

Diversity and Employee Referrals

A report about diversity, equity, inclusion and belonging in referral recruiting and how you can increase diversity within your employee referral program.

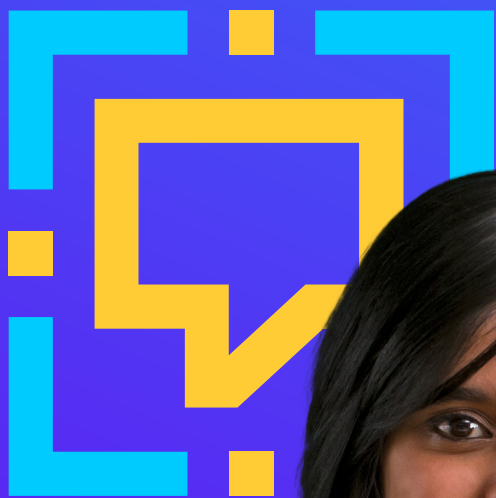


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Introduction

Radancy is the global talent technology leader, and while we might be a tech company, we believe in creating connections that count. Our cloud-based talent recruitment platform, augmented by rich data and deep industry expertise, is revolutionizing how employers attract and hire the talent they need – through connected intelligence.

In this day and age, diversity is critical for the success of any business. Having a diverse hiring process brings in diverse talent that prompts innovation, increases knowledge and know-how in teams and encourages creative problem solving – also known as “The Medici Effect”. Cross-cultural, interdisciplinary and socio-economic intersectionality result in radical innovations. It’s a well-known fact that diverse teams are simply smarter, more innovative and make fewer errors in decision-making processes.¹ And with executive teams on board, your company can achieve better results in higher profitability, success and innovation revenue.



Diverse Workforce Benefits

Higher **profitability**: companies with gender-diverse teams in the top quartile are 25% more likely to have above-average profitability than companies in the fourth quartile. Regarding ethnic and culturally diverse teams, top-quartile companies outperformed those in the fourth one by 36% in profitability.³

Higher **innovation revenue**: diverse management teams have 45% higher innovation revenue vs. below-average diverse teams of 26%.²

Higher **success**: 89% of HR and hiring professionals say a multigenerational workforce (Baby Boomers, Gen X, Millennials, and Gen Z) makes a company more successful.⁴

Given the importance of diversity, equity, inclusion and belonging in the workplace, the question arises if employee referrals are the right tool for creating diverse teams. It is a well-known myth that employee referrals can be a challenge when building heterogeneous teams. Nevertheless, referrals are an evergreen tactic of recruiting, and many companies are aware of the beneficial power of referrals. One of our latest survey reports showed that among the many reasons 85% of companies have implemented employee referrals as an internal recruiting channel, the main reason for doing so is to increase the quality of their hires.⁵ This reason is intrinsically linked to the vast outreach to the passive workforce that employee referrals provide. Recruiting passive candidates is indeed the most popular tactic when it comes to competitive recruiting.⁶ In fact, experienced specialists and skilled workers are the most common job positions filled via referrals.⁷

When it comes to the challenges of the emerging hybrid-remote working models and consequently the remote recruiting process employers must now undertake to source talent from across the globe, employee referrals are a leading recruiting strategy.¹³ But even so, is the recruiting of diverse talent possible through referrals? That is what we asked our diversity and inclusion experts, so together we can match the highly beneficial referral recruiting channel with strategies and methods to build an inclusive workplace and heterogeneous teams. This white paper aims to provide you with examples, suggestions and further readings on how you can hire a diverse workforce through referrals.

Employee Referral Benefits

Better ROI: 82% of employers rated employee referrals above all other sources for generating the [best return on investment](#).⁸

Higher [retention rate](#): referred hires have greater job satisfaction and stay longer at companies – 46% stay over one year vs. 33% of candidates hired through career sites.⁹



Faster [application-to-hire](#) time: it requires 29 days for referrals, 39 days for job boards, and 45 days for career sites to onboarding.¹⁰

Broader [talent pool](#): companies can expand their talent pool by 10x by leveraging on their employees' networks.¹¹

Lower [cost per hire](#): 55% of companies report lower hiring costs.¹²

The Diversity, Equity, Inclusion and Belonging Workplace and Referrals: The Main Challenges

It is no secret that our personal networks are homogeneous when it comes to socio-demographic, behavioral and interpersonal characteristics.¹⁴ Notwithstanding similarities that lead to connection, we live in a complex, technology-driven, globally and constantly interconnected world where people with diverse socio-economic, ethnic and cultural backgrounds, religious and political beliefs, education, sexual orientation, and even disabilities have never before been in such close proximity.

