Effectiveness of employer branding on staff retention and compensation expectations

Introduction

For South Africa insurers, retaining top talent has been identified as the third highest risk in 2017, and the ninth highest risk for insurers globally (Study of Financial Innovation 2017). There is a concerted effort to improve employer branding due to the recognition that this branding can improve retention, potentially increase performance and reduce compensation costs (Biswas & Suar 2016). However, little research on employer branding exists, even though its practices may be widespread in organisations (Kucherov & Zavyalova 2012). Given the employer brand’s potential impact on business productivity and sustainability, the necessity of investigating the impact is evident. And, if positive, it is important to provide a framework for businesses to take a more strategic approach to organisational strategy to improve their competitiveness in difficult economic circumstances.

Businesses in South Africa have to manage skill shortages (Rasool & Botha 2011) and high employee turnover (Van Zyl 2011), with talent scarcity affecting business success (Biswas & Suar 2016). This turnover increases organisational costs, with replacement costs for an entry-level position between 50% and 100% of the employee’s salary, and up to 200% for senior levels (Clair 2016; Porter 2011). Often, what distinguishes a business in highly competitive sectors and economies is their staff – or top talent (Pregnolato, Bussin & Schlechter 2017). Retaining this top talent becomes an essential competitive strategy (Biswas & Suar 2016), which influences overall financial performance (Smit, Stanz & Bussin 2015).

Employer branding conceptualised

Employer branding is composed of tangible and intangible benefits offered by an organisation to attract and retain employees (Tanwar & Prasad 2017). A competitive remuneration structure is traditionally the cornerstone of employer brand, but research has found that psychological factors such as work–life balance, work atmosphere (Tanwar & Prasad 2017) and more flexible work arrangements (Hagel 2012) are increasing in significance for employees. Techniques to improve employer branding include internal communication, training support, various leadership
practices (such as the visibility of senior managers), reward programmes, recruitment practices, and feedback from clients and staff (Vatsa 2016).

Social identity theory provides confirmation that employer branding increases organisations’ attractiveness and retention, as current and potential employees pursue membership in organisations that boost their self-concept (Biswas & Suar 2016). Social identity theory inspects when and why people identify themselves as members of a group (Zeugner-Roth, Žabkar & Diamantopoulos 2015). A better employer brand might reduce recruitment costs as applications are received more easily, and retaining employees is cheaper than replacing them (Biswas & Suar 2016). Better candidates might be attracted as the organisation appears to provide better career choices (Ambler & Barrow 1996) and employee turnover might be reduced because employee relations are enhanced (Berthon, Ewing & Hah 2005). The success of an employer brand is considered through the attractiveness of the benefits provided and how accurately it is communicated (Moroko & Uncles 2008). The study also reveals that brand personality traits such as sincerity, excitement and sophistication are related to the affect and trust of the employer brand, which in turn predict employer brand attractiveness (Rampl & Kenning 2014).

The current academic studies on employer branding relate more to the attraction of potential employees than their retention (Kucherov & Samokish 2016), although the employer brand is believed to enhance the retention of current staff (Biswas & Suar 2016; Clair 2016).

Employer branding increases performance

Employer branding enhances both financial and non-financial performance (Biswas & Suar 2016; Martin, Gollan & Grigg 2011; Smit et al. 2015). The reason for this is that more engaged employees enhance financial returns (Biswas & Suar 2016). It may also be the case that direct costs are affected by the employer brand. Berthon et al. (2005) argue that a strong employer brand may reduce salary expectations (Berthon et al. 2005).

It is well established that performance is positively affected by high levels of engagement in top talent (Anitha 2014), and there is already a concerted research focus on what elements lead to greater employee retention (Kucherov & Zavyalova 2012). There is little evidence, however, to elucidate which elements of employer branding lead to greater retention (Kucherov & Zavyalova 2012). This is surprising, given that Vatsa (2016) argues that employer branding should first focus on the retention of current employees because recruitment and replacement costs are so high (Clair 2016). Since it makes good business sense for organisations to focus on employer branding for retention purposes, this article provides empirical evidence of the impact of employer branding on staff retention.

Employer branding is a strategic action

Not all factors in employer branding are tangible. The work atmosphere, employee development, work–life balance, company’s ethical stance and financial rewards can all improve branding (Tanwar & Prasad 2017). These elements are also part of the less tangible ‘culture’ of an organisation. So the question posed is whether employer branding is identifiable by employees, and whether it influences their decision to remain with an organisation. If it is found that retention is increased with elements that employees consider to be part of employer branding, then this provides a practical framework within which a business can design a strategy for retaining top talent.

