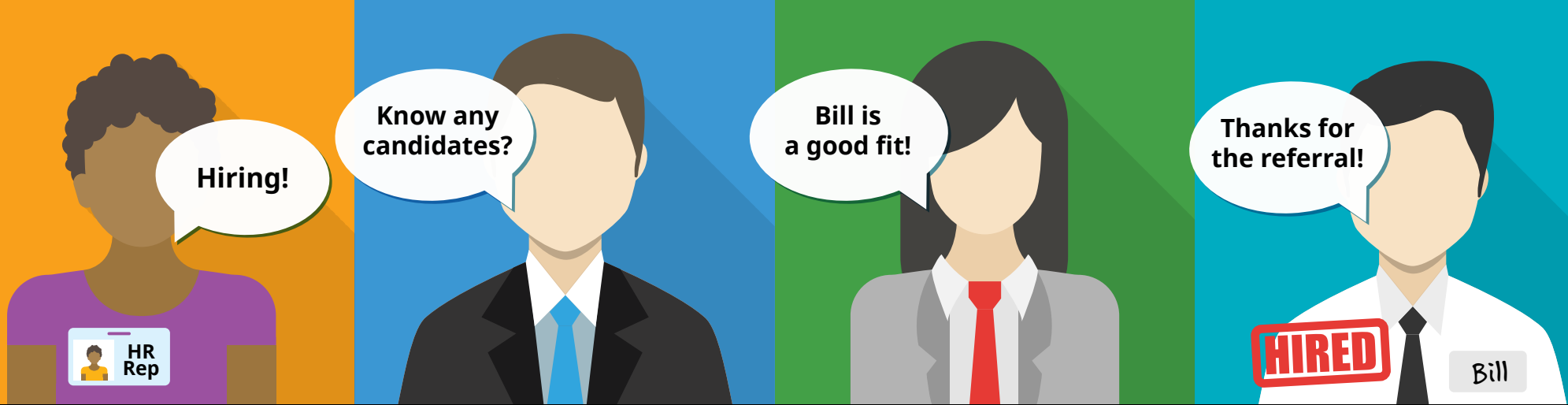




The Impact of Successful Employee Referral Programs



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Executive Summary



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

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%.***

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. Several employee referral program gaps were identified despite being identified as important by employers. These gaps included an appropriate incentive structure for referring candidates, educating employees on the positive impact of referrals, and technology to support tracking and hiring employee referrals.

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

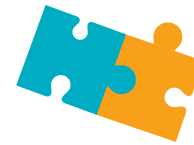


On average, 24 percent of employee hires originate from a referral. Larger companies with 1,000 employees or more tend to hire more referred employees (27%) compared to smaller companies (14%). Likely contributing to

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

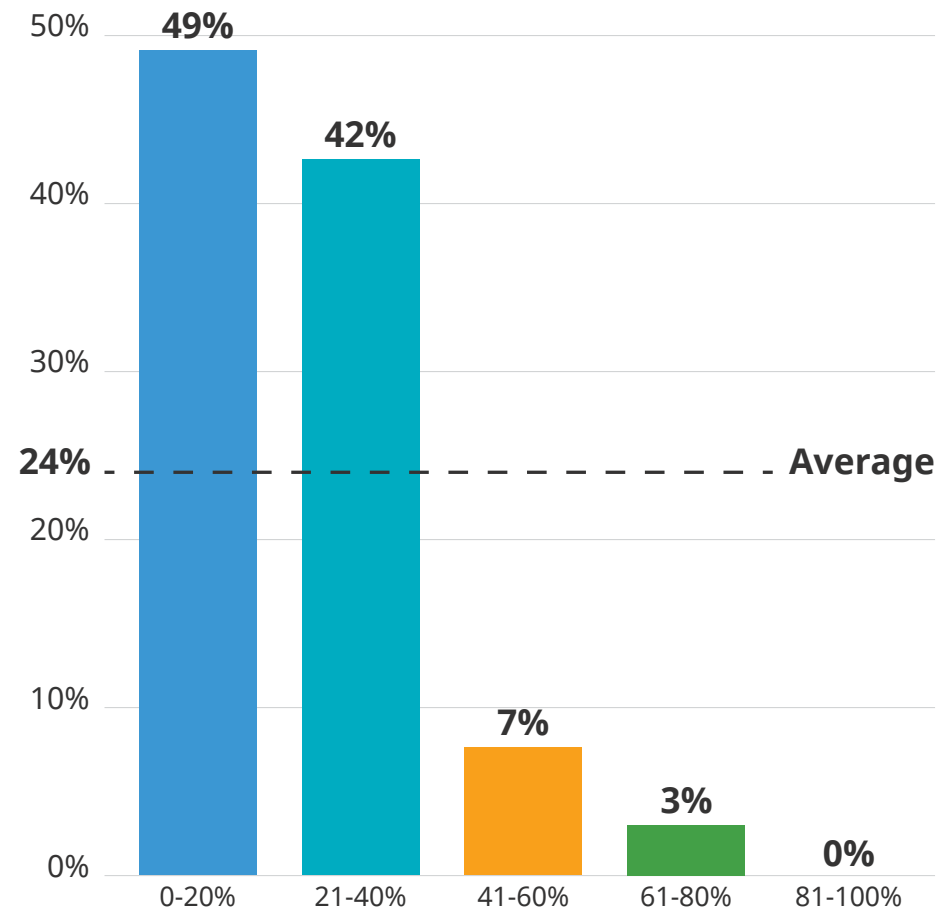
Their Impact on the Hiring Process Cannot Be Ignored

Organizations rank employee referrals as their most successful source-of-hire, above job boards, social networking sites, and corporate career pages, according to the Aberdeen Group¹. This section presents employer attitudes identified during the hiring process, and the role employee referrals play as organizations aim to hire top talent.

