REFERRAL MADNESS

How Employee Referral Programs Turn Good Employees Into Great Recruiters and Grow Your Bottom Line
About CareerBuilder

CareerBuilder is the global leader in human capital solutions, helping companies target and attract their most important asset – their people. Its online career site, CareerBuilder.com, is the largest in the U.S. with more than 22 million unique visitors, 1 million jobs and 38 million resumes. CareerBuilder works with the world’s top employers, providing resources for everything from employment branding and data analysis to talent acquisition. More then 9,000 websites, including 140 newspapers and broadband portals such as MSN and AOL, feature CareerBuilder’s proprietary job search technology on their career sites. Owned by Gannett Co., Inc. (NYSE:GCI), Tribune Company, The McClatchy Company (NYSE:MNI) and Microsoft Corp. (Nasdaq: MSFT), CareerBuilder and its subsidiaries operate in the U.S., Europe, Canada and Asia.

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Whether you’ve had an employee referral program for years, are only in the initial stages of building one, or have never had one at all, this e-book is full of tips and advice on making your program the best it can be.

Think of it as your comprehensive guide to employee referral programs. We’ll help you determine how to create or enhance the employee referral program that will help you get more quality hires while improving your employee relationships and increasing your bottom line.

An employee referral program is an internal recruitment method that organizations use to identify potential candidates from their existing employees’ social networks.

Employee referral programs are designed to encourage employees to source potential candidates for open positions from their existing social and professional networks. Oftentimes, employees receive an incentive – in the form of a monetary bonus or other reward – for referring candidates who turn into new hires.

Recruiting candidates using employee referrals is widely acknowledged as the most cost-effective and efficient method to recruit candidates through trusted contacts and make quality hires.
**FACTS ABOUT EMPLOYEE REFERRALS**

- **69%** of employers say they have a formal employee referral program at their organization\(^1\)
- **26%** of external hires are generated from employee referrals, making employee referrals the No. 1 source of hire\(^2\)
- **15**: The number of referrals, on average, that result in one hire\(^2\)
- **82%** of employers rated employee referrals above all other sources for generating the best return on investment\(^3\)
- **88%** of employers rated employee referrals above all other sources for generated quality of new hires\(^3\)
Intuitively, having a formal employee referral program makes sense. After all, who is more equipped to refer great people -- and sell those people on why they should work at your organization -- than your own employees? But employee referral programs also make good business sense. Studies have shown that these programs provide significant benefits when it comes to increasing quality of hires, morale, and a company’s bottom line.

**Get more bang out of your recruiting budget.** Thanks to inexpensive sourcing methods that rely mostly on word-of-mouth marketing, an effective employee referral program will lower your cost per hire. The 2006 Direct Employers Association Recruiting Trends Survey showed that employee referrals produced the highest ROI of any sourcing method.

**Actually make it through that “to do” list for once.** Employee referral programs can cut down significantly on recruitment time, because they essentially outsource the task of sourcing and pre-screening applicants to your employees (see No. 3). And by holding on to the resumes that don’t turn into immediate hires, you won’t always have to start from scratch when new positions open up (see No. 4).

**You know those “desired skills” you list? These candidates actually have them.** Because your employees know what makes someone a successful employee at your organization – and because they’re unlikely to refer anyone who would reflect badly on them – your employees are the best resource for finding qualified candidates.

**Never go hungry again.** Successful referrals tend to generate other successful referrals: According to the American Journal of Sociology, referred workers are more likely to refer future employees. And while not every employee referral will lead to a hire, a well-designed employee referral program will help you build a generous pool of qualified resumes from which to pull for future open positions.
THE BUSINESS CASE FOR BUILDING YOUR EMPLOYEE REFERRAL PROGRAM
(continued from page 4)

5 Keep ‘em coming back for more. Well-structured employee referral programs have the dual effect of increasing morale and lowering turnover for two main reasons:

1. By enabling employees to have an active role in the hiring process, employee referral programs foster both the sense of connection to an employer that employees value and the feeling that they are making a positive contribution to the company.

2. Hires produced through employee referral programs tend to stay with the organization longer because they are brought on board with already-established social connections and a better understanding of the culture than hires recruited from other sources.

6 Make your brand shine. Employee referral programs boost your employment brand because they turn your employees into brand advocates. Think about it: If they’re telling friends about job openings at your organization, they are essentially sending the message, “This is a great place to work.” Not every referral will turn into a hire, but each referral contributes to the notion that your organization is an employer of choice.

7 Boost your competitive intelligence. A more indirect – but equally beneficial – result of implementing an employee referral program is that it gives your employees an excuse to proactively seek out and network with other professionals, who can be a resource for gaining knowledge, sharing best practices and, of course, generating more referrals.

8 Stop resenting the time your employees spend on Facebook. With the widespread use of social networking sites to connect with other industry professionals, your employees have an even wider range of connections from which to source qualified, trusted candidates for you.
A “successful” employee referral program is one that generates a high percentage of hires for a low cost. This success hinges on three best practices:

1. **MOTIVATING EMPLOYEES:**
   Offering compelling cash incentives to encourage participation.

2. **COMMUNICATION, OUTREACH AND TRAINING:**
   Ensuring employees are well-aware of – and thoroughly versed in – the program.

3. **MEASUREMENT AND ASSESSMENT:**
   Continuously finding ways to improve the program.

Learn more about these best practices in the pages that follow.
MONEY TALKS
Cash bonuses are by far the biggest motivator in getting employees to participate in employee referral programs; 48 percent of employees in a 2010 CareerBuilder survey said cash bonuses would further motivate them to participate in their company’s employee referral program. When asked what they would change about their organizations’ employee referral programs, the number one response employees gave was, “Increase the value of the incentive.” In addition, having “a limited incentive for participating” was among the top reasons employees gave for not participating in their organizations’ employee referral program.

HOW MUCH CASH DO I NEED TO HAND OVER?
There is no hard-and-fast rule for how much money you should offer candidates for referrals. The “right” reward will depend upon industry and company size – as well as the position for which the candidate is being referred. For instance, you may want to offer a higher incentive for positions that require extensive experience or highly specialized skills (e.g. hard-to-fill positions). Regardless of the amount of the reward, it must be fair from the employees’ perspective, based on the time and effort they are being asked to put into referring and the value they are providing you.

PERUSE THE PAYOUT
As a way to increase both quality of referrals and employee turnover, many companies pay out their incentives in two stages, offering an initial payout upon hiring a referral as well as a second, supplementary bonus once the referred employee has reached a certain number of days of employment. For instance, if you offered a $1,500 cash bonus for successful referrals, you might pay the source of the referral $500 upon hiring the referral and another $1,000 once the referral reaches the six-month mark of employment at your organization.
WHEN YOU CAN’T PAY FOR REFERRALS: INCENTIVE ALTERNATIVES

Although financial incentives are the primary motivator for employees to participate in employee referral programs, if cash rewards just aren’t in the cards, there are many other ways to incentivize employees to participate. Try the following alternatives to reward employees for their efforts and keep motivation for your referral program strong:

GIVE CHARITABLE DONATIONS
Research has shown that one of the things employees value most about their jobs is the feeling that their work holds value to the community. Most recently, a 2010 Kelly Services survey revealed that employees actively seek out socially responsible companies. Offering employees socially responsible gifts like donations to their favorite charities speaks to that desire to give back, making it a powerful motivator.

INCREASE RECOGNITION
In CareerBuilder’s most recent job forecast, workers said recognition was one of the things they wanted most from their employers – particularly when higher pay isn’t an option. The same applies to referral programs: Recognize employees for referring candidates by giving out personalized thank-you notes or gift cards, offering coveted, non-monetary prizes like reserved parking spaces or a cubicle by the window, or thanking them at a reception with their peers. These seemingly small gestures can go a long way in keeping them motivated and willing to participate.

REWARD ALL REFERRALS IN SOME WAY
While most referrals only reward employees when they generate a successful hire, one way to increase referrals might be to offer a small reward for the sheer act of referring a candidate. After all, if employees refer candidates they think are a great fit, but who never get hired, employees may get discouraged with the program and stop participating altogether.

HOLD A RAFFLE
Rather than giving individual bonuses, which can be expensive, you can cut down your overall costs by offering a drawing for one fabulous prize – such as a new iPad, an automobile lease, or an all-expenses paid weekend getaway – on a quarterly or semi-annual basis.

CREATE FRIENDLY COMPETITION
Bring out your employees’ competitive spirit and encourage them to increase the number of referrals by offering a prize to the individuals, teams or departments who generate the most referrals and turn those referrals into hires.

VACATION DAYS
Who doesn’t love a day off? Allow your employees to indulge their Ferris Bueller fantasies by offering employees who generate successful referrals an extra vacation day – with pay.
Communicate with your employees. Regularly encourage employees to make referrals, starting as early as the onboarding process. Get in front of them often and present a clear message of how your employee referral system works, why they are an integral part of its success, and what’s in it for them.

