Employee Turnover Intention of SMEs: A Case Study in China

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Abstract
Through the empirical analysis and test of 2106 valid questionnaires of employees of small and medium enterprises (SMEs) in China, the article presents the influence mechanism of the sense of fairness of salary distribution on employees' turnover intention based on the cross angle of internal and external factors. The theory of organizational commitment and perception of external job opportunities was introduced and applied AMOS 22.0 to conduct confirmatory factor analysis on the scale. Then applies SPSS 23.0 to establish a hierarchical linear regression model to analyze the impact of the fairness of salary distribution on turnover intention and analyze organizational commitment and the mediating and regulating role of external job opportunities. The results indicate that the sense of fairness in salary distribution and organizational commitment can effectively reduce employees' turnover intention, and employees' perceived external job opportunities moderate this inhibition.

Keywords: Turnover Intention, Hierarchical Linear Regression, Perception of External Job Opportunities.

1. Introduction
1.1 Research Background
The full opening of the Chinese labor market makes employees face more employment opportunities and seduction, and employees can entirely be based on their own needs and advantages to find the right job opportunities. Employee turnover is a double-edged sword for the enterprise. Especially in Chinese SMEs, the turnover of employees is often slightly (Xu,2015; Zheng,2006). The advantage is that the structure of employees is more diverse and different, which improves the creativity and flexibility of the enterprise. The disadvantage is the loss and fault of enterprise knowledge capital, and brings psychological insecurity to other employees of the organization, resulting in a significant increase in the exact cost and implicit cost of the enterprise (Tsang, 2002).

1.2 Research Content and Subject
Previous studies have shown that personal factors, economic and social factors, and organizational factors are the three primary factors affecting employee turnover. Among the organizational factors, the salary policy of an enterprise is one of the most critical human resources practices for attracting and retaining talents, and also one of the essential factors for whether employees are willing to stay in a particular enterprise (Cardon & Stevens,2004;Kim,2005). Compared with other non-economic results, employees pay more attention to financial results, and the attitude towards financial results guides employees' work behavior (Chrosman., et al.,2004).

The existing literature generally discusses the influence mechanism of employee turnover intention from the internal factors of the organization and less analyzes employee turnover intention from the angle of the cross-influence of internal and external factors, and the external factors such as unemployment rate index, employment situation, industry development status, which are strictly related to the employment market demand status, will also affect employee turnover intention. (Nickell,1997; Forrier. & Sels,2003). Besides, the existing research generally focuses on the problem of employee turnover in certain types of employees, state-owned enterprises, and industrial clusters. With the increasing importance of China's private economy in economic operation, the problem of brain drain faced by the private economy, especially small and medium enterprises, has become increasingly dangerous. (Peng, et al.,2004). Therefore, the study of employee turnover in China's SMEs is of practical significance.
I.3 Research Highlight
Previous research on human resource management in Chinese SMEs usually ignores the moderating effect of employees' perceived external job opportunities on their turnover intention. Based on the actual samples of Chinese SMEs, this paper introduces the research on the sense of fairness in salary distribution, organizational commitment, and external job opportunities into the study of employee turnover intentions, and draws the transmission path of the effect of the sense of fairness in salary distribution on employee intention to leave.

I.4 Research Methods
Based on the previous theory, this study introduces the variables of organizational commitment and perception of external job opportunities, obtains the questionnaire survey data of the employees of SMEs in China, uses the method of hierarchical linear regression to demonstrate the mechanism of the effect of the fairness of salary distribution on turnover intention, and analyzes the intermediary and regulatory role of organizational commitment and external job opportunities.

