



Impact of Employee Value Proposition on Employee Retention: A conceptual paper

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Apparel export that brings larger export income to Sri Lanka, facing a challenge of the highest employee turnover within industries that have led to high-level replacement cost, training cost as well as low productivity, low quality, and customer dissatisfactions. In this Context, Employer Branding has been a strategic reaction towards attracting prospective employees and retaining them, through managing 'Employee Value Proposition' (EVP). This study aimed to develop a conceptual model to show how EVP contributes to employees' Intention to Retention (IR) through Employer Brand Equity (EBE) in leading empirical research. A targeted literature review was used as the methodology. As findings, this study established relationships between the EVP and the EBE, EBE, and IR, and EVP and IR, with the consideration of demographic factors as moderators. The findings implicate in conducting empirical research that contributes to explain reasons for higher-level employee turnover and find effective solutions. It is recommended to implement solutions for higher employee turnover issues in the apparel manufacturing sector in Sri Lanka, not just based on monetary rewards, but the overall value proposition, that employees expect, based on scientific research.

Keywords: Employee value proposition, Labour turnover, Intention to retain, Employer branding, Employee brand equity

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Introduction

Employee turnover is costly for an organization because when employees are leaving, the organization needs to fill those vacancies (Mathis & Jackson, 2006). There is a cost involved in staffing, training, and cost of losses and errors that directly impact the profitability as employee retention becomes the key in the accomplishment of organizations' goals and objectives (Alkandari & Hammad, 2009). Flexible labor markets in the modern business context have enabled and allowed the employees to resign from one company and join another. In this scenario, the organizations are struggling in retaining employees, and therefore, they attempt to present themselves as attractive employers for potential applicants and existing employees in the labor markets (Lievens & Highhouse, 2003). The competition for attracting talented candidates and retaining the best in the organizations has become a 'talent war'. In developing strategies for this crucial challenge, employer branding is presented as a competitive advantage for organizations (Richardson, 2007). Organizations apply branding principles which are derived from the marketing management discipline to human resource management for attracting potential candidates while retaining current employees in the organization (Backhaus & Tikoo, 2004). (Armstrong, 2006) has stated that, the objective of employer branding is to become an 'employer of choice' where people desire to work. According to (Backhaus & Tikoo, 2004), the employer branding process consists of three steps. As the first step, an organization develops a concept of the value it offers to its potential and existing employees. This value proposition is communicated as the key message through employer branding. The value proposition derives after a comprehensive audit of the characteristics which help the organization to become a great place to work. External marketing of employer value proposition to attract suitable candidates is the second step of the employer branding process. The next step of the process is internal marketing of the employer brand to develop a committed workforce towards the achievement of organizational goals. According to the three-step process, introduced by (Backhaus & Tikoo, 2004), organizations first need to identify the expectations of employees who are engaged in the industry which is called Employee Value

Proposition (EVP). This EVP consists of the benefits that a firm offers to its potential or current employees who could be persuaded to join or remain with the organization (Armstrong, 2006).

Apparel export brings the largest export revenue to Sri Lanka. USD 4 billion was the targeted export income set by the apparel industry for the year 2013. However, the industry was able to achieve 4.5 billion in the year 2013 which had a 13% increase compared to the previous year. The earnings from the apparel industry in the year 2014 were USD 4.9 billion. In the year 2017, 43% of the total export income was generated from the textile and apparel manufacturing sector (EDB, Industry capability report, 2017). Over 600,000 direct employment opportunities are provided by the apparel industry which includes a considerable number of women in Sri Lanka. Approximately there are 350 garment manufacturing companies in different parts of Sri Lanka (EDB, Industry capability report, 2017). Labour Turnover is one of the major challenges in the apparel manufacturing sector in Sri Lanka. The average rate of employee turnover in the apparel manufacturing industry in Sri Lanka is 60 percent per annum (Dheerasinghe, 2009). Sewing machine operators have been recorded as the number one job category where most employees quitted from 2015 to 2017 in Sri Lanka (EDB, ANNUAL REPORT, 2017). Hence, the objective of this study is to identify the employees' value propositions, employed in the apparel manufacturing sector in Sri Lanka to increase the intention to retain in the organization.

