THE EFFECTIVENESS OF EMPLOYEE REFERRAL AS A SOURCE OF RECRUITMENT

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ABSTRACT

Better recruitment and hiring strategies result in improved outcome of any organisation with reference to this context research paper titled "**The effectiveness of employee referral as a source of recruitment**." This topic provides an in-depth knowledge and an overview on using employee referrals as a source of recruitment .The main objective of this study is to identify best source of recruitment and specifically determine how employee referrals could improve effectiveness and efficiency of the organisation. This study also focuses on hiring quality people who can improve work environment with less cost incurred. Referral Works is unique in the way that it sources, matches and assesses the right person to the right job. It is touted as the golden ticket to successful recruiting, and for other good reason such as higher quality candidates, higher retention rates, reduced time-to-hire, cheaper acquisition costs and reduced training period it indicates that a well-thought-out employee referral program is an essential piece to the success of any recruiting department. Data analysis has been done with spss software and statistical tools like tables, charts, bar graph and pie charts.

Key words: recruitment, hiring, employee referrals

INTRODUCTION

The purpose of this study is to widen the research on recruitment by assessing the effective sources of hiring and recruiting with specific focus on employee referrals. Human resources are the asset of the business. They make up the work force of the organisation. . It is vital to choose the right candidate for the right job. Where the company finds its employees through variety of sources directly and indirectly. It is important to understand that cost associated with selecting a right candidate is far lesser it than cost and overall impact of making a bad hire. It is ideal to realise specific and effective sources allows employees to be treated grow with opportunities and meet the organisational goals. It is very significant to develop positive business culture and harmony in the work environment to make the work place productive and efficient.

. To have a cost effective and efficient method of recruiting employee referral is one of the best methods used. They also cite better socio cultural fit and increase the length of employee retention. An employee-referral program (ERP) is an effective way to bridge the gap of recruiting through traditional channels and

meet the expectations and demands of the organisation. The crucial objective of any organisation is to find the right fit for the right job adding to the better work environment, culture and productivity. Many organisations these days conduct employee referral program

Candidates seek information regarding job openings through various sources such as newspaper, advertisement, work websites and word of mouth. There are lot of chances that existing employees would better know about the potential required for the job so that easily reach out to the candidates with same calibre within their peer circle opting the right one for the job **whilst the research on source effectiveness has examined a variety of recruitment source till date there has been a minimal exploration on the effectiveness of employee referrals in comparison to its fast update as an recruitment source**

RECRUITMENT

It refers to the overall process of attracting, short listing, selecting and appointing suitable candidates for jobs (either permanent or temporary) within an organization.

EMPLOYEE REFERRALS

Employee referral is an internal recruitment method employed by organizations to identify potential candidates from their existing employees' social networks

LITERATURE REVIEW

1. **Van Hoye Greet (2013**): This paper titled **"A study on effectiveness of employee referral program "**the author states that employee referral motivates employees to a great extent. This study examines employee's motives on the basis of intrinsic and extrinsic motives for encouraging their own source or discouraging others to apply. In a sample of 232 employees from two different organisations, employee's major motives such as job satisfaction, positive impact of employee referrals, good fitting employees and reward provided to referring employees. Negative referrals on the other hand are motivated by job dissatisfaction and the desire to avoid bad fitting jobs and to help job seekers. The author signifies the importance provided in the organisation for rewarding employees for making referrals, either positive or negative referrals affecting the smooth functioning of an organisation

2. **David W. Martin PhD (2008):** This paper titled "**A study compare the relationship between the types of supervisory referrals and self-referrals to an employee assistance program**" the author deeply examines the effect of employee referrals through various roots of the organisation. The author gives a clear view on the personal problems. He examines the most common performance problems faced in the organisation such as absenteeism for informal supervisory referrals. The author specifies

awareness of slipping being noted mostly. The author delineates interpersonal relations problem predominating employee with alcohol and drug problems.

3. **Ajay K Sirsi (2008**): This paper titled " **employee referrals as a source of motivation**" the author conducted a survey in an organisation of differing sizes and representing a cross-section of industries, to assess employers' behaviours, beliefs ,awareness, attitudes, and referral practices regarding problems faced in the organisation with reference to performance and appraisal . Its future implication and challenges including strength and weakness were clearly listed by the author.

RESEARCH DESIGN

INTRODUCTION

Employee referral is an internal recruitment method employed by organizations to identify potential candidates from their existing employees' social networks. 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 increase the volume of recruits through this channel.

