



rewarding referrals

Strategies & insights to increase employee participation & longevity



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real links

why read this paper?

Referrals come with a number of benefits, such as 3 – 4 times reduced recruitment costs, 55% faster to hire candidates and a 39% increased employee retention rate. If you're reading this paper, you probably already know that referrals are a powerful and necessary tool to include in your recruitment strategy.

The question on many HR and recruitment professionals' minds today is: How do I successfully implement referrals in my organisation? The two major obstacles to successful referrals are participation and longevity. For this reason, creating a well-defined rewarding strategy is an absolute necessity for successful implementation.



We're Real Links, an employee referrals company. We work with a number of organisations to help them make referrals a key source of hires. From our past experience, we've found that there are two indicators for whether or not referrals are successful at an organisation: Process & Rewards. We will be exploring how to create and execute a rewarding system that can effectively transform referrals into a primary source of candidate acquisition at your organisation.

who took part in this study?

Our goal with this paper is to better understand the landscape and shortcomings of referrals today. To achieve this, we surveyed 100 employees, each from a different company, working in a number of different industries and geographic locations. In the creation of this paper, we also partnered with Bill Boorman, a referrals expert with over 20 years' experience, to gain practical insights on this topic.

relevant findings

In the following sections, we will be expanding on the results of our survey and revealing how you can increase continued employee participation in referrals through rewarding and recognition. Some of the key findings from the survey that we will be looking at in further detail are:

Out of those surveyed, only **54%** work at companies where bonuses or rewards are offered for referrals.

88% of employees who work at companies that reward referrals stated that the only reward available is money.

65% of companies that do provide bonuses for referrals only offer a reward once an applicant has successfully passed probation. Another **34%** reward upon hire and only **1%** offer a bonus if a referral moves into the application stage.

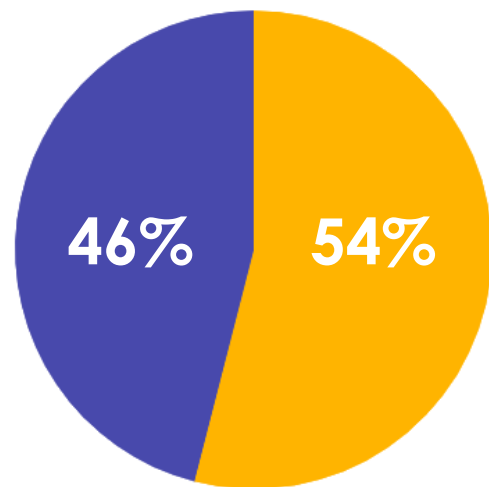
When employees were asked what would motivate them to actively refer, **89%** of those surveyed said money would be a motivator. Close to **50%** also said time-off, with personal development coming a close third at approximately **44%**.

A **37%** majority stated that the minimum amount that would motivate them to take part in referrals was \$500 - \$1000, with \$100 - \$500 coming a close second at **32%**.

Out of the **31%** of those surveyed who had referred someone in the past, **72%** knew that person well.

should we reward referrals?

Employee participation is a key obstacle in referrals today. The solution is a well-defined rewarding strategy. Our survey revealed that only 54% of employees work at companies offering bonuses or rewards for referrals. The importance of rewarding is further supported by the fact that out of the 31% who had previously made a referral, only 1 person worked at a company where there was no form of rewarding in place.



- Companies that offer bonuses
- Companies that do not offer bonuses

One of the biggest reasons why employees disengage from referrals is that it's simply not in their remit. When asking employees to refer someone, we have to remember that in the majority of cases, it's a request that is outside of what they believe is expected of them. In fact, without a reward, companies are essentially asking employees for a favour with very little to no recognition. Even if your employees are satisfied and willing to go above and beyond for your company, people today lead busy lives with heavy workloads. Asking them to go out of their way to make regular introductions to candidates in their personal networks is simply unrealistic.