Show them the jobs. Make it easy for employees to keep your job listings top of mind by putting the message out about what’s available on a regular and frequent basis. Workers who aren’t aware of what jobs their employer is advertising also won’t want to waste a lot of time trying to find out, so bring the jobs to them.

Promote early, promote often. Ensure that employees are not only aware of your referral program, but also excited about it. THEY are your customers in this process; if employees don’t care, they won’t participate – and your employee referral program won’t survive. Just like the viral power of a YouTube video or Twitter comment, employee referral programs have the potential to get employees talking. Snag their attention by rallying them for the cause, offering rewards that resonate with them, and keeping them informed of program developments.

Keep your employee referral program in line with your employment brand. Keep the look and feel of the program consistent with that of your other employment branding efforts. This effort will increase recognition and let your employees know what to expect when receiving communication related to your employee referral program. Consider using a catchy slogan that emphasizes employees getting easy money (or other incentives) through simple actions.

Make your process simple and easy to understand. Is your employee referral site easy for employees to access and use? If they have to go through a million hoops to figure out how to refer someone or where to do it, participation is going to be minimal or nonexistent. Figure out an easy way to get to your referral site in as few steps as possible (preferably just one).
COMMUNICATION, OUTREACH AND TRAINING
(continued from page 9)

6 **Give employees status updates.** Employees regularly cite frustration with the lack of follow-up on the status of their referrals; 49 percent of them said their company doesn’t keep them informed on the progress of a referred candidate.¹ This frustration makes them much less likely to refer another friend, and the negative experience can make them feel as if their opinion is not valued, in turn damaging morale.

7 **Make it meaningful to them.** Make sure your employees understand not only how the program works, but why you have it in place and how their individual participation is particularly valuable. Your employees are more likely to participate when they know their contribution makes a difference.

8 **Help them help you.** More than half (51 percent) of the more than 15,000 employees surveyed in a 2008 Core Benchmark Survey indicated that training on cultivating a stronger professional network was the No. 1 thing their organization could do to improve its employee referral program. Don’t make your employees go it alone – train them to be better networkers. Educate employees on soft skills like how to identify valuable contacts, make solid introductions, establish mutually beneficial dialogues, and determine if and when they should consider referring someone to your organization.

9 **Get leaders on board.** Show leadership figures how your employee referral program works, and more importantly, how it affects your company’s bottom line. By investing resources in an employee referral program – as opposed to some other recruitment methods – your company is likely saving a significant amount of money and increasing its number of trusted, quality hires.

10 **Get social.** Social media has become an integral part of many people’s lives, both personally and professionally. Four out of five online Americans use social networks.⁶ As a business, it’s important to think about how you’re presenting your company in the social space – and how you’re using it to interact with both potential candidates and your own employees. (More about how your company can “Get Social” on the following page.)
GET SOCIAL
4 WAYS TO USE SOCIAL MEDIA TO BOOST YOUR EMPLOYEE REFERRAL PROGRAM

Thirty-five percent of companies are currently using social media to promote their company. Social media provides companies the opportunity to spread the word about their culture, company news, and open job positions through their employee networks. With a social recruitment strategy, you can maximize your company’s employee referral program potential to support referrals and increase employee engagement and involvement.

1. **Educate and lead by example.** Educate employees and managers about how to effectively use social networks for professional purposes, and encourage participation on a business level. As Dr. John Sullivan of the ERE network suggests, “Build online training resources that instruct on quality profile creation, information sharing, online networking, and converting network contacts to referrals.”

2. **Promote company happenings.** Use your social networks to market your open positions, share company news, or promote other messages you want to get across to potential candidates. By doing this, your employees can also further their efforts as brand advocates and push information out to their networks.

3. **Share learnings and spark conversation.** Post content and make it easy – and tempting – for others to share. Link to blog posts or articles you find interesting or conversation-worthy. Posting to sites like Facebook and Twitter makes it easy for employees to share your information with others in their network – and also makes the information viewable to the public for even greater visibility.

4. **Be a resource.** Many employees may not be familiar with social networking, or even know how to get started. An employee referral program coordinator or staff member knowledgeable about social networking can be a great resource in helping employees to establish and leverage their social networks.
When speed bumps appear in employee referral programs, they are often due to poor or non-existent program management. One way to ensure your employee referral program is always top of mind with employees is to designate one dedicated person to manage your program.

Making it just one person’s responsibility to oversee the program (likely with the help of a support team, depending on the size and needs of your organization) ensures that the program is constantly prioritized and monitored – and that no one is ever left to assume that someone else will pick up the slack.

