Employer Branding and Employee Retention: The Role of Mediating Employee Engagement

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ABSTRACT. Employee retention is very important for the company's survival. Good employee retention makes company stability and productivity better. Efforts in stabilization and productivity are influenced by how much employees are engaged. Employees who have high engagement will show loyalty and full involvement and are enthusiastic about work. To keep employees involved in the organization, a strategy is needed so that employees can continue to be committed to the company. Employee commitment is the success of the employee retention program carried out by human resource management. This study aims to determine the effect of employer branding on employee retention, employer branding on employee engagement. The sampling technique in this study used the Slovin formula, the sample consisted of 52 employees from an electronics company in the East Jakarta Industrial Park Cikarang Industrial Estate. The method used is a quantitative method with SEM Smart PLS software as an analysis tool. The results in this study indicate that there is no influence between employee branding on employee retention, there is an influence between employee branding on employee engagement, there is an influence between employee engagement on employee retention and the influence of employer branding on employee retention which is mediated by employee engagement.

Keywords: Employer Branding, Employee Engagement, Employee Retention.

1. INTRODUCTION

In the current era of globalization and digitalization, high employee turnover is a problem, not only for the human capital management team, but also for companies. The current problems are human resource management and employer branding. Employer Branding is an approach to recruitment and retention that involves internally and externally promoting a clear view of what makes a company different and desirable as a company [1]. It has been proposed as an effective organizational strategy to differentiate from competitors and gain a competitive advantage in the labor market [2], [3]. As such, employer branding is seen as the primary approach to responding to employee hiring and retention challenges.
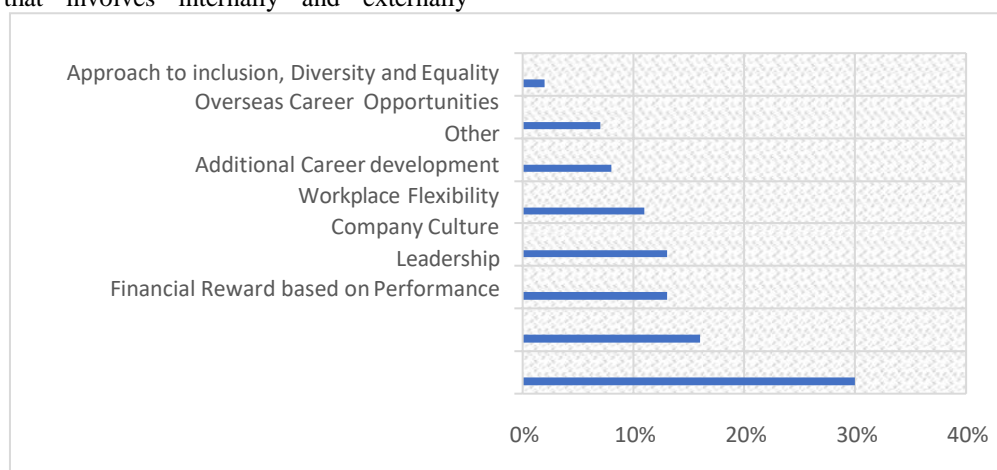

FIGURE 1. Motivation Report for Moving Companies

Source: Michael Page, 2015

According to respondents [4], Employee Transfer Report, top retention strategy that will keep employees in their current roles based on performance financial rewards (30%). Employers looking to retain top talent

in their organization should also note that other top retention strategies favored by employees when considering whether to stay in their current roles include motivating leadership and managers (16%) and company culture (13%). While formulating reward incentives is still low, the more difficult task is dealing with intangible factors that require a longer approach time [4].

Employer branding has been a popular subject for research in a variety of studies. Although it is a term widely used in empirical research, a general definition is still not available [5]. In marketing research, for example, the attractiveness of an organization is largely measured in terms of branding [6] - [8]. Employer branding has been described as an organization's attempt to show current and potential employees that it is an attractive workplace [9], because it shows the identity of the employer. Identity reflects the perceived value of the organization as an employer.

The Employer Branding concept indicates the current approach that can effectively support companies in their efforts to approach and retain employees. On the one hand, the Employer strategy adds further to the corporate brand and positions the organization as a reliable and attractive organization. As previous studies have shown, Employer Branding is a new and exciting field with the potential to change the way companies operate. However, despite the great interest in this matter, there are still many issues that need to be clarified [10]. Many of the findings of previous studies remain inconclusive and important predictive factors for the current work environment. However, there have been changes both individually and authoritative work practices, methods, and rules of work that impact the needs and perspectives of 21st century employees [3].