As a specific example of the link between employer brand, employee retention and the result of increased productivity, consider that people may be willing to take a salary cut to work for a company with a good employer brand, such as Google. Google is considered to have a leading employer brand, treating employees like precious commodities (Matsangou 2015). If staff turnover rates are reduced, the acquisition, resourcing and transition cost to the company is reduced.

Gaps in the current literature

Through a review of the current employer branding literature, three main areas that require further research have been identified. These gaps were identified through either statements from the current literature or the lack of literature on the topic.

The first gap relates to the influence of employer branding on compensation (Rampl & Kenning 2014). It is believed that a strong employer brand could potentially reduce the salary expectations of employees (Berthon et al. 2005), although this has not been proven by means of empirical evidence.

The second gap relates to the retention of existing employees. Although research was triggered by Ambler and Barrow in 1996, previous studies on employer branding focused more on potential employee attractiveness rather than the retention of current employees (Kucherov & Samokish 2016). With the development of Tanwar and Prasad’s (2017) employer branding scale, they questioned what impact employer branding has on job satisfaction, commitment to a current employer and employee retention. The scale can test these organisational outcomes.

The third gap relates to the influence of various demographic factors on an employee’s perception of employer branding. Current studies considered employee attractiveness in general rather than specific attributes or target groups (Sommer, Heidenreich & Handrich 2016). With the development of Tanwar and Prasad’s (2017) employer branding scale, they questioned whether specific factors like gender, occupation or managerial level have an influence on employer branding perceptions. They believed, without empirical evidence, that different subgroups assign different levels of importance to the dimensions of employer branding.
Research hypotheses

This study evaluated employer branding as a management strategy for retaining good-quality staff (Biswa & Suar 2016; Clair 2016). Three groups of hypotheses were developed to investigate the impact of employer branding on retention and compensation perceptions:

H1a: Employer branding perceptions differ between age groups
H1b: Employer branding perceptions differ between males and females
H1c: Employer branding perceptions differ between races
H1d: Employer branding perceptions differ between education levels
H1e: Employer branding perceptions differ for duration of employment groups
H2a: Employer branding perceptions of a current employer are correlated with the salary expectations to move to another employer with a perceived strong employer brand
H2b: Employer branding perceptions of a current employer are correlated with the bonus expectations to move to another employer with a perceived strong employer brand
H2c: Employer branding perceptions of a current employer are correlated with the leave expectations to move to another employer with a perceived strong employer brand
H3a: Employer branding perceptions of a current employer are correlated with how satisfied employees are with their current employer
H3b: Employer branding perceptions of a current employer are correlated with employees who are actively looking to move
H3c: Employer branding perceptions of a current employer are correlated with how likely employees are to consider moving to another organisation if they were approached

Research methodology

The research followed a quantitative, cross-sectional research design. At the time of the study, there were 173 registered insurers in South Africa. Five insurance companies, which compete for the same labour market, participated in the survey and were selected by means of a non-probability sampling method. One of the participating companies was a large insurer with more than 2500 employees, of which 500 employees were selected to participate in a simple random-sample probability technique. For all the other companies, the request to participate in the study was sent to all employees in the company. The online questionnaire was sent to 1083 employees, of which 254 completed the survey anonymously, presenting a 23% response rate. The instrument was designed to measure perceived employer brand strength, compensation levels for which the respondent would consider moving to another organisation, and how likely the respondent was to consider moving. The employer brand portion of the questionnaire consisted of Tanwar and Prasad’s (2017) employer branding scale, a five-point Likert scale measure from strongly agree to strongly disagree (Table 1).

Perceptions of compensation were measured by providing respondents with packages from two employees for comparison. Salary, bonus (including short-term and long-term incentives) and annual leave were considered as dimensions for compensation. Table 2 outlines an example of such a scenario.

The final part of the questionnaire considered staff retention using three simple questions. The first question measured, on a five-point Likert scale, how satisfied the respondent was with his or her current employer. The second question asked...
the respondent if he or she was currently looking for another job; a yes or no answer was captured. The third question also had a five-point Likert scale where the respondent was asked if he or she would consider working for another organisation if approached.

