

# Inc.

## This Underrated Hiring Strategy Will Help You Find Great Employees--and Keep Them

Use employee referrals to circumvent poor hires, lower hiring costs, and retain your existing team.



By **Carrie McKeegan** *CEO and co-founder, Greenback Expat Tax Services* @cpmckeegan



Ask any business owner what the [hardest part of running a company](#) is, and the answer is always the same: [hiring and retaining excellent talent](#).

My company's growing fast, which also means we're in constant hiring mode. We need people that can take us from good to great. And for remote teams like ours, hiring is more complicated as we don't get the immediate chance for a sit-down meeting with most of our new hires.

Finally, to complicate matters even more, with unemployment so low, [hiring is also extraordinarily competitive](#) at the moment. But hiring through referrals can bypass these traditional hiring issues.

### **Hiring referrals is faster, easier, and cheaper.**

There's pretty compelling evidence that hiring through referrals will save your organization significant time and money. A [study by Jobvite](#) shows that, on average, roles filled through employee referrals are much faster than through a career site.

It's also much easier: While only seven percent of applications come from referrals, 40 percent of those are hired. Referrals can dramatically decrease your spend on multiple job boards and save time by eliminating the

need to weed through an endless number of resumes and cover letters from unqualified candidates. And, while some employee referral programs give a financial incentive for referrals, the cost savings from not using headhunters (who can cost upwards of \$10,000 for a new hire) or multiple job boards can save cash, too.

Of course, you will still have the role posted on your site and advertised, but the time and cost savings from having a more targeted approach can be significant!

## **You will hire better candidates.**

If a current employee refers a former colleague or friend, they will be selecting someone that they feel is of high caliber, who they would enjoy working with, and who they are proud to introduce to the team. After all, the quality of that candidate reflects upon your current employee. But the additional benefit is subtler and much harder to detect on a resume or cover letter: cultural fit. Your current team member can pinpoint subtle [company culture characteristics](#) and introduce people who fit not only the skill set needed but also the underlying behaviors and mindset needed.

## **You'll have better all-around employee retention.**

The least-known benefit of hiring through referrals is probably the most important one! Referred employees have much lower turnover rates than hires from other sources. [Data shows that the highest quality, long-term candidates](#) come from referrals.

There's yet another surprising benefit to hiring through referrals: the employee who refers a new team member is more likely to stick around longer, too. While there are no full studies to this effect, [according to LinkedIn](#), current employees who successfully refer a new employee to your team also stick around longer and are more engaged in their role. Given the dramatically high cost of turnover, this is a huge benefit.

Additionally, giving employees a role in helping shape your team through employee referral programs and prompts for referrals also helps increase the engagement of your current team.

In summary, hiring through referrals from your current team should always be your first port of call for hiring someone new. Be sure to create good clarity with your employees regarding what job posts you have open and what specifically you are looking for; in other words, don't skip creating a high-quality job description.

Prepare to meet some amazing candidates that may have seemed out of reach! The Greenback team is a strong testimony to this methodology: of our 10-person management team, five were hired through referrals. And we couldn't be more pleased with the results!