table 3 illustrates how often HR professionals reported finding inconsistencies in each of these areas when conducting background checks.

Not surprisingly, eligibility to work in the United States is the most common item verified by potential employers, though only 85% of HR professionals indicated that they always verify this information. According to the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRAIRA), organizations that hire workers who are not eligible to work in the United States could be subject to costly and embarrassing penalties and fines from the U.S. Citizenship and Immigration Services. Among HR professionals who check eligibility to work in the United States, 20% report always or sometimes finding inconsistencies, indicating organizations that do not verify this information may be inviting trouble.

Sixty-eight percent of HR professionals indicated that they always perform a criminal background check on job applicants. Criminal background checks can uncover useful information such as a propensity for violence, but they must be used with care to prevent accusations of adverse action against a protected class. Generally speaking, organizations cannot automatically deny employment to someone just because the individual has a criminal record. Instead, the employer must consider the nature and other specifics of the offense as well as its relevance to the job in question. Additionally, the United States has no central source of information on criminal records, which makes conducting a comprehensive criminal background check difficult. Because of legal and ethical concerns, it is wise to consult legal counsel when considering criminal background checks. With proper guidance, however, criminal record checks may

**Table 2** Types of Information Checked

	n	Always	Sometimes	Rarely	Never
Verification of eligibility to work in the United States	321	85%	3%	3%	9%
Criminal record check	318	68%	13%	6%	13%
Verification of former employers	316	66%	31%	1%	2%
Verification of dates of previous employment	323	66%	28%	4%	2%
Verification of former job titles	313	53%	34%	10%	4%
Verification of certifications, licenses, etc.	312	41%	34%	15%	9%
Verification of former job responsibilities	309	37%	45%	12%	6%
Verification of degree(s) conferred	314	35%	31%	19%	15%
Verification of schools, colleges and/or universities attended	313	34%	31%	18%	17%
Driving record check	311	30%	41%	12%	18%
Check for malpractice or professional disciplinary action	277	22%	20%	26%	33%
Verification of past salaries	308	19%	38%	27%	17%
Credit check	296	19%	24%	18%	39%
Verification of articles published, speaking engagements, etc.	268	2%	10%	30%	58%

Percentages are row percentages and may not total 100% due to rounding.

Note: Types of information are listed in descending order by percentage of “Always” responses. Includes only respondents who indicated that they conduct some form of reference checking.

Source: 2004 Reference and Background Checking Survey Report

**Table 3** Inconsistencies Found in Reference Checking

	n	Always	Sometimes	Rarely	Never
Criminal record check	275	6%	48%	32%	14%
Driving record check	256	4%	42%	39%	15%
Certifications, licenses, etc.	253	4%	20%	57%	19%
Dates of previous employment	307	3%	55%	37%	6%
Former job responsibilities	279	3%	41%	48%	8%
Credit check	184	3%	35%	42%	20%
Eligibility to work in the United States	293	3%	17%	40%	40%
Former job titles	291	2%	47%	44%	6%
Past salaries	238	2%	43%	48%	7%
Former employers	308	2%	32%	53%	13%
Articles published, speaking engagements, etc.	110	2%	6%	56%	36%
Degree(s) conferred	245	1%	31%	50%	18%
Schools, colleges and/or universities attended	240	1%	30%	51%	18%
Malpractice or professional disciplinary action	165	1%	15%	54%	30%

Percentages are row percentages and may not total 100% due to rounding.

Note: Inconsistencies are listed in descending order by percentage of “Always” responses. Includes only respondents who indicated that they check that specific item.

Source: 2004 Reference and Background Checking Survey Report

be very worthwhile, as more than half of HR professionals (54%) who conduct criminal background checks indicate that they always or sometimes find inconsistencies between the record and what the applicant reported.

There are a number of different types of information that can be obtained from an applicant's current or previous employers. The most commonly sought types of information tend to be relatively objective—two-thirds (66%) of HR professionals indicated that their organization always verifies former employers and dates of previous employment, and over half (53%) indicated that they always verify former job titles. Fewer HR professionals indicated that their organization always checks former job responsibilities (37%) or past salaries (19%). No more than 3% of HR professionals who check these pieces of information indicated that they always find inconsistencies, but up to 55% (for dates of previous employment) indicate that they sometimes do. Any information an applicant provides about a current or former job that weighs significantly into the hiring decision should therefore be verified to ensure its accuracy.

### Education and Certification

Thirty-five percent of HR professionals indicated that they always verify a candidate's degree(s), while 34% indicated that they always verify schools, colleges and/or universities attended. Again, very few HR professionals (1%) indicate that they always find inconsistencies in these areas, but since this type of verification is relatively simple, it is often worthwhile to do.

Additionally, 41% of HR professionals always verify an applicant's credentials (e.g., certifications, licenses, etc.). This is especially important in areas such as law and medicine, where an individual must fulfill additional requirements such as the bar or boards on top of completing a degree before being allowed to practice.

### Position-Specific Information

Some types of information may only be relevant for certain jobs or professions. For example, 30% of HR professionals indicated that they always check driving records. While this information may be critical for a position as a truck driver, traveling salesperson or home health nurse, it is less relevant for a person applying for an office job. Similarly, 19% of HR professionals indicated that their organization always conducts credit checks on job applicants.

Twenty-two percent of HR professionals indicated that they always check for malpractice or professional disciplinary action. This information may only be relevant, or indeed even available, for individuals in certain professions such as health care.

Only 2% of HR professionals indicated that they always verify the articles published, speaking engagements and other similar accomplishments by applicants. This percentage is small because these types of achievements only apply to a small number of professions.

### Inconsistencies

Only a few HR professionals who conduct reference checks report always finding inconsistencies in any given area; however, more than half say they do find inconsistencies in a number of information categories either sometimes or always. These numbers do not account for the severity of the discrepancy, but are nevertheless eye-opening and should be kept in mind by organizations when deciding whether to verify applicant information.

### Logistics of Conducting Reference Checks

As seen in Figure 2, more than half of HR professionals (61%) indicated that it is the HR staff at their organization that is primarily responsible for conducting reference checks on job candidates.



Another 17% each indicated that it is the hiring supervisor or an outside agency that primarily conducts the checks. HR professionals bring consistency and expertise to the reference checking process, though hiring managers have the advantage of knowing more precisely what strengths and skills are necessary to fulfill the job requirements.

The majority of reference checking is conducted by telephone (see Table 4). Each method of reference checking has pros and cons. Telephone checks are relatively fast and inexpensive. They are also interactive, allowing the person conducting the check to ask follow-up questions as necessary. This combination of advantages probably contributes to the telephone being the most commonly used method of reference checking, with 60% of HR professionals indicating that they always use this method.

Fax and Internet are also fast and convenient, though not interactive, and these methods are used

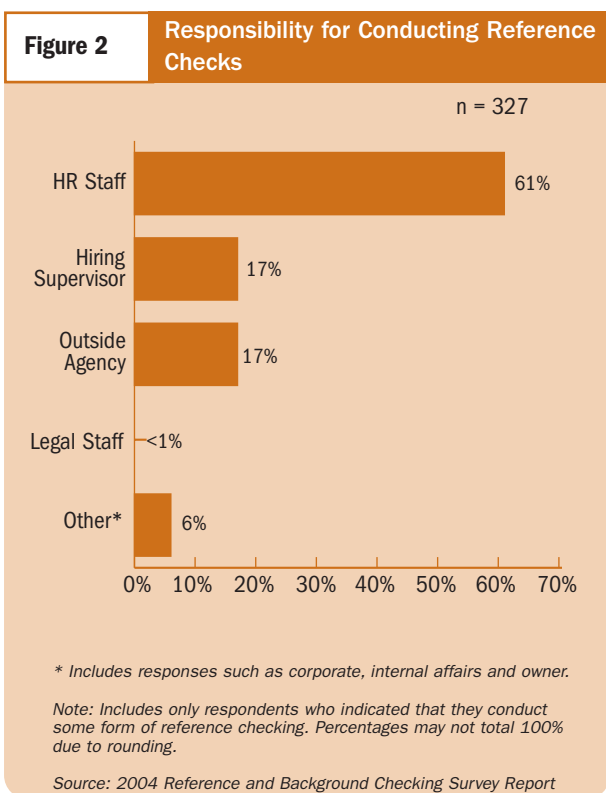
either always or sometimes by more than one-third of HR professionals (36% for Internet and 53% for fax). References provided by mail have the advantage of serving as a permanent written record for the hiring organization, but take considerably more time to conduct. Five percent of HR professionals report that they always conduct reference checks by mail, and almost half (47%) report that they sometimes do.