Tanwar and Prasad’s (2017) employer branding measure was found to have a Cronbach’s alpha reliability score of above 0.7. When run on a small sample of 24 as a pilot, this finding was replicated except for two measures (‘work–life balance’, and ‘compensation and benefits’).

Of the 254 participants, 24% were below the age of 30, 29% were between 30 and 39, 29% were between 40 and 49, and 18% were aged 50 years or above. Of the employees, 44% were male and 56% female. In terms of racial groups, 36% were white people, 32% black people, 16% mixed race people and 13% Indian people. The remaining 3% of respondents did not disclose this information. Finally, for education, 35% of respondents had a Grade 12 or diploma, 25% had a graduate degree, 22% had a postgraduate degree and 18% had no tertiary education.

For employment, 47% of the respondents had been with their employer for less than 5 years, while 23% had been with their employer for more than 15 years. On average, employees had been with their employer for 8.9 years, with a standard deviation of 9.3 years.

Results

Table 1 shows the means and standard deviations on each item of the Tanwar and Prasad (2017) employer brand scale.

Figures 1–3 show the frequency distribution for the questions relating to compensation.

All compensation variables were highly, positively and significantly correlated at $p < 0.05$.

Finally, on retention characteristics, most respondents were not looking for other jobs (71%), but 55% did say that they would consider moving if approached.

Hypothesis 1 – Employer brand perceptions differ across groups

H1a: Employer branding perceptions differ between age groups
H1b: Employer branding perceptions differ between males and females
H1c: Employer branding perceptions differ between races
H1d: Employer branding perceptions differ between education levels
H1e: Employer branding perceptions differ for duration of employment groups

A significant difference for age was found through an analysis of variance ($F = 2.77, p < 0.05$). Post-hoc analysis indicates that the difference is between the younger group (up to 29 years) and the 50+ years group. Overall employer brand perceptions increase with age. Interestingly, a significant difference was found for the length of employment ($F = 3.27, p < 0.05$), with post-hoc analysis indicating that the difference was between the groups of 10–14 years’ worked and 15+ years’ worked. The only hypotheses supported are H1a and H1e, on age groups and length of service, respectively.

No significant difference in the perception of employer brand was found for gender groups, education levels or racial groups.

**Hypothesis 2 – Relationships between employer brand perceptions and compensation expectations**

H2a: Employer branding perceptions of a current employer are correlated with the salary expectations to move to another employer with a perceived strong employer brand

H2b: Employer branding perceptions of a current employer are correlated with the bonus expectations to move to another employer with a perceived strong employer brand

H2c: Employer branding perceptions of a current employer are correlated with the leave expectations to move to another employer with a perceived strong employer brand

All three measures of compensation were significantly and positively correlated (see Table 3).

Employer branding was positively and significantly correlated with all the measures of compensation (see Table 4).

**Hypothesis 3 – Employer branding is related to retention**

H3a: Employer branding perceptions of a current employer are correlated with how satisfied employees are with their current employer

H3b: Employer branding perceptions of a current employer are correlated with how likely employees are to consider moving to another organisation if they were approached

H3c: Employer branding perceptions of a current employer are correlated with employees who are actively looking to move

Employer branding was positively and significantly correlated with being satisfied in one’s position. It was also negatively and significantly associated with people who were actively looking for other employment or who would consider offers if approached for another position (see Table 5).

All hypotheses were upheld, and highly significant relationships were found.

## Discussion

### The impact of demographic characteristics on perceptions of employer branding

The research objective of these hypotheses was to consider the role demographic variables may have on perceptions of employer branding. Experience, gender or racial background may influence perceptions of employer branding. Total rewards studies have suggested that different reward structures appeal to different demographic groups (Bussin & Toerien 2015; Pregnolato et al. 2017; Smit et al. 2015). If this is the case, then one would expect that demographic factors would be important to perceptions of employer branding (Sommer et al. 2016).

The current study found no significant differences in gender, educational level or race on perceptions of employer branding. These demographic variables did not affect the perception people had of the branding. Interestingly, years of service and age did have an effect on this perception, but in very specific groups.

The finding of very few significant differences in perceptions of different groups of employees by personal characteristics is contrary to what is suggested in the literature (Rampl & Kenning 2014; Tanwar & Prasad 2016) For instance, Maxwell and Knox (2009) argue that employer branding is differentially perceived by different groups, which led Kucherov and Zavyalova (2012) to recommend that messages should be adjusted for a particular target audience.

