

Achievers

The ultimate guide to employee referrals

How to engage employees, save millions, and drive Employee Success™



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Introduction

The right people can make or break a company. That's great news for the self-employed, but unless you have a workforce of one, staffing is a major, perpetual concern.

Sad but true: your employees won't stay forever. One in three employees will leave a current job between 2013 and 2014¹ and as the Baby Boomers begin to retire, replacement needs will exceed new job growth vacancies in four out of five occupations.² The U.S. Bureau of Labor Statistics' 2010–2020 Employment Project Report forecasts a decreasing overall labor force over the course of the decade, leaving thousands of companies in the lurch.

OK, so you're about to be very short-staffed, and recruiting is a challenge even when you're not trying to keep up with large-scale generational turnover. You need to hire some people, fast. But you can't afford to spend a lot of money. And you need them to start right away. Oh, and they have to be quality candidates. Who won't leave in six months.

What are you going to do?

There's only one option: you need an employee referral plan. More than just a recruitment strategy, it's an all-inclusive approach to engage your workforce and streamline your recruiting, all while saving time, money, and effort. In this e-book, we'll show you how implementing an employee referral program can help you acquire top talent at a fraction of what agencies will cost, all while strengthening your unique culture of Employee Success™. Let's get started!



What is Employee Success?

Employee Success is the intersection of performance and engagement. It's the secret of companies known for innovation, fantastic customer service, consistent business success, and inimitable culture that are consistently at the top of their field. Engaged employees provide exceptional service; exceptional service turns customers into raving fans; and raving fans lead to business success. With a shared vision for success, your workforce will lead, collaborate, innovate, and excel.

Employee-driven recruiting > traditional recruiting

This e-book can save you a million dollars by 2016

Let's say your company has 1,000 employees, with an annual turnover rate of 15%. (Not bad!) That means you'll need to replace 150 employees this year. Using the most conservative estimate (see "What's the difference?" on page 6), traditional recruiting methods will cost you \$750,000. Then, because 120 of the employees you just hired will leave in the next two years, you'll need to replace them again, at a cost of \$600,000. You've now spent \$1.35 million just to deal with turnover. (Some estimates are closer to \$4.9 million.³)

If you'd used an employee referral program, you could have spent as little as \$123,500. Each hire would cost less, fewer of your new hires would have left, and your existing workforce would have benefitted from an extra shot of employee engagement and company culture.

Employee referrals: better in every way

Employee referral programs are a surefire way to decrease recruitment costs, extend your search, and acquire higher-quality employees who will stay longer and work smarter. Not convinced? Check out these statistics:

It's more efficient:

Candidates found through employee referral programs are hired at a rate of 1 to 3. Non-referrals are hired at a rate 1 to 10.⁴

It's cheaper:

Traditional recruitment methods can cost upwards of \$18,000.⁵ Employee referrals usually cost less than \$1,000. (See "Success story: Meridian" on page 11.)

It's more effective:

Employee-referred candidates make up just 6.9% of total candidates, but account for 40% of total hires.⁶

It broadens your reach:

Referrals bring jobs to the attention of people who aren't actively looking, getting your company in front of different pairs of eyes.

 **It yields higher quality employees:**

New hires from well-designed employee referral programs routinely produce the highest on-the-job performance of any recruiting source. Recent research indicates that referred employees are roughly 25% more profitable than their peers.⁷

 **It ensures a good fit:**

Your employees know your corporate culture better than anyone—and value their reputations—so they will screen out anyone who is a weak fit. They’re also likely to paint a realistic picture of the job for the candidate, which leads to more informed decisions. A recent Harris survey reveals that the two most trusted ways to learn about a company are through past and present employees.⁸

To learn more about creating a winning corporate culture, check out “How your company culture can help you win the war for talent” on achievers.com.

