

Everything there is to know about an employee Referral Program

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The recruitment industry is worth over US\$200 Billion (Forbes, 2019). It is estimated by the research organisation Centre for American Progress that it costs businesses about one-fifth of a worker's salary to replace that worker and this is just the conservative financial costs. Included in these costs are the advertising, interviewing, screening, and hiring processes. One of the major implicit costs to businesses is the time in finding the right candidate. Could employee referral programs smoothen out most of the problems associated with recruitment?

An employee referral program is an organized and structured program employers use to ask existing employees to recommend candidates for open positions. Unlike sourcing, employee referral is an internal method used to find and hire the best talent from employees' existing networks. If your employees have high levels of engagement, they'll have no problem promoting open positions to friends and family. And they'll be able to speak from personal experience about what it's like to work for your company, which means any candidates they bring in will be more informed and likely better suited for the company than those who apply with no previous knowledge.

There is a large chunk of the labour market that are passive job seekers. A passive job seeker or a candidate is someone who's already in employment and not actively looking for a new job. Nonetheless, the person might be open for a new job opportunity if it presented itself to the passive candidate. Research by LinkedIn has shown that almost three-quarters of site users classify themselves as passive job seekers. Having the bulk of skilled workers being passive job seekers is problematic for business. This means limited talent available for hire. Employee referral programs have proven to be a cost-effective way to tap into a large, qualified labour pool of passive job seekers. Employees frequently network with professional peers and former co-workers outside of their organizations, giving them access to highly qualified cohorts who may not be actively seeking a new job but would consider one if the opportunity arose. Employee referral programs essentially turn all employees into recruiters. According to statistics done by website Society for Human Resource Management, 35 per cent to 45 per cent of all new hires are from employee referrals. This is specifically for businesses that emphasize employee referral programs, other businesses the figures come in at 28 per cent to 35 %.

Some of the advantages that come with employee referral programmes are;

Saves Time and Money for the business

The hiring process is quite a time consuming and expensive. A lot of time is spent trying to source the right candidates, then further screening them in cases of high volume applications. This is all whilst the business loses productivity from a vacant post. It was found in one study that [referred candidates are](#)

55% faster to hire, compared with employees sourced through career sites (HR Technology, 2020).

Better quality of candidates

Candidates have been known to add bogus references on their Curriculum Vitae. Having reliable internal references means a reduced risk of hiring someone with overstated abilities. A personal recommendation that is already within the company can give confidence that the reference is, in fact, valid and reputable.

Better Retention rate

Business always has to face the potential risk of losing their talent to other organisations- even after a significant investment to get their talent. Employee referrals tend to have higher retention rates, perhaps because they are a good fit with their colleagues. That's not to mention that the referrer themselves may feel more respected and valued too after their company takes their recommendation. And when an employee feels respected and valued, they can become more dedicated in turn.

Disadvantages of Employee referrals

While an advantage of employee referrals is that they can positively impact peer morale, they can also cause unnecessary tension. Problems can come in especially if the external hire was chosen over an internal promotion, inviting an opportunity for negative company politics. There is also the possibility of being accused of discrimination by traditional candidates if the business relies heavily on the referral programme.

How to make an Employee Referral programme

Starting an employee referral programme without any incentives for your employees could mean half-hearted efforts from them and ultimately a failure in the programme. According to a LinkedIn study, 35% of employees refer to help their friends. 32% do it to help their company. 26% do it to be seen as a valuable colleague. Only 6% do it for money and recognition. Businesses have realised the importance of bringing structure to the programme and playing their part where possible.

Workshops on the referral programme

Employees don't instantly know what their companies are looking for in candidates. Most employees depending on the industry will be unfamiliar with HR standards especially if employees are asked to refer people who work in different departments and job functions. A sensitization meeting on what employees are expected to do and can expect from the referral programme would be a good place to start.

Communication during the Recruitment Process

Communication during a recruitment exercise with the referral is an important framework for the

process. Not hearing back from Human Resources can make employees reluctant to refer again, a mistake which undermines your employee referral program. When a referred candidate isn't selected for an interview, notify referrers and thank them for their effort. This will also spur them to look for other potential matches. That way employees will feel appreciated.

Incentivise Employees for contributions

Recognition for work done is something that is of significance to most employees. When you have an exceptional referrer on your hands, make sure they know you appreciate their effort. Any acknowledgement, ranging from awards to personal messages from the top is within range of what is acceptable. Where the operating environment allows, cash and non-cash incentives can also be added to increase engagement.

All in all an employee referral program can be a superior recruiting tool. If done using best practice, the business stands to gain by reducing both recruitment costs and the time lost in the process.

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