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## Reasons Why Employee Referrals Matter to Small to Mid-sized Businesses

**LinkedIn** Talent Solutions



## INTRODUCTION

One of the toughest challenges small to mid-sized businesses (SMBs) face is competition for quality talent. Eighty percent of companies say there is a skills shortage, and finding the best candidates is getting harder.

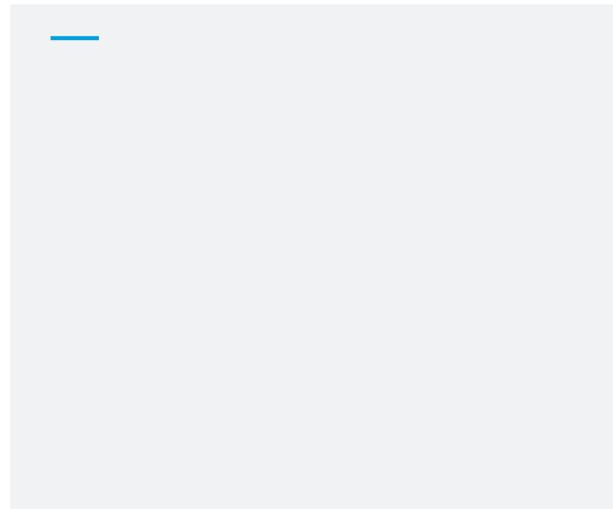
The good news is that when it comes to finding new employees, you have a hidden team of super recruiters just waiting to step in. They're your employees!

Employee referrals can help you find the right candidates cheaper, faster and better than many traditional methods. In fact, it's one of the top ways candidates learn about new job opportunities.

If you're not leveraging this valuable resource, you could be missing out on finding your next high performer. Check out the five reasons why SMBs should be using employee referrals to grow teams:

CLICK BELOW TO LEARN MORE ON WHY REFERRALS MATTER:

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Employee referrals

## HELP YOU HIRE FASTER

Traditional hiring methods such as posting job ads, combing career sites and retaining an outside recruiter can take up to **55 days from start to finish**. Employee referral programs, however, can reduce your hire time significantly.

### WHY

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On average, it takes a company 29 days to hire a candidate who was referred by an employee. If you are in a hurry to fill a vacancy, this might be the best method of hiring.



Referred workers are also more likely to refer future employees, creating a never-ending pipeline of candidates for future hiring needs.

Most hiring methods take

55  
days

Referred hires only take

29  
days

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## Employee referrals

### LOWER YOUR COST PER HIRE

Employee referral programs help you save money you might have spent on advertisements, agency fees or recruiter commissions. In fact, **employee referrals produce the highest ROI of any sourcing method.**

#### WHY

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Even if you award a cash bonus to employees who successfully refer a new employee, the amount you spend will likely be less.

For example, if an agency charges a fee of 15% of the new hire's first-year salary, an employee who earns \$100,000 hire would cost your company \$15,000 to acquire.

TIP: Offer employees a healthy referral bonus (e.g. \$2,000 to \$5,000), and enjoy significant savings.

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#### One more cost saver:

One more cost saver: because referred employees are faster to hire, you will save money on internal labor costs or outsourcing.

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Employee referrals

## DELIVER HIGH-QUALITY CANDIDATES

Candidates who are referred by employees tend to be higher quality.

### WHY

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The referring employee will want to protect his or her reputations. They'll be careful to screen and only suggest people who would be high performers because they won't want to jeopardize their own career in the process. In fact, **a study found that A-players, or high performers, were more likely to refer other A-players.**

Employee referrals also include those hard-to-find, "passive" job seekers. Ninety percent of LinkedIn members say they're at least somewhat interested in new opportunities. While some are actively looking, many are simply open to learning about new roles.