 **It’s faster:**

Referred applicants are placed within 29 days. Applicants from job boards take 39 days, while applicants from career sites take 45.⁹ Plus, thanks to the onboarding assistance of the current employees, they need much less transition time once they start.

 **It reduces turnover:**

Eighty percent of employees hired from job boards will be gone in two years. But because employee-referred candidates join your company with more realistic expectations and a built-in sponsor, they leave at much lower rates—an average of 45% retention after two years.¹⁰ Also, because the referral adds a layer of pre-screening, these employees have a 350% reduced chance of being fired.¹¹

8 reasons to use employee referrals

- | | | | |
|----|----------------|----|--------------------------|
| 01 | More efficient | 05 | Faster |
| 02 | Cheaper | 06 | Higher quality employees |
| 03 | More effective | 07 | Better culture fit |
| 04 | Broader reach | 08 | Reduces turnover |

What's the difference?

	TRADITIONAL RECRUITING	EMPLOYEE REFERRALS
RECRUITING COST	\$4,285 ¹² –\$18,000+ ¹³	\$1,000 or less
HIRE RATE	1 in 10	1 in 3 ¹⁴
TIME TO PLACEMENT	39–45 days	29 days ¹⁵
RETENTION AFTER 2 YEARS	20%	45% ¹⁶

Careful! Watch out for these issues

- **Consider diversity.** If your organization is not especially diverse, make an effort to branch out—the Equal Employment Opportunity Commission will be very interested in the diversity of your applicant pool if you rely solely on referrals.
- **Reward referrals, not leads.** If you pay for resumes regardless of quality, employees are incentivized to submit piles of worthless applicants. To reap the benefits of employee referrals, insist on a personal recommendation. If an employee is willing to put her reputation on the line, that's a candidate worth pursuing.
- **Consider the source.** In large companies, employee experiences can vary dramatically. If you're hiring for the sales team, an employee in IT may not know exactly what that job involves. For the best results, give priority to referrals coming from the same team as the available position. Also give priority to your top performers—a referral from a top employee yields candidates who have a 90 percent greater profit impact than the average referral.¹⁷

Build a culture of engagement with employee referrals

Saving time and money at the outset is just the beginning. The real value of employee referrals comes after the hire—and we don't just mean increased retention. Using employee referrals to hire candidates also builds corporate culture, improves employee engagement, and creates Employee Success—that intersection of performance and engagement that drives business success.

- **Personal commitment**

When you make a referral, you are personally invested in ensuring that the candidate is successful. Maybe you care deeply about the new hire and want to see her succeed; maybe you're just concerned that your reputation is at stake. Either way, an employee who recommends a new hire has a vested interest in onboarding and retaining that person.

- **Part of the team**

Employees who are involved in the recruitment process feel a greater sense of engagement with the company and control over its future.

- **Built-in support network**

Referred employees know someone is watching out for them from day one. Feeling supported by a team member leads to better performance, higher morale, and stronger engagement.

- **A-Players know other A-Players**

People generally associate with others who are similar to themselves. Your employees have already proven themselves to be smart, capable, and a great culture fit—it stands to reason that their friends will be, too.

Why should I care about engagement?

Engaged employees work harder, smarter, and longer. They care about your company, and that passion translates to business success. Not convinced? Here are five reasons you should care about keeping your employees engaged:

1. It's good for recruitment. Engaged employees are twice as likely to mention if their employer is hiring.¹⁸
2. It reduces turnover. Engaged employees are 87 percent less likely than their disengaged counterparts to leave their jobs.¹⁹
3. It fosters creativity. 59 percent of engaged employees innovate at work, compared to just 3 percent of the disengaged.²⁰
4. It increases profits. Each engaged employee saves their company 5 percent or more in costs they are responsible for controlling.²¹
5. Disengagement is expensive. In lost productivity alone, disengaged employees cost the American economy up to \$350 billion per year.²²

Design your own employee referral program

You know that employee referral programs consistently produce the best candidates in the shortest time and at the lowest cost. But if you're like most companies, referrals comprise only 6.9 percent of applicants.²³ What a waste!

