Referral programs as a referral recruiting tool

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Abstract. The article analyzes the practice of developing and using referral programs that activate and streamline the use of referral recruiting. The purpose of this study is to analyze the advantages, disadvantages, and features of the content of referral programs as a tool for attracting staff, formulate an algorithm for their development and criteria for evaluating their effectiveness. The study was conducted in the first quarter of 2024 at a large industrial enterprise in Yekaterinburg with more than 5000 employees. According to the study, more than a third of the available vacancies in 2023 at the analyzed enterprise were closed on the recommendations of their employees, as well as former employees. Nevertheless, the potential of the referral program has not been fully realized due to the lack of its integration with other digital recruiting tools and the weak involvement of factory employees in it. The authors have proposed a number of personnel solutions to improve the effectiveness of referral recruiting in the enterprise.

1 Introduction

The main asset of any organization is its staff – a team of employees who provide the main activities of the organization and determine its development. The search, finding, and attracting qualified and motivated employees is the task of the first stage of work with personnel, on the correct solution of which the competitiveness of the organization depends. Recently, when the competition of employers for potential employees in the labor-deficit labor market has seriously intensified, more and more companies are showing interest in referral recruiting. Theoretical specialists are also becoming increasingly interested in this phenomenon. Thus, according to our query "referral programs", 34 publications were found in the titles and keywords of all types of publications in the eLibrary database, distributed by year of publication as follows: 2012 – 1 publication, 2016 – 1, 2018 – 2, 2019 – 3, 2020 – 6, 2021 – 3, 2022 – 8, and in 2023 – 10. Thus, over the past 2 years, the number of publications (18) exceeds the number of publications in the previous 10 years (16 units), which indicates an increase in interest in this phenomenon.

In recent years, Russian specialists have been actively exploring the essence and potential of referral recruiting [1, 2]; analyzing successful cases of domestic companies in

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this area [3, 4]; exploring the content of referral programs of organizations and the benefits of their use, also creating programs that allow increasing the number of employees hired on recommendations, speeding up the closure of vacancies [5, 6, 7], and also digitalize the referral recruitment process [8].

Referral (recommendation) recruiting is a channel for searching and attracting candidates by distributing information about vacancies both among employees of the organization and among other interested persons. It has always been an important source of staff replenishment, but the understanding of the need to institutionalize it, and thereby give it a purposeful and organized character, has come relatively recently. The result of understanding the importance of this channel was the formation of referral programs that determine the parties and the order of referral interaction, mutual responsibility, conditions and amounts of the referral bonus.

The object of our research is referral recruiting as a channel for attracting personnel used at the studied enterprise in Yekaterinburg, the subject is the referral program operating at this enterprise, and the goal is to develop recommendations for improving the effectiveness of the program by improving its quality.

2 Research methods

In the course of collecting information, we used the following methods:

– secondary analysis of sociological data obtained by specialists of recruiting companies, in particular, by the Research Center of the Superjob.ru portal. The survey, conducted from December 14, 2023 to January 15, 2024, involved 1,000 respondents – employees of human resources services and related departments in 245 localities of the Russian Federation;

– a survey of employees employed at the Yekaterinburg enterprise studied by the author during 2023. A total of 216 people were interviewed, of which 88 were women (41%) and 128 were men (59%);

– interviews with the head of the HR department and heads of structural divisions of the enterprise – a total of 12 semi-structured interviews were conducted;

– analysis of local regulations governing the recruitment process in the organization, including Internal labor regulations, Regulations on recruitment, job descriptions of recruitment specialists, etc.

3 Results and Discussions

Staff shortage forces employers to use a variety of channels to attract candidates, including referral recruitment.

Job search through acquaintances, according to a study by the NAFI analytical center, is the most popular method of employment among Russians: It is preferred by 58% of the survey participants. Among respondents aged 35-44, 62% chose it. For comparison, the next most popular method of employment – the use of online resources - is called the main one for only 29% of respondents [7].

The attractiveness of the referral channel for attracting candidates is explained by a number of its advantages compared to other channels:

– lower costs: the company does not have to spend time and money on advertising vacancies; budgets for paying bonuses to the referrer are usually much smaller than budgets for searching for candidates in the open labor market. According to the data Recruiter.com employee referral programs can save companies up to $3,000 per hire [9];

– reduction of staff turnover due to more successful completion of the probation period by referrals compared to other candidates. Thus, in the federal Brooklyn Bowl restaurant chain, about 50% of employees reach certification, and among those recommended by friends, the percentage of retention reaches 80-90% [10];

– increasing the likelihood of hiring qualified candidates who may not be available in the labor market;

– reducing the time for closing a vacancy: as a rule, a candidate who comes on the recommendation of an acquaintance accepts the offer faster [10];

– possibility of using social networks: in this way, companies can find up to 15-20% of employees [11].