While e-mail is fast, cost-effective and generates a written reference, only 3% of HR professionals always use e-mail for reference checking. Over one-third (36%) say they sometimes use it. This may be because e-mail is still a relatively new technology compared with other reference checking methods, or it may be that e-mail is seen as a less desirable way to check references because of its informality.

Finally, face-to-face or in-person interviews are rare; only 9% of HR professionals indicate that they always or sometimes conduct reference checks in person. Face-to-face interviews are more costly and time-consuming. However, they do have the advantage of interactivity and allow both the interviewer and interviewee to confirm each other's identity, which may encourage more information sharing. In certain situations, the additional time and costs may be worthwhile. Additionally, because this type of interview is so rare, the fact that an organization is taking the time to conduct a face-to-face reference check may confer a greater degree of significance on the interview in the eye of the person providing the reference.

When deciding which reference checking method to use, recruiters should consider the type of information to be gathered, the time frame for getting it and budgetary considerations. Often the preferred method will vary even within an organization depending upon the position being filled.

Many organizations have adopted a bare-bones approach to providing references. These policies often dictate that the only information to be provided to reference checkers is whether or not an indi-



vidual ever worked for the organization and the dates of employment. The popularity of these policies is reflected in Table 5, which shows that 68% of HR professionals report being able to always get information about dates of employment, far more than for any other type of employee information.

Some organizations have begun to ask whether an employee is eligible for rehire as part of the reference checking process. Almost one-quarter (23%) of HR professionals who ask this question said that they always get an adequate answer, and 60% said they sometimes do. The logic behind this question is that while it does not ask for specific information that the person answering may not be allowed to give, the response can be useful in weeding out extreme cases of poor performance or unacceptable behavior. Even if the person providing the reference does not provide details, knowing an applicant is not eligible for rehire at a former place of employment should raise a “red flag” for the person seeking the reference.

Fewer than 20% of HR professionals indicated that they always get adequate information from a reference check in any other area. These areas of information include relatively subjective ones such as interpersonal skills, work ethic and personality traits, but also concrete facts such as salary histo-

ry. Perhaps most disturbingly, only 6% of HR professionals who ask about violent or bizarre behavior said that they always get an adequate response.

**Effectiveness of Reference Checking**

Most HR professionals believe reference checking is very (18%) or somewhat (55%) effective in identifying potentially poor performing employees, though just over a quarter (26%) indicate it is not very effective, and 2% report it is not at all effective (see Figure 3). The effectiveness of reference checking comes from gaining the perspective of individuals who have actually had day-to-day experience working with a job applicant, and such information cannot be replicated in an interview process. Reference checking can be less effective when the person providing the reference refuses to offer details, is not in a position to rate the job applicant’s work or has an ulterior motive for providing a falsely favorable or unfavorable references (such as getting rid of a bad worker or a personal dislike of the individual in question). Reference checks also become less effective when the individual being questioned cannot provide reference information due to organizational policy; this is another reason to work toward reducing the need for such policies.

**Table 4** How Reference Checks Are Conducted

	n	Always	Sometimes	Rarely	Never
Telephone	313	60%	38%	1%	1%
Internet	280	8%	28%	22%	43%
Fax	291	6%	47%	23%	24%
Mail	289	5%	47%	24%	24%
E-mail	279	3%	36%	29%	32%
Face-to-face/in-person	274	1%	8%	42%	50%

*Note: Percentages are row percentages and may not total 100% due to rounding. Includes only respondents who indicated that they conduct some form of reference checking.*

*Source: 2004 Reference and Background Checking Survey Report*



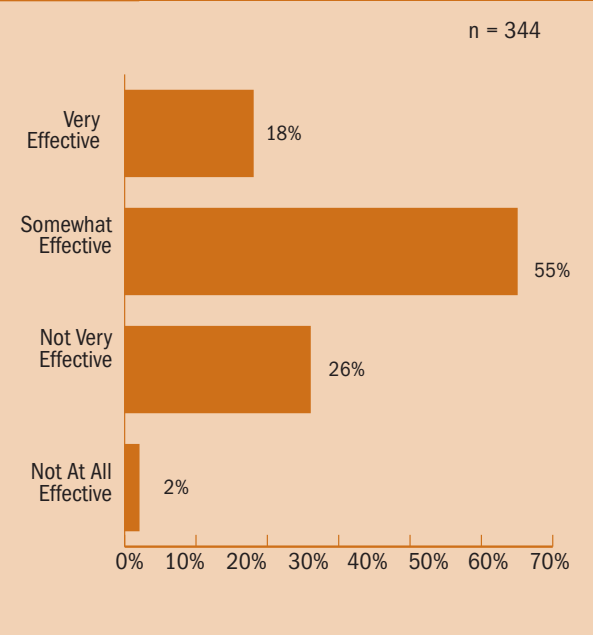
**Table 5** Getting Adequate Information

