Background Screening Trends – India
January to March 2011

Quantifying the trends and qualifying the nature of applicant fraud in India

Foreword

The criticality of antecedent verification continues to be reinforced through media coverage of unfortunate incidents involving individuals with dubious pasts. Examples in recent months include the highly publicized fake pilots scandal, separate cases of theft, murder and kidnap by newly appointed domestic helpers, the case of a BPO executive who turned out to be a brutal killer with a horrific past, a tenant with terrorist links, etc.

Having global reach and local expertise, First Advantage has leveraged its technology and service strengths with international experience, skills and products to offer *VerifyDirect – International*, a new background screening service specially designed for small and medium businesses (SMEs) and individual requestors. With this innovative Web-based platform, First Advantage is uniquely positioned to provide a simpler, fully accessible solution to meet the growing needs of SMEs and consumers in the Asia Pacific region.

As industry leaders we are committed to innovation and providing solutions that leverage technology, are compliant with local and international laws, and are available to a broad audience that can benefit from risk mitigation services.

The trends report is part of our larger endeavor to create a security-conscious corporate sector. The aim is to provide employers with data which enables them to progressively improve their risk mitigation strategies and benchmark them against industry standards. This report aims to assist readers to know the latest trends in background screening and hence make better business decisions.

Till the next report…

Wayne Tollemache
Executive Managing Director (International)
First Advantage

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Objective

- The purpose of this report is to categorize and quantify the discrepancy trends found while conducting background checks on existing and potential employees in India.
- First Advantage presents this document to provide employers throughout India a glimpse into the screening results of organizations country-wide and to help employers benchmark their current screening practices against their peers and determine any next steps necessary to improve their programs.

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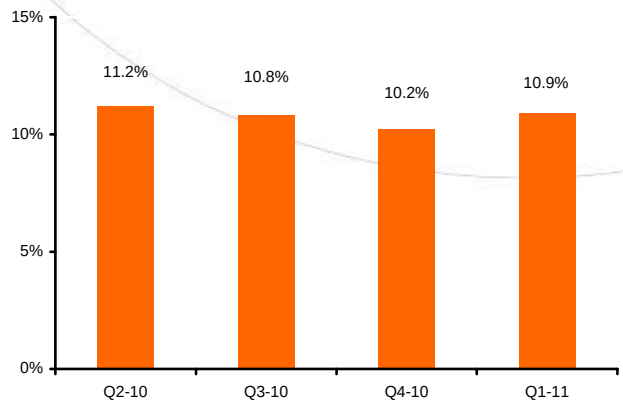
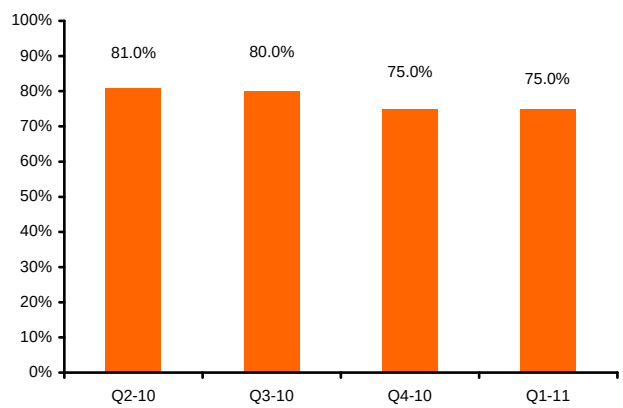
- This report is for informational purposes only and should not be relied upon for any particular purpose. First Advantage shall have no liability for errors, omissions or inaccuracies in the information contained herein or for interpretations thereof.

Executive summary for January to March 2011

- **Overall discrepancy rate has increased to nearly 11% in Q1-11 compared to 10.2% in Q4-10.**



- **In Q1-11 and Q4-10, discrepancies/misrepresentations related to past employment data has remained steady at 75%.**



  - Applicants providing incorrect tenures of past employments remain the single largest reason for employment-related discrepancies.
  - The highest rate of increase in discrepancies was recorded in the Education sector (from 14.29% in Q4-10 to 34.38% in Q1-11) while the steepest drop in discrepancies was observed in the Bio-Technology sector (from 25.00% in Q4-10 to 3.57% in Q1-11).
  - In Q1-11, Education, Travel & Hospitality and Real Estate sector companies had the most employment related discrepancies.

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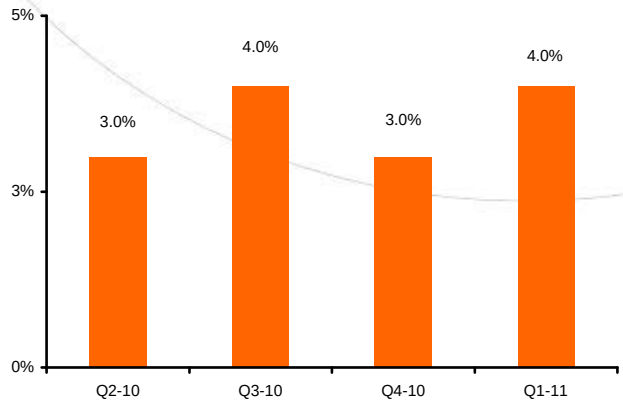
- **Education-related discrepancies have been displaying an up/down trend for the past six quarters now.**



  - At 63%, cases of false or illegitimate document submission have been highest in the Northern part of India for the tenth consecutive quarter. In the Western India, cases of false or illegitimate education documents submission have been the highest in the past three quarters at 15%.
  - With the exception of BFSI, Bio-Technology and Manufacturing sector companies, education related discrepancies have increased in Q1-11 (over the previous quarter) for all other industries.
  - Mumbai, Meerut and Kanpur are the top-3 cities with most education related discrepancies in Q1-11.

[Interpretation of these numbers][1]

- **67% of all discrepancies observed in Q1-11 involved associate level employees.**
  - For the ninth consecutive quarter most discrepancies continue to be at the associate level. For the middle management level, the discrepancy rate remained steady at 19% in Q1-11. The discrepancy rate for first-level supervisors has increased to 9% in Q1-11 compared to 6% in Q4-10.

[1] For example for the period Q1-11:

- The overall discrepancy rate in India was 10.9% in Q1-11.
  - Overall employment-related discrepancy rate was 75%.
  - Overall education-related discrepancy rate was 4%.
  - The remainder of the discrepancies (21%) was with information related to address, criminal checks, etc.
- To illustrate, of 1000 background screenings done in India, 109 were found to have discrepancies.
- Proportionally, of these 109 discrepant cases, nearly 82 were found to have differences in the employment related data while 4 were found to have reported education related data incorrectly.
- The rest 23 discrepant cases can be attributed to discrepancies in information related to address, criminal checks, etc.

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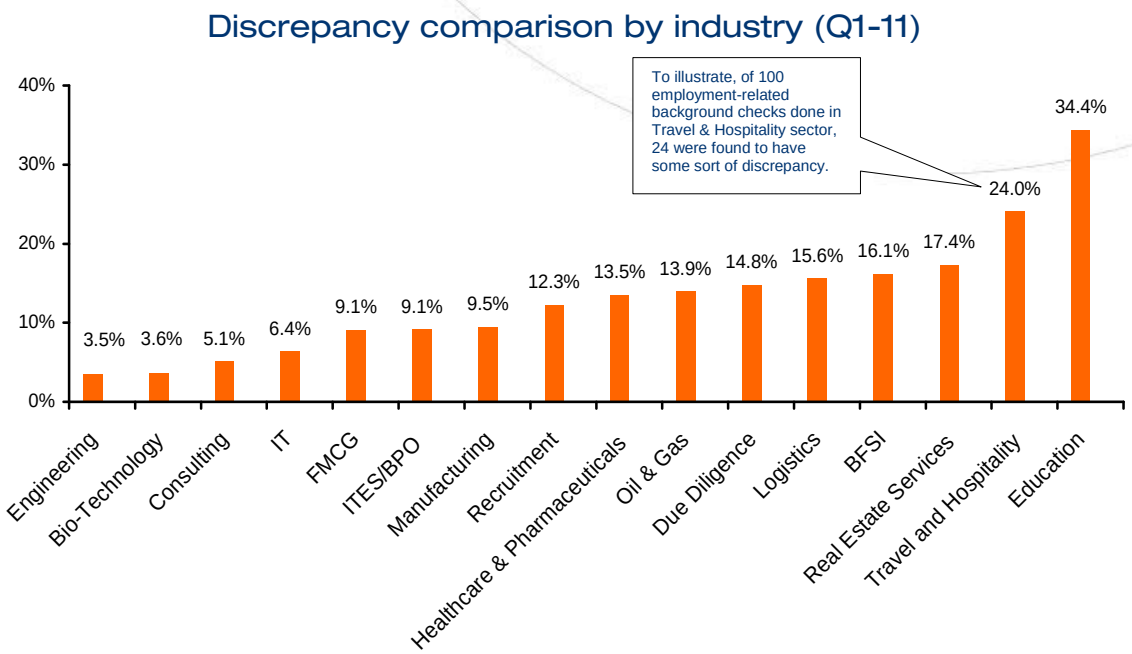
Employment discrepancies[2]

In Q1-11 and Q4-10, discrepancies/misrepresentations related to past employment data has remained steady at 75%.



