MIE BACKGROUND SCREENING INDEX (BSI)

FINDINGS 2019

WE GIVE YOU THE FULL PICTURE
THERE IS NO DENYING THAT 2019 WAS A TOUGH YEAR FOR SOUTH AFRICA. SOBERING STATISTICS SHOW THAT FOR THE FULL YEAR, THE ECONOMY ONLY GREW 0.2%, WHICH WAS DOWN FROM GROWTH OF 0.8% IN 2018.

The strained economic climate has had significant knock-on effects, where 2019 saw many businesses spend much of the year focused on financial and risk mitigation strategies as a result – either to ensure stability or at least some continued growth success.

One area that has been severely impacted is the local job market, with an approximate 8% increase in large-scale retrenchment Section 189A referrals in 2018/19, as recorded by The Commission for Conciliation, Mediation and Arbitration (CCMA). And as we look forward, this outlook is expected to continue, at least in the short-term.

Beyond retrenchments, MIE also saw a number of companies face the process of restructuring and hiring budget freezes. While there remained companies that were unscathed from such realities, MIE noticed a trend that the overall process of hiring in 2019 was selective, affected by budget constraints, where only the ‘bare necessities’ in background screening checks was the reality.

As a direct result of this, MIE recorded a 9% decrease for overall y-o-y transaction volume of background screening checks. Despite this, however, our statistics do show that clients are incorporating a wider variety of background screening services critical to their hiring processes, including psychometric assessments and social media checks. We believe this indicates an increasing awareness of the potential reputational, legal and financial risks that exist if comprehensive commercial and candidate screening is not undertaken.

This ninth edition of our Background Screening Index (BSI) report provides our clients and the broader market with valuable insights into the background screening industry, highlighting 2019 trends and the related risks and challenges hiring businesses need to be aware of.

It remains evident that background screening services play a critical role in supporting businesses to make the right hiring decisions. We hope the insights enclosed in this report will support your hiring strategies, taking current and future risk into account, and towards your business growth aims and objectives, no matter the state of the economy.

Michelle Baron-Williamson
CEO of Managed Integrity Evaluation (MIE)
2019 YEAR IN REVIEW

VOLUMES OF CHECKS CONDUCTED, AND THEIR ASSOCIATED RISK, FOR THE TOP 10 REQUESTED CHECK CATEGORIES.

- **CRIMINAL**
  - Volume: 795,704
  - Risk: 9.28%

- **QUALIFICATION**
  - Volume: 542,317
  - Risk: 12.78%

- **CREDIT**
  - Volume: 339,380
  - Risk: 20.51%

- **IDENTITY**
  - Volume: 365,982
  - Risk: 5.88%

- **DRIVER’S LICENSE**
  - Volume: 46,150
  - Risk: 14.54%

- **COMPANY CHECKS**
  - Volume: 15,316
  - Risk: 2.89%

- **EMPLOYMENT HISTORY**
  - Volume: 39,730
  - Risk: 39.78%

- **FRAUD LISTING**
  - Volume: 70,516
  - Risk: 0.86%

- **INSURANCE REGULATION**
  - Volume: 39,030
  - Risk: 0.12%

- **DIRECTORSHIP INFORMATION**
  - Volume: 11,357
  - Risk: 0.079%
Steady demand overall for Commercial Screening services

Steady demand for overall Candidate Screening services

Criminal remains #1 most requested check

Qualification remains #1 most likely aspect to be misrepresented on a CV

Near 40% of Employment History checks conducted presented associated risk

Steady y-o-y growth of Fraud Listing and Insurance Regulation checks

Exponential growth in Social Media Screening checks - 183.47%
CANDIDATE SCREENING

QUALIFICATION

- Steady growth in y-o-y volume
- 12.78% of total volume in 2019 found to have associated risk

SECTORS WITH HIGH ASSOCIATED RISK %

- Real Estate: 42.51%
- Non-Profit Organisations: 20.41%
- Media: 18.61%
- Retail: 16.69%
- Transport & Logistics: 17.36%

QUALIFICATIONS BY ASSOCIATED RISK %

- Financial Sector Conduct Authority Approved Qualification
- National Qualifications Register
- Membership
- National Tertiary
- Tertiary Course
- Matric
- African
- International

CRIMINAL

- Remains the most requested check
- 9.28% of total volume in 2019 found to have associated risk

SECTORS WITH HIGH ASSOCIATED RISK %

- Heavy Industries (Including Mining, Manufacturing, Etc.): 15.5%
- Security: 12.97%
- Professional Services: 11.47%
- Real Estate: 11.31%
- Other Crimes
- White Collar Crimes
- Crimes Against the State
- Narcotics (Drugs/Liquor)
- Theft Offenses
- Violent Crimes

CRIMINAL RECORDS STATS

- Pending Criminal Record (%)
- Criminal Record (%)

Smart Voting Solutions
Access to a national footprint whereby candidates can have their fingerprints captured for Criminal Record Check purposes.