Literature Review

Since this study was a conceptual paper based on a literature review to establish relationships among variables, the findings and review have been presented together.

Employee Retention and Employee Turnover: Employee turnover is a common and critical issue to most business organizations today since it is badly affected the progress of such business organizations (Shamsuzzoha & Shumon, 2010). Although there is a disparity in labor turnover of different organizations in the private sector, the rate is higher in private sector organizations than those in public sector organizations (Shamsuzzoha & Shumon, 2010).

When organizations do not trust employees then employees also are not satisfied with their jobs, and when the employees' intention towards turnover is high, the greater the possibility for employees to leave the organization, reporting a shorter period of work (Jeffrey, 2007). Poorly designed work-life policies and role conflicts will lead to demotivation of employees, poor performance, disturbing the work breakdown structures, and force the employees to quit the organization (Mitchell, Holtom, & Lee, 2001). Turnover intention is defined as a behavioral attitude of an employee to resign from the organization whereas turnover is considered to be the actual separation from the organization (Böckerman & Ilmakunnas, 2005). Employee retention is the opposite of employee turnover. Employee retention is defined as the level of employees staying in the organization, and employee turnover refers to the number of employees leaving the organization due to different reasons (Abbassi & Hollman, 2000). Further, (Abbassi & Hollman, 2000) states that hiring practices; management style; lack of recognition; lack of competitive reward system; and toxic workplace environments are the reasons for the labor turnover. He has identified that employees leave organizations due to a lack of curiosity in work; job insecurity; lack of promotional opportunities and insufficient training and career development opportunities.

Employer Branding: Branding is all about creating differences. The brand has also been described as a name, symbol, term, sign, or design, or a mixture of them which is intended to identify the products and services of a vendor or vendors to differentiate them from those of competitors (Kotler & Keller, 2006). (Sullivan, 2004) has stated that employee branding is a long-term strategy to manage the awareness and perceptions of current employees, prospective employees, and respective stakeholders concerning a particular firm. Employer branding can be described as an application of branding principles to human resource management (Backhaus & Tikoo, 2004). According to (Armstrong, 2006), employer branding is the creation of a brand image of an organization for prospective employees. According to (Ambler & Barrow, 1996), employer branding can be defined as the bundle of functional, economic, and psychological benefits offered by a firm.

(Armstrong, 2006) stated that becoming an employer of choice is the aim of employer branding. Organizations can achieve it by effectively promoting employee value proposition, which will communicate the offerings of the firm as a 'great place to work'. The objective of employer branding is to show the benefits of the organization in the minds of prospective job applicants as a great place to work. Further, being 'employer of choice' helps the organization to be a desired and good place to work for prospective employees.

Employer Branding and Employer Value Proposition:

Employer branding is focused on talent attraction, retention, and engagement initiatives targeted at enhancing an organization's brand as a place to work. The term employer branding can be described as how firms market employer value proposition to their prospective and current employees and maintain the loyalty promoting both inside and outside the firm, a strong view of what makes it different and desirable as an employer (Backhaus & Tikoo, 2004). According to (Armstrong, 2006), creating an image of the brand of a company for its potential employees can be defined as employer branding. According to (Sullivan, 2004), employer branding is a long-term strategy to manage the awareness and perceptions of prospective employees, current employees, and relevant stakeholders with regards to a particular organization. Employee Value Proposition (EVP) consists of the benefits which are provided by firms to its employees and prospective employees that they are encouraged to join or stay with the organization (Armstrong, 2006). It will include both financial and non-financial factors. Further, Armstrong has mentioned that non-monetary benefits may be critical in attracting people to organizations and retaining those people. According to (Frow & Payne, 2011), an employer value proposition (EVP) is what the organization offers to its employees in exchange for the performance of an employee. (Kucherov & Zavyalova, 2012) characterized attributes of Employer Value Proposition into 04 categories which include economic attributes (salary, rewards), functional attributes (the content of work, training, and career growth), psychological attributes (strong corporate culture, positive interpersonal relations in the company, teamwork)

And finally the organizational attributes such as company history, the reputation of the customers, market position and reputation of top management.