Most employers hire nearly 40 percent of their staff from employee referrals. Across all company sizes and industries, on average, 24 percent of new hires come from an employee referral, according to Figure 1.1.

Figure 1.1:

Percentage of Hires from Referrals



¹ Source: What Is Your Most Effective Source of Hire? Aberdeen Report

How is Success Documented?

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

In other words,

nearly 40% of companies
aren't doing anything to fuel their best new-hire source.

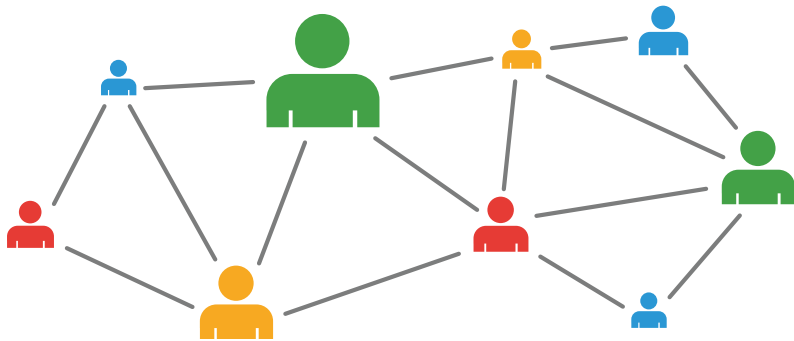


Figure 1.2:

Presence of Documented Referral Process



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 1.3:
Employers' Prioritization of Company Culture Fit

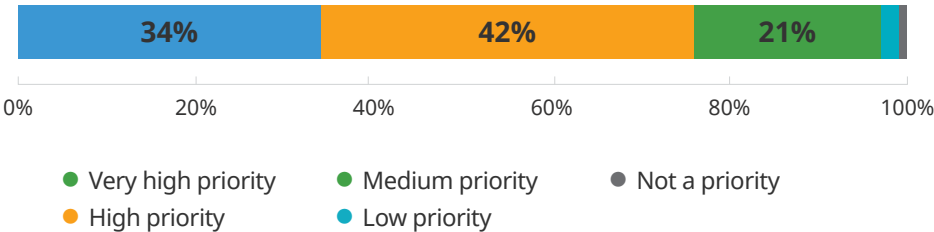
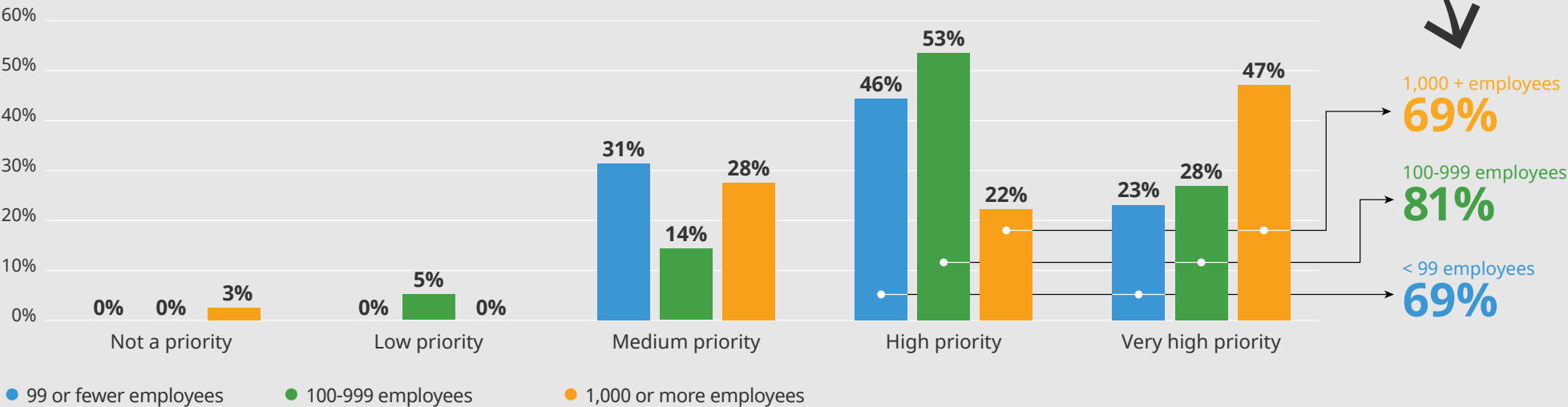