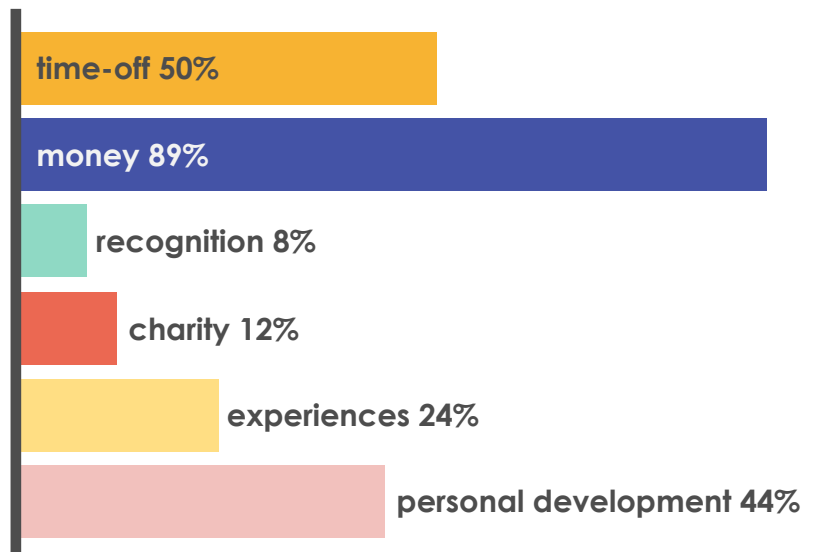
In our experience, rewarding and recognising referrals is paramount to success if you want to experience their true potential. Still, the type of reward and the process around rewarding needs to be carefully considered and tailored to the needs and wants of your employees. Simply put, the best way to understand what would mobilise your workforce to actively refer is to ask them directly. We've found focus groups an effective method to gain insights into your employees' motivations, which can then be used to tailor a rewarding strategy that is able to mobilise your employees.

bill boorman:

"My overall findings are that incentives for referrals are a must. There's an expectation that referrals will lead to some kind of reward program, and not offering anything will impact participation. Similarly, when rewards are offered, they're often complex causing employees to feel cheated. The rules aren't transparent. The key is to create a well thought out rewarding strategy that is tailored to your workforce and follows a clear process for all stakeholders involved."

what types of rewards are effective?

Customising your referral strategy to fit your workforce is a must, and this extends to the type of rewards being offered as well. According to our survey, 88% of companies only offer money as a referral bonus. From our past experience, money is always a motivator, 89% of the people we polled agreed with this idea. However, we've also found multiple other forms of rewarding, everything from pizza and beer parties to trips, to effectively increase referral participation and often at a cheaper cost.



Three examples of successful forms of rewards that are not monetary in value are:



time-off

Our survey revealed that 50% of those polled stated that time off is a key motivator. If there's one thing more valuable than money, it's time. In fact, studies show that people who value time over money are generally [happier](#). This speaks volumes for the potential in rewarding time off for employees participating in referrals. It's not only a way to recognise employees for their efforts in making referrals, but it could also increase satisfaction rates.



personal development

People today are more focused on career development than ever before. This is clear in our survey with personal development ranking as the third most motivational referral reward. However, employees are less and less focused on a career within a certain company. This is evident by the fact that people today switch companies, as well as careers, more often than ever before. Therefore, acquiring the skills you need to successfully make lateral moves, internal and external, are perceived as extremely valuable. Similarly, with the advent of technology, core skills constantly need to change. People in the current marketplace feel that their skills are going to date very easily, and in the majority of cases they're not wrong. This makes personal development-based rewards, be that budget which can be spent on books or working hours that can be used to attend a course, an extremely desirable, and therefore motivating, form of rewarding.

experiential rewards



Experiential rewards, such as trips or even skydiving experiences, are extremely effective motivators. In fact, they ranked as 4th highest in our survey. A clear benefit of rewarding with experiences is that they're far more memorable than money. People rarely remember what they spent their referral bonuses on, but an experience such as a trip is something they may remember for the rest of their lives. This positive memory is then [associated with your company](#), which is extremely powerful in not only motivating employees but retaining them as well. Additionally, experiences can often be cheaper than money. For example, a weekend trip for two to a nearby country with flights and hotels included, can come in at well under \$500, which is, on average, on the lower end of referral bonuses typically offered.