Factors Affecting employee Retention: The factor which is considered the most significant factor among all kinds of rewards in retaining employees is monetary pay (Das & Baruah, 2013). According to the Towers Perrin model, total rewards are financial factors and non-financial factors. Financial factors are basic salary, bonuses, contingent pay, incentives, dividends, profit sharing, and benefits such as a pension, health care, holiday, etc. Non-Financial benefits are Training, personal development, performance management, employee career development, and Work environment such as core values of the organization, employee voice, recognition Job design, leadership, role development. According to (McKeown, 2002) an organization can retain its existing employees when the commitment & contributions of their employees are recognized through a proper performance-based incentive scheme. Career development and opportunities for personal growth are also vital for retaining employees who perform well in the organization (McKeown, 2002). According to (Das & Baruah, 2013), giving opportunities for Learning has a positive impact on intention to retain since it is a tangible investment for their future. According to the study conducted by (Sokro, 2012) employees decide to stay with the organization as a result of a highly competitive pay package and benefits. Previous research (Das & Baruah, 2013) and (Adler & Ghiselli, 2015) also show that there is a relationship between pay packages and the retention of employees. As per the previous studies (Sokro, 2012), growth opportunities are one of the top five factors for employee retention.

(Das & Baruah, 2013) stated that growth opportunities lead to job satisfaction which ultimately helps in employee retention. According to previous research (Sokro, 2012) and (Das & Baruah, 2013), organizational culture positively impacts the decision of the employees to stay with the organization. (Das & Baruah, 2013) have stated that the firms which provide an appropriate level of privacy and sound controlled work environment have been able to satisfy and retain their employees.

Further, it will enhance the level of motivation and it enables to have employees who are committed to the organization.

Employee Brand Equity: Employee Brand Equity is an outcome of employer branding and that can be defined as the effect of the employer brand on prospective and current employees in terms of the perceived value of working for that organization (Collins & Kanar, 2013). Employee brand equity has few dimensions as depicted in figure 1. following a description of each. (Please see figure 1: Dimensions of Employee Brand Equity)

Familiarity with employer brand: To which extend that a job seeker is aware of an organization is considered under the familiarity with employer brand (Cable & Turban, 2001). It goes beyond a general simple familiarity or recognition on general public facts on the company, but the familiarity generated after a significant investment in time and also the efforts to decide on an employment (Wilden, Gudergan, & Lings, 2010). Further (Wilden, Gudergan, & Lings, 2010) have stated that it is required the prospective employees to be aware of the organization before joining it, which reduces the perceived risk and finally decide to join the company. Hence, familiarity with employer brand is used in employer branding to attract job seekers towards organizations and it has not been received much attention in internal employer branding. However, (Moroko & Uncles, 2008) have emphasized that the internal marketing of employment benefits is important as same as external branding which has not been explored yet in the context of employment. Moreover, familiarity with the employer brand plays a vital role in maintaining a good relationship between employer and employees which has been acknowledged by previous researches (Haines, Rousseau, & Brotheridge, 2011).

Employer brand associations: Employer brand associations are on something connected with the memory to a particular company and there would be an underlying specific meaning on an employer brand for employees. It could be built on a specific positive or negative incident with the employee. Such information which is stored in the employee's mind may create a generalized impression on an organization. The employer brand associations work as a fountain for all assessments of different features of an employer

Brand, and thus it may contain different associations about a company (Brooks, Highhouse, Russell, & Mohr, 2003).

