HOW TO NOT #$!% UP

EMPLOYEE REFERRALS

Everything you need to create an employee referral program

created by

erin

EMPLOYEE REFERRALS

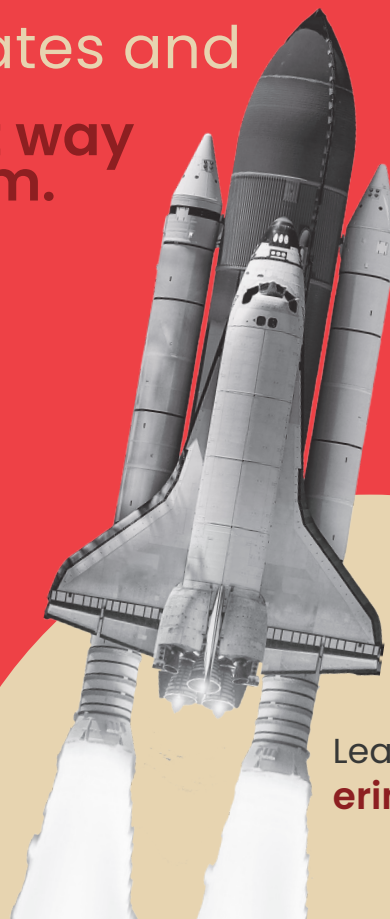produce the best candidates and **erin** is the best way to get them.

FILL POSITIONS
2X
FASTER

HIRE
5X
MORE REFERRALS

50%
TURNOVER REDUCTION

Learn more at
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We're excited to share with you everything we know about employee referrals.

ERIN is an employee referral platform used by millions of employees around the world. ERIN automates employee referral overhead to allow for scale and engages employees to participate in the recruitment process.

We've worked with talent acquisition professionals from companies of all sizes, in all industries, in over 100 countries. The one thing that every business had in common is that they knew employee referrals could dramatically impact their talent acquisition strategy, but they had no idea how to get more of them.

This book brings together high-impact tactics, data points, and advice from some of the most ambitious and innovative talent acquisition leaders that have worked with ERIN to make employee referrals a leading source of hires for their businesses. With this book, you'll have everything you need to launch a highly successful employee referral program at scale.

Michael Stafiej

Founder **ERIN**

What's in the book?

INTRODUCTION

Employee Referrals are the gold standard of candidates.

For decades, submitting referrals has been a process that employees dread. The news of companies encouraging employee referrals is usually met with an eye roll and a groan because, if you've made a referral in the past ten years, you know it can be exhausting and often not worthwhile.

An employee referral program allows organizations to leverage their employees' connections by incentivizing them to find new candidates. The average business sources 8% – 12% of hires from employee referrals[1]. The best-performing programs are hiring 30%+ of hires from employee referrals. On average, ERIN customers source 35%+ of hires from Employee Referrals. It may seem impossible to double, triple, or even quadruple the results you're getting today, but it's achievable with the right strategy and execution.

Businesses should fill at least 20% of their positions with employee referrals annually. If your business isn't, then it's time to revisit your referral initiatives. If you are at 20% and have plateaued, you need automation and increased engagement to increase your employee referral hire rate to 35%+.

This book covers everything you need to implement a successful employee referral program. It has everything you need to make employee referrals your number one source of hiring.

Say goodbye to #$!%ing up your employee referral program.

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A transformative employee referral policy starts with a

BUSINESS CASE

An effective employee referral program can have numerous benefits for your organization, from improving the quality of candidates to enhancing employee engagement and retention. By leveraging the power of your employees' networks, you can build a stronger, more connected organization that is better equipped to meet the challenges of today's business landscape. The first step of implementing an employee referral program is getting executive buy-in.

CFOs do not care that the current employee referral process is convoluted. CFOs want to save money and improve efficiency, two outcomes achieved with a successful employee referral program.

You will need top-level buy-in to roll out a company-wide employee referral program. To get buy-in, you'll likely need to present a business case on why revamping the employee referral program will benefit the business. It's easy to make the mistake of pitching this effort only as something that makes talent acquisition professionals' lives easier, but do not lose focus: this is a transformative change for the business that will help to save your company millions of dollars a year.

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Return on Investment

When proposing changes regarding your employee referral program, it should be positioned as an effort that will deliver a quantifiable ROI. There are four ways that your business can drive a return on investment:

- Decreased recruitment marketing costs
- Reduction in turnover
- Faster source-to-hire cycle times
- Eliminating repetitive administrative overhead

A great way to get buy-in from leadership to fund the cost of your proposed referral program is to share the full return on investment. Here is the formula for return on investment for referrals:

ROI = (Hiring Cost Savings) + (Turnover Reduction) + (Efficiency from Filling Positions Faster) + (Reduce Admin Time)

You can use the industry averages on the next page to anchor each calculation in your return on investment presentation.

Four Focus Areas

Decrease Hiring Costs
The average cost to hire someone in 2022 was nearly $4,700[1]. The average employee referral bonus is only $1,500[2], lowering recruitments costs by 68% per hire ($3,200 savings per hire).

Reduce Turnover
45% of employee referral hires stay with the company for more than 4 years[3]. On average turnover costs the business 6-9 months' salary per employee.

Fill Positions Faster
Unfilled positions cost your company $340 per day[4]. The average number of days it takes to fill a position only through job boards is 42 days. Effective employee referral programs fill positions in 21 days on average. That's $6,300 in savings per employee referral hire.

Eliminate Administrative Overhead
Say goodbye to the long days of maintaining spreadsheets, checking eligibility, making sure referrals are still employed before issuing payments, and working with payroll to manually process each bonus. Employee referral software removes almost all administrative time. A 5,000+ employee company can save over 3,000 hours of work per year using ERIN's employee referral automation

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Case Study

Overview
A top five health system (with 100,000+ employees) was tasked with revamping its employee referral program to achieve the audacious goal of filling 50% of their jobs through employee referrals. The Talent Acquisition team's well-thought-out employee referral program transformation allowed them to tackle this problem with three main efforts: technology, incentives, and engagement. In the first 90 days, they were able to source and hire many employee referrals, including filling 500 nursing positions, saving **tens of millions of dollars** over outsourced services.

The Problem
The company fills 50,000 positions annually and has over 10,000 openings at any given point in time. However, their employee referral program was sourcing **less than 8%** of hires from employee referrals. Their employee referral process was slow, manually managed, and most employees were not aware of the program (let alone how to participate).
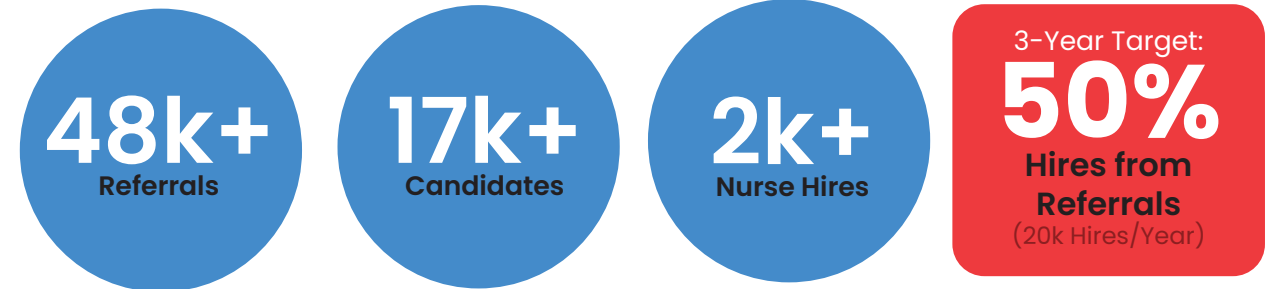
The Solution
The company had a strategic initiative to unearth all opportunities or missed opportunities for candidate flow. They set out to revamp their employee referral platform to automate and scale their employee referral process.

The solution was to implement an employee referral platform (ERIN) to streamline and scale the existing program, provide larger incentives, and gamify the experience with non-monetary rewards. By fully branding the web and mobile app, the company was able to easily communicate the program and employees were able to easily participate.

EARLY RESULTS
In Only 9-Months:

48k+
Referrals

17k+
Candidates

2k+
Nurse Hires

3-Year Target:
50%
Hires from Referrals
(20k Hires/Year)

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Start with the end goals in mind when creating your

POLICY & STRATEGY

An employee referral policy is a formal set of guidelines that outlines the process for employees to refer potential candidates for job openings within the company. The policy typically specifies the eligibility criteria for employees to participate in the referral program, the rewards or incentives offered for successful referrals, the process for submitting referrals, and tracking their progress.