[2] Employment screening involves checking the veracity of the candidate's claims about his/her previous employment records with the HR and/or Reporting Manager. The checks are conducted telephonically and/or against documentary proofs (i.e. copy of salary slip, relieving letter, experience letter, etc.) submitted by the candidate. The HR verification typically includes questions about the tenure, designation, salary, etc. The Reporting Manager check is usually focused on the candidate's skills, performance, ability and integrity.

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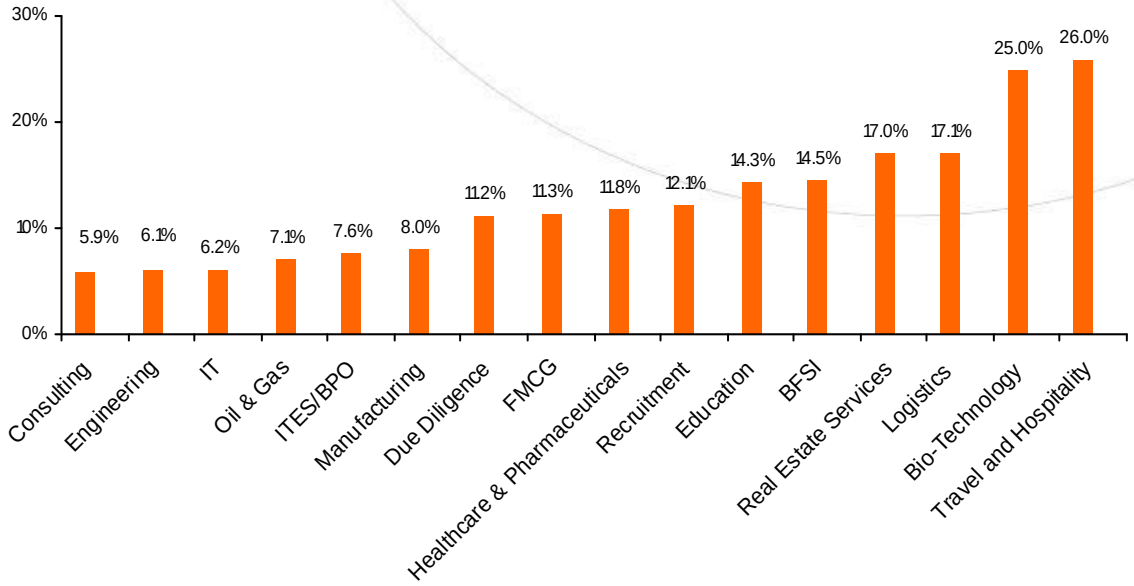
Employment discrepancies

Discrepancy comparison by industry (Q4-10)



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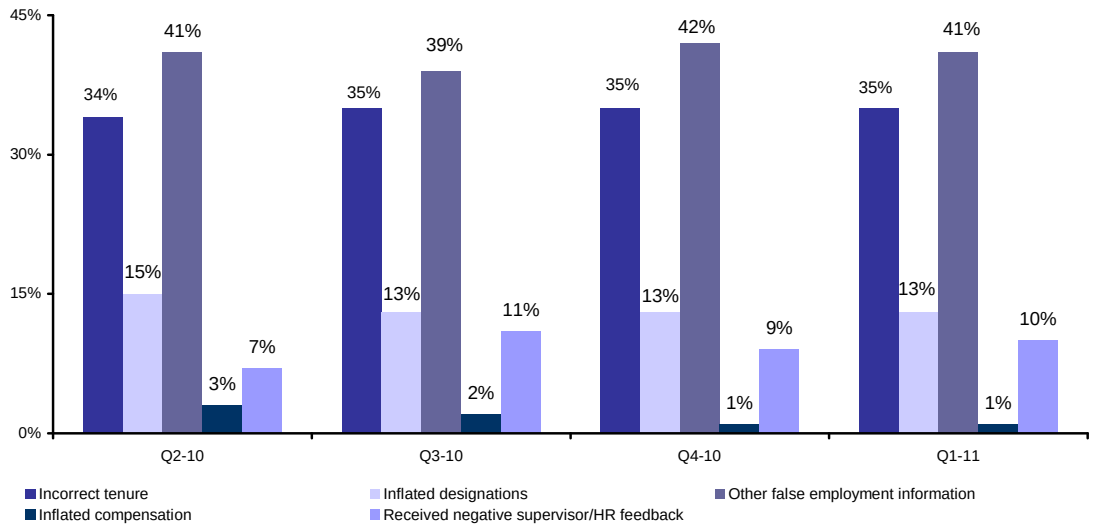
Employment discrepancies

Types of employment discrepancies by quarter

Discrepancy type	Q2-10 (%)	Q3-10 (%)	Q4-10 (%)	Q1-11 (%)
Incorrect tenure	33.5%	34.5%	34.8%	35.1%
Inflated designation	14.9%	12.9%	13.1%	13.3%
Exit formalities not completed	9.7%	10.5%	12.7%	12.8%
Active employee	6.7%	6.2%	6.0%	3.9%
Not eligible for rehire	6.6%	7.4%	6.8%	7.6%
Incorrect supervisor details	4.5%	4.2%	4.0%	4.1%
Negative HR feedback	4.2%	7.6%	6.6%	6.6%
Negative supervisor feedback	2.5%	2.9%	2.6%	2.6%
Discrepancy in permanent/contractual status	3.2%	2.6%	2.4%	2.7%
Inflated compensation	2.8%	1.8%	1.3%	1.3%
Forged/false or illegitimate document	2.8%	2.5%	3.2%	3.0%
Not an employee	2.2%	1.6%	1.7%	1.5%
Incorrect employee code	1.3%	1.3%	1.0%	1.3%
Possible suspect company	1.1%	0.9%	0.8%	1.0%
Marked as absconding	2.2%	1.6%	1.8%	1.8%
Employment was terminated	1.5%	1.0%	0.9%	0.9%
Not a direct employee	0.1%	0.1%	0.1%	0.1%
Was not a full-time employee	0.4%	0.4%	0.2%	0.2%
Contradictory verification from HR & Supervisor	-	-	0.03%	0.0%
Incorrect company address	0.1%	0.1%	0.1%	0.1%



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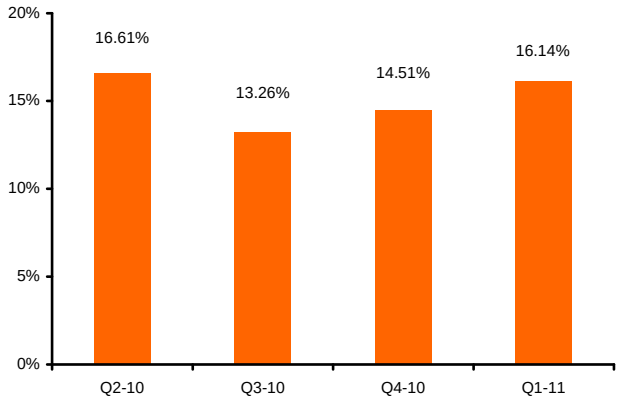
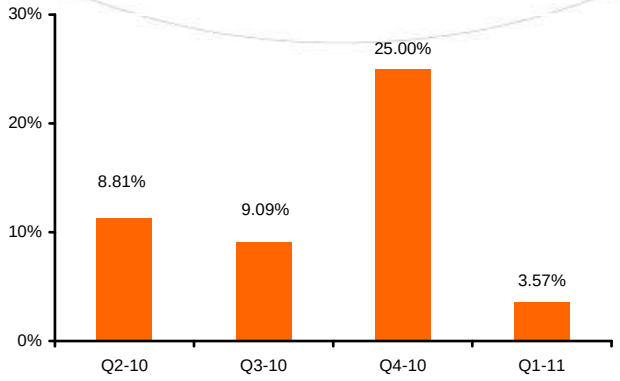
Employment discrepancies