Experience with the employer: Experience with the employer is another vital element for the relationship between employer and employees. It is on the value delivery through the employment relationship. Employees have different experiences with their employers. It occurs through interaction between employees and employers when the service and benefits are exchanged. Employee experience is a subjective response to the process of value exchange (Edwards, 2010). According to (Davies, 2008), due to the complexity, managing employee experience is a difficult task. A considerable number of factors that contribute to the employment brand package of benefits create a part of the aforementioned complexity (Edwards, 2010).

Employer brand loyalty: Employer brand loyalty is directly relevant to the existing employees who have experience with a particular employer brand. (Backhaus & Tikoo, 2004) have claimed that brand loyalty consists of behavioural and attitudinal components. It is similar to organizational commitment, which can be defined as the strength of an individual's identification with an involvement in a particular organization (Crewson, 1997). One's feeling of belongingness and attaching him/herself to the organization are indications of employer brand loyalty. Therefore, employer brand loyalty is something that encourages talented employees to maintain a good relationship with the employer.

Relationship between EVP, EBE, and Intention to Retain: Employee retention is one of the important outcomes of having a high employee brand equity (Alshathry, Clarke, & Goodman, 2017). Further, according to figure 2, retention perception is one of the outcomes of employee brand loyalty which is an element of employee brand equity. (Please see figure 2: Antecedents and outcomes of employee Brand equity).

Supporting this, they have developed several constructs and among them, employer brand loyalty has a positive impact on the retention perception of existing employees. Further, experience with the employer and familiarity with the employer brand is positively related to employer brand association.

The employer brand association is positively related to employer brand loyalty which has a positive impact on the retention perception of existing employees. Therefore, all four (04) elements of employee brand equity are related either directly or indirectly to the retention perception of employees.

As per the above model, given in figure 3 economic value, interest value, social value, developmental values, and brand trust are the components of internal and external employee-based brand equities that affect internal and external organizational attractiveness. External and internal employer brand equity plays a key role in the intention to acknowledge a job offer and in the intention to retain the organization for an employee. (Please see figure 3: Employee based brand equity and organizational outcomes)

Moreover, another study conducted by (King & Grace, 2009) has stated many outcomes of EBBE (figure 4) there also intend to stay is one of the key benefits of EBBE for an organization. (Please see figure 4: Dimensions of employee-based brand equity).

All above are evident that EBE and employee retention have a direct positive relationship.

Demographic Factors: Demographic factors are the factors that can be used to explain the characteristics of an individual or a population. Age, gender, marital status, education level are some of the demographic factors used commonly.

According to (Nayak & Pandey, 2015) The majority of females agreed that balancing work and home is difficult for maintain their leadership activities in day-to-day lives. Work-life balance affects the age of children. Female employees who have infants or younger children face more challenges as compared to the employees who have elderly children. This occurs since they are the ones who care about their children rather than job activities. Male employees with younger children face more conflict with maintain family and work activities because they make a better future for their children by working hard.

According to (George, 2013) retaining older workers can be a win-win situation for both employees and employers in an organization. Older employees are generally matured enough to handle the work assigned and are dependable.

They also remain on the job long period compared to younger employees, and they are very loyal to the organization. And they also are willing to work flexible hours. And Y generation employees are considering as having modernized technical knowledge. They're trying to do creative things that will improve his or her knowledge. Generation X employees value their job security. If they feel that their job is at risk, they never think twice to resign their job. As per (Amarathunge, 2016) Age has a significant relationship with intention to leave. Female factory employees are called "Juki girls" by society and they are discouraged to continue their service due to bad reputation. (Ranasinghe, Madurawala, Su, & Thushara, 2016).

(Mobley, 1982; Kweiler, 1998) have identified that marriage correlates with labour turnover. Moreover, (Wijesekera, 2017) have stressed that childcare and pregnancy are other key reasons for female employees to quit their job. Education level is another significant demographic factor for employees for their retention decision. Young girls who have higher educational qualifications, do not want to join the apparel manufacturing industry as sewing machine operators, (Madurawala, 2017).

Theories Associated with the Conceptual Model: According to the social exchange theory, one's behaviour reinforced another person's behaviour, and vice versa, thereby maintaining the relationship. According to (Settoon, Bennett, & Liden, 1996), the employer and employee can be considered as two 'actors' in the relationship describes in social exchange theory.