Nevertheless, some social groups still experience discrimination, and this also occurs in the workplace. That is why some employers have implemented Diversity, Equity, Inclusion and Belonging (DEIB) measures and practices to ensure that companies have diverse teams and foster a work environment where employees feel respected, valued, supported and above all, accepted.

Overall, the pandemic has increased the gender gap.

Minority Group Employment Statistics

- Women earn on average 14.1% less per hour than men and, in general, earn around 40% less than men because almost a third of women across the European Union only have part-time jobs. The gender pay gap has grown further due to COVID-19 – hours dedicated to child care have increased from 26 to 31 hours per week on average. Overall, the pandemic has increased the gender gap by a generation, from 99.5 years to 135.6 years.¹⁵
- Only 15% of the signers of the Diversity Charter for LGBTI equality and inclusion implemented inclusive policies in the workplace.¹⁶
- In 2019 in the European Union, foreign-born persons (aged 20–64) had higher unemployment rates than native-born (12.3% vs. 6.0%). The rate for persons born elsewhere in the EU (other than born in the reporting member state) stood at 7.3%.¹⁷

The Challenge with Referrals and Diversity

When it comes to referrals, the propensity of employees to refer prospective colleagues akin to themselves reflects the general statistics framework previously mentioned. For example, referrals benefit white men more than any other demographic group: white women, men of color, and women of color are respectively 12%, 26% and 35% less likely to receive a referral.¹⁸ Beaman, Keleher and Magruder's experiment on men's and women's referral choices under different incentives and constraints is a vivid example. The study reports that men tended to refer more male applicants (77%) despite referring qualified women when they have been asked to. Women also referred female colleagues at the same rate they themselves would apply for a position (43%). An interesting finding of the study is that performance did not offset men's tendency to provide male referrals.¹⁹



A Word from the Experts

To find a solution to one of the most prominent concerns employers have with referral recruiting channels, we asked experts in DEIB how to balance employee referrals with an equal and inclusive hiring process. We spoke to Joanne Lockwood and Rocki Howard, and drew lessons from their extensive expertise in the matter.

The Expert: Joanne Lockwood

Joanne Lockwood is a Diversity, Inclusion and Belonging Specialist who promotes transgender awareness and engages with organizations to develop policy and best practices to be more inclusive for all people. Lockwood often works with talent acquisition and HR teams to advise them on building an inclusive employee life cycle, from hire to retire.

We discussed with Lockwood the issue of biases in recruitment. As we learned, both the main advantage and disadvantage of referrals is that current employees refer former colleagues and acquaintances with whom they share common interests and cultural, educational or social backgrounds; or simply get along with. Therefore, it is quite logical to assume that referrals bring in a homogeneous workforce.

Joanne Lockwood explains that when your employees refer people as described above, they act out of affinity bias. This is one of the most common biases in recruitment. Recruiters who tend to hire on “gut feeling,” as Lockwood warns, are applying another unconscious and so-called bias: confirmation bias.



“Let your employees act as a funnel and ask them to refer not for the cultural fit, but for the culture-add.”

- JOANNE LOCKWOOD, Diversity Specialist

This pulls them into assessing candidates according to their personal beliefs, aspirations and desires. Another widely known bias is gender bias, which is when men are referred more for a job than women, as we learned on the previous page.

The same biases happen to your employees when providing referrals. Studies show that they are driven both by referring people similar to themselves and by referring those who fit certain stereotypes or credentials for a role.²⁰ So, if these unconscious biases can sometimes trick even the most conscientious recruiting professionals, how can your employees refer people who are different from them?

Lockwood recommends encouraging your employees to refer people they don't know without worrying about their fit. "Let them act as a funnel and, above all, ask them to refer not for the cultural fit but the 'culture-add'," says Lockwood. After all, TAs are the ones sifting through applications and having the final say in hiring decisions. Another functional approach is to assess whether the candidate meets hiring criteria before assimilating the information of their gender. For example, consider asking for resumes that don't provide information on the applicant's gender, ethnic background or age. A further strategy could be involving externals within your recruiting process. Our 2021 Employee Referral Benchmark Study showed that 31% of companies also offer externals the opportunity to refer candidates for their employee referral program.

Deloitte Expands Network with Alums

Deloitte, the leading professional service provider worldwide, implemented Radancy's digital employee referral program in various branches starting in September 2020, and invited a group of 41 alums to be Talent Scouts in their program. Deloitte's addition of external Talent Scouts gave them the opportunity to reach a broader population, which were in this case their alumni employees' networks, to gain access to a never-ending pipeline of a varied and talented workforce for the future.²¹

The Expert: Rocki Howard

Rocki Howard is Chief People and Equity Officer at The Mom Project, former Chief Diversity Officer at SmartRecruiters, and host of the Voices of Diversity podcast. Howard has over 20 years of experience leading TA teams and creating high-performing, inclusive cultures. She features as an HROA Global Provider Executive of the Year, in Empower's list of Global Top 100 Ethnic Minority Executives, two years in a row, and on Involves/Yahoo Finance Top 100 SHEroes Executives list.

We discussed with Howard the issue of always having the same group of employees providing referrals. This is a challenge that was also highlighted by our findings in this year's Benchmark Survey, with 7 out of 10 companies reporting that only 1–5% of employees provide referrals on a regular basis (for example, at least once per quarter). Thus, having the same Talent Scouts always drawing from the same networks results in homogeneous referrals, even if you have a diverse workforce at your disposal that could eventually refer prospective employees with different cultural, ethnic and social backgrounds.



“You will find that many ERG members embrace the opportunity of being organizational diversity advocates.”

- ROCKI HOWARD, Diversity Advocate

Howard recommends, first of all, to assess where your company is truly ready to welcome diversity. Hiring employees from historically excluded groups for management roles simply to showcase that your company embraces diversity is merely performative. For your diverse workforce to feel like they truly belong, an authentic understanding of and commitment to equity and inclusion must be prevalent throughout your culture and combined with a systematic, business-led approach to DEIB underpinned by leadership accountability.

One way to create a welcoming environment for your employees is to encourage Employee Resource Groups (ERGs) within your company. As Howard explains, while the primary focus of these groups is to provide a place where employees can feel a kinship with each other and build a strong support system, you will find that many ERG members embrace the opportunity of being organizational diversity advocates. As such, ERGs can be a great resource for receiving diverse referrals. When ERG members are willing to share their experiences publicly, it can help portray your organization's genuine commitment to diversity, equity, inclusion and belonging.

Finally, Howard reminds us, that to attract talent from multiple dimensions of diversity, it is important to adopt Diversity Brand Equity principles by taking steps to use gender-neutral and straightforward language and overall content that will make all prospective candidates feel welcomed to your company.

So, what are Employee Resource Groups (ERGs)?

Employee Resource Groups are voluntary, employee-led groups whose aim is to foster a diverse, equitable and inclusive workplace aligned with the organizations they serve. These are usually led and participated in by employees who share a characteristic, whether it's gender, ethnicity, religious affiliation, lifestyle or interest. The groups exist to provide support and help in personal or career development and to create a safe space where employees can bring their whole selves to the table. Allies may also be invited to join the ERG to support their colleagues.²²

Engaging Your Current, Diverse Workforce

Our annual Employee Referral Benchmark Study indicated that for many companies, only a low percentage of employees actively provide referrals regularly. We therefore asked our Customer Success Managers how to boost low employee engagement within the employee referral process and encourage employees (your Talent Scouts) to make referrals actively. Radancy's Customer Success Managers believe in the power of transparent communication. The effectiveness of the referral promotion doesn't depend on the quantity or how many times it is communicated internally, but rather the quality – and how it is communicated.

"Getting off to a good start with employee referrals means strategically defining your communication strategy by considering who your target groups are inside the company and which channels and messages can best reach them. We have learned from our experience and studies that internal employee events around the employee referrals led to significantly more hires. Therefore, our overall tip would be to find a way to explain, in person, why employee referrals are important for the company. Seize this opportunity to emphasize why hiring a diverse workforce matters and ask your employees for referrals from underrepresented groups," said Sabrina Schiestl.