2. Theoretical Analysis and Hypothesis
2.1 Feeling of Fairness in Salary Distribution and Employee Turnover Intention
The turnover intention involved in this study refers to the psychological response of individuals to job dissatisfaction, which in turn loses organizational loyalty, and finally looks for other job opportunities, showing the general attitude performance before employees officially leave their jobs. According to Leon Festinger (1959) was proposed Cognitive Dissonance theory, people tend to compare with similar people horizontally and consciously change their behavior and attitude when they detect the difference in salary distribution. The sense of fairness in salary distribution is a subjective situational awareness of the fairness of the results and forms of salary distribution, which has an essential impact on employees' willingness to decide whether to stay in the organization. Furthermore, Adams (1963) proposed Equity Theory holds that people will get their pay for internal and external comparison, and pay comparison results subjective judgment and perception, perceived as fair will become happy, continue to work, perceived as unfair will have a loss of resources and psychological imbalance, affect work attitudes and behavior, sprout turnover intention, escape from the inner sense of unfair negative psychological perception. Cowherd & Levine(1992) proposed relative exploitation Theories suggest that there are psychological expectations about the rewards people deserve for their work in the process of organizing their work. When people compare their actual rewards with the expected income and the income of the selected reference object, they find themselves at a disadvantage, leading to tension and anxiety. People are conscious of the relative exploitation that this part of the income gap they could have enjoyed, but they are not entitled to. When feelings of exploitation accumulate to a certain extent, and the situation does not improve, employees will choose to escape or give up their current job (Guo, et al., 2018). That leads to the following hypotheses:

H1: A significant negative correlation between the sense of fairness in pay distribution and employee turnover intention.

2.2 Organizational Commitment and Employee Turnover Intention
Organizational commitment is the psychological tendency of employees' identity, emotional connection, and obedience to the organization formed after inference and perception based on the macro situation of the organization. It can be seen that organizational commitment can be used as an essential indicator to predict employees' turnover intention, and the level of its variables will indirectly affect the relationship between the fairness of salary distribution and employees' turnover intention (Jones, 1991). The results of related studies by many scholars in the management field all show that job satisfaction and organizational commitment are predictor variables for predicting whether an employee will leave the enterprise in the short term in the future, and both can promote a significant improvement in organizational performance (e.g., Loi, et al., 2006; Kim, W.G, et al., 2005). The organizational commitment was first proposed by Becker (1960), as employees increase their unilateral investment in the organization, they are more willing to serve the organization because, upon resignation, previous investments lose expected not only returns but also the economic and non-economic benefits currently available to the organization. Meyer & Allen (1991) proposed a three-component model of organizational commitment consisting of three attitudinal variables: normative commitment, emotional commitment, and continuous commitment. Emotional commitment refers to that employees do not want to leave the organization because of their secure emotional connection due to their acceptance of the organization's vision, culture and values; normative commitment refers to that employees assume a sense of responsibility when they get benefits from the enterprise, that is, guilt occurs when they leave the organization, so they choose to continue to fulfill corresponding responsibilities and obligations to give back to the organization. Continuous commitment means that once an employee leaves the organization, he or she loses the economic benefits and related resources and other non-economic benefits obtained from the organization, resulting in unacceptable sunk costs. Among them, the continuous commitment has a more significant impact on employee turnover and can have a direct long-term impact on employee turnover intention and turnover behavior, anti-
production behavior, organizational citizenship behavior, work performance, and other outcomes (Fisher, 2010). The following hypotheses are therefore proposed:

H1: Organizational commitment was significantly negatively correlated with employee turnover intention.

2.3 Sense of Equity in Pay Distribution and Organizational Commitment
According to the theory of social comparison, most of the reasons for the unfairness of employees' salary distribution are caused by the social comparison and historical comparison that they think their pay is too low. If, after comparison, employees feel that they are being treated unfairly and then have negative emotions, it is not conducive to the achievement of corporate goals (Yochi, & Jennifer, S., 2007). Shu-Chi Lin et al. (1994) found through empirical analysis that organizational pay fairness and organizational commitment show a positive correlation. Work compensation and reward are the first factors that affect the motivation mechanism of knowledge workers, while the four major motivation factors that affect non-knowledge workers. Among them, the salary is ranked second. Leventhal (1980) proposed in the allocation preference theory that in order to prevent management from adopting an improper remuneration system and at the same time reduce employee injustice, the remuneration system should be formulated by the manager and the recipient, and in most cases, the more common Balanced pay distribution system. Therefore, one of the most direct consequences of employees' unfair pay distribution is reduced organizational commitment. In summary, the following hypotheses are proposed:

H2: Sense of fairness in pay distribution is significantly and positively correlated with employee organizational commitment

