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Effect of Referral Recruitment on Workers Efficiency: Perspectives on Nigerian Ports Authority

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Abstract

The study examined referral recruitment and workers efficiency: perspective of Nigerian Ports Authority. The objective of this study is to evaluate the effect of referral recruitment on workers efficiency. The signaling theory of recruitment was employed while staff of Nigerian Ports Authority was the sample population. The study generated primary data through questionnaires distributed to 350 staff and 345 questionnaires were returned. Multiple regressions analysis was used to test the hypothesis. Findings showed that, referral recruitment had positive and significant effect on workers efficiency and organizational performance. The study concludes that referral recruitment improves workers efficiency and commitment to duties and recommends that referral recruitment should be employed as a channel of recruiting new resourceful hands into organizations since it leads to higher productivity and general organizational success.

Key words: Referral Recruitment; Workers Efficiency; Nigerian Ports' Authority; Signalling Theory.

1 Introduction

Recruitment generally implies process of hiring competent work force or personnel into an organization for the purpose of contributing their skills and knowledge towards achieving institutional set goals. Employee referral refers to any structured programme used by organizations to track and attract talented personnels to work for them, to achieve their corporate goals and objectives. Employee referral is an internal approach for finding job candidates. It is a structured programme that companies and organizations use to find talented job candidates by asking their existing employees to recommend candidates from their existing pool of networks.

Referral recruitment is the strategy that allows senior and trusted employees within an organization to recommend talented and skillful candidates for employment. It is one of the internal sources of recruitment available to an organization. The belief is that insiders (employees) know the strengths, weaknesses, culture, people, vision, mission and objectives of the organization (Richardson, 2018). Referral is an internal method used to attract external candidate (Eromafuru, 2016). Based on the submissions of Richardson (2018) and Eromafuru (2016), referral could be classified as hybrid recruitment strategy. Referral recruitment is word of mouth advertisement that attracts little or no low cost per hire.

The importance of staff to the existence of any organization was re-echoed by Omisore & Okofu (2014), where they enunciated that recruitment and

selection of staff in public and private organizations were paramount to their existence. They stated that, the human resource runs the vision and mission of the organization and brings them into reality. The objectives of an organization can only be achieved through effective co-ordination of the human resources. According to Boxall & Purcell, (2008), an effective recruitment and selection strategy seeks to address five solid questions such as, whom to recruit, where to recruit, what recruitment sources to use, when to recruit and what message to communicate.

Further and Som, (2008) also presented an interesting connection between innovative recruitment policy and organizational performance. Recruitment is defined as the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications, to apply for jobs with an organization (Gusdorf, 2008). However, the author frowned at irrelevant questions posed to applicants in the application forms. Gusdorf (2008), argued that asking candidates to complete application forms with questions on gender, race, national origin, education dates, and disabilities, past salary levels, age, drivers` license, and citizenship were not appropriate. These may not enhance competence or merit-based yardstick for selecting candidates.

1.1 The Problem

The manner of recruitment and selection these days seems to be a mixture of irrelevant considerations such as cheap labour, throng of job seekers, nepotism and corruption. The consideration of non-institutional factors such as big grammar, age, salary package, gender, and tribe instead of promoting merit and competence may be detrimental to the long-term vision of the organization. These identified issues may have exacerbated the spate of labour turnover, job in security and abysmal performance in some organizations. Basically, the import of assembling qualified and skilled human capital in an organization is to constantly increase its productive capacity and level of performance in any given period.

Based on the need to recruit a competent workforce that will advance the competitive advantage of the organization, the implementation of a strategic recruitment plan has become inevitable. Any compromise or abuse of the recruitment process may hamper organizational performance. Hence, this study seeks to examine the effect of referral recruitment on workers efficiency in Nigeria Ports Authority.

1.2 Research Question

Does referral recruitment affect workers efficiency?

1.3 Objective

To evaluate the effect of referral recruitment on workers efficiency.

1.4 Hypothesis

There is no significant effect of referral recruitment on workers efficiency in Nigeria Ports Authority.

2 Literature Review

2.1 Referral Recruitment

Referral is based on the unqualified recommendation(s) of reputable employees of an organization. On this strength, the referred candidate(s) may be employed. The referred candidates are deemed to have attained the essential job characteristics and passed the necessary tests required for the job. The cutting-edge required by the organization to compete favourably with others in the industry lies on the workforce. The highly competitive environment heightened by innovations and technologies necessitate companies to recruit sophisticated and diversified workforce to appropriate these innovations.

