EFFECTIVENESS OF EMPLOYEE REFERRAL AS A RECRUITMENT SOURCES

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Abstract: An employee referral scheme encourages a company’s existing employees to select and recruit the suitable candidates from their social network. As a reward, the employer typically pays the referring candidates using employee referral is widely acknowledged as being the most cost effective and efficient recruitment method to recruit candidates and such, employers of all size, across all industries are trying to increase the volumes they recruit through this channel. This study is taking about effectiveness of employee referral and we have gathered data through questionnaire from the employees of the organization.

Keywords: Recruitment, Employee referral.

Theoretical Background

Employee referral is an internal recruitment method employed by organizations to identify potential candidates from their existing employees. Employee referral is defined as recruitment method in which the current employees are encouraged and rewarded for introducing suitable recruits from among people they know. Employee referral scheme’s allows existing employees to screen, select and refer the best candidates to the recruitment process.

Employees of a company can build up good job prospects for their family members and friends by acquainting them with the compensation of a job with the company where he/she is working, furnish them with a beginning and encourage them to apply. This is a very valuable means as many skilled people can be reached at a very low cost to the organisation. The other advantages are that the workers would bring only those referrals that they feel would be able to fit in the company based on their own knowledge. The company can be assured of the consistency and the nature of the referrals.

ERP is one of the recruitment methods. It is internal recruitment types used by companies to find the suitable, potential candidates through the social network of their current employees. An ERP initiates a company’s employees to find and recruit a prospective candidate through their social links. The employer pays the referring employees a reward as referral bonus. Representative
referral is broadly recognized similar to the most financially savvy and productive enlistment strategy to enrol applicants. What’s more, a business over all ventures attempting to expand volume of enlisted people through this technique. Few organisations even offer “finders” fees in the form of monetary incentive for a doing well referral. Microsoft, for example is presently offering referral incentives to its employees. Employees are paid Rs 10,000 to Rs 15,000 each as “charges” for very successful hire. According to Skezevier, “Employee referral program is defined as recruitment method to describe incentive method encourages existing employees existing employees to get a cash or non-monetary award if they referred suitable candidates and if that candidates is hired”. Usually ERP are done through social networks which are more cost effective than any other methods. Company encourages current employees to participate in employee referral program program where the company believes the employee’s social networks are reliable and cost productive and systematic source of hiring. The company offers referral bonus as an award to the existing employees who have done referred an individual & if they are hired by the company. Usually the individual who is hired through ERP should survive for a fixed period, and then the employee who has referred will get the referral bonus. From the employee networks, companies try to find the suitable candidates. Employers use employee referral as the most prominent source of hire, to bring top talent which increases the quality of hire and candidate who can fit to the organization culture with positive results and it also decreases cost to hire, time and employee turnover. Moreover, referred employees have high gratification and will work more productively and efficiently.

**Review of Literature:**

1. According to Van Hoye, Greet: in 2013 he has examined that the employee referrals motivates employees through the outcome of previous research on employee referral. The study examine employees extrinsic, pro-social, and inherent motives for disappointing versus supporting others to apply for the job. The study was done on the sample of two thirty two employees from two organization. The employee who as the enthusiasm to help others and the
organization found good fitting candidates and the employee who has job dissatisfaction avoid the group fitting candidates. The result showed that there are more positive referrals than the negative referrals.

2. As indicated by Cable and Turban’s. in 2001, they made the examination on scientific categorization of enrolment sources and a source believability point of view. It is normal that of all enlistment sources, work searchers will see representative referral as dependable, that it is an organization free and experiential source. In view of this validity, it is depend upon to have the most grounded impact on work searchers appreciation for association and its representatives.

3. According to Barber” in 1998, in his theory barber defines employee referral program-ERP as practice & performance agreed by association to find and attract potential employee from the existing employees and also add to the organizations culture.

4. As per Rachel S. Shinnar: he led an examination on worker referrals in 2004: it shows effective grades for the enlisted association & person. A little study tended to employees who made industry referral, known as agent recommenders. He built up an practical mould and shows the theoretical premise, for treatment to the motivation of & organizational marks joined with legislature who allude for the work. This mould outcome indicated increment in the dedication of the recommenders.

5. According to G. Kenneth Goodrick, David w, Martin, Virgina M. Heckle: In 2008 they carried a study to compare the relationship that forms between the self-referrals and supervisory referrals for employee referral program, to evaluate the personal problems and the job performance of the employee referral is examine. For non-formal supervisory referral consciousness of slipping was the cause noted and for one self-referrals interpersonal relationship problem were noted.

6. As per Jeremy Tipper: In 2004, he directed an investigation to inspect the expansion in assorted variety of an association’s workforce as an essential worry for some organizations with its acknowledgment can bring major upper hand. The test lies better an association can do this. The article features on a sober minded guide, with reference to how association expand their assorted variety through enrolment process and through exercises like numerical survey into your possible recruitment process, constructing a industry case, using an assortment of
correspondence channels to achieve your objective competitor and workers are compensated when they effectively increment decent variety through enrolment.

7. As indicated by Carroll Lichnitt: In 2001 he led examination on computer hardware company which utilizes a blend of fiscal and non-money related motivating forces. Not with standing money compensate for referrals, the organization likewise incorporates a wager for those representatives. Worker referrals is generally recognizing, similar to the most savvy and productive enlistment technique, to select competitors and representatives of all quantity, over all ventures are endeavouring to expand the measure of representatives they through this strategy.

8. According to Costello: According to his theory, employee referral program-ERP is the group of activity and process used legally to obtain a significant quantity of qualified candidates at the accurate time at accurate place during the employees of organization.