According to the social exchange theory, different kinds of relationships are developed in organizations where people work (Cropanzano & Mitchell, 2005). The social exchange theory explains a social exchange between an employee and the firms where he/she works. The relationship between perceived support from organizations and withdrawal behavior is negative (Rhoades & Eisenberger, 2001). According to these findings, care and consideration help to improve emotional bonds between employees and their organization. As a result of the emotional bond, a feeling of social identification is created which increases an individual's attachment to his/her employer (Mossholder, Settoon, & Henagan, 2005).

Therefore, employees who receive greater support from their organizations would be less likely to look for a new workplace or to quit the company they work for. Similarly, (Wayne, Shore, & Liden, 1997) proposed that employees who have low support from the organizations they work are more likely to have an intention to quit.

According to (King & Grace, 2009), employee brand equity can be described as an identification-based relationship of workers with a particular brand. While the concept of social exchange is evolved from the social exchange theory, the identification-based relationship is evolved from the social identity theory which explains employee relationships through fit between personal identity and organizational identity (Ashforth & Fred, 1989). According to the social identity theory, being a part of a particular group provides people with a sense of belonging and a social identity.

According to Vroom's expectancy theory, an employee believes that the effort will result in a performance that satisfies the requirement of the employer. He/she believes that such performance will produce the expected rewards. In other words, it is an effort-to-performance expectation which individual feelings will lead to the accomplishment of the anticipated goal (Kreitner & Kinicki, 2001). Expectancy theory can be used to predict the behaviour of an individual on any occasion where he/she has to select one out of two or more alternatives. An individual's decision on continuation of employment or to leave the organization can be predicted using expectancy theory (Kreitner & Kinicki, 2001).

Further, as per the person-organization fit theory introduced by Kristof in 1996, reducing employee-organization mismatch will lead to an increase in the likelihood of employees staying with the organization (Aycan Z., et al., 2000) and (Jones, Willness, & MacNeil, 2009). According to (Westerman & Cyr, 2004) personality congruence and value congruence have a direct impact on the intention to stay with a particular employer. As per the above findings, social exchange theory, expectancy theory, and person-organization fit theory explain the relationship between exogenous (EVP) and the endogenous variable of intention to retain.

According to the theory of psychological contract, employees are loyal to their organizations in exchange for job security (Hendry & Jenkins, 1997) and marketable skills through training, development opportunities, and clear career paths (Baruch, 2004). Brand loyalty is one dimension of employee brand equity (Rampl & Kenning, 2014) and therefore, the relationship between the independent variable (EVP) and the mediator (EBE) has been justified by the theory of psychological contract and the social identity theory. (Please see figure 5: EVP Framework)

Conceptualizing the theoretical model: According to (Alshathry, Clarke, & Goodman, 2017), the employee-base brand equity mediates the relationship between intention to retain & the attributes of the employee value proposition (Figure 2). As per the conceptual model introduced by (Jiang & Iles, 2011), there is a positive relationship between attributes of Employee value proposition and employee brand equity (Figure 3). According to (Alshathry, Clarke, & Goodman, 2017), intention to retain is one of the outcomes of having high Employee Brand Equity. (King & Grace, 2009) has stated many outcomes of employee brand equity (figure 4), and intention to stay is one of the key benefits of employee brand equity. Therefore, Figure 4 illustrates the conceptual framework which makes the base for further studies by holding the relationship between variables. This has been developed by utilizing the literature review.

Currently, available literature on EVP was used in identifying variables for the EVP framework, and through a pilot survey, the EVP framework can be finalized. Then, the framework can be used to understand the relationship between the EBE and employee retention. The mediating variable is EBE and the demographic factors are used as moderating variables in the relationship between EVP and EBE. Relationships among the variables which are theoretically related are empirically justified.

Hypotheses Development

Based on the aforementioned conceptual framework, alternative hypotheses have been developed as follows:

(Please see Table 1: Evidence for Hypotheses building)

Methodology

This study was conducted as a targeted literature review which consists of three main steps. As the first step, an initial investigation was conducted by the author using keywords like EVP, EBE, employee turnover, and intention to retain. Open sources were used for the initial search to identify relevant literature and the most relevant literature was identified using the appropriate electronic databases and journals. At this stage, the journal publications that have published the phenomena in question were given priority. The second step was to further screen the literature by using inclusion criteria and exclusion criteria. As the third step, the data was analyzed using the themes, developed from the literature that supported to build of the conceptual model.

Limitations of the Study

This study was limited to review the literature of the pertinent variables to develop the conceptual framework and hypotheses. It has not been extended to an empirical study.

Conclusion, Implications, and Recommendations

This paper presented a conceptual framework that explains the mediating role of employee brand equity and the moderating role of demographic factors on the relationship between employee value proposition and their intention to retain in the apparel manufacturing sector in Sri Lanka. As the findings, a set of hypotheses were developed from the model.

Such findings implicate in conducting empirical research that contributes to explain reasons for higher-level employee turnover and then to find effective solutions scientifically. This is due to the reason that the derived results of the study are significant in understanding the relationship among employee value proposition, employee brand equity, and intention to retain. Further, this study has significant implications as within the Sri Lankan context, there is not much research conducted on employee value proposition and employee brand equity.

Therefore, it is recommended to implement solutions for higher employee turnover in the apparel manufacturing industry in Sri Lanka, not just based on monetary rewards, but on the overall value proposition, that employees expect, based on scientific research. Hence, this enables practitioners, regulatory apex bodies, and all other policymakers to use such research findings appropriately to solve employee retention issues in the textile manufacturing industry in Sri Lanka.

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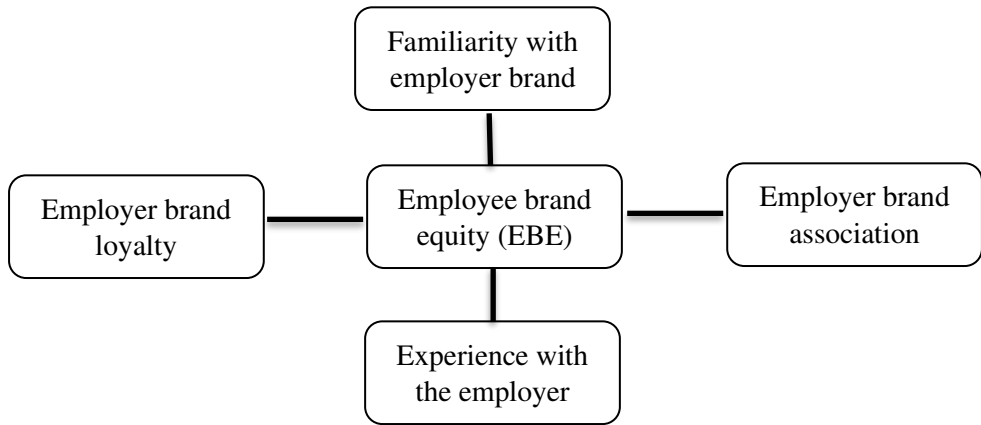
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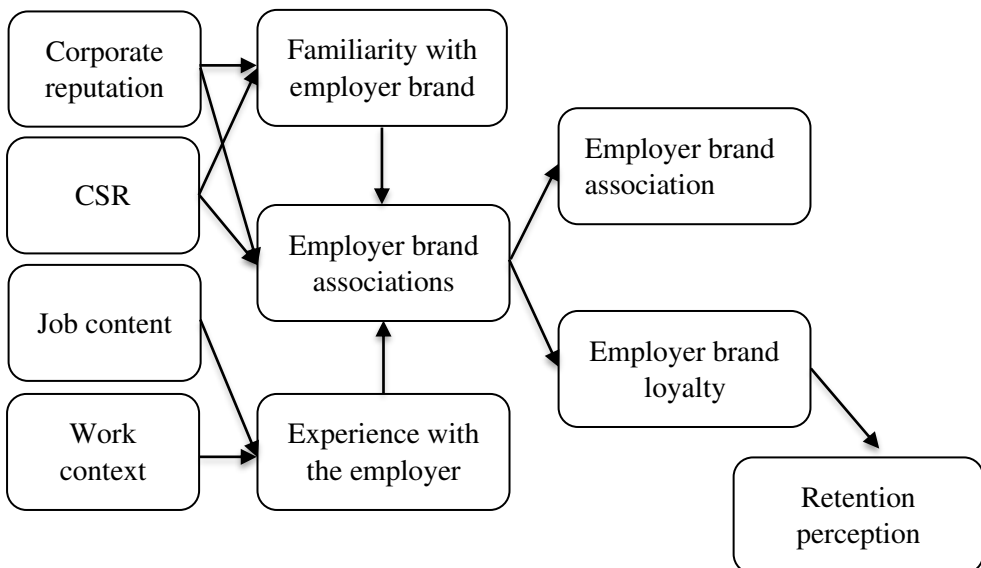
Annexure 1

