2023 LATAM Annual Trends Report

Hire Smarter. Onboard Faster.™

000000



A legal reminder

The information included in this report is not intended to create, and receipt of it does not constitute, an attorney-client relationship. Readers should not act upon this information without seeking professional counsel.

The material should not be construed as legal advice or a legal opinion on any specific facts or circumstances. The content is intended for general information purposes only, and you are urged to consult a lawyer concerning your own situation and any specific legal questions you may have.

Data Sources



First Advantage is a market leader in the background screening industry with exclusive access to millions of data points about how hiring decisions are made.



The First Advantage Annual Trends Survey provides client perspectives on screening programs and how they are evolving.

Data Sources

The Road to Transformation	4
About First Advantage	7
LATAM Customer Survey	ç
The Applicant Experience	- 12
LATAM Screening Trends	- 15
Mitigating the risks of a bad hire is critical	27
Reflection on coming times	29



The road to transformation

Championing a digital environment for talent attraction





Off on the tech path! Digital transformation as a driver for LATAM growth

Innovation is key for businesses to bring about digital transformation. Companies must constantly innovate by leveraging technology, improving infrastructure, acquiring talent, and using other resources to deliver cost-effective solutions. In other words, they need to reinvent their business models to accelerate digital transformation, while also improving customer experience.

According to the Harvard Business Review report, <u>Driving Adoption of</u> <u>Emerging Technologies in Latin America</u>, **90**% of executives across the region revealed that the adoption of emerging technologies, such as artificial intelligence (AI), is critical to an organization's future success.

Nevertheless, there are substantial barriers to full digitalization, including:

- 1. Shortage of talent as well as deficient skills
- 2. Lack of in-house expertise
- **3.** Difficulty of integrating innovative solutions within existing IT Infrastructures
- Lack of financial resources to invest in emerging technologies and training
- 5. Employees fear being replaced by new technologies
- 6. Lack of leadership vision and commitment

LATAM companies can adapt their strategies to address these challenges. They must become more attractive to get the best talent. They need to foster a tech-centric culture, offer remote working flexibility, and manage an adequate compensation structure, amongst other things.



Creating an engaging environment for talent acquisition

Latin America has a diverse and dynamic talent landscape. For global companies this is ideal for expanding operations in the region. Facing challenges associated with attracting the best talent requires an in-depth understanding of the attributes of the Latin American workforce; what works in one country may not necessarily work in another.

Recruiters have acknowledged a mindset shift from applicants who demand well-rounded and flexible work with competitive benefits, an important aspect to unleash the potential of the talent pool.

For HR and talent acquisition professionals, it is essential to understand the real needs of applicants. LinkedIn's 2023 Future of Recruiting report surveys over 20,000 members on a monthly basis about what they are looking for in a new job. The most significant finding was that 71% of recruiters believe flexible work arrangements are the #1 priority for applicants.

However, the same survey showed that applicants have various priorities when choosing employers:

- Compensation
- Work-life balance
- Flexible working arrangements
- Advancement

First Advantage MultiLatin

Skills development

Employers must consider options to align with what applicants are looking for today.

Survey Says



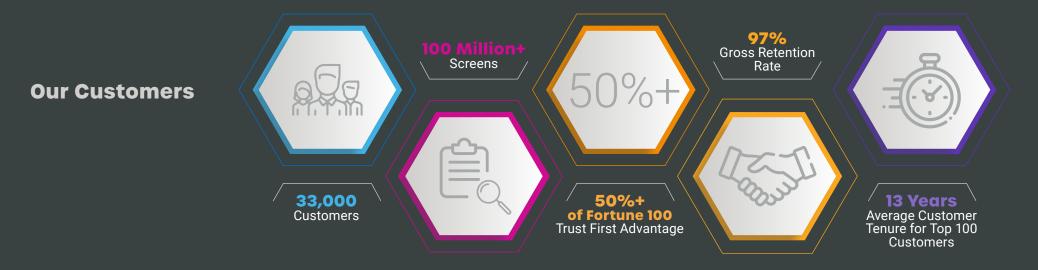
of the LATAM Trends survey respondents report they are now using better pay and benefits as a way to attract applicants.