The 2012 Global Workforce Study Survey shows that employees are looking for other companies not only because they provide a much higher salary but more importantly job flexibility, organizational transparency and career development opportunities [11]. At this time, career development and increasing experience with increasing skills are considered by job seekers. This phenomenon should be responded well by companies to improve employee talents so that positive employer branding will be formed in the community.

In 2011, the employee turnover rate in Indonesia increased from 10% to an average of 17%. According to the Towers Watson Study, more than 70% of human resource professionals in Indonesia admit that their main problem is keeping their best employees from leaving the company [12]. Companies have difficulty retaining employees because they are not creative enough or their vision is not big enough. Companies trying to answer this problem even some

previous researchers said that retaining talented employees is more difficult than recruiting new employees at this time [13].

The inherently multidisciplinary nature of corporate branding has led to a broad view of the phenomenon. Simultaneously, it has given birth to approaches through heterogeneous conceptual and empirical directions [14]. Therefore, previous researchers witnessed scattered interpretations of construction and application in the scientific discourse around corporate branding without a unified understanding. More than ten years ago [7], previous recruitment research had labeled the same concept under different names, and had labeled different concepts with the same name. Unfortunately, this is also true of corporate branding research today.

The increasing interest in researching job engagement over the past few decades may be because the results have shown that engagement is associated with meaningful outcomes, both for businesses and for employees. Several quantitative studies have shown engagement is positively associated with job performance [15]. Several other studies have found a positive relationship between engagement and different performance measures, such as productivity, profitability, employee performance, job performance, and task performance.[16] - [18]. Measurement of organizational success also includes customer satisfaction, customer loyalty [18] - [20], and security [19]. Employee-related engagement is turnover rate and intention to quit [16], [19], corporate governance [17], organizational commitment [21], [22], and counterproductive work behavior [23]

Job involvement has received increased research interest recently in recent decades and it remains highly relevant even remains a contemporary topic[24]. The work engagement construct consists of strength, dedication and absorption. In short, morale refers to employees who experience high levels of energy and mental resilience at work. Service involves a sense of significance, enthusiasm, inspiration, pride and challenges at work. Absorption is characterized by being completely concentrated and enjoying a job immensely, where time flies by and he has difficulty letting go of work[25].

Engaged employees performed better than uninvolved employees because they displayed positive emotions (ex: enthusiasm, joy and happiness) and experienced better health[15]. When employees are involved they have higher trust in their organization and better relationships with their leaders[22]. Therefore, since these individuals are more likely to invest themselves in their work, it is hoped that they will find it worthwhile to put in the extra effort and exhibit behavior beyond their job description[17]

2. RESEARCH METHOD

This quantitative descriptive study was followed by an inductive research approach and a survey-based research strategy. The methodology chosen for this research is quantitative. The survey was collected through the required quantitative information and the data were collected through a structured questionnaire. A literature review was conducted to identify employer branding, employee engagement and employee retention variables. The questionnaire was developed based on variable identification. The sampling technique in this study used the Slovin formula. The sample consisted of 52 employees from an electronic company in the East Jakarta Industrial Park Cikarang Industrial Estate. The sampling technique using Google Form was in filling out the online survey, so it strengthened the research results with descriptive analysis, direct interviews in the form of a Forum Group Discussion. The method used was a quantitative method with SEM Smart PLS software as an analysis tool. To analyze the effect of employer branding on employee retention, the effect of employer branding on employee engagement, the effect of employee engagement on employee retention, the influence of employer branding on employee retention mediated by employee engagement. Thus, the hypothesis is: the influence of employer branding on employee retention mediated by employee engagement. Thus, the hypothesis is: the influence of employer branding on employee retention mediated by employee engagement. Thus, the hypothesis is:

H1: Employer Branding affects employee retention
H2: Emloyer Branding affects employee engagement
H3: Employee Engagement has an effect on employee retention
H4: Employer Branding affects employee retention mediated by employee engagement.

