The Effect of Employer Branding on Contractual Employees: Engagement and Discretionary Effort

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**Recommended Citation**  
Hardy, Human; Afrianty, Tri Wulida; and Prasetya, Arik (2020) "The Effect of Employer Branding on Contractual Employees: Engagement and Discretionary Effort," *BISNIS & BIROKRASI: Jurnal Ilmu Administrasi dan Organisasi* : Vol. 27 : No. 1 , Article 2.  
DOI: 10.20476/jbb.v27i1.11757  
Available at: [https://scholarhub.ui.ac.id/jbb/vol27/iss1/2](https://scholarhub.ui.ac.id/jbb/vol27/iss1/2)

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The Effect of Employer Branding on Contractual Employees: Engagement and Discretionary Effort

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Abstract. Employees are the most valuable assets in various types of organizations, and to retain valuable employees, organizations need employer branding strategies. This study examines the effect of employee engagement as a mediator variable of employer branding and discretionary effort relations. The sample used in this study are 110 contractual employees who worked at the State-Owned Enterprises (SOE) Commercial Banks in Kota Malang. The data in this study were collected through direct surveys using questionnaires. Explanatory methods and Structural Equation Modeling (SEM) are used to explain the influence between variables. The results of this study indicate that employer branding has a positive and significant effect on employee engagement of contractual employees and positive but not significant effect on discretionary effort of contractual employees. This study also proves the role of employee engagement that successfully mediates the influence of employer branding on discretionary effort to be positive and significant. The role of employee engagement becomes essential, indicating SOE Commercial Banks should increase contractual employee’s engagement level before expecting an enhancement on discretionary effort through employer branding strategy.

Keywords: contractual employee, discretionary effort, employer branding, employee engagement, state owned enterprises

INTRODUCTION

In recent years, the economy has experienced a slowdown caused by the magnitude of financial crisis in 2008, as companies face increased costs and stagnant or falling revenue, causing unemployment rates around the world to increased significantly, from 5.0% in 2008 to 5.6% in 2009 (ILO 2019). The recovery to the levels that prevailed before the global financial crisis has taken a full nine years, but the global unemployment rate stood at 5.4% in 2019, this means that the gradual decline of the unemployment rate observed between 2009 and 2018 appears to have come to a halt (ILO 2020). Conversely, many CEOs and managers assume the number of competent talent pools has not experienced a significant increase and having difficulty in recruiting decent employees (Burawat 2015). Company rivalry in fighting over talented employees is still going on, and the competition is getting tighter every day.

Employees are the most valuable assets in organizations, and to retain valuable employees, it is essential for organizations to implement employer branding strategy. Organizations with strong employer branding are able to attract the interests of prospective employees while retaining existing employees, and through their employees can lead to the success of sustainable competitive advantage. Many researchers support the benefits of being the best employer, some of the benefits are lower recruitment costs (Hasan and Shabana 2016; Anne-Mette, Ragnhild, and H. 2013), lower turnover rate (Sangeeta, Avinash, and Anupam 2018; Vaneet and Neha 2018; Kashyap and Rangnekar 2016; Cascio 2014), lowering employee absenteeism (K. De Stobbeleir et al. 2014; K. E. M. De Stobbeleir et al. 2018), increasing employee engagement (Burawat 2015) and commitment (Jack, Céleste, and Kathie 2013; N. and Aiswarya 2019; Fernandez-Lores et al. 2016). In addition, the best employer can be distinguished from its competitors as seen from the high level of employee engagement that is associated with high discretionary effort and
generates high revenues and profits which then produces a company that is able to compete (Gatewood, Gowan, and Lautenschlager 1993; Backhaus and Tikoo 2004; Kunerth and Mosley 2011).

A global survey by consulting firm PricewaterhouseCoopers (PWC) of employer branding trends shows top five benefits of employer branding are to retain existing employees, increasing employee engagement, attracting job applicants, increasing employee performance and leads to positive business results (PWC 2017a; 2017b). Employers who understands this problem and are serious about applying employer branding strategy to their companies will automatically gain a competitive advantage in the market (Marusarz et al. 2009). A study by Powell and Goulet (1996) revealed that positive impressions and values of an organization that are perceived by employee have a significant effect on employee engagement. Later, Richman et al. (2008) found that work flexibility and fairness of organizational policies also have a significant effect in increasing employee engagement. Another predictors like supportive and fair supervisor whom concern about employee work experience, high-value of contract offering, opportunities for career development, and receiving appropriate wages are found to be associated with the high level of employee engagement (Aquino et al. 1997; Tepper 2000).

Discretionary effort refers to the quantity of time and intensity per unit of time given by the employee, which is then allocated to work beyond the minimum demand that required and expected by the company. Yankelovich and Immerwahr (1984) found 23% of workers claimed that they worked with full potential, while 44% claimed their work efforts to keep their jobs, and 75% claimed that they could be better than their current performance. Following a report from Lloyd (2012), which shows that employees, of whom 12% are from North America, 10% from Europe, and 22% from Asia Pacific (including Indonesia), reveal that they are satisfied by their performance and do it as expected by the employer. Discretionary effort is an essential organizational variable, some studies also support that discretionary effort is the result of employee engagement (Kular et al. 2008) and successful employer branding strategies (Marusarz et al. 2009). Academic researchers and practitioners affirm their interest in the relationship between employers and employees, some studies reveal the significant relationship between employer branding and employee engagement (Barrow and Mosley 2005; Kunerth and Mosley 2011; Sanborn, Malhotra, and Atchison 2011), while some studies also reveal the significant relationship between employee engagement and discretionary effort (Robertson-Smith and Markwick 2009; Kular et al. 2008; Shuck, Reio Jr, and Rocco 2011; Vijay Anand et al. 2016). However, this causality is separated from the theories that originated to these causalities. Also, studies that emphasize the simultaneous relationship between employer branding, employee engagement, and discretionary effort are rare, especially those in an academic approach (Burawat 2015).

This research was conducted in the Banking Industry of State-Owned Enterprises (SOEs) in the category of Commercial Banks registered at the Otoritas Jasa Keuangan (OJK), including Bank Mandiri, Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI) and Bank Tabungan Negara (BTN). There are several challenges of talent management faced by the banking industry in Indonesia, especially state-owned banking enterprises. Based on the survey results by PWC (2014), as many as 40% of banks in Indonesia experienced difficulties in finding high-quality human resources, the remaining 30% banks in Indonesia have difficulty in developing future leaders for their organizations, and 30% of banks in Indonesia have difficulty in retaining valuable employees for the organization. Based on the explanation and reasoning above, this study aims to (1) analyzing the effect of employer branding on employee engagement; (2) analyzing the effect of employer branding on discretionary effort; (3) analyzing the effect of employee engagement on discretionary effort and (4) explains the role of employee engagement in mediating the causality between employer branding and discretionary effort.

**Employer Branding and Employee Engagement**

Employer branding is defined as a long-term strategy targeted to manage the awareness and perceptions of employees, prospective employees, and stakeholders relating to corporate branding (Backhaus and Tikoo 2004). The process of internalizing employer branding encourages individuals to accept external values and show authentic attitudes (Saleem and Iglesias 2016). Internalization occurs when employees feel that they share the same or similar values with employer branding (Baker et al. 2014). However, for the internalization of employer branding to occur, leaders must consistently talk about their employer brand, act as a role model, live their employer brand, and therefore, implement their employer brand by “walking the talk” (Sharma and Bhatnagar 2016). Employees feel greater value congruence when messages are communicated through employer brand values and when they experience regular interaction with employer brands (Charbonnier-Voirin, Poujol, and Vignolles 2017; Chawla 2019). Senior management behavior, which reflects the values of employer brands, can fulfill a vital role in increasing employee engagement through employees who internalizes employer branding values.

Employee engagement is defined as an individual engagement, satisfaction and enthusiasm for work (Saks 2006). To successfully increase engagement, employees need to internalize the company's employer branding values as their own (Shamir, House, and Arthur 2008). Conformity between employee's values and employer branding values is called employee-brand fit. This concept is derived from Cable and DeRue (2002) definition of person-organization fit.
The research investigates employees' subjective perceptions of employer branding values because their employer branding perceptions tend to determine their attitude towards brands (Davies, Mete, and Whelan 2018; Tanwar and Prasad 2016; 2017; Alshathry, Clarke, and Goodman 2017). Also, similarity-attraction theory (Byrne, Clore, and Worochel 1966) shows that if two individuals feel that they have the same belief, they become very interested to each other (Zhang and Bloemer 2011). In the context of branding, employees who considers ethical values in line with company's employer branding, feel a higher similarity with their employer branding, and thus feel more engaged to the company. The compatibility of the employer brand and employees encourages employees to develop an emotional attachment to the company. In addition, when employees believe that their values are consistent with the values of employer branding companies, they feel more involved with the company's vision and beliefs, and they are more likely to be emotionally connected to the company (Ghielen, De Cooman, and Sels 2020).

Several studies, both conducted by academics and practitioners, confirm the influence of employer branding on employee engagement, for instance, Drizin (2005) summarizes the results of the 2004-2005 National Workforce Engagement Assessment, which was preceded by the Performance Assessment Network, Inc. their study concluded that the most significant drivers of engagement were job satisfaction, the reputation of the management team and the company, and the effectiveness of senior leadership. In addition, Kunerth and Mosley (2011) examined the impact of employer brand management on employee engagement by surveying 104 companies, including Coca-Cola HBC in Southern, Eastern, and Central Europe, as well as Russia and Nigeria, their study found that companies that have implemented employer branding have developed to be more attractive to job applicants, engage and retain more talented employees, and in return, employee are able to maintain their performance in challenging times. Barrow and Mosley (2005) also express the same thing, where they assume a company that consists of good senior leadership, which leads to a strong employer brand, will ultimately have an impact on high levels of employee engagement. Global factors that affect employee engagement consists of career development, leadership, support, and corporate image (Macey and Schneider 2008; Sanborn, Malhotra, and Atchison 2011; Kunerth and Mosley 2011), combined with work experience, developing opportunities, and leadership will also increase employee engagement (Truss et al. 2006; Kahn 1990).

**H1**: There is a significant positive effect of employer branding on employee engagement.

**Employer Branding and Discretionary Effort**

McGregor (1957) examined the behavior of individual organizations in the workplace. From his research, there are two models, namely Theory X and Theory Y. McGregor's work is based on Maslow's hierarchy of needs; he groups Maslow's hierarchy into the needs of the 'lower demands' (Theory X) and the needs of the 'higher demands' (Theory Y). In Theory Y, management assumes that employees are ambitious, highly motivated, and willing to accept greater responsibility and exercise self-control and self-direction. Employees enjoy their mental and physical work activities and have a desire to be imaginative and creative in their work, and this is made possible by organizations using proper employer branding. If these employees are given with the opportunity, the result will be leading towards higher employee's productivity.

The 'Theory Y' manager believes, that under the right conditions, most people are willing to work well at work. They believe that the satisfaction of doing a good job is a powerful motivator in the organization (McGregor 1960). Theory Y bears fruit such as independent work teams, self-management, job enrichment, and empowerment (Carson 2005). Discretionary effort is defined as the quantity of time and intensity per unit of time allocated by employees to work beyond what is needed or expected by the company (Entwistle 2001). The discretionary effort model that underlies this research is closely related to Theory Y initiated by McGregor, given the 'type of employee' targeted by the state-owned banks (PWC 2018). Extending McGregor's theory, this study confirms that the desires of employees in an organization are closely related to their personal and team expectations. An employee will only give their discretionary effort by fulfilling personal expectations by the company and to be able to be themselves.

The influence of employer branding on discretionary effort shows that organizations that offer attractive work contracts offering such as above-average salary, promotion, coaching, challenging work, and precise work targets will get more contributions such as high performance, flexibility, expertise, and discretionary efforts (Frenkel and Bednall 2016). In this regard, the results of research from Aon Hewitt (2012) conducted in 165 organizations with 74,000 employees spread across Australia and New Zealand, proved that the best employer not only creates a pleasant atmosphere for work but also creates a condition where employees can encourage the formation of discretionary efforts (Hewitt 2012). Employer branding can also improve employee performance and effort, in other words, there is a positive relationship between employer branding and employee performance (Buyanjargal and Sandagdorj 2017). This relationship is also reinforced by research by Burawat (2015), which states that there is a positive relationship between employer branding and discretionary effort.

**H2**: There is a significant positive effect of employer branding on discretionary effort.

**Employee Engagement and Discretionary Effort**
The more employees understand their expectations to be met through their work, the more self-employees will be affirmed, thereby directing employees to offer discretionary efforts voluntarily. Self-Affirmation Theory can be described as a theory which states that people look for ways to see themselves as: 'competent, good, coherent, united, stable, able to choose freely, able to control important outcomes' (Steele 1988). This theory tries to explain that people will reduce the impact of threats to their self-concept by focusing on and emphasizing their competence in several other fields. Selective self-affirmation can lead people to modify their self-concept by identifying aspects of their self that justify dissonant behavior and by denying the standards that are violated by that behavior (Aronson, Blanton, and Cooper 1995). If the workplace starts to 'violate' the concept of employee’s self-affirmation by not involving the employee effectively, then the employee will release a part of himself from the organization (disengaged). Kahn (1990) defines personal engagement as the harnessing of organization member’s selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. It’s important to distinguishes engagement and disengagement in employee engagement investigation with discretionary effort, because each concept are caused by different antecedents and could lead to different consequences (Saks 2006; 2019).

