WHAT DO EMPLOYEE REFERRAL PROGRAMS DO?

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ABSTRACT

Employee referral programs (ERPs) are randomly introduced in a grocery chain. Larger bonuses increase referrals and decrease referral quality, though the increase in referrals is modest. Still, ERPs are highly profitable, partly, because referrals stay longer than non-referrals, but, mainly, because non-referrals stay longer in treated stores than in control stores. In a post-RCT firmwide ERP rollout, referral rates remain low for grocery jobs, but are high for non-grocery jobs, which are perceived as more attractive. Our results (1) are consistent with referral-making being driven by money and altruism toward friends; (2) show that ERPs can have substantial benefits beyond generating referrals. The most-supported mechanism for (2) is that workers value being involved in hiring.

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