Figure 1: Dimensions of Employee Brand Equity



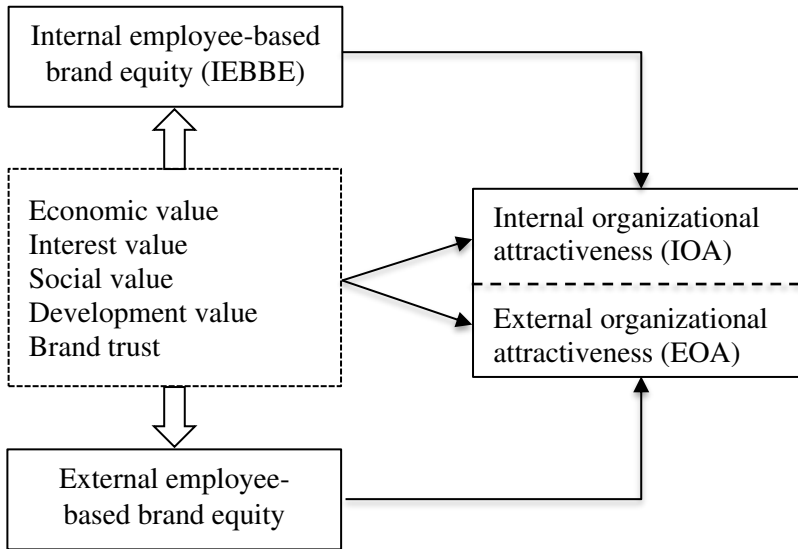
Source: (Backhaus & Tikoo, 2004) and (Rampl & Kenning, 2014)

