Word of Mouth Recruiting and Referral Bonuses — Are They Effective Enough?

Word-of-mouth recruiting is simple enough. The recruiting process happens naturally when company employees narrate the merits of joining their company to their friends and acquaintances. Referrals a major source for filling up jobs, according to most of the recruitment agencies.

According to executive recruiter Ken Tanner, Tanner & Associates, good people refer to good people. The employees who know what it is to work in their organization tend to refer people who they think are a perfect fit for the organization they are working in. Tanner says that since employees care about their reputation, they refer to people who they can vouch for and also interested to work with.

Word-of-mouth recruiting is said to be an effective recruitment tool to create a superior workforce. But with a shrinking labor pool, it is getting more and more difficult nowadays. To leverage the power of word-of-mouth, employers are opting for referral bonuses to attract more candidates.

The power of referral bonuses

Referral bonuses imply paying your own employees to bring in qualified candidates for open job positions. There is no particular way to structure referral bonuses. The hiring needs, the nature of workforce and the type of job positions to be filled determine the overall structure of referral bonuses. Referral bonuses are mostly paid in cash but organizations attach other perks as bonuses too.

Companies shell out flat bonuses to the tune of $300 when a referred recruit is hired and continues working with the organization for three months. The bonus might drive a worker who earns $20K to bring in another worker at the same level. But this would not prove feasible for an engineer to bring in a fellow engineer who earns more than $80K a year. The bonus should be to the tune of $1,000 for every referred engineering candidate who is hired.
It costs a company immensely to use a recruiter and then shell out money for ads, and other career development programs. A generous referral bonus is definitely a good bargain here.

**Payment modes for referral bonuses**

The referral bonuses are not paid immediately by many companies after a referred recruit is hired. Some wait for three to six months before they are certain that the candidate is happy to work in the position. Some companies string the payments by paying the employee $500 for referring a recruit, and then additional amount of money every six months till the recruit stays in the organization. This incentive drives the employee to help the new hire succeed in the organization.

The referral program can be intended for a particular section of an organization too. The needs are high in basic working departments involving administrative workers, web programmers, and laborers.

**Internal and External Referral bonus programs**

Referral bonus programs are extended to employees mostly. External programs pose difficult problems. Ed Kaplan, Personnel Dynamics, IL says that turning non-employee acquaintances to become recruiters is not worth it since there are chances that they might harbor ill will after a referred candidate is rejected. Additionally, Kaplan expressed uncertainty about the method since according to him, there are not many studies which prove that external bonus programs help in getting the right people.

Alternatively, Ken Tanner points out the danger of having internal referrals only stating that if internal referrals are the base for most of the hiring, the company will have employees with similar strengths and weaknesses. It is important to keep diversity in mind to avoid discrimination, he says.

Structuring referral bonus programs to suit the workforce is an ideal way to succeed in a competitive corporate world.