



# The New Reality of Workforce Monitoring



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## The shift in expectation and responsibility regarding continuous monitoring.

While the majority (or 96%) of U.S. companies screen for illegal activity and red flags during the pre-employment stage, very few rescreen current employees after they are hired. But that trend looks to be shifting with growing market demand towards continuous, real-time employee screening as companies aim to mitigate post-hire business and employee risks. Key industries with a vested interest in continuous monitoring are those who work around vulnerable populations such as healthcare, education (especially work involving children), utilities, home services, financial services and the on-demand / ride-share economy.

Not implementing a workforce monitoring program could impact your bottom line, brand reputation and your most essential resource, people. Using a myriad of industry-leading data sources, coupled with our deep market knowledge, Sterling's workforce monitoring solution proactively identifies and mitigates employee and contractor threats daily. This prevents workplace violence, corporate litigation, professional license lapses, and insider fraud.

## Essential not Optional: The New Reality of Workforce Monitoring

Companies across all industries have long implemented criminal background checks as a standard pre-hire procedure for new hires. Eager to protect their brand reputation and people, companies commonly verify employment history, credentials and licenses, and check criminal and credit history before hiring a new employee. While pre-employment checks are common, post-hire monitoring to routinely check on existing employees is rare. Many industries only perform post-hire checks to remain compliant with state and federal regulations or before an employee is elevated to a more senior position. However, according to a recent study by Appriss – who provides proprietary data and analytics solutions to address safety, fraud, risk, and compliance issues worldwide – of 400,000+ employees found that about 12% of the workforce is likely to be incarcerated in the next five years, prompting companies to take a second look at their post-hire screening policies.<sup>1</sup>

### Trust but Verify: Humans are Unpredictable

Companies may find themselves asking if their current employees would pass the same background check today. Savvy companies realize that trusting employees to self-report is not a sustainable strategy. Companies which do not regularly screen employees leave themselves exposed to potential financial and operational issues. Without checking that employees are maintaining proper licensing, companies may incur fees, fines, or sanctions. Additionally, companies which do not regularly screen employees for criminal behavior may be at risk for safety issues and associated liability. Current methods of post-hire follow-up, such as, self-reporting, are unreliable at best and dangerous at worst. Market leaders are turning to post-hire screening to enforce existing criminal self-reporting policies and proactively manage risk before it's too late.

One shocking example of the risk companies face without post-hire screening recently took place in California. A surgeon in San Diego was involved in a motor vehicle crash and according to field sobriety tests was found to be intoxicated. At the time of the crash, he was the on-call doctor at a local hospital and had been driving to the facility to treat patients.

<sup>1</sup> 2015 Appriss Safety "Keep threats out. Find threats within." via RiskCheckNow Brochure



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Similar stories across multiple industries are the driving factor behind a shift in risk and compliance management. Another example showed that a company with more than 30,000 employees and contractors uncovered 11 felony arrests, five drug-related arrests, and one recurring sex offender in just three months of arrest monitoring.<sup>2</sup> It's these types of results that are inspiring companies to move from a one-time pre-employment check to workforce monitoring for employees across industries.

Periodic screening at set intervals throughout employment can be helpful, but potentially leaves the organization open

to long periods without knowledge of an arrest. The average gap between arrest and sentencing is six months.<sup>3</sup> That's nine months of unmitigated risk to your organization, your customers, and the public. With criminal monitoring in place, that time at risk can drop to a matter of days. In addition to criminal monitoring, licensing can be monitored to keep your company on the right side of compliance mandates. If an employee faces a license suspension in the month after a yearly check, the employer may not know until the following year's check, leaving the company exposed to months of non-compliance. However, if the organization utilized monitoring, the company is aware and able to act.



## The Cost of Waiting: Financial and Reputational Risk

Protecting your bottom line and brand reputation are both key advantages of workforce monitoring. In a report from the Federal Bureau of Investigation, over 10.5 million arrests were made in 2017, including more than 500,000 for violent crimes.<sup>4</sup> Guarding your organization, employees, and customers against potential criminal threat is vital, particularly for organizations working with vulnerable populations such as children or the elderly. Furthermore, preventing fraud, theft, or fines is an essential financial safeguard. According to the US Chamber of Commerce, 75% of employees steal at least once and half steal repeatedly, but workforce monitoring can alert employers to a potential change of circumstances that would increase the likelihood of employee theft.<sup>5</sup> In addition, a 2017 study by Hiscox – a global specialist insurer – found that U.S. businesses affected by employee theft lost an average of \$1.13 Million in 2016.<sup>6</sup> Another advantage of implementation is limiting legal exposure to potential negligent retention lawsuits, a type of employment litigation in which a worker claims their employer failed to terminate or discharge an employee who should have been released from the company.

While workforce monitoring can be advantageous in almost any industry, it is particularly appropriate for the healthcare industry. For health service providers that fall under the jurisdiction of the Joint Commission, failure to comply with requirements can result not only in fines but potentially in loss of accreditation or certification. Workforce monitoring for criminal checks can help protect patients and other employees, and also makes arrests that may affect licensing known to the organization much more quickly than relying on the licensing group for notification. Monitoring to protect accreditation is important, but so is protection against potential theft, especially for employees with access to controlled substances. Workforce monitoring would alert a company to any drug-related charges that may affect an employee's capacity for access to controlled substances.

<sup>2</sup> SHRM "Is Continuous Screening the Future Normal", Oct. 28, 2016

<sup>3</sup> "How artificial intelligence is transforming the criminal justice system", Jan. 10, 2018.

<sup>4</sup> The Federal Bureau of Investigation (FBI) Press Release, 2017 Crime Statistics, Sept. 24, 2018

<sup>5</sup> Forbes "Your Employees Are Probably Stealing From You." Dec. 28, 2018

<sup>6</sup> The 2017 Hiscox Embezzlement Study, Aug. 2017

The estimated cost of drug abuse in the United States—including illegal drugs, alcohol, and tobacco—is more than \$820 billion a year and growing.<sup>7</sup> However, protection against abuse and theft is not exclusive to the healthcare industry.

Taking a proactive approach to monitoring can help shield financial services organizations against regulatory fines, fraud, and loss. With the possibilities for monitoring credit reports, lien and judgment data, as well as criminal reports, companies are looking for more ways to protect their organization and mitigate risk and exposure. Ensuring compliance requirements for registered representatives is made easier with workforce monitoring as well. When companies rely on employees to self-report, they risk missing the 30-day disclosure deadline that could prove costly to the organization. In addition to regulatory fines, consider the very real possibility of financial loss that some employees can create. In fact, each year, \$50B is lost due to workplace crime.<sup>8</sup> Add to this, that seeking legal restitution is even more costly and often results in unfavorable outcomes for the business owner. With the high potential for theft in the financial services industry, workforce monitoring is paramount to protecting your business.

Another industry that would greatly benefit from continuous screening is the transportation industry. Motor vehicle accidents cost employers nearly \$57 billion in 2017.<sup>9</sup> Whether your organization employs drivers or merely has employees that drive as only a fraction of their job responsibility, making sure your company is placing reliable drivers on the road is important for avoiding high insurance costs and negligence litigation related to retaining a high-risk employee. In addition to reducing the potential for accident and injury, ensuring an organization maintains a safe driving force lends protection to

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the brand and reputation of the company. Relying on periodic checks may not be enough when it comes to driver safety. The amount of time between checks is time that could put a company at risk. The last thing you want is an unlicensed driver on your payroll because your company was not taking advantage of workforce monitoring.

In addition to these three industries, any company that services vulnerable populations or has employees in positions of trust, from child care centers to spas to educational institutions, could benefit from workforce monitoring by being better informed to protect against risk with timely information. Continuously screening employees helps to create safer environments not only for employees but also customers and partners in every aspect of your business. It's important to know as much as you possibly can because candidates who become employees can become a threat to a company's reputation that took years to build. Imagine investing your life savings into your business, only to have a bad employee experience become a news story that goes viral and destroys the public perception of your brand.

# \$50B

**is lost due to workplace crime annually<sup>8</sup>**



<sup>7</sup> “The Cost of Drug Use to Society”, Nov. 18, 2018

<sup>8</sup> CNBC.com “This crime in the workplace is costing US business \$50 billion a year”, Sept. 12, 2017

<sup>9</sup> Motus Report: 2017 Vehicle Accidents cost employers nearly \$57 billion, Apr. 2018

## Outpace Risk: A Proactive Solution

As the multiple types of industries that utilize workforce monitoring indicate, it is not a one-size-fits-all solution. Each industry has specific business needs, and monitoring plans should be built to meet each organization's particular requirements. If your company is sensitive to public perception about your brand, is subject to regulation, has employees who drive as part or all of their job responsibilities, or works with vulnerable populations, a workforce monitoring solution should be part of your post-hire screening policy. Some companies may see fit to monitor daily while others perform re-screens less frequently. Depending on the type of employee, a single organization may utilize various types of monitoring from criminal or financial to license status. The proactive notifications available through a workforce monitoring program can help protect an organization from risk, no matter it's industry, size, or employee type.



Companies are making moves towards workforce monitoring because the risk is real, and for businesses of all sizes the effect of one bad employee can be exponentially damaging. After all, employees often wear multiple hats and therefore, terminating that employee means losing someone who serves several different functions, causing more disruption than your business operations can handle. Workforce monitoring helps you to mitigate the risk from employee-related threats to your business whether physical, financial, or reputation-based. Offerings for workforce monitoring are expanding as more and more industries not only discover areas where workforce monitoring could benefit them, but also realize the potential for safeguarding their interests proactively and consistently.

## Getting Started: Aligning Best Practices & Compliance

Adjusting your internal policies to accommodate workforce monitoring is the first step in a smooth implementation process. Being aware and following applicable laws including the Fair Credit Reporting Act, consent law, and EEO law at the federal, state, and local level is key to developing compliant policies and procedures. Appriss recommends establishing a self-reporting policy that includes detailing the reason for the need for such a policy, which employees the policy applies to, what information should be reported by employees, such as arrests or convictions, as well as a timeline for reporting.

When choosing who should be governed by the policy, consider higher risk employees, especially those who work with vulnerable populations. Also, consider avoiding bias or unfair standards. Policies should be developed with your legal counsel and reviewed periodically for legal compliance.

Policies should also include details as to what will happen should an employee self-report an arrest or should workforce monitoring result in a notification of an arrest, conviction, or licensing violation. According to the Equal Employment Opportunity Commission, an individualized assessment into the details and circumstances surrounding an arrest is a necessary step prior to disciplinary action. States and municipalities may have specific requirements as well. Policies for using information gathered from workforce monitoring should be extended to any other areas being monitored, such as licensing violations. Workforce monitoring can be a powerful tool in your company's risk management approach, but a monitoring program will only be as successful as the policy that governs it. Taking steps to make your company's program compliant with federal, state, and local employment laws and regulations will keep your company safe as workforce monitoring continues to expand.

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## About Us

Sterling provides the foundation of trust and safety organizations need to create great environments for their most essential resource, people. Our cloud-based background screening and identity services set the industry standard for accuracy and speed for the evolving global workforce. With 20 offices in nine countries and growing, Sterling professionals deliver unrivaled industry expertise and exceptional client service. Sterling is accredited by the National Association of Professional Background Screeners (NAPBS). We believe everyone has the right to feel safe.

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