Employee Referral Benchmark Study 2021
An analysis of 350 companies worldwide
Referrals Are Universal

Referrals are everywhere. They guide our decisions because they are credible, free of charge and save us time. We provide our friends and acquaintances with referrals and they do the same for us. For 85% of companies, employee referrals are one of the most essential components of their recruiting strategy.* Still, we often get asked questions such as:

- How does my employee referral program perform compared to others?
- What reward amount will bring us the most referrals?
- How can we scale our employee referral program and use it as a measurable success strategy for our recruiting?

Therefore every year we collect the experiences from companies and their referral programs to bring you the current global benchmarks. These are the 2021 results from 350 companies around the world.

*Source: Firstbird Study 2020
Foreword From Dr Thomas Bittner

It’s getting more and more every year! This applies to both the number of companies recruiting with employee referral programs and the number of companies participating in this Firstbird study. The result is that this year we had not only more categories to analyse such as the performance of countries, industries and company sizes, but we were able to look at the statistical relationships of the information more closely than ever before. In the following pages, our readers will not only be able to draw benchmarks for their own company sectors, but also identify effective strategies and measures to use for their own employee referral programs.

A key finding of our analysis is that an employee referral program is successful when it is actively managed. This means that a swift circulation of job vacancies, regular activation reminders for the referrers, and an attractive incentive system (which does not necessarily mean large sum cash rewards), of course all in addition to an easy-to-manage (digital) program, makes a difference.

The companies that take these factors into account will improve the quality of their candidates and fill vacancies faster.

Dr Thomas Bittner
Expert for organizational psychology, consulting, in particular, employee management and performance of teams, as well as managing director of Organomics GmbH.
A company’s people determine its success. They can be both a bottleneck and a powerful lever. That’s why it’s all the more important that companies don’t recruit according to the motto “the main thing is that the position is filled”, but rather focus on jobs being filled with the right people. The people that are filling these jobs should be the right fit for the company, corporate culture and strategy. Companies can no longer find these people on their own via classic job advertisements. And because companies are facing skill shortages and demographic shifts, they must use all possible channels for recruiting.

One of these channels is internal: employee referrals. Employees know best what skills and attitudes are needed in teams - and they usually have an extensive network of friends, acquaintances and former coworkers. So why not get them to help you win over new people through referrals? Employees are then essentially acting as authentic brand ambassadors for the company and can present the benefits of the company better than any employer branding campaign.

Experience has shown that employees recruited via referrals are integrated into the company more quickly, are more productive and stay with the company longer. Furthermore, recruiting via referrals has more positive side effects. Employees are actively involved in shaping the future of the company, making them feel strengthened and empowered. Employee referral programs can complement existing recruiting channels in an ideal way to make recruiting more personal and authentic, and therefore more successful.

Jens Bender
Managing Director Haufe
Talent Management
Benefits of the Study

There is no one-size-fits-all approach that will make an employee referral program a success. Each company must find its own strategy depending on its industry, culture, company size, and internal programs and structures. This study showcases general trends in referral recruiting and can be used as a basis for:

- providing findings into the success and usage rates of employee referral programs
- supporting HR managers in the internal creation of a business case
- providing insights for the creation and definition of a company’s recruiting strategy
72% of the companies surveyed use an employee referral program.
Email, applicant tracking systems and written forms are most commonly used to manage employee referrals.* Only 16% use a digital employee referral program.

*There were multiple responses.
75% of companies use an employee referral program to increase the quality of their hires.*

<table>
<thead>
<tr>
<th>Goal</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Increase the quality of hires</td>
<td>80%</td>
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<tr>
<td>Increase the number of new hires</td>
<td>60%</td>
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<tr>
<td>Increase employee engagement by involving them in the recruiting process</td>
<td>60%</td>
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<tr>
<td>Strengthening the employer brand</td>
<td>60%</td>
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<tr>
<td>Reduction in recruiting costs</td>
<td>60%</td>
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<tr>
<td>Increase the number of applicants</td>
<td>60%</td>
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<tr>
<td>Higher reach by sharing open jobs (via social media)</td>
<td>20%</td>
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<tr>
<td>Increase employee retention rate</td>
<td>40%</td>
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<tr>
<td>Reduce employee turnover rate</td>
<td>20%</td>
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<tr>
<td>Building a talent pool</td>
<td>20%</td>
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Interesting Insights

Quality of hires
Increasing the quality of hires was the leading goal for most international companies. This shows that many organizations are not primarily focused on getting more referrals in or making more hires, but instead on getting in the right employees for the jobs.

Employer branding
Companies see their employees as a very credible source to help them build their employer brand on the market. Having a referral program enables their employees to be brand ambassadors in networks they normally would not have access to.

Talent pools
An employee referral program can also play a big part in the longer-term talent acquisition strategy of building a talent pool. By allowing employees to make referrals even when there is no specific job opening, an employee referral program can be extended to gather referrals for future job openings.

