

Building Employee Retention through Employer Branding: The Mediating Role of Organizational Trust

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ABSTRACT

This study aims to analyze the mediating role of organizational trust on the effect of employer branding on employee retention. Specifically, this study examines whether organizational trust mediates the relationship between employer branding and employee retention. The sample comprised 170 employees working for at least 1 year in manufacturing companies in West Java, selected using random sampling. Data were collected via a questionnaire on a 5-point Likert scale. PLS-SEM in SmartPLS analyzed the data by evaluating the measurement model, structural model, and hypotheses tests. This methodology should provide valid results to prove the mediating effect of organizational trust on the relationship between employer branding and employee retention. Employer branding relates positively to organizational trust and employee retention. Further, organizational trust mediates between employer branding and retention. Companies should communicate strong employer branding to increase organizational trust and retain talent long-term. This research highlights the importance of employer brand and organizational trust for manufacturing companies looking to improve employee retention. Companies should invest in building a strong employer brand and fostering employee trust. This study makes a new contribution to employer branding, organizational trust, and employee retention research by validating and extending Social Exchange Theory in the context of employee-company relationships. This research provides new insights and empirical evidence regarding the phenomenon and important factors that influence employee retention in Indonesia.

Keywords: Employer Branding, Organizational Trust, Employee Retention

INTRODUCTION

Business competition in the automotive industry today is getting tighter. Companies are required to be able to maintain quality human resources in order to continue to compete and develop. One of the biggest challenges faced by automotive companies today is maintaining the level of employee retention or the company's ability to retain its employees (Dechawatanapaisal, 2018).

Employee retention has become an important issue for many manufacturing companies in Indonesia, especially in the West Java Industrial Estate. Based on data from the Central Statistics Agency (2022), the employee turnover rate in the manufacturing sector reached 8.5% in 2022. This figure is quite high and indicates that many manufacturing companies face challenges in retaining their employees.

Several previous studies have shown that high employee turnover has a negative impact on the company. For example, reduced productivity, increased costs of recruiting and training new employees, to loss of knowledge and expertise from employees who quit (Abbasi & Hollman, 2000; Heavey et al., 2013). Therefore, efforts to increase employee retention should be the attention of manufacturing company leaders in Indonesia.

A low level of employee retention will have a negative impact on the company. High employee turnover will lead to the loss of knowledge and skills that the company already has. In addition, companies also have to spend a lot of money to find, recruit, and train new employees. Based on a study from The Work Institute (2023), the total cost that

companies must incur due to employee turnover in the United States reaches 1 trillion United States dollars per year The Work Institute (2023).

One strategy that companies can implement to increase employee retention is through employer branding (Kuchеров & Zamulin, 2016). Employer branding is an effort to build a company's image and identity as the workplace of choice for current and potential employees in the future. Companies with strong and positive employer brands tend to be more successful in attracting top talent and retaining their best employees (Saini et al., 2013).

Several studies have also found that the positive role of employer branding on employee retention can be mediated by organizational trust or employee trust in the company. That is, strong employer branding can encourage the growth of employee trust in the company, which in turn will increase employee retention.

Although several studies have confirmed the important role of employer branding and organizational trust as strategies to increase employee retention, there are still research gaps that need to be answered, especially in the context of manufacturing companies in Indonesia. First, most of the previous research was conducted in developed countries such as the United States and Europe. Research focusing on manufacturing companies in Indonesia is still very limited. Given the different social, economic, and cultural conditions, research results in developed countries may not necessarily apply equally to companies in Indonesia. Therefore, further research is needed to validate the model and findings in the Indonesian context. Second, although several studies have confirmed the role of organizational trust mediation, the magnitude of the effect of mediation is still inconsistent between studies. Third, so far no research has been found that specifically investigates manufacturing companies in West Java industrial estates. In fact, this industrial area in West Java is one of the largest industrial estates in Indonesia with hundreds of multinational manufacturing companies operating in it. Therefore, research with a specific focus on this industrial park will provide new insights around employee behavior and retention in large-scale manufacturing companies.

This research is expected to make several new contributions, including being one of the first studies to investigate the effect of employer branding and organizational trust mediation on employee retention in the context of manufacturing companies in Indonesia. Provide empirical evidence on the significance of the effect of organizational trust mediation in the relationship between employer branding and employee retention in manufacturing companies, as well as provide new insights into effective employee retention strategies for manufacturing companies in the West Java Industrial Estate based on the results of direct surveys to companies. Theoretically, this research is expected to strengthen and expand Social Exchange Theory in the context of employee-company relations. While practically, the results of the research can be used by companies to design employer branding initiatives and increase organizational trust to increase employee retention.

