"A STUDY ON THE EFFECTIVENESS OF EMPLOYEE REFERRAL PROGRAM"

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ABSTRACT

Identifying and acquiring talent, is one of the important functions in Human resource management. "Employee Referral", is the process of recruiting the candidates, through reference given by the employee working in the same concern.

KEYWORDS: Human Resource Management

INTRODUCTION

"A great referral program allows organization to turn the entire workforce into recruiters," It helps to empower all employees working in the organization. Employee referral programs are popular due to lower overall recruiting costs and a high return on investment. As a reward, the employer typically pays the referring employee monetary, or non monetary benefits.

Candidates hired through referral programs are considered to be better performers, as they tend to be pre-qualified by the referrer and better suited for specific jobs. On top of this, hiring based on referrals, reduce work load and saves time, strengthens the bond with existing employees, boosts the employer brand, turns employees into brand advocates and improves the employee retention rate.

OBJECTIVES OF THE STUDY

- To study the awareness level of the employee referral program.
- To study the effectiveness of employee referral program of the company.
- To suggest some measures to improve the existing referral program.

RESEARCH METHODOLOGY

Research Design: Descriptive

Sampling Technique: Convenient Sampling

Sample Size: 115

Data Used: Primary and Secondary

Tools Used for Analysis: Percentage Analysis, Chi square, Regression, Correlation and Anova

REVIEW OF LITERATURE

Employee referral is an internal recruitment method, employed by organizations to identify potential candidates from their existing employees. An employee referral scheme, encourages company's existing employees to select and recruit the suitable candidates, from their social networks Employee referral programs, are essentially used by organizations to hire great talent, while reducing acquisition time and cost. Employee referral is defined as recruitment method, in which the current employees are encouraged and rewarded for introducing suitable recruits, from among the people they know. Employee referral scheme's allows existing employees to screen, select and refer the best candidates, to the recruitment process

To measure the effectiveness of an employee - referral program, it is important to track such metrics as the cost of employee referrals versus other recruitment channels, performance and retention of employee referrals, employee attitudes toward referral programs, and the percentage of new employees who are hired via referrals.

One benefit of an employee-referral program is that it can provide the employer with a source of passive candidates —those workers who are not actively seeking new jobs. Candidates referred by employees, also tend to be of higher quality because, the referring employee usually screens his or her referrals, closely. After all, his or her reputation is somewhat on the line with every person he refers, for a position. Referring a string of unqualified candidates reflects poorly, on the referring employee's judgment, which may affect his or her career prospects. The usual monetary bonus paid to a referring employee, for a successful referral can be a significant morale booster. It reinforces the tendency to refer high-quality candidates, to one's own company, even when no positions are available.

Benefits

- **Likelihood of quality.** Employees generally recommend only quality candidates. No one wants to be embarrassed, by the person they refer.

- **Save time and money.** Saving time and money might be the biggest benefit of a successful referral. Referrals fill positions in an average of about thirty days, ten to twenty less than other methods.

- **Build a network.** Even if you don't have an opening, meeting referrals can create contacts and start you on your candidate pool for next time.

- **Increase employee desire to stay and do well.** Use referrals to get candidates for seasonal and temporary positions. These hires sometimes leave before they are scheduled to; if they were given a boost by a referral, they may be more reluctant to do so.

Drawbacks

- **Diversity reduction.** Referrals can mean that, you hire people who are very like one another. This can decrease diversity of backgrounds, personality type or beliefs. You can get stuck with the same type of thinking, rather than find employees who will bring new ideas or a different type of energy. This is not an extreme drawback, but it's worth considering.

- **Personal issues.** One problem that, can result from hiring people who know already one another is, of course,

personal conflict. From cliques to fallouts, these issues can't be controlled by you. It's simply a matter of the employees, acting properly. There is not much more risk of these issues, happening with referrals than with any other hire.

Employee referral programs are especially effective in the case of highly specialized positions, that might be difficult to fill through conventional channels. People tend to associate with others in their professions, which gives them access to specialized or rare talent. Overall, the benefits of employee-referral programs decisively outweigh the potential pitfalls. A well- designed and highly visible employee -referral program is a critical part of any company's recruitment strategy.

RESEARCH REVIEW

Van Hoye, Greet, (2013) has examined that the employee referrals also motivates employees as the previous research focused on the outcomes of employee referrals, not much is known about its determinants. This study examined employees' intrinsic, prosocial, and extrinsic motives for encouraging versus discouraging others to apply with their employer. In a sample of 232 employees from two organizations, job satisfaction, the desire to help job seekers find good fitting jobs, the desire to help the organization find good fitting employees, and rewards predicted positive referrals. Negative referrals were motivated by job dissatisfaction and the desire to help job seekers avoid bad fitting jobs. Moreover, in the organization rewarding employees for making referrals, more positive and less negative referrals were made than in the organization without referral program.