Referral Works is unique in the way that it sources, matches and assesses. It is touted as the golden ticket to successful recruiting, and for other good reason such as higher quality candidates, higher retention rates, reduced time-to-hire, cheaper acquisition costs and reduced training period it indicates that a well-thought-out employee referral program is an essential piece to the success of any recruiting department.

STATEMENT OF PROBLEM

The problem relates to studying, analyzing & evaluating whether employee referrals is an effective source of recruitment The primary objective of any industry is to recruit talented employees for the overall development of the organization. Human resource is the building blocks of the business they are to be given vital

importance and high skilled employees uplift the organization to a greater extent. The manufacturing industries were not open up to this program in previous years which deprived quality employee's recruitment.

SIGNIFICANCE OF THE STUDY

. From a decade the magnificent advantages of Employee referrals is imprinted in the working process of the organization through social network and word of mouth connectivity.

The research objective of the study focuses on the employee referrals as a source of recruitment for conducive work environment in comparison with previous hostile periods of industries, how it would motivate the employees to work together for development of organisation

SCOPE OF THE INDUSTRIES

Scope of the study is restricted only to manufacturing industries, industrial town Bangalore. This study will help to us to know the impact of employee referrals as a source of recruitment. It helps the industry to recruit highly skilled employees. Keep a highly motivated work culture and pleasant environment for the employees.

OBJECTIVE OF THE STUDY

- To analyse employee referrals as an effective source of recruitment
- To examine the difference in work environment after implementing employee referrals in Industries
- To determine the importance of recruiting skilled employees through social network connectivity

HYPOTHESIS

H_0 – There is no significant difference between gender and awareness in manufacturing industries after intervening employee referrals as a source of recruitment

H1 – There is a difference between gender and awareness in manufacturing industries after intervening employee referrals as a source of recruitment

METHODOLOGY

- Descriptive Research is used for the study as it helps fact finding through surveys and enquiries. The data is collected through the primary source, which include questionnaires personal interview and telephonic interview.
- Secondary data has been collected from internet web page, magazines, newspapers etc.

SAMPLING DESIGN

Purposive sampling method is used for sampling design where members for sample are selected according to purpose of the study at manufacturing Industries at industrial town in bengaluru.

SAMPLING SIZE

The sampling size in this research is restricted to 107

SAMPLE DESCRIPTION

The sample consists of employees, managers in manufacturing industries at industrial town. Purposive sampling method is used for sampling design where members for sample are selected according to purpose of the study

DATA COLLLECTION

The sources of data are both primary and secondary data.

- **Primary Data:**

The primary data was collected through a structured questionnaire.

  Secondary Data:

Secondary data was collected by:

- Various websites , online data and company website
- Referring various articles, reports, journals, magazines on manufacturing industries and employee recruitment programme.
- Annual reports of the company
- Referring different books and previous project reports in college library.

STATISTICAL TECHNIQUES

To analyze and interpret the data collected various statistical techniques have been used tentatively such as frequencies, mean analysis and Chi-square.

Other Software Used For Analyzing the Data- Microsoft Word, Microsoft Excel for showing the graphs and pie charts and SPSS software is used for the purpose of analyzing the data.

LIMITATION OF THE STUDY

- An underlying assumption for the entire project is that the details and the feedback received from the population are true.
- Sample of only 107 respondents is selected from the population

- Time constraint- This project had to be taken in specific time duration which does not permit extensive research report

DATA ANALYSIS AND INTERPRETATION

This chapter deals with the analysis and interpretation of the topic Employee referrals as an effective source of recruitment. Employee referrals is used in the organisation providing an opportunity to the workers to refer people from their circle, which indirectly leads to creating an harmonious environment within the organisation encouraging employees to have a good social interaction and maintain competitive edge. Thus employee's commitment to work, good interpersonal relations helps in growth of the organisation.