Empirical research on the relationship between employee engagement and discretionary effort by Kahn (1990) suggests that satisfaction levels are not enough to produce the discretionary effort, whereas employee engagement is more likely to be found in employees who work harder. Robertson-Smith and Markwick (2009) said that engaged employee would be more likely to be part of an organization that dedicates their companies to the performance of extra-roles, not limited to in-roles, as long as they are organize. Corresponds to the study conducted by Sanborn, Malhotra, and Atchison (2011), who studied global engagement, the results of the study showed that the employees involved made discretionary efforts. Meanwhile, some researchers define engagement as the emotional and intellectual level experienced by an employee, which is realized in the form of organizational support behavior, such as discretionary effort and intention to settle (Seijts and Crim 2006; Kunerth and Mosley 2011). Practitioner Hewitt Associates said that engagement is a measure of the energy and passion that employees have for their company. The researchers also confirmed that the employees involved referred to employees who were committed to the company by telling good things about their company and always trying to do more than what was expected from their job descriptions (Marusarz et al. 2009).

Employees who are more bound to tell good things about their company, and want to remain in the company, give more discretionary efforts that bring the company to a higher level of employer brand (Hughes and Rog 2008). In addition, research from Beattie and Smith (2010) conducted a study using survey methods to collect data from 160 company directors in the United Kingdom, and they found that employee engagement can be measured based on employees' commitment and discretionary effort to stay in their company. Kular et al. (2008), Robertson-Smith and Markwick (2009), Vijay Anand et al. (2016), further confirms that there is a positive relationship between employee engagement variables and discretionary effort.

In line with this Drizin (2005) summarizes the results of the 2004-2005 National Workforce Engagement Assessment conducted by Performance Assessment Network, Inc. by concluding that the relationship between employees and managers is very influential on the engagement that illustrates more significant discretionary work effort. Their study also confirmed that emotional impulses had a five times greater effect on one’s discretionary efforts compared to economic drives such as salary and compensation and emotional impulses such as dignity at work and good interpersonal relationships with managers had a four times greater impact on discretionary work effort someone compared to other factors such as salary or payment.

H3: There is a significant positive effect of employee engagement on discretionary effort.

Employee Engagement as a Mediator of Employer Branding and Discretionary Effort Relationship

Related to the relationship between employer branding and employee engagement, with discretionary effort, creating a strong employer brand will undoubtedly have an impact on sustainable success, where their employees will be more involved and will make discretionary efforts (Crozier 2008). In addition, Crozier (2008) also believes that an organization can create a world-class employer brand by improving capacity in recruiting new employees, engaging and maintaining employee talent, increasing employee discretionary effort and customer satisfaction, and emphasizing their differences with their competitor. In line with this, Burawat (2015) explains that the benefits of sustainable culture and employer branding are high levels of trust, motivation, involvement, and loyalty, which in turn will increase discretionary efforts and have a positive impact on productivity and financial performance. Employer brands also play a role in developing involvement to persuade employees to make discretionary efforts while working, working beyond the minimum requirements in terms of time and mind. A well-formed employee brand is associated with high employee involvement, while an employer brand that is not too good is associated with low involvement, wherein the end it results in a bad work relationship, lower productivity, and the absence of discretionary effort.

H4: There is an influence of employer branding
on discretionary effort through employee engagement mediation.

**RESEARCH METHOD**

This research used quantitative approach with explanatory method. Explanatory method is conducted in order to find the problem that not studied in-depth in the past research and can be useful in understanding the problem efficiently. The main aim of explanatory method is to identify any causal links between the factors or variables that pertain to the research problem (Hair et al. 2019). The locations of this study are Commercial Banks State Owned Enterprise (SOE) registered in Otoritas Jasa Keuangan (OJK), which are Kantor Cabang Utama (KCU) of Bank Negara Indonesia, Bank Mandiri, Bank Rakyat Indonesia and Bank Tabungan Negara in Malang City. The population in this study is 151 contractual employees at KCU Bank Negara Indonesia, KCU Bank Mandiri, KCU Bank Rakyat Indonesia, and KCU Bank Tabungan Negara in Malang.

The sampling technique in this study are multistage sampling. The first sampling technique is proportional random sampling, sampling is done randomly without regard to existing strata, and this technique is only used if the population is homogeneous. The sample size of this study was determined by the Slovin formula with an error tolerance of 5% which obtained 110 samples of contractual employees. The next sampling technique is proportional stratified random sampling, in which the randomized samples are distributed evenly to each work division in each state-owned bank to avoid collecting research samples in certain work divisions. Most of the respondents are female (62.7%), aged between 24-29 years (50.9%), graduated with bachelor’s degree (86.4%) and are undergoing their second year of contract period (37.3%). The type of data used in this study is primary data obtained directly from contractual employees selected as samples using questionnaire.

Data collection techniques used in this study are questionnaires and the scale used to measure respondents' answers is a Likert scale (5) points, where (5) is interpreted as "strongly agree" and (1) "strongly disagree". The analytical method used in this research is Structural Equation Modeling (SEM) with Partial Least Square (PLS) approach using smartPLS 3.0. The data analysis stages of this research are:

**Evaluation of the Measurement Model (Outer Model).** The outer model or measurement model defines how each block of indicators is related to its latent variable. The coefficients used for reflective relationship patterns are called outer loadings (Ghozali 2014). Outer models in this study are reflective. The outer model criteria are Cronbach's Alpha > 0.60, Composite Reliability > 0.70, Loading Factor > 0.70, and AVE > 0.50 (Urbach and Ahlemann 2010).

**Evaluation of the Structural Model (Inner Model).** The PLS inner model illustrates the relationship between latent variables based on theory. The inner model shows the relationship between latent variables. Inner Model criteria based on Urbach and Ahlemann (2010) are R2 > 0.670 (substantial), R2 > 0.333 (moderate) and R2 > 0.190 (weak).

**Goodness of Fit Evaluation.** Goodness of fit is measured based on the value of R2 (R-square) on the dependent variable as well as in the regression method. The R2 value indicates the overall predictive power of the model with R2 criteria > 0.10 or > 10%. Goodness of fit can also be used to calculate Stone-Geisser Q2 values. Q2 values greater than 0 (zero) indicate that the model prediction is relevant, where the Q2 value less than 0 (zero) indicates the model prediction is less relevant (Ghozali 2014).

**Hypothesis Testing (Bootstrapping).** The implementation of this method does not require the assumption of a normal distribution and does not require a large sample size. Testing can be done by t-statistics. It is said to be significant when the t-value is above the t-table (t-value is more than t-table) (t-table 1.980 at 5% error rate). If the test results of the model are significant, it means that there is an influence between latent variables (Ghozali 2014).

The exogenous variable in this study is employer branding which defined as a long-term strategy targeted to manage the awareness and perceptions of employees, prospective employees, and stakeholders relating to corporate branding (Backhaus 2016), this variable is measured by five indicators according to Burawat (2015) consisted of employment (which describes job characteristics performed by contractual employees), development and application (which describes contractual employee development programs provided by the company and how they implement the development that has been obtained), organizational reputation (which describes the reputation of the company and the products marketed, as well as the activities carried out by the company on the community and environment), economic (which describes tangible motivation such as salary and facilities offered by the company to contractual employees), and senior management (which describes the relationship between senior management and contractual employees).

The first endogenous variable in this study is employee engagement which defined as an individual engagement and satisfaction and enthusiasm for work (Saks 2006), this variable is measured by two indicators according to Saks (2006), organizational engagement (which describes contractual employee’s positive behavior towards the organization and act as ambassadors for the employer brand) and job engagement (which describes contractual employee’s positive behavior of contract employees towards work and enthusiasm in executing their duties and responsibilities). The second endogenous variable is discretionary effort which defined as the quantity...
of time and intensity per unit of time that employees allocate to work beyond what is needed or expected by the company (Entwistle 2001), this variable is measured by two dimensions according to Entwistle (2001), in-role discretionary effort (which describes contractual employee’s effort in fulfilling minimum requirement given by organization) and extra-role discretionary effort (which describes contractual employee’s effort in exceeding minimum requirement given by organization).

**Evaluation of Measurement Model (Outer Model)**

Convergent validity aims to evaluate the results of the validity test values of each latent variable with its indicators. Rule of thumb evaluation of the measurement model in the PLS-SEM equation the loading factor value is expected to be higher than 0.7 (Ghozali 2014). The results showed that the overall item loading factor value was higher than 0.7 which are valid and each indicator are appropriate to be used as a measurement tool for the construct of the variable under study are employer branding, employee engagement and discretionary effort, the results of convergent validity are presented in Table 1.

Composite reliability value on each construct variable also has good reliability, it can be seen that the composite reliability value on the employer branding was 0.951, employee engagement was 0.947 and discretionary effort was 0.897 which mean to have high reliability because it has a value > 0.70. According to Ghozali (2014), research instruments are reliable if the value of the reliability coefficient

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<td>Valid</td>
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</tr>
</tbody>
</table>
or Cronbach’s alpha is greater than 0.60. The reliability test results in this study indicate that the entire research instrument has a value > 0.60 and concluded as a reliable instrument, the results of the calculation of variables and indicators reliability are presented in Table 2.