A common mistake businesses make is that they have the wrong incentives, they are paid too far from the hire date, the policy is too restrictive, and the rules in general are too cumbersome for the employee.

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The Basics

Your employee referral strategy should be built with your objectives in mind. Your incentives and payments should help you accomplish the top goals you are working towards. Overcomplicating the employee referral policy will set you up for disaster. Not thinking through your strategy will ultimately limit the success of the program.

Before anything else, start by outlining the purpose of your employee referral policy. This could include increasing employee engagement, attracting top talent, reducing recruitment costs, or improving retention rates. Knowing why you are implementing a new employee referral policy will structure how it will work.

The policy should outline the requirements for referrals, including the types of positions eligible for referral, the referral process, and any rewards or incentives for successful hires. The policy should be communicated to all employees, and all employees should be encouraged to participate in the program.

There are five key parts to every referral policy:

Referral process: Specify the steps that an employee needs to follow to refer a candidate. This includes providing information about the open position and the candidate's qualifications and contact details.

Eligibility criteria: Outline the eligibility criteria for referrals, including any qualifications or experience required for the open position.

Incentives and rewards: Specify any incentives or rewards for successful referrals. This can include cash bonuses, gift cards, extra vacation days, or other perks.

Waiting Periods: Define the amount of time between the referral hire date and when the employee is eligible to receive payment. Waiting periods are usually included to ensure that employees are not going to leave before a payment is issued.

Additional Incentives: Providing additional incentives for hard-to-fill roles and DEI&B hires is a great way to have all employees thinking about the types of hires the business has prioritized.

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Build Your Strategy

Before implementing a successful employee referral program, you should start working through some strategic questions.

What problem are you trying to solve?	Smaller, quicker payments (30 days from the hire date) are great for high-turnover hourly positions. Bigger, split payments (paid 90 days & 1 year from the hire date) are great for hard-to-fill high-paying jobs.
What percentage of your hires are referrals?	If it's very low, then focus on having an easy-to-understand policy.
Do you have a DEI&B hiring initiative?	Incorporate DEI&B incentives into the policy to drive participation.
Are external recruiting costs too high?	Expensive-to-fill roles should have bigger bonuses.
Why hasn't your old employee referral program been successful?	Analyze why you don't have more results and directly address that in your new policy. Oftentimes this is grounded in poor communication and misaligned rewards.
What are the key metrics you are trying to improve?	Make sure your policy directly addresses each metric you are trying to improve. You should be able to identify what in the policy specifically is there to improve poor metrics.

Policy Tips & Tricks

In addition to the basics mentioned earlier, there are several tactics that businesses can deploy to drive success.

Design for Scale
Make sure your policy is unified across the entire business and that the process is the same for everyone. This is especially important for large enterprise businesses and international businesses. Employees in different regions or different organizational units may have different incentives (currency and amounts may be differ) but how they participate, track referrals, and are paid should be the same for everyone. This will keep communication simple and drive higher engagement rates.

Candidate Bonuses
Employees are not the only ones you should think about rewarding! While candidate bonuses likely already exist today, including this as part of your employee referral policy is a great way to get initial attention and reduce turnover. Be sure to communicate this to employees so that they talk about it and create a "buzz" to boost awareness.

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Split Payments
Split your referral bonuses into two payments with two waiting periods. This will allow you to give an initial reward, but also have a long-term reward for the employee if the candidate stays with the business. For example, the initial payment can be at the traditional 90-day mark but give a second payment at the 1-year anniversary. This will help encourage longer tenure.

Non-monetary Rewards
In addition to your traditional employee referral bonuses, implement additional rewards for participation and activity. This will excite the employees and give you additional marketing content that you can use to consistently promote the program to employees.

Compliance
Be sure to consult with your legal team to review your final policy and include any legal or regulatory requirements that need to be followed, such as ensuring compliance with equal employment opportunity (EEO) laws.

Boosting DEI&B

DEI&B stands for Diversity, Equity, Inclusion, and Belonging. This is a framework used in organizations to promote diversity and inclusion, address inequities, and create a sense of belonging for all individuals regardless of their race, ethnicity, gender, sexual orientation, age, ability, religion, or any other characteristic.

