

Employee Referral Bonus Pilot Program Policy

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NOTE: This is a pilot policy. It is intended to be an initial effort to develop a policy on a new topic, with the expectation that the policy will return to the Commission in the future for revisions when lessons are learned. OSHR anticipates that this policy would return to the Commission for further analysis no later than the second quarter of 2024.

§ 1. Purpose

The purpose of the Employee Referral Bonus Program is to provide an incentive to current state employees to refer potential applicants who are subsequently selected and hired for critical positions that have been determined to be in high demand and hard to fill.

§ 2. Eligibility**§ 2.1. Classifications**

This program is available for both state agencies and University of North Carolina System institutions. (For the sake of simplicity, this policy will refer to both state agencies and university institutions interchangeably as “agencies.”)

Under this initial pilot version of this policy, the referral bonus will be available only for certain classifications, at particular agencies, that the Office of State Human Resources — at the request of the agency — deems critical, in high demand and hard to fill, and

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suitable for a referral bonus program. Some factors used in determining if a classification is “hard to fill” shall include agency turnover, vacancy rate, number of positions in the classification, and scarcity of skills.

§ 2.2. Referrals

For eligible classifications, the application for employment shall include a supplemental question for the candidate applying for the position (a “referred candidate”) to identify any current state employee who referred the candidate (a “referring employee”). The referred candidate must name the referring employee (or employees) on their application for employment for the referring employee to be eligible to receive a referral bonus.

Referrals can generate a bonus only if they are within an agency and classification approved for this referral bonus program.

The employee must be directly responsible for the successful recruitment of an employee in an eligible job which has been identified as being in high demand, hard to fill and critical to the agency’s mission. Referred candidates shall only list state employees who were directly responsible for the candidate choosing to apply for the position. State employees shall not do anything that would cause candidates to list people as referrals who were not directly responsible for the candidate choosing to apply.

A referred candidate may list multiple referring employees. If a referred candidate lists more than one referring employee, the bonus is split pro rata between all eligible referring employees.

§ 2.3. Referring Employees

§ 2.3(a) Types of Employees Who May Be Eligible

Permanent full-time, part-time, time-limited, and probationary state employees may be eligible to receive a referral bonus within given guidelines. Temporary employees are not eligible to receive a referral bonus.

With one exception, employees who are exempt from the State Human Resources Act may not receive bonuses under this policy or be a referred candidate that causes someone else to receive a bonus. The exception is that although probationary employees are exempt from many provisions of the State Human Resources Act, probationary

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employees are subject to this Referral Bonus Policy. Probationary employees are not disqualified from receiving referral bonuses or causing others to receive referral bonuses.

§ 2.3(b) **Must Work at Same Agency to Be Eligible**

The referring employee must be a current employee of the same agency where the referred candidate will work. (The referring employee does not need to work in one of the referral-bonus-eligible classifications.) To be eligible, the referring employee must be working for the agency paying the referral bonus at the time the referral was made and at the time the referral bonus is to be paid, unless the referring employee is separated from the agency due to retirement prior to the time the referral bonus is to be paid.

§ 2.3(c) **No Active Disciplinary Actions**

An eligible referring employee must have no active disciplinary actions.

§ 2.3(d) **Referring Employees Must Not Be Involved in, or Supervise, the Hiring Process**

To be eligible, a referring employee may not be involved directly or indirectly in the hiring or selection process other than for the referral. Moreover, a referring employee may not have direct or indirect responsibilities over hiring, including human resources professionals and people who supervise human resources professionals. To be eligible, a referring employee also may not be in the direct or indirect management chain of the position for which someone is referred.

§ 2.3(e) **No Referral Bonuses for Immediate Family Members**

A referring employee may not receive a referral bonus for referring an immediate family member, as defined in the Selection of Applicants Policy.

§ 2.3(f) **Agencies Can Add Additional Eligibility Criteria**

A referring employee is eligible for a bonus for each referred candidate that is selected that meets the above criteria and any additional criteria established by the agency.

§ 2.4. **Referred Candidates**

§ 2.4(a) **Must Be Hired and Remain Employed**

To generate a bonus, the referred candidate must be hired to an eligible agency and classification approved for this referral bonus program, then stay at that position for no fewer than 90 days. State law requires that hired employees must meet the minimum eligibility requirements for the position and be among the most qualified in the referred applicant pool.

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§ 2.4(b) **No Bonuses for Recruiting Recent Employees or Current Applicants**

To generate a bonus, the referred candidate cannot be a former employee of the agency offering the referral bonus, unless they have not been employed in any permanent, time-limited, or temporary capacity for a period of at least one year.

In addition, referred candidates may not be a temporary employee, current state employee, current contractor to the agency, or a candidate with an active job application (without prior referral) on file with the recruiting agency.

If referred candidates revise their application for the same position or submit multiple applications to a position that is being continuously recruited, bonuses will be paid only to the references that were provided on the first application. If referred candidates apply to multiple positions in the same agency (for example, at different facilities) and list different referrals on different applications, bonuses will be paid only to the references that were listed for the position where the referred candidate was hired.

§ 2.4(c) **No Sharing of the Referral Bonus with the Candidate**

Referring employees are prohibited from sharing referral bonuses with referred candidates. Referring employees and referred candidates may not agree to share a referral bonus.

