

## **Reference Checking: A Field Survey of SHRM Professionals**

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*SHRM professionals were surveyed on their reference checking practices. Questionnaire items asked them to indicate the nature and relative importance of the information they seek when checking the references of an applicant. The respondents indicated nearly all areas have importance with the exception of personal information. When asked to indicate their willingness to provide this information to prospective employers, the responses varied considerably, depending on the type of information requested. Respondents were quite willing to disclose payroll information, moderately willing to disclose organizational exit information, and generally unwilling to divulge personal and job performance information. The implications of these findings for HR Professionals are discussed.*

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Human resource professionals must often wear two hats when it comes to reference checking. As reference seekers, they must contact other employers to collect information about the qualifications of a job applicant. As reference givers, they must respond to queries made by their reference checking counterparts in other organizations.

HR professionals recognize the importance of this activity and take it quite seriously (Pyron, 1970). In fact, the reference checking process serves a number of important purposes. The primary purpose is to substantiate information provided by the applicant as there is a natural tendency among applicants to present themselves in the most favorable light possible. For some, this means providing false information about themselves on application blanks and during interviews (Lilenthal, 1980). Stories abound about applicants being hired for high level positions, who

were later found to have completely fabricated their qualifications and past work histories.

Another purpose served by reference checking is to obtain information which may be used to predict future job success. Information about an applicant's previous job performance can produce insights into his or her technical competence and character. One's reliability, conscientiousness, and ability to get along with others is often determined in this manner. It is difficult to get an accurate and complete picture of these character attributes from applicants themselves. Failure to consider them, however, could lead to the selection of a candidate who has sound credentials and an excellent work history, yet fails on the job because of a poor "fit" with the organization.

Today's legal environment adds one more pressure facing reference seekers - the risk of a negligent hiring suit (Ryan & Lasek, 1991). Under common law, an employer may be held liable to third parties for the wrongful conduct of its employees. The concept of negligent hiring implies that if the employer had adequately checked references before making a hiring decision, the employee would not have been hired and thus not in a position to commit the act which caused injury to another employee, a customer, a vendor, or the public. For example, the courts required a Miami bank to pay a widow \$300,000 when a newly hired security guard killed a fellow guard. An employee of Avis was awarded \$750,000 when she was raped by a fellow employee. The rapist had a prison record which had not been uncovered upon employment (Stanton, 1988).

While able to empathize with their counterparts in other Personnel Departments, HR professionals as reference givers may still be reluctant to provide the information requested. The primary cause of this reluctance is the perceived possibility that their response to a reference inquiry will lead to a lawsuit. While laws protecting individuals against employment discrimination (e.g., Title VII of the Civil Rights Act, the Age Discrimination Act, the Vocational Rehabilitation Act) would apply here, the common law action of defamation; that is, libel and slander, is the major fear experienced by employers (Dube, 1986). Applicants who have been given negative job references can successfully sue the reference giver if the plaintiff can prove the information given was false and injurious to them or it was given with malicious intent (Martin & Bartol, 1987). Faced with these potential legal challenges, it is not surprising some organizations severely restrict the information its HR professionals may

provide or give only positive recommendations. However, the practice of giving an unwarranted positive recommendation about all employees to avoid legal problems can backfire. An employer may be held liable in some states for "negligent misrepresentation" by recommending an unfit employee who subsequently causes harm to a new employer.

This article examines how today's HR professionals are dealing with this apparent paradox. Specifically, it seeks to determine the type of information they feel is essential to have about an applicant, and the extent to which they are willing to provide it. It is our expectation that HR Professionals are reluctant to disclose most types of employee information even though they desire other HR Professionals to provide the same information to them. Another research study (Stier, 1990) examined such issues and found support for the argument that employers would rather receive information than provide it. Our study augments these findings through the use of a research instrument that covers a wider range of reference checking inquiries and asks respondents to specify the degree of importance attached to each inquiry. Finally, our study employs a scientifically framed sampling approach based on a national sample of HR Professionals.

## THE STUDY

### The Questionnaire

The survey instrument consisted of 15 items, covering a wide range of inquiries typically made during the reference checking process. The items were grouped into the following four categories based on the type of information requested: (1) payroll information; (2) performance information (questions about job behavior, personality characteristics related to successful job behavior, and the reference giver's overall opinion of the applicant); (3) personal information (questions about health, union involvement, and personal finances); and (4) favorableness of organizational exit (questions regarding why the person may have left the organization and whether the organization would be willing to rehire the individual).

The respondents were asked to evaluate each questionnaire item twice, from the perspective of both the reference seeker and reference giver. As reference seekers, they were asked to specify which of the items they inquired about, and how much weight they placed on the responses they received. An item was rated essential if unfavorable replies by the

reference giver would automatically eliminate a candidate from consideration; important if unfavorable replies diminished, but did not eliminate a candidate's chances of being selected; not important if the responses they received carried little weight in the overall hiring decision; and not asked if the information was not requested by the reference seeker.

As reference givers, respondents were again asked to rate each item. This time, they were to indicate which information they would be willing to provide to a prospective employer.