An employee referral policy can help with DEI&B initiatives, but it must be strategically implemented and promoted to ensure that it doesn't inadvertently perpetuate the lack of diversity. Employee referrals can be a great way to expand the referral pool by actively sourcing candidates from underrepresented groups and encouraging referrals from diverse networks, such as employee resource groups.

Train employees on unconscious bias and how to avoid it in the referral process. Include additional rewards for employees who help hire diverse candidates to extend DEI&B initiatives beyond the talent acquisition team. Don't think about just filling open jobs, think about who you want to hire.

Increase referrals and decrease work with

AUTOMATION
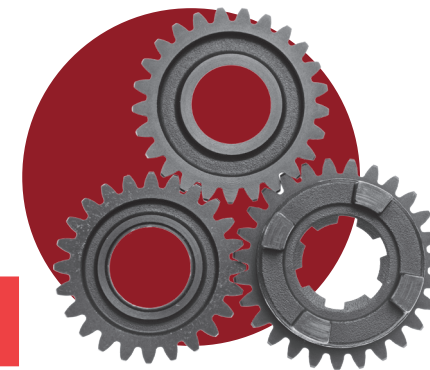
What talent acquisition professionals did ten years ago does not work today. Employers are demanding more with fewer resources. They expect HR and talent acquisition professionals to be more efficient and cost-effective than ever before.

At scale, no successful employee referral program works without some level of automation. Without automation, large employee referral efforts are derailed quickly and are unsuccessful. Imagine processing 10,000+ referrals a year manually. The amount of time required to track, confirm and pay requires multiple full-time positions. Mmistakes are likely to be made. Automation solves this problem.

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Automation Features

There may be ways to automate using in-house resources, or you can leverage a platform designed to automate employee referrals. The must-have automation features for any employee referral program are:

Use Existing Data: The data required to fully automate your employee referral program is already in your ATS and HRIS. Leverage this to automate administration without creating any extra overhead.

Communication: Employees must be kept in the loop when new jobs are posted, when referrals advance in the process, and when the status of their bonus changes.

Enrollment: New hires can automatically be enrolled in the program. Existing employees need to be able to easily participate in the program without any manual work.

Transparency: Employees should know exactly what is happening with their referral and when they are going to be paid after a referral hire. They should be able to do this without talking to the talent acquisition team.

Integrations

If you are using an employee referral platform, you must integrate with your existing HR tech stack. These integrations streamline workflows and eliminate redundant administration.

Single-Sign On (SSO)
No one likes using separate usernames and passwords for anything and your employee referral program should be no different. Using Single-Sign On, employees sign in using their existing email address and password. This also removes overhead for administration by automatically adding and removing employees as they join or leave a company.

Applicant Tracking System (ATS)
Manually adding jobs to an employee referral platform is not scalable. It's impossible to keep everyone updated on the status of their referral manually. Integrating with an ATS allows you to sync the jobs that are already going to your website and provide employees with the real-time status of their referrals. Integrating with your ATS can also help enforce eligibility rules. For example, a hiring manager may not be eligible for a bonus that they are responsible for filling, and your employee referral platform should automatically enforce this.

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AUTOMATION
Integrations

Human Resource Information System (HRIS)
Integrating an employee referral platform with an HRIS allows you to automatically enforce eligibility requirements. This integration automates eligibility criteria for an employee (based on employee data) and make sure that the referral is still employed before a bonus is issued. Additionally, if not all employees have company email addresses/SSO, your HRIS data can automate adding/removing employees from the employee referral platform.

Payroll
If you're successful at increasing referral hires, you may have thousands or tens of thousands of payments to make every year. Integrating with payroll ensures accuracy and eliminates overhead, and also provides a better tracking experience for employees so that they know exactly when they will be paid.

Analytics Tools
The data from referrals is automatically ingested by your company's business analytic tools. This will allows teams to perform complex analyses of the data and give insight into how to keep driving more referrals.

🛡️ SECURITY PROTIP

When integrating with your existing HR Tech stack, security and data integrity should be top of mind. Ideally, the data in the ATS and HRIS is preserved and other platforms can not write or change data. Keep the integration a one-way street out and do not allow the integration to put data in. This limits what data can be accessed by the other platforms, keeping overly sensitive information more secure with less exposure.