THEORETICAL FRAMEWORK

Employer branding as an attractive workplace has an influence on employee retention or employee retention in the company. Employee retention refers to the company's ability to retain employees from moving to other companies (Basu Ekinci, 2017). The better the employer branding done by the company, the higher the level of employee retention in the company. Good and positive employer branding will make employees feel comfortable, valued, and proud to be part of the company. This will ultimately increase the desire of employees to remain employed in the company in the long term (Basu Ekinci, 2017; Sathya & Indradevi, 2015). Some employer branding strategies that companies can do to increase employee retention include providing competitive compensation, increasing employee engagement, creating a supportive work environment and culture, providing career development opportunities, and showing concern for employee welfare (Sathya & Indradevi, 2015). The more positive employer branding strategies implemented, the stronger the employee retention rate in the company. Based on this explanation, a hypothesis was proposed:

H1 : Employer branding influences employee retention

Employer branding as an attractive workplace is thought to have an influence on organizational trust or employee trust in the organization where they work. Organizational trust refers to the employee's belief that the company is trustworthy, will act fairly, and will fulfill its obligations to employees (Edgington & Gefen, 2017). Positive and credible employer branding will shape employee perceptions that the company is a good, fair, and trustworthy

workplace in fulfilling employee rights and welfare (Edgington & Gefen, 2017). Some employer branding strategies that can increase organizational trust include information transparency, consistency in HR policies, the formation of an organizational culture that encourages openness, and competitive benefits and benefits for employees. The more positive efforts this makes, the higher the level of employee trust in the company (Mosley, 2007). Based on this explanation, a hypothesis was proposed:

H2 : Employer branding influences organizational trust

Organizational trust is defined as the employee's belief that the company can be trusted and will fulfill its obligations, including maintaining employee welfare (Chathoth et al., 2011). It is hypothesized that organizational trust has a positive effect on employee retention or the company's ability to retain its employees. The higher the level of organizational trust felt by employees, the higher their commitment to remain employees in the company. This is because trust creates a reciprocal relationship between employees and the organization (Chathoth et al., 2011). When employees trust the organization and its leaders, they reciprocate with loyalty. This loyalty then drives the intention to stay in the company in the long run. Some ways to improve organizational trust and employee retention include creating a supportive work environment, empowering employees, and showing concern for employee welfare and career development. Based on this explanation, a hypothesis was proposed:

H3 : Organizational trust influences employee retention

Strong employer branding will increase organizational trust, which then has a positive impact on increasing employee retention. Employer branding refers to a company's efforts to create an image or reputation as a good and attractive workplace for employees (Khan & Mushtaq, 2015). Effective employer branding, such as a supportive work environment, competitive compensation, and career development opportunities, will make employees feel valued so that their trust in the company (organizational trust) increases. When organizational trust increases, employees will feel proud and comfortable working in the company so that commitment and loyalty arise, which then triggers the desire to stay in the long term (Khan & Mushtaq, 2015). Thus, it can be said that organizational trust mediates the positive impact of employer branding on employee retention. Based on this explanation, a hypothesis was proposed:

H4 : Employer branding influences employee retention which is mediated by organizational trust

RESEARCH METHODOLOGY

This study targets employees who have worked for at least one year in manufacturing companies located in West Java as the research population. A random sampling technique was employed to ensure unbiased respondent selection. The sample size was determined based on the guidelines by Hair et al. (2019), which recommend a minimum of 5 to 10 respondents per indicator used in the measurement model. Accordingly, a total of 170 employees were selected as the representative sample. Data were collected through a structured questionnaire utilizing a 5-point Likert scale, ranging from "strongly disagree" to "strongly agree." The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS software. The analytical procedures involved the evaluation of both the measurement model (outer model) and the structural model (inner model), followed by hypothesis testing. By applying this methodological approach, the study aims to produce robust and valid findings regarding the influence of employer branding on employee retention, with organizational trust as a mediating variable, specifically in the context of manufacturing companies in West Java.

RESULTS AND DISCUSSION

Result

Structural Model Testing (Inner Model)

This test is a test of the structural model by looking at the R-square value which is the result of the goodness of fit model test. The employer branding model on employee retention provides an R-square value of 0.397 which means that the variability of the Employee Retention construct can be explained by the talent management construct variable by 39.7% while 60.3% is explained by other variables outside this study. Another influence model is the Organizational trust variable with a value shown of 0.188 so that it can be interpreted that 18.8% of the organizational

trust construct with the dependent variable, namely employer branding and employee retention. While 81.2% is explained by other variables that are not included in this study. Can be seen in the table below:

Table 1. R- Square

	R Square
Employee Retention	0,397
Organizational Trust	0,188

Source: PLS (2024)

After conducting the determination test, path analysis was run to understand the causal relationship between exogenous and endogenous variables using bootstrapping in smart PLS 3.0, so as to predict the results of the path analysis in this model.