Figure 1.4:
Employers' Prioritization of Culture Fit by Company Size



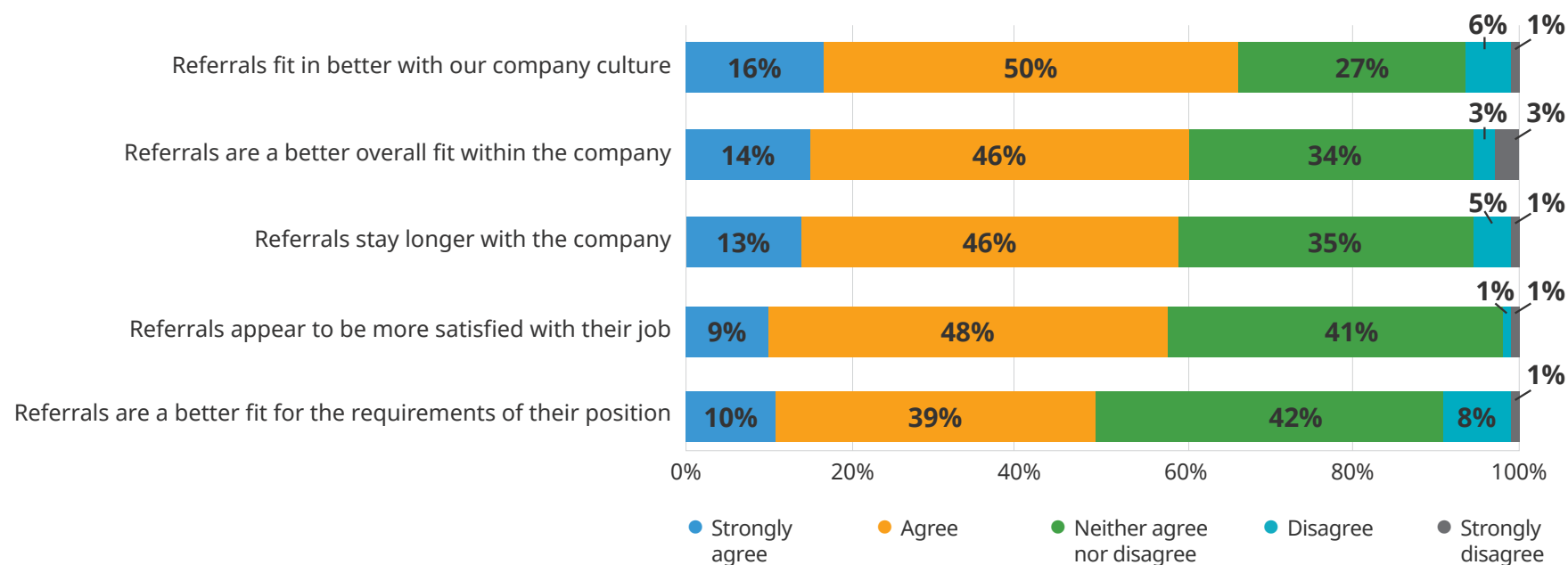
Referrals Propel Companies Forward →

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



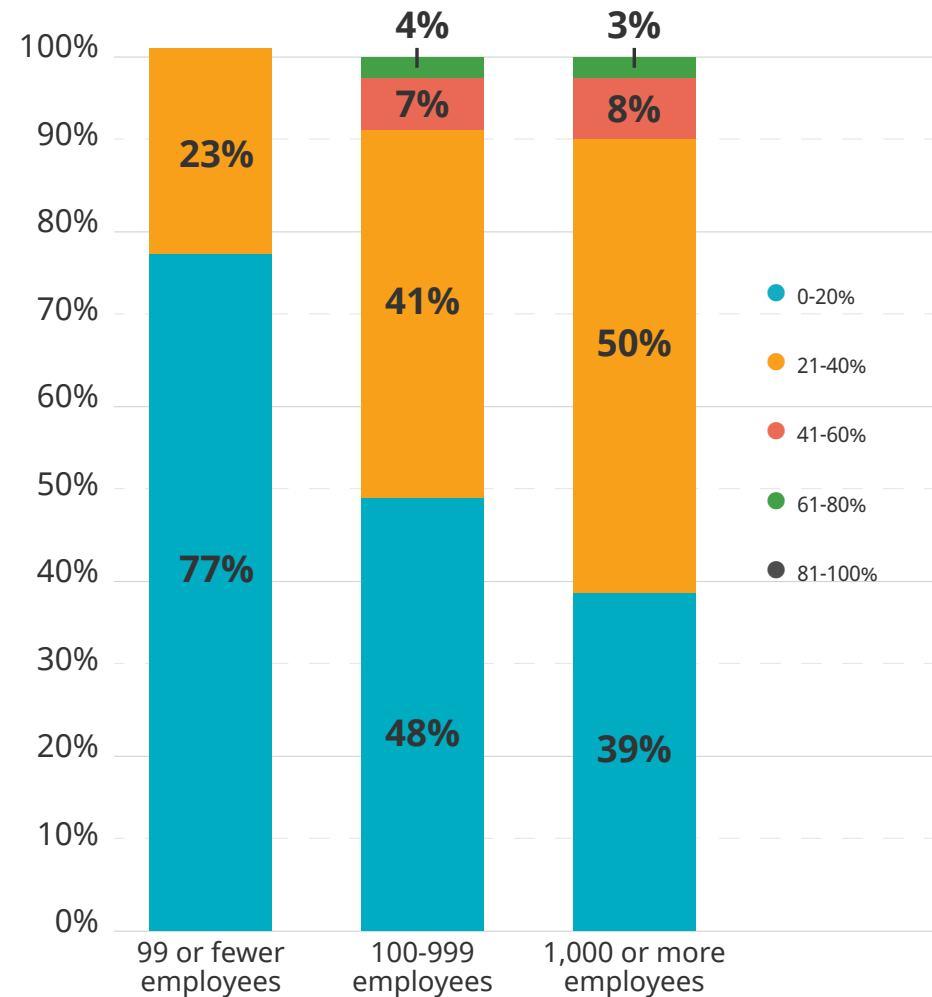
Employee Referrals Impact Companies of All Sizes

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.

Figure 1.6:

Percentage of Hires from Referrals





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



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.

