



# Employee Referral Programs: A Simple Checklist for HR

In a talent-tight market, organisations are having to be more creative than ever in their bid to recruit new staff. Traditional recruitment methods aside, an organisation's own employees can be a great source of new talent and act as valuable brand ambassadors. Introducing an Employee Referral Program (ERP) helps to encourage and incentivise team members to put forward potential candidates, expanding the talent pool from within.

Research shows Employee Referral Programs tend to produce higher-quality candidates who are more likely to accept the job offer and less likely to quit<sup>1</sup>. A study of hiring outcomes at a global call centre based in the US found that for every 100 applications, referrals resulted in 70% more good hires than non-referrals<sup>2</sup>.

However, not all Employee Referral Programs are created equal. To help, we've put together this checklist packed with helpful steps and tips to consider. This checklist is by no means exhaustive and the foundations of an ERP will differ depending on an organisation's unique structure and the resources available.

<sup>1</sup>. The Value of Hiring through Employee Referrals, The Quarterly Journal of Economics, 2015 <sup>2</sup>. Referrals and Search Efficiency: Who Learns What and When?, Journal of Labor Economics, 2019

No.	Employer action	Done
1	<p><b>Identify goals and key outcomes</b></p> <p>First things first, HR professionals should ask: Why are we designing an Employee Referral Program? Perhaps it's to improve the quality of hires coming into the business, reduce new hire turnover, or increase productivity. Alternatively, you might be aiming to speed up the hiring process for hard-to-recruit roles, reducing the time-to-fill and related costs. Whatever the primary aims are, define your goals and be specific.</p> <p>Next, identify a few key metrics to measure the success of your ERP. Ensure you can gather data on whichever metrics you choose to set a baseline measure before launching the ERP. This allows you to assess improvement over time. These could include:</p> <ul style="list-style-type: none"> <li>• Quality of hire</li> <li>• Tenure of hire</li> <li>• Time to fill</li> <li>• Cultural fit</li> <li>• New hire turnover</li> </ul> <p>It's also important to align your outcomes with the organisation's strategic goals and demonstrate how an ERP will benefit the business. Such as:</p> <ul style="list-style-type: none"> <li>• Reduce new hire turnover by 5% in the first 12 months, creating a potential saving of \$100,000</li> </ul> <p>Download ELMO's <a href="#">essential HR Metrics cheat sheet</a> for more information, including example calculations and tips.</p>	
2	<p><b>Build a business case</b></p> <p>To get a successful Employee Referral Program off the ground, start with securing buy-in and support from the C-suite and executive leaders in the business.</p> <p>Communicate why an ERP has the potential for success, citing reliable research, as well as the outcomes you aim to achieve over a set period of time. Wherever possible, align those outcomes with the organisation's strategic goals and demonstrate value in dollar figures.</p>	
3	<p><b>Design: Fast, simple, and user-friendly</b></p> <p>Whether you're using technology in your recruitment process or you rely on manual tools, focus on designing an ERP that keeps these three aims in mind. Nothing damages an ERP faster than a clunky process that is slow or difficult to use.</p> <p>The first question is how you're going to capture the referral, whether through a form the employee is required to fill out, a section on the company intranet, or within your Applicant Tracking System (ATS). This information should include:</p> <ul style="list-style-type: none"> <li>• Employee name, position and contact details</li> <li>• Referral's name and contact details</li> <li>• Position they've been referred for</li> <li>• How the employee knows the referral</li> </ul>	

	<p>Research has shown that an ERP results in higher quality hires when the existing employee genuinely knows the referral well<sup>3</sup>. For example, they've worked with them in a previous job or they know them through their professional network, as opposed to being connected only through social media.</p> <p>Adding this extra criterion also reduces the likelihood of employees spamming the ERP with low-quality referrals or trying to make money by actively recruiting people they don't genuinely know.</p>	
4	<p><b>Keeping track</b></p> <p>Creating a workflow for capturing data and tracking the progress of a referral helps to foster an efficient ERP. Responsiveness is key, so be sure to contact a referral quickly – for example, within five days. If using an ATS, ensure referrals are marked up as such so they're not missed by the recruitment team.</p> <p>Ensure recruiters are keeping their records up-to-date (whether using a spreadsheet or an ATS) and communicate the status of the candidate with the employee who referred them.</p> <p>An example workflow:</p> <ul style="list-style-type: none"> <li>• Referral received</li> <li>• First contact (within 5 days) request CV or conduct screening interview</li> <li>• Proceed to hiring manager or reject referral (follow up with feedback)</li> <li>• Hiring manager interview</li> <li>• Make offer or decline candidate</li> <li>• If declined, feedback to employee who made referral</li> <li>• If hired, process bonus payment or provide employee with approximate timing</li> </ul> <p>Employees must trust that if a bonus has been offered for a successful referral, it will be paid. Employees won't continue to engage with an ERP if the organisation drags their feet, or worst still, fails to follow through at all.</p> <p>Similarly, if an employee makes a referral who is not successful early-on, be sure to offer feedback as to why. Remember, employees are not trained recruiters. To fine-tune an ERP and make it truly successful, it's important to give feedback whether good or bad.</p>	
5	<p><b>Decide criteria</b></p> <p>One aim of an ERP is to widen the talent pool so it makes sense for the program to be as accessible to as many people as possible. However, there are conflict of interest considerations to think about.</p> <p>Some organisations choose to exclude HR and the person who will go on to manage the employee from making referrals – especially if they will receive a benefit for high performance or the new hire completing their probation period. This could lead to bias in their performance feedback. However, a better option is to allow anyone with a perceived conflict to opt out from the bonus or donate it to charity.</p> <p>Also consider whether to extend your ERP beyond existing employees, for example alumni, contractors, customers, vendors and partners. Considerations include how they would be paid and whether they should receive the same incentive as existing employees.</p> <p>Organisations may also want to limit the number of referrals an employee can make per month or per quarter to avoid spamming the ERP.</p>	

