

## **AN EMPLOYER BRAND AS A SIGNAL TO ATTRACT WORKFORCE IN THE LABOR MARKET**

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### **Abstract**

The article discusses relationship and differences between three brands, as well as features of employer brand, its impact on the involvement of human resources in different periods of economic development, gives examples of the most successful companies in accordance with assessments of those who plan to take (or already has) jobs in these companies. Characteristics of attitude to employer brand as a signal to attract workforce in the labor market are based on statistical research in Russia and the world in whole. The article focuses on the youth segment of the labor market because, on the one hand, this group of human resources has a fundamental basis of knowledge and competencies required to qualified workers. On the other hand, young people do not have work experience, skills to realize the acquired theoretical knowledge completely. In this case, the employer showing some concern for young and promising personnel, building human resource policies aimed to attract young people – is more attractive that contributes to the formation of employer brand. The article presents the preferences of young people to assess HR-branding as a signal in the labor market in modern companies.

**Key words:** employer brand, HR-branding, signals in the labor market, human resources

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### **Introduction**

A vital factor for a person is to implement himself in the field of social and labor relations. From a certain moment, a young person faces with the choice of workplace. There are various ways to find a job. Some of them are related to the institutional structure of the labor market, where vacancy information may be obtained by contacting the employment services (public, private) or directly the companies. Other ways to find a job related to obtaining information about vacancies using various contacts: friends and relatives. Currently, the most popular provider of information about vacancies becomes ads in the media, consulting researches and Internet. Last of the ways is based on own analysis or an analysis provided reliable scientific sources and allows to gather information about vacancies with decent working conditions or

with conditions that meet the needs of a person. If you rely on Internet resources, in our opinion, certain signals in the labor market are interesting. These signals are modern and urgent. First of all these include the employer brand, which are explored by scientists since the middle of last century. Nascent asymmetry of information in a period of search for job is an obstacle to finding the required job and/or the employee. Stable employer brand as a signal to attract workers to the labor market, including highly educated workers, allows reducing transaction costs in their search.

Purpose of the article is to analyze existing characteristics of employer brands and the choice of most preferred characteristics for Russian companies.

## **1 Elimination of the information asymmetry in the labor market by employer brand: from theory to practice**

The information asymmetry is the transaction costs in the labor market and is an obstacle for an analysis of the employment situation and the specification of the workplace, both for the employee and the employer. Assessment and decision-making on the supply side in the labor market, in our view, is possible through the comparison of available brands of employers.

### **1.1 From the history and the theory of formation of employer brand**

Signals in the labor market allowing to eliminate the information asymmetry can arise both supply-side and demand-side labor. For example, for an employer (for demand) these signals are the “educational signals”, which allow to evaluate the ability of workers, their future performance, depending on acquired education of applicants for jobs. This phenomenon is proved and studied theoretically<sup>1</sup>. In turn, for the employee (for supply) there are also important these signals for determining which of the employers in the labor market is the most attractive and reliable, for example, in a situation of instability in the economy. Performance indicators are the presence of guarantees, compensation and higher wages in a company; social package, reliable working conditions and safety; promotion on the career ladder; lack of staff turnover; formation of a unified command and stable psychological climate, organizational culture, etc.

Modern companies seek to conquer and enhancement of their individual benefits in order to be recognizable, have a quality that is different from other products, qualified

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<sup>1</sup> Spence, A. Michael was born in 1943, Montclair, NJ, USA) - american economist, Nobel Prize in Economics 2001, author of works about market signals, signals of educational theory in the labor market: Job Market Signaling (1973). *The Quarterly Journal of Economics*.

personnel and on this basis build a competitive advantage in the market, thus, create their “face” - the company's brand. The use of the brand in the management of the company is an innovative approach to attract, form and develop organization's resources, including human resources.

The definition of “brand of the company” can be divided into three main components: brand of the product, brand of the organization as well as employer brand. This enumeration has its own chronology of occurrence, concept of formation and development.

It should be noted that the brand has an initial duality at the base of its definition. This phenomenon has both material and non-material nature. It is pointed out in Barrow, S., Mosley, R., where researchers argue that the brand “... says about where this thing (or person) is going on and the implied warranties that the promise made on behalf of the brand, will be fulfilled” [5].