9. According to Montego my: In 1996, According to his theory employee referral is connecting the potential and tendency of required candidates against the requirement of the organization and the reward are provided based as per their job.

10. According to Michael Collar, Richard L Beltrami, Ajay Ksirs: They organizes a survey in 2008 which undertaken on organizations of different size ans was done to access employees awareness, attitudes and referral programs or practices with respect to behavioural process in the working place.

3. RESEARCH GAP

As per the literature review, the authors talk about effectiveness of employee referral in recruitment source, as I identified that they should give still more focus on employee referral rather than other method of recruitments.

☐ Rather than pay cash as bonus, some organization can present their own goods or services to employees in swap for referrals.

☐ It is important to track such metrics as the cost of employee referral versus other recruitment channels.

☐ Since ERP is measured as one of the most cost constructive and productive source of recruitment, so they have to focus on it in order to gain maximum advantage from this source.
Candidates referred by ERP also tend to be of higher quality because the candidates will already been screened by employees.

**Statement of the Problem**

The statement of problem in the study was to know the effect of employee referral program in finding a suitable employee and its effect on the presentation of the organisation & its current staff has and observe whether there is an adequate methodology is followed in recruitment sources and for employing right candidate for the job. This study is to analyse the critical factors affecting the process and to study the effectiveness and loopholes at every stage.

**Research Methodology Objectives**

- To study the benefits obtained by existing employee due to employee referral.
- To study the impact of employee referral program on company’s working environment.
- To analyze the awareness of employee referral program (ERP) among the existing employees.
- To find the satisfaction level in the employee referral program by the management and existing employees.

**Methodology**

1. Research Design

The type of research used for the study is Descriptive Research, which describe factors of a population being studied.

2. Sample Framework
   - Sample Size: 85 Employees.
   - Sample Media: Questionnaire.
   - Sampling Method: Convenience Sampling.

3. Data Collection
   - Primary Data:
     Is collected through survey method by distributing questionnaires to employees in the organization.
   - Secondary Data:
     Is collected from books, magazines, websites, journals, published research papers.
4. Statistical Tools

Percentage Analysis - it helps in converting the collected data into a tabulated data and expresses the same in graph and ANOVA

Hypothesis

H0: There is no significance of effect of employee referrals in recruitment sources.
H1: There is a significance of effect of employee referrals in recruitment sources.

ANOVA TEST

Anova: Two-Factor Without Replication

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ANOVA

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<td>2</td>
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From the above ANOVA analysis, we get to know that f factor is greater than f critical factor. Since we have taken the relationship between two factors which includes the effectiveness of employee referral program in the organisation weather it is effective, more effective or less
effective and one more is that what kind of impact organization may have due to ERP weather it is positive impact, negative impact or none.

Hence from the above analysis, we can say that hypothesis H0 reject hypothesis that, there is no significance impact on employee referral program and hypothesis H1 has been proved that is there is significant impact on employee referral program.

Analysis & Discussion

Table no. 1: Showing Awareness of ERP

<table>
<thead>
<tr>
<th>PARTICLURS</th>
<th>NO OF RESPONDENTS</th>
<th>PERCENTAGE</th>
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<tbody>
<tr>
<td>Yes</td>
<td>85</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis

As per the above table that the level of awareness of the employee referral program among that employees with-in the organization, all the 85 respondents are aware of ERP that is 100%.

Graph no. 1: Showing Awareness of ERP
Interpretation

The above graph shows that the percentage of awareness of the Employee Referral Program in the organization that is 100% all the employees are having the knowledge of ERP in the organization.

Table no. 2: Showing the satisfaction level in the ERP by the Employees.

<table>
<thead>
<tr>
<th>PARTICLURS</th>
<th>NO OF RESPONDENTS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied</td>
<td>61</td>
<td>72%</td>
</tr>
<tr>
<td>More satisfied</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Less satisfied</td>
<td>16</td>
<td>19%</td>
</tr>
<tr>
<td>Not satisfied</td>
<td>8</td>
<td>9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>85</td>
<td>100%</td>
</tr>
</tbody>
</table>

Analysis

The table can be analysed that 61 suspects satisfied that is 72%, 16 less satisfied that is 19%, 8 are not satisfied that is 9% out of 85 respondents. By these employee’s response was satisfied with ERP.

Graph no.2: Showing the satisfaction level in the ERP by the Employees.

Interpretation:
The above graph interprets that the majority of employees in the organization are satisfied that is 72%, because they are satisfied for helping an organization in finding a good candidates, less satisfied 19% and not satisfied 9%.

**Findings**

- Majority of employees feel that employee referral program is effective in the organization.
- Employees agree that ERP should be clearly communicated to everyone in the organization.
- ERP leads to huge savings for organization by spending on advertisements.
- Employees stay longer and assimilate faster in organization.
- Employees strongly agree that, by getting reward and encourage will motivate employees when their referred candidates get selected.
- Employee referral program brings cultural bonding.

**Suggestions**

- Company can make employee referral program as one of the tool or strategy for employee retention in the organization.
- Employee can be provided with smart cards which can be utilized only for the recruitment purpose.
- The company can create a career website for finding the suitable candidates for the organization.
- Employee referral program can be encouraged and support by the organization so that employees get motivate.

**Conclusion:**

Recruitment plays a significant role in Human Resource Management. Employee referral program is most suitable recruitment method and it is a win-win-win for all the three involved in it like, employer, employee and candidates. Employee referral program also enhances the company’s working environment. As there is a good relationship between the employees and management, it encourages the employees to involve in employee referral program.
The survey was conducted to identify the effect of employee referral program. It is found that employee referral program has positive effect on both employee’s and employer and also helps in finding a more suitable candidate and it is also a best method in cost saving and time savings.

References