How to Reduce Your Cost-to-Hire Conversion with a Successful Employee Referral Program
How to Use This Resource

This guide is meant to educate both individual companies and recruiting professionals about the benefits of employee referrals, as well as lay out how to construct a well-executed and uniquely tailored employee referral program.

We hope this eBook will provide you with informative and actionable material to inspire your company to pursue or revamp your employee referral program and to ensure you succeed. If the wheels are already spinning on your company’s employee referral program, we hope the information in this publication will help you to maximize your program’s results.
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Introduction

Before we begin, we should define employee referral recruiting, and what an employee referral program or strategy might mean. Employee referral is a recruiting technique in which a company seeks to identify potential job candidates by encouraging its existing employees to access their own social networks and refer friends and connections that they think may be suitable for the open position. These networks can be business or personal based networks, such as friends, family or acquaintances. However recruiters are more often than not focusing on web-based social networks. Facebook, LinkedIn and Twitter have opened a wealth of new recruiting opportunities for companies seeking high quality and reliable new talent.

Employee referral programs are a tried and true method of generating cost effective and efficient job candidate leads. These programs are designed to encourage existing employees to introduce people from within their social networks to job openings available with the company, usually by offering monetary compensation or other rewards for successful recruits.

Employee referred job candidates have a reputation for being of higher quality than those referred via other sources such as job boards or career sites, are more likely to fit in seamlessly with your existing company structures and are more likely to stay with the company longer. Employee referred hires further tend to also cost a fraction of the amount of money to recruit. In the Jobvite 2011 Social Recruiting Survey, 86% of our customer respondents expressed that employee referrals were the best source for quality job candidates.

Talent recruitment is no longer just within the jurisdiction of recruiting professionals and Human Resources. Companies are turning to all of their employees to contribute in identifying and sourcing potential job candidates. The information contained within this eBook will help you to mobilize your existing workforce to help you recruit top talent.
Chapter 1 – The Numbers

Just how effective are employee referrals? We recently dug through our big data set to test some of the common claims about employee referral recruiting and hires. We found that there is empirical evidence to support some of the more common claims associated with employee referrals.

1) Employee referral applicants are of higher quality than those referred by other sources.

Job boards, career sites and other candidate sourcing resources are undoubtedly effective tools in capturing a high volume of candidates. In the data we analyzed, these two particular outlets came in first and second in generating the highest number of applications, with employee referrals coming in a distant fourth. However, according to the data, employee referral applicants are more successful at being hired and, therefore, more likely to be of higher quality.

Although only 7% of all job applications were generated as a result of employee referrals, they accounted for four out of ten new hires. In fact, employee referrals accounted for more hires than job boards and career sites combined!

2) Employee referral hires start sooner than other new hires.

On average, employee referral hires started their new jobs in less than a month. Job board hires on average took ten days longer, and career site hires took almost two months to start.

3) Employee referral hires demonstrate better fit and retention rates than other types of hires.

Employee referral hires also tended to be more satisfied with their jobs, and thus stayed with the company longer. Almost half stayed over three years, compared with 14% of hires derived through job boards.
4) Existing employee’s social networks represent an extremely broad pool of potential job candidates from which to draw

A simple bit of math is enough to give you a sense of the scale of engaging employee social networks. If your company has 100 employees, and each employee has 150 friends or followers on various social networks, then that provides 150,000 possible contacts to be added to your candidate database. These are conservative estimates, and it’s likely your networking pool is much larger.

The statistics speak for themselves. However, to further bolster the value of employee referral recruiting, in our 2011 Survey, employers reinforced these positive employee referral claims. Employer Respondents expressed a conspicuous preference for employee referral recruiting programs in their future hiring goals.

Additionally, 70% of respondents found that employee referral hires fit their company’s culture and values better than other types of hires.

67% of respondents found the employee referral recruitment process was shorter.

51% of respondents felt the expense of employee referral recruiting was less than other options.

Clearly, many businesses out there see some benefit to employee referral recruiting and hires. For recruiters, the benefits of an employee referral program are intuitive. The statistics related above hopefully contextualize and give a tangible idea of the scale of these benefits, in case your executives need further convincing. The following section will elaborate on these benefits further.
Chapter 2 – The Benefits

In the previous chapter, we broke down the numbers that distinguish employee referral programs from other recruiting tactics. But how do these numbers translate to real results? Following are five integral benefits to both your company and your employees:

1) Reduce recruitment costs

Sourcing and recruiting can be a costly and lengthy endeavor. Job candidates need to be properly vetted, selected and screened. Sometimes, selection and screening responsibilities need to be outsourced to expensive third-party organizations like headhunters. If you are successfully able to mobilize your employees’ existing networks of friends, families and acquaintances by implementing an employee referral program, you may be able to diversify some of these costs as well as promote employee engagement and investment in the company. Unlike job boards or career sites, marketing via word of mouth or existing social networks costs nothing.