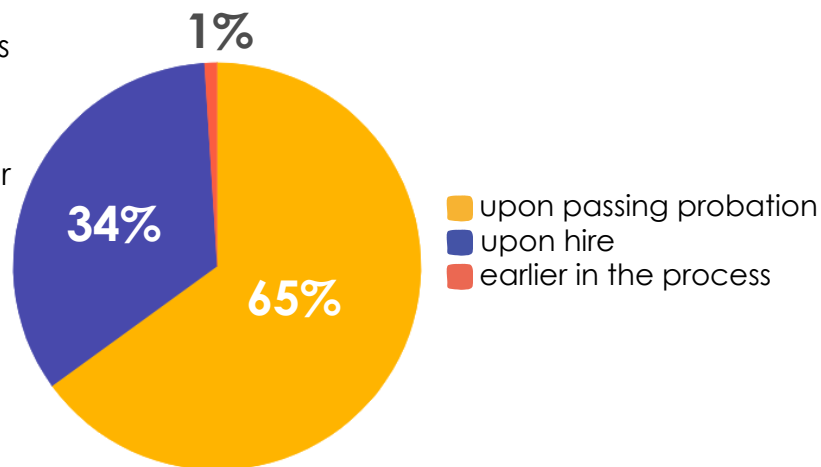
When it comes to recognising referrals, it's clear that the type of reward is extremely important. This, much like everything else when it comes to referral strategies, needs to be tailored to fit your employees. An easy way to find out what would motivate your employees, is to simply ask them.

bill boorman:

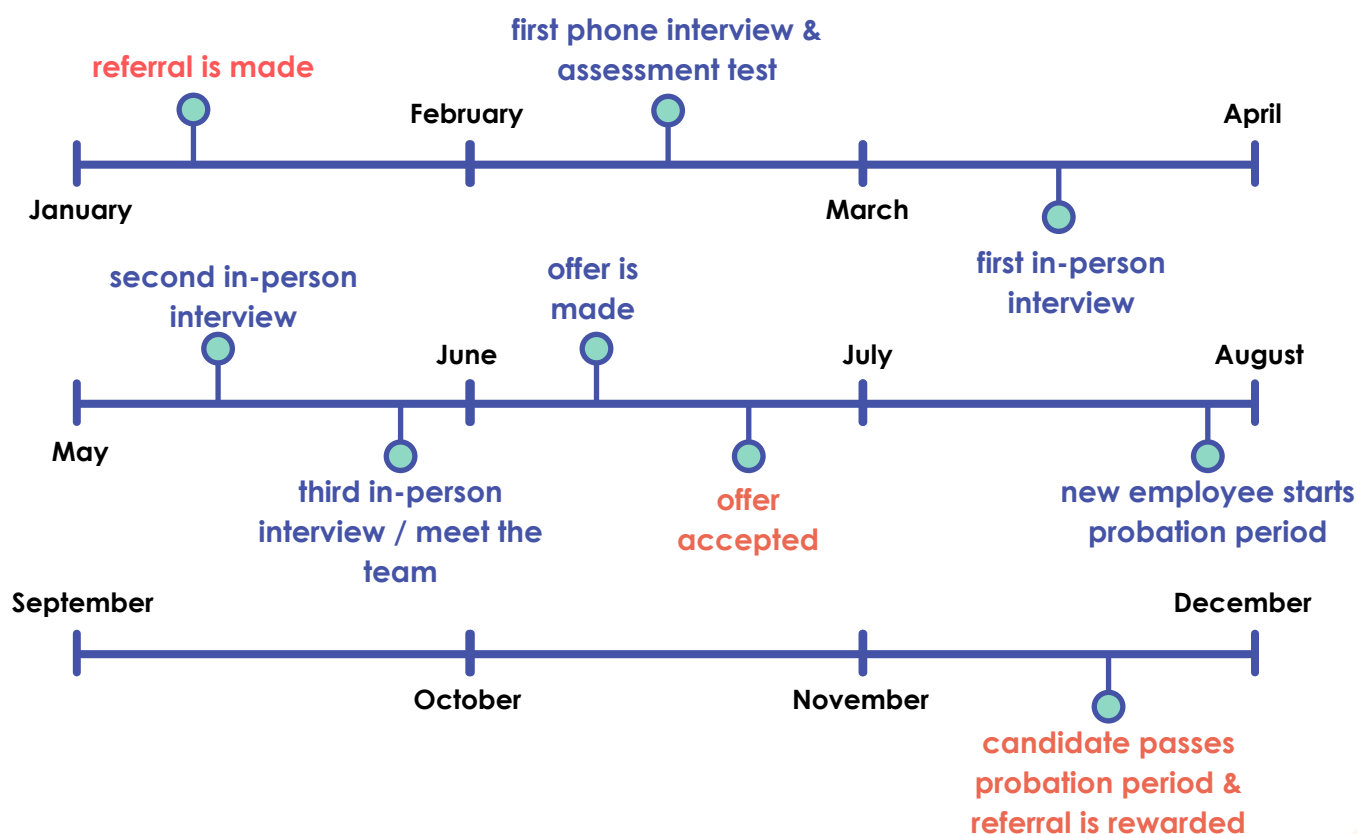
"All my findings and investigations have shown that there is no direct relationship between the size of a hire bonus and the effectiveness of referrals. In fact, it can often be the opposite. The more money that is offered for hires, the more rules apply for qualification. This is counterproductive to participation. In any organisation, there are people who will naturally make referrals, either because it's their job or it's their friend or they want to get the best employees possible. Or they've just been asked to, it's a management directive. However, the majority, will not constantly refer. What is consistent, though, is that when rewards are tailored to what employees find attractive and when rewarding takes place along the different stages of the referral process, participation greatly increases."