§ 3. **Amount and Payment of Referral Bonus**

§ 3.1. **Referral Bonus Amount**

Each agency participating in this program will set the amount of the referral bonus. However, a referral bonus for a single referred candidate may not exceed \$1,000. Referral bonus amounts may be different for different classifications, so long as they do not exceed the maximum amount.

§ 3.2. **Limitation on Number of Referral Bonuses That Any Employee May Receive**

No referring employee may receive more than five referral bonuses under this policy per fiscal year. (When a bonus is split pro rata because a referred candidate lists more than one referring employee, only the resulting fraction of the bonus counts toward this limit.)

§ 3.3. **Payment**

A referral bonus payment shall not be considered as compensation in terms of contributions to and determination of benefits for any of the State's retirement system. A

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referring employee cannot receive any other/additional payment or thing of value in connection with any referral from a licensed or unlicensed private or public source.

All monetary awards are considered income for the employee and taxed accordingly. Agencies may not increase award totals by the amount of payroll taxes normally deducted from the employees' pay.

Referral bonus payments may be paid in a lump sum, no fewer than 90 days after the hire date, if the bonus is no more than \$250. Bonuses greater than \$250 shall be made in multiple payments based on the schedule below and criteria established by the agency. Payments cannot be made until the referred candidate has been employed for a minimum of 90 days. If the agency elects to have the payment split over multiple installments, the referring employee will receive the bonus only if, on the date of the installment, both the referring employee and the referred candidate are both still working for the agency.¹

Schedule — A referral bonus greater than \$250 shall be paid in three installments:

- 25% of the referral bonus awarded after three months from the hire date,
- 25% of the referral bonus awarded after six months from the hire date, and
- 50% of the referral bonus awarded at one year of continuous employment.

§ 4. Responsibilities

§ 4.1. Agency Responsibility

- All agency employees must make all hiring decisions without regard to whether a referral bonus would be awarded to any employee.
- Agencies must follow all state and federal laws and state policies related to posting, recruitment, selection, and hiring.
- Determine which classifications would be eligible for an employee referral bonus and submit to OSHR for approval.
- Establish agency procedures for receiving referrals from eligible employees and receiving information from referred candidates to determine eligibility for a referral bonus.

¹ The referring employee may still receive payment if they were separated from the agency due to retirement prior to the time the referral bonus is to be paid. Employees who separate from the agency for other reasons continue to not be eligible to receive the referral bonus.

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- Establish what criteria a referred candidate must satisfy prior to payment of a referral bonus to a referring employee.
- Set monetary amount of referral bonus and ensure the bonus is paid in the next payroll after the referred candidate has satisfied the agency's award criteria.
- Develop an agency procedure to track referrals from eligible employees for critical classifications and issue referral bonuses.
- Track payments of referral bonuses and report annually to the Office of State Human Resources.
- Resolve disputes arising from the administration of a referral bonus program.
- Communicate Employee Referral Bonus program to agency employees.

§ 4.2. **Office of State Human Resources Responsibility**

- Develop criteria for monitoring referral bonuses.
- Consult with agencies on procedures for referral bonuses.
- Maintain list of classifications for which a referral bonus may be offered.
- Review and assess the need for Referral Bonus Policy and procedures annually.

§ 5. **How Long This Policy Lasts**

- This policy will become effective February 15, 2023.
- This program may be discontinued at any time by an agency head (with respect to a particular classification or the agency as a whole) or by the Director of the Office of State Human Resources.
- When this program is discontinued, in whole or in part:
 - Any existing bonuses that were awarded before the program was discontinued will be paid out. However, no new referral bonuses will be issued for the agency or classification where the program was discontinued.
 - Hires will produce a referral bonus if an offer letter has already been sent out.
 - For the agency or classification where the program was discontinued, hires that have not yet generated an offer letter will not generate referral bonuses, even if an application listing a referral was made before the program was discontinued.

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§ 6. **Miscellaneous Terms**

- The referral award program is not grievable.
- There is no obligation by the State of North Carolina to make an offer of employment to any qualified party.
- Any hiring authority or responsible authority may terminate its offer at any point in the hiring or employment process.
- In cases where there has been a reasonable belief of a misrepresentation of credentials/skills or other relevant fact(s), the State may refuse to pay the referral bonus.
- Employees may be subject to disciplinary action, up to and including dismissal, for knowingly referring a candidate based on falsified or misleading qualifications.
- Employees may be subject to disciplinary action, up to and including dismissal, for any other violation of this policy.

§ 7. **Sources of Authority**

This policy is issued under the authority of:

- N.C.G.S. § 126-4(4) (authorizing the Commission to adopt rules or policies governing “[r]ecruitment programs designed to promote public employment ... and attract a sufficient flow of internal and external applicants”);
- N.C.G.S. § 126-4(5) (authorizing the Commission to adopt rules or policies governing “other matters pertaining to the conditions of employment”); and
- N.C.G.S. § 126-4(10) (authorizing the Commission to adopt “[p]rograms of employee assistance, productivity incentives ... and such other programs and procedures as may be necessary to promote efficiency of administration and provide for a fair and modern system of personnel administration”).

§ 8. **History of This Policy**

Date	Version
December 8, 2022 (effective February 15, 2023)	First version