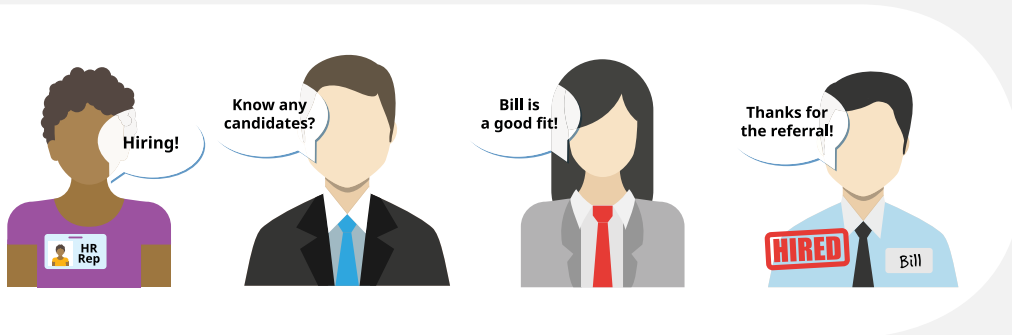
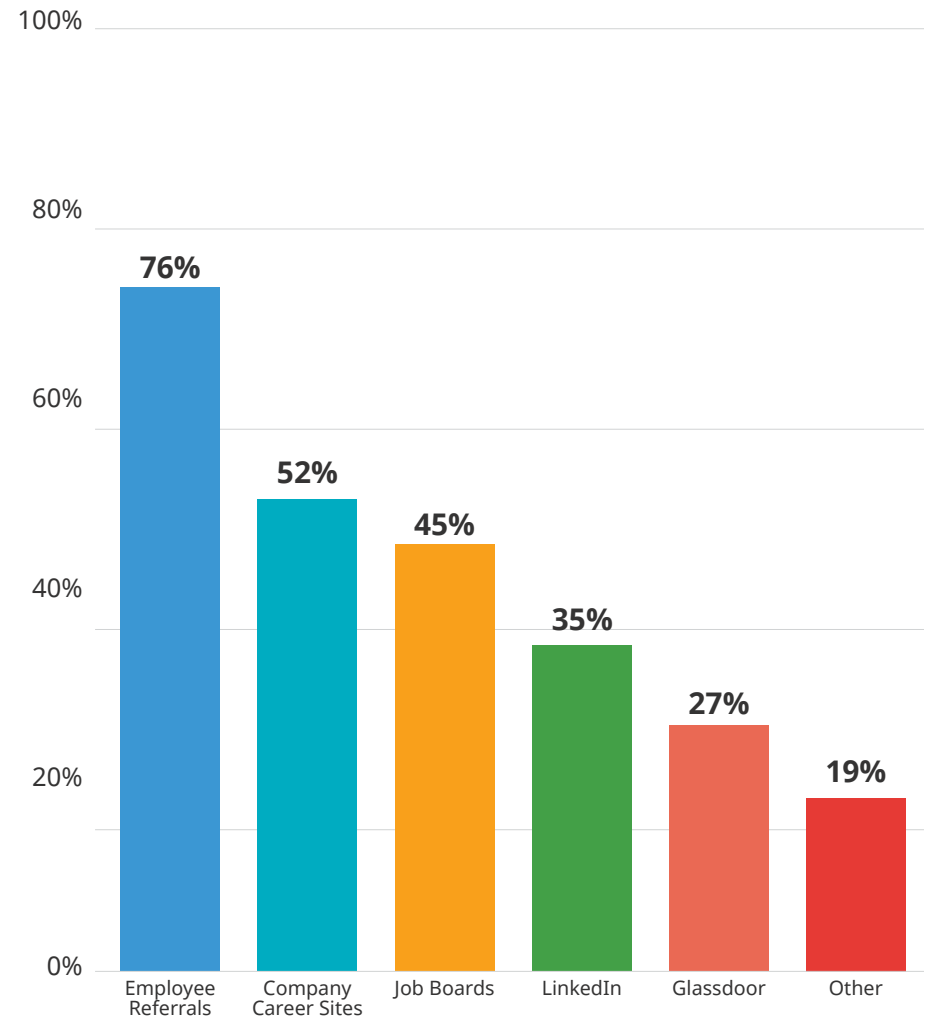


Figure 2.2:

Top-Rated Job Researching Tools



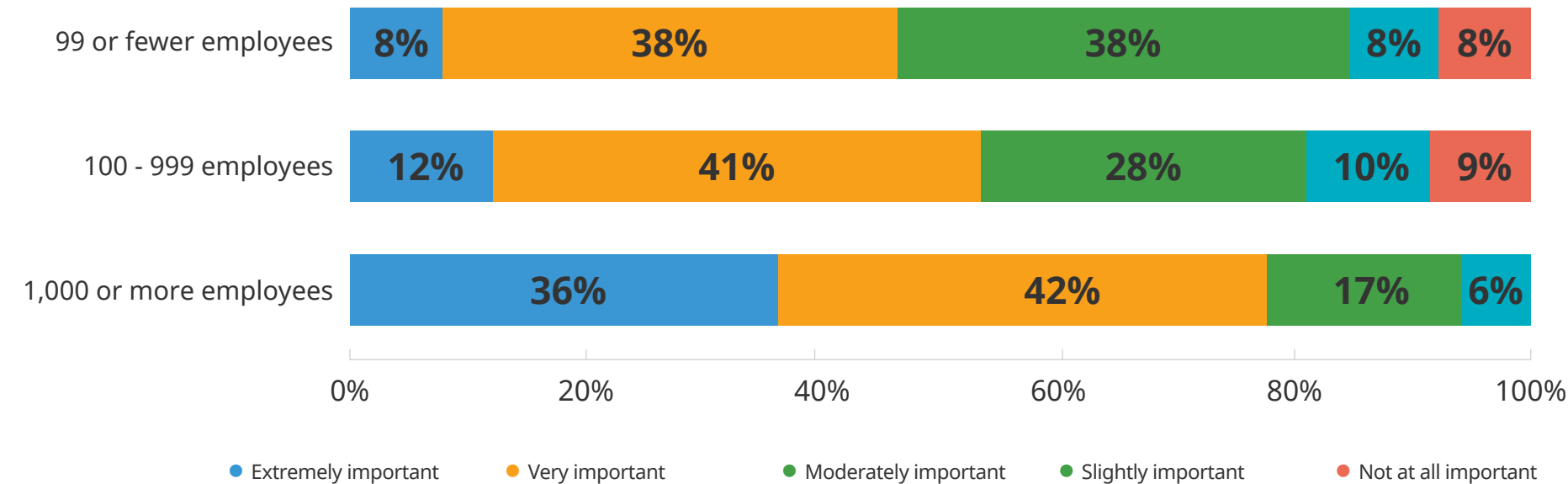
Incentivizing Employee Referral Programs Increases Success