how can i create a successful referral process?

The two major challenges in making referrals successful are participation and longevity. How do you get employees to sign up and how do you get them to keep referring? Our survey reveals that 65% of companies only reward once a referral has passed their probation period, with a further 34% providing a bonus upon hire. Only 1% of those surveyed stated that their company rewards earlier in the referral process.



To put this into context, when considering hiring timelines (as seen below), it could take up to one year before employees are recognised for their efforts. In addition, as a majority of candidates will not pass the interview process, most employees will see no recognition for their efforts when making a referral. Worse yet, due to a lack of transparency, they're left in the dark as to the progress of the candidate they have referred and whether or not they will be rewarded. In fact, our survey shows that 83% of employees reported that they were unable to track the progress of referred candidates during the application process. This means that for most employees, their experience with referrals will be a negative one.



Looking at game mechanics as an indication for participation, it's clear that instantaneous rewarding is a key factor to success. If a positive action is performed, in this case an introduction to a candidate, or the very first step of a referral, the employee needs to be rewarded. Here, microrewards are powerful and when correctly used, result in employees continuously referring. It's important to break down the referral process and to incorporate gamification into your referral strategy. For example, successful forms of rewards when a referral is made could be raffle tickets offered on a departmental basis, which result in a prize at the end of the month. The more referrals an employee makes, the more raffle tickets they earn, increasing their chances of winning. When a referred candidate moves onto the interviewing stage, another micro-prize could be offered. Even something as simple as a \$10 gift card can be highly motivational. This allows you to capitalise on gamification and experience much higher returns on your referrals.

bill boorman:

"When rewards are only offered on hire, or once an employee has passed probation, people perceive their company's referral scheme as a scam. Gamification and microrewarding are a necessity in making referrals a key source of candidates. The entire process also needs to be customised to fit your employees. Often, this is successful on a departmental basis. An example of this is a focus group we held with a leading recruitment company. When discussing league tables to bring a competitive aspect to referrals, something we believed would be motivational for recruiters due to the nature of their work, they responded in a surprising manner. They were completely against the idea, stating that they already had enough competition in the workplace and yet another leaderboard would bring additional, unwanted stress. They were also afraid that it would negatively impact them on performance reviews, which is definitely not the message we want to send with referrals. On the other hand, another focus group I held with nurses, were excited by the prospect of competition. It was culturally unusual for them and therefore enticing. The reality is that until you speak to your employees, everything around how, what and when to reward referrals is an assumption and a risk you can't afford to take."

referrals - a recommendation or an introduction?