Maximize referrals and results by boosting

ENGAGEMENT
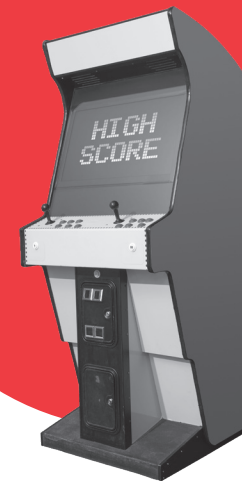
To have a kick-a$$, high-producing employee referral program, you first need to get your employees to be active participants in the recruitment process. To do this you need to catch the employee's attention, help employees understand the value of participation, and keep employees participating on an ongoing basis.

Engagement can be broken down into six main focus areas. Focusing on these areas will ensure that your referral program reaches maximum adoption and maximum results!

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Key Areas

Leadership
Engagement comes from the top down. The leaders and hiring managers must lead the charge in fostering a culture that drives engagement at every level to ensure the success of the program.

Communication
Communication sounds obvious, but it's the number one reason that companies are unsuccessful with employee referral programs. Communication should be automated and non-interruptive to the employees' work day. Employees need to be kept in the loop on relevant jobs that they are likely to refer to, new incentives, and the status of their referrals and bonuses.

Minimize Activation Energy
If your employee referral program is not easy to participate in, it won't work. The amount of effort needed to get started with your program has to be near zero, otherwise, it will be seen as a distraction by the employee. Let's use "The Guitar Example." If you want to learn how to play the guitar, put it on the couch instead of in the closet. When you come home and sit on your couch, you'll reach for your guitar without any effort or thought. The same applies to your employee referral program: it has to be super easy to get started and use.

Transparency
This is not the Wizard of Oz. Pull back the curtain and be transparent about the process. Transparency is a key component to the success of your program. Employees should never need to ask about the status of a referral or bonus - they should be able to find it on their own. This boosts engagement, lowers frustration, and eliminates unnecessary admin overhead.

Marketing
By implementing marketing strategies, you can effectively promote your employee referral program and encourage employees to refer qualified candidates to your organization. We've expanded on this more in the next section!

Gamification
Last but certainly not least, you have to make the process fun. Gamification is a way to drive adoption, encourage ongoing use, and makes it easier to market the program to your employees. Gamification is a great way to get employees thinking about more short-term rewards rather than referral bonuses that might be 90+ days away from being paid. Gamification is so great at boosting results that we have expanded on this later in this chapter.

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Marketing

Marketing an employee referral program requires a well-planned and executed strategy to encourage employees to participate and refer qualified candidates to your organization. Here are some effective ways to market an employee referral program:

Employee communication: Regular communication is key to the success of any referral program. Provide regular updates and reminders to employees about the program through multiple channels such as email, company newsletters, and social media.

Social media: Use social media platforms such as LinkedIn, Twitter, and Facebook to spread the word about the employee referral program. Encourage employees to share program details and open job listings on their personal social media pages.

Success stories: Share success stories of employees who have successfully referred candidates to the organization. These stories can motivate other employees to participate in the program.

Celebrate referrals: Celebrate successful referrals and publicly recognize employees who have referred candidates that have been hired. This can reinforce the importance of the program and encourage continued participation.

Landing page: Employees should know where to go to participate in the referral program. Design a dedicated landing page that outlines the program details and highlights the benefits of participation. Make sure the landing page is accessible and easy to navigate.

Training and support: Offer training and support to employees to help them identify and refer qualified candidates. This can include tips on how to approach potential candidates and how to effectively communicate the program benefits.

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Gamification

Referral bonuses alone often fall short because the reward is too distant and not top of mind for the employees. Gamification provides smaller easier-to-earn rewards (monetary or non-monetary) that get employees involved and more frequently engaged. There are two main ways to make your employee referral process fun: providing additional rewards for participation and providing additional rewards for action.

Participation Reward: Participation rewards focus on initial engagement. For example, enter employees into a raffle for a prize if they logged into the program in the first 30 days. This helps increase adoption and awareness of the program. Leverage participation rewards to create employee involvement!

Action Reward: Action rewards give the employee something before the hire is made. For example, referring someone might be worth a $5 gift card but referring someone who gets to the interviewing stage might be worth a $20 gift card. Emphasize quality over quantity through your action rewards. Provide larger rewards for better, specific actions.