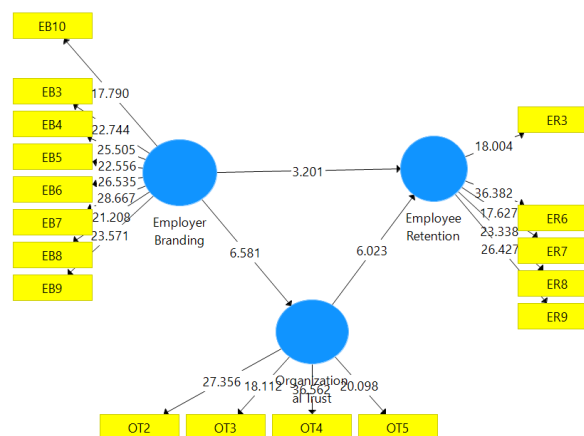


Figure 2 Bootstrapping Output

Source: PLS (2024)

To elaborate, table 2 presents the path coefficients that outline the coefficient values based on T-values and P-values, which are used as the basis for determining the causal relationship in the model under discussion.

Table 2. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
EB -> ER	0,245	0,247	0,077	3,201	0,001
EB-> OT	0,434	0,442	0,066	6,581	0,000
OT-> ER	0,483	0,486	0,080	6,023	0,000

Source: PLS (2024)

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

Table 3. Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
EB -> OT -> ER	0,210	0,215	0,050	4,219	0,000

Source: PLS (2024)

Discussion

Employer Branding Influences Employee Retention Which Is Mediated By Organizational Trust

The results of this study show that employer branding has a positive and significant effect on employee retention in manufacturing companies in West Java. This is in line with the findings of several previous studies by Dabirian et al. (2020), Chhabra & Sharma (2014), and Mosley (2007) which also prove the positive influence of employer branding on employee retention. Strong employer branding can form an employer value proposition that attracts and convinces employees that the company is the best place to work for them compared to other alternatives (Backhaus & Tikoo, 2004). Employer branding encompasses a company's various initiatives in building its image and reputation as an attractive organization to work with. This will ultimately make employees feel proud, comfortable, valued, and motivated to continue to stay part of the company. Therefore, strong and positive employer branding has a strategic role in efforts to increase employee retention in the midst of intense competition for talent today. Companies are advised to continue to invest, form and communicate unique and attractive employer branding in order to be able to retain their best employees.

Employer Branding influences Organizational Trust

The findings of this study show that employer branding has a significant effect in forming organizational trust or employee trust in the company. Similar results are also stated in studies by Tanwar & Prasad (2016) and Maxwell & Knox (2009) which explain that positive and strong employer branding can increase organizational trust. Employer branding reflects how companies are perceived as organizations that care, are fair, and responsible for the welfare of their employees. This in turn will build organizational trust characterized by positive employee confidence that the company can be relied upon and trusted to act in their interests. Thus, it can be concluded that the better the employer branding of a company, the higher the level of organizational trust formed. Companies need to communicate and realize employer branding through various strategic HR initiatives in order to foster employee trust as the foundation of building positive long-term working relationships.

Organizational Trust influences Employee Retention

The results of this study are in line with previous studies (Dechawatanapaisal, 2018; Sakdiyakorn & Wattanacharoensil, 2021) who also found a positive and significant influence of organizational trust on employee retention or the company's ability to retain its employees. Organizational trust reflects employees' positive belief that the company can be trusted and will act in their interests. This trust in turn will encourage the growth of employees' affective commitment to the company as well as the desire to remain part of the company. In other words, employees who have high organizational trust will feel comfortable working in the company and are reluctant to resign or move to another workplace. Therefore, organizational trust has a vital role in efforts to increase employee retention in the midst of today's intense talent competition. Company management needs to continue to strive to build and strengthen organizational trust among employees through various supporting HR initiatives and policies. This will be the key to successfully retaining the best employees so as not to move to competitors.

Employer Branding influences employee retention which is mediated by organizational trust

The results of this study show that organizational trust is proven to mediate the influence of employer branding on employee retention, in line with studies by Tanwar & Prasad (2016) and Maxwell & Knox (2009). This finding indicates that employer branding not only has a direct impact on retention, but also indirectly by first building organizational trust among employees. According to Backhaus & Tikoo (2004), strong employer branding can increase the attractiveness of the company in the eyes of both employees who are already working and prospective employees. Furthermore, employer branding will form a positive perception and belief that companies can be relied upon to meet their interests, which is the core of organizational trust. In the end, organizational trust that is formed will encourage the growth of affective commitment and employee desire to remain part of the company or employee retention (Dechawatanapaisal, 2018). Thus, it can be concluded that the role of organizational trust becomes very vital in mediating the positive influence of employer branding on employee retention.

CONCLUSION

Based on the results of testing the four research hypotheses which are all significant, it can be concluded that employer branding has a positive effect on employee retention, employer branding has a positive effect on organizational trust, organizational trust has a positive effect on employee retention and organizational trust is proven to mediate the relationship between employer branding and employee retention. The results of this study imply that companies are advised to develop and communicate strong employer branding in order to increase organizational trust so as to retain employees in the long term. Further research is recommended to increase the sample size and expand the research location to industrial estates in other provinces in Indonesia that have different characteristics and challenges. In addition, research models can be developed by incorporating additional mediation or moderation variables such as employee engagement or perceived organizational support. The qualitative method can also be used to provide a more comprehensive understanding of the phenomenon and driving factors of employee retention. The increasing number of studies with various approaches will further strengthen the results of this research.

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