2.4 Mediating Role of Organizational Commitment
According to the logical relationship among H1, H2, and H3, organizational commitment plays an intermediary role between the fairness of salary distribution and employee turnover intention. The staffs have an unfair perception of the result and form of the salary distribution and will not immediately take the departure behavior, whether the staff chooses to resign to bear the sunk cost. If employees get compensation and feedback in the non-economic field, the psychological imbalance caused by the unfair perception of pay distribution will be alleviated, and the decision to seek high ground will be abandoned (e.g. Kaplow, 1986). Only when the psychological contract between the employee and the enterprise is completely broken, the employee will consider leaving altogether (Thompson & Bunderson, 2003). The following hypotheses are therefore proposed:

H3: Organizational commitment is a mediating variable between the fairness of salary distribution and turnover intention

2.5 Modulatory Effects of Extrinsic Job Opportunity Perception
The perception of extrinsic job opportunities in this study refers to the probability that employees themselves perceive that they can find job opportunities that are comparable to or better than existing jobs in the external job market. Many studies at home and abroad have shown that the prosperity of the job market is one of the critical external incentives to trigger employee turnover intention and turnover behavior. Price (2001) pointed out that employees who rashly leave without considering external job opportunities may be at risk of unemployment, so external job opportunities are one of the determinants of voluntary departures. According to Fritz Heider (1958) balance theory (P-O-X theory): People are accustomed to keeping their inner balance. Once they perceive the imbalance in the organizational situation, they will adjust their behavior and attitude and try to balance it again. The inner imbalance caused by the unfairness of salary distribution will change employees' behavior and attitude towards organization and work, such as reducing work investment and reducing work enthusiasm. When the psychological imbalance still can not be improved, that is, the will to seek high ground. When assessing whether to leave, employees will prioritize opportunities in the external job market, and if they find it challenging to find a satisfactory alternative job in the job market with their strength, they will actively reduce their intention to leave (Layard, 2006). It proves that the perception of external job opportunities has some moderating effect on the fairness of salary distribution and turnover intention.

Meanwhile, the external environment of the organization is better, and the more employment opportunities, the lower the commitment of staff organizations will be, the stronger the intention to leave (Cao, Z., et al., 2013). Conversely, when the external environment of the organization is not pleasant, even if employees also leave tricky to find a job, employees prefer to stay in the first job rather than risk unemployment and leave (Lazear & Shaw, 2007). The following hypotheses were made:

H4: External job opportunity perception positively regulates the negative relationship between organizational commitment and turnover intention. The more the perception of external job opportunities, the higher the effect of organizational commitment on turnover intention.
H0: The perception of external job opportunities positively regulates the negative relationship between the fairness of salary distribution and the willingness to leave. The more external job opportunities are perceived, the more significant the impact of the fairness of salary distribution on the will to leave.

3. Study Method

3.1 Sample Selection and Data Sources
The data source of this study uses a questionnaire. The questionnaire consists of three parts: survey introduction, employee personal information and turnover intention, salary distribution fairness, organizational commitment, and external job opportunity perception measurement items, using likert5 point scale Quantify the opinions (5 = strongly agree, 4 = agree, 3 = not sure, 2 = disagree, 1 = strongly disagree), and use anonymous answers to improve the credibility of the questionnaire. The questionnaire was issued in two ways: a random sampling survey of small and medium enterprises in Yubei District and Jiangbei District of Chongqing City. Before the formal survey, the company’s management staff must be agreed to provide on-site guidance and recycling questionnaires for employees to complete the questionnaire; secondly, a management consultation. The company issued questionnaires, and the survey samples were all small and medium enterprises, and the survey area was Chongqing. The employees were required to fill in the questionnaires. A total of 2700 questionnaires were distributed, and 2106 valid questionnaires were recovered, with a recovery rate of 78%. Among the sample of employees that were effectively recovered, females accounted for 46.15%, of which technical and managerial staff accounted for approximately 65.57%, the average age was 35.23 years (SD = 5.31), and the average organizational tenure was 5.17 years (SD = 2.88). Bachelor degree accounted for 44.53%, master degree and above accounted for 21.62%.

3.2 Variable Measurement and Reliability Analysis
In this study, the scales involved in this study were all selected mature scale, and the salary distribution fairness scale used the distributive fairness factor scale in the organizational fairness scale designed by Liu (2003) to count six variables. The intention to leave was determined applying the Mobley(1988) four-item scale, developed by and others, measures four variables: "My career development in this company is short-term"; "My career prospects in this company are worrisome"; "I often want to quit my current job"; and "I may leave the company for another career within a year." The modified Meyer & Allen(1991) scale of organizational commitment was chosen, which measures three dimensions of emotional commitment, sustained commitment, and normative commitment in a total of 12 relevant variables. The Perception of Extrinsic Job Opportunities Scale was adapted from Price(2001) designed scale, contains five measured variables. This study passed SPSS 23.0 Reliability analysis was conducted for each variable scale, After removing the weakly related items of the overall scale, in which the four-variable scales of salary distribution fairness, turnover intention, organizational commitment, and perception of extrinsic job opportunities Cronbach’s Alpha the coefficients were 0.956, 0.945, 0.885, and 0.867, respectively. In order to test the hypothesis proposed in this study more precisely, four control variables, including employee gender, age, education, and working years were introduced into the constructed model.

4. Analysis and Finding

4.1 Confirmatory Factor Analysis
Confirmatory factor analysis (CFA) was first performed on the scales using the AMOS22.0 in order to accurately test for homologous deviance and discriminant validity of the scales. It can be obtained from the test results in Table 1 that the four-factor model has a significantly better fit of various indicators than other models. It has excellent discriminant validity and no serious homologous deviation among variables.

Table 1. Confirmative Factor Analysis(CFA) of Variables(n=2106)

<table>
<thead>
<tr>
<th>Model</th>
<th>B2</th>
<th>df</th>
<th>2/df</th>
<th>NFI</th>
<th>TLI</th>
<th>GFI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four-factor model</td>
<td>801.059</td>
<td>318</td>
<td>2.519</td>
<td>0.98</td>
<td>0.916</td>
<td>0.916</td>
<td>0.924</td>
<td>0.075</td>
</tr>
<tr>
<td>Three-factor model a</td>
<td>1512.4</td>
<td>321</td>
<td>4.712</td>
<td>0.774</td>
<td>0.795</td>
<td>0.591</td>
<td>0.812</td>
<td>0.117</td>
</tr>
<tr>
<td>Three-factor model b</td>
<td>1743.818</td>
<td>321</td>
<td>5.432</td>
<td>0.739</td>
<td>0.775</td>
<td>0.629</td>
<td>0.776</td>
<td>0.128</td>
</tr>
<tr>
<td>Three factor model C</td>
<td>1701.876</td>
<td>321</td>
<td>5.302</td>
<td>0.746</td>
<td>0.762</td>
<td>0.63</td>
<td>0.782</td>
<td>0.126</td>
</tr>
<tr>
<td>Two-factor model</td>
<td>2453.181</td>
<td>323</td>
<td>7.595</td>
<td>0.633</td>
<td>0.635</td>
<td>0.488</td>
<td>0.664</td>
<td>0.156</td>
</tr>
<tr>
<td>Factor model</td>
<td>3145.983</td>
<td>324</td>
<td>9.710</td>
<td>0.53</td>
<td>0.518</td>
<td>0.424</td>
<td>0.555</td>
<td>0.179</td>
</tr>
</tbody>
</table>
Explanation:
- The three-factor model a combines the sense of fairness in pay distribution and organizational commitment into one latent factor;
- The three-factor model b attributes the perception of organizational commitment and extrinsic job opportunities into one latent factor;
- The three-factor model c attributes the perception of fairness in external work machine and pay distribution into one latent factor;
- The two-factor model attributes the perception of fairness in pay distribution, organizational commitment and extrinsic job opportunities into one latent factor;
- All items are combined into the same latent factor in the one-factor model.

4.2 Descriptive Statistics
According to the study variable mean, i.e. The variance and Person Correlation coefficient analysis results, see Table 2, pay distribution fairness \((r = -0.364, p < 0.01)\), organizational commitment \((r = 0.473, p < 0.01)\) and turnover intention were significantly negative correlation, external job opportunities perception \((r = 0.243, p < 0.01)\) and employee organizational commitment was significantly positive correlation. In addition, there was a highly significant correlation between years of employment and age \((r = 0.663, p < 0.01)\), as well as a sense of fairness in pay distribution and organizational commitment \((r = 0.707, p < 0.01)\). Perhaps the problem of multicollinearity will arise. However, after regression analysis using SPSS 23.0 in the study, the VIF (variance inