"Employers and Employees Need Matchmakers"
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Employers want to hire high quality candidates, but also need candidates who are a good "match" for them. Candidates who are well-matched with an employer, are more likely to accept a job offer if it is made, more likely to later perform well as employees, and less likely to quit or be poached by other employers in the future. Identifying and hiring well-matched candidates, therefore, provides an employer with significant, direct benefits in terms of reduced costs and increased productivity because these employees stay on the job longer.

In a recent research paper,[1] TalenTeck LLC studies two strategies that firms often use to identify well matched candidates: (1) traditional screening of candidates through interviews and other forms of assessment; and (2) referrals from existing employees who are likely to have some prior insight into whether there is a good match between the firm and the candidate they refer, since they are acquainted with both.

The main finding in this paper is that employee-referrals have substantially lower quit rates compared to hires made through traditional screening methods and other hiring channels. Interestingly, our research shows that while traditional screening is beneficial, it only becomes significant to the matching process if it occurs in conjunction with referrals. Absent a referral, the traditional screenings are no more effective at finding strong matches than a simple computer algorithm that makes offers based on applicant criteria benchmarks alone.

Our research is based on human resource data provided by a large, multi-national call center company, spanning a period of four years (with over 300,000 applicants and 50,000 new employees). This dataset contains detailed information about the recruitment process as well as subsequent employment outcomes for hired applicants, including on-the-job performance and length of employment. For hired applicants who were referred by an existing employee, we also have data on the referrer and his or her relationship to the applicant.

Finally, the research paper assessed the implementation of a formal, TalenTeck LLC designed referral bonus program. This program led this call-center company to increase its referral based hiring to more than 50% of all new hires, leading to a significant reduction in employee turnover.

Employee Turnover Rates: Referrals vs. Non-Referrals

Hire	1-month Turnover	6-month Turnover	1-year Turnover
Referrals (Type A)	13%	50%	66%
Referrals (Type B)	20%	57%	72%
Referrals (Type C)	21%	65%	78%
Non-Referrals	23%	66%	78%

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[1] "Learning About the Employer-Employee Match: Referrals and Search Efficiency" by Tavis Barr, Raicho Bojilov, and Lalith Munasinghe, is available on the TalenTeck website under Research Papers at www.talenteck.com.