About First Advantage

A leader in the global screening marketplace



Our Customers, Our Technology





First Advantage MultiLatin

LATAM Customer Survey



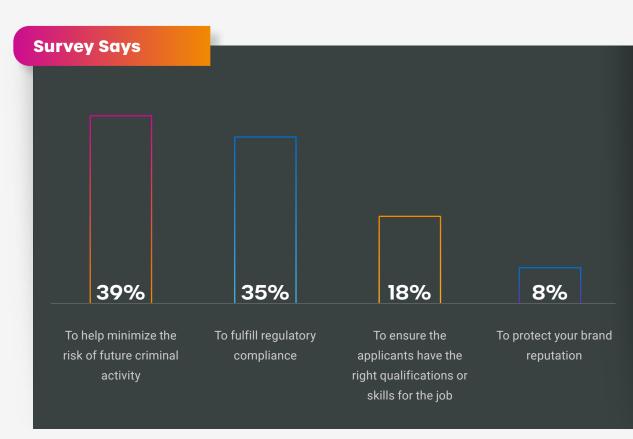


Why do our LATAM customers screen?

We carry out an annual survey of our LATAM based customers to discover what they prioritize when hiring talent. It is important for us to meet their needs regarding background screening solutions, in order to help them mitigate potential risks.

For the second consecutive year, 39% of our customers conducted background screening to help minimize the risk posed by applicants' criminal records. 35% of our customers recognize that they need help to fulfil regulatory compliance.

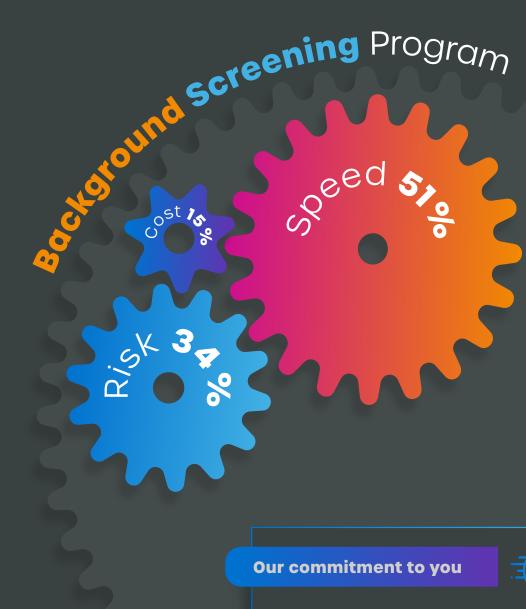
It is interesting to note that the protection of brand reputation ranked the lowest in the survey. There is a direct link between vetting potential talent and corporate reputation. For this reason, companies should be aware of the risk to their brand, as well as customer confidence and funding streams. Every effort should be made to mitigate risks to brand reputation.

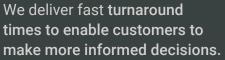


Regional screening priorities

Based on this year's results, **51**% of respondents in Latin America consider speed as the most important element when conducting a background screening program; followed by risk (**34**%), and cost (**15**%), respectively.

Different industries have different priorities, which are usually visible in their background screening programs. As you read through this document, consider why your organization performs background screening, and whether your screening selections reflect your operational needs and requirements. Use this report to compare your background screening priorities against those of other employers in your industry.





The Applicant Experience

As a result of the fast-moving labor market, companies should consider developing a comprehensive Applicant Experience (AX). This covers various stages of the hiring process, from the initial job posting to the interview and background screening, right through to the onboarding process. Positive AX has been shown to help companies to:

- 1. Attract Top Talent
- 2. Enhance corporate brand
- 3. Improve retention
- 4. Increase referrals

For AX to work well companies must:

- Provide clear instructions and due dates for completion
- · Comply with local data protection laws to process their data
- Incorporate leading-edge technology to streamline the process

Survey Says:

39%

of our trends survey respondents say Applicant Experience sets the tone for a good employment experience

while



say that Applicant Experience sets First Advantage apart from competitors

Applicant experience matters!