In this regard, employees of an organization are given the trusted privilege to refer qualified candidates for job openings. The trust is to recommend the candidate who meets the job specifications. Studies have shown that the complementary roles of referrals impacted on organizational performance. Van, (2013) and Breaugh, (2009) studies demonstrated that business organizations can benefit from involving their current employees in the recruitment of new staff. However, researchers have cautioned that, negative referrals are detrimental to organizational effectiveness. Efforts should be geared towards promoting positive referrals to encourage employees to apply for job vacancies (Van, 2013).

It has also been proven by studies that, employees recruited through employment referrals show higher jobs satisfaction, better job performance, and reduces turnover rates. This informal approach is adjudged better than the formal recruitment method such as job advertising and others. Additionally, recruitment sources have differential effects on pre-hire outcomes such as organizational attractiveness,

application decisions and numbers of quality applicants (Van, 2013; Van, 2012).

The heated argument by some economists is that hiring through referrals may be at least as important for firms as the design for incentives (Prendergest, & Cornice, 2010). It was also pointed out that employee referral programmes differ in some respects. In some cases, referred workers attract special consideration in the selection process while existing employee receive financial bonus for the referred candidates being hired (Stephen, Cogwil & Housman, 2013). They tried to disentangle the impact of selection and treatment on referrals in their study. In terms of selection, referrals may lead to recruiting better workers for the job while in terms of treatment impact, referred workers will receive satisfaction, mentoring or coaching from their referring workers. This will boost the social network and team spirit among workers. The multiplier effect of these positively connected factors such as social network, job satisfaction, team spirit, mentoring and high level of commitment will enhance overall productivity of organizations.

On qualitative assessment of employee referral programs to an organization, (Stephen, Cogwil & Housman, 2013) noted that referred workers perform better due to selection strategy. It was also argued that referred workers had a better expectation on the job. Prendergest and Cornice (2010) argued that referrals reduces moral hazards and overcome limited liability constraints in Bangladeshi garment factories. It has been shown by qualitative interviews that referred workers enhance productivity because of mentoring from their referring workers who serves as friends. However, there is a contrasting report from using explicit data on work friendship and referrals. It was discovered that the relationship between referred workers and performance was very different from more friends at work and performance (Stephen, Cogwil & Housman, 2013). It contended that more friends at work may breed laxity and breach code of organizational conduct if undermined.

The fears on employee referred programme were allayed by the proposition made by Yakubovich & Lup, (2006) that, workers strongly identify themselves with the vision of the organization and are loyal to it. This means, they will not abuse it by referring family members and friends who are incompetent. In addition, candidates referred by the firm's current workers do not have automatic ticket. They also pass through the selection process. They may possess more appropriate observable and non-observable job characteristics and deeper understanding of the job requirements, which will endear them to recruiting organizations. Estimations have shown that investments in the social capital of

their employees in form of bonuses for successful referral delivered huge economic returns (Yakubovich & Lup, 2006). Since organizational performance is largely dependent on the capacity and competencies of its staff, the need to employ employees through referral is germane.

2.1.1 Workers Efficiency

Workers efficiency is a necessary tool for organizational success. Efficiency is dependent on several factors such as training, commitment, technology, welfare and good working conditions. Workers efficiency and organizational performance are inseparable in this context of global competition. Organizational performance is the sum total of outcomes of employees in an organization which may be termed as excellent, good, or poor performance for a given period (Oxford dictionary, 2016).

Experience has shown that some organizations do not have retention plan, no training and other motivational policies, hence no job security for their staff. This reveals the bane of poor planning and absence of standard recruitment strategies in some organizations. Undermining due diligence in the resourcing process for casual employment approaches have increased the numbers of staff turn-over in organizations. These are identified hindrances to workers effectiveness, efficiency and productivity. A possible cause of organization's failure.

When we talk about public sector recruitment or selection, the woes of corruption, nepotism and political factors have labelled government recruitment process as mere fantasy. Omisore & Okofu, (2014) adjudged that, public service recruitment and selection systems and practices were beset with extra-institutional factors, which had altered the demands for meritocracy and competence. The Federal Character Principle of recruitment into the federal civil service enshrined in the 1999 Constitution of the Federal Republic of Nigeria is a political ideology devoid of merit and professionalism.

Generally, Workers' efficiency is affected by both external and internal factors. The external factors which influence the organization's decisions are uncontrollable and that the business organization only has to adapt to the dictates of these influential environmental and legal factors. The internal factors are within managerial control, the ability to formulate best strategies, stimulate employee's behaviour and allocate the scarce resources to meet customers' needs and compete against all odds.