### **The Sample**

The questionnaire was sent to a nationwide sample of 500 HR professionals. The respondents were randomly selected from the 1988 ASPA Directory using a systematic sampling approach. (ASPA has since been renamed SHRM for Society for Human Resource Management). Only those whose job titles indicated an HR-related position were included in the sampling frame. One hundred and thirty-one properly completed questionnaires were returned, resulting in a response rate of 26.2 percent (131 of 500). The demographic characteristics of the sample are shown in Table 1.

## **RESULTS**

The responses to the questionnaire are summarized in Table 2. The questionnaire items are listed in the left-hand portion of the table followed by figures indicating whether the reference seekers inquire about each of the items and the importance they attach to the information they receive. The figures in the extreme right-hand column indicate the percentage of reference givers who are willing to respond to such inquiries.

### **Reference Seeking**

HR professionals regard payroll information as being quite important in their role as reference seekers. As shown in Table 2, dates of employment and job titles held were rated as important or essential by over 90 percent of the respondents. Respondents indicated that failure to successfully verify the information provided by applicants on those topics would severely hinder their chances of employment.

**Table 1**  
**Demographic Characteristics of the Sample**

Variable	Percent
<b>Profit Status</b>	
Profit	72
Non-Profit	28
<b>Industry</b>	
Manufacturing	32
Other	24
Health/Education/Service	23
Banking/Finance	12
Insurance/Real Estate	7
Government	2
<b>Location</b>	
North Central	23
Northeast	22
Southeast	16
Pacific	12
South Central	11
Mountain	8
<b>Company Size</b>	
Less than 100	9
100-499	30
500-999	22
1000-10,000	33
More than 10,000	7

**Table 2****Percentages of Importance Ratings by Reference Seekers and Percentage of Employers Willing to Release Information**

Questionnaire Item	Importance Ratings				Releases Information
	Essential	Important	Not Important	Not Asked	
<b>Payroll Information</b>					
Dates of employment	55	41	3	0	100
Job titles held	33	58	9	0	98
Rate of pay	16	54	21	9	59
<b>Job Performance</b>					
Attendance	34	57	2	7	35
Performance	33	53	3	12	15
Discipline problems	44	47	1	8	14
Character traits	43	49	0	8	17
Ability to get along with others	37	53	3	7	25
Strengths & Weaknesses	27	64	2	7	19
Overall opinion	28	62	5	6	21
<b>Personal Information</b>					
Health	10	39	6	46	6
Garnished wages	3	13	10	74	4
Union involvement	4	9	9	78	5
<b>Organizational Exit</b>					
Reason for leaving	32	62	4	3	45
Willingness to rehire	34	60	4	3	43

HR professionals also view job performance information as critical when evaluating applicants. Approximately 90 percent rated each of the items in this category as important or essential. Reference seekers apparently place great stock in the notion that past performance is an excellent predictor of future performance. The discovery of past performance problems would be viewed quite unfavorably. Such information, however, would be more likely to hinder, rather than eliminate, an applicant's employment chances.

Reference seekers view personal information about the applicant as being relatively unimportant. In fact, approximately three-fourths of the respondents do not inquire about garnished wages or union involvement. This is probably a wise decision because such inquiries may be deemed illegal (Dube, 1986). A majority of respondents do make inquiries regarding the referent's health, however. While this may be a legitimate area of inquiry, reference seekers should exercise great care in formulating their questions to comply with various state and federal laws protecting the handicapped. Failure to hire someone in ill health because of a contagious disease such as AIDS, for instance, could be judged as being in violation of these laws (Waldo, 1987).

Information pertaining to the circumstances surrounding the organizational exit of the referent is deemed quite important by most respondents - 94 percent rated both items in this category as being either important or essential. Negative information regarding the employee's reason for leaving or an unwillingness to rehire that person would severely limit the applicant's chances for employment. Failure to leave under good circumstances apparently triggers a fear among reference seekers that there is a problem which may reappear if the applicant is hired.

### **Reference Giving**

As suspected, HR professionals are much less willing to give than to receive reference information. Only questions about payroll information were responded to freely by a majority of respondents. Nearly all were willing to give dates of employment and job titles held. Their behavior as seekers and givers of information was consistent here. The respondents also rated these questions as being quite important from a reference seeking point of view.

The study found some inconsistency, however, with regard to questions about health. A majority viewed the applicant's health as an important selection consideration, yet they were unwilling to report known health problems to others.

Respondents were most inconsistent in their roles as reference seekers and reference givers answering the job performance questions. While uniformly agreeing such information was important, the vast majority (65-86 percent) expressed an unwillingness to provide it. They were especially reluctant to respond to queries regarding disciplinary problems, performance, and character traits.

Finally, respondents were somewhat less hesitant to discuss the reasons surrounding the employee's departure from the organization or whether they would be willing to rehire them. Nearly one-half of the respondents were willing to divulge this information.