LinkedIn research shows:

80%

of applicants who experienced an unsatisfactory recruitment process revealed that they openly told people about it.

70%

improvement in the quality of new hires occurs when organizations invest in a strong applicant experience.

50%

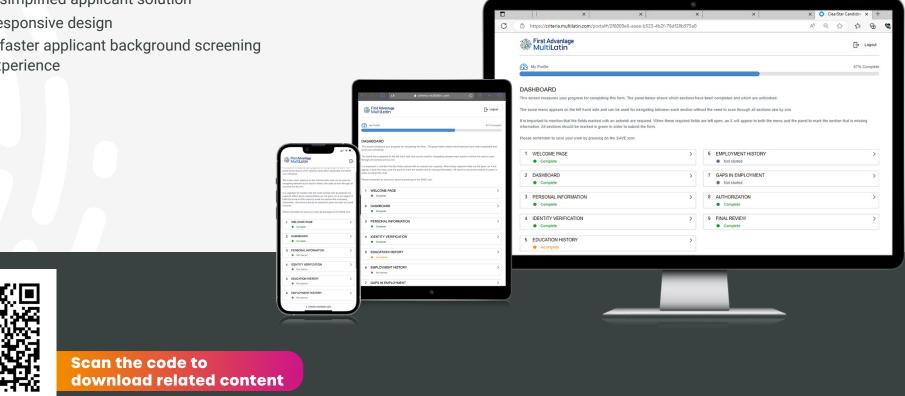
of applicants will not purchase goods or services from a company after a bad job application experience.

LATAM Screening Platform

Driven by our mission to deliver innovative solutions to Hire Smarter and Onboard Faster® we have improved our LATAM Regional Screening Platform, known as MultiLatin Mobile. It features:

- A simplified applicant solution
- Responsive design
- A faster applicant background screening experience

MultiLatin MOBILE



Click. Chat. Call

As part of our commitment to improve the Applicant Experience, we have introduced Click, Chat, and Call.



Click

At-your-fingertips support, with access to order status and Customer Care support



Chat

Comprehensive, real-time chat, the easiest way to connect with a live agent

}

Call

Speak to a real human being! The caller experience has been significantly enhanced with a next-gen telephony solution



Scan the code for more information



LATAM Screening Trends

Helping you hire smarter and onboard faster



Risks associated with remote working

In the aftermath of the COVID-19 pandemic, companies geared towards remote working policies as the demand for hybrid employment models increased. Latin America was no exception, and remote work numbers raced upwards.

Based on <u>ATLANTICO's report</u>, in which over 500 executives and employees in Latin America were interviewed, it is notable that most industries have increased levels of remote work. Before the pandemic (2020) the majority of workers (62%) worked remotely only 25% of their time. After the pandemic (2022), remote working has become the norm. Now, that majority has become a minority, dropping to just 19%. The trend is to work remotely and 36% do so on a permanent basis.

The industries where remote-working is highest include consulting, technology, education, marketing, and entertainment.

Even though remote working allows companies to offer a flexible proposal to domestic or overseas applicants, there are risks related to employment background discrepancies that worry HR/Talent Acquisition departments.

Conducting a background screen can help reveal a history of criminal records for applicants. It also helps to verify employment and academic experience, particularly in relation to the position to be filled.

Survey Says

31%

of trends survey respondents see an increase in the number of employees who have lived or worked in multiple countries, which then necessitates additional international background screening.

Did you know?

"Moonlighting" or working multiple jobs for different competitive employers, has become of recent concern for many companies who practice remote hiring.

This occurs when an employee is simultaneously on the payroll of two different competitive companies. This type of conduct is concerning if an employee is working simultaneously for a competitor company including but not limited to, risk to data security and productivity, a division in working hours, potential breaches of confidentiality obligations, as well as conflicts of interest. Conducting background screening can help you mitigate such potential risks.

Risks associated with hiring

Companies will always be accountable for either a good or a bad hire, no matter if for a remote worker or an on-site position. Their financial bottom line may be seriously impacted if they neglect to conduct background screens, for example, suffering increased turnover costs or wasting onboarding and training processes.

