

# 6 ways to cut legal risk of employee-referral programs

Employee-referral programs can be a reliable, inexpensive way to find great talent. But you probably don't realize that they carry a hidden legal risk, too.

Relying too much on referrals can place you at risk of a discrimination charge. Why? Employees tend to refer people like themselves, which may eliminate any chance of workforce diversity. Employers have been slapped with multimillion-dollar discrimination judgments for homogenous hiring that resulted from employee referrals.

Here are six ways to structure a legally sound referral program:

- 1. Limit the use of referrals to no more than 40% of hires.** Don't make it your only recruiting tool.
- 2. Use several channels to spread the word about open positions:** email alerts, your website, career fairs and public job advertising. Always post jobs internally, too.
- 3. Open your referral program to all employees.** Don't accept referrals only for certain job types or jobs in certain departments.
- 4. Don't use referrals as a shortcut.** Remind hiring managers that their goal is to find the best-qualified person, not the easiest option.
- 5. Verify referrals' qualifications** just as thoroughly as you would outside candidates.
- 6. Keep an ear to the ground.** Even though you think your recruiting and referral methods aren't discriminating, some employees may see things differently. If an employee cries foul, take a fresh look at the referral program's fairness.