### 2018 VS 2019 COMPARISON:

- **Sharp increase in volume of fingerprint checks done** by 47.16%
- **21 743** more Fingerprint Zone checks carried out in 2019

### VOLUME OF REQUESTED FINGERPRINT ZONE APPLICATIONS: 2018 VS 2019

<table>
<thead>
<tr>
<th>Province</th>
<th>Total 2018</th>
<th>Total 2019</th>
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<tbody>
<tr>
<td>Gauteng</td>
<td>30 525</td>
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<tr>
<td>Western Cape</td>
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<td>Kwa-Zulu Natal</td>
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Gauteng is the largest province with requested checks: **30 525**

**TOP 3 PROVINCES FOR THESE VOLUMES IN 2019**

- Gauteng: 30 525
- Western Cape: 14 290
- Kwa-Zulu Natal: 7 520
Volume down by 6.13%

Potential associated risk grew y-o-y, to 20.51% in 2019

SECTORS WITH HIGH ASSOCIATED RISK %
- Pharmaceuticals & Healthcare: 29.09%
- Security: 25.37%
- Transport & Logistics: 25.26%
- Professional Services: 23.09%
- Media: 21.45%

Demand continues to grow throughout Africa
Asylum, Work Visas and Qualifications are the most frequently requested checks in the onboarding process

TOP FIVE COUNTRIES outside of SA – with the highest adoption and requests for background screening services for 2019:
- Zimbabwe
- Namibia
- Botswana
- Nigeria
- Kenya

30 African Countries
Exponential growth

Average risk score of all reports recorded for 2019

Employers are becoming more aware that Social Media (SM) Screening offers a reliable, comprehensive and objective means of assessing potential risk posed to them based on a candidate’s behavioural traits.

Social Media Screening checks are more frequently conducted on middle and higher management positions.

Demand expected to grow and become mainstream.

183.47% Exponential growth

27.29% Average risk score of all reports recorded for 2019

Employers are becoming more aware that Social Media (SM) Screening offers a reliable, comprehensive and objective means of assessing potential risk posed to them based on a candidate’s behavioural traits.

Social Media Screening checks are more frequently conducted on middle and higher management positions.

Demand expected to grow and become mainstream.

<table>
<thead>
<tr>
<th>1749 completed for 2019</th>
<th>VOLUME OF REQUESTED SM CHECKS 2018 VS 2019</th>
<th>RISK COMPARISON</th>
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<td>TOTAL IN 2018</td>
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BECAUSE A SINGLE BAD HIRE CAN BE COSTLY

FIT FOR TODAY - TALENT ACQUISITION SOLUTION

• Access to the finest assessment practices to identify the best candidates from the application pool
• Improve organisational performance by employing key talent focused on increasing individual performance
• Best practice talent acquisition processes to position your brand as an employer of choice

FIT FOR TOMORROW - TALENT DEVELOPMENT AND MOBILITY SOLUTION

• Supports to identify employees more likely to be successful leaders and managers
• Align talent to the right roles and organisational strategy
• Obtain a better understanding of what your current human capital is capable of

We believe that people assets are the key to success for any organisation! We partner with our clients to ensure they have the best talent to deliver on organisational objectives by utilising a range of scalable, best of class assessments, combined with our industry expertise.
A continued focus on technological advancements towards more innovative solutions and delivery platforms that will benefit the industry.

2020 AND BEYOND

The demand for background screening services remains as associated risks in making the wrong hiring decision become more obvious.

Further growth and demand for Social Media Screening checks as a key medium to truly understand the candidate.

A higher demand for comprehensive Psychometric and Competency-based Assessments in pre-employment screening – driven by the need to minimise the potential risk exposure associated with unethical, deviant or unwanted behaviour in a potential employee, prior to appointment.

Given the current hiring crunch and challenges around retaining key skills/talent we predict that more Employers will embrace Talent development solutions for succession planning - to identify, retain and invest in top performing employees.

The AARTO Demerit System implementation will drive demand for AARTO Demerit System vetting checks across various automotive businesses.

A continued focus on technological advancements towards more innovative solutions and delivery platforms that will benefit the industry.
In compliance with the Protection of Personal Information Act (POPI), MIE only conducts background verifications on consenting candidates. As a registered Credit Bureau, MIE is also compliant with the regulations as set out in the National Credit Act Amendment 19 of 2014 (NCAA), which came into effect in March 2015.