Conducting a background screen is an important component before onboarding a new employee. It gives information about the history of an applicant and provides insights into their character. The background screen helps uncover critical details that can make or break an offer to hire them. It serves as a way to get details that might not be available or disclosed during an interview.

Self-reflection and adaptation are key issues in the background screening industry today, and for the foreseeable future. In this report, we examined current trends along with key elements of a modern screening program. We encourage employers to optimize their screening program to efficiently and effectively mitigate risk, while at the same time supporting a streamlined "applicant-first" hiring culture.

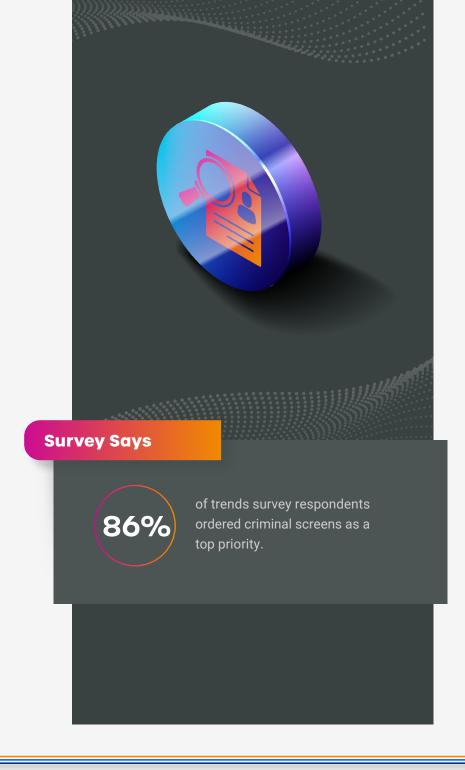
<section-header>Survey Says0051%of trends survey respondents
say they have not changed how
they screen applicants and have
o plans to change the processwhile00<

Risks associated with criminal records

Throughout Latin America and the Caribbean, companies understand the importance of conducting criminal screens. Not only does screening help customers hire the best talent from a vast pool of unknown job applicants, but it can also help understand employee-related physical, financial, reputational, legal, and compliance risks. Based on our 2022 search results, our team found a name match for one in three hundred applicants with a relevant criminal process.

The details of an applicant's criminal record help you make an informed decision regarding any potential risks associated with hiring such a person.

Each client manages applicants with criminal records in their own way. We are here to help you navigate local laws and regulations and to help direct you to answers to your compliance questions.

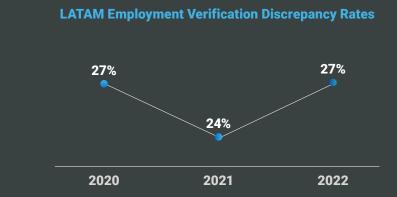


Employment and Academic discrepancy rates

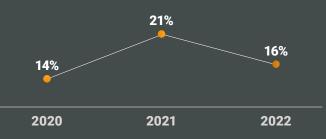
Companies generally want to make certain that the employment and academic histories of applicants are aligned with the position they are being hired for. According to our Annual Trends Survey, clients prioritize Academic (19%) and Employment (18%) verifications when screening their job applicants.

The first chart shows the LATAM Employment Verification discrepancy rates, which increased by almost 13% from 2021 to 2022, while the Academic Verification discrepancy rates decreased by almost 24% during the same period.

In the following pages, we will address these situations and provide an overview by country and industry.



LATAM Academic Verification Discrepancy Rates



Survey Says



of trends survey respondents have found discrepancies in an applicant's documentation

while

89% ^{re} w

revealed that these discrepancies were employment and academic verifications.



Employment discrepancy rates in the largest markets

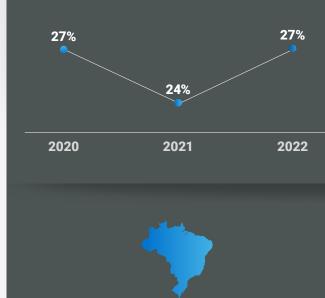
When analyzing our largest markets, the employment discrepancy rate in Mexico increased by almost 13%, in Colombia by 6%, and in Brazil by 5%.