Our findings show that out of the approximately 31% of people who had referred someone in the past, 72% of them knew that person well. This supports the idea that the majority of referrals are occurring between people who know each other. This is a common perception of referrals, that they're "recommend-a-friend schemes" rather than a tool that grants access to a wide range of talent within your employees' networks. That they're recommendations rather than introductions. In reality, successful referral schemes welcome both recommendations and introductions.



The issue with referrals being seen as purely recommendations is twofold. Firstly, the average person is unable to think of more than four or five people they would recommend for a position. Yet people today have massive networks full of acquaintances. For example, the average amount of LinkedIn connections per person is around 400. Secondly, if referrals are seen as recommendations, they naturally have a stigma attached to them. Employees feel that the person they endorse will have an impact on their reputation. At the worst, this results in cases where certain employees will have a strict "I do not refer" policy. One person in our survey agreed with this idea, clearly stating that there would be no amount of money or rewards that would mobilise them to make referrals. That's not to say that candidate recommendations from employees are a bad thing. They boast a number of benefits, such as higher conversion rates.

The currently untapped power behind referrals, is when they're also seen as introductions. When this is successfully communicated, hiring managers have access to a wealth of hard-to-reach candidates. On top of this, they're able to get in touch with these candidates through their friends and acquaintances. In today's world, as the war on talent rages on, most candidates, especially those in hard-to-fill positions, are not only already employed and not actively looking but also allergic to cold acquisition due to the sheer volume of external recruiters that contact them. Someone they're already connected to, on the other hand, is someone far more intriguing.

However, it's a daunting task for employees to sift through their ever growing digital and personal connections. This is where technology can play a key role in the referral process. One of the features of the Real Links platform, for example, is that it automatically matches employees' connections to open vacancies, allowing employees to make introductions within their networks, such as LinkedIn, Facebook and Email, with the click of a button. When referrals are viewed as introductions as well as recommendations and there's a simple, efficient way for employees to manage their networks, we see referrals go from being responsible for under 10% of a company's hires to over 30%.

bill boorman:

"Companies need to approach referrals as both recommendations and introductions. In this manner they're able to truly make referrals a key source of candidates. As there is a stigma around referrals for employees, it's equally important that you're clear in your comms on your position that referrals are being used to fill out pipeline rather than only find hires. Additionally, when they're seen as purely recommendations, not only does it result in a very low volume of referrals, but it can have an impact on homogenous hiring. If people are only referring their friends, you end up hiring more and more of the similar people. This negatively impacts company diversity as well as culture. However, referrals, like any type of hiring, are not a hire. They're just adding people into your recruitment pipeline. The more you move towards social referrals as opposed to recommendations, the broader and more diverse your referral base becomes."



in conclusion

Referrals are a powerful recruitment method that are extremely promising in sourcing strong hires. However, participation & longevity are a constant issue due to the way companies are approaching referrals today. To overcome this, it's important that rewards are an intrinsic part of your referral strategy. Here, the types of rewards, when they are offered and how referrals are communicated as well as executed in your organisation need to be carefully considered. The rule of thumb in creating referral strategies is to have an open conversation with your employees to discover what methods you can use to increase employee participation and longevity of your referrals.

At Real Links, one of the first steps we take with every organisation we work with is to hold focus groups with their employees to formulate a referral strategy that promises high returns. Finally, whether it's the Real Links platform or not, the use of technology is able to turn unmanageable employee networks into huge talent pools of hard-to-reach candidates.

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