Employee Referrals, Trends in Engagement and Technology

Introduction

Employee referral programs have long been attributed with numerous benefits, including speedy hires, quality hires, better performance and retention—all at lower costs than other recruitment options. Not surprisingly, these known benefits have provided ample motivation for organizations to discover new ways of acquiring referrals.

As hiring companies continue to seek out solutions, inspiration may be found in examining the engagement, cultural and technology trends shaping the ways networks share information. Research into participant motivations, for instance, may aid hiring companies in developing strategies that meaningfully engage both employees and candidates. Meanwhile, emerging trends in crowdsourcing, collaboration and mobile technologies may help organizations in designing for systems that better reflect participants’ new ways of connecting.

The following report highlights key trends in referral program engagement and technology, plus offers tips on how employers can modernize referral program designs. Suggestions for future referral program innovations are also provided.
According to the 2011 CareerXRoads Sources of Hire Report, referrals make up 27.5 percent of all hires, making them the leading source of external hires. Social media, which was adopted by at least 88.5 percent of organizations surveyed, was not measured independently. However, its indirect impact has grown, especially among “Direct Sourcing.” Internal movement and promotion remain the leading source of all hires.

Referral Program Stats:

- 69 percent of organizations say they have a formal employee referral program at their organization (CareerBuilder’s Referral Madness, 2010)
- Nearly 65 percent of job openings are filled through internal movement and referrals (CareerXRoads Sources of Hire Report, 2011)
- 82 percent of organizations rate employee referrals above other sources of hire for ROI (CareerBuilder’s Referral Madness, 2010)
- 71 percent of recruiting departments are looking to social media to increase referrals (SelectMinds Why Optimizing Referrals is Critical Now, 2010)
Why Referral Programs Work

Speedy Hires
Employees begin the process of “selling” the company to candidates before the interview, enabling employers to spend less time promoting both themselves and their positions. Applicants also require less screening and can advance through the recruitment process more quickly than other hires.

Quality Hires
Good referrals can reflect well on referring employees, motivating them to find top candidates and avoid poor performers. Current employees also hold indispensable knowledge of company culture and can seek out employees who will be the best fit.

Higher Performance
In a study by the MIT Sloan School of Management, researchers found that employees recruited through referral programs had significantly higher performance than those hired through other recruitment options.

Higher Retention
Provided the initial referrers haven’t quit, the MIT study noted that employees who were recruited through referral programs remained with a company longer than employees recruited through other recruitment options.

Cost Effectiveness
A survey conducted by SHRM and Referral Networks found that referrals have a lower cost per hire than other recruitment options.

Motivating Employees

Doing Good
Many referrers report participating in a referral program with the sole goal of helping someone else—an alumnus, a team, a new connection. Organizations can help referrers act on these intentions by automating the referral process and by supporting other charitable motivations. Applicant Tracking Systems enable employees to make referrals with just a few simple keystrokes, while social media widgets make linking connections with jobs easy by integrating career sites with social media profiles.

Referrers desiring to give back on a larger scale may be motivated by donations instead of cash payouts. Employers can make this possible by providing referrers with opportunities to donate referral rewards to favorite charitable organizations.

Gaining Recognition
Besides higher pay, recognition is one of the top things employees say they want most from their employers (CareerBuilder’s Referral Madness, 2010). Recognition of employee submissions can provide organizations with numerous benefits, including increasing the likelihood that the referral behavior will be repeated and motivating other employees to get involved.
Gaining Skills

According to a 2011 Bucks Consultants study, 41 percent of companies are using new career development opportunities to engage staff. Networking opportunities, which allow employees to increase both social connections and gain knowledge, may help nurture employee development while also increasing referral opportunities.

Feeling Achievement

Employers who offer rewards for early referrals or hold interdepartmental contests can help encourage competition among employees and internal teams. Metrics available via referral tracking systems can even be used as publicly available score cards (ERE.net’s The Complete List of Referral Best Practices Part 2 of 2, 2011).

Getting Rewards

Cash bonuses remain the most popular incentive used within referral programs and may represent a potential participant booster, as 48 percent of employees in a 2010 CareerBuilder survey reported it would further motivate them to participate in a referral program.

Motivating Candidates

Submitting Easily

Organizations that manage candidate experiences via functional application designs and reasonable expectations of application length may see increases in candidate submissions (see the NAS white paper “Improving the Candidate Experience...” for more suggestions). Additionally, sites like LinkedIn may, at least, help ease the burden by allowing organizations to accept social media profiles from job candidates.

