

HR Insights

Brought to you by: ToughComp

Employee Referral Programs for Small Businesses

As small businesses compete amid ongoing talent shortages, often with fewer resources than large companies, they may need to get creative in their attraction and hiring efforts. As such, employee referral programs are growing as a popular strategy. They are generally successful because employees put their names on the line by endorsing someone else.

This article explores the benefits of employee referral programs for small businesses and strategies for creating and maintaining successful programs.

The Case for Employee Referral Programs

Employee referral programs allow existing employees to recommend candidates for open positions. The idea behind employee referral programs is that candidates brought in this way will be better suited for the organization because the existing employees have already done the pre-screening work. Employees tend to carefully consider possible referrals because they feel accountable to the organization and the person they refer. High performers tend to refer other high performers, which benefits employers.

Current employees can provide information about the company to referred candidates and describe the company culture and employee benefits package, giving candidates a good idea of what working for the organization would be like before being called in for an interview. In this way, referral programs can help save HR, hiring managers and the organization time and money; since the employee knows both the company and the person they refer, this typically leads to a good match for the employer and new employee. In fact, referral programs can reduce hiring time by half

compared to traditional hiring methods. LinkedIn reports that while it generally takes a company 55 days to hire a candidate, referred hires only take 29 days. Since referred employees are faster to hire, organizations also save money on internal labor costs or outsourcing.

In addition, employee referral programs also give organizations increased access to passive job seekers. Such candidates may currently be employed and might not have interviewed for a position with the company without a recommendation.

An effective employee referral program can also help support an organization's reputation as an employer. A strong employer brand enables a company to stand out from others. Employer branding aims to promote an organization as a good place to work, with the target audience being current and prospective employees. Simply put, the employer brand answers, "Do I want to work there?" So, when a current employee is engaged and satisfied at work, they will likely speak positively about the company and encourage their friends and family to apply for open positions.

Strategies for Small Businesses

An effective employee referral program can save small businesses time, money and other resources during hiring. Employers can consider the following strategies for establishing and maintaining such programs:

- **Make submitting referrals easy.** Clear communication is necessary so that employees know how to submit referrals. This process should be simple, allowing employees to send a resume, provide an email and phone number, or submit a standard form to start the referral process.
- **Incentivize employee referrals.** To enhance the appeal of referring friends and family to the company, employers may provide monetary rewards, paid time off or other gifts to current employees who refer quality candidates for open jobs.
- **Leverage technology.** Small businesses may be short on staff, but technology can help manage programs and automate referral processes. Employee referral management systems can help organizations streamline the process. Additionally, artificial intelligence that accesses employee social networks can help suggest suitable matches. HR can then provide these referral recommendations to these employees and ask for a connection to begin recruiting conversations. Employees likely don't know the skills and qualifications of everyone in their network, but technology can help organizations find ideal candidates quicker.
- **Keep employees informed.** It's important to keep employees in the loop about the status of their referrals to avoid frustration and increase transparency. For example, let them know when the referral has been received, if interviews are scheduled and where the candidate is in the overall hiring process.
- **Acknowledge good referrers.** Public recognition can go a long way with employees, so small businesses should consider awards or public praise to let employees know they appreciate their effort in sending referrals and being brand ambassadors. As such, public acknowledgment is a cost-effective way to increase referrals.
- **Think beyond employees.** Referral programs don't need to rely solely on employee referrals. Companies can decide to open the referral opportunity to additional stakeholders, such as retirees and customers. For example, loyal customers may feel like a part of the company and be eager to refer their friends for open roles.

Summary

Because employees know company culture and employee experience firsthand, they are uniquely positioned to understand other workers who would thrive in the environment or perhaps have a similar disposition as themselves. Word of mouth travels fast, so small businesses can use that to their advantage to secure more top talent.

Amid ongoing talent shortages, employee referral programs can be a cost-effective strategy to attract and retain talent, hire faster and boost employee morale.

Contact us for more information.



WORKERS COMPENSATION
Non Renewed?
High Premiums?
State Fund?
(212) 390-8772
info@toughcomp.com
TOUGHCOMP
BEYOND THE LAST RESORT™
www.toughcomp.com