**RESULT AND DISCUSSION**

**Evaluation of Structural Model (Inner Model).**

According to Ghozali (2014) when using PLS-SEM inferential statistical test termed the structural model (Inner Model) seen through the R-square value (R2) with a value higher than 0.67 indicates strong influence, higher than 0.33 indicates moderate influence and higher than 0.19 indicates weak influence. Based on Table 3 it can be seen that employee engagement has an R-square value of 0.626 which gives an indication of moderate influence, in other words, employee engagement variable can be influenced by employer branding of 62.6% and the rest of 37.4% can be influenced by other variables that not examined in this study. Discretionary effort has an R-square value of 0.537 which gives an indication of moderate influence in other words the discretionary effort can be influenced by employer branding variable and employee engagement of 53.7% and 46.3% can be influenced by other variables that not examined in this study. The results of the R-Square calculation are presented in Table 3.

<table>
<thead>
<tr>
<th>Variable &amp; Indicator</th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer Brand</td>
<td>0.951</td>
<td>0.952</td>
<td>0.951</td>
<td>0.584</td>
</tr>
<tr>
<td>Employment</td>
<td>0.826</td>
<td>0.828</td>
<td>0.827</td>
<td>0.614</td>
</tr>
<tr>
<td>Development &amp; Application</td>
<td>0.858</td>
<td>0.859</td>
<td>0.858</td>
<td>0.752</td>
</tr>
<tr>
<td>Organization Reputation</td>
<td>0.823</td>
<td>0.823</td>
<td>0.823</td>
<td>0.608</td>
</tr>
<tr>
<td>Economic</td>
<td>0.878</td>
<td>0.878</td>
<td>0.878</td>
<td>0.705</td>
</tr>
<tr>
<td>Senior Management</td>
<td>0.891</td>
<td>0.892</td>
<td>0.891</td>
<td>0.732</td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>0.947</td>
<td>0.949</td>
<td>0.947</td>
<td>0.668</td>
</tr>
<tr>
<td>Job Engagement</td>
<td>0.888</td>
<td>0.888</td>
<td>0.888</td>
<td>0.665</td>
</tr>
<tr>
<td>Organization Engagement</td>
<td>0.915</td>
<td>0.920</td>
<td>0.916</td>
<td>0.688</td>
</tr>
<tr>
<td>Discretionary Effort</td>
<td>0.896</td>
<td>0.899</td>
<td>0.897</td>
<td>0.592</td>
</tr>
<tr>
<td>Extra-role Effort</td>
<td>0.879</td>
<td>0.879</td>
<td>0.879</td>
<td>0.707</td>
</tr>
<tr>
<td>In-role Effort</td>
<td>0.843</td>
<td>0.851</td>
<td>0.845</td>
<td>0.647</td>
</tr>
</tbody>
</table>

Goodness of Fit

In PLS-SEM model, the overall goodness of fit assessment is known from the value of Q2 (predictive relevance). Goodness of fit testing of the model is done by using the coefficient of total determination, where the test results can explain how much the formed path model can represent the observed data. Based on Table 3 regarding R-square value, the predictive relevance can be calculated as follows:

\[
Q2 = 1 - (1 - R^2_1) x (1 - R^2_2)
\]

Based on the results of the calculation of Q2 values, it can be seen that the Q2 value of 0.827 which means that the diversity of data from the designed structural equation model can be explained by 82.7% and the remaining 17.3% are explained by other factors outside the research model which means the structural model in this study can be stated to have a good predictive relevance because the Q2 has a value with a range of 0 < Q2 < 1, where the closer the Q2 value to 1 means the better the model.

**Hypothesis Testing (Bootstrapping)**

The main aim of PLS-SEM is to explain the hypothesized relationships between the latent variables of interest. In other words, to determine whether the model fits the data. PLS-SEM focuses on maximizing the explained variance in the endogenous variables (Hair et al. 2019). As such, the structural model is assessed for its predictive capabilities by determining how well the model predicts the endogenous variables. After the reliability of each latent variable was confirmed, the estimated path coefficients were assessed to determine the strength and significance of the various hypothesized relationships. To assess
the statistical significance of the path coefficients, the bootstrapping procedure was used to compute the p-values. A significance level of 5% (p < .05) was used as a guideline in this study. Table 4 shows whether the path coefficients of the main effects were significant or not as indicated by the p-values. Based on the hypothesis test results, it can be described as follows:

**H1:** There is a significant positive effect of employer branding on employee engagement.

H1 test results show the path coefficient value of the employer branding variable towards employee engagement is 0.791 with a t-test value of 16.182 and a p-value of 0.000. The value of t-count shows a value greater than t-table that is equal to 1.960 and the p-value indicates a value of less than 0.05. These results indicate employer branding has a positive and significant effect on employee engagement which means that the first hypothesis proposed in this study was accepted.

**H2:** There is a significant positive effect of employer branding on discretionary effort.

H2 test results show the path coefficient value of the employer branding variable to discretionary effort is 0.174 with a t-value of 1.266 and a p-value of 0.206. The value of t-count shows a value smaller than t-table that is equal to 1.960 and the value of p-value indicates a value of more than 0.05. These results indicate that employer branding has a non-significant positive effect on discretionary effort which means that the second hypothesis proposed in this study was rejected.

**H3:** There is a significant positive effect of employee engagement on discretionary effort.

The results of the H3 test show the path coefficient value of the employee engagement variable to discretionary effort is 0.863 with a t-value of 6.881 and a p-value of 0.000. The value of t-count shows a value greater than t-table that is equal to 1.960 and the p-value indicates a value of less than 0.05. These results indicate that employee engagement has a positive and significant effect on discretionary effort which means that the third hypothesis proposed in this study is accepted.

**H4:** There is a positive and significant influence of employer branding on discretionary effort through employee engagement mediation.

The influence of employer branding on discretionary effort through employee engagement shows the results of the indirect path coefficient of 0.682 with the t-test value of 5.433 and p-value of 0.000. The t-value indicates a value greater than t-table (1,960) and the p-value indicates a value of less than 0.05 which means that employee engagement has a significant effect in mediating the effect of employer branding on discretionary effort, thus, the fourth hypothesis is accepted.

The next discussion is to present the answers for each established research hypotheses. The first hypothesis in this study is related to the influence of employer branding on employee engagement shows that there is a significant positive effect. These results are in line with previous studies by Macleod and Clarke (2009) and Burawat (2015). This research is also in line with the findings of Drizin (2005) who found that the most significant drivers of employee engagement were job satisfaction, company reputation, and effectiveness of senior leadership, while the study of Sanborn, Malhotra, and Atchison (2011) revealed that the top three drivers of engagement were career opportunities, alignment of employer branding and recognition of employee’s performance or achievement. Although previous studies used a sample of permanent employee and this study used a sample of contractual employees, the results showed the same tendency that employer branding had a significant positive effect on employee engagement.

Drawing on expectancy theory initiated by Vroom (1964), it can be explained that employer branding expected by employees consists of exciting work tasks, high-value work experience, excellent career development, community, feelings of friendship and family, good company reputation, company values, above-average compensation, supportive and attentive supervisor. Also, these employees compare the employer branding they expected with the employer branding they actually felt, and when employees feel the employer branding of the company is in line with their expectations, the results are more positive which leads to higher performance and engagement (Macleod and Clarke 2009). On the other hand, when employees find that employer branding is less than they expected, they will feel pressured and cannot work optimally. The results of this study indicate that the highest dimension of employer branding in SOE Commercial Banks, according to contractual employees are the economic dimension, followed by employment, organizational reputation, senior management, and the lowest is development and application. The results of this study also showed that contractual employees at SOE Commercial Banks are more engaged to the organization rather than their job.

Second hypothesis in this study shows that employer branding has a positive but no significant effect on discretionary effort. The results of this study are contradictory with previous studies conducted by Hewitt (2012), Burawat (2015), Buyanjargal and Sandagdorj (2017) which found significant effect of employer branding on discretionary effort. In addition, Cushen (2009) conducted a six-month study with a research sample of 75 companies directors and managers in Ireland and found that brand logic was transferred from customer value to employee