Sector-wise Employment Discrepancies Quarter-on-Quarter Trend

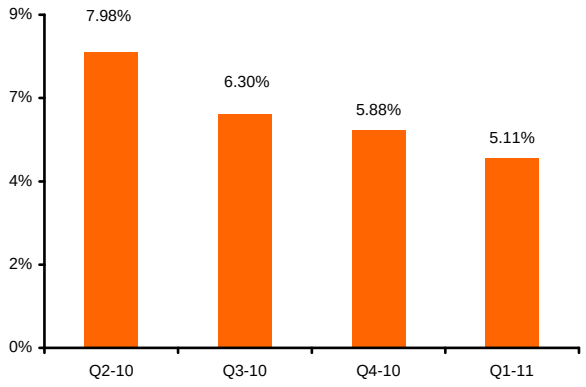
Banking, Financial Services & Insurance (BFSI)[M] ⇩



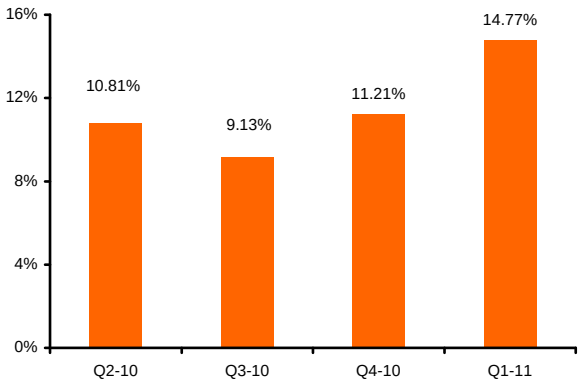
Bio-Technology[N] ⇧



Consulting[M] ⇧



Due Diligence[M] ⇩



⇧ Growth in volume ⇩ Fall in volume ⇔ Negligible change in volume (over previous quarter)
N = New adopters of background screening practices
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M+N = Sector having a mix of both matured and new adopters of background screening practices

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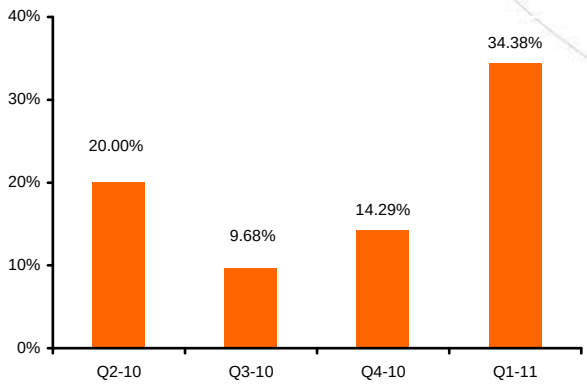
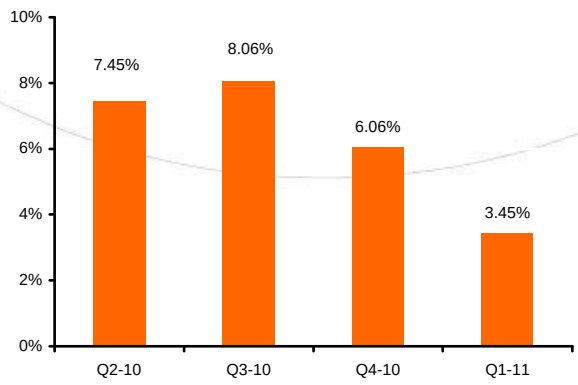
Employment discrepancies

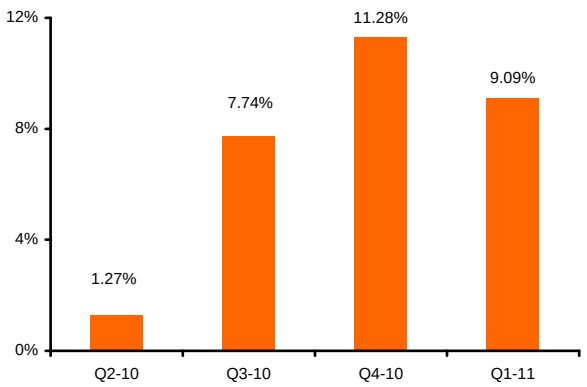
Education[M+N] ⇩



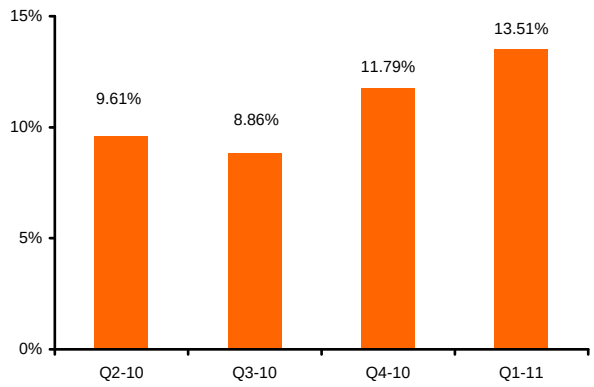
Engineering[M+N] ⇩



Fast Moving Consumer Goods (FMCG)[M] ⇧



Healthcare and Pharma[M] ⇧



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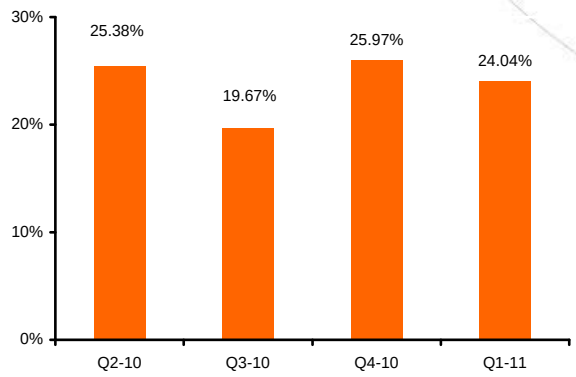
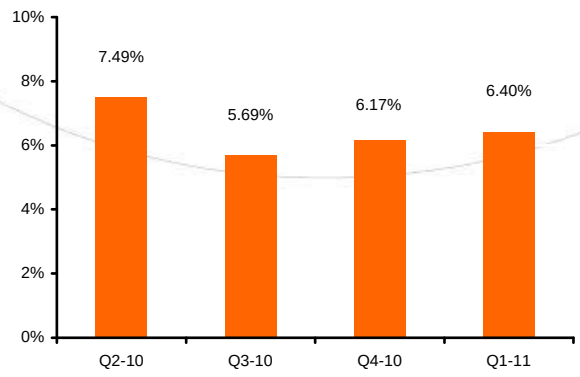
Employment discrepancies