Fortunately, that's not a fixed maximum; with a little effort, you can boost those numbers. According to Gerry Crispin, a principal at CareerXroads, "companies where recruiters place greater emphasis on referral-related hiring" are able to increase the percentage of referrals by 7-15%.²⁴ By following the following best practices, you too can start saving thousands of dollars (and countless hours) per employee.

Learn the step-by-step process of creating your own internal recruiting program.

CHECKLIST: Do it yourself!

01 Define your employee value proposition

An employee value proposition (EVP) is an extension of your corporate brand and a critical part of recruitment and retention. Your EVP is an expression of what you offer potential employees, and the better (and more accurate) it is, the easier it will be to recruit and retain top talent.

To learn more about EVPs, check out "How to create an employee value proposition that recruits and engages today's top talent" on achievers.com.

02 Set a measurable goal

Make sure the program works by setting benchmarks for the number of employee-referred hires you want to make and set a timeframe for completion. And be transparent! People can't rally around a goal if they don't know what success looks like at the end.

03 Select a leader

Follow good project management best practices and designate someone to lead the charge.

04 Create incentives

Recognition alone is a powerful motivator, but you'll get the best response if you give your employees a little something extra for their efforts. The more you offer, the more likely they are to participate, but make sure you're only incentivizing quality leads or you'll end up with heaps of unqualified candidates. (See "Careful! Watch out for these issues" on page 6.)

05 Spread the word

Your employees won't start making referrals unless they know you're looking. Communicate the entire strategy—not just the rewards part—to all employees, get your executives excited, and let everyone know when there's an opening in their departments. You'll start collecting resumes in no time.

But don't stop there! After the launch, make a point to check in, remind employees, and give updates on your progress toward goals. It's not a one-time push, it's a permanent campaign.

Integrate employee referrals with employee rewards and recognition

No HR program should exist in a silo. To make the most of your employee referral program, integrate it with an employee rewards and recognition solution and other HCM software.

Some ideas:

- With an online employee recognition program, you can create campaigns to drive employee referrals (see "Example: Joe's Pizzeria" on page 10). Using those best practices, you can also create additional campaigns to drive other results, such as submitting cost-saving ideas, process improvements, or feedback for senior management.
- Instead of giving cash bonuses for employee referrals, integrate the campaign with an online rewards and recognition program and give employees a choice of rewards. By keeping the program online, participation becomes trackable and measurable—plus, a little friendly competition spurred by a live feed and leaderboard will encourage participation.
- An employee referral program is a great way to give your more introverted employees recognition. Often, it's the squeaky wheel that gets the grease and the loudest employees that get the most recognition. But your quieter employees are just networked as the rest of your staff, and by giving them public praise on your company's recognition feed, you help raise their profile in the office.
- Instead of emailing job announcements to employees with requests to forward them to friends or contacts, move the whole process online. You'll eliminate hours of sifting through databases, reviewing lists of connections, and importing resumes. (See "Success story: Meridian" on page 11.)

Example: Joe's Pizzeria

Let's say you're the general manager of Joe's Pizzeria. It's January, almost time for football's Big Game, which is the busiest day of the year for you. To meet your customers' demand, you're going to need three times as many drivers as you normally do.

You know the best way to find drivers is through your existing employee network. So you start a recruitment drive to fill these positions. For the length of your campaign, when an employee submits a referral, she automatically receives \$25 in rewards; when the candidate goes in for an interview, she receives another \$25; and when the candidate is hired, she gets \$100 in rewards. The candidate who refers the most people before the end of the campaign will receive \$350 in rewards.

By the time the game rolls around, you have plenty of qualified drivers, a happy staff, and satisfied customers whose meals all arrived on time. Way to go!



Learn more about Results Driver and our full suite of manager tools on achievers.com.