3. RESULT AND DISCUSSION

Testing the Structural Model (Inner Model)

This test is a test of a structural model by looking at the value of the R-square which is the result of the goodness of fit model test. The employer branding model for employee retention provides an R-square value of 0.852 which can be interpreted that the variability of the Employee Retention construct can be explained by the construct variable employer branding by 85.2% while 14.8% is explained by other variables outside of this study. Another influence model is the employee engagement variable with the indicated value of 0.869, so it can be interpreted that 86.9% of employee engagement constructs with the dependent variable are employer branding and employee retention. Meanwhile, 13.1% is explained by other variables excluded in this study. Can be seen through table 1 R-Square:

TABLE 1. R-Square

Variable	R Square
Employee Retention	0852
Employee Engagement	0.869

After the determination test, a path analysis is carried out to determine the causal relationship between exogenous and endogenous variables by bootstrapping smart PLS 3.0 to get predictions from the path analysis results in this model.
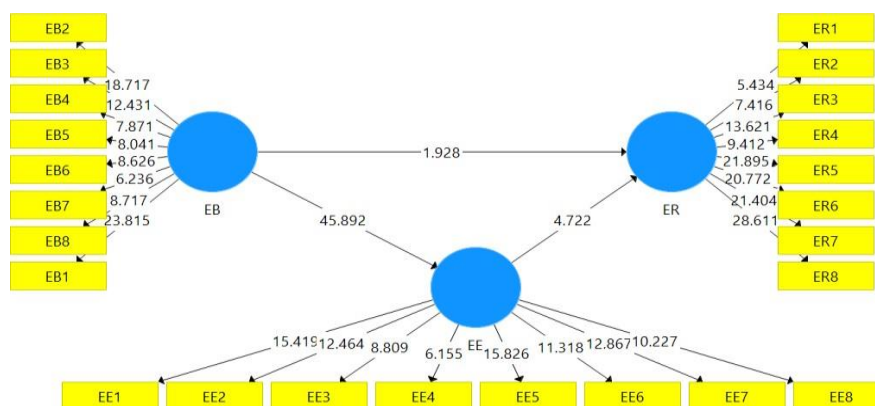

FIGURE 2. Bootstrapping Output
Source: Researcher (2020)

For more details, detailed in table 2 path coefficient, which explains the coefficient value of the

T value and P value to be a reference for the caseal relationship in this model.

TABLE 2. Path Coefficient

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O / STDEV |)	P Values
Employer Branding -> Employee Engagement	0.923	0.926	0.020	45,892	0.000
Employer Branding -> Employee Retention	0.281	0.287	0.146	1,928	0.054
Employee Engagement -> Employee Retention	0.666	0.664	0.141	4,722	0.000

Based on table 2. path coeffiecient which explains the direct effect, then table 3 specific indirect explains the indirect effect.

TABLE 3. Specific Indirect Effects

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O / STDEV |)	P Values
Employer Branding-> Employee Engagement-> Employee Retention	0.615	0.614	0.131	4,675	0.000

The Employer Branding variable has a positive and insignificant effect on the employee retention variable. It can be seen that this is contrary to previous research which states that employer branding has a direct influence on employee retention [26]. Employer branding is one of the company strategies in modern times that is used to reduce the cost of looking for company employees. Therefore, companies should further develop their employer branding to further increase employee retention.

Employer branding variables have a positive and significant effect on employee engagement variables. So this means that the higher the employer branding variable, the higher the value of employee engagement. This research is also in line with research [27] which explained that there was a positive and significant influence between employer branding and employee engagement. Employer branding is one of the company's strategies in maintaining their human resources in the company to improve the performance of individuals in a company so that the increasing reputation of the company will make employee ties better.

The employee engagement variable has a positive and significant influence on the employee retention variable. So this means that the higher the employee engagement variable, the higher the employee retention. This research is also in line with research [28] which explained that there was a significant

influence between employee engagement and employee retention. Employee engagement can be a major force in maintaining employee resilience and reducing turnover.

Employer branding variable has a positive and significant influence on employee retention through mediation of employee engagement. So this means that the higher the employer branding and employee engagement variables, the higher the employee retention variable. This research is also in line with research[29] explained that employee branding can have a direct and indirect effect on employee retention, the role of employee engagement in mediating the effect of these two variables has a significant and positive influence so that employee engagement is needed to increase employee retention, the same thing was also found by [30].

4. CONCLUSION

Based on the results of research that discusses the effect of employer branding on employee retention mediated by employee engagement, it can be concluded that employer branding has no effect on employee retention, employer branding has an effect on employee engagement, employee engagement has an effect on employer retention, and employer branding has an effect on employee retention mediated by employee engagement. Employer

branding and employee engagement need to be improved, so companies must continue to maintain and improve by taking into account several aspects of indicators that affect employer branding and employee engagement. This is done with the aim of increasing employee retention and achieving optimal company goals.

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