Table 1: Gender

| Gender		Frequency	Percent
Valid	Male	78	70.9
	Female	29	26.4
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0

Graph 1
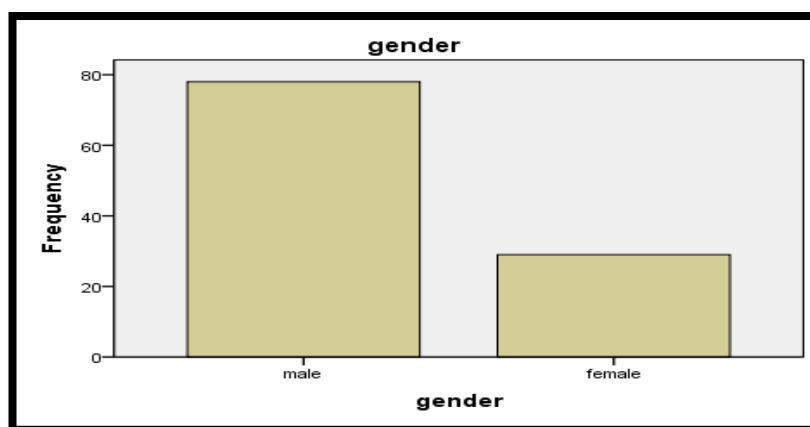
From the table (1) it is evident that the total sample of 107 consisted of 78 males and 29 females. The male population is more as compared to females because most of the employees there are middle aged workmen in case of women empowerment would have been required to increase more working women in our society and enable independent living.

Table 2: Age   **Graph 2**

| Age		Frequency	Percent
Valid	20-25	15	13.6
	26-30	10	9.1
	31-40	65	59.1
	41>above	17	15.5
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0
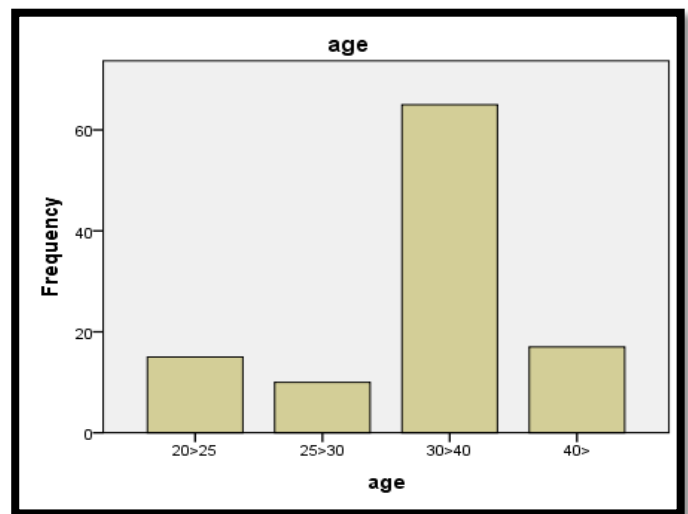
- The table 2 shows the different age groups of people working in the organisation, There are 15 employees within the age group of 20-25,there are 10 employees within the age group of 26-30,there are 65 employees within the age group 31-40 they form the highest population, who are mostly into high positions and decision making Finally there are 17 employees above the age group of 41

Experience   **Graph 3**

Table 3

Experience		Frequency	Percent
Valid	0-5	98	89.1
	5-10	9	8.2
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0
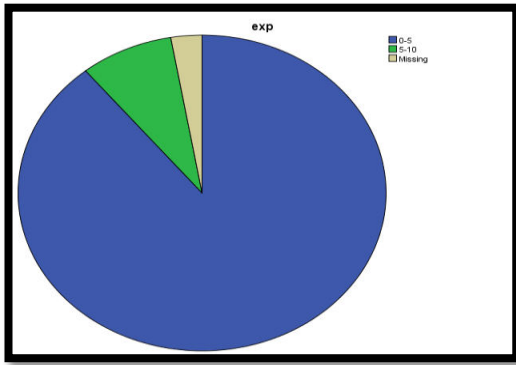
- The above table 3 displays Experience of employees working in the organisation
- There are 98 employees within the experience of 0-5 years on the largest scale
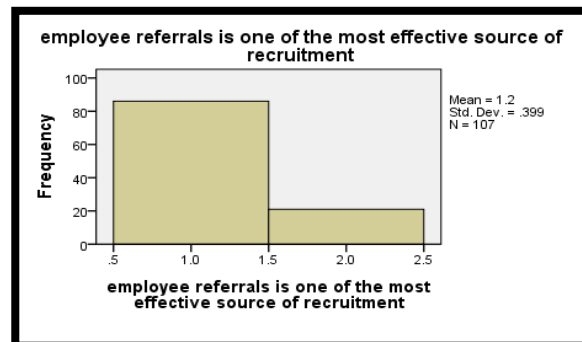- There are 9 employees within the experience of 5-10 years

QUESTIONS ON EMPLOYEE REFERRALS

Q1. **Employee referrals is one of the effective source of recruitment**

Table 4   **Graph 4**

| Responses		Frequency	Percent
Valid	yes	86	78.2
	no	21	19.1
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0