Nevertheless, referral recruiting has a number of disadvantages, among which the main ones are the following:

– the risk of hiring unsuitable candidates: an employee may make a recommendation to an applicant who does not fully correspond to the position, acting in his interests, and not in the interests of the company. Conducting a candidate through the entire selection procedure adopted in the organization, along with other applicants, can reduce the risk;

– complexity of the implementation: it is necessary to constantly notify employees about both the conditions of this program and the results, monitor the conditions of such programs from competitors, etc.

The basis for the successful use of recommendation recruiting is the referral programs implemented in organizations, which are a document defining the way the parties interact – the company's management, HR services, referrers and referrals, set of procedures and activities, as well as the payment procedure and the amount of the referral bonus.

As the results of a survey conducted by the portal's Research Center ogf the Superjob.ru portal show, every second Russian company (52%) has referral recruitment programs, and their number is growing year by year (Figure 1) [12].

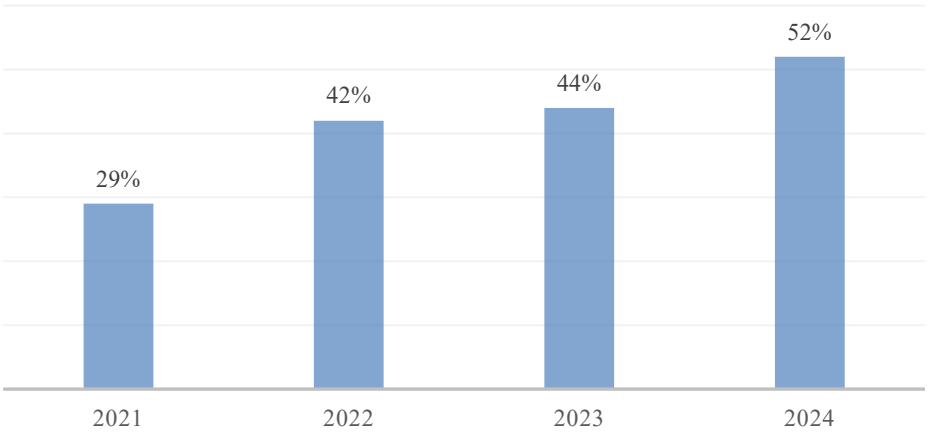

Fig. 1. The share of companies in the Russian Federation with referral programs

In 36% of companies, referral recruitment programs are used for recruitment for all vacancies of the company, in another 16% — for some positions (Table 1) [12].

Table 1. Availability of referral programs (according to the survey of the SuperJob.ru portal)

	Answer option	2024	2022	2021
1.	Yes, the referral program is valid for recruitment for	36%	26%	21%

	all vacancies			
2.	The referral program is valid for the selection of some vacancies	16%	18%	8%
3.	No	42%	50%	58%
4.	Find it difficult to answer	6%	6%	13%

As the results of the research conducted by the authors at a large industrial enterprise in Yekaterinburg have shown, both external and internal channels are used to attract staff (Figure 2).

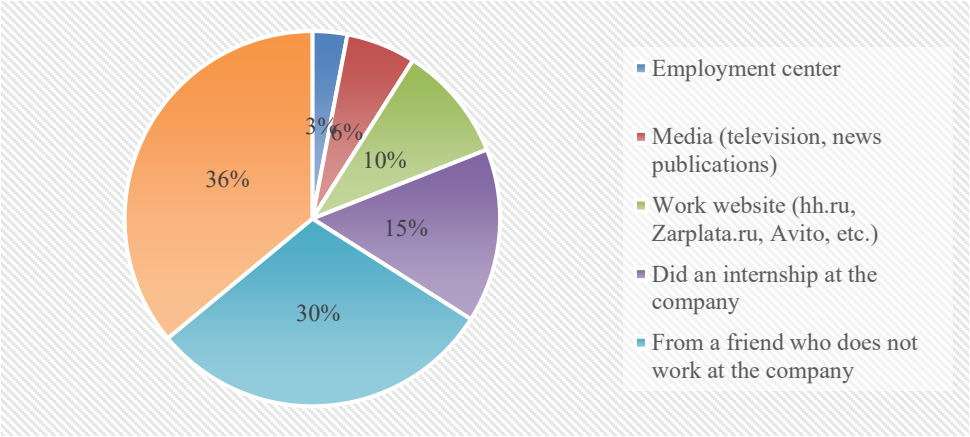

Fig. 2. Channels for candidates to receive information about the vacancy.

As you can see, the most common source of information about vacancies are employees of the company; there are also former interns among the respondents. The Employment Center was named the least effective source of recruitment.

