

# What Do Employee Referral Programs Do?\*

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## Abstract

In an RCT covering all grocery store jobs at a European grocery chain, 238 stores were randomized to give information to employees or pay them different bonuses for making referrals. Larger bonuses increase referrals and decrease referral quality, though the increase in referrals is fairly modest. Still, the employee referral programs (ERPs) are highly profitable. This reflects in part that referred workers are substantially more likely to stay than non-referrals, but primarily that non-referrals have higher retention in stores treated with ERPs relative to control stores. The firm rolled out an ERP across the entire firm and increased bonuses. In the post-RCT rollout, referral rates remain low for grocery jobs, but are high for non-grocery jobs, which are perceived as much more attractive. Our results (1) are consistent with a model where referrals are driven by both monetary incentives and altruism toward friends and (2) show that ERPs can have substantial benefits beyond the people who are referred.

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**PRELIMINARY AND INCOMPLETE.**

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