From table 4 it is clear that 78 respondents opine employee referrals as one of the most effective source of recruitment. 21 employees do not accept employee referrals as major source of recruitment because they were not aware about the program it helps them to connect together easily and have a good mutual understanding. Most of the employees accept because of the benefit   of good mutual understanding and connectivity

: **Have you ever referred your friend through employee referral program?**

Graph 5

Table: 5

Responses		Frequency	Percent
	yes	8	7.3
Valid	no	99	90.0
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0

Have you ever referred your friend thorugh employee eferral program
- yes
- no
- Missing
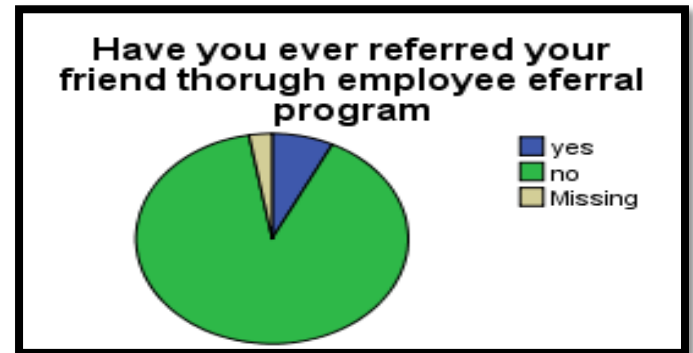
From table 5 it is evident that 99 employees have never referred their friends through employee referral program and 8 employees have referred their friends. It is because of discouragement of organisation and others 8 employees have referred their friends through employee referral program from their friends circle out of their own interest
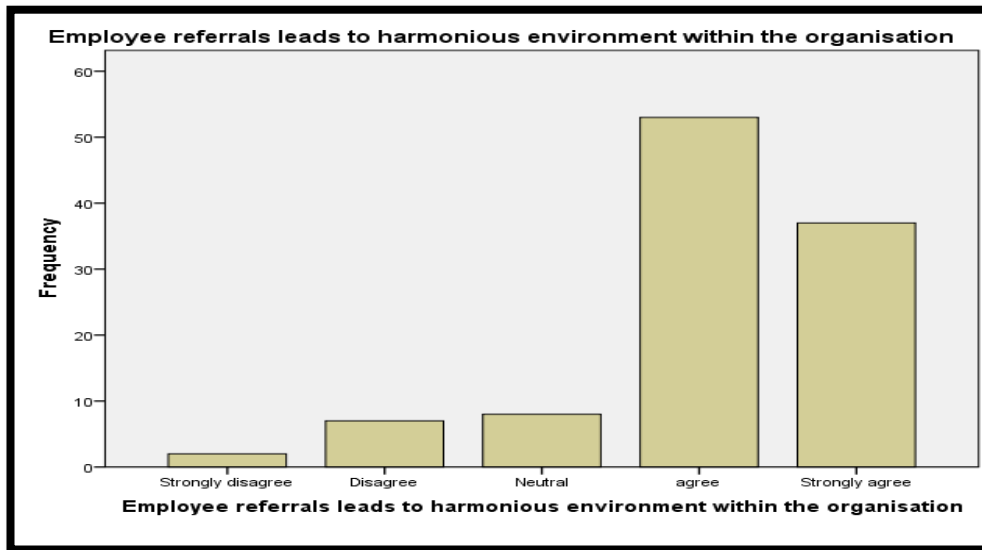
Q2: **Employee referral leads to harmonious environment within the organisation**

Table 6

	Valid	107
N	Missing	3
Mean		4.07
Std. Deviation		.929

		Frequency	Percent
	Strongly disagree	2	1.8
	Disagree	7	6.4
	Neutral	8	7.3
Valid	agree	53	48.2
	Strongly agree	37	33.6
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0

Graph 6

The above table shows that 53 employees agree that employee referrals leads to harmonious environment, 37 employees strongly agree that employee referrals lead to harmonious environment, 7 employees disagree and 8 employees display an neutral opinion on employee referrals leading to harmonious environment with the mean of 4.07 and standard deviation of 0.929. Most of the employees agree because of the bond and connectivity that exist between them as most employees refer through their friend's circle

Q3: **Employee referrals are shortest path to better quality hires?**

Graph: 7

Table: 7

		Employee referrals is shortest path to better quality hires
N	Valid	107
	Missing	3
Mean		4.12
Std. Deviation		1.025