2.1.2 Nigerian Port's Authority

It is government owned agency empowered by law to plan, coordinate and/or organize and oversee the daily affairs of the ports in Nigeria. There are eight ports in the country, such as Lagos Port Complex, Warri Port, and Koko Port, Federal Ocean Terminal, Onne, Tin Island Port, Port Harcourt Apapa Port and Calaber Port. Ports perform several functions such as landlord, regulatory and operational tasks (Osadume & Edih, 2018). The policy of diversification of the Nigerian economy led to the establishment of this agency in 1954. However, majority of these ports are in comatose state due to bad governance and corruption.

Generally, ports are gateways to economic growth and overall development of a country. Nigeria is highly favoured by her coastal waterways. Singapore's economy is driven by the economic activities of her ports. She is one of the countries of the world that majors in shipping and costal transportation. United States and United Kingdom's economies are complemented and sustained by revenues from coastal trades. Nigeria has a lot to harness and benefit from the vast wealth in international trades through the waterways. The ports have to be positioned to serve their purposes; driving the economy, providing jobs and generating revenues through taxes.

2.2 Theoretical review

2.2.1 Signaling Theory

Literature recorded that the signaling theory was propounded by Michael Spence in 1973. The Signaling theory is an important model useful for the description of behaviours of two or more parties, the individuals and organization when both have access to different information. It is obvious that, the sender will choose the means of communicating (signaling) the information and the receiver will choose how to interpret the signal (Brian, Certo, Ireland & Christopher, 2011). Signaling theory is anchored on the following assumptions including; individuals have different innate level of productivity; additional education incurs additional cost which affect high or low productivity of workers; there is asymmetric information with respect to worker's productivity and schooling levels can be observed without incurring a cost.

The model is basically concerned with the reduction of information asymmetry between two parties (Brian, Certo, Ireland & Christopher, 2011). The findings from Spence in 1973 seminal work on

labour markets demonstrated how a job applicant might engage in behaviours to reduce information asymmetry that hinders selection ability of prospective employees (Brian, Certo, Ireland & Christopher, 2011).

2.3 Empirical Studies

The study carried out by Stephen, Cogwil & Housman, (2013) contend that employee referrals are common means of employing new workers by firms. They demonstrated that workers employed through referrals perform better than non-referral workers. The study contended that referred workers achieve higher profits per worker and the difference is driven by referrals from high productive workers.

Reference (Topa, 2012) posit that there are on-line job platform in the United States for employee referral. It was recorded by the Career Builder Online Platform that 60% of firms have an employee referral program and about 50% of workers reported being referred to their job by a friend or family member. The study done by Vijaya, (2012) confirms that employee referral has the highest conversion rate, offer rate and offer acceptance rate as a recruitment source in an organization. The scheme encourages existing employees to select and recruit suitable candidates from their social networks. He posited that requests for employee referrals should be specific indicating mandatory qualifications. The need to measure the effectiveness of employee referral program was also stressed. Effectiveness of the referral programme should be measured by weighing the cost of employee referral with other recruitment channels, performance and retention, employee attitudes, and the percentage of new employees hired.

3 Data and Methods

The study used multiple regressions analysis to test the hypothesis. Multiple regression technique allows two or more variables in an analysis and tests their separate impact on the dependent variable. Primary data were generated from the field through structured questionnaire administered to 350 staff of Nigerian Ports Authority (NPA). However, three hundred and forty five sets of questionnaire (345) were returned. This implies that 98% sets of questionnaire were returned and used for the study. According to Mugenda & Mugenda, (2003), a minimum of fifty percent (50%) response to questionnaires was good for analysing research data. The 350 set of questionnaire were prorated accordingly (Lagos Port Complex 60; Warri Port 40; Koko Port 40; Federal Ocean Terminal 40; Tin Island

40; Port Harcourt Port 50; Calabar Port 40; Onne Port 40). The target population cuts across the different categories of administrative heads of departments/units-Managers, Accountants, Engineers, seafarers, brokers/charterers, security.

3.1 Model Specification

Accordingly, the multiple regressions model which accommodates two or more independent variables is as follows:

$$Y_i = \alpha + \beta X_1 + \mu \text{ (Koutsoyiannis, 2001)} \quad (1)$$

Where: Y_i is dependent variable
 X_i is independent variable
 μ is error term (stochastic disturbance)
 α is constant/intercept
 β is coefficient

The modified model equation for the study is

$$\text{WEFF} = \alpha + \beta (\text{Refcad}) + \beta_2 (\text{Screpo}) + \beta_3 (\text{Loy}) + \mu \text{ (Edih, Osadume \& Onoriode, 2020)} \quad (2)$$

Where: WEFF is workers efficiency; Refcad = Psyche of Referred candidates; Screpo is screening process; Loy is Loyalty dimension (Edih, Osadume & Onoriode, 2020).