	n	Always	Sometimes	Rarely	Never
Dates of employment	315	68%	30%	2%	<1%
Eligibility for rehire	309	23%	60%	13%	4%
Job performance	306	19%	51%	26%	5%
Overall impression of employability	308	19%	51%	25%	5%
Interpersonal skills	305	17%	47%	30%	6%
Qualification for a particular job	307	16%	54%	25%	5%
Work ethic (tardiness, etc.)	304	14%	54%	26%	7%
Salary history	270	13%	48%	32%	7%
Reason candidate left previous employer	312	12%	55%	26%	7%
Personality traits	296	9%	45%	37%	10%
Malpractice, professional disciplinary action, etc.	184	9%	26%	46%	19%
Violent or bizarre behavior	283	6%	25%	47%	22%

Note: Percentages are row percentages and may not total 100% due to rounding. Includes only respondents who indicated that they check that specific item.

Source: 2004 Reference and Background Checking Survey Report

**Figure 3** Effectiveness of Reference Checking in Identifying Poor Performers



Note: Percentages may not total 100% due to rounding

Source: 2004 Reference and Background Checking Survey Report

**A Future View of Reference and Background Checking**

Changes in the use of reference and background checking may be increasingly driven by developments in technology, and technology is certainly one of the most important factors behind the rapid increase in the use of background checking over the last few years. Less than a decade ago, only 51% of employers conducted background checks. Now 96% of employers use background checks, with nearly as many small- and medium-sized employers utilizing them as large employers. This development is probably largely technology-driven, with better links between electronic online databases continuously driving down the cost of reference checking.

As technology develops further, background checking may become even easier for employers for several reasons. First, more record holders are likely to create Web-friendly databases that can be easily referred to by employers. For example, the

Social Security Administration is piloting an Internet program that provides name and Social Security number verification within a very short period of time, ranging from immediate to next-day responses. Because Social Security numbers act as a gateway to other vital information, this new development could mean a major step forward in decreasing some types of background checks. Education verification data are also becoming more quickly available due to advances in record keeping among academic and other credential-awarding bodies.

Another technology-driven aspect of reference and background checking is the integration of these processes into existing human resource and personnel management technologies. As these types of Web-based checks become more standardized in their software and definitions, this integration is likely to make turnaround time even faster.

The development of reference and background checking technologies and processes is likely to make it more difficult for some job seekers. Those with criminal records, poor driving records or a history of worker's compensation claims may find it more difficult to hide these issues in their records. However, protections are in place, and employers cannot arbitrarily deny employment on these grounds. Inaccuracies are also a continuing problem. Particularly in credit history reports, inaccuracies may be more commonplace than many job seekers realize. Because job seekers are often unaware of why they were denied employment, they may be slow

to pick up on such inaccuracies. It could therefore become much more common for job seekers to perform background checks on themselves to make sure that potential employers are receiving accurate information, particularly as the cost of doing so goes down.

As the cost of performing background checks continues to decrease, while the cost of not doing so goes up in the form of negligent hiring suits, a key question may become where the boundaries of employer responsibility for background checking begin and end. Are employers responsible for the hiring practices of partners or suppliers? As the workforce becomes more global, how will employers perform background checks in countries where criminal and other informational databases are less well-developed? It seems likely that as the use of contract or outsourced labor grows, employers will add background checking to the list of duties partners or contractors need to perform in order to enter into a business contract.

A number of factors such as improvements in technology, global political developments such as terrorism and societal factors such as an increase in the number of individuals with criminal records are all likely to impact the use of background checking. Human resource professionals will lead the way in shaping both the policies and processes that guide the use of reference and background checking in the recruitment process.

### About This Staffing Research

The excerpts in this publication are taken from the *2004 Reference and Background Checking Survey Report*. To see the report in its entirety, SHRM members may download it at [www.shrm.org/surveys](http://www.shrm.org/surveys). Nonmembers may purchase the report for \$99.95 through the SHRMStore at [www.shrm.org/shrmstore](http://www.shrm.org/shrmstore).

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