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

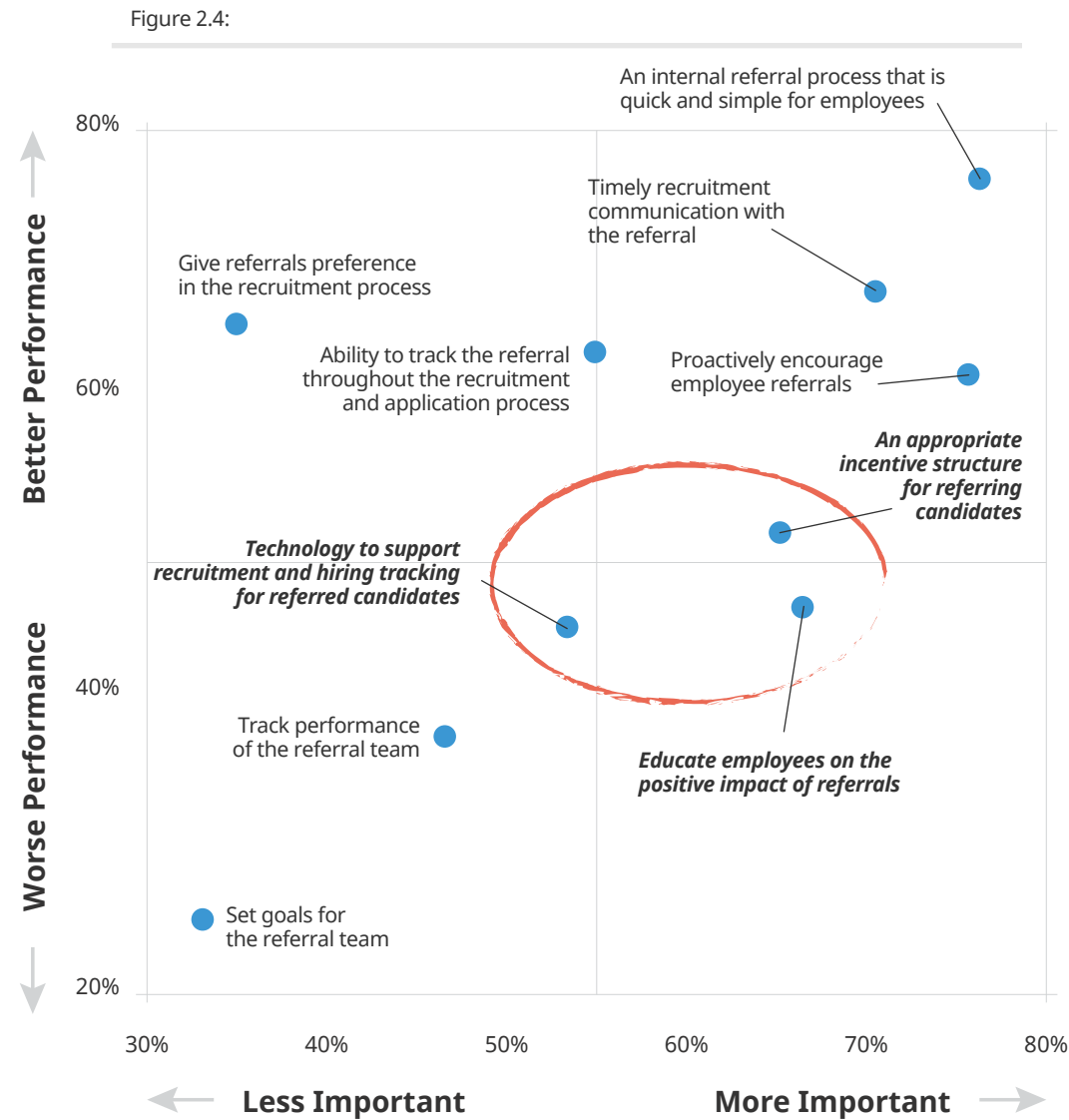


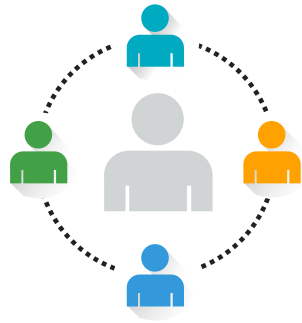
HR Professional Feedback on Employee Referral Programs

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.