A WORD ON MANAGEMENT

Set a goal. If you don’t have a specific goal in mind, how do you know if your program is working, and worth the time and effort you have put into it? Set goals such as getting a 75 percent participation rate or a certain number of referrals per employee by year’s end.

Assess your program regularly. Develop a system to track your progress to see if you are meeting your goals or need to change some things. (More about assessing your program on the next page.)

Evaluate and enhance. Once you’ve assessed your employee referral program to gain a clearer picture of its current state, you can identify areas for improvement. Even the best employee referral programs need to be tweaked from time to time to keep up with technological innovations as well as changes in the economy, employee demand and business performance.

As with any business initiative, it is crucial that you create metrics that enable you to measure the success of your employee referral program to ensure the best return on your investment. Effective measurement entails three major steps:

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MEASUREMENT AND ASSESSMENT: ENSURING ROI

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MEASUREMENT AND ASSESSMENT: EVALUATING YOUR EMPLOYEE REFERRAL PROGRAM

Running an exceptional employee referral program means assessing your program’s success on a regular basis by examining the following elements:

NEW HIRE RATES AND TRENDS
What percentage of hires come from referrals? What is the turnover rate of referred hires? How does a referred hire’s on-the-job performance compare to that of hires obtained through other sources?

EMPLOYEE FEEDBACK
Survey employees – including managers and new hires – regularly to gain insight into crucial factors such as awareness, ease-of-use, and effectiveness of your employee referral program, as well as satisfaction with current incentives.

EASE AND EFFICIENCY OF PROGRAM USE
Speaking of ease-of-use, how easily can employees refer someone, and how quickly do they receive feedback and their reward? How quickly does the process work from point of referral to point of hire?

EFFECTIVENESS OF YOUR REWARD SYSTEM
How many employees participate? Has participation gone up or down significantly since you last assessed your employee referral program?

NEW TECHNOLOGY AND TRENDS
Which new systems will enhance your current employee referral program and make it easier to use, more engaging, and more successful?

COST-PER-HIRE
How much money do you spend on hires acquired through your employee referral program? How does this number compare to cost-per-hire from other resources? Are you getting the best return on your investment, or can you make improvements?
YOUR EMPLOYEE REFERRAL PROGRAM:
WHAT NOT TO DO

Employee referral programs can be one of the most effective recruiting tools for employers; when done well, they’re not only cost-effective, but also have the potential to produce a high percentage of quality hires. In order to have a successful program, however, companies must avoid several situations that can quickly run their employee referral program into the ground.

If you’ve implemented our best practices and still aren’t having success, you may be guilty of one of the following things “not to do” (without even realizing it). Alternately, if you don’t have an employee referral program, it’s smart to read up to know what to look out for before you start.

**Not give feedback.** Give employees feedback on poorly matched referrals so they can improve, and rate referrals and the employees making them so you are able to prioritize future referrals based on track record.

**Respond to employee referrals late – or not at all.** It’s important to let both the referred candidate and the employee know where things stand throughout the process. Not getting back to a potential candidate reflects poorly on your company and your employment brand, and shows a lack of respect for your employees and their contacts. And as we mentioned previously, employees need feedback on their efforts as well; otherwise, they are bound to feel like they’re submitting referrals into a black hole – and give up altogether.

**Exclude involvement.** Some companies are inconsistent in use of their employee referral program, and exclude members of human resources or other staff members from participating. Everyone should get the opportunity to participate in your program – otherwise, what’s the point? Yes, a hiring manager shouldn’t get compensated for referring someone they are going to hire – but that doesn’t mean you should restrict the ability to refer to only certain departments or individuals. If you do, you’ll likely be watching morale take a deep dive.

**Pay too much money – or not enough.** While rewards will likely vary based on the position in question, bonus payments must be in line with employee expectations; otherwise, it’s less likely employees will participate. Sixteen percent of employees said they don’t participate in their company’s referral program because of limited incentives.¹ At the same time, however, you must also evaluate your cost per hire to ensure you’re not paying out too much and losing money in the process. Work to align these two objectives and find the right price to benefit employees and your bottom line.

**Delay reward payments.** This is one of the biggest employee referral program mistakes you can make. By delaying payment, not only will employees likely stop referring, but they’ll also likely grow discouraged and lose faith in the company and its perception of the value they bring to it. Pay employees when you say you will – and as soon as possible after a successful referral. Employees will be happy with the results, and after a positive experience, will be more likely to refer again. And again.
YOUR EMPLOYEE REFERRAL PROGRAM: WHAT NOT TO DO
(continued from page 14)

Fail to grow. You must re-evaluate your referral program over time to ensure that it’s satisfying the needs of all involved – employees, management, and those referred for a position. Are you also taking into account advances in technology, social media behavior, and changes in your own company? These factors may also contribute to a need to alter your program or move it forward.