## DISCUSSION

This study examined the reference giving and reference seeking behavior of a nationwide sample of HR professionals. When asked to rate the importance of several types of information typically asked in the reference checking process, the respondents indicated nearly all areas have importance with the exception of personal information, such as health and garnishment of wages. When asked to indicate their willingness to provide this information to prospective employers, the responses varied considerably, depending on the type of information requested. Respondents were quite willing to disclose payroll information, moderately willing to disclose organizational exit information, and generally unwilling to divulge personal and job performance information. These results confirm our initial expectation that HR professionals are reluctant to disclose most types of information to prospective employers regardless of how important they judge the information to be to the selection process.

Our results have several implications for the HR practitioner. With regard to reference giving, we found a "guarded willingness" to reveal organizational exit information which may be based on a misperception that this type of information is immune to a defamation challenge. This is not true. A general comment such as "I would not rehire this person" could be interpreted to mean the employee was incompetent, dishonest or had done something wrong. As noted by Martin and Bartol (1987), "even



a vague statement that casts doubt on the reputation of an individual by inference can cause difficulty for an employer..." (p. 45).

Our study indicates few practitioners (6%) are providing health information to reference seekers. This is fortunate because divulging such information is prohibited under the provisions of the American's with Disabilities Act (ADA) of 1990. Under the law which becomes effective in 1992, firms will not be allowed to disclose health information about previous employees, even if the health of the employee was the reason for their separation with the firm. However, our study found a substantial percentage of HR Professionals (35%) respond to attendance questions. Responses to such questions may be a violation of ADA because a handicap may have been the cause of the attendance problem.

The results of our study also have implications for those seeking reference information. Our survey indicates firms are not willing to divulge substantial information about previous employees. In fact, the types of information that are considered vital to gather are seldom obtainable, such as those dealing with discipline problems, the ability to get along with others, and past performance levels. This indicates reference seekers must go to extra lengths to get the information they want.

Finally, our study indicates that because of the difficulty in gathering reference information, practitioners need to place greater reliance on other screening devices. Relying too heavily on references as a screening tool may result in personnel practices that do not adequately provide the human capital necessary to successfully operate the firm. Therefore the use of such selection devices as honesty tests, weighted application blanks, assessment centers, and behavior descriptive interviews may be forced to play larger roles in the hiring process.

## RECOMMENDATIONS

So what's an organization to do? The ball clearly lies in the court of the reference giver. By continuing to refuse to disclose information bearing on the qualifications of an applicant, an employer is minimizing its chances of becoming embroiled in legal entanglements. Yet, one must consider the ethical and practical consequences of this approach. The most serious consequence is that it forces prospective employers to make selection decisions based on incomplete or faulty information. As a result, they may hire individuals who are either incompetent, unreliable, dishonest or even dangerous! Such an outcome is surely not in the best

interests of either the business community or the American economy.

In our judgment, employers are being overly cautious in taking a "name, rank, and serial number" approach to reference giving. An employer should realize it can be legal to provide negative information about a current or former employee. The key is to present the information in the proper manner. In fact, in most states reference givers are protected under the legal doctrine of "qualified privilege" which provides immunity from suit for defamation to individuals who are performing for the public good (e.g., giving reference information). The privilege exists for statements made in good faith to persons having a legitimate interest in the matter (e.g., prospective employers). The protection of qualified privilege ends, however, if the recommendation is untruthful, is made with malice, or pertains to issues not covered by privilege such as personal information not related to employment.

Guidelines for giving reference information in a legally safe manner have been offered by several writers (e.g., Bell, Castagnera, & Young, 1984; Cascio, 1986; Martin & Bartol, 1987). A summary of these guidelines are:

- Become familiar with all applicable laws pertaining to defamation within your state.
- Appoint a "reference czar" to handle all requests for information.
- Obtain written consent from the employee prior to giving any information.
- Use a "call-back" procedure to verify the legitimacy of the caller's credentials. Is he or she an interested party with a need to know?
- Provide only the information requested.
- Be truthful.
- Report only fully documented and unrefutable facts.
- Avoid subjective statements.
- When giving negative information, specify the reasons or specific incidents which led you to that conclusion.

- Avoid giving your overall opinion or stating whether you would rehire the individual.

- Make a written record of all released information.

Finally, several techniques may be used by the reference seeker to facilitate the willingness of prior employers to provide information. Organizations can develop legal forms asking applicants to release previous employers from liability for providing a reference. These forms can be mailed to a reference provider prior to requesting information by phone. When requesting information, firms can ask narrow questions about the applicant's previous behaviors rather than asking general questions requiring an opinion. Of course, state laws vary dramatically and we suggest legal counsel be sought prior to implementing these policies.

In addition, it may be helpful to personally visit an applicant's previous job site to facilitate the exchange of information. If permission to personally interview a reference is refused, the organization is left with the option of hiring a private investigator to delve into an applicant's history. Although this is an expensive method of gathering information, it may be worth the cost if the applicant is applying for a job that requires fiduciary responsibilities.

In spite of these recommendations, firms may still be unwilling to provide information. Until the legal environment is perceived as being safer, organizations may continue to feel pressure to provide minimal information about previous employees to reduce their liability. If so, HR professionals will continue to adopt the attitude, "it is better to receive than to give".

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