4 best practices

Reap the rewards of employee referrals with these four best practices:

- 01 Get social.** Tap into employees' social networks. Social media recruiting tools are easy to administer and expose your company to a wider audience. (See the next section, "Social media.")
- 02 Don't wait to reward.** Give rewards upon referrals, not anniversaries. It's not your employees' job to know if the candidate is a skills fit (it's yours!), so incent them for finding a culture match.
- 03 Share success stories.** Remind your employees how your top salesman was referred by the office manager, and they'll start thinking about the A-Players in their own networks. Send out a weekly email with current openings and recent successes to inspire regular referrals.
- 04 Follow up.** Tell your employees what you will deliver on and stick to it. Provide recognition and rewards promptly and solicit regular feedback to keep your program running like clockwork.

Success stories

Meridian Credit Union

In 2011, Meridian Credit Union launched an employee referral campaign as part of their overall employee rewards and recognition program with Achievers. Their employees were directed to a streamlined, online portal where they could easily submit resumes, with the promise of public recognition and a \$500 reward for every successful hire.

In the first year of the program, 1 in 4 external hires (26 percent) were employee referrals—more than double the ratio of employee referrals before implementing the new program. Within nine months, their average cost per hire was just \$511²⁵ (the national average is \$4,000–\$18,000; see “What’s the difference?” on page 6).

Achievers

“A-Players know other A-Players,” says Kate Pope, our manager of talent acquisition and head of Rock Star Referrals, the Achievers employee referral program. “When a growing company like ours looks for top talent who fit within our dynamic culture, it’s important to use our most valued asset to help recruit: our employees. Job boards, sourcing tools, and job fairs can be a huge expense. We would much rather invest our dollars back into our employees by rewarding them for helping us find A-Players.”

Because our referral program is integrated with our employee recognition platform, most rewards are given in the form of points.

Achievers employees receive:

- \$25 in points for every referral
- \$100 toward the employee’s choice of reward for every referral who makes it to the final interview
- \$1,000 in points for successful hires of managers and below, \$1,500 in points for directors, and \$2,000 in points for VPs and above

As a result, Achievers’ cost-per-hire is down to just \$600. “Not only have we seen an increased volume of applicants, we have seen an increase in quality, too,” says Kate. “These referrals are pre-screened for our culture and in turn have a foundational understanding of what our business is about. We were able to hire 38 percent of our current employee base through our Rock Star program. Most companies are lucky to have a 17–20 percent employee referral hire rate.”²⁶

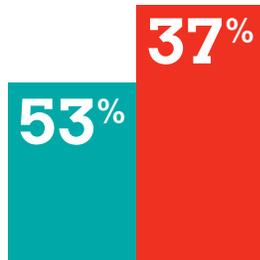
The power of social media: more than a job board

If you treat social media as a job board, you're missing out: LinkedIn, Facebook, and Twitter have a lot more to contribute to social recruiting.

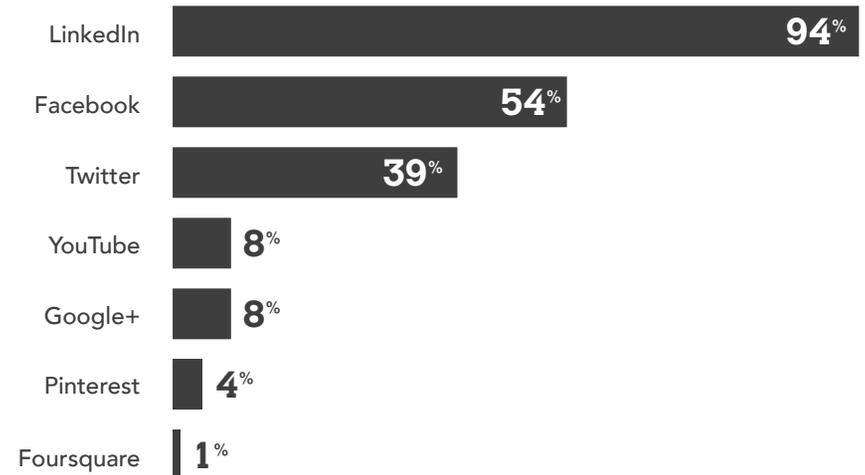
What's happening out there?

