

## EMPLOYER ATTRACTIVENESS AND THE EMPLOYEE TURNOVER AND RETENTION

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**Abstract:** *The main goal of this paper is to determine the influence of the employer attractiveness on turnover and retention of employees in the company. In modern business conditions, companies try to identify, attract, motivate and retain the best employees from the labor market, for which many strategies and tactics have been developed. One of the ways is also the employer attractiveness, which can be considered as the overall effort of the company to distinguish itself as a unique place for work, by creating stimulating conditions. Bearing in mind the above, an empirical research was conducted on companies operating in the Republic of Serbia, over a sample of 139 respondents. The results of the research have shown that the employer attractiveness positively affects the attraction of employees, but at the same time it does not significantly affect the retention of employees.*

**Keyword:** *employer attractiveness, turnover, employees, attraction, retention*

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### INTRODUCTION

Not surprisingly, the battle for the best employees has become sharper and important as attraction and retention of profitable consumers, as employees are those who provide the company the sustainable competitive advantage. In order to succeed, companies try to apply different strategies and tactics to identify, attract, motivate and retain those employees who have specific knowledge, skills and experience. However, a large number of companies face with the fact that employees will for any reason leave the company. It is actually about fluctuation, which can be understood as the movement of employees in the labor market, that is, between different companies. Fluctuations are inevitable and businesses need to bear in mind that a casual inflow of "fresh" knowledge and experience is needed to ensure innovation and good business performance. However, the problem is if the fluctuation is too high and too frequent, as this points to certain problems that exist in the company for which employees leave. An additional problem is if the company left talented employees, in which the company invested significant funds for creating human capital. How this would not happen, there are a number of options available to human resource managers to best manage fluctuations. One way is to create an attractive employer brand, which can be understood as an effort by the company to distinguish itself as a desirable place to work. Those companies that provides good balance between life and work, competitive earnings, flexible working hours, additional training, etc., they positively affect the morale and commitment of the company, which leads to good business performance.

Bearing in mind the above, the aim of this paper is to examine the influence of the employer's attractiveness on the degree of fluctuation and retention of employees. In order to do this, an empirical research was conducted on companies operating in the territory of the Republic of

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Serbia. The obtained results are of special importance, since such research according to the author's knowledge in this region is limited.

## LITERATURE REVIEW

One of the key problems encountered by companies in their business is employee turnover. In general, employee turnover can be defined as their movement in the labor market: between businesses, jobs, occupations, and the transition from employment to unemployment [1]-[2]. Managers often consider turnover as a process of filling out vacancies that arise either because of willing or unwilling employee abandonment of the company [3]. The willing turnover of an organization is the result of an employee's initiative, and is mainly about terminating an employee's employment or retirement. On the other hand, the involuntary turnover of the organization is related to the giving of a dismissal to the employees, but very often, the involuntary turnover of the organization arises as a result of factors that neither employees nor employers can influence, such as loss of working ability, death of an employee etc. [4]. In practice, there are many reasons why employees leave the company. It is mostly about organizational and factors that are related to the job itself. In those organizations where there is high uncertainty, insufficient definition of roles, low level of communication, unclear managerial activities etc., there is a higher degree of fluctuation of employees. When it comes to employee performance, a higher degree of turnover occurs in those enterprises with higher workplace stress, low opportunities for advancement, low compensation, ambiguous roles, constant monitoring, and poor system performance assessment by the management [3]. High turnover mainly involves a series of negative effects. As a result of the constant change of employees, there is a decline in the quality of products and services and the creation of dissatisfied consumers. As a result of dissatisfaction, the profitability rate of the company is falling, which is further jeopardized by negative word of mouth propaganda. On the other hand, since employees change regularly, it is necessary to provide continuous education of employees, which increases the costs of business. Additionally, there is a decrease in the motivation and working morale of employees, as their colleagues have left the company [5]. However, one needs to keep in mind that the company needs a certain level of fluctuation. New employees who have specific knowledge, skills and experience must occasionally join the company, which will enable a higher level of creativity, innovation and achievement of good business results.