Job candidates can be pre-screened by existing employees, who want to preserve their reputation within the company. The total cost of hiring new talent amounts to the reward paid to the employee who referred them, which often pales in comparison with the costs of a more traditional recruiting program.

As an employee referral program matures and job candidate quality increases, the company can internalize a steadily increasing cost of talent recruitment.

2) Higher quality new-hires

Your current employees are intimately knowledgeable about what sorts of qualities and skills will make a job candidate successful at your company. Even headhunters and talent consultants, who purport to be experts on fulfilling company needs, have no experience with the day-to-day idiosyncrasies unique to your business. By contrast, an existing employee will know what sorts of skills and personality traits will excel in your company’s work environment that cannot be listed on a resume or interpreted in an interview.
3) A regular and reliable stream of qualified candidates

A successful employee referral program can be a self-perpetuating cycle. As successful referral hires become integrated with the company, they are knowledgeable and understand the importance of referrals and can be motivated to refer individuals from within their social networks. With each successful referral, your company is exposed to new pools of potential job talent and is equipped to optimize use of existing opportunities.

Employees will leave and new ones will be hired in their stead. The constant flow of employees entering and leaving your company maintains this cycle, keeping new potential referrals fresh, while growing your talent pool.

4) Increase employee morale and investment in your brand

An often-overlooked benefit of a successful employee referral strategy is the potential to increase your existing employees’ positive engagement with the company, and improve corporate culture. If your employees are encouraged to engage with the company outside of their typical job duties, you may foster a greater sense of brand loyalty in them. Further, if employees are given the opportunity to refer and eventually work with their friends, you can expect a more actively social work environment and more cohesive teams.

When your employee is working to encourage someone else to join your company, they are acting in somewhat of a sales capacity for your company. As they espouse the benefits of working with you to his or her anticipated referral, employees may come to view their own position more positively. When your company’s success is directly correlated with their individual gains, they’ll be more likely to invest more of their own worth in your brand, and thus work harder.

5) Encourage employees to actively network with other professionals

A successful employee referral program should also encourage your existing employees to actively network. You should incorporate this message in your initial trainings, and regularly remind your employees to reach outside their networks of immediate friends and families. Encouraging and incentivizing your employees may compel them to expand beyond their typical social comfort zones and reach out to and begin a discourse with professionals they would not normally contact. By engaging with other professionals, they open the opportunity to enrich their own bodies of knowledge and experience, which they can then bring to their position at your company.
Chapter 3 – How to Create an Effective Employee Referral Program

Now that we’ve covered why you should consider implementing an employee referral program, we can discuss the keys to making such a program successful. After all, any new platform requires a plan of action. Here are a few key things to keep in mind when strategizing a referral program specific to your company’s requirements:

1) Incentivize your employees

Merely asking your employees to refer their friends to open job positions may yield some halfhearted results. However, to really get them motivated to participate, you need to offer them some sort of incentive. Some incentive ideas include:

**Cash bonuses or vacation days** – Offer a stipulated amount of money or bonus paid time off for each successful employee referral. Some companies offer a two-stage bonus to their employee referrers, in which an initial payout is given upon successful hire, and a supplemental amount is given once the new hire has reached a milestone (for example, 6 months of employment).

**Competitive prizes** – Fostering a little healthy competition among your employees may compel a more inspired effort. Offer a gift card to a nice restaurant or an iPad to the employee who provides the greatest number of lead referrals or conversions during a set amount of time.

**Special training** – A unique way to reward your employees and also benefit your company in the long run is to reward them with specialized training related to their work, or that contributes to their advancement within the company. Investing in your employee in this way and grooming them for promotion is mutually beneficial for your company and for the employee.

**Creating an improved social working environment** – There are many non-monetary incentives your employees can take advantage of in participating in an employee referral program. By referring people in their social networks, your employees will have the opportunity to work with their friends or other individuals they personally believe they would work well with. This further creates an added benefit of fostering stronger bonds between employees and building more cohesive teams.
Provide recognition – sometimes, more than bonuses or other material incentives, employees respond to recognition by the company and by their colleagues. It’s a natural human instinct to seek the approval of one’s peers. Give shout-outs to your top referrers in company bulletins, or hold a special reception in their honor. Even providing verbal praise and personally thanking your employee for a job well done will make them feel that their contribution is valued by the company.