It should be noted that the concept of “brand” according to its interpretation in the dictionary of foreign words: brand is a “class of products, which are products of certain firm, the trademark” [9, 136]. Thus, the product is a “hallmark” of an enterprise and a product for which a company will be recognized based on the evaluation of the quality of goods produced by a company. In this case, the trademark is closely associated with the brand of the company as a whole; on the one hand, it is a tool by which branding may be legally patented and subject to legal protection against copying. On the other hand - it creates the perception of information about this product for users that is a psychological evaluation of company's brand by goods.

Among the first companies using brand of products in order to highlight the competition and create unique offerings for consumers is Procter & Gamble, which since 1837 multiplying accumulated “... the experience of how to be close to their consumers by the brands that make life a little better every day” [7].

The world scientific community turned its interest to the study of brand / branding after there was the practical side of the issue (for more details see Tab. 1)

**Tab. 1: Study of product branding in the world: three conceptual approach corresponding to the three research schools**

№	Conceptual approach	Research school	Founders, scientists
before 1950-1960 (Rational Branding School) associated with the reorientation of post-war economy of Europe and the United States to the needs of individual consumers in the post-war years.			
1	Rational	offer of high quality products with an attractive exterior design and original package design unified advertising idea acted as the basis of a	Advertising classics XX: D.Ogilvi, R.Rivz (David Mackenzie Ogilvy,

№	Conceptual approach	Research school	Founders, scientists
		communication strategy	1911–1999; Rosser Reeves, 1910–1984)
1960-1980 (Emotional Branding School) Final benefit of consumers should be complemented by an emotional pleasure and an enjoyment.			
2	Emotional	the focus was on image advertising (original unique image)	V.Packard, B.Hegarty [13]
since 1980 (School of Social (Spiritual) Branding) Due to the realization of economic, social and civic position from the part of business			
3	Social	responsibility for liquidation of the negative effects of production Organization of activities to protect and preserve the environment	Don E. Schultz, Beth E. Barnes, 1999 [6]

Source: Kucherov D. (2009). Employer brand: marketing or human resource management? Bulletin of St. Petersburg State University, 8(3), 101.

In connection with the development and studying this phenomenon, changes in its understanding are underwent gradually. Gradually, the emphasis in the concept of brand/branding was removed from brand of specific products and services to the direction of brand of an organization. A further concept of internal marketing has influenced the development of the employer brand, where the product is considered as part of the work in the company, as well as major consumers - the company's employees and their competencies, skills and abilities. There were so-called employer brand<sup>2</sup> or company's brand as an employer. Experts note universal development of brand management as a specific function of internal management since 1945 [8, 101; 14, 9].

Early works about the possibility of using brand management methods to human resource management were the works of British scientists: Simon Barrow (1990, [3]), Tim Ambler (1996, [1]), Richard Mosley (2005, [4]). In addition, active researches of employer brand were implemented by scientists in a continental Europe (in Belgium – F.Anzel, F. Lievens, G. Hoye; in Germany – S. Erlendkemper, T. Hindorff, K. von Thadden), USA (K. Backhaus, S.Д. Miles, G.Mangold, S.Tikoo [2]) and Australia (M. Anks, B. Minchington [11], L. Morocco).

## 1.2 The practice of research of modern employer brand

At the present stage many labor markets of the world, especially emerging markets, complain about the lack of skilled labor. Currently the traditional tools of personnel policy require some rethinking and improvement in a rapidly changing environment and instability

<sup>2</sup> The definition «employer brand» was firstly introduced for management community in 1990 by Simon Barrow (Simon Barrow – President of «People in Business»). Six years later the term was clarified in collaboration with Tim Ambler (Tim Ambler - Senior Research Fellow at the London School of Business) in the article «The employer brand» [1], published in December 1996 in Journal of Brand Management. In this publication the authors determined of definition of „employer brand“ as a set of functional, psychological and economic benefits provided by the employers and identified with them

in the economy. So the inclusion by firms in its strategy of developing new items related to the company's image in the labor market (employer brand) becomes best practice in terms of working with the staff. For example, it is expressed: in search of highly skilled workers, in attracting effective top executives from the outside, engaging graduates of the best universities in the staff capacity to form the core team and organization, etc. About attractiveness of employers we can judge in accordance with the ratings forming by various research centers and companies<sup>3</sup> (Tab. 2), ased on the opinions of various groups of the population.