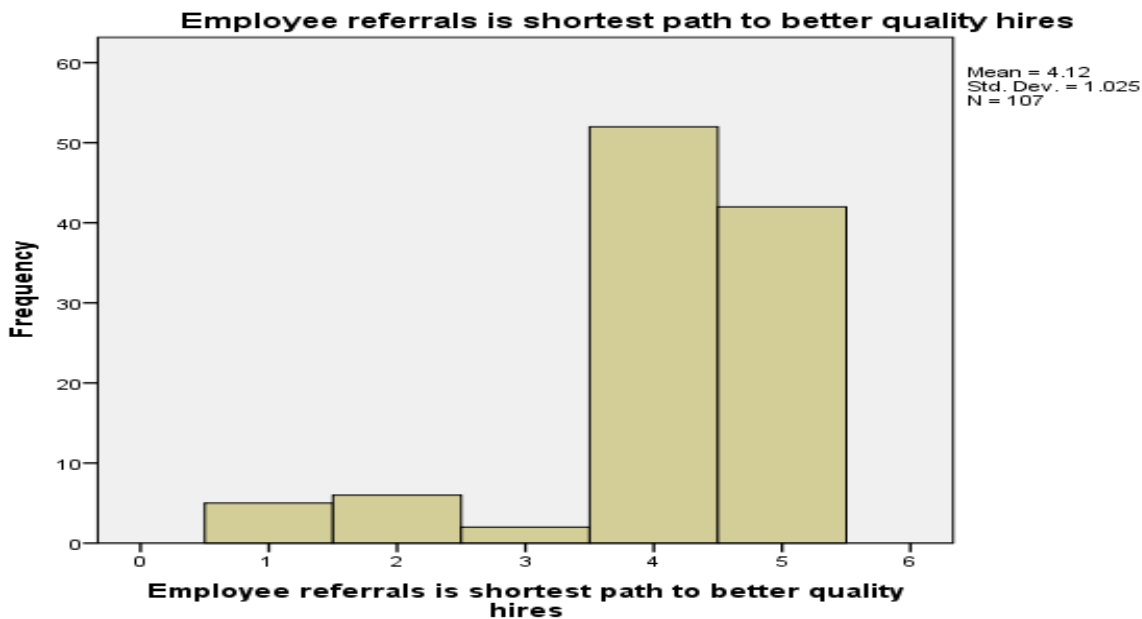|		Frequency	Percent
Valid	strongly disagree	5	4.5
	disagree	6	5.5
	Neutral	2	1.8
	Agree	52	47.3
	strongly agree	42	38.2
	Total	107	97.3
Missing	System	3	2.7
Total		110	100.0

Graph: 7

Table 7   depicts that 42 employees strongly agree that employee referrals is shortest path to better quality hires, 52 employees agree, 6 employees disagree and 5 employees strongly disagree the same and 2 employees display neutral opinion with the mean 4.12 and standard deviation of 1.025 The employees feel that is the shortest path as they would easily extract the talent pool through social platform and friends circle and most employees are on social media staying connected each other

FINDINGS SUGGESTIONS AND RECOMMENDATIONS.

FINDINGS

- The number of male and female respondents is not equal. Male proportion are more compared to females
- The respondents belong to various age groups and have minimum work experience but mostly middle- aged work group found in abundance
- The respondents opine employee referrals as most effective source of recruitment because they trust it would increase mutual connection and co-operation.
- Number of respondents who have referred through employee referral program is less due to restriction of the organisation

- Respondents trust the process of employee referrals helping to bond different kinds of personalities together and increase harmony among them

- Respondents are majorly active in social media through they which they have formed a wider connection with people from nook and corner of the world. They opine it would be shortest part to better quality hires through the connection they have.

- Most of the respondents have not referred their friend or peers through employee referral program cause of organisation restriction though they are interested in it.

- Respondents are fully aware about the benefits of employee referrals as most of them accept that it would increase work morale, bring good cultural bonding and sustain them for a longer period.

- The positive impact on employee referrals increases the employee behaviour and improves the cultural bonding as most respondents opine to this because of its work floor advantages and realising the importance of known circle

- Employee referrals increases work morale and retain them in the organisation for a longer period because of the harmonious environment built in and team working together for overall growth of the organisation.