In order to keep your employees interest, you should also regularly vary the rewards or positive feedback being offered. Do not, however, revise your rewards downwards. Such a revision runs the risk of demoralizing your employees, or disengaging their interest in your employee referral program in the future.

2) Include everyone

Someone low on your company’s totem pole, like an intern, may have as many connections and as much to contribute as some of your corporate officers. Similarly, someone in Sales may have amazing connections with talented Engineers. Don’t limit your purview to certain factions of the company – open up your referral opportunities to everybody.

3) Train your employees

Before you try and execute a new employee referral program, provide your employees with comprehensive training and education on how to successfully recruit within their social networks. Lackadaisical training will produce lackadaisical results. The more you invest in your employees early on, the more motivated they will be to contribute to the program.

Educate your employees not only on how to successfully recruit candidates, but also why the employee referral program is so vital to the success of your company. This education should begin as soon as a new employee is hired, so that they immediately begin to think of referral recruiting as part of their core responsibilities.

One of the keys to effectively training your employees in employee referral recruiting is to keep things extremely simple. Make referrals as easy as possible by putting together templates for your employees to use and provide training materials and guidelines in simple-to-understand language. You also want to regularly refresh your employees’ memories regarding the referral process, whether by hosting periodic supplemental trainings or by making yourself constantly available for any questions or advice about recruiting.
If employees feel their activity is an integral part of your operations and that the process is exceedingly simple, they’ll take more pride in their work and in generating results.

4) Promote job openings early and often

Similarly, the sooner you advertise openings to your employee referrers, the sooner they’ll begin marketing to their social networks. Be sure to update job postings frequently, and be sure to regularly remind your employees about openings. They are unlikely to seek out this information on their own, so regular reminders are a must.

Also remind them about the perks you’re offering with your referral program. They may not know, or they may have forgotten, so an e-mail refresher stating all the great goodies they stand to gain from addressing your most recent job opening will spark motivation and referral activity.

By allowing your employees more time to circulate the word, you increase the amount of exposure your open position receives and the amount of interest it will generate.

5) Continue to openly communicate with your employee referrers throughout the recruitment process

When an employee refers a personal connection to your company, they have staked a little of their own reputation in the result, and they will want to know how things are progressing. If you fail to keep your employee in the loop during the vetting and hiring process, they may become frustrated with the lack of information and lose motivation to continue with their recruitment efforts. An employee who is kept apprised of movement with their referred candidate, however, will feel that the company values their contribution. An employee who feels valued is more likely to continue contributing.

Give feedback on your employees’ social recruiting efforts. If their referral was not a good match for the position, be sure to let your employee know. Take note of which employees produce the highest quality referrals and where they seem to be excelling. Incorporate what you learn in future employee referral trainings.
6) Mobilize social media in your employee referral efforts

If your employees are actively recruiting within their social networks, odds are a lot of this activity is being done over social media like Facebook, LinkedIn and Twitter. If your company profiles on these and other social networking websites are neglected, it makes your company less attractive to potential job candidates. Spend some time sprucing up the content on these pages and bringing them up to par with your brand image and expectations.

Another good technique is to encourage existing employees to start engaging with your company via social media. Starting a conversation or otherwise encouraging participation across social media platforms will give your company greater exposure to your employees’ social networks.

You can also use your various social media outlets as an example for employees who lack experience with or are otherwise uncomfortable using these websites. Show them how it’s done, so you can enjoy better access to their broader networks in the long run.
Chapter 4 – Troubleshooting: Three Common Problems and How to Address Them

Implementing a new employee referral program is not always a smooth or simple exercise. There are many problems you may encounter when you first begin your new program. Luckily, many of these problems have simple and easy solutions. Following are three of the most common categories of problems you may run up against when you’re first starting out with your employee referral program:

1. **Problem: Concerns that employee referral recruiting will inhibit workplace diversity**

   There may be concerns within your organization that employees may only refer candidates similar to themselves, inhibiting diversity or unique ideas within the company. You want to make every possible effort to ensure that your job selection process remains fair and transparent after you’ve started an employee referral program. Be sure that your selection and hiring standards remain rigorously enforced and continue to mobilize other candidate sourcing resources simultaneously with your employee referral program. Be sure to track all employee referrals and reward your employees appropriately and, more importantly, equitably, regardless of where in the rank of your company’s hierarchy the referring employee falls. Also, be sure to regularly review your program to ensure that everyone is operating appropriately within your program’s set parameters.