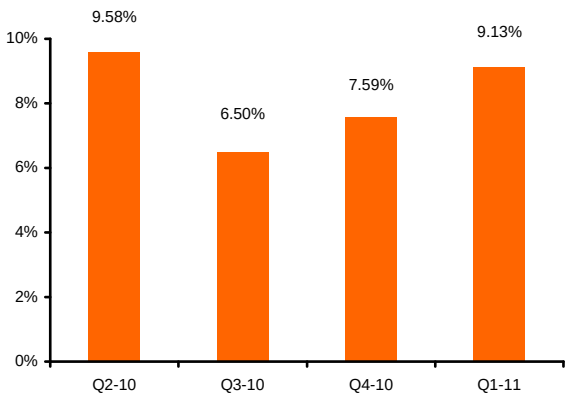
Travel & Hospitality[N] ⇧



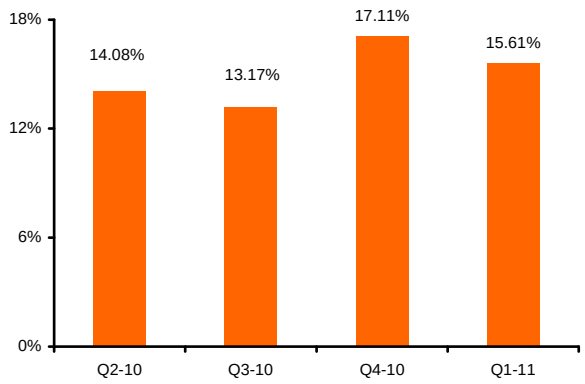
IT[M+N] ⇩



ITeS/BPO[M] ⇩



Logistics[M] ⇩



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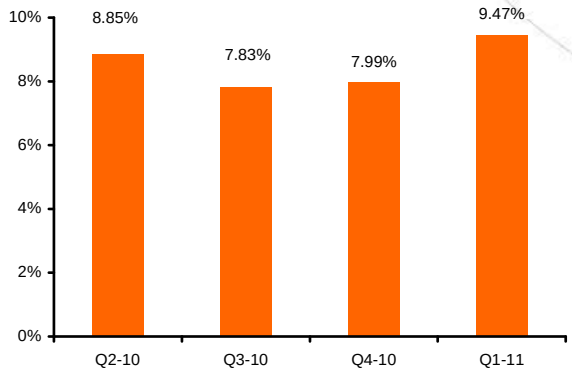
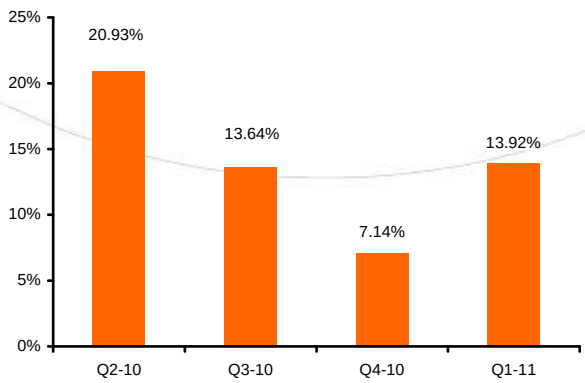
Employment discrepancies

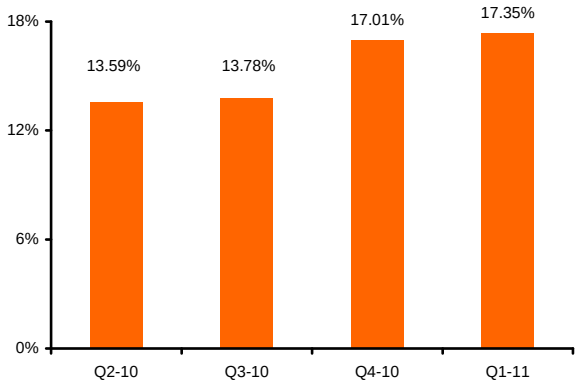
Manufacturing[N] ⇩



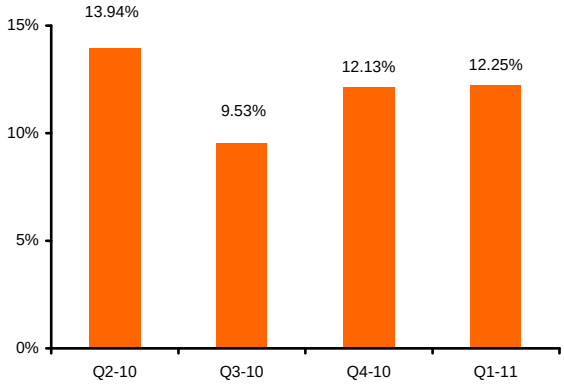
Oil & Gas[M+N] ⇧



Real Estate Services[M] ⇩



Recruitment[M] ⇩



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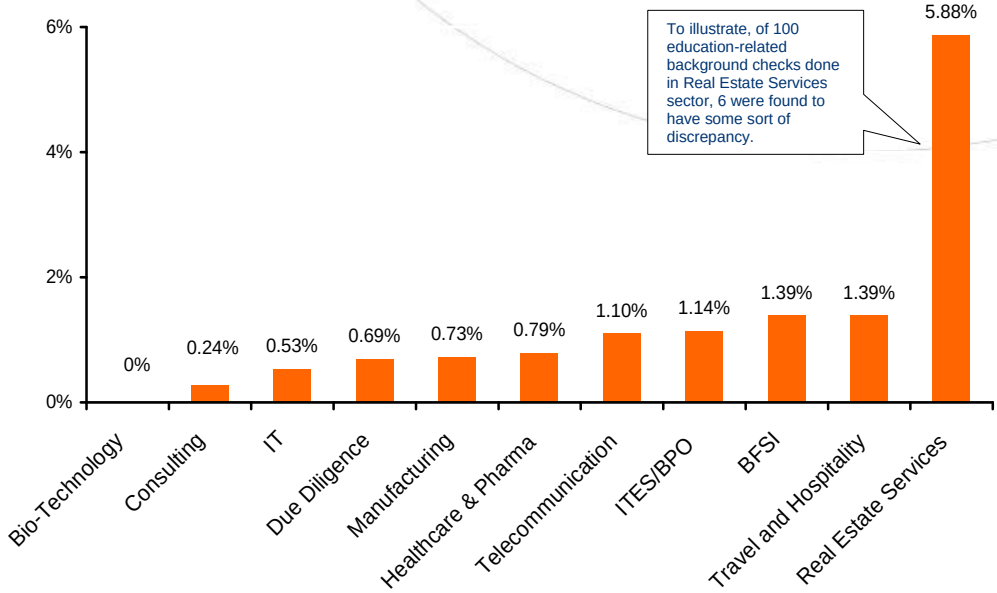
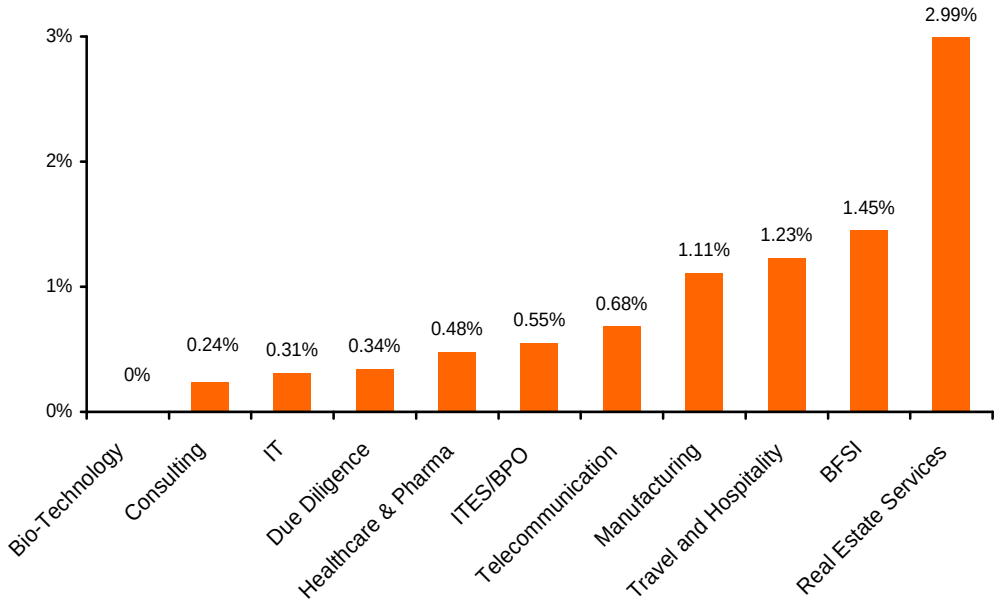
Education discrepancies[3]

Discrepancies/misrepresentations related to past educational data which had decreased to 3% in Q4-10 has increased to 4% in Q1-11.

Discrepancy comparison by industry (Q1-11)



Discrepancy comparison by industry (Q4-10)



[3] Educational verification involves verifying the authenticity of candidates' educational and/or professional qualifications.