Some of these gamification tactics can be implemented manually however, with employee referral software, you can automate and streamline what you reward and how you issue those rewards.

Employee referral platforms like ERIN can gamify the employee referral experience using micro-incentives. This gets the employees' dopamine receptors firing, giving them an immediately rewarding and positive experience when participating in referrals.

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Measure and improve results with

REPORTING

Reporting is one of the most crucial pieces of the employee referral program pie. And who doesn't love pie?

To measure the success of your employee referral program, you must have quantifiable data. Looking at referral metrics should grant you the insights needed to find gaps in your program. What percentage of new hires are taking advantage of your program? What percentage of existing employees have made a referral? What departments/locations are participating in the program? What departments/locations are not? In-depth reporting will give you the answers that you need to continuously improve your employee referral program.

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Metrics

Ultimately, you need to be able to decide where to focus your efforts to keep driving the program to success. Reporting allows you to prove the business case that started this whole shebang.

These are the metrics you must be able to measure:

Employee Engagement: The number of employees that are participating in the program (this does not necessarily mean that they've made a referral, but they are engaged).

Employee Participation: The number of employees that have made a referral (this does not necessarily mean that the referral has been hired).

Total Referral: The number of referrals made.

Hires from Referrals: The number of candidates that have been hired from referrals.

**Engaged Referrals:** Candidates that have responded to the referral.

Referral Applications: Referred candidates that apply for a job.

Hires from Referrals: The number of candidates that have been hired from referrals.

Break it down! All of these numbers should be able to be broken down by department, business unit, and country.

Hard data helps you to keep executive support and buy-in for your employee referral program. You need reporting to prove the program is working. Data doesn't lie.

With an employee referral platform like ERIN, you can use dashboards and reporting to see trending data and KPIs for easy analysis of the health of your program.

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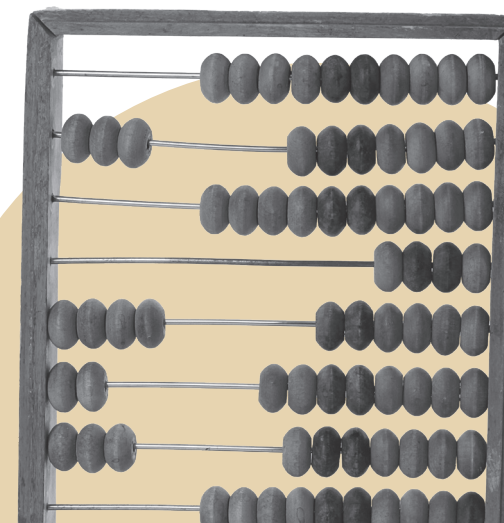
Here are some great
STATISTICS

Average Bonus Waiting Period:
90
Days

Average Referrals to Hires
8:1
Ratio

Referral Hire's Tenure Lasts
50%
Longer

Average Referral Bonus:
$1,500
Per Hire

Average employee referral bonus by industry:
The average startup bonus is **$2,000**
The average hourly part-time employee is **$300**
The average manufacturing bonus is **$1,000**
The average bonus for a software engineer is **$7,500**
The average healthcare bonus is **$2,500**
The average bonus for a tech company is **$2,000**

Employee Referral Programs Are Used in
84%
of Businesses

Average Time To Fill A Position
21
Days Faster with ERIN

18%
More Likely to be Satisfied with their Jobs

45%
of Referrals Stay for **4+ Years**

Glossary

ERP - Employee Referral Program
ATS - Applicant Tracking System
HRIS - Human Resources Information System
HR - Human Resources
TA - Talent Acquisition
DEI&B - Diversity, Equity, Inclusion & Belonging

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Credits

"Employee referrals are the ultimate trust exercise - not only are you vouching for someone's skills, but also for their ability to show up on time and not steal your lunch from the break room."

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If you build it, they will come.

There it is - everything you need to not **#$!%** up referrals. You know employee referral hires are great, and now you have everything you need to get more of them.

Referrals are also a great marketing tool for your company. Employees love working at your organization so much that they want their friends to work there too! The time to create an impactful employee referral program is now. If you're looking to dramatically improve talent acquisition at your company, investing in a high-performing employee referral program is the most impactful change you can make.

