Poor Credit Rating and Job Hunting - Updated: July, 2014

Over the past several years, millions of Americans have found themselves standing in the unemployment line at one time or another. Many companies have outsourced jobs overseas. The common myth that most of these positions are manufacturing jobs is no longer true. Many of the positions that are now being outsourced are high paying, white collar positions. This in combination with a downturn in the US economy makes finding a new job difficult.

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While the most recent government numbers show that unemployment has dropped to just more than 6%, that number is deceiving. Government unemployment numbers are intentionally skewed to make them look lower than they actually are. Anyone who has become so discouraged that they have dropped out of the job market is excluded from the number. And those that are underemployedâ€¦ meaning that they may be well educated but working in a menial job, or force to take a part time job when they really want full time employmentâ€¦ is considered employed.

The only number that is really meaningful is something called the U6 number. The June, 2014 U6 number was 12.1%. That means that there are still millions of Americans seeking a real job.

When the market fell apart in 2008, many companies faced huge losses, sending their stock prices plummeting and leaving their shareholders with, in many cases, no savings to fall back on. What better set of circumstances for consumers to get overextended financially?

Unfortunately being overextended and, perhaps, behind in paying your credit obligations could make it nearly impossible for you to find that next dream job.

For many years, large corporations checked the credit records of people they were considering for employment. Originally, companies conducted background checks inclusive of credit records for sensitive jobs â€“ in many cases these were positions that dealt with the companyâ€™s finances. Over the years, these policies changed to include more and more employees. But the pendulum is swinging back to where it used to be; checking credit only for sensitive jobs. At least that is the case in a majority of corporations.

The reason for this change is largely due to changes in both state and federal laws.

Ten states have now enacted laws that limit or prohibit employers from running credit checks on most of their employees. Additionally, the federal government has begun to more closely scrutinize corporations that use credit checks for employment. The Department of Justice has warned that basing employment decisions on credit may impact low income and minority applicants disproportionately and could subject employers to discrimination lawsuits.

Even so, companies have a legitimate need to know whether employees who handle company money or could be hired into a position where they could embezzle from their employer, have financial problems. They also need to know if they have criminal backgrounds. The reasons for this are many but they boil down to a few very simple things.

First, just by announcing it will conduct a background check, companies discourage people from applying for jobs that they are not qualified for. They also discourage those who have criminal records from applying (these account for nearly 10% of the people looking for positions). This saves both the company and the hiring manager time and, in the long run, money.

Secondly, people lie on their resumes and companies know this. In fact, as many as 30% of all resumes contain lies that are material to the job being applied for.

Just because you havenâ€™t lied on your resume, and you are not a criminal, doesnâ€™t mean that you are out of the woods if your credit is bad.

When employers look at your credit, they can get a lot of information about what kind of a person you are. About your character. Do you pay your bills on time? If the answer is â€œyesâ€• then one can surmise that you take your obligations seriously. Have you had your wages garnished to pay taxes, child support, or for some other reason? If the answer to any of these is â€œyesâ€• then your prospective employer may come to a very different conclusion about you.

The fact is that employers donâ€™t want employees that have credit problems for a variety of reasons. If you are focused on your financial problems at work, then you are probably not focused on the work you were hired to do. You may also be tempted to steal.

If you think that you are the only one worried about having your wages garnished, you are incorrect. Employers donâ€™t like this either. It means that they have to establish special procedures to pay you, which takes time and costs money. And if the employer messes up a garnishment, then the employer could be liable. Legal issues are not something that employers like.

And if you are the subject of active collections, you may have a real problem finding a job. Employers hate having collection agencies call their offices. They find it even less attractive when process servers or sheriffs show up at their door to serve legal papers.

The bottom line of this is that if you have poor credit and are looking for a new job, you could be in trouble. In certain jobs, getting into financial trouble can even be the cause of you joining the unemployment rolls. For instance, the armed forces will discharge people who canâ€™t pay their bills. Likewise, getting or keeping a security clearance for either civilian or military work, is next to impossible if you have credit problems.

You need to know your rights. Employers can only pull your credit report if you authorize them to (if you don't furnish this authorization however, it will probably be an immediate red flag to the employer and you will most likely be eliminated from consideration). If you are turned down for a position because of your credit report, the employer needs to notify you of this and you are entitled to a free copy of your credit report as a result.

If you are in this position, there are things that you can and should start doing.

First of all, donâ€™t ignore your payment obligations or collectors.

Secondly, get on a budget and stick to it. This means you may have to give up that next vacation or that new TV. In the long run, you will be much better off. When you prepare your budget, list out all of your expenses and then eliminate the ones you really donâ€™t need. For instance, you have to pay your rent. On the other hand, having 200 channels of cable TV is probably something that you can do without.

And if you think that little reductions in cost donâ€™t matter, think again. If you are able to save just $3 per day, over a 35 year period at 5% interest, you can save over $100,000. Thatâ€™s about half the cost of a pack of cigarettes.

Initially, take the money you save and pay your bills. Then start socking that money away. Eventually, youâ€™ll be able to take that vacation, purchase that TV and not have to worry about paying your bills. Youâ€™ll also make yourself a lot more attractive to potential employers.

You may also want to consider pulling a copy of your credit report prior to applying for a position. This will let you know if there are any problems and may give you time to correct them.

Third, if you authorize an employer to pull your credit report, you may want to explain to them why you had financial problem. Sometimes there are extenuating situations, like unforeseen medical bills. And with the Great Recession, just know that you are not alone. Millions of other Americans are facing the same issues. That fact alone has forced many employers to rethink their hiring practices. It's best to explain credit issues to the prospective employer and share what you are doing to correct the situation. Employers appreciate honest people.
byJim Malmberg
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