3.2 A Priori Expectation

We expect that the contributions from the dimensions of referral recruitment will have a positive and significant effect on workers efficiency.

4 Results and Discussions

4.1 Results

The feedback from the questionnaires were received and analysis and the results in the table below were generated using multiple regression analytical tools.

Results from the multiple regressions analysis are captured by the Table 1.

Source	SS**	Df**	MS**	Number of obs=	345
Mode1	106.7347	3	35.7073	F(3, 341=	108.83
Residual	80.4213	341	.3269	Prob>F=	0.0000
Total	187.296	344	.7516	r-squared=	0.5703
				AdjR-squared=	0.5651
				Root MSE=	.57177
Or gpef	Coef.	Std. Err	T	p> t	95% conf. Interval]
Refcad	.2842	.0480	5.92	0.000	.1895686 .3788
Scrpro	.2639	.0464	5.69	0.000	.1724621 .3553
Loyal	.3081	.0504	6.11	0.000	.2087285 .4074
-cons	.8106	.1884	4.30	0.000	.4395803 1.1864

**SS – Sum of squares, DF – Degree of Freedom, MS – Mean Squares

Table 1. Effect of referral recruitment on workers efficiency Source: (Edih, Osadume & Onoriode, 2020)

4.2 Discussions

The Table above showed the contribution of each facet of referral recruitment to workers efficiency. As indicated in the multiple regressions Table, referral recruitment had significant effect on workers efficiency (Coef. = 0.284, $p = 0.000 < 0.05$), screening process dimension of referral strategy had a significant effect on workers efficiency (Coef. = 0.263, $p = 0.000 < 0.05$) and loyalty dimension of referral strategy showed a significant effect on workers efficiency (Coef. = 0.308, $p = 0.000 < 0.05$). Since the P-values are less than 0.05 at 1% level of significance for referral recruitment, we reject the null hypothesis which states that there is no

significant effect of referral recruitment on workers efficiency in Nigerian Ports Authority and accept the alternate hypothesis which states that there is significant effect of referral recruitment on workers efficiency in Nigerian Ports Authority. As indicated in Table, Adj. R-Squared of the models is 0.565 implying that 56.5% change in the dependent variable (workers efficiency) was brought about by the independent variable (referral recruitment). The findings are in alignment with (Vijaya, 2012) whose study indicated that the quality of applicants generated by employee referral was appropriately better than other recruitment source. Reference (Stephen, Cogwil & Housman, 2013) study confirmed that referred workers are more efficient than non-referred employees. Also, (Topa, 2012) proved that

over 50% workers are referred in online job platforms in the United States of America. It thus implies that, candidates are referred for employment based on known credentials by referring employees because capable and competent staffs are assets to organizational success. Therefore, to attain a high level of success in an organization, trusted and experienced staff should be given the privilege to recommend candidates for employment.

In line with the model specification above, the contributions of referral recruitment to workers efficiency are modelled as follows:

$$\text{WEFF} = 0.810 + 0.284\text{Refcad} + 0.263\text{Screpro} + 0.308\text{loy} + U1$$

5 Conclusion

This paper studied the effect of referred recruitment on workers efficiency; perspective of Nigerian Ports Authority. The study found that referral recruitment positively affected workers efficiency and productivity. The three tested dimensions (sub variables) of referral recruitment (psyche of referred candidates, screening process and workers loyalty/commitment) significantly enhanced workers efficiency vis-à-vis organizational performance. Based on these outcomes, the paper recommends as follows;

1. Organizations are advised to adopt referral recruitment as a channel for employing competent workers as it leads to their efficiency and improved productivity.
2. Organizations, especially the service industry which Nigerian Ports Authority represents are admonished to screen referred candidates according to job requirements. This will help to forestall the employment of wrong hands into the organization.

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Appendix I

Questionnaire distributed

S/N	QUESTIONS	SA	A	U	D	SD
1.	NPA (Organization) applies referral recruitment method					
2.	Trusted employees are given the privilege to refer candidates					
3.	Referred candidates pass through the screening process					
4.	It is only successful candidates that are employed					
5.	Referred employees perform better					
6.	Referred candidates are loyal and committed to work					
7.	They are more efficient and enthusiastic at work					
8.	I am a referral candidate					

SA (5) – Strongly Agreed; A (4) – Agreed; U (3) – Undecided; D(2) – Disagreed; SD(1) – Strongly Disagreed