Give repetitive rewards. Ask employees what they want to see in your rewards program, and give new options for rewards based on their feedback. Different employees are motivated by different things, and by giving them a variety of incentives or rotating rewards, you’re satisfying a larger group of staff.

Communicate in boring ways. Sixteen percent of employees cite uninteresting presentation of job openings as the biggest shortcoming of their company’s employee referral program. Get creative and get in front of your employees in new ways. You’re talking about incentives – get them excited! If you’re sending the same drab e-mail all the time, they’re likely going to start sending it right to the trash without reading it. Get creative and find new methods of reaching out to them, like mass voicemails, posters, internal “job fair” events, or a video. By stepping outside of the norm, you’ll make employees not only remember you have an employee referral program but look forward to hearing about it.

Put the program on hold. Even if you’re not hiring or the economy is slow, stopping your program isn’t the answer. You never know when you will have hiring needs pop up, and once you give employees the message that you’re discontinuing the program, it may be hard to get them excited about it when you bring it back.

Rely solely on guesswork. Too often, companies decide they want to start an employee referral program, only to find after a lot of “gut instinct” decisions that their program doesn’t have real direction and, consequently, isn’t working. Create a detailed plan for your program based on educated decisions, and stick to it as much as possible in order to maintain direction and focus.
Imagine being able to use technology to scan your employees’ social connections and qualifications to make relevant, data-driven recommendations about your open positions.

**Intrigued?**

As technology advances, so will employee referral programs, and the businesses that will thrive are those that adapt to growing technology trends and embrace new ways of connecting their employees with potential talent.

For example, within the last few years, recommendation engines and social media have drastically changed the way people make decisions and connect with others. While the act of making a recommendation or having a social network are not new concepts, technology has mimicked human behavior to amplify and simplify these behaviors.

As previously mentioned, social media sites like Facebook give employers more room to get creative in executing their employee referral program strategies, moving them to a more personalized direction than ever before. By leveraging the relationships built through social and professional networking sites, companies have access to stronger referrals and multi-pronged communications channels.

Continue reading to find out more about CareerBuilder’s latest service, the Work@ Employee Referral App for Facebook.
**AMPLIFY YOUR EMPLOYEE REFERRAL PROGRAM WITH WORK@**

Work@ is a Facebook application that enables your employees to connect their friends to open positions at your company. Used as a supplement to your current employee referral program, Work@ scrapes your open job postings (either from your careers website or through an ATS) and populates them in the application. When your employees download the application, they can see your company’s jobs and the number to the left shows how many of their friends match the job description. Think of it as an amplified version of an employee referral program.

By using CareerBuilder’s proprietary matching technology, Work@ automatically finds friends in your employees’ networks that match posted job descriptions. From here, employees can post suggested jobs on their friends’ walls, send direct messages or post an opening on their own wall for all to see.

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**Did you know...**

77 percent of the U.S. population uses the internet on a monthly basis⁹ and 62 percent of Internet users have a Facebook account¹⁰ with an average of 250 friends?¹ If you have 1,000 employees, that translates to a network of 119,350 people you could be reaching.
Like any program you launch to your employees, you must create a significant amount of buzz to get people excited. Think about creating an internal campaign with as much vigor as you would an external product launch.

In addition to sharing benefits of the program with instructions on how to download and use the application, consider pushing out the following three tips to your employees:

**CUSTOMIZE THE MESSAGE**
The Work@ app automatically creates messages about specific job postings to post or message, but encouraging your employees to let their personality come through makes the recommendation more personal and effective.

**WATCH THE SPAM FACTOR**
There is a delicate balance between employees promoting opportunities within your organization and overdoing it. Employees should use a mix of posting positions to their own walls and pushing relevant jobs to specific individuals through wall posts and direct messages.

**CHECK THE WORK@ APP WEEKLY**
Encourage employees to frequently check the job openings on the Work@ app and review new matches. If you send out internal communications about current openings, don’t forget to reinforce the use of the Work@ app.
UPDATE YOUR SOCIAL STATUS

Want to learn more about CareerBuilder’s Work@ employee referral app?

Contact your sales representative, call 1-877-345-5256 or visit www.careerbuilder.com/workat today.

For more information about employee referral programs, check out recent posts from The Hiring Site, our employer-related blog, at: www.thehiringsite.com/category/referral-programs.

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