✕ CROSSCHQ

FLASH Q REPORT

Candidate Fraud is on the Rise and That's Not Good for Quality of Hire

CANDIDATE FRAUD FOR REFERENCE CHECKS HAS GONE UP 3.8X SINCE 2021

In our latest **Q (Quality of Hire) Report,** **The Crosschq Data Labs team** focused on connecting hiring data with business outcomes to drive actionable **Hiring Intelligence** for salaried/knowledge workers. Since that report was published, **our data team recently uncovered some alarming findings** that could not wait until the release of the next bi-annual Q Report because it has major implications on Quality of Hire.

> *Quality of Hire is the value a new employee contributes to your company over a period of time.*

More candidates are committing fraud during the application process than ever. In fact, **after analyzing 200,000 data points between January 2021 and May 2023, the** **The Crosschq Data Labs team** **found that candidates are almost 4x more likely to intentionally misrepresent themselves** during the reference checking process than they were in early 2021. Whether their intentions are actually nefarious or - more likely - a result of a need to cover up experience or skill gaps, fraud instances have skyrocketed in the last few years.

Unfortunately, there will always be people who try to beat the system. And although remote and hybrid work comes with many benefits, one serious downside is the increased risk of candidates engaging in fraudulent activity when applying for open jobs.

The Crosschq Data Labs team found that candidate fraud in the reference checking process is even more rampant in high volume hiring sectors. Crosschq data shows that **some companies are experiencing fraud rates exceeding 7%.** When you consider the fact that school systems, healthcare systems and financial institutions are among the data set, this degree of fraud becomes sobering. It only takes one bad actor for the gravity of the problem to touch lives.

While Talent Acquisition and HR teams do their best to spot fraud, sometimes candidates do find their way into organizations. By using advanced IP address and device detection, **The Crosschq Data Labs team** uncovered the data to show that on average, **candidates who were flagged as having committed fraud in the reference process will have a 27% lower Quality of Hire.** This low score oftentimes has a much greater negative impact on important HR measures, like culture, hiring costs, complexity of offboarding, and, ultimately, business impact. One highly effective way of detecting fraud and preventing bad hires is instituting rigid reference checking.

What people are saying

We're not the only ones seeing fraud cases on the rise. **That's why Crosschq has turned to some of the top talent experts** to get their take on the situation. We asked them why they think this is happening and what hiring teams can do to mitigate risk.

"A few things come to mind about why fraud is on the rise: (1) desperate times call for desperate measures, meaning **candidates are MORE desperate now***, (2) we've pulled back on screening and skills testing, and we're waking up to the tricks that candidates play all the time, meaning we're becoming more aware of fraud, (3) we're hiring less so our scrutiny is more intense, meaning in an upmarket, we're moving so fast,* **we probably don't detect fraud until it is too late, etc.**

To mitigate risk, trust, but verify—heavy emphasis on verification. We need to speed up our hiring process (because candidates demand it) whilst increasing the Quality of Hire. In doing so, **we need technology that enables both speed and quality.** *We won't ever make risk zero, but we can squeeze fraud out of the process with deeper background checks, live skills testing, and more employee referrals."*

William Tincup
President and Editor-at-Large of Recruiting Daily

"I'm not surprised to see candidate fraud rise with the excessive amount of remote work that has taken place. The reality is, only some people are more productive working remotely. Organizations are now catching up on this and people are losing their jobs. Combine this with those who work remote and weren't performing well, probably had fewer work relationships who could back up their "positive" performance, so you make up your own references and create fraud.

We've seen candidate fraud for a while in technology roles and it was only a matter of time until other functions learned the tricks of the trade. **Checking for candidate fraud is something most organizations really haven't planned for, but that is all about to change."**

Tim Sackett
President of HRU Technical Resources

"The realities of the labor market and remote work have increased candidate fraud. It's a challenge for many industries and organizations today and places additional stress on TA and hiring teams. Candidate fraud is one of the reasons that we are seeing a renewed focus in solutions that measure quality of hire. For the first time in two years, quality of hire is the number one driver in technology investments over efficiency for 70% of companies. While efficiency is still critical for companies looking to improve time to fill and recruiter productivity, quality will be critical over the next few years."

Madeline Laurano,
Founder at Aptitude Research