Employment discrepancy rates relate to potential mistakes or errors of employment dates or unreported jobs. Some applicants may not report previous jobs unrelated to their field believing that they will not add value to their current job search.

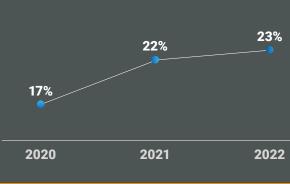
For example, in one case we identified reference letters written by an applicant's acquaintance in the HR department, who appears to have impersonated management.



MEXICO Employment Verification Discrepancy Rates



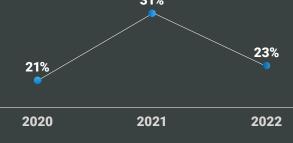
BRAZIL Employment Verification Discrepancy Rates





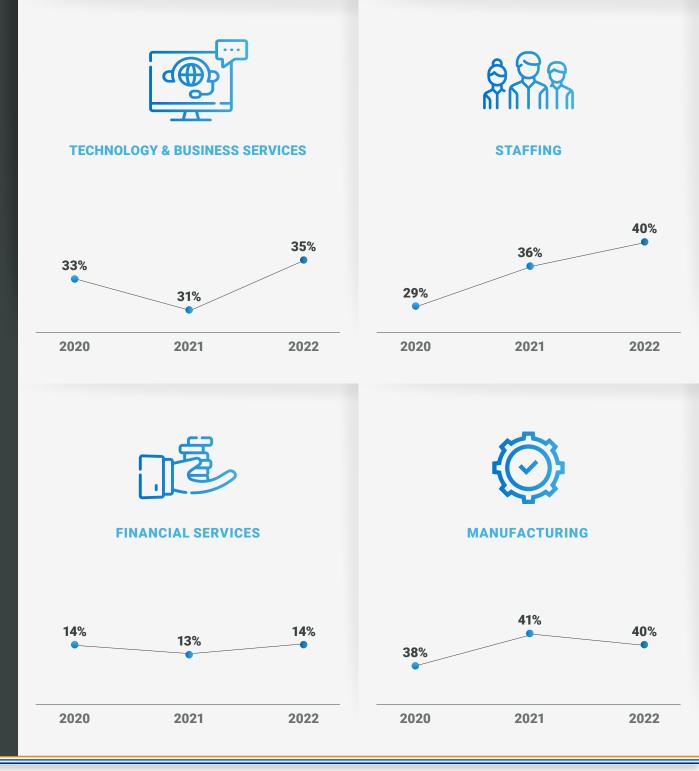
COLOMBIA Employment Verification Discrepancy Rates





Discrepancy rates per industry

In the Technology & Business Services industry, employment discrepancies increased by 13% from 2021 to 2022. During the same period, Staffing rose by 11% and Financial Services by 8%. Meanwhile, the discrepancy rate in Manufacturing dropped by 2%.

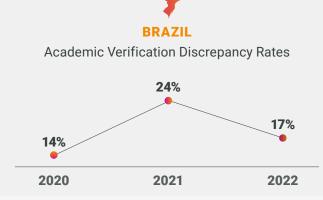




Academic discrepancy rates in the largest markets

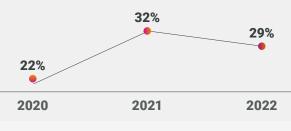
In Mexico, the discrepancy rate reported in academic verifications decreased by 20% from 2021 to 2022, which may be attributed to applicants providing more accurate information, including university documentation, dates, etc. Similarly, in Brazil and Argentina, the discrepancy rates decreased by 29% and 9%, respectively.





ARGENTINA

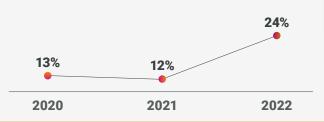
Academic Verification Discrepancy Rates





COLOMBIA

Academic Verification Discrepancy Rates



In the case of Colombia, discrepancy rates doubled from 2021 to 2022. Our skilled team has detected false school certificates, impersonation of professionals, and inaccurate information of all types provided by the applicant.

