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Your Guide to Creating an Effective Employee Referral Program

Whitepaper

Recruiting can take a lot of time and effort, but one way to save hiring resources and improve the quality of your new hires is to implement an employee referral program. Employee referral programs produce candidates who perform better and stay with companies longer. In fact, according to a survey, **74% of employers said candidates sourced from employee referrals were highly qualified for the role.**

What Is an Employee Referral Program?

An employee referral program is a program through which employees can refer the people in their networks, such as friends or family, for open positions in their organization. Referrals are so valuable to companies that many employers include some kind of incentive to motivate employees to refer more and more people.

Employee referral programs can do wonders for a business looking to expand without putting more burden on recruiters and hiring managers. In fact, surveys found that **66%** of companies use referral programs to find applicants. Referrals were also cited as the **third most popular way to fill open roles** after online job sites and company career websites.

What Is the Purpose of an Employee Referral Program?

1. **Expand the candidate pool** - Since referrals come prescreened by the referer, they tend to be higher quality applicants. Additionally, since the candidate has already been informed about the job and company, they can apply with confidence and will have genuine interest.

2. **Find qualified applicants in less time** - If you don't already have many suitable candidates for a position, it can take weeks or even multiple months to find and hire them through job sites.

3. **Decrease recruitment costs** - Employee referral programs help you save money you might have spent on advertisements, agency fees, or recruiter commissions. While saving you money, employee referrals also produce the highest ROI of any sourcing method.
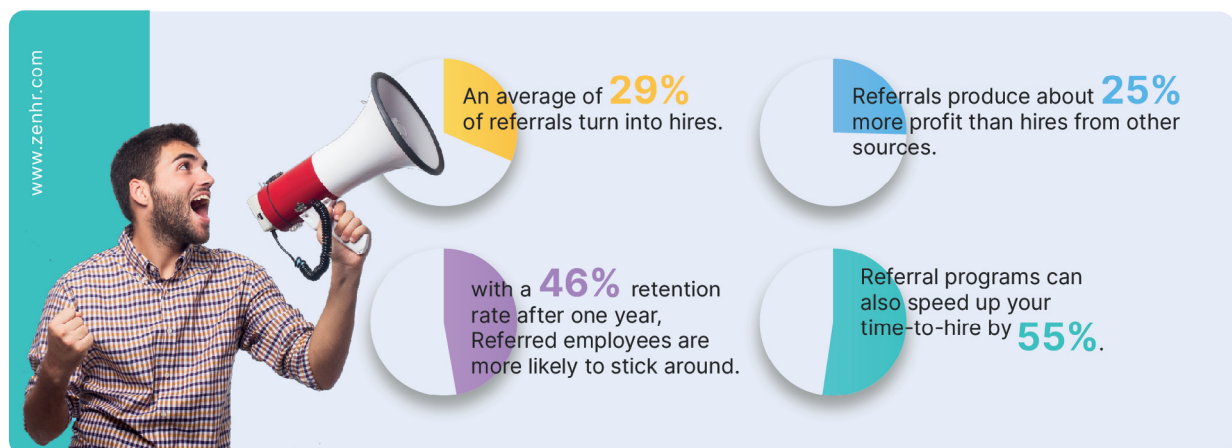
4. **Lower turnover rates due to:**
   - Employees referring people they already know and trust.
   - Candidates who already know what to expect with the position and company and have an idea that you're probably a good fit for them.
   - Employees working alongside people they already know, making a comfortable and fun work environment for them.

Benefits of an Employee Referral Program

A huge advantage of referrals is that they already know and appreciate your culture because they've heard about it from a trusted source. It's one thing for a recruiter to tell candidates how incredible it is to work somewhere, but it's even more meaningful when that message comes from someone who is referring a candidate.

Here are a few more ways an employee referral program can benefit your organization:

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An average of **29%** of referrals turn into hires.

Referrals produce about **25%** more profit than hires from other sources.

with a **46%** retention rate after one year, Referred employees are more likely to stick around.

Referral programs can also speed up your time-to-hire by **55%**.

How to Create an Employee Referral Program

That being said, how do you build a referral program that does all of those things? Here are a few ways to create quality employee referral programs that work:

1. Explain Job Requirements

Employees won't instantly know what their companies are looking for in candidates. They might have an idea of what culture fit means, but specific job requirements may be less clear, especially if employees are asked to refer people who work in different departments and job functions.

Include links to job descriptions when sending emails asking for referrals. It can also be a good idea to highlight certain things you're looking for and even not looking for.

2. Keep Employees Updated

Employees who refer candidates expect to receive updates on the recruitment process. Not hearing back from recruiters can make employees reluctant to refer again, a mistake that undermines your employee referral program.

Communicate when possible. Let employees know what's happening at every stage of the process. When a referred candidate isn't selected for an interview, send referrers an update. Encourage them to keep looking for great people. That way, employees won't feel underappreciated.

3. Offer a Mix of Monetary and Non-monetary Incentives

A financial bonus is a popular incentive, but it's not the only way to reward referrers. For instance, you can thank employees with experiences or gifts such as trips, vouchers, or even time off. Some of these incentives, like time off and gift vouchers, are less expensive than cash awards.

If you do use money as an incentive, opt for a tiered system. Give higher rewards for harder-to-fill positions. Offer a flat amount for each referral that gets hired or stays at your company for at least six months.

4. Enhance User Experience in Your Job Application Process

A user-friendly application process is essential to getting candidates to apply for a job, and the same applies to referrals. Your referral process shouldn't be lengthy, complicated, or require lots of clicks. Otherwise, you risk driving referrers away.

To keep this process simple, you should use an online employee referral tool, create a simple online form, use a CV drop box, and create an email template that employees can easily use to refer qualified candidates.

5. Choose the Right Software
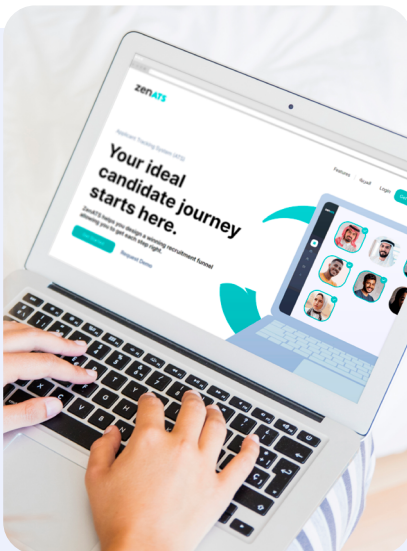
Referrals falling through the cracks of the hiring process can kill employees' motivation to continue referring. Automating referral submissions, tracking referrals throughout the hiring process, and communicating their status back to the referrers are vital to a successful employee referral program.

Utilize an applicant tracking system, like ZenATS, to avoid manually moving referrals into the hiring funnel. Choose software that allows you to see where referrals are in the hiring process and that is easy to share job postings on social media, send an email, directly submit a cv, and more.

6. Evaluate and Adjust

Nobody gets an employee referral program perfect the first time. As time passes, situations change, and evolving the program keeps things fresh and working well. Which details may necessitate a refresh? You may want to make adjustments anytime something doesn't work or when you receive an unanticipated outcome.

You should also make adjustments when there are changes, such as specific roles that need to be filled, the working environment, such as from in-office to remote, budget, etc.

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