Table 4. Results of Hypothesis Testing

<table>
<thead>
<tr>
<th>Variable</th>
<th>Hypothesis</th>
<th>Original Sample (N)</th>
<th>T Statistics (t-den)</th>
<th>P Value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE → EE</td>
<td>H1</td>
<td>0.791</td>
<td>16.182</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>EE → DE</td>
<td>H2</td>
<td>0.174</td>
<td>1.206</td>
<td>0.206</td>
<td>Rejected</td>
</tr>
<tr>
<td>EE → EE</td>
<td>H3</td>
<td>0.863</td>
<td>6.881</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>EE → EE → DE</td>
<td>H4</td>
<td>0.682</td>
<td>5.433</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
</tbody>
</table>
value through additional functional work and discretionary effort. Research by Hewitt (2012) was conducted on 165 organizations and 74,000 employees in Australia and New Zealand and concluded that best employers not only build good places to work but also create conditions for their employees to exceed and encourage discretionary effort. The results of second hypothesis indicate that there is a significance difference with previous research in the effect of employer branding on discretionary effort based on employee work status. This contradiction might be caused by differentiation in the application of employer branding dimensions (i.e. employment, development and application) toward permanent and contractual employees. For instance, considering the nature of contractual employees which have lesser diversity of workload and a shorter year of service compared to permanent employees, an organization might spend less investment and variety in development program for contractual employees, recently a research by Guan and Frenkel (2019) conducted in Chinese manufacturing firms, found that employee’s in-role task performance and extra-role performance are significantly affected by training program provided by organizations.

In third hypothesis, the result shows that employee engagement has a significant positive effect on discretionary effort. The results of this study are in line with the results of previous studies conducted by Kahn (1990), Robertson-Smith and Markwick (2009), Seijts and Crim (2006), Kunerth and Mosley (2011), Hughes and Rog (2008) and Beattie and Smith (2010). Several other studies also support that discretionary effort is an outcome of employee engagement (Kular et al. 2008).

Global study by Sanborn, Malhotra, and Atchison (2011) revealed that engaged employees give discretionary effort, while Shuck, Reio Jr, and Rocco (2011) supports that the level of job engagement and organizational engagement is highly correlated with discretionary effort. In addition, Vijay Anand et al. (2016) confirms that there is a positive relationship between employee engagement variables and discretionary effort. The results of this study indicate that contractual employees at state-owned commercial banks tend to be higher in carrying out their extra-role discretionary efforts compared to their in-role discretionary efforts. This is very good because contractual employees not only put effort into working to avoid being fired by the company, but contractual employees give an extra effort in their work. This result assumes that contractual employees put extra effort into their work because when their contractual period has expired, the company can extend their contract period or the company can appoint them to become permanent employees.

Lastly, employee engagement successfully mediates the effect of employer branding on discretionary effort significantly. The results of this study are supported by research from Burawat (2015) which shows the same results. The role of employee engagement in mediating the effect of employer branding on discretionary effort is interesting because second hypothesis in this study show positive direct effect of employer branding on discretionary effort but not significant. With the engagement of contractual employees to the company, the effect of employer branding on discretionary effort becomes significantly positive. This needs to be considered by the SOE Commercial Banks, when company wants its contractual employees to give an extra-effort, the first step that must be taken is to increase contractual employee’s engagement first.

CONCLUSION

This study proves that employer branding has a positive significant effect on employee engagement along with acceptance of first hypothesis, positively insignificant on discretionary effort along with rejection on second hypothesis, and employee engagement has a positive significant effect on discretionary effort along with acceptance of third hypothesis. However, the employee engagement managed to mediate the effect of employer branding on discretionary effort to be significantly positive along with acceptance of fourth hypothesis. The results indicate that the impact of employer branding toward permanent employees and contractual employees, especially at SOE Commercial Banks cannot be equated because there is a difference result with the previous studies which used permanent employees as its sample. The role of employee engagement becomes essentials because it increases the significance level of employer branding on contractual employee’s engagement, indicating SOE Commercial Banks should increase contractual employee’s engagement level before expecting an enhancement on discretionary effort through employer branding strategy.

Considering the practical implication, the results show that the economy is the most essential dimension for contractual employees, followed by employment, organizational reputation, senior management, and lastly development and application. Therefore, the authors suggest that SOE Commercial Banks to emphasize its employer branding on the economic dimensions which include competitive salary, facilities and high-value of contract offering such as quarterly development program to enhance contractual employee’s skills and ability that would lead to possibility for them to be hired as a permanent employee.

Several limitations are inseparable from this research, first, respondents in this study were limited to contractual employees without involving employees with permanent or outsourcing status. Second, this research was only conducted in the category of Commercial Banks with the type of State-Owned Enterprises without involving Banks in other particular sectors (for example, Investment Banks, Export Banks and Sharia Banks) as well as Banks with private ownership types. Third, this study uses a multi-dimensional construct on each variable. This
research reveal that studies on employer branding, employee engagement, discretionary effort can be applied to the context of contractual employees and for better generalization of the results, the authors recommend that future studies to considers conducting research at different industries and using permanent employees or outsource employee as the research samples in the context of employer branding and exploring variables which are not discussed in this study.

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