David W. Martin Ph.D; Virginia M. Heckel M.P.H; G. Kenneth GoodrickPh.D; Janet M. Schreiber Ph.D&Virginia L. Young M.A,(2008), conducted a study to compare the relationship between the types of supervisory referrals and self-referrals to an employee assistance program, to the work performance and kinds of personal problems of the employees referred is examined. For formal supervisory referrals Absenteeism was the most common work performance problems; for informal supervisory referrals Awareness of Slipping was the reason most commonly noted: and for self-referrals Interpersonal Relations problems predominated.

Among employees with alcohol and drug problems, more were self-referred than formally or informally referred by supervisors.

Ajay K Sirsi,Richard F Beltramini&Michael Koller,(2008), conducted a survey undertaken of organizations of differing sizes and representing a cross-section of industries, to assess employers' awareness, attitudes, and referral practices regarding behavioral (emotional and substance abuse), problems in the workplace. Implications and future challenges, for Employee Assistance Programs (EAPs) are discussed.

Van Hoye & Lievens, (2007) Compared to company-dependent sources, company -independent sources are likely to be perceived as providing more credible information because they do not have the explicit purpose to promote the organization

Allen(2004) In addition, job seekers tend to perceive information obtained through direct personal experience as more credible than indirect impersonal information, suggesting that experiential sources are more credible than informational sources

Jeremy Tipper, (2004) conducted a study, to examine the increasing diversity of an organization's workforce is a primary concern for many businesses with the realization that, it can bring significant competitive advantage. The challenge lies in how organizations can best do this. This article highlights a pragmatic guide, as to how organizations can increase their diversity through their recruitment practices, through activities such as: market research into your potential recruitment pool; building a business case to influence line managers and other stakeholders, as to the need to recruit for diversity; using a variety of communication channels to reach your target candidates; and rewarding employees when they successfully increase diversity through recruitment.

Rachel S. Shinnar,(2004) conducted research on employee referrals, demonstrates positive outcomes for the recruited individual and the organization. However, little research addressed employees, who make employment referrals, also known as employee recommenders. To address this gap in knowledge, we developed a conceptual model and present the theoretical basis, for addressing the motivation of, and organizational outcomes associated with, employees who make employment recommendations. The model is based on the theories of word-of-mouth communication, cognitive dissonance, self-perception, and attitude change, through self-persuasion. Partial support for the model was found in an experimental design, simulating an employee referral situation. Results showed an increase in normative commitment of recommenders.

Cable and Turban's (2001), taxonomy of recruitment sources and a source credibility perspective (Hovland et al.,1953;Pornpitakpan, 2004), it is expected that, of all recruitment sources, job seekers will perceive employee referral as most credible, given that it is a company- independent and experiential source. In turn, because of this credibility, it is expected to have the strongest impact on job seekers' attraction to organizations as employers.

Carroll Lachnit, (2001) conducted a study on Computer hardware giant Intel Corp, uses a combination of monetary and non-monetary incentives, says Erin Gorsline, program manager, Intel e-Staffing. In addition to a cash reward for referrals, the company also offers a raffle for those employees, who've made referrals. Last year, the prize was a choice between a $1,000 travel voucher and a home entertainment system. In HCT, which recruits 30% of its employees by referral, the incentive varies from Rs 9,000-15,000, depending on the seniority and skill set of the candidate. In Wipro, about 15% employees are recruited through referrals and up to 20% via recruiting firms, says Achuthan Nair, Vice-president, strategic sourcing. Employee referral is an internal recruitment method employed to identify potential candidates, from their existing employees. An employee referral scheme encourages a company's existing employees, to select and recruit the suitable candidates from their social networks. As a reward, the employer typically pays the referring employee, a referral bonus. Recruiting candidates, using employee referral is widely acknowledged, as being the most cost effective and efficient recruitment method, to recruit candidates and as such, employers of all sizes, across all industries are trying to increases the volumes they recruit through this channel.

SOURCE: PRIMARY DATA

**Table 1: Awareness Level of Employee
Referral Program**

S.No	Response	No of Response	Percentage
1	Yes	110	96
2	No	5	4
Total		115	100

Table 2: Satisfaction Level in the Employee Referral Program

S.No	Response	No of Response	Percentage (%)
1	Highly Satisfied	53	46
2	Satisfied	40	35
3	Neutral	5	4
4	Dissatisfied	3	3
5	Highly dissatisfied	14	12
	Total	115	100

Tabel.3: Satisfaction Level in the Current Job

S.No	Response	No of Response	Percentage (%)
1	Highly Satisfied	62	54
2	Satisfied	45	39
3	Neutral	6	5
4	Dissatisfied	2	2
5	Highly dissatisfied	0	0
	Total	115	100

Table 4: Vacancy Details Intimation by Company

S.No	Response	No of Response	Percentage (%)
1	Yes	98	85
2	No	17	15
Total		115	100

Table 5: Company Provides Benefits for Employee Referral

S.No	Response	No of Response	Percentage (%)
1	Yes	102	89
2	N0	13	11
T	otal	115	100

Table 6: Company Inform on Status about Referred Candidate

S.No	Response	No of Response	Percentage (%)
1	Yes	88	77
2	No	27	23
	Total	115	100

Analysis between age and Awareness of Employee Referral Program Using Spss

Regression

Null Hypothesis (H0): There is no significant difference between the age and awareness of employee referral program.