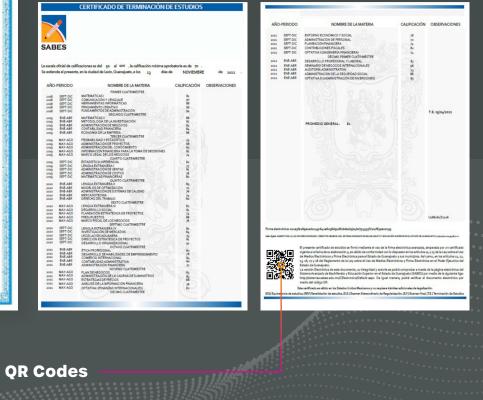
Academic Verification discrepancy rates

Simplifying the process

We leverage QR Code technology to accurately verify a candidate's academic history, instantly.

ER ARE **UNIVERSIDAD AUTÓNOMA DEL** ESTADO DE MORELOS OTORGA A: EL TÍTULO DE LICENCIATURA EN CIENCIAS POLÍTICAS En virtud de que realizó los estudios requeridos y aprobó por una dad ha evaluación efectuado el dío 14 de iunio del año 2022. on la normativiskal vigome y segito constancios existentes en esto Universidad. Otorgado en la ciudad de Cuernavaco, Morelos, el día 15 de junio del'aña 2022. Per una humanidad culta Una universidad de excelencia UA EM SECRETARIA GENERAL RECTORIA 2017-2023

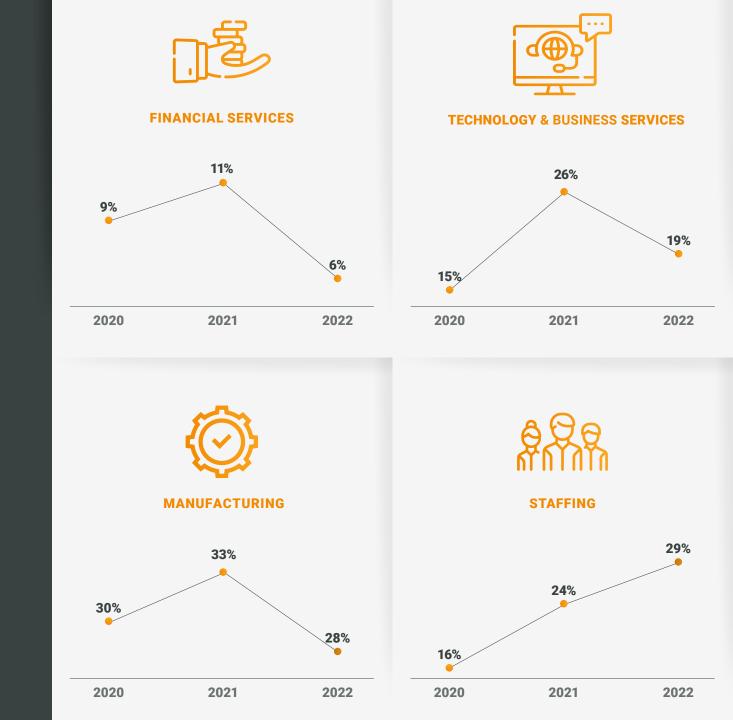
Official documents sample





Discrepancy rates per industry

Discrepancies in the Financial Services sector dropped 45% from 2021 to 2022. Similarly, Technology & Business Services decreased by almost 27% and Manufacturing by 15%. However, the discrepancy rate in Staffing increased by 21%.