- Social media is taking over the world respondents opine that it plays a major role in referral program and especially face book helps in connecting people through various attributes. Employees are on to their social media

- The organisation lacks wide network of computerised human resource information with the latest software for good connectivity which does not encourage employees to suggest other people outside the organisation. Under utilisation of latest technology deprives the productivity of the organisation

- Facebook is upfront of social media. Almost everyone are a part of facebook to connect themselves to their friends and communities this platform can be made better use to find the right employee potential required for the organisation

- The organisation does not favour passing of authority and responsibility to individuals at lower level of hierarchy as it follows authoritative and not democratic principle. Employees are not given full swing to suggest ideas and implement them in the organisation

- The organisation fails to manage change by integrating the HR policies with recruitment strategies because of its traditional method of management

- The attitude of management in reference to employee referral procedure is ranked on the bases of high, average and low. Where most of the respondents rank human relations and labour contract on a high level, open culture on an average and mixed attribute at low.

- The effort taken by the organisation to enhance the interpersonal relationship between the employees is minimal it believes in systematic and slow approach for improving their Working together policy

- The organisation does not make optimum utilisation of assessment centre for identification and development in employee potential as it sticks to the old traditional method of recruitment.

- Employees expect financial incentive to be provided to employees as motivation for them to go ahead in pooling talented employees.Other way of incentives such as recognition, awards and promotions do encourage them

- Salary hike and other rewards and acknowledgements to employees are regarded as the most important attribute towards employee referrals which increases the productivity of employees on the long run.

- The respondents feel that company do encourage grape vine communication as most of them are from middle- age and know the importance of informal communication to build a team connectivity and work culture

- Employee referrals motivates other employees for better productivity as they would yield the maximum benefit of group work and efficiency in the organisation

SUGGESTION

The employees in the organisation are aware about the importance of employee referral program as a best source of recruitment but the strict and stringent policies are restricting them to refer others. Therefore the organisation should adopt a flexible and updated policy providing an opportunity to employees to refer others. Organisation should trust their employees and encourage them to go ahead with good employee referral program by changing their management policies of adopting integrated HR policies with recruitment strategies.

Organisation has to update its network of computerised human resource information system with the latest software for good connectivity. It should adopt a mixed strategy so that it can derive the optimum benefits of various others attributes such as labour-contract, human- relations and open culture .

The realisation of the importance of latest technology and flexible management policies and strategies providing an arena of opportunities to the employees to prove their potential and full

growth Interpersonal relationship between the employees recruited can be increased through parties, community meetings get together and team outing Ensuring to make maximum optimum utilisation of assessment centre for identification and development of bringing in employee potential where with the help of those consultancies those people can pool in the talented employees.

With the wide maintenance of computerized human resource information system with the latest software for good connectivity for having a concentrated resource centre it helps the organisation to increase productivity and provide good competitive edge to others.

Employee referrals provide better than average candidates because employees know your company culture and have an idea about what employees will work successfully in your organisation. Allowing current employees to recruit their friends or family members for open positions at your company is a powerful way to create an engaged workforce. And the benefit would be

- Current employees feel trusted and valued since they are participating in the company's future and growth (and often receive a financial boost through an employee referral bonus). Plus, if their referral gets the job, they feel a sense of pride and accomplishment.
- Referred employees feel more engaged from day one since they already know at least one person at the company. And they are often easier to assimilate into the culture since they have a built-in buddy or mentor to turn to for guidance.

we recognise the benefits of referrals and acknowledge the fact that they usually result in the highest quality hires. Therefore it's worth developing an employee referral program for growth and productivity

CONCLUSION

Employee referrals acts as a source of internal recruitment to identity the potential candidates using this as a source of recruitment to select and recruit the suitable candidates from their social networks As a reward the employer would pay the employee a bonus . This method can be used as the most **cost effective method and efficient recruitment** to recruit candidates and as such, **employers of all sizes, across all industries they would try to increase the volume of recruits through this channel**. The overall process of selecting and recruiting can be easily achieved through this medium it is up to the organisation to encourage their employees to go ahead with employee referral program to refer their friends, mates through their circle it would better the work environment and increase the efficiency and

productivity of the organisation. industries will have employees from various backgrounds having different work experience and educational qualifications their circle would be a great source of recruitment and it would reduce the cost of recruitment to a great extent. On the whole employee referrals have proven to be an effective way to attract and retain the most talented workforce which is more crucial for the organisation success and survival. This study was to examine the using employee referrals as an effective source of recruitment. The findings suggest that employee referrals would be an extrinsic motive for employees if the organisation would encourage such operation on a full swing.

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