The Impact of Successful Employee Referral Programs
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Executive Summary

At the same time, workers are staying in positions for shorter periods of time. By capitalizing on employee networks, companies can start addressing the need for increased hiring in today’s new era of talent acquisition.

The following report presents employer and job seeker attitudes towards employee referrals and their impact at an organization.

On average, 24% of new hires originate from a referral, but some companies see rates at nearly 40%.

85% of employers expect their companies’ hiring to increase or stay the same.

Nearly two-thirds of employers currently have a documented referral process in place.

The majority of employers find that referred employees outperform other employees on most aspects of overall company fit, which is highly valued by employers when evaluating applicants.

Overall, referred employees are more satisfied with their current job over the job they had previously in which they were not referred.

As referred employees work longer at a company (more than five years) their satisfaction with how they fit within the company’s culture and their ability to fulfill job requirements tends to increase.

Referred employees also tend to refer others. Almost two-thirds of referred employees have referred at least one person to an open position at their current company.

Current employees value a referral program that proactively encourages referrals and is quick and simple to use. Best-in-breed talent acquisition software empowers employees to refer candidates in their social networks with features like automated social distribution. This distribution is not only easy and efficient, but ensures the company nurtures its recruitment networks on an ongoing basis.
Key Findings
HR Professionals Weigh In
Companies cannot hire effectively without employee referrals. Employee referrals are the most significant source-of-hire for employers, bringing in top talent that increases quality-of-hire, instances of cultural fit, positive results, and decreases key metrics such as cost-per-hire, time-to-fill, and turnover.

Program Documentation Matters
Only two-thirds, or 63 percent, of employers currently have a documented referral process in place. Many companies are not doing what they can to take advantage of the benefits of employee referrals.

Referrals are a Valid Source-of-Hire and Incentives Drive Program Success
On average, 24 percent of employee hires originate from a referral. Larger companies with 1,000 employees or more tend to hire more referred employees (27%) compared to smaller companies (14%). Likely contributing to this trend is 69% of large companies having a documented referral process compared to 46% of smaller companies.

• While an appropriate incentive structure is not the most important referral program attribute overall, larger companies tend to place more importance on this compared to mid-size and smaller companies (less than 1,000 employees).

Culture Matters
Employers highly value cultural fit when evaluating job candidates. Seventy-six percent consider it a high or very high priority.

Referrals Outperform
The majority of employers find that referred employees outperform other employees on most aspects of company fit.
Key Findings
Referred Employees Weigh In

With a best-in-class employee referral program, it’s easy to engage current employees and leverage their networks. The results are real: Referred employees have higher job satisfaction, report better culture-fit, and feel more prepared to execute on their job duties.

Employee Network Engagement Improves Your Odds of Landing Top Talent

The majority of employees hired by referrals did not rely on any other job search resources to obtain their current position.

Employee Referrals Stay Longer and Perform Better

As referred employees work longer at a company (more than five years) their satisfaction with their fit within the company’s culture, their overall fit, and their ability to fulfill job requirements tends to increase.

Employee Referrals Benefit the Employer and the New Hire

Overall, referred employees are more satisfied with their current job over the job they had previously in which they were not referred. Referred employees value their ability to fulfill position requirements, salary and benefits, and overall fit within the company above other career factors.

When Referrals Are Active, Offers Are Extended

Sixty percent of employees have referred at least one person to an open position at their current company. When an employee refers someone, he or she is hired about two-thirds of the time.
Hiring Practices
Employee Referrals Are the Most Successful Source-of-Hire

Their Impact on the Hiring Process Cannot Be Ignored

Employee referrals are a successful source-of-hire.¹

32% of companies reported employee referral programs as their top source of quality hires - LinkedIn, 2016

The social distribution solutions offered by leading talent acquisition software providers create employee referral networks that recruiters can search and filter to quickly find candidates with the skills and experiences they’re looking for.

¹ Source: LinkedIn
How is Success Documented?

Figure 1.2 shows that 63 percent of employers currently follow a documented employee referral process.

Dedicated talent acquisition software makes documenting the success of employee referrals easy by tracking the top sources of hire and identifying which employees are producing the most effective referrals for your company.

In other words, nearly 40% of companies aren’t doing anything to fuel their best new-hire source.
Cultural Fit Drives the Success of Employee Referrals

Part of the reason employee referrals are ranked so successfully by employers is because they're effective at bringing talent that easily fits into a company's existing culture. Seventy-six percent of employers identified cultural fit as a high priority when screening job candidates, as shown in Figure 1.3.

Figure 1.4 demonstrates that high to very high prioritization of cultural fit held true regardless of company size.
88% of employers rate employee referrals above all other sources for quality of hires, according to research from CareerBuilder.

Strategically encouraging employee referrals can help companies reach their objectives by hiring employees who integrate faster, fit better, and stay longer than non-referred employees, as demonstrated by the results in Figure 1.5.

Figure 1.5: Employee Referrals Reign Supreme

- Referrals fit in better with our company culture: 16% Strongly agree, 50% Agree, 27% Neither agree nor disagree, 3% Disagree, 1% Strongly disagree
- Referrals are a better overall fit within the company: 14% Strongly agree, 46% Agree, 34% Neither agree nor disagree, 5% Disagree, 1% Strongly disagree
- Referrals stay longer with the company: 13% Strongly agree, 46% Agree, 35% Neither agree nor disagree, 5% Disagree, 1% Strongly disagree
- Referrals appear to be more satisfied with their job: 9% Strongly agree, 48% Agree, 41% Neither agree nor disagree, 1% Disagree, 1% Strongly disagree
- Referrals are a better fit for the requirements of their position: 10% Strongly agree, 39% Agree, 42% Neither agree nor disagree, 8% Disagree, 1% Strongly disagree
Employee Referrals Impact Companies of All Sizes

Larger companies tend to recruit more of their new hires from employee referrals (27 percent) than mid-sized (24 percent) or smaller companies (14 percent).

This is likely due to the fact that a higher number of large companies already maintain recruiting technology.
Referral Program Characteristics
What Makes a Great Employee Referral Program?

Employers Have the Opportunity to Optimize Their Programs

Figure 2.1 highlights extremely and very important response rates for several common employee referral program characteristics. Employers value an employee referral program that makes the process proactive, simple, and quick for employees.

As you look to build or reevaluate your own employee referral program, ensure that it will be a best-in-class program by incorporating the most valued characteristics.

Figure 2.1: Importance of Referral Program Characteristics

- Proactively encourage employee referrals: 73%
- An internal referral process that is quick and simple for employees: 73%
- Timely recruitment communication with the referral: 70%
- Educate employees on the positive impact of referrals: 62%
- An appropriate incentive structure for referring candidates: 61%
- Ability to track the referral throughout recruitment and application process: 54%
- Technology to support recruitment and hiring tracking for referred candidates: 53%
- Track performance of the referral program: 45%
- Give referrals preference in the recruitment process: 34%
- Set goals for the referral team: 32%
Current Employees Are a Company’s Best Hiring Tool

Candidates value current employees of a company when hunting for their next career move more than any other job search resource. Job seekers were asked their opinion on the importance of certain job search resources. Figure 2.2 highlights *very high to extremely high importance* responses.

As candidates search, having employees spread the word about open requisitions will ensure that top talent finds your company and applies to your roles.

Use social distribution solutions to allow employees to share job openings on their social profiles, like LinkedIn. These job postings will be published automatically at intervals determined by each employee.
Incentivizing Employee Referral Programs Increases Success

Just How Important Is Incentivizing Employee Referral Hires?

In Figure 2.3, larger companies likely have more resources to dedicate to incentivizing referrals and therefore consider it more important to the success of the program.

Figure 2.3:
Importance of an Appropriate Incentive Structure for Referring Candidates

<table>
<thead>
<tr>
<th>Employee Size</th>
<th>Extremely important</th>
<th>Very important</th>
<th>Moderately important</th>
<th>Slightly important</th>
<th>Not at all important</th>
</tr>
</thead>
<tbody>
<tr>
<td>99 or fewer employees</td>
<td>8%</td>
<td>38%</td>
<td>38%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>100 - 999 employees</td>
<td>12%</td>
<td>41%</td>
<td>28%</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>1,000 or more employees</td>
<td>36%</td>
<td>42%</td>
<td>17%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>
Where Do Companies Need to Improve to Ensure Employee Referral Program Success?

This graph presents where companies have the biggest opportunities to improve their employee referral programs and increase hiring success with employee referrals.

In Figure 2.4, program characteristics circled in red are what companies are not performing as well on despite these characteristics being identified as important to many employers.
Employee & Job Characteristics
Employee Referrals Stay Longer

Companies Will Not Need to Hire Certain Positions as Often

More than half of referred employees, 56 percent, have been in their current position for a substantial amount of time (more than 5 years).

Similarly, Figure 3.2 shows that 70 percent of referred employees are in the same position as the time of hiring. As a result, companies will not need to consider turnover from referred employees as much as for non-referred employees.
Referred Employees = Satisfied Employees

*Referred employees are most satisfied with the job characteristics they consider most important in a prospective career: fulfilling the job requirements and overall company fit.*

Figure 3.3:

<table>
<thead>
<tr>
<th>Feature</th>
<th>Very Satisfied</th>
<th>Somewhat Satisfied</th>
<th>Neither Satisfied nor Dissatisfied</th>
<th>Somewhat Dissatisfied</th>
<th>Very Dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>My ability to fulfill the requirements of the position</td>
<td>65%</td>
<td>26%</td>
<td>6%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>My overall fit within the company</td>
<td>50%</td>
<td>38%</td>
<td>6%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Office location</td>
<td>47%</td>
<td>40%</td>
<td>9%</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Fit with the company culture</td>
<td>45%</td>
<td>39%</td>
<td>10%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Salary and benefits</td>
<td>37%</td>
<td>40%</td>
<td>12%</td>
<td>8%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Referred Employee Satisfaction Increases Over Time

*As referred employees work at companies longer, satisfaction with their fit and ability to fulfill the requirements of the job increases.* For companies, this means that employee referrals can be considered stable, and that they would not have to consider turnover from referred employees as much as for non-referred employees, saving time and money. Figure 3.4 shows that overall fit within the company and the ability to fulfill the requirements of the position have the highest instance of positive change.

**Figure 3.4:**
Satisfaction with Job by Tenure

- **My overall fit within the company**
  - Less than one year: 76%
  - One to two years: 84%
  - Three to five years: 84%
  - Over five years: 92%

- **My fit with the company culture**
  - Less than one year: 74%
  - One to two years: 84%
  - Three to five years: 84%
  - Over five years: 86%

- **My ability to fulfill the requirements of the position**
  - Less than one year: 79%
  - One to two years: 90%
  - Three to five years: 89%
  - Over five years: 94%
Employees Enjoy Seeing the Success of Their Referrals

It’s Easy to Engage Employees and Encourage Referrals

*Sixty percent of employees have referred at least one employee* in the past and most have referred multiple people.

Among employees that referred one person, 66 percent of the employee referrals were hired, as shown in Figure 4.1.

Those who submit multiple referrals on average refer 17 candidates, eight of whom are hired.

Companies that work with leading talent acquisition providers can track their sources of referrals. Human Resources can therefore offer incentives to employees who make successful referrals, with rewards like PTO days and bonuses.
Longer Job Tenure Leads to Even More Successful Employee Referrals

The importance of networking and how candidates find new roles plays out in employee referral programs. Higher-level employees at the manager level or above have a higher chance of their referral being hired. Higher-level employees are also more likely to refer candidates. Overall, employee referrals are three to four times more likely to be hired, according to CareerXRoads Source of Hire Report 2014.

Figure 4.2:
Referee Job Level’s Impact on Employee Referral Hire-Rate

- **No**, my referral was not hired
- **I am not sure** if my referral was hired
- **Yes**, my referral was hired

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Hired</th>
<th>Not Hired</th>
<th>Unsure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry-level</td>
<td>35%</td>
<td>12%</td>
<td>53%</td>
</tr>
<tr>
<td>Non-manager</td>
<td>8%</td>
<td>83%</td>
<td>9%</td>
</tr>
<tr>
<td>Manager or senior manager</td>
<td>0%</td>
<td>17%</td>
<td>54%</td>
</tr>
<tr>
<td>Director and above</td>
<td>0%</td>
<td>9%</td>
<td>91%</td>
</tr>
</tbody>
</table>
Employee Referrals Are Better for the Company and the Candidate

Overall, referred employees are more satisfied with their current job over the job they had previously in which they were not referred.

Dedicated talent acquisition providers make pursuing and managing employee referrals easy, thanks to seamless automation, social distribution, and intuitive reporting. Figure 4.3 shows a comparison of satisfaction levels among important job characteristics.
Methodology

In partnership with Hanover Research, iCIMS sought to understand the impact employee referral programs have on employee satisfaction, and company and culture fit. These organizational elements were assessed from the perspective of HR professionals working to develop these programs and employees who have obtained employment through a referral.

Hanover Research analyzed data for 107 HR professionals and 401 employees and examined the following group differences among two surveys. The first survey, directed towards the HR professionals, examined differences among geographic regions\(^1\), industry segments, and company size. The second survey, targeted to employees, examined factors such as job tenure, likelihood of promoting their company, geographic regions\(^2\), industry segments, job level, and gender.

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About iCIMS

The disruptive force of technology has permanently changed the way people apply for jobs and how employers hire. The old tools and the status quo no longer work. Recognizing this, iCIMS provides the single talent acquisition platform that helps companies find, screen, and hire the right talent in today's new era of job seeking and recruiting.

iCIMS, a leading provider of innovative Software-as-a-Service (SaaS) talent acquisition solutions, is an Inc. 500 and Software Satisfaction honoree focused on helping businesses win the war for top talent through the implementation of easy-to-use, scalable solutions that are backed by award-winning customer service. iCIMS' Talent Acquisition Software Suite enables organizations to leverage mobile, social, and video technologies to manage their entire talent acquisition lifecycle from building talent pools, to recruiting, to onboarding all within a single web-based application. iCIMS is one of the largest and fastest-growing talent acquisition system providers with offices in North America, UK, and China.

Learn more at icims.com

About the iCIMS Hire Expectations Institute

iCIMS Hire Expectations Institute (HEI) provides hiring professionals and job seekers with a community for the latest recruitment tips, technology developments, career advice, and industry insights. Providing resources for both parties of talent acquisition, HEI strives to bridge the gap between employers and job seekers by helping job seekers with their professional development and career goals, while helping hiring professionals stay well-informed on the latest recruitment trends, job seeker and candidate behavior, and technology advancements. With a growing urgency to find the best talent and a growing amount of people and opportunities in the job market, HEI helps its readers navigate a dynamic landscape of rapidly changing requirements, behavior, and technology that has become the new era of recruiting and job-seeking today.

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