Referral Program Benchmarks Analyzing the referral programs of 145 companies





Why this report matters

Each of us has been touched in a magical way by a referral in our lives - whether to catch a break, hire an amazing teammate, or help a friend in need.

88% of employers agree that referrals are the best way to hire, and 85% of job seekers use their networks when looking for jobs, yet almost every single company we speak with asks us the same questions:

"How does our referral program compare to peer companies?" "How can we structure our program and bonus to be the most effective?" "What % of hires should we expect to get from referrals?" "How can we use referrals as a scalable, predictable and trackable strategy for success?"

We collected data on 145 companies to begin answering some of these questions.







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How to use this report

There's no one-size-fits-all approach to referrals — depending on your industry, culture, company size, and even the tools you use, you have to craft your own strategy. We hope that this report is helpful as a baseline.

You can use this report for: Referral program benchmarking • Making an internal case for referrals





Respondents by sector We collected data about 145 companies, a majority (roughly three quarters) are from the technology space.



Consumer Staples 2.1% Health Care 6.3%

Consumer Discretionary 6.3%

Information Technology 75.5%





Respondents by company size

The most common reported company size was small to medium (51 to 250 employees). Nearly half of the companies surveyed fell in this size bracket. Company age ranged from 2 to 26 years. 80% of companies are privately held.







Respondents by their applicant tracking system (ATS) 43% of respondents reported that they use Greenhouse, making it the most popular ATS for the companies in our survey. Lever came in second at 15%.

Greenhouse Lever No ATS Jazz Other Jobvite CIMS Workable 3









ATS breakdown by small companies Small to mid-market covers companies with 51-250 employees.

Applicant Tracking Systems

Small Companies







3.5%

17.4%

ATS breakdown by mid-market companies Mid market covers companies with 251-1000 employees.

Applicant Tracking Systems

Mid-Market Companies





- 2.8%
- 13.9%
- 2.8%

ATS breakdown by large companies Large companies covers companies with over 1,000 employees.

Applicant Tracking Systems

Large Companies



Lever 15.8% Greenhouse 21.1% ICIMS Jobvite

Other



10.5%

26.3%

26.3%

Hires from referrals

The average percentage of hires from referrals in the companies we surveyed was 29%. Half of the companies surveyed fell between the 20% to 40% range.

Based on this data, aiming for 45% hires through referrals is a good way to ensure you're above average (thats 1 standard deviation above the mean). Referrals are faster to close and are the most cost-effective source of hires, saving companies tens of thousands of dollars in cost per hire and in the opportunity cost of unfilled roles.







Does my ATS matter?

This graph represents the medians of the referral hiring rates the companies reported, categorized by the Applicant Tracking System (ATS) they use. We didn't see any conclusive evidence that ATS influences hires from referrals. Even though the medians are different, the sample size per ATS was small and the variability was high, meaning that for every ATS, some companies had very high and very low referral rates.





Rewards

56% of companies surveyed offer rewards up to \$5,000 in value, either as a cash bonus, donation, or experiential reward. 20% of companies offer a much larger bonus, at most 10x the amount of a standard referral, for "hot jobs" and hardto-fill roles. These roles are commonly in engineering, product, and enterprise sales.

6% of companies in our survey offered an external reward.





Reward types

91% of companies that have referral bonuses only offer cash rewards for successful referrals. Non-cash or experiential rewards can range from laptop stickers to all-expense paid vacations. They are sometimes given in addition to a cash bonus. Donation rewards are either split between the referrer and the charity or donated entirely to the charity.



Click here to learn more about referral reward types.



Rewards = more hires from referrals

Companies that do not offer referral rewards source an average of 21% of hires from referrals. Companies that have referral rewards source an average of 29% of hires from referrals, suggesting that most of the time some kind of reward will help with referral hiring success.

With Referral Bonus Hires from referrals, 29%

No Referral Bonus Hires from referrals, 21%









Hires from referrals and rewards

We found no evidence that higher monetary rewards generate more referrals. Our data shows that with reward values over \$4,500, there are no significant improvements in hires from referrals.





Referrals and co

Companies in their initial growth tend to hire more through referra hires from referrals among the ea survey was 30%.

We found that the rate of hires fr drop at the 4 to 6-year mark, but the company matures.

One explanation might be that co experience difficulties sourcing ca possibly due to their referral poo one might be that many compani 4 years in terms of changing cultu from early employees vesting that referrals proportional to the com

External referral programs, whicl the company's referral network, as well as putting into place initia proactively.

Learn more about why we love exte

h stage (1 to 3 years old) rals. The median rate of	sta
early stage companies in our	32%
rom referrals tends to t trends upward again as	31%
	30%
ompanies scaling tend to candidates from referrals, ols "running dry." Another	29%
ture, process, and turnover	28%
at make it difficult to scale npany's growth.	27%
ch exponentially increase can help solve this problem, atives for sourcing referrals	26%
	25%
ternal referral programs here.	1 -

AQe





7 - 12 years

>13 years

Takeaway summary



1 The average referral based hires is 29%, with 45% being one standard deviation above 2 Offering some reward performs better than offering no reward 3 Of the companies that offer rewards, a majority opt for cash 4 Rewards beyond \$4,500 offer diminishing returns on referral hiring % 5 Companies 4 to 6 years old may want to pay special attention to referrals 6 No significant impact from ATS choice on referral hiring success 7 These conclusions are based on data skewed toward private tech companies 8 Companies are beginning to turn to external referrals to augment existing referral programs



Recommendations

Based on companies we work with and talk to every day, here are some of our opinions about how to accelerate referral programs.





Don't aim for average (29%). To win in the market, you need to acquire better talent than the competition. One way is to aim for 45% - a full standard deviation above the average.



Experiment with rewards, but keep it simple. Do what works for your culture and company. Don't expect results to get better with larger bonuses.



to employees.



It's worth looking outside your Applicant Tracking System for ways to scale referrals. (but we're biased here :))

Be proactive about the strategy and execution for your referral program in order to achieve the best results. Simply announcing a bonus isn't enough.

Consider extending your referral program to your community, instead of limiting it just



So what?

The future of work is now. The best talent no longer searches on job boards. Mission and culture are just as important as compensation. The average job tenure is going down. Freelance and remote work is on the rise. Technology is exploding.

The one constant in hiring will always be human connection, and the best strategy in hiring will always be referrals.

Getting referrals through pizza parties and cocktail hours won't cut it anymore. To use referrals as a business strategy, they have to be scalable, trackable, and measurable. That starts with data.

We hope that this report gives you a starting point to evaluate your own company's program and gives to maximize its potential. Now, it's time to get creative - go forth and refer!





Additional resources



3 <u>Why you should consider an external referral program</u>

4 <u>Common misconceptions about referrals</u>

<u>Need to double your referrals in 90 days? Drafted can help</u>





About Drafted

Drafted empowers you to proactively hire through your company referral network. Built by product experts from MIT and KAYAK, Drafted uses a combination of Natural Language Processing (NLP), Artificial Intelligence (AI), Machine Learning (ML), and Graph Search technology, while integrating with your existing toolbelt.

The best teams win, and referrals are the best way to hire. To learn more about how your business can win, visit **https://explore.drafted.us/**

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