**Tab. 2: Research centers and companies from different countries, providing ratings about results of analysis of attractiveness employers**

Organizations involved in compiling the company's rating (web)	Number of respondents	Region and target audience	Data
Universum Global Surveys <a href="http://www.universumglobal.com">http://www.universumglobal.com</a> <a href="http://universumsurvey.ru/">http://universumsurvey.ru/</a>	By country in whole	Austria, Brazil, Britain, Germany, Nitherlands, Hong Kong, Denmark, India, Spain, Italy, Canada, China, Norway, Poland, Russia, Singapore, USA, Finland, France, Switzerland, Sweden, South Africa, Japan  Students from 12 countries - the world's largest economies	Inquiry
CRF Institute Top Employer <a href="http://www.crf.com">http://www.crf.com</a>	By country in whole	Australia, Belgium, Brazil, Britain, Germany, Nitherlands, Denmark, Spain, Italy, China, Poland, France, Switzerland, South Africa, Europe	Benchmarking of companies
Great Place To Work Institute (e.g., Fortune 100 Best Companies to work for) <a href="http://money.cnn.com/magazines/fortune/bestcompanies">http://money.cnn.com/magazines/fortune/bestcompanies</a>	>6 200 companies in all countries	Wide list of countries. Companies established more than 7 years ago and employs more than 1000 employees	Benchmarking of companies
CollegeGrad.com Top Entry-Level Employers <a href="http://www.collegegrad.com/topemployers/2011_entry_level.php">http://www.collegegrad.com/topemployers/2011_entry_level.php</a>	In country	USA, any companies	Benchmarking of companies
The Times Top 100 Graduate employers <a href="http://www.top100graduateempl">http://www.top100graduateempl</a>	18 252	Great Britain, 30 universities	Inquiry

<sup>3</sup> Among the international companies operating in this market are the following: Universum Global, Employer Branding online, The Times, College Grad, Employer brand international, One Agent, Thirty Three and others. (for more details see Table 2).

Organizations involved in compiling the company's rating (web)	Number of respondents	Region and target audience	Data
<a href="#">oyers.com/</a>			

Source: website of companies in Tab. 2.

The scientific study of employer brand is new phenomenon for post-Soviet countries. And it relates to the development of the concept of expediency, determining employer brand, its nature, and experience of implementation, etc. For example, in Russia only since 2006 an annual premium „HR-brand“ for the most successful projects of building employer brand in our country has established. It has also become a traditional to compile nationwide ranking of the best employers of the year (since 2010 by portal HeadHunter<sup>4</sup>). Among domestic companies providing specialized services of employer branding are also: ISKRA, SmartStep, Job for You, Future Today, Professional Growth, Smart Start and others.

For example, since 1988 the famous Swedish international consulting company „Universum Group“ holds the designation of ratings of the best employers with providing reports in the program „Ideal employer“ [12]. This corporation attempts to improve collaboration between students, young professionals and employers through research, attracting students and professionals from all over the world. So in 2013 for 200,000 students of business and technical specialties of the best universities from 12 countries, including France, Canada, Australia, Brazil, Russia and others ten popular companies in the world included: (for business specialties) - Gazprom (1st place), Sberbank (2nd place), McKinsey & Company (3rd place), etc.; (for technical specialties) - Gazprom (1st place), Rosneft Oil Company (2nd place), Lukoil (3rd place), etc.; (for IT) - Google (1st place), Microsoft (2nd place), Intel (3rd place) and others.

In Russia, as in the world (12 countries), preferences of Russian students among business companies and enterprises technical-natural sciences was given to company Gazprom, which is a strong brand, most likely, in terms of product or image. Everyone knows this company as one of the largest state players and a symbol of stability. The evaluation

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<sup>4</sup> Since 2010 the company HH.ru was conducted and published 4 surveys. The last for 2014 is being processed and will be published on the website of the company in March 2015. Year after year more and more companies become participants of this rating. In 2010 these companies were a little less than 100, in 2011 - 108, and in 2012 overall rating had 164 companies, in 2013 - 174. For more information, see „The ratings of employers in Russia 2014“ online: [electronic resource], URL: <http://rating.hrbrand.ru/index/>

among IT companies the primacy was given to „Microsoft“, not to „Google“, as do students from other countries.

The diagrams in Figure 1 show the stability of view of national youth before 2011. Whereas in 2014 there is a reflection of their views - a tendency for the variety of companies holding high ranking position in assessing employer brand.