2. **Problem: Lackadaisical or inconsistent efforts to communicate with or involve employee referrers and referrals in each step of the recruitment process**

   Providing your employee referrers prompt responses and feedback is integral to keeping them engaged and continuing to participate in the referral process. It is imperative that you respond to each and every employee referral that you receive, regardless of whether you are interested in the job candidate or not. Failing to do so reflects poorly on the company, both in the eyes of the applicant and in your employee who referred them. If you ignore a referral that does not meet your standards and fail to provide feedback to your employee referrer as to why their referral was rejected, they will not learn what qualities to look for in their next referral. However, if you provide targeted and specific feedback to your employee, their next referral will likely be of higher quality and more suited to your needs.
3. Problem: Incentives are too low or are not awarded in a timely manner

Beginning in the initial planning stages, and continuing through program launch and throughout the program’s lifetime, you need to continuously monitor and make sure that the employee incentives portion of your referral program is in good shape. Offer incentives that are too low, and employees won’t think it’s worth their time to bother their friends and family. Too high, and your program may not be sustainable. You should not revise your incentives down, negatively change the terms of your program or place your referral program on hiatus. Such changes risk de-motivating your employees.

If your referral program incorporates material incentives, you want to be sure to set specific guidelines about qualification for and payment of these incentives. Stipulate exactly what your rewards are, and exactly when they will be paid. You also need to strictly adhere to this policy from the very beginning of the program. If employees learn early on exactly what to expect with regards to their referrals and rewards, and if you maintain consistency in meeting these expectations, they will feel more confident and motivated to continue contributing.

If your referral program does not incorporate material incentives, you should be consistent in doling out liberal praise and recognition to your employees who participate or are performing well. They should always be made to feel their contributions are highly valued by the company.

If you manage to avoid these common problems, then your employee referral program will be well positioned to thrive. Your current employees will be motivated to participate in your program, and this positive motivation may transfer to their normal job responsibilities within the company.
Conclusion

Employee referral recruiting is not a new trend. As early as the Roman Empire, monetary rewards have been offered to soldiers in the army for each additional head they can convince to sign up. More recently, forward-thinking companies have capitalized on the practice for decades, and any Human Resources or recruiting specialist worth their salt know the tactic generates quality job candidates at a relatively low cost to the business. However, most companies and recruiters aren’t quite sure how to maximize the effectiveness of the employee referral technique within the confines of their corporate structure. Hopefully, this eBook has cleared up some of those ambiguities.

With this information in hand, you should be primed to structure or restructure your own employee referral program. However, once you’ve set your program into motion, you can’t then leave it to its own devices. You must constantly gauge your program’s effectiveness, review areas of weakness and innovate new strategies to bolster those weak areas. You should always be tweaking your program in the hopes of reinforcing it and making it more robust. This process of evolution ensures that you continue to identify strong talent, cut costs and keep your existing employees engaged and happy.

Additional Resources:

Increase Employee Referrals in 5 Easy Steps:
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Groupies, Linchpins & Stalkers: Optimize Your Network to Generate Referral Hires in 5 Simple Steps:
Download >

5 Secrets to Successful Social Recruiting:
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ABOUT JOBVITE

Jobvite is the only recruiting platform that delivers real-time recruiting intelligence with innovative technology for the evolving social web. Leading, fast-growing companies today use Jobvite’s social recruiting, sourcing and talent acquisition solutions to target the right talent and build the best teams.

Jobvite is a complete, modular Software-as-a-Service (SaaS) platform that can optimize the speed, cost-effectiveness and ease of recruiting for any company. To find out more, take a product tour.

Jobvite Hire is a practical, intuitive web-based platform that helps you effectively manage every stage of hiring. It’s the only social recruiting and applicant tracking solution that makes it easy for everyone to work together on hiring. With Jobvite Hire, you can improve the speed and quality of talent acquisition, create a great candidate experience, increase referral and social network hires – all while using fewer resources.

Jobvite Source is an easy-to-use web-based application that can help you achieve your recruitment sourcing goals today. It’s the only social sourcing and candidate relationship management application that helps you target relevant talent through employee referrals, social networks and the web – then build and engage your talent pool. Jobvite Source is one intuitive platform to manage all sourcing programs and see the results.

Ready to learn more? Request a free demo!