As one of the ways that can be used to manage fluctuation is creating working conditions that will be attractive for employees. This is actually an employer attractiveness, which arises as a result of applying internal marketing in a human resource management discipline. Kotler defines internal marketing as the task of successfully hiring, training and motivating able employees to serve the customers well [6]. Internal marketing starts from the idea that the employees are the first clients that the company encounters and whose needs must be satisfied [7]. In order for the company to create satisfied and loyal employees, it is necessary to create attractive working conditions in which there is a good balance between life and work, stimulative compensations, challenging tasks, the possibility of promotion, additional education, working environment in which there are good interpersonal relations etc. [8]. These, as well as numerous other factors, represent the key elements of the so-called employer attractiveness, which can be defined as a set of benefits that an employee receives by employment in an enterprise [7]. As a result of creating attractive conditions, the company is able to attract the best candidates from the labor market, reduce recruitment costs, create an organizational culture in which employees will be ready for change and continuous learning, improve overall performance etc. [9]-[10]-[11]-[12]-[13]. Nevertheless, in the majority of

papers it has been proven that as a result of the construction of an attractive employer there is a decrease in the rate of fluctuation, ie, the attrition of employees, while at the same talents from the labor market are attracted [12]-[7]-[14]-[15]-[16]

Consequently, the following hypothesis can be defined:

H1: Companies that are attractive as the employer realize less turnover rates

H2: Companies that are attractive as the employer attract more employees from the labor market.

## RESEARCH METHODOLOGY

In order to test the research hypothesis, the survey method was carried out research on companies operating in the territory of the Republic of Serbia. On that occasion, a sample of 139 respondents was created. When it comes to turnover, the analysis of the structural characteristics of the sample showed that the largest number of enterprises increased the number of employees over the period of 3 years (51,8%). In second place are companies that have not changed the number of employees during the observed period (28,05%), while in the third place are companies that have reduced the number of employees (20,15%). Of the total number, the largest number of enterprises are privately owned (84,17%), while the remaining 15,83% belongs to the state sector.

In order to examine the degree of attractiveness employer attractiveness, a questionnaire consisting of the items taken from the relevant papers dealing with the analysis of employer attractiveness and the employer brand was used: Hanin et al. (2013), Berthon et al. (2005), Highhouse et al. (2003) and Srivastava and Bhatnagar (2010), which achieve a high level of reliability. On the above items, the respondents expressed their degree of agreement or disagreement on the five-point Likert scale, whereby grade 1 was an absolute disagreement, while grade 5 was related to the absolute agreement with that statement. Statistical software SPSS v.23 was used to examine the statistical hypothesis. Descriptive analysis, reliability analysis and t test were applied in the work.

## RESULTS AND DISCUSSION

At the beginning of the statistical analysis, arithmetic meanings and standard deviations were calculated, and also the level of internal consistency of the observed variable (Cronbach alpha). When it comes to the reliability of the used statements, the obtained Cronbach alpha coefficient value is 0,895 and, as such exceeds the minimum defined value of 0,7 (Nunnaly, 1978).

The highest level of convenience of the respondents' attitudes was achieved at the statement "*The company has a good potential for development in the future period*", (arithmetic mean = 3,98). The highest level of homogeneity of the respondents' attitudes was achieved at statement "*Other people see the company where I work as a good place to work*", (standard deviation = 1,09). But, employees in observed companies thinks that payed salary is not at very high lever (standard deviation = 1,44). Results of descriptive statistics are showed in Table 1.

Table 1. Descriptive statistics

Number	Item	Arithmetic mean	Standard deviation
EA1	The firm in which I work stands out as an employer in relation to other firms.	3,46	1,42
EA2	This company is attractive to me as a place for employment.	3,35	1,38
EA3	Other people see the company where I work as a good place to work.	3,97	1,09
EA4	Company offers above basic average salary.	2,67	1,34
EA5	Jobs are done in a exciting working environment.	3,42	1,31
EA6	There is a good balance between time spent at work and free time.	3,23	1,44
EA7	Company provides good promotion opportunities to the employees.	3,1	1,4
EA8	Relationships between employees are good.	3,67	1,22
EA9	The company offers high quality products and services.	3,86	1,16
EA10	The company has a good potential for development in the future period.	3,98	1,14

Source: Author

In order to test the research hypothesis, a t test was applied. The results of company comparisons that have increased and decreased the number of employees over time are shown in Table 2.