Feeling Trust

Organizations that encourage employee/candidate information sharing—via mixers, reviews or technologies like video conferencing or chat—can assist in translating unique and meaningful career experiences while also building candidate trust.

Getting Feedback

Lack of employer communication can represent another source of frustration for referral applicants. Automating a referral program permits organizations to build relationships with referral applicants quickly, as well as share important feedback on job submissions.
Building a Successful Program

Selling the Program

Referral program communications (e.g., blog posts, e-mails and newsletters) should be approached similarly to marketing campaigns, with custom communications targeted to relevant employees. Organizations should additionally make available or co-create branded content (e.g., fliers, blog posts, QR codes, videos) for referrers to share with social networks.

Involving Everyone

Alumni are great sources for talent, as are vendors, customers and previous applicants. Additionally, involving senior management reinforces the message that recruiting is everyone’s responsibility, and they can also help translate team needs.

Rewarding Behavior

Organizations should reward referrer behavior quickly and in ways that support employee motivations. For cash payouts, organizations can determine dollar amounts based on the level of the position and the fees that would be paid to an outside source.

Empowering with Feedback

Organizations can help referrers stay connected to the goal by recognizing employee contributions and by updating them on applicant submissions. Applicant Tracking Systems help employees track the progress of their submissions, while Web applications like wikis, forums and chat enable referrers to ask questions and share best practices with other referrers (ERE.net’s The Complete List of Referral Best Practices Part 2 of 2, 2011).

Measuring Effectiveness

Well-defined metrics that measure the performance of referrals are important to overall program success. Relevant metrics include referral analysis, participation assessments, new-hire performance and retention, quality and cost per hire, plus other metrics that help organizations make informed comparisons of ROI and improve referral program design.

Managing the Program

Recruiters who are knowledgeable about employee referrals can be extremely helpful in managing the flow of submissions. Employers should consider giving priority to referral candidates, including providing them with expedited follow-ups and interviews. Also, maintaining a community of referred non-hires can provide employers with a ready pool of quality candidates to be considered for future positions (ERE.net’s The Complete List of Referral Best Practices Part 2 of 2, 2011).
Future of Referral Programs

Crowdsourcing Challenges

Crowdsourcing a referral program allows employers to cash in on the knowledge of the crowd by posting job opportunities alongside publicly available rewards. Recent startups like Top Prospect and Germany-based AdviseMeJobs assist by forwarding available job openings to registered users, who can then suggest connections who are a good fit for a position.

Facilitating Connections

Technologies that permit employees to share opportunities with entire networks, while regularly discovering new ones, will continue to rise. Several companies have already developed applications that link jobs with social media profiles. Additionally, sites like WhoWorks.At may soon help transform any site into a referral opportunity by helping users identify hidden connections working at the site they’re currently visiting.

Brazen Careerist, a career site for young professionals, connects users with other professionals with similar interests via virtual events. And Jobprize.com links job seekers directly with companies they’re considering for employment. After job seekers register profiles, employees or “Prize Hunters” scour the site for quality candidates for employment and then collect any referral fees.

Rewarding Collaboration

In an era of collaboration and co-creation, monetizing group efforts may help organizations discover even more talent. New York City-based Referio allows users to monetize entire social networks. The site uses a simple system that enables sharing over email and online communities and recognizes everyone within a successful referral chain.

Going Mobile

With 83 percent of U.S. adults owning mobile phones (Pew Internet, 2011) and 90 percent of word-of-mouth conversations occurring offline (Keller Fay, 2010), the opportunity for “real-time” referrals via mobile sites, texts, QR codes and apps will become increasingly important. Consider apps like Sonar, which helps facilitate connections by notifying users when LinkedIn, Facebook or Twitter connections are nearby.

Similar actions have even been taken by co-working spaces (i.e., shared collaborative workspaces catering to mobile and independent workers), which have also begun to broadcast details on professionals working within a room.

About NAS Recruitment Innovation

NAS Recruitment Innovation delivers best-of-class HR strategy solutions for online and offline candidate engagement, and specialized expertise in career websites, onboarding, employee communication and HR metrics. If you’d like to learn more about the power the right messaging can have on your candidates and employees, contact Kristine Rhodes, VP of Marketing, at krhodes@nasrecruitment.com.

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