Figure 3.1:

Time in Current Position

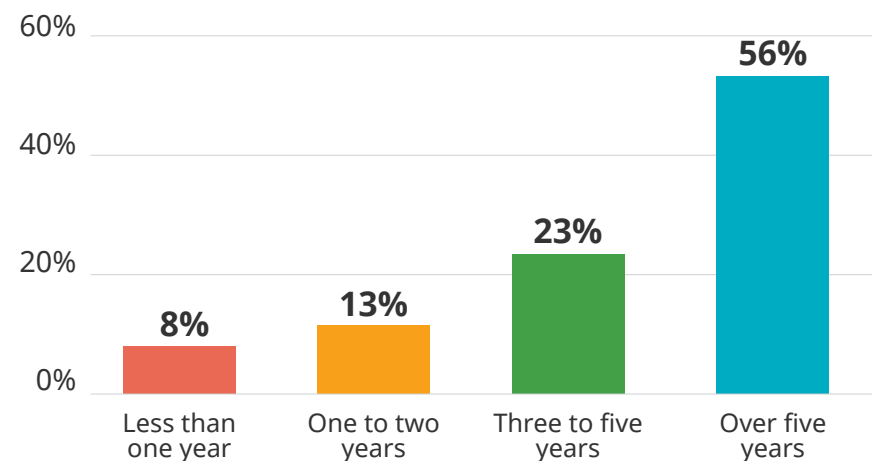
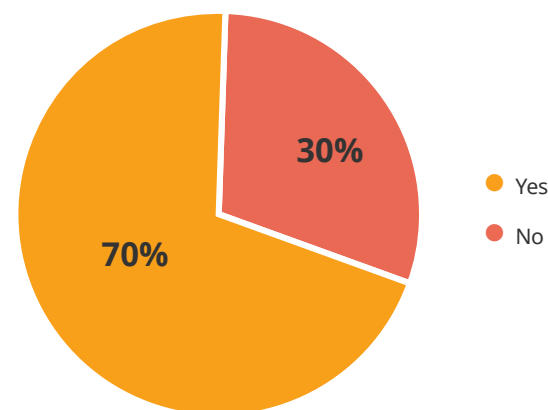


Figure 3.2:

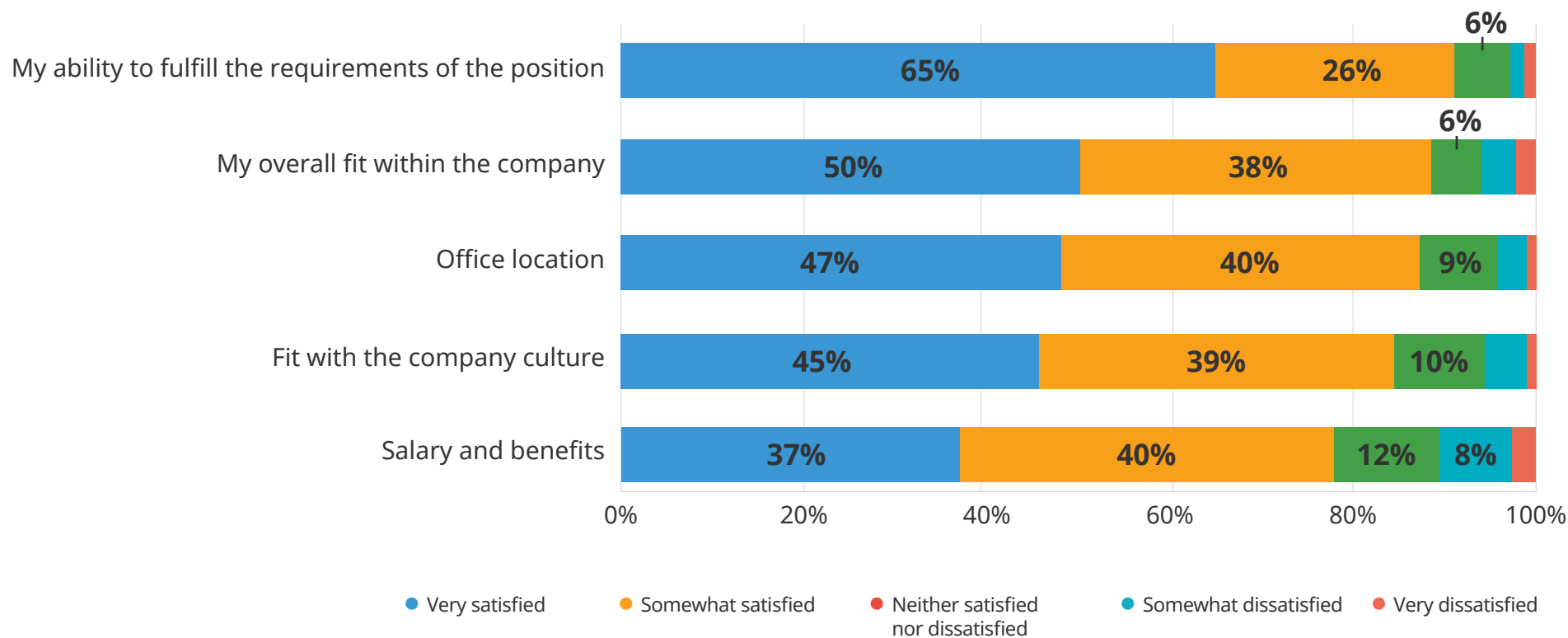
Same Position as Time of Hiring



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:



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.