Radancy's Customer Success team also suggests experimenting with monetary and non-monetary referral incentives to find the most appropriate rewards that engage your employees in providing diverse referrals. However, bear in mind that the cash bonus amount does not significantly influence the referral and application rate.²³



Common Diversity, Equity, Inclusion and Belonging Initiatives

Kapor Center’s Tech Leavers Study analyzed why employees from underrepresented groups voluntarily left their jobs in technology-related industries or functions. The main reason resulted from unfairness or mistreatment in the workplace. Nevertheless, researchers also explored five common diversity and inclusion initiatives, which include:

1. Having a Diversity and Inclusion director
2. Setting explicit diversity goals
3. Paying bonuses for employee referrals of candidates from underrepresented backgrounds
4. Conducting unconscious bias training
5. Establishing Employee Resource Groups (ERGs)

The study showed that when all five DEIB initiatives were in place, the overall experiences of unfairness and mistreatment were significantly lower. Furthermore, the study also showed that companies achieved statistically significant results in decreasing unfair treatment and increasing retention rates by paying out a reward for diverse referrals.²⁴



How Intel Put Diversity First

In 2015 at Intel, the executive board set hiring of a diverse workforce as one of the strategic performance goals. The objective was to reach “full representation” in 2020, meaning hiring employees that reflect the variety of the workforce employed in the technology industry. The company invested \$300 million toward strategic initiatives to achieve their goal, which included paying bonuses for diverse referrals. Intel reports the bonus structure helped double its diversity hires in just one year (2015–16), exceeding its goal of 40% diversity hires by 3%. In 2015, Intel’s diversity gap was 2,300 employees. By the end of 2018, the company had narrowed it to 376 people.²⁵

Asking for Diverse Referrals

In a study carried out in collaboration with the UK Ministry of Defence (MOD), two-armed randomized controlled trial (RCT) testing was conducted to see whether using targeted referrals would increase the referrals, applications and hires of women. Employees were asked to provide referrals in areas of MOD where women had been historically underrepresented. They were randomly split into two groups: the group of control and the intervention group. The intervention group was invited to share the open position with five women. The control group did not receive this communication.

The study showed that targeted referrals had improved the gender balance among referrals (54% women), while referrals in the control group reflected the gender makeup of the organization (40% women). This finding implies that targeted referrals can rebalance existing inequality by simply asking for referrals from minority groups. That is exactly what experts running the study recommend: organizations should consider testing and encouraging their employees to share roles with people they know from a broader range of underrepresented groups.²⁶



Pinterest Narrows the Gap

To narrow the workforce employment gap of minority groups in engineering roles, Pinterest asked their employees to refer women and prospective candidates from underrepresented ethnic backgrounds. The company reported a 24% increase in women referrals and a 55-times increase in applicants from underrepresented ethnic backgrounds referrals.²⁷

Conclusions and Takeaways



Here are the main DEIB referral initiatives you can implement to increase incoming diverse referrals in your company:

1. Develop and implement a diversity, equity, inclusion and belonging strategy promoted by leadership. Everyone, from the CEO and the board of directors to the managers and heads of the teams, should support and enforce bias-mitigating strategies.
2. As Joanne Lockwood states, inclusiveness is holistic, active and deliberate. To create your inclusive company culture, Lockwood suggests first identifying your why of DEIB culture and then setting its vision and core values. Remember to ask your employees for a “culture-add” instead of “cultural fit.”
3. Develop a fair and equal candidate experience and personnel management by implementing the diversity hiring toolkit, both during the candidate journey and in all stages of the employment life cycle, as Rocki Howard suggests.
4. Inclusive practices start with a non-discriminatory and cross-cultural job ad description. Your diverse workforce can best assist you in creating job ads that can speak to a diverse workforce.
5. Examine your demographic components and address your concerns: regularly conduct employee surveys on your working environment and be transparent about your findings. Never stop trying to improve your working environment.
6. To boost employee engagement, promote new vacancies in company meetings, and be sure to explain to your current employees the job’s must-haves. In many cases, employees don’t make referrals because they are not confident with the job profile.
7. Strive to develop a diverse talent pool by involving external groups of Talent Scouts in your employee referral program.

8. Involve your brand ambassadors in promoting your employee referrals. In each workplace, there is at least one person who other employees rely on and look up to, someone who has the company values at heart. Invite them to be a leader in providing diverse referrals.
9. An inclusive culture goes hand in hand with open and transparent communication. Explain why diversity in the workplace matters and motivate your employees to provide diverse referrals.
10. Offer incentives for referrals from underrepresented groups. Experiment with different referral bonus types. Consider also diversifying rewards for different roles.



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Radancy is the global talent technology leader intelligently solving the most critical challenges for employers and delivering results that strengthen their organizations.

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