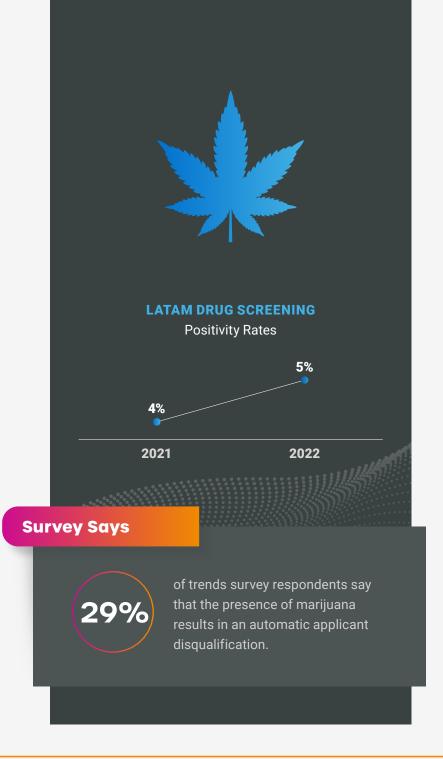
Drug Screening positivity rates

Employers with a vested interest in promoting workplace safety are encouraged to continue testing for marijuana and to consult with their legal advisors on specific screening restrictions and guidelines.

The legalization of marijuana in Latin America has created several possible legal scenarios, and many legislative systems across the region are still strict on some matters. For instance, in Brazil, Panama, Costa Rica, Argentina, Chile, Ecuador, Panama, Paraguay, and Peru, consumption for medicinal use is authorized.

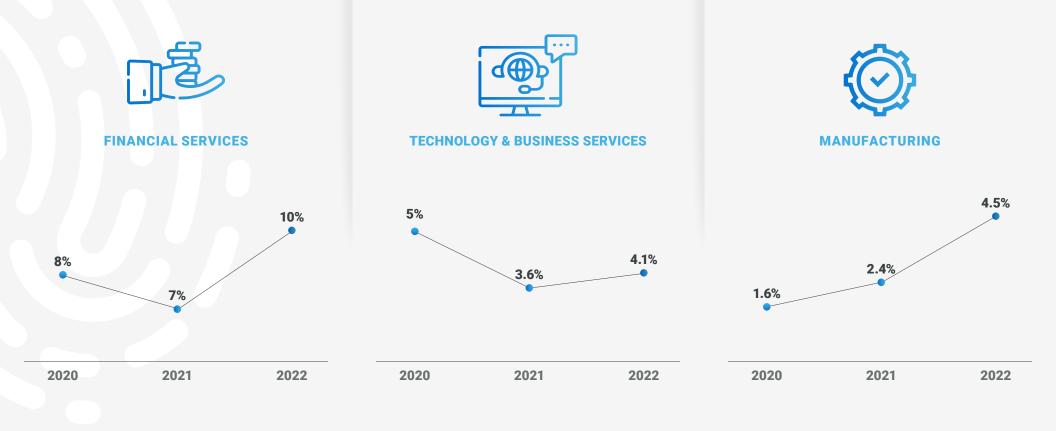
However, recreational use for adults is only permitted in Uruguay, Jamaica, and Mexico.

We conduct multiple employment drug screening on job applicants, and it is no surprise that marijuana was the most commonly detected drug. From 2021 to 2022, the regional positivity rate increased by 25%.



Positivity rates per industry

A sharp increase was seen in the Financial Services industry, which tracked upwards by 42% from 2021 to 2022. In the Technology & Business Services the trend increased by 12%. In Manufacturing, the increase was almost 67%. A possible reason to explain such increases is higher consumption of marijuana. Therefore, regular drug screening is essential. Applicants who consume drugs regularly put colleagues and businesses at risk, particularly in Manufacturing where work-related accidents can cause big problems, and the risk to corporate reputation is very high, whichever the industry.



Mitigating the risks of a bad hire is critical

First Advantage's experience in identifying and reporting discrepancies and inconsistencies in applicants' documentation is bar none. We operate at a level of expertise that reflects deep knowledge of local markets and industries, as well as navigating searches in countries in Spanish, Portuguese, and English. Our team of analysts are highly trained, and sensibility is part of the requirement. Being sensitive to every situation is vital, discrimination is not permitted. The core principles of diversity, equity and inclusion are part of First Advantage's DNA, and we are proud of our ability to work with clients to provide a thorough verification of candidates' data with respect, sensibility, speed, and efficiency.

Our role is to inform you of potential risks associated with hiring so you can Hire Smarter and Onboard Faster®.