Previous research has also indicated that staff turnover does differ by demographic characteristics, mainly age and years of service (Schlechter, Syce & Bussin 2016; Smit et al. 2015). This study found that perceptions of employer brand were significantly different between the youngest

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**TABLE 3: Spearman’s rho tests for the compensation variables.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Spearman’s rho</th>
</tr>
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<tbody>
<tr>
<td>Salary</td>
<td>0.425</td>
</tr>
<tr>
<td>Bonus</td>
<td>0.399</td>
</tr>
<tr>
<td>Leave</td>
<td>0.424</td>
</tr>
</tbody>
</table>

**TABLE 4: Spearman’s rho tests for compensation and employer branding.**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Spearman’s rho</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>0.777*</td>
</tr>
<tr>
<td>Bonus</td>
<td></td>
</tr>
<tr>
<td>Leave</td>
<td>0.821*</td>
</tr>
<tr>
<td>Employer</td>
<td>0.425*</td>
</tr>
</tbody>
</table>

*, Correlation is significant at the 0.01 level (1-tailed).
employees and the oldest, with the scores increasing with age. Also, in groups of employees with 10–14 years of experience, there was a difference compared to the 15+ years group. The former had lower perceptions than the latter. Across all the years of experience, a general decline in employer brand perception occurs and is most pronounced and significant in employees with the longest tenure. This may be due to an ‘acclimatisation’ of employees over the years but could also be a factor of organisations focusing their main efforts on the attraction of staff rather than on factors that affect retention. Additional research is required to determine the cause of this decline in perception.

Employer branding perceptions and compensation

Employees have specific compensation expectations. These expectations are a critical factor in employee engagement and are one of the features that employer branding could mitigate in ensuring resource costs are contained. The intention was to investigate if perceptions of employer brand were in any way related to compensation expectations. This would indicate a trend in the two concepts, which is worth investigating and considering when developing the employer brand. This portion of the study aimed to determine whether people would consider compensation to be a central factor when looking to move employers.

For the salary, bonus and leave components of compensation, there was a moderately strong positive correlation between the overall employer branding score and the compensation components tested. The correlations demonstrate that as employees’ perceptions of employer branding of their own organisations increase, their willingness to work for a lower salary and benefits also increases. Similarly, those with lower scores on the perception of employer branding chose higher compensation at their current employers compared to other organisations with a perceived strong employer brand.

Employer branding perceptions and staff retention

Retention is an important part of the concept of employer branding and its intended objectives to attract and retain staff (Ambler & Barrow 1996). Biswas and Sauer (2016) argue that the costs associated with replacing current employees are high and employer branding could be used to enhance employee relationships and ultimately reduce employee turnover (Berthon et al. 2005).

The current research found that employees with a high overall employer branding score were more satisfied with their employers, and employees with low overall employer branding score were less satisfied with their employers. Also, people with high overall employer branding scores were less likely to be actively looking to move and were less likely to consider leaving the organisation if approached by another company.

Management application – the employer brand control cycle

The employer brand control cycle (EBCC) is a practical representation of the continuous process that organisations should follow when employer branding strategies are considered (see Figure 4). The first step is the identification of target groups within the organisation. This will inform the employer brand of elements to develop (Moroko & Uncles 2009). The employer branding dimensions that should be considered are the work atmosphere; training and development; work–life balance; ethics and corporate social responsibility; and compensation and benefits. The target group takes into consideration the age, education level and employment duration. The design process should consider the long-term strategy of the organisation to ensure that the appropriate target group is identified.

The next step is the implementation of the strategy. Current employees’ testimony is the best form of employer value-proposition advertising through word of mouth (Vatsa 2016). Employer branding needs to be communicated to employees, training around the brand should be provided, leaders in the organisation need to set an example of the brand values, appropriate behaviour should be recognised and rewarded, recruitment processes should be built around attracting the right staff, and conscious actions should strengthen the sustainability of the brand (Vatsa 2016).

Potential employees should then be targeted; the employer brand should be communicated by means of a devoted career page on the company’s website, the wide circulation of company newsletters, sponsorships and the appropriate use of social media (Clair 2016; Vatsa 2016).