According to new research by Aberdeen group, recruiters in 53 percent of best-in-class organizations use social media networks for referrals, compared to only 37 percent of less successful organizations.²⁷ But while the use of social networking sites to recruit potential job candidates increases by about 10 percent every year,²⁸ it's still no match for the 79 percent of job applicants who are likely to use social media in their job searches—many of whom are Millennials.²⁹ Smart companies meet the candidates where they are: online. Particularly if your company hires a lot of young employees—87 percent of whom have already selected their preferred employer before entering the workforce³⁰—a presence on social media is a must.

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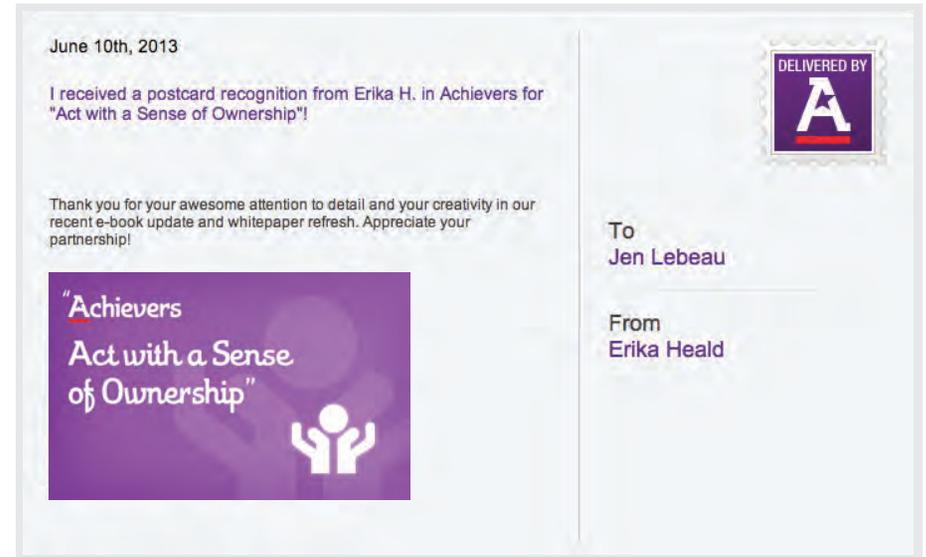