Survey Says



of trends survey respondents mentioned that 10-20% of applicants were turned away because of information returned in the background screen

First Advantage MultiLatin

CONTRAC

A potential risk averted: the truth behind a name

Imagine interviewing someone who appears to be fully qualified for a position you are offering. Imagine this same person who proudly claims excellent academic qualifications and work experience. You check the academic title; it is signed and stamped. Of course, you offer the job to the applicant. But, without background screening, you may never discover that this person has taken the qualifications from someone else who happens to have the same name.

In Mexico, the occurrence of people with identical names is more common than you think. Even though more and more people have a CURP (the Mexican population registry number) and an RFC (tax ID number), many people are unregistered. As a result, it is still easy to use someone else's achievements to obtain employment. On one occasion, an applicant for a global technology company who presented academic documents in his apparently correct name. Until we conducted a thorough screening, we discovered he was using another person's academic qualifications as if they were his. He had even gone to the extent of obtaining a university seal in the original.

When screening takes place, each applicant provides personal information and it has to be verified, particularly regarding academic qualifications as well as work experience. In addition, criminal records are revised, and drug testing is carried out. Once the person is fully verified, only then should you offer the applicant a position in your company.



Our recommendation

is to establish trust, but always verify first. Keep an eye on your applicant's academic background. Conducting screening on the individual(s) you are considering for a position is the only way to confirm they hold the proper qualifications and skills.

Inefficient hiring can put your corporate reputation at risk.

Reflection on coming times





Nearshoring promotes growth in LATAM

Nearshoring has become very important for the region, particularly Mexico, Colombia, Chile, Argentina, Costa Rica, and Brazil, where the benefits will be felt more in 2024 and 2025 than this current year. The Mexican government estimates a nearshoring potential of US\$40bn for 2024, as firms relocate their supply chains closer to main markets, mainly in the US. It is a gradual process, investment is considerable and public infrastructure has to be taken into consideration. More importantly, Mexico has to tackle crime and strengthen the rule of law to attract more nearshoring investment. Business growth in 2024 in Latin America will be led by digitally driven sectors, such as business services & technology, manufacturing, media, life sciences, and healthcare.

Infrastructure, construction and energy are also areas of opportunities for the region.

There is a vast talent pool in LATAM, a region that is home to roughly a million IT experts, mostly situated in Brazil, Mexico, Argentina and Colombia. The nearshoring market is poised to grow at a compound annual growth rate of 10.3% from 2021 to 2025. Nearshoring could boost global exports from Latin America and the Caribbean by \$78 billion. The consolidation of nearshoring is expected to yield significant benefits across the region, including economic recovery and a slowdown in inflation. Investments worth between \$30 billion and \$50 billion will flow into the region where previously they would have gone to Asia.

For anyone wanting to capitalize on the expected investment in the region, we can provide background screening for top talent. Today, there are many more potential applicants with the education and experience required to fill jobs. Our innovative solutions are in place to avoid potential risks and our aim is to help you Hire Smarter and Onboard Faster®.

At First Advantage we believe that advances in technology centered on digital transformation are part of the solution and we are able to support your company's business growth and strategy integration with Applicant Tracking Systems (ATS).

Looking ahead

- Given the trends that we see for the future of talent acquisition in LATAM, employers should consider balancing speed, risk, and cost in the design of their background screening processes.
- Incorporate technology into your hiring and background screening process to deliver an efficient Applicant Experience as it continues to become a relevant factor for employer brand protection.
- As employment discrepancies increase, always conduct background screening to confirm your applicants have the right qualifications and skills.
- Continue fostering a drug-free work environment and protect your corporate brand by conducting drug screening on your applicants. Also, always work with your legal advisors to understand current and local regulations.

irst Advantage

1ultiLatin`



Hire Smarter. Onboard Faster.™

Thank You

For more information, contact First Advantage - MultiLatin, today:

Call: +52 55 5511 3237 Email: <u>latam@fadv.com</u> Visit: <u>fadv.com/latam</u>

For Customer Care Support, locate your toll-free number in the list below :

Argentina	+54 810 112 7413
Chile	+56 800 719 934
Colombia	+57 800 093 0231
Peru	+51 800 71 511
Mexico	+52 800 323 0220
Brazil	+55 11 2394 7215