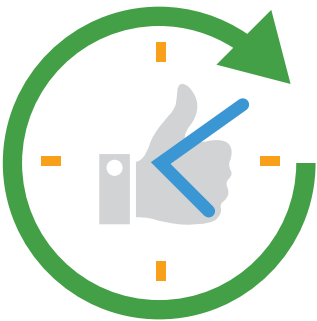
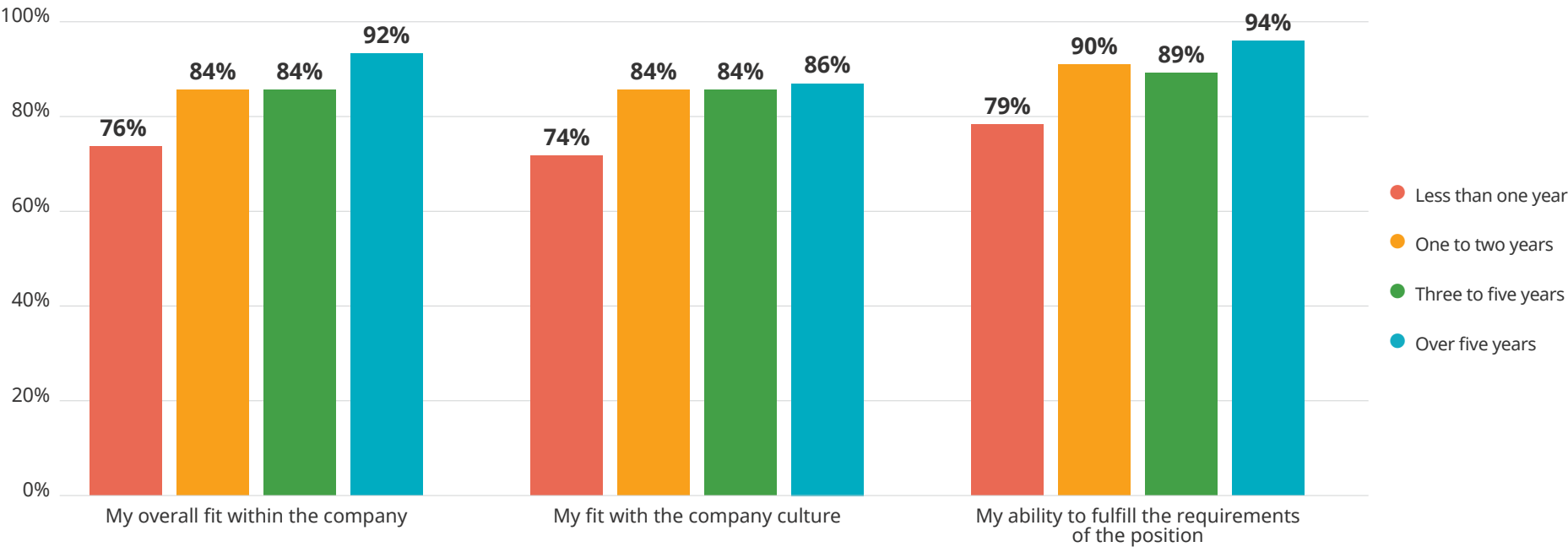


Figure 3.4:
Satisfaction with Job by Tenure





Referral History

Employees Enjoy Seeing the Success of Their Referrals

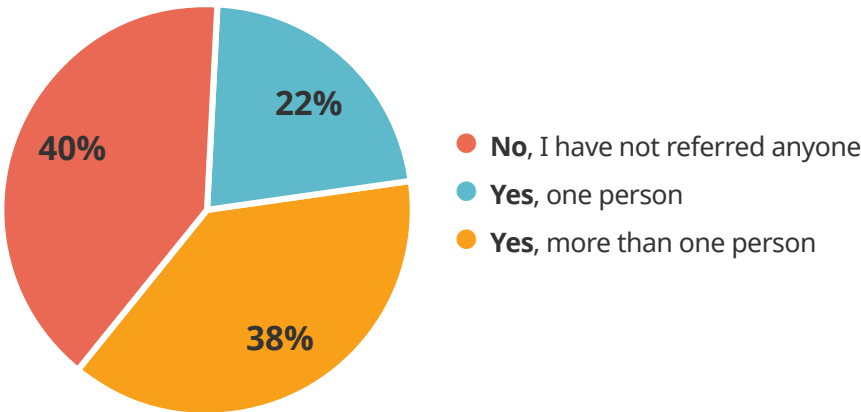
It's Easy to Engage Employees and Encourage Referrals

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

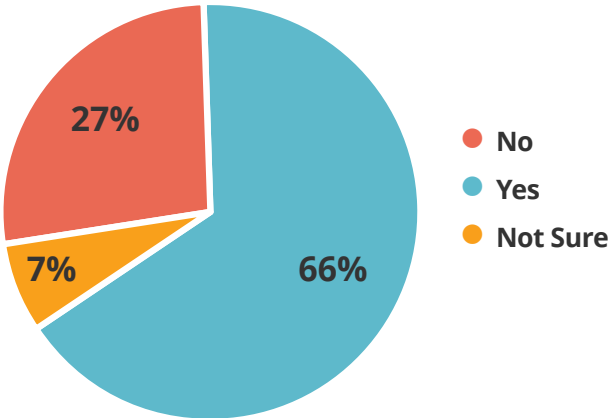
Among employees that referred one person, 66 percent of the employee referrals were hired, as shown in Figure 4.1.