Alternative Hypothesis (H1): There is significant difference between the age and awareness of employee referral program.

Table 7: Age Vs Awareness of Employee Referral Program Model Summary

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.141[a]	**.020**	.011	.20366

Predictors: (Constant), age

ANOVA[A]

Table: 8

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.096	1	.096	2.308	**.131**[b]
	Residual	4.687	113	.041		
	Total	4.783	114			

- Dependent Variable: awareness ERP

- Predictors: (Constant), age

Table: 9

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) 1	2.019	.046		44.301	.000
Age	-.037	.025	-.141	-1.519	.131

a. Dependent Variable: awareness ERP

Analysis between age and Job Satisfaction Using Spss Chi-Square Test

- Null Hypothesis (H0): There is no significant difference between the age and job satisfaction.

- Alternative Hypothesis (H1): There is significant difference between the age and job satisfaction.

Table 10: Age Vs Job Satisfaction Test Statistics

	Age	Satisfaction of Job
Chi-Square	17.339[a]	90.530[b]
Df	2	3
Asymp. Sig.	.001	.003

- 12 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 38.3.

- 13 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 28.8.

Inference

Since the significant value is 0.03 is less than the level of significance 0.05, so the null hypothesis is accepted. And the frequency value is 38.3 for age and 28.8 for satisfaction of job.

Analysis between age and Satisfaction of Employee Referral Program Using Spss

One Way Anova

- Null Hypothesis (H0): There is no significant difference between the age and satisfied with Employee referral program.

- Alternative Hypothesis (H1): There is significant difference between the age and satisfied with Employee referral program.

Table 11: Age Vs Satisfaction of employee Referral Program nova

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.132 2.790	2	.066	2.652	.075
Within Groups		112	.025		
Total	2.922	114			

Inference

The value of anova is F=2.652 and the significance value is 0.075 is greater than the tabulated value so the alternate hypothesis is accepted.

Analysis between Job Satisfaction and Satisfaction of Employee Referral Program Using Spss

Correlation

- Null Hypothesis (H0): There is no significant difference between the job satisfaction and satisfied with Employee referral program.

- Alternative Hypothesis (H1): There is significant difference between the job satisfaction and satisfied with Employee referral program.

Table 12: Job Satisfaction Vs Satisfaction of Employee Referral Program Correlations

		Satisfaction job	Satisfied with ERP
Satisfaction job	Pearson Correlation	1	.190[*]
	Sig. (2-tailed)		.042
	N	115	115
Satisfied with ERP	Pearson Correlation	.190[*]	1
	Sig. (2-tailed)	.042	
	N	115	115

*. Correlation is significant at the 0.05 level (2-tailed).

Inference

The value of significance is 0.042 is less than the tabulated value, so the null hypothesis H0 is accepted.

DATA ANALYSIS AND INTERPRETATION

FINDINGS

- 96% of the respondents are aware of the employee referral program. **(Refer.Table.No.1).**

- 46% of respondents are highly satisfied for the referral and 3% dissatisfied with the referral. **(Refer.Table.No.2).**

- 54% of respondents are highly satisfied with the current job and 2% dissatisfied with the current job. **(Refer.Table.No.3).**

- Majority of 85% of the employees was given intimation about the vacancy and 15% of employees were not given

vacancy intimation. **(Refer.Table.No.4).**

- 89% of respondents are satisfied for the benefits, for referral program and 11% are dissatisfied. **(Refer.Table.No.5).**

- 77% of respondents are satisfied for the status of the referral candidate and 23% are dissatisfied. **(Refer.Table.No.6).**

- The value of regression for age and awareness level of employee referral program is R Square= 0.020 **(Refer.Table.No.7).**

- The significant value is 0.03 is less than the level of significance 0.05, so the null hypothesis is accepted. And the frequency value is 38.3 for age and 28.8 for satisfaction of job. **(Refer.Table.No.8).**

- The value of anova is F=2.652 and the significance value is 0.075 is greater than the tabulated value so the alternate hypothesis is accepted. **(Refer.Table.No.9).**

- The value of significance is 0.042 is less than the tabulated value so the null hypothesis H0 is accepted. **(Refer.Table.No.10).**

CONCLUSIONS

This study on the effectiveness of employee referral program, clearly pictures the effectiveness of overall recruitment process and the awareness level of employee referral program, and benefits of employee referral program. To ensure a successful employee referral program, it has to be designed and implemented well. It is important to suitably award those employees, who are bringing suitable candidates to the organization. The most effective employee referral programs foster employee awareness and involvement in the hiring process, the employee referral program can be made effective, and further to strengthen the said suggestions and recommendations should be implemented.

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