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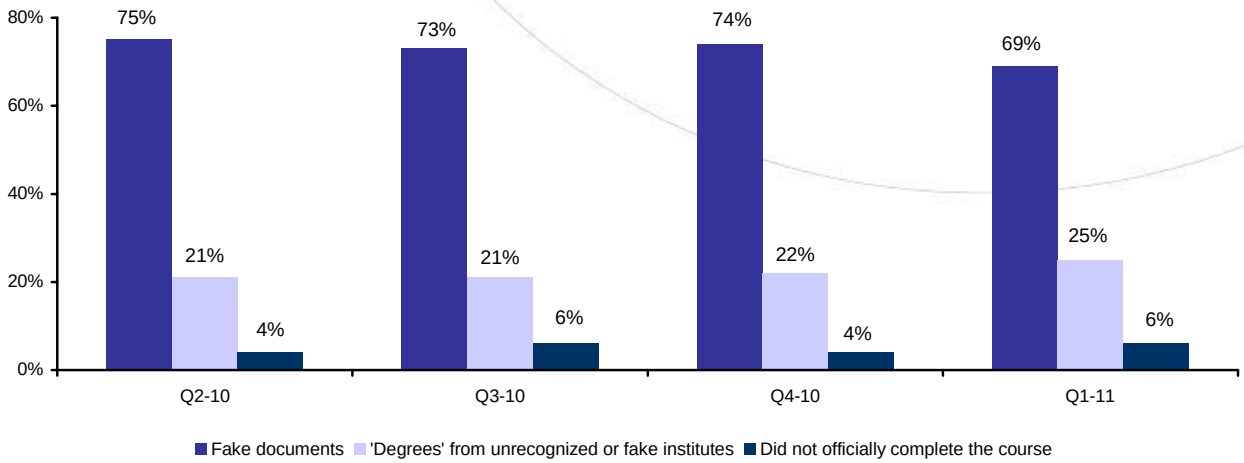
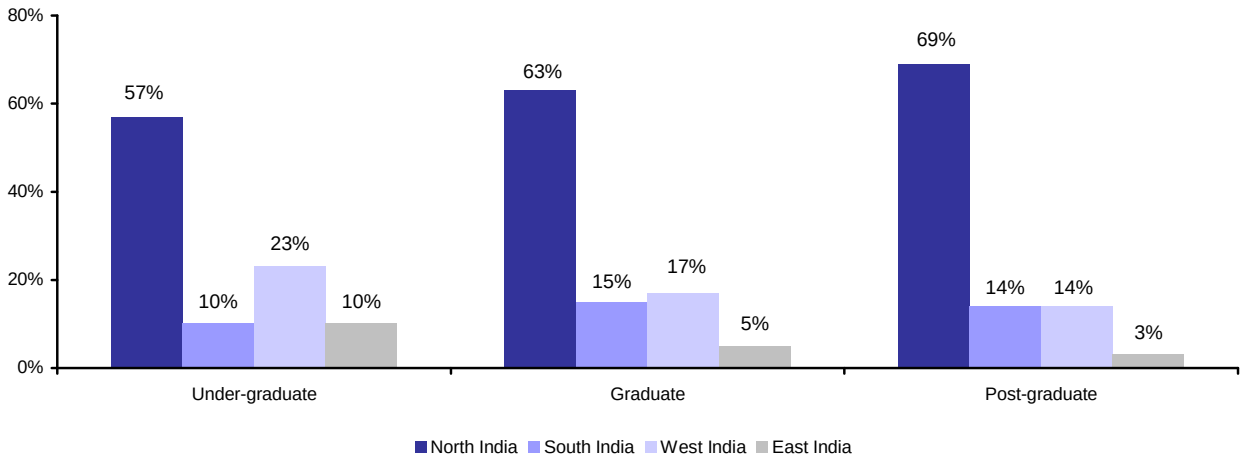
Education discrepancies

Types of education discrepancies by quarter



Note: First Advantage undertakes verification of educational qualifications and professional certifications starting from the secondary level.
False or illegitimate documents are forged or copies of educational qualification proof like degree certificates and mark sheets from genuine institutes which have been modified with a deliberate intention to mislead.

Zone-wise discrepancies by educational level (Q1-11)



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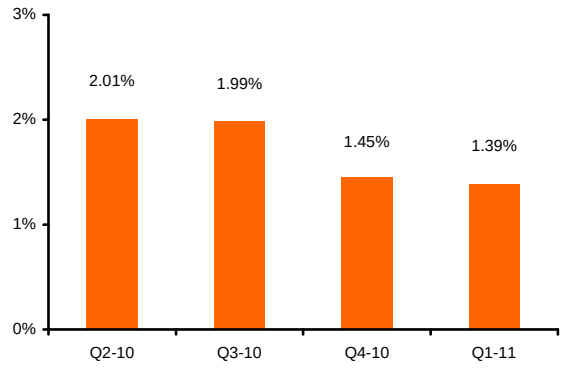
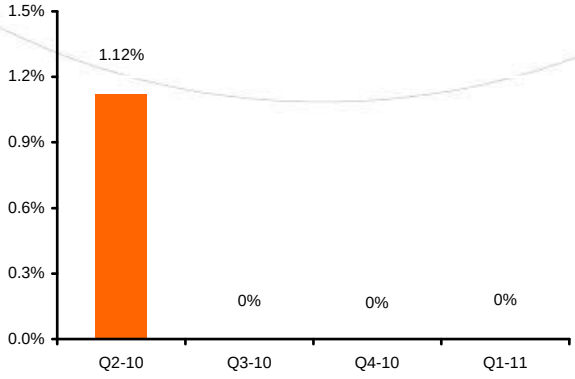
Education discrepancies

Sector-wise Education Discrepancies Quarter-on-Quarter Trend

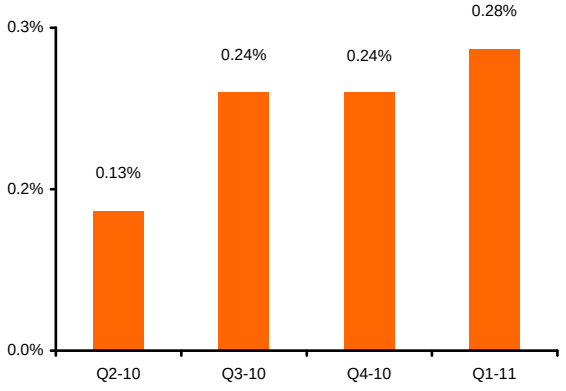
BFSI[M] ⇩



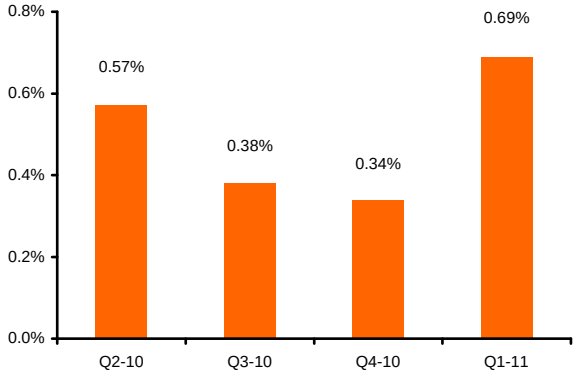
Bio-Technology[N] ⇧



Consulting[M] ⇧



Due Diligence[M] ⇩



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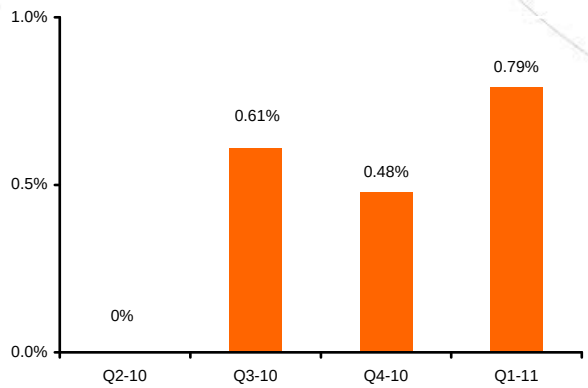
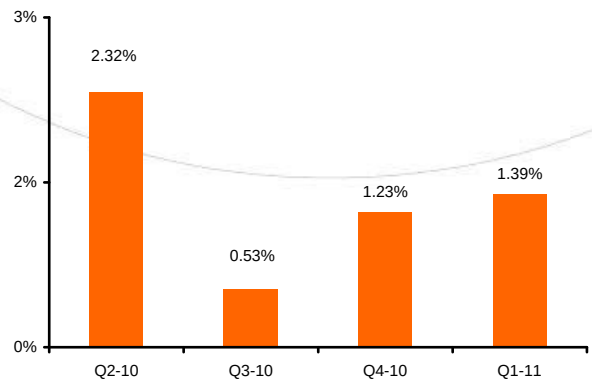
Education discrepancies

