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Hired, Tired, & Fired: Referring Your Way to Lower Turnover

Every business has an ebb and flow of talent, voluntary and involuntary. While there's nothing like fresh talent, every entry and exit will create a ripple effect throughout your business – affecting engagement, morale, productivity, profit, and teamwork. And it is poised to become an even bigger problem.

In the past twelve months, turnover increased by 37%, and 3 in 10 employees say they are likely to leave their employer within the next two years (Willis Towers Watson), and that's only voluntary turnover. More than half of U.S. employers say their hiring activity has increased, unemployment is low, and the talent market is becoming even tighter.

The answer lies within your current employees. They have the knowledge and access to talent that make them uniquely qualified to assist in your recruiting efforts. They understand your workplace, and who will compliment it. And their referrals can decrease your turnover.

A \$lippery Slope

Turnover isn't just inconvenient, it comes at a real cost. The combination of loss of the employee, cost of the search, training, and getting the new employee up to speed can put a serious dent in your H.R. budget. In fact, the cost to replace an employee can cost up to four times the annual salary being offered:

- **Entry-level positions:** 30% – 50% of annual salary
- **Mid-level positions:** 150% of annual salary
- **High-level or specialized positions:** 400% of annual salary

And, according to a study by the Society for Human Resource Management, employers will need to spend the equivalent of six to nine months of an employee's salary in order to find and train their replacement.

These costs can take away from your salary budget, affecting how many employees you can hire in the future, or the raises you can give your current employees, and that can be dangerous. According to Glassdoor, 35% of employees will start looking for a job if they don't receive a pay raise in the next 12 months.

Any limits you put on your current employees can leave them feeling frustrated and unappreciated. This comes in addition to their initial frustration due to the original loss of a coworker. It is very likely that they have taken on a portion of their workload or lost a valuable teammate, hampering teamwork and delaying projects.

Turnover also fuels the employee gossip machine, and can lead employees to feel insecure about their position. According to a

study by North-West University, job insecurity can lead to burnout and decrease engagement. With each exit, you risk losing more employees.

Cultural Influence

Culture and turnover have a symbiotic relationship: culture will encourage employees to stay, and how long your employees stay will influence your culture. Your culture is greatly influenced by your policies, but it is truly the collective personality of all who work there, and how they react to those policies. Too many talent changes have an effect on that personality, and keep it from becoming a solid identity, weakening policies and practices.

A lack of strong culture can further decrease engagement, resulting in a negative effect on your current employees, while discouraging new employees from joining your organization.

Referral Rewards

Referrals are accepted as the “gold standard” as public-facing job postings are becoming less and less effective: last year, 75% of workers with new jobs did not actively apply for the position; instead they were “poached” or referred (FRBSF Economic Research).

Your employees have access to “passive” candidates that may not be actively looking, or you might not have access to. And they have unique insight on what your workplace can offer and what it needs. They have a better understanding of what the position will require in the long run, translating to a better fit and longer tenure.

Referred candidates come prescreened. The referrer does not want their referral to reflect poorly on themselves, so only the best will come through. Employee referrals have the highest applicant-to-hire conversion rate, and they typically begin their position quicker than applicants found via job boards (Undercover Recruiter).

And once they are at a company, they’re likely to stay longer. Amongst new hires, employee referrals have the highest retention rate after two years, more than twice as much as job board hires (Jobvite).

When a referral comes on board, they have a familiar face waiting there for them. According to the Wynhurst Group, new employees

decide whether they feel at home or not in the first three weeks at a company. Having a friend in the workplace plays a huge part in this. Employees with a best friend at work tend to be more focused, more passionate, more productive, and more loyal to their organizations.

Simply put, we like people who like what we like, and we want to be around people we like.

Current & Future

While increasing referrals will help decrease turnover, the change will begin with your organization.

Before you can expect your employees to recommend and share their workplace, you must create a workplace worth recommending.

According to TINYpulse, the greatest factors that influence turnover are:

- Feeling overworked/overwhelmed
- Unequal treatment of employees
- Pay
- Toxic company culture
- Bad bosses
- Career development opportunities
- Recognition

Begin with fair pay and comprehensive benefits. Frequently survey your employees, and adjust accordingly to meet their needs. Provide structured career paths, and reward loyalty. Practice ample recognition and lead with transparency. You'll find that these practices will decrease your current turnover, and will make your employees feel more comfortable recommending their workplace.

Once that is in place, demonstrate that you value and reward referrals by building a dedicated and structured Employee Referral Program. Outline the program specifically, letting employees know what you are looking for and what they will get in return.

Then make the referral process easy. Avoid paperwork and drawn out logistics. JobShakers, for example, has a mobile app that makes referring easy, fun and rewarding. The app enables employees to use their smartphone contact list to quickly and easily sort, match and refer their friends and associates for open positions at their

employer. Combined with a simple, user-friendly administrative console for employers, referrals are easy to track and reward accordingly.

Once your employees see the rewards you will be on your way to creating a referral culture that engages and energizes your organization.

Turnover is inevitable. But its frequency can be controlled. You and your employees deserve a stable workplace. By creating a workplace worth bragging about, and giving employees an easy way to share it, you can generate referrals leading to high quality employees that will transform your business.

By [Kevin Fryer](#) | November 17th, 2016 | [Whitepapers](#) | [0 Comments](#)

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