During an interview with the head, specialists of the personnel department of the enterprise and the heads of 12 structural divisions of the enterprise, it was found out that there is a referral program at the plant. Nevertheless, its potential is not fully used due to the fact that:

– employees do not understand the principles and procedure for implementing the recommendations of candidates for vacancies

– there is no platform for the referral program and candidate testing, and therefore the information is processed manually.

To increase the effectiveness of the referral program at the enterprise, in our opinion, the following decisions should be made:

1. To create a full regulatory framework for the application of referral recruiting in the form of a local regulatory act "Regulations on the referral program", or the introduction of an appropriate section in the already existing "Regulations on recruitment". The LNA should contain general rules of the referral program: goals and objectives of the program; the term and conditions of its validity; program participants and their roles; requirements for the content and form of the recommendation, the method of its formation and submission; criteria for recognizing the recommendation as successful; the procedure for assigning and paying the referral bonus.

2. Create the technical base of the program in the form of a section on the corporate portal with the "Recommend an employee" function with the ability for the referral to

follow all the stages of working with the referral: provide referral links for applicants to follow, set up chatbots where employees send contacts of recommended people for a particular vacancy. It is important that this data is sent to the CRM system so that the referrer does not have to prove participation in the program later. Such situations reduce the credibility of the referral program [10].

3. Develop content and fill in the "Recommend an employee" section with it, in particular, place the form on the corporate portal. An example of this form is shown in Figure 3.

Your name	
Your position	
Your friend's full name	
Position you recommend him for	
His level of education	
Specify your friend's contacts	
Source of your acquaintance	Kinship ties/ Joint studies/ Joint work / Joint leisure/ Other
Where and in what position does he currently work?	
Have you received his consent to the recommendation?	yes/no

Fig. 3. The form for submitting information about the referral on the corporate portal

4. To conduct training for recruiters. The HR Director resource recommends using the format of face-to-face trainings lasting 3-4 hours, consisting of lectures and practice. During the trainings, recruiters' objections should be studied, concerns should be discussed with them, their mistakes should be analyzed, the reasons for the program's failure should be analyzed, working cases of other recruiters should be analyzed, optimal approaches should be discussed [13].

5. Develop a clear referral reward system. This can be special meals, additional vacations, certificates, valuable gifts, gadgets, corporate gear, or even unique experiences paid for by the company. Nevertheless, the universal referral bonus is the referral bonus. Thus, at the studied enterprise, for a recommended worker, an employee receives either 5,000 rubles when he is enrolled in the staff, or 10,000 rubles after a successfully completed probation period, or 20,000 rubles if the referral has worked for one year. There are more payments for an engaged engineer – from 15,000 to 30,000 rubles. In our opinion, this part of the referral program does not need to be updated. Most Russian companies also pay bonuses in installments: part of the funds is paid at the time the recommended employee goes to work, another part – after passing the probation period, the last portion – after successful work for one to two years [14].

6. The amount of the award should be reviewed regularly to maintain its relevance to the referrers. Thus, according to the Research Center of the Superjob.ru portal in 2023, remuneration increased for 16% of companies with referral programs, while 66% did not change. It has not decreased in any of the surveyed companies [12].

7. To work out channels for regularly informing employees about vacancies and opportunities to participate in their closure through participation in the referral program. To do this, use the company's website, corporate newsletters, employee mailing lists, chatbot, flyers, speeches by HR staff at team meetings. In some cases, news stands in workshops, production sites or warehouses, where data on line staff vacancies are posted, have proven themselves well.

8. Track the effectiveness of the referral program. This can be done using the following metrics:

– the ratio of the number of all recommended candidates to the number of rejected ones. The lower this value, the more effective the referral program is.

– determining the proportion of employees accepted under the referral program. If the number of referrals is less than 30-35% of the total number of employees accepted during this period, then work should be strengthened to promote the referral program within the company

– determining the proportion of referrals who have successfully completed the probation period: if they are less than 90%, then attention should be paid to the quality of adaptation programs [13].

4 Conclusion

Referral recruitment remains the leading channel for attracting staff due to relatively low costs, high recruitment rates, increased staff engagement and reduced risk of staff turnover. Nevertheless, only half of Russian companies have referral programs that organize and streamline the relationship between all parties to this process: administration of the enterprise, employees of HR departments, hiring managers, referrers and referrals. The lack of programs is explained by technical, organizational and psychological difficulties. A large industrial enterprise in Yekaterinburg, where the research was conducted, has a referral program, but cannot realize the advantages inherent in it due to poor awareness and lack of involvement of staff, lack of digital process management tools and disinterest of specialists in the recruitment department due to work complexity.

In our opinion, the necessary conditions for restarting the program are the following: creation of a full-fledged regulatory framework for referral recruiting; automation of this process; training recruiters, involvement in the promotion of the program by creating material incentives for them; development of channels for informing employees about the functioning of the referral program and open vacancies; regular monitoring of the program effectiveness.

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