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Small Business Bulletin

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Employee Referral Programs for Small Businesses

As small businesses compete amid ongoing talent challenges, often with fewer resources than large companies, they may need to get creative in their attraction and hiring efforts.

Employee referral programs allow existing employees to recommend candidates for open positions. The idea behind employee referral programs is that candidates brought in this way will be better suited for the organization because the existing employees have already done the prescreening work. Employees tend to carefully consider possible referrals because they feel accountable to the organization and the person they refer. High performers tend to refer other high performers, which benefits employers.

These programs are a popular recruiting strategy due to their low cost but potential for high impact. Employees are generally successful with referrals because they put their names on the line by endorsing someone else. They also help reach potential new hires that limited recruitment budgets might not be able to access otherwise.

Employee Referral Strategies for Small Businesses

An effective employee referral program can save small businesses time, money and other resources during hiring. Employers can consider the following strategies for establishing and maintaining such programs:

- **Make submitting referrals easy.** Clear communication is necessary so that employees know how to submit referrals. This process should be simple, allowing employees to send a resume, provide an email and phone number, or submit a standard form to start the referral process.

- **Incentivize employee referrals.** To enhance the appeal of referring friends and family to the company, employers may provide monetary rewards, bonuses or other gifts to current employees who refer quality candidates for open jobs.
- **Keep employees informed.** It's important to keep employees in the loop about the status of their referrals to avoid frustration and increase transparency. For example, let them know when the referral has been received, if interviews are scheduled and where the candidate is in the overall hiring process.
- **Acknowledge good referrers.** Public recognition can go a long way with employees, so small businesses should consider awards or public praise to let employees know they appreciate their effort in sending referrals and being brand ambassadors. As such, public acknowledgment is a cost-effective way to increase referrals.
- **Think beyond employees.** Referral programs don't need to rely solely on employee referrals. Companies can decide to open the referral opportunity to additional stakeholders, such as retirees and customers. For example, loyal customers may feel like a part of the company and be eager to refer their friends for open roles.

Conclusion

Amid ongoing talent shortages, employee referral programs can be a cost-effective strategy for attracting and retaining talent, hiring faster and boosting employee morale.

Report: Filling Job Openings Remains a Challenge for Small Businesses

A [recent report](#) by the National Federation of Independent Businesses (NFIB) found that 36% (seasonally adjusted) of small business owners reported having job openings they could not fill in June 2025.

The ongoing labor shortage continues to disrupt business operations and prevent growth. However, despite the challenging hiring environment, small businesses can adjust their attraction strategies to remain competitive and win over talent.

According to the report, 58% of small business owners were hiring or trying to hire, but 50% of those reported few or no qualified applicants.

Tips for Navigating Hiring Challenges

Consider the following tips for navigating hiring challenges as a small business:

- **Improve job descriptions.** A well-crafted job description can make a significant difference in attracting candidates. Be specific about the skills and responsibilities required, and use clear, engaging language. Highlight what makes your business unique, such as your company culture, mission, and growth opportunities, to help applicants envision themselves as part of your team.
- **Offer competitive benefits.** Compensation is always one of the most critical factors in employment decisions. Unfortunately, many small businesses have limited budgets to compete against larger employers. If budget constraints limit salary increases, consider offering valuable nonmonetary benefits like flexible scheduling, employee discounts or wellness programs to boost appeal.
- **Invest in learning and development.** Hiring candidates with potential and providing on-the-job training can be a smart strategy when qualified applicants are scarce. Develop internal training programs or collaborate with local colleges and trade schools to create internships or apprenticeships. This can build a skilled workforce, foster loyalty and promote long-term growth.
- **Focus on retention.** Retaining employees is just as important as hiring them. Regularly check in with staff to understand their needs and concerns. Recognize achievements, offer career development opportunities and create a supportive work environment to keep morale high and turnover low.
- **Leverage local networks.** Tap into your community to find potential hires. Attend job fairs, partner with local workforce development agencies and engage with community organizations. These connections can help you reach candidates who are already invested in your area and may be more likely to stay long-term.
- **Use social media and niche job boards.** Promote job openings on platforms like LinkedIn, Indeed and industry-specific job boards to reach target audiences. Share employee testimonials, behind-the-scenes content and company updates to represent your brand and attract candidates who align with your values and vision.

Conclusion

Hiring talent continues to be a challenge for many small businesses, but there are practical steps that can make a real difference. For more attraction and retention resources, contact us today.