At ERIN we work hard to make sure every hurdle you've ever had with employee referrals can be eliminated or minimized. We take pride in working with talent acquisition teams to innovate and improve every step of the way so that ultimately you can be more successful. We are an employee-first product that aims to benefit the employees, talent acquisition teams, and the company as a whole with everything we offer.

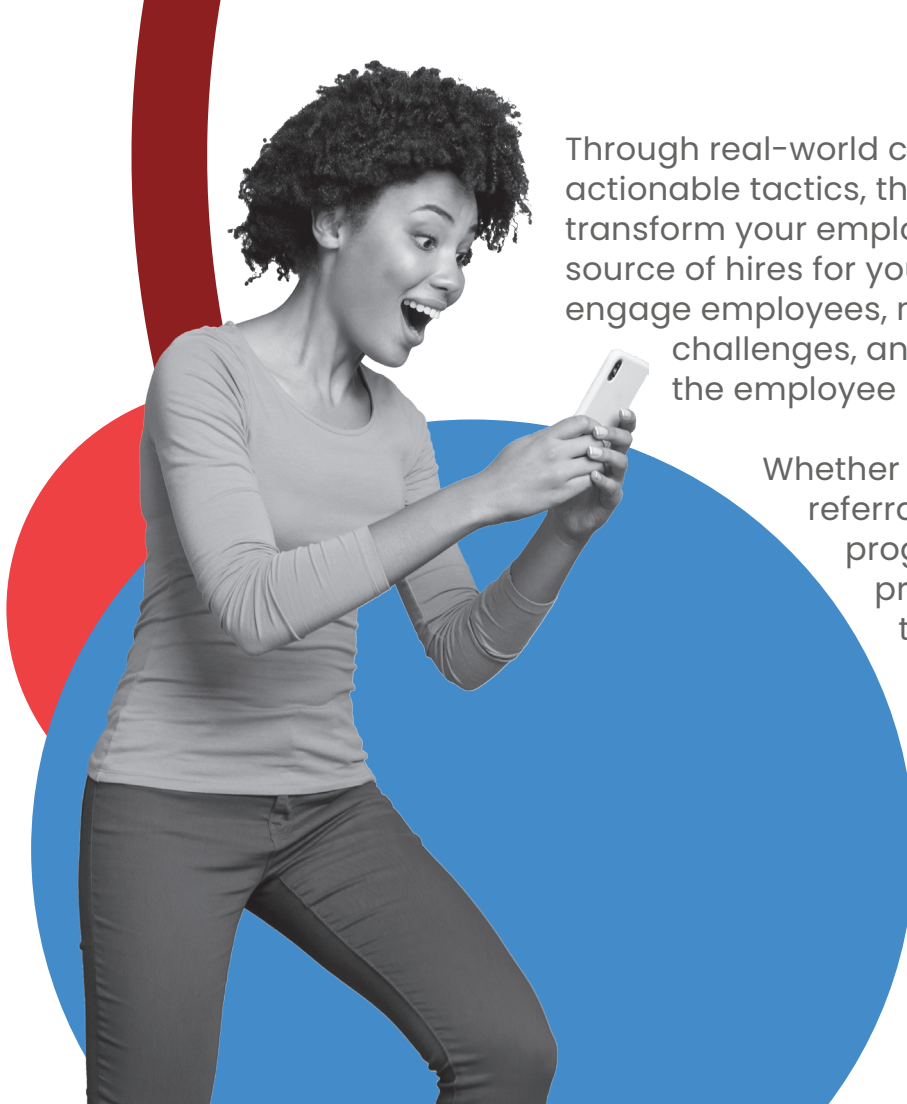Good luck out there. Don't **#$!%** it up.

👉 MINIMIZE TURNOVER

It's easy for talent acquisition to be 100% focused on recruiting, but the inflow of new hires is directly impacted by the outflow of existing employees. See how ERIN can help minimize turnover by empowering employees to grow their careers at your business: **erinapp.com/internal-mobility**

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Through real-world case studies, data points, and actionable tactics, this book will show you how to transform your employee referral program into a leading source of hires for your business. You'll learn how to engage employees, measure success, overcome common challenges, and leverage technology to streamline the employee referral process.

Whether you're just starting out with employee referrals or looking to take your existing program to the next level, this book will provide you with everything you need to launch a highly successful program that delivers results. Don't miss out on the power of employee referrals... and definitely don't **#$!%** it up!