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

Figure 4.1:
Past Referral of Others



Whether Referral Was Hired

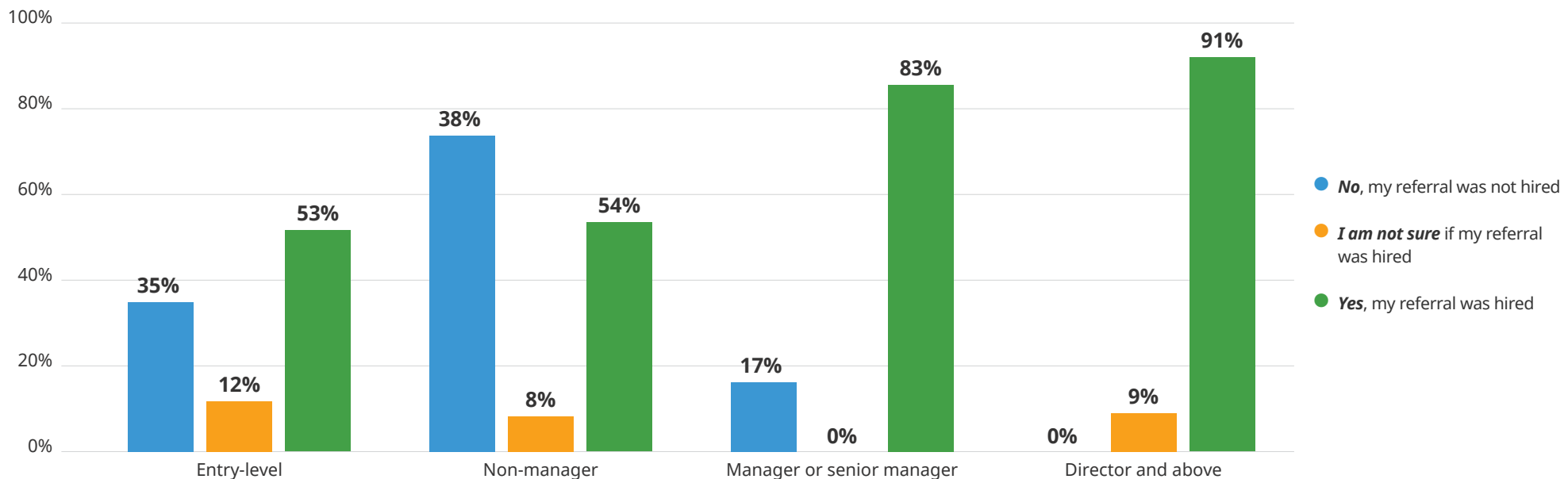


Longer Job Tenure Leads to Even More Successful Employee Referrals

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



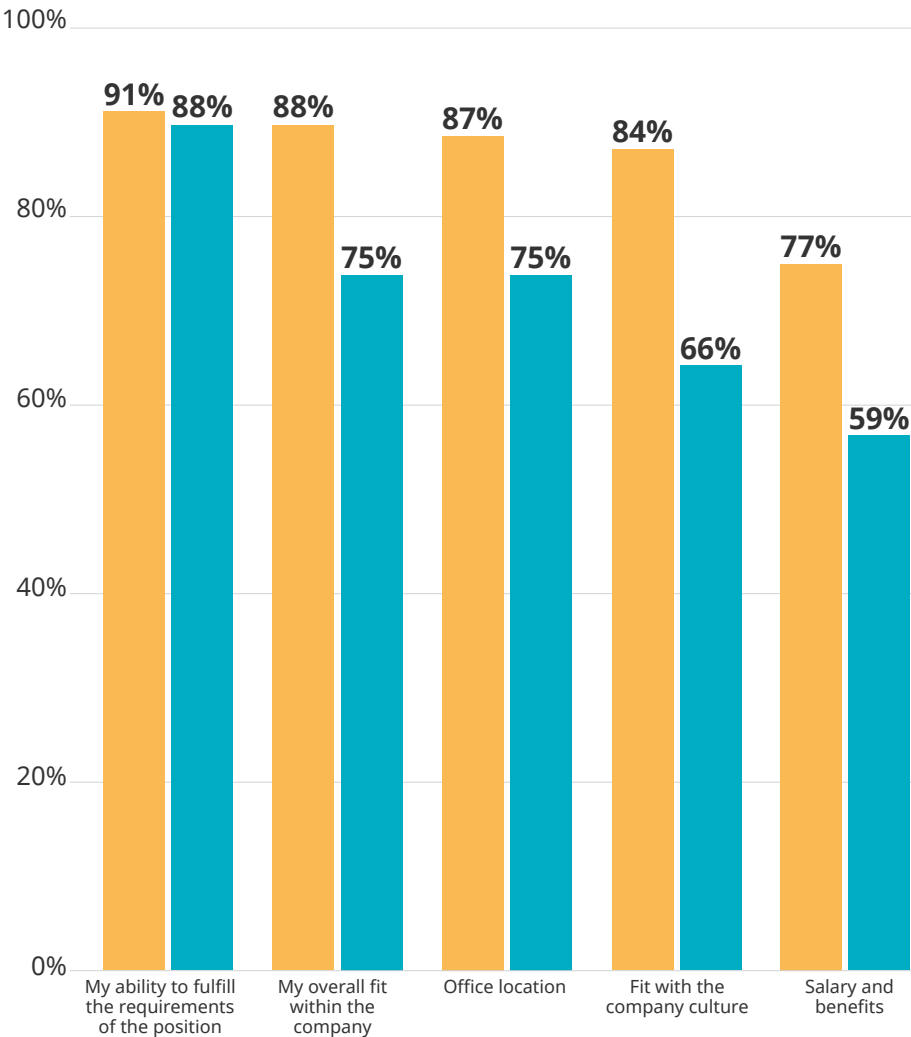
Employee Referrals Are Better for the Company and the Candidate

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



Figure 4.3 shows a comparison of satisfaction levels among important job characteristics.

Figure 4.3:
Satisfaction with 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 regions¹, industry segments, and company size. The second survey, targeted to employees, examined factors such as job tenure, likelihood of promoting their company, geographic regions², industry segments, job level, and gender.

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¹ “Census Regions and Divisions of the United States.” U.S. Census Bureau. http://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf

² “Employment by major industry sector.” U.S. Bureau of Labor Statistics. http://www.bls.gov/emp/ep_table_201.htm



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.

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