Potential employees

- Website and newsletters
- Sponsorships
- • Social media
- • Word of mouth

Current employees

- External communication
- Training support
- Leadership practices
- Rewards and recognition
- Recruitment practices
- Sustainability factors

Target group

- Age
- Education level
- Employment duration

Compensation preferences

- Attraction
- Retention

Employer branding control cycle

- Design
- Continuous process
- Implementation

FIGURE 4: Employer branding control cycle model.
The next step in the EBCC considers the monitoring of the impact of employer branding. As shown in this study, staff turnover levels should decrease following the successful implementation of an employer branding strategy. The quality of employees attracted to the organisation increases as they receive favourable communication (Vatsa 2016). This study also shows that the compensation expectations of both internal and external employees then decreases.

The monitoring of the effects should then feed into the design of the employer branding strategy once again. This continuous process is required to ensure that the employer branding strategy aligns with the company’s long-term strategy (Moroko & Uncles 2009), as the competitive landscape, company needs and employee requisites change over time.

Limitations

Some of the dimensions in the employer branding scale had a low Cronbach’s alpha. Even though the employer branding scale was developed and verified (Tanwar & Prasad 2017), the original study was based on Indian IT firms. The scale was impacted, to some extent, by cultural and by industry differences.

Only five South African insurers were incorporated into the study, with responses dominated by two of the companies. The responses might therefore not reflect the views of the whole industry. The study was also limited to insurers only, and therefore inference to the whole of South Africa was not possible. The sample size was small, relative to the population, suggesting a higher margin of error. There was insufficient data to perform a multivariate analysis of variance on the demographic factors, which considers the employer branding score per demographic factor and company.

Although the questionnaire touched on some of the principles of a conjoint analysis for the compensation-based questions, a full preference-based study was not performed. The analysis requested users to choose between the options in the questions, which did not encapsulate all considerations of a real-life situation. The questions also did not request an ultimate level for salary, bonus or leave that would convince an employee to move to another organisation.

Two respondents indicated via email that the questions in part 3 of the questionnaire were too sensitive to complete and therefore did not continue.

The economic circumstances in South Africa at the time of the study affected the choices of the respondents. Choices might be more conservative due to the technical recession that took place during the year in which the study was conducted, and due to recent country downgrades by leading ratings agencies, as well as economic instability enhanced by political uncertainty.

The research was limited to the insurance industry and the demographic profile of the research was not representative of South Africa’s profile. Therefore, care should be taken not to infer the results of the study to all industries and the whole of the country. Employer branding preferences in other countries might also be different from South Africa’s preferences due to cultural and economic differences.

The research did not include the actual employer branding strategies of the participating companies, which might influence the interpretation of the results.

Suggestions for future research

It would be interesting to perform the study in other countries to investigate the effect of culture on employer branding preferences. Expanding the study to different industries might affect the study as the insurance industry is known to be conservative. The results might also be different in bullish economic circumstances where employees have a wider choice of employers.

By including companies’ employer branding strategies and implementation methods, future research could determine if there is a difference between companies with strategies and those without. Such research could also be extended to determine which of the strategies and implementation methods were the most effective. A longitudinal study could also be done to determine employer branding scores before the implementation of strategies and after, to determine the most successful strategies.

The quantification of employer branding costs is critical in understanding its financial implications. Such a study could be combined with the quantification of the overall reduction in compensation, to determine the net financial impact of employer branding on companies.

Conclusion

This study considered employer branding as a management strategy for retaining current employees and attracting the right talent (Biswas & Suar 2016; Clair 2016). Five South African insurance organisations were surveyed on employer branding and retention intentions. The findings demonstrate that, in line with Berthon et al.’s (2005) argument, employer branding can be used to reduce compensation and therefore direct costs. Employer branding also serves to retain staff if positively perceived (Ambler & Barrow 1996; Kuchev & Samokish 2016). Overall, Biswas and Suar’s (2016) findings were confirmed: that companies with different employer branding strategies are perceived differently. Future research should focus on a larger variety of organisations, and consider additional measures of employer branding to validate the perception survey of employees.

It is clear that business management must consider an evolving work environment to revise procedures and integrate better talent-management practices (Schlechter, Thompson & Bussin 2015) in order to retain top-performing staff. To this effect, the EBCC model has been presented as a management tool to start developing the employer brand strategy.
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Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors’ contribution

The study was conducted by H.M. as part of his MBA at GIBS. M.B. was the supervisor and wrote the article.

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