6	<p><b>Establish an incentive</b></p> <p>Bonus payments are the most commonly used incentives for an ERP, but how much is offered will depend on the recruitment budget available. It's worth noting that bumping up the incentive isn't necessarily going to result in more or higher quality referrals. Organisations shouldn't be put off from introducing an ERP if they can't offer huge bonuses. Aim to land on a figure that works for your budget and delivers an effective ROI.</p> <p>Organisations should also consider scaling the bonus for hard-to-fill roles, making their recruitment budget go further. For example, an organisation could offer \$500 - \$1,000 depending on how specialist or in-demand the role is.</p> <p>Other incentive options include:</p> <ul style="list-style-type: none"> <li>• Gift cards / vouchers</li> <li>• Extra paid leave</li> <li>• Donation to charity &amp; company will match the amount</li> </ul> <p>The other consideration is timing. Referrers can either receive the incentive once the candidate joins the company or it can be deferred, e.g after 90 days of continuous service. However, deferring the incentive carries a risk of employees deciding not to bother with a referral, especially as they have no control over whether the candidate has a good first impression with the business or decides to leave.</p>	
7	<p><b>Work in tandem with talent acquisition</b></p> <p>It's especially important to communicate the effectiveness of referrals with your talent acquisition team. Otherwise, recruiters might not be prioritising referrals because they didn't source the candidate themselves and perceive this as a negative.</p> <p>It's imperative that once a referral is received, recruiters are assessing and moving them through the pipeline as efficiently as they would with an external candidate. Be sure to knock any negative perceptions of referrals on the head – and quickly – otherwise the ERP can become slow and inefficient. Whether candidates are sourced by the recruiter or they're a referral, the quality of hire is what matters most.</p> <p>While the majority of referrals will come in for open roles, it's worth engaging with potential candidates for hard-to-fill positions, even if there's no current vacancy. Making a good first impression could pay off later down the line.</p>	
8	<p><b>Communication is key</b></p> <p>Designing a brilliant ERP is worthless if employees don't know it exists. That's why communication is an essential element and not to be overlooked.</p> <p>Firstly, consider which channels are available. Email is an obvious one, along with a company intranet or jobs board / flyers in the office. But it's also worth thinking about how to use instant messaging channels or a monthly Town Hall meeting to publicise your ERP.</p> <p>Don't be afraid to use multiple channels and be creative with your messaging. Just sending a single email is likely to get lost in employees' inboxes so consider using multiple channels to publicise the incentive and the roles available.</p> <p>It's also important to communicate the ERP with new recruits. Consider including some time in the onboarding journey to introduce the ERP to new employees and answer any questions they might have.</p>	

9	<p><b>Remember recognition</b></p> <p>Recognition is another pillar of a good communication strategy. Recognising employees is a simple and effective way to reinforce the behaviours an organisation wants to see from its workforce, and that goes for engaging with an ERP too.</p> <p>Not all employees like public praise, however. After a successful referral, consider speaking to the employee's manager to find out how they'd prefer to be recognised. It might be as simple as their manager reaching out to say thank you. You could also consider sharing the employee's experience of using the ERP with the wider organisation if they're happy to share their story.</p>	
10	<p><b>Dig into the data</b></p> <p>Once an ERP is up and running, it's important to find out how it's performing. Begin compiling referrals in a spreadsheet and look for trends in the data. For example, are you receiving referrals evenly across the business, or is one department outshining another? Do certain types of roles attract more referrals than others?</p> <p>From the data captured in step four, look at the efficiency of the referral process and whether any bottlenecks are occurring. Also consider which communication channels are proving most successful. For example, is there a spike in referrals after an email blast?</p>	
11	<p><b>Ask for feedback</b></p> <p>If you want to know how your ERP is functioning with the people who are using it, ask them. Sourcing feedback from users – both the referrers and candidates – is the best way to understand whether your ERP is hitting or missing the mark.</p> <p>Create opportunities for feedback with users, either through a formal method such as a survey or just an informal chat.</p> <p>Ask: Was it easy to use? How long did it take you to submit a referral? Is there anything about the process you'd change?</p> <p>For a referred candidate, you could find out whether they felt the process was quick enough and if they were kept informed throughout.</p> <p>With these insights and the data from step 10, continue to iterate and build on your ERP to make sure it's delivering the most value possible. Keep a close eye on the metrics and if something isn't working, aim to pinpoint the problem and take action.</p>	

**Disclaimer:** Please note that the information in this checklist is not exhaustive and is intended for general information purposes only. It does not constitute legal or other advice. Always seek professional advice.

# How ELMO can help

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