

# Employee Referral Programs

Issues important to you - brought to you by the Human Resource specialists at the **Extensis Group**.



As baby boomers retire, there may be holes in your workforce that need filling. To assist in recruiting efforts, many employers offer an Employee Referral Program (ER Program) at their organizations with the intention of bringing in qualified, knowledgeable job candidates that are hand-picked by their current employees. These individuals tend to be better suited for the organizations because the existing employees have already done the pre-screening work, saving time and money for Human Resources. In addition, current employees can provide information about the company to prospective employees and give descriptions of the benefits package and corporate culture so that potential employees are well-informed before being called in for an interview.

## Employee Referral Programs that Work

Lincoln Financial, an organization based out of Hartford, Connecticut, has an ER Program that has brought in 55 percent of their external hires as of 2001, including five senior-level employees. If Lincoln Financial had used a recruiting firm, they would have been charged 30 percent of the first year's salary of each employee recruited. If each employee was to make \$100,000 then Lincoln Financial would be out \$150,000 for those five senior-level executives. Instead, the company paid their employees \$5,000 in five \$1,000 reward amounts for employee referrals through the company's ER Program.

## Creating and Maintaining a Successful ER Program

Considering an ER Program at your organization or have one that is not that successful? Use these tips to get the most bang for your buck while recruiting top talent:

- 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?
  - How will you measure the impact of your ER Program?
  - How will you track your ER Program costs versus return on investment?
- Determine how much you will pay out for referred individuals who are hired. Some employers value the payout based on the type of position being filled.

- Determine whether the payouts to the employee will be 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 e-mails.
- Inform your employees on 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 problems 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 that makes its way to HR. Keep a list of the referring employees, name of the candidate, résumé, etc.
- Give your employees easy access to job postings and descriptions.
- Use giveaways to boost participation in the program. Send 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. Consider developing a flexible rewards program in which employees can choose from several reward options, if you cannot get a consensus from your employees on what they would like as a reward.
- 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 in that individuals are rewarded with cash or prizes and the company finds a qualified new employee using little or no resources. **A true win-win!**

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