*There were multiple responses.
92% of companies pay a cash reward for a successful employee referral.

Larger companies pay out cash rewards somewhat more frequently.

The relative majority of rewards are in the category €501 - €1,000.
71% do not split their reward payments, paying it all at once - usually after six months of employment.

It is evident, however, that when and how the reward is paid out influences the number of referral hires coming in: if you only have one lump sum payment as the reward, you will receive significantly fewer referral hires.

Additionally, the earlier rewards are paid out, the more referrals will come in. Employees are more motivated to refer.

**Tips**

+ **Staggered payment of rewards**
  Although the reward amount remains the same, a split in the bonus payments generates higher motivation among employees because they feel they receive appreciation twice.

+ **The sooner the better**
  It is important to connect the reward with the act of referring, so always reward as soon as possible.

+ **Think about the risks for the referrers**
  A referrer takes a risk with their referral. Their network could critically evaluate the company’s job advertisement, or the application process could take a long time. All of this falls on the shoulders of the referrer. Additionally, the referrer runs the risk to the company with the referral from their network.

+ **Reward the referrer regardless of the new employee’s performance**
  It is best to pay out the reward at the time of signing the contract or when the employee starts the new job. From this point on, the job of the referrer has been done.
15% of companies give non-monetary rewards such as additional vacation days, vouchers or small gifts.

There is still a lot of potential that can be reached with non-monetary rewards.

Advantages

- Emotional experiences are positively associated with the company
- Higher value
- Individual approach (everyone is motivated differently)
- Reward selection in the form of an online shop is ideal
Rewards Guide

Effective and appealing ideas for your rewards strategy can be found in our Guide to Rewarding for Employee Referrals.

Download now
Only 4% of companies are “Power Users”: they hire more than 30% of employees through referrals.

There is a correlation between the number of referrals coming in, and the hiring success through referrals. This is because the more regularly referrals are made, the higher the percentage of hires coming via referrals. Additionally, the more regularly referrals are made, the higher the percentage of applications through employee referral programs.

The size of your company, however, is not significantly correlated with referral success, meaning **both large and small companies can achieve the same results.**
More than half (57%) of respondents say the quality of referred candidates is high or very high.

Larger companies are generally more critical in their assessment of candidates.
Experienced specialists/skilled workers are the most common job positions filled via referrals (79%).
“A little can go a long way” when it comes to communication about an employee referral program. It doesn’t depend on the quantity but the quality and how it is communicated.

Employee events lead to significantly more hires. It doesn’t have to be a big event. Even small town hall meetings to explain why the company relies on employee referrals can be very impactful, as well as a few personal words from management.

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How do your employees know about the option of referring for jobs?

- Intranet
- Communication at the start of the program (once-off)
- Email / newsletter
- Direct communication from management
- Poster / Notice board
- Staff event
- Employee app
- Other
- No, we do not give them any information

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31% of the companies also offer *externals* the opportunity to refer candidates.

*Source: Firstbird Benchmark Study 2020: external employees, partners, alumni, etc.*
If an employee app is used, more referred candidates will be hired.
A shorter **time to hire and less hiring costs**

55% of companies save on recruitment costs with employee referrals. Especially with the reopening of the economy following the pandemic, employee referrals are a good way to reduce HR costs.

46% of companies hire referred candidates within one month. Additionally, referred employees stay with the company longer.

* Source: Clutch, April 2020
Employee referral programs are well-suited for filling both white-collar and blue-collar job positions.

Both have a similar number of hires via referrals. However, the assessment of referred candidates coming from employees that spend a lot of time working at the computer is better.

This is also associated with a higher reward amount. The more employees work on the computer, the higher the reward.
Employees are not actively engaged in employee referral programs

Only a very small percentage of employees make referrals on a regular basis (once per quarter). 32% of companies are not able to measure if employees are participating.

How many employees make referrals on a regular basis (approx. 1 x per quarter)?

- 1-5% of employees: 68%
- 6-10% of employees: 24%
- 11-25% of employees: 8%
- >26% of employees: 1%
Conclusion

A strategy is needed to recruit the best talent on the market in order to reach passive candidates. The large network of your employees offers the best opportunity for this. Motivate them in the long term with suitable rewards.

Don’t aim for average. To recruit the best talent on the market, you need a strategy and the commitment to implement it.

- **Be active** in the implementation as well as execution of an employee referral program. Simply posting a reward is not enough.
- **Experiment with rewards**. Consider your company culture and find creative prizes that will inspire your employees.
- Consider **expanding your network** so that people outside your company can provide referrals for your company.
- Scale employee referrals via a **digital program**, and minimize the administrative burden.
Employee referrals, finally simple.

The leading employee referral platform for enterprise that helps you hire better talent, faster.

Fully integrates into any existing workflow.

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