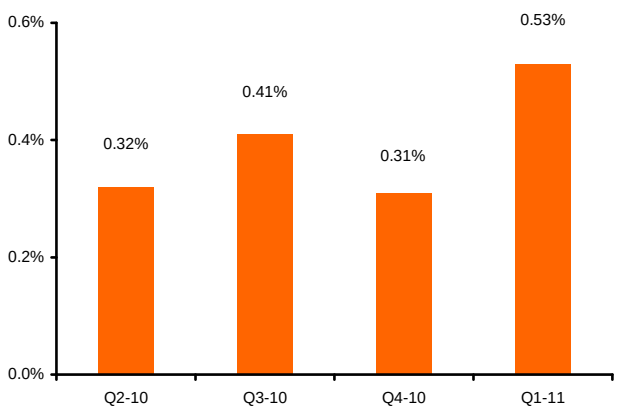
Healthcare and Pharma[M] ⇧



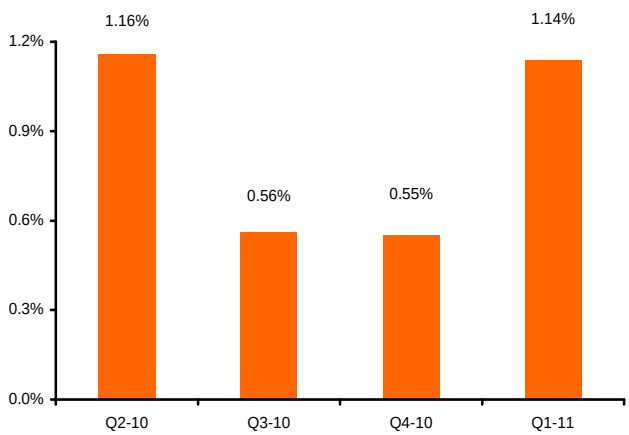
Travel & Hospitality[N] ⇧



IT[M+N] ⇩



ITeS/BPO[M] ⇩



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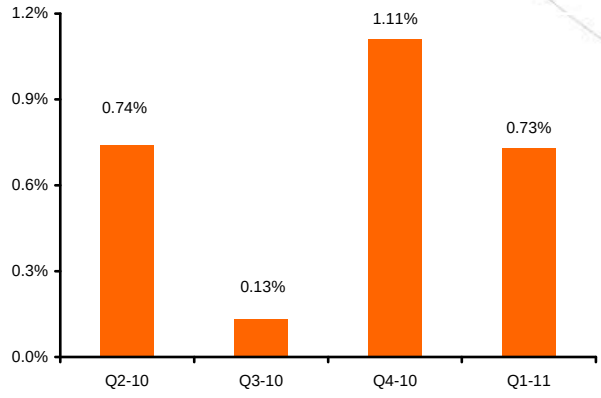
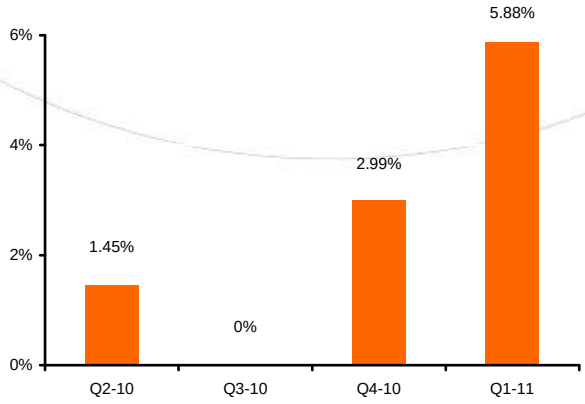
Education discrepancies

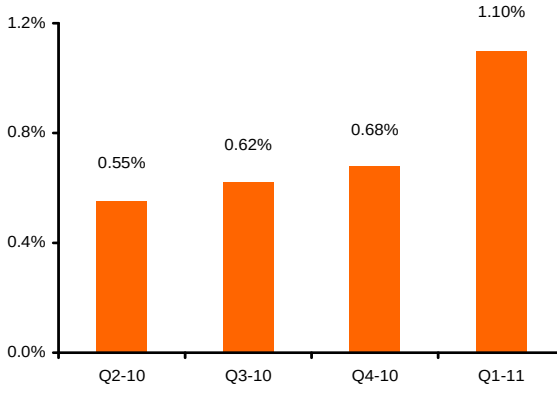
Manufacturing[N] ⇩



Real Estate Services[M+N] ⇩



Telecommunication[M+N] ⇧



⇧ Growth in volume ⇩ Fall in volume ⇔ Negligible change in volume (over previous quarter)
N = New adopters of background screening practices
M = Matured background screening practices
M+N = Sector having a mix of both matured and new adopters of background screening practices

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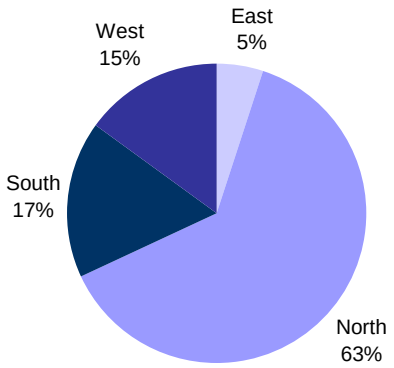
Education discrepancies

False or illegitimate document submission by zone by quarter*

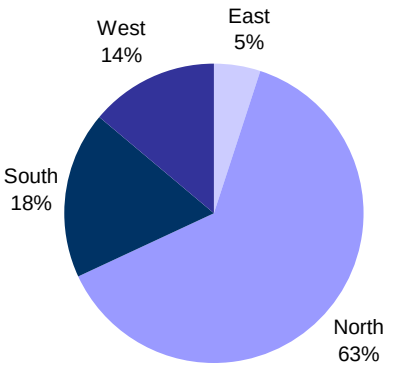
	North	South	West	East
Q2-10	63%	9%	17%	11%
Q3-10	67%	11%	13%	9%
Q4-10	63%	18%	14%	5%
Q1-11	63%	17%	15%	5%

- At 63%, cases of false or illegitimate document submission have been highest in Northern part of India for the tenth consecutive quarter.
- In the Eastern zone of India, cases of false or illegitimate education documents submission have been the highest in the past three quarters at 15%.
- For the second consecutive quarter, Eastern India has seen the lowest number of such cases.

False or illegitimate document submission - by zone (Q1-11)*



False or illegitimate document submission - by zone (Q4-10)*



*Based on the locations of the educational institutions.

Note: False or illegitimate documents are forged or copies of educational qualification proof like degree certificates and mark sheets from genuine institutes which have been modified with a deliberate intention to mislead.

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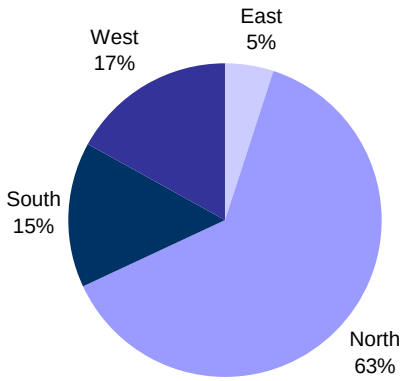
Education discrepancies

Discrepancies related to educational qualifications - by zone by quarter*

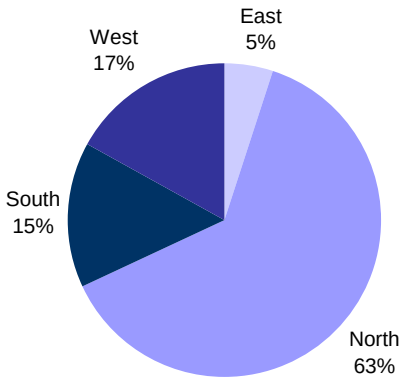
	North	South	West	East
Q2-10	63%	11%	16%	10%
Q3-10	65%	11%	15%	9%
Q4-10	63%	15%	17%	5%
Q1-11	63%	15%	17%	5%

- Discrepancy rates related to educational qualifications has remained steady in Q1-11.