## **2 Main preferences of young people in the evaluation of a modern employer brand**

The specificity of this special group of human labor resources as the youth is that it is a less competitive than qualified specialists with experience. And in this regard for this group of population there is particularly acute problem of confidence in the company, its reliability from the perspective of development, its legitimacy of actions with young employees, etc. It should be noted that the first job search for a young person is often coupled with the need to get and gain a foothold at the first workplace to get initial work experience and skills, and by the high expectations of its success young people are sure to become a member of most popular and prestigious company. Influence of employer brand is quite obvious. Moreover not all youth group has a deep understanding of the labor market situation, there is a certain asymmetry of information during the selection of job and the evaluation themselves and opportunities of employer.

According the survey „Universum Group“ 2014 in Russia the ideal employer for students and graduates is associated primarily with such concepts (arranged in descending order estimate) as [12]: prestige, stability, reliability, financial well-being, an opportunity to develop professionally, a balance between work and personal life. By 2014 interest of this group to the willingness to work hard to achieve goals and solve complex problems was decreased. But importance of such factors as a friendly working environment, an ability to balance work and personal life, job security and opportunities for high earnings in the future, and others, which are characterized, for example, IT-companies in the Russian labor market was increased. The diagrams in Figure 1 show the appearance of leaders on the „arena“ among the best companies in this field such as Google. It should be noted that the leader gained a strong position both in the IT industry (1st position, 2013-2014), and also in business (2nd position, 2014), and in engineering, natural sciences (3th position, 2014). A difficult economic and political situation also reinforces the need for young people in stability, including the choice of a company with high ratings in assessing employer brand.

In 2013-2014 at the Economics Faculty of Moscow State University a survey of a single enterprise of IT-industry was conducted<sup>5</sup>, where the young staff working in the field of information technology, showed the highest rates of exposure to the influence of employer branding strategy. Fig. 1 demonstrates assess of employees of the company individual components of the value proposition employer brand. For assess the employer brand a block of questions, evaluated in a five-point scale was formed, the results were considered for different age groups, including the youth.

**Fig. 1. Evaluation of value proposition of employer brand by the youth group under the age of 30 and people over the age of 31 (in points, Russian IT-companies)**



Source: Official website of Corporation “Universum”, URL: <http://universumsurvey.ru/universum2014>

Analysis of the individual company of IT-industry confirms the results of large-scale research „Universum Group“ 2014, conducted among the youth group of the Russian population. Anyway for this category an opportunity to develop professionally, an amount of remuneration, a balance between work and personal life, a prestige of the company are very important, and these indicators are higher than the estimated for all age groups participating in this research.

Employers should examine constantly how the target group perceives them through the submitted brand (product, organization, employer) to realize their market position. Knowing information about the qualitative component - employer brand, youth, for example, will make fewer mistakes when making a transition „study-work“. Thus, the most vulnerable groups in the labor market can make their own decisions and don't face challenges "inflated"

<sup>5</sup> Master's thesis of Master's program „Social economy, labor and population“ of economic faculty of Moscow State University, Dobrosotskaya N.V.: „The impact of the company's brand on the labor supply and demand“ (supervisor – Associate Professor. Ludanik M.V.). p.58.



expectations from the labor market and be subject to the effect of „dismissal threat“ [10] in the workplace.

## Conclusion

Our analysis concerning the existing studies and methodologies of components assess of Russian employer brand confirmed our doubts about assessment of this brand is not exhaustive and complete. Individual research companies and institutions, for example, conduct surveys by a group of the population (young people), and / or by a sectoral basis, comprising no more than three (business, technical and natural sciences, IT), so in general it is not comparable to existing classification of enterprises by industry in Russia. It is also important to address opinions of beneficiaries, that is significant in assessing the employer brand to find the point, allowing to say how there is effective employer brand at a particular company. It confirms the need to adjust the existing research methods taking into account the opinions of various groups (age, gender, industry, profession, etc.). The struggle for talented young people, qualified young professionals, creating the right conditions for retaining such personnel and increasing their involvement in work processes are a major challenge for today's companies. Therefore, construction and create the image of a strong employer brand, based on no promises, but on specific actions, is a principal condition for innovative development of companies in personnel management and strengthen their competitiveness in a situation of economic instability. Proper use of employer brand can create all backgrounds for effective human resource management.

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