Figure 2: Antecedents and outcomes of employee Brand equity



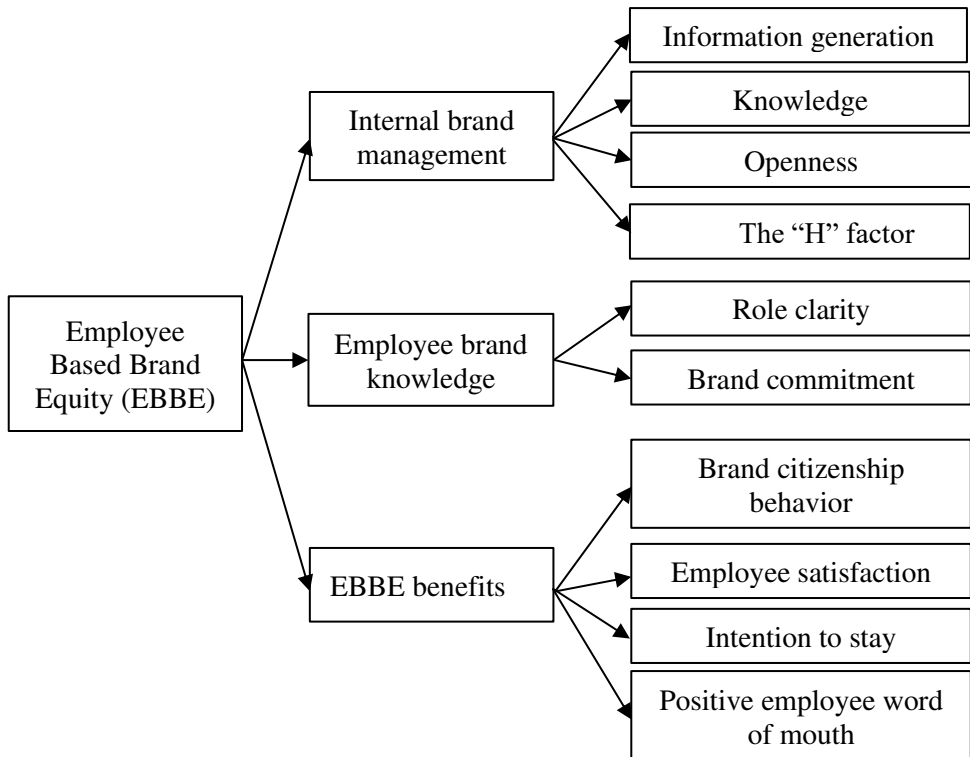
Source: (Alshathry, Clarke, & Goodman, 2017)

Figure 3: Employee based brand equity and organizational outcomes



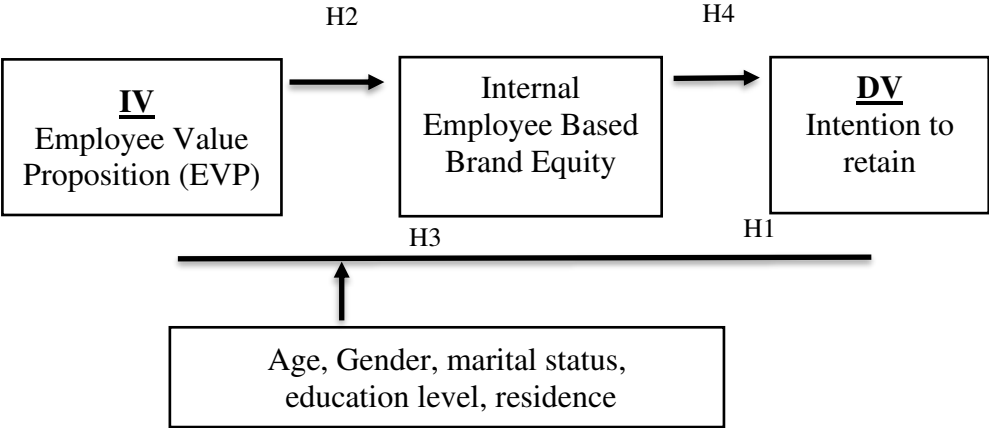
Source: (Jiang & Iles, 2011)

Figure 4: Dimensions of employee-based brand equity



Source: (King & Grace, 2009)

Figure 5: EVP Framework



Source: The author developed

Table 1: Evidence for Hypotheses building

Hypothesis	Citations
H1- There is a positive impact of Employee Value Proposition on employee brand equity	(Alshathry, Clarke, & Goodman, 2017); (Jiang & Iles, 2011)
H2 - There is a positive impact of employee brand equity on the employees' intention to retain	(Alshathry, Clarke, & Goodman, 2017); (Backhaus & Tikoo, 2004); (King & Grace, 2009)
H3- There is a positive impact of Employee Value Proposition on the employees' intention to retain	(Westerman & Cyr, 2004); (Aycan Z. , et al., 2000); (Jones, Willness, & MacNeil, 2009)
H4- The relationship between Employee Value Proposition and intention to retain is moderated by the demographic characteristics of the employees	(Ranasinghe, Madurawala, Su, & Thushara, 2016); (Madurawala, 2017); (Kweller, 1998)