Discrepancies related to educational qualifications by zone (Q1-11)*



Discrepancies related to educational qualifications by zone (Q4-10)*



*Based on the locations of the educational institutions.

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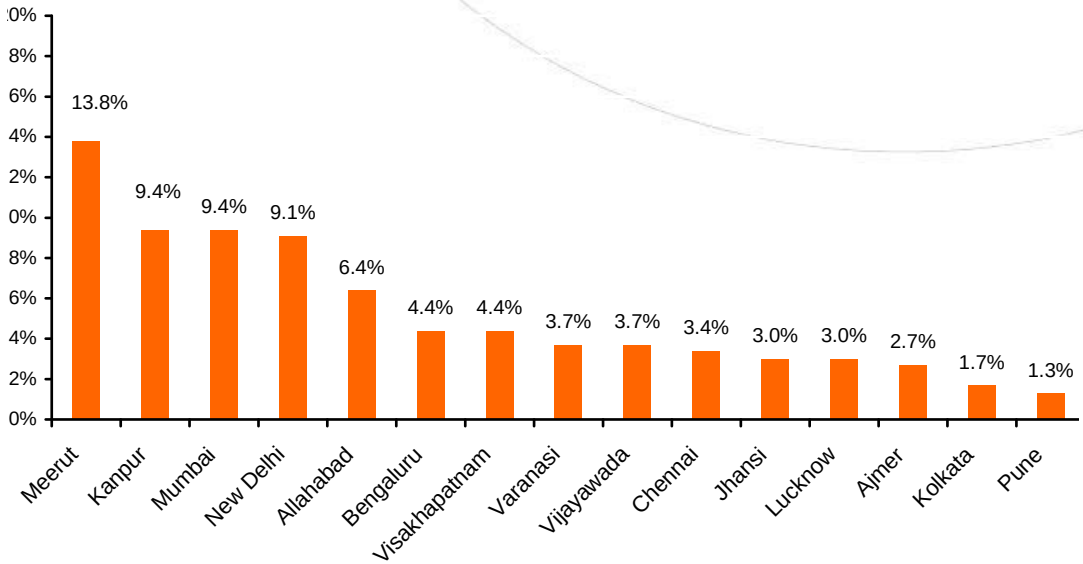
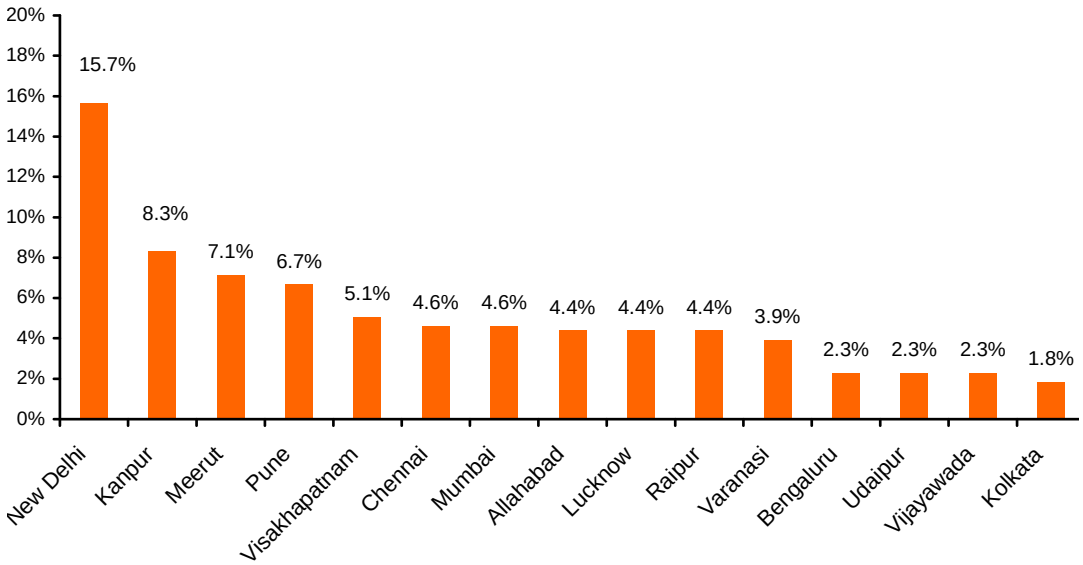
Education discrepancies

Education discrepancies by city (Q1-11)* (Top 15 cities)



Education discrepancies by city (Q4-10)* (Top 15 cities)



*Based on the locations of the educational institutions and includes all types of education related discrepancies – including false or illegitimate/unrecognized universities, false or illegitimate documents, instances of 'course not completed', a course different from that claimed, different year of passing, different result compared to what has been claimed, etc.

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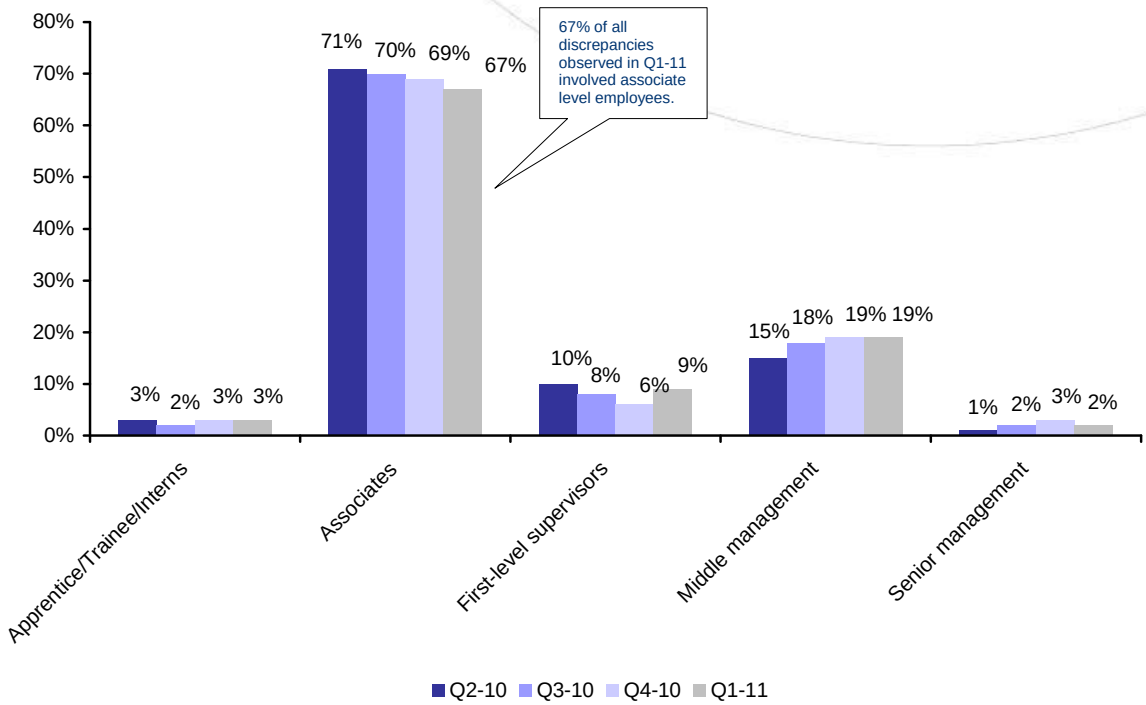
Discrepancy by employee category



- For the ninth consecutive quarter most discrepancies continue to be at the associate level though decreasing marginally from 69% in Q4-10 to 67% in Q1-11.
- For the middle management level, the discrepancy rate remained steady at 19% in Q1-11.
- The discrepancy rate for first-level supervisors has increased to 9% in Q1-11 compared to 6% in Q4-10.

Note –
Senior management: Assistant Vice President and above
Middle management: Assistant Manager to Senior/General Manager

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Discrepancy by employee category

Discrepancy by employee category – Breakup by industry (Q1-11)

Industry	Apprentice/ Trainee/Interns	Associates	First-level supervisors	Middle management	Senior management	Total
BFSI	2.46%	49.83%	14.17%	29.98%	3.56%	**100.00%**
Bio-Technology	0.00%	66.67%	33.33%	0.00%	0.00%	**100.00%**
Chemicals	0.00%	50.00%	35.00%	10.00%	5.00%	**100.00%**
Conglomerate	2.33%	68.02%	6.40%	22.09%	1.16%	**100.00%**
Consulting	5.68%	80.11%	4.55%	9.66%	0.00%	**100.00%**
Due Diligence	2.33%	65.89%	4.65%	20.93%	6.20%	**100.00%**
Education	0.00%	0.00%	36.36%	18.18%	45.45%	**100.00%**
Engineering	0.00%	14.29%	0.00%	71.43%	14.29%	**100.00%**
FMCG	0.00%	36.84%	21.05%	42.11%	0.00%	**100.00%**
Healthcare & Pharma	5.81%	52.71%	18.60%	20.93%	1.94%	**100.00%**
IT	2.60%	83.50%	4.51%	8.49%	0.90%	**100.00%**
ITES/BPO	2.51%	83.22%	7.27%	6.34%	0.66%	**100.00%**
Legal Services	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Logistics	0.00%	65.59%	16.13%	17.20%	1.08%	**100.00%**
Manufacturing	3.73%	57.46%	7.46%	28.36%	2.99%	**100.00%**
Media and Entertainment	0.00%	60.00%	0.00%	30.00%	10.00%	**100.00%**
Mining	0.00%	31.25%	37.50%	31.25%	0.00%	**100.00%**
Oil & Gas	7.14%	57.14%	17.86%	17.86%	0.00%	**100.00%**
Real Estate Services	0.92%	53.00%	24.88%	19.35%	1.84%	**100.00%**
Recruitment	6.06%	85.86%	2.02%	6.06%	0.00%	**100.00%**
Research	2.50%	77.50%	0.00%	20.00%	0.00%	**100.00%**
Services	2.63%	68.42%	13.16%	14.47%	1.32%	**100.00%**
Shipping	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Telecommunication	1.23%	55.44%	9.30%	32.81%	1.23%	**100.00%**
Travel and Hospitality	5.38%	76.88%	7.53%	9.68%	0.54%	**100.00%**

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Discrepancy by employee category

Discrepancy by employee category – Breakup by industry (Q4-10)

Industry	Apprentice/ Trainee/Interns	Associates	First-level supervisors	Middle management	Senior management	Total
Advertising, PR & Marketing	0.00%	0.00%	0.00%	0.00%	100.00%	**100.00%**
BFSI	1.55%	51.49%	8.63%	34.12%	4.21%	**100.00%**
Bio-Technology	0.00%	62.50%	0.00%	0.00%	37.50%	**100.00%**
Chemicals	0.00%	25.00%	25.00%	50.00%	0.00%	**100.00%**
Conglomerate	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Consulting	7.32%	67.68%	8.54%	14.63%	1.83%	**100.00%**
Due Diligence	0.98%	57.84%	0.00%	36.27%	4.90%	**100.00%**
Education	0.00%	0.00%	0.00%	100.00%	0.00%	**100.00%**
Energy	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Engineering	0.00%	46.67%	0.00%	53.33%	0.00%	**100.00%**
FMCG	0.00%	52.17%	17.39%	30.43%	0.00%	**100.00%**
Healthcare & Pharmaceuticals	4.82%	61.85%	12.05%	21.29%	0.00%	**100.00%**
IT	3.14%	83.33%	4.44%	7.73%	1.36%	**100.00%**
ITES/BPO	2.50%	89.26%	3.82%	2.65%	1.76%	**100.00%**
Legal Services	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Logistics	0.71%	62.86%	4.29%	25.71%	6.43%	**100.00%**
Manufacturing	1.58%	60.08%	5.93%	27.27%	5.14%	**100.00%**
Media and Entertainment	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Mining	0.00%	0.00%	0.00%	100.00%	0.00%	**100.00%**
Oil & Gas	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Real Estate Services	4.25%	61.32%	11.79%	18.40%	4.25%	**100.00%**
Recruitment	0.00%	93.97%	4.31%	1.72%	0.00%	**100.00%**
Research	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Services	12.00%	80.00%	8.00%	0.00%	0.00%	**100.00%**
Telecommunication	1.66%	65.90%	7.69%	23.49%	1.25%	**100.00%**
Trading	0.00%	100.00%	0.00%	0.00%	0.00%	**100.00%**
Travel and Hospitality	9.76%	81.30%	3.25%	5.69%	0.00%	**100.00%**

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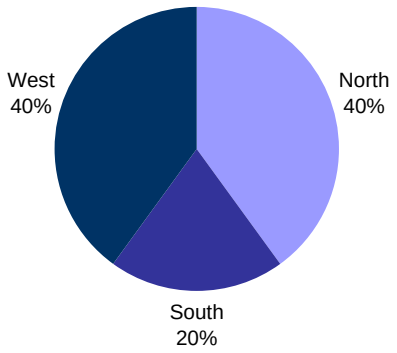
Criminal discrepancies

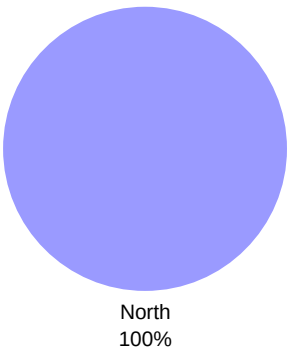
Criminal discrepancies by zone*

	North	South	West	East
Q2-10	100%	-	-	-
Q3-10	40%	20%	40%	-
Q4-10	-	-	-	-
Q1-11	-	-	-	-

Criminal discrepancies by zone (Q3-10)*



Criminal discrepancies by zone (Q2-10)*



*Based on the police jurisdiction checked from.

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About First Advantage

First Advantage combines industry expertise with information to create products and services that organizations worldwide use to make smarter business decisions. First Advantage is a leading provider of talent acquisition solutions including employment background screening, occupational health services, applicant tracking systems, recruiting solutions, skills and behavioral assessments, and business tax consulting services. More information about First Advantage can be found at www.FADV.com

Pioneers and leaders in background screening…

- **First Advantage is Asia-Pacific's leading background screening, end-to-end risk mitigation and talent acquisition solutions provider.** Headquartered in Florida, First Advantage remains an undisputed leader in the background screening industry in Asia-Pacific. First Advantage pioneered the region's background screening industry and has led from the front in setting background screening benchmarks as we expanded our operations across the region. The exponential growth of our Asia-Pacific operations has enabled us to leverage regional expertise, technology and service strengths with international experience, skills, products and reach. The Asia-Pacific operation handles large volume screenings for some of the world's largest organizations in the financial services, retail, IT/ITeS, manufacturing, pharmaceutical and oil and gas sectors, among others.
- **First Advantage Asia conducts the following types of checks:**
  - Educational/Professional Qualification Verification
  - Employment Verification
  - Professional Reference
  - Address Verification
  - Criminal Record Search
  - Global Database Checks
  - Drug Testing
  - Identity Document Checks (PAN card, drivers license, passport verification)
  - CV or Resume Validation

…to leading talent acquisition solutions provider.

- **As part of our growing offering of solutions for the employment continuum in Asia-Pacific, First Advantage has launched a complete suite of talent acquisition solutions** including Candidate sourcing and relationship management, Behavioral and skill assessments and Onboarding solutions.
- **VerifyDirect launched in 2009 is the first-ever Asia-Pacific-wide contributory database-driven online background screening service.** It covers all industries and provides instant verifications through secured online transactions 24/7. This online service facilitates faster verification of facts submitted by candidates seeking

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employment, loans or for any other legitimate business purpose, with relatively less documentation compared to the current more conventional methods of verifying such facts.

- **First Advantage operates in more than 50 locations worldwide.**

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May, 2011

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