Where are companies posting?³¹



Social recruiting best practices

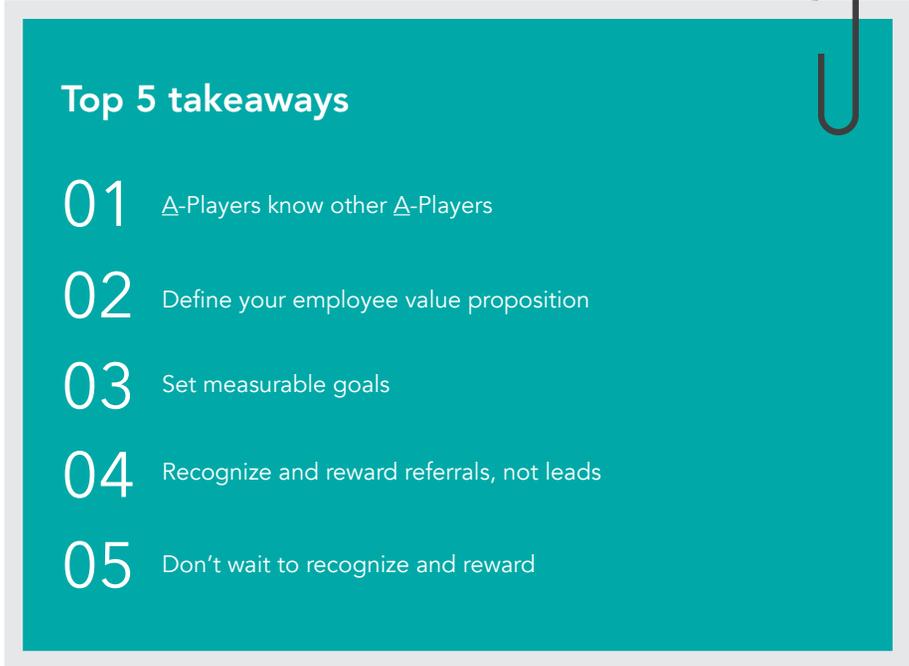
- Don't just promote your jobs; promote your brand. Nearly 3 in 4 employees say their employers don't promote their employment brand on social media.³² Your EVP should read loud and clear.
- Your employees already have vibrant professional and personal social networks; make sure you capitalize on these connections. These networks include former co-workers, professional associates, classmates, suppliers, and others beyond the reach of traditional recruiting methods. Don't miss the chance to tap these networks for referrals.
- Enable your employees to share open positions on social media. They could copy and paste a job board URL (unless it's against your company policy; make sure it isn't!), but you'll get a greater response if you encourage the process. One organization sends a companywide email every week to all employees with four featured job openings. Employees forward those openings to people in their social networks who might be good prospects.³³ Alternately, recruiters at Accenture added a "Get Referred" button to their online job postings, which allows job seekers to see who among their Facebook friends or LinkedIn connections currently works at the company. If any matches are found, the applicant can send them a referral request.³⁴ Some vendors even offer software that scours social media networks for candidates with work history, credentials, and location that fit a current job opening and then alert the candidate's contact at the company. The employee then has the opportunity to forward the job posting to his friend that the software has identified as a good fit.³⁵



Conclusion and next steps

There's no question: an employee referral program is faster, cheaper, smarter, and more effective. With almost no overhead, you can create a killer employee referral program and take advantage of the embedded team of recruiters you never knew you had: your employees. Even a generous referral reward will undoubtedly cost less than a headhunter, and it will save you thousands of dollars and hundreds of hours down the line. Plus, by including your employees in the recruitment process, you're demonstrating that you value their input and cause them to feel like a stakeholder the company.

So what are you waiting for? Get started! Round up the team and start crafting your employee referral strategy today.



Top 5 takeaways

- 01 Δ -Players know other Δ -Players
- 02 Define your employee value proposition
- 03 Set measurable goals
- 04 Recognize and reward referrals, not leads
- 05 Don't wait to recognize and reward

About Achievers

Achievers software makes it easy to implement an employee referral system as part of an overall employee recognition program. We know that recognition leads to engagement, which leads to Employee Success, which results in business success. Our in-house employee referral program, Rock Star Referrals, has been a triumph (see our success story on page 11).

But that's only one small part of what we offer—we also enable your company to better communicate and reinforce your values to employees and to the world, helping you recruit, retain, and engage A-Players. Our unique Software and a Service™ package helps global companies dramatically increase employee engagement, retention, and performance.

Our intuitive, cloud-based software suite includes:

- social employee recognition
- global rewards
- culture alignment
- employee engagement
- manager tools
- automated analytics
- talent management
- and more!



Request a demo today to learn more about what Achievers can do for you.

If you liked this e-book, please share it with your network:



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Achievers Software and a Service™ reinforces and inspires the employee behaviors that drive measurable business success. With our award-winning technology, unmatched customer service, and industry-leading expertise, it's no wonder some of the world's most successful companies trust Achievers with their most important assets: their employees.

Learn how your company can achieve Employee Success™ at www.achievers.com



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