Table 2. Results of the t test: comparison between companies with increased and decreased number of employees

Increased vs. Decreased		
Item	Mean difference	p
EB1	0,92	0,004***
EB2	0,99	0,002***
EB3	0,035	0,99
EB4	0,85	0,011**
EB5	0,66	0,051**
EB6	0,8	0,034**
EB7	0,95	0,004***
EB8	0,98	0,001***
EB9	0,79	0,002***
EB10	0,91	0,001***

Note: p<0,01\*\*\*, p<0.05\*\*, p<0.1\*

Source: Author

The results of the research presented in Table 2 show very strong statistically significant differences in the employer attractiveness between the companies that have increased and reduced the number of employees for a period of 3 years. The absence of a difference only occurs with the statement “*Other people see the company where I work as a good place to work*” (p=0.99). An additional analysis showed that the employer attractiveness is higher in those enterprises that have increased the number of employees over time than in those who have reduced this number, which leads to the conclusion that the second hypothesis is confirmed. Table 3 shows the results of the test t in which a comparison was made between companies that have the same number of employees for a period of 3 years and companies that have reduced the number of employees.

Table 3. Results of the t test: comparison between companies with same and decreased number of employees

Same vs. Decreased		
Item	Mean difference	p
EB1	0,57	0,164
EB2	0,68	0,089*
EB3	-0,11	0,917
EB4	-0,16	0,871
EB5	0,3	0,593
EB6	0,091	0,965
EB7	0,58	0,177
EB8	1,03	0,003***
EB9	0,51	0,113
EB10	0,42	0,001***

Note:  $p < 0,01$ \*\*\*,  $p < 0,05$ \*\* ,  $p < 0,1$ \*

Source: Author

The results of the research presented in Table 3 indicate the absence of a difference only in 3 out of 10 findings: “*This company is attractive to me as a place for employment*”, “*Relationships between employees are good*” and “*The company has a good potential for development in the future period*”. Since in most cases there is no statistically significant difference, it can be noted that the employer attractiveness does not affect the employee retention, so first hypothesis was not confirmed.

## CONCLUSION AND FURTHER RESEARCH

One way to manage fluctuation is the employer attractiveness. Understood as an effort of the company to create stimulating working conditions, the employer attractiveness involves the creation of good interpersonal relationships at the workplace, giving stimulative earnings, enabling the acquisition of additional knowledge, flexible working hours etc. As a result of these working conditions, companies are able to attract, but also retain the best employees. In this way, an optimal fluctuation is created, which is at such a level that regular inflows of workers with innovative knowledge are provided, but at the same time best employees are kept.

The results of the research on the sample of 139 employees showed that the employer attractiveness does not have a significant effect on the retention of employees. The results obtained can be explained by the fact that competition in modern business conditions is very strong. In order to achieve business goals, companies are actively looking for talents in the labor market, and when identifying them, they apply different tactics to attract them. It is precisely because of the high mobility in the labor market. When it comes to the first hypothesis, a statistically significant difference exists only in the items concerning good working conditions, interpersonal relations and enterprise development in the future period. These are some of the factors that most affect the retention of employees. However, as most of the items did not show difference, it must be argued that the H1 hypothesis has not been confirmed. When it comes to attracting talents, the employer attractiveness is an obvious factor that positively affects the attraction of employees. Businesses apply a number of strategies to gain the best employees, and accordingly, it can be concluded that the H2 hypothesis is confirmed.

The theoretical contribution of work is reflected in the extension of existing knowledge concerning the employer attractiveness and the turnover. A practical contribution is reflected

in the provision of information to human resource managers who can use them to create a strategy for attracting and retaining the best employees. The limitation of work is primarily reflected in sample size, which must be increased, but also in his structure. In further research, it is necessary to achieve a balanced structure of the sample, thus providing approximately the same share of companies with different turnover rates. In addition, it is necessary to determine the key reasons why the company is distinguished as an attractive employer.

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