

Employee Referral Programs

As many baby boomers continue to retire, there may be vacancies in your workforce that need filling. To assist in recruiting efforts, many employers offer an Employee Referral Program (ER Program) to encourage and reward current employees for referring qualified job candidates to the organization.

Why Employee Referral Programs Work

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 pre-screening work. Employees tend to carefully consider possible referrals because they feel accountable to both the organization and the person whom they are referring. This process saves the human resources department time and the organization money, and the employee knows both the company and the person he or she is referring, which typically leads to a good match for the employer and new employee.

Current employees can provide information about the company to job candidates and describe the corporate culture and benefits package, giving potential employees a good idea of what working for the organization would be like prior to being called in for an interview. Using

an employee referral program also gives you increased access to passive job seekers who are currently employed and might not have otherwise interviewed for a position with your company.

To assist in recruiting efforts, many employers offer an Employee Referral Program at their organizations with the intention of bringing in qualified, knowledgeable job candidates who are hand-picked by their current employees.

Employee Referral Program Success

According to CareerXRoads Sources of Hire Reports, employee referrals lead to approximately 25 percent of all hires each year, making referrals the leading source of external hires. Employee referral programs are an efficient use of company resources because both the cost and the time needed for each referral hire is lower than for other types of external hires.

In addition, the retention rate of employees found through referrals is higher than that of new hires from other sources, helping control turnover expenses.

Creating and Maintaining a Successful ER Program

If you are considering implementing an ER Program at your organization or want to improve your current program, consider the following:

- Before taking any action, ask the following questions to determine the shape and organization of your program:
 - How much money is currently allocated and spent on recruiting?
 - Are there areas of your recruiting that could be reduced or modified to improve the quality of hires?
 - Are you currently using outside agencies to help in your recruiting efforts?
 - How many hires would you like to obtain from an ER Program?
 - What is your cost-per-hire goal for the ER Program?
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HR insights

- How will you measure the impact of your ER Program?
- How will you track your ER Program costs and return on investment?
- Determine how much you will pay current employees for referred individuals who are hired. Some employers quantify the payment amount based on the type of position being filled.
- Determine whether the referral incentive will be given to the employee at the referral's date of hire, or if they will be made in incremental payments based on the referral's length of service.
- Ask your management-level employees to promote the program at department meetings.
- Consider creating a theme for the program and then develop internal marketing materials based on that theme. Constantly publicize the program in payroll stuffers, on your company's intranet site and through company-wide emails.
- Inform your employees about the status of their referrals.
- Publicize successful hires to your employees. Make sure your employees feel recognized for contributing to the hiring process.
- Keep the rules of the program simple and easy to understand, and address potential issues such as two employees claiming that they referred the same individual.
- Maintain good records of the company's recruiting efforts by time-dating each résumé received by HR. Keep a file consisting of the referred employee, name of the candidate, résumé, etc.
- Give your current employees easy access to job postings and descriptions.
- Use giveaways to boost participation in the program. Consider sending out a survey to your employees to ask what prizes they would be motivated by and offer those incentives to

participate in your ER Program. Or develop a flexible rewards program in which employees can choose from several reward options.

- Show your appreciation to employees who make referrals who do not get hired. This may be as simple as offering them a \$5 gift card.

ER Programs benefit both the employer and the employee. Current employees are rewarded with cash or prizes and the company gains a qualified new employee using little or no recruiting resources. A true win-win!