

A fourth, and perhaps the most important, reason underlying the increasing use of background checks is technological. As public records have become more accessible, both legally (with so-called Sunshine laws) and practically (many local and state governments post criminal records online), and as credit checking has increased, it has become far easier to perform background checks. Moreover, scores of organizations now provide background checks, with the fee determined by the scope of information desired. Bed Bath & Beyond uses Sterling to conduct its background checks, FedEx uses Infomart, and Jackson Hewitt uses IdentityPi.com. Other large background checking services include USIS, ChoicePoint, ADP, and First Advantage. Background checks cost anywhere from \$5 to \$1,000 per hire, depending on the type of position and the information sought. Most background checks cost around \$25 per applicant.

Background checks identify more problems than one might think. Additionally, the consequences of failing to conduct a background check are quite serious. In many cases, subsequent malfeasance could have been prevented by a background check. Take, for example, Nick Leeson, the "rogue trader" responsible for the demise of Barings Bank. Britain's Securities and Futures Authority had discovered that Leeson lied on his application regarding a civil court judgment of unpaid debts. When hiring Leeson, Barings's Singapore branch never checked into his credit history, nor was his history discovered by the Singapore stock exchange. At Barings's Singapore office, Leeson made unauthorized speculative trades and creatively hid his mounting losses. The losses eventually accumulated to \$1.3 billion, bankrupting the oldest bank in London.⁴⁵

In many industries, the percentage of applicants identified to have some problem (e.g., a criminal record or a discrepancy in past employment or education) is surprisingly high. According to one source, more than half (51.7%) of the applicants in the nonprofit industry had significant discrepancies between their self-reported and their actual employment history, and nearly half (48.9%) of the applicants in the construction industry had a major motor vehicle violation (involving license suspension).⁴⁶

Background checks do have limitations. First, the records can be wrong or misinterpreted. For example, sometimes peoples' identities can be mixed up. Unless someone has an unusual name, there are probably many others in the population with the same name. Sometimes the records contain misleading information. Johnnie Ulrigg was denied a job in Missoula, Montana, because his background check turned up a list of probation violations. He later learned that several counties in the state list failure to pay a traffic ticket as a probation violation. It took Ulrigg two years to clear his record. Second, because background checks have become more commonplace, they can place a seemingly permanent bar on the reemployment of reformed criminals. Peter Demain was sentenced to six years for possessing 21 pounds of marijuana. While in prison, he was so adept in the prison kitchen that he quickly rose to head baker. Once out of prison, though, Demain was unable to find a job at bagel shops, coffeehouses, grocery stores, and bakeries. Is it fair