According to a study by CEB, 69% of potential applicants say they don't know where they'd go if they left their current job, and **the number-one way they discover new opportunities is from someone they know.**

**69%** of LinkedIn members are interested in new job opportunities.

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Employee referrals

## INCREASE EMPLOYEE RETENTION

Employee referral programs help you save money you might have spent on advertisements, agency fees or recruiter commissions. In fact, **employee referrals produce the highest ROI of any sourcing method.**

### WHY

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Employees who are referred tend to stay at their jobs longer than traditional hires, reducing the time and resources you'll need to put into future recruiting. In a study by JobVite, **46% of referred hires stayed for at least one year after they were hired**, as compared to 33% of people hired through career sites and 22% hired through job boards. Two years later, 45% of referred hires were still there.

Retention also increases for employees who refer candidates. Research shows they're more likely to stick around the company longer because they feel a sense of community as well as a level of responsibility to the employee they recruited.

33%

of career site hires stay at least one year.

46%

of referred hires stay at least one year.

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Employee referrals

# PROTECT CORPORATE CULTURE AND BUILD YOUR BRAND

Employee referral programs provide employees with a greater sense of value and engagement by giving them a role in the hiring process.

## WHY

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Employees who enjoy their job will want to protect the corporate culture by only **referring candidates they believe to be a good fit**. Most tend to refer people who are similar in work style and ethic to themselves.



Employee referral programs also turn employees into brand advocates. If someone is talking to a friend about a job opening, they are **sending the message that your company is a great place** to work.

Grab these ideas for

## CREATING A SUCCESSFUL EMPLOYEE REFERRAL PROGRAM

The overwhelming majority of recruiters (87%) agree that **the number-one way to boost referrals is through better employee engagement**, however, just 20% are happy with employee involvement. How does your SMB implement an employee referral program and get your employees on board?

Be inspired by these six powerhouse businesses that leverage employee referrals to find new talent and solve their hiring issues:





## WHAT THEY NEEDED

More bilingual employees



## WHAT THEY DID

**Doubled the referral bonus**, and even brought **Portuguese food for the office** for lunch, with a note requesting Portuguese-speaking referrals!



## RESULTS

Portuguese-speaking referrals spiked, and **referrals became the #1 method of finding talent**, sourcing 41% of US-based customer service reps



## WHAT THEY NEEDED

Return to Google's roots where referrals were the best and largest source of new hires



## WHAT THEY DID

**"Nudged" employees by asking specific questions**, such as "Who's the best finance person you've ever worked for?" or "Do you know a great salesperson in New York?"



## RESULTS

33% increase in referred hires





## WHAT THEY NEEDED

Good tech talent



## WHAT THEY DID

Got rid of cash bonuses, instead **offering trips and gifts** - like a motorbike that they parked in the headquarters lobby



## RESULTS

The number of successful tech referrals **increased from 20% to 50%**



## WHAT THEY NEEDED

Increase successful referrals without high brand recognition



## WHAT THEY DID

Asked new hires for referrals within their first 30 days, making it clear that recruiting is part of everyone's job



## RESULTS

40-60% of new hires are from employee referrals





## WHAT THEY NEEDED

A top-of-mind employee referral program



## WHAT THEY DID

Cut the **referral bonus** by two-thirds, instead **spending money on marketing** such as software that broadcasts content and jobs to employees and T-shirts for top referrers



## RESULTS

Successful corporate **referrals nearly doubled**, reaching the company goal of 33%



## WHAT THEY NEEDED

To drive referrals from the top down



## WHAT THEY DID

**Created a friendly competition** by posting a leaderboard that shows top-ranking regions by the number of referrals received and hired



## RESULTS

**30% of all new hires are referrals**, with the CEO initiating more referrals than anyone else



# EXPLORE LINKEDIN REFERRALS FOR YOUR SMALL TO MID-SIZED BUSINESS (SMB).

Automatically uncover quality hires by engaging your employees, unlocking their networks, and inspiring everyone to recruit. With LinkedIn Referrals, your employees can easily access and utilize the seamless referral tool that suggests connections for the right open roles.

**Get quality referrals and start hiring world-class talent for your SMB.**

Contact us

1-855-655-5653

Learn more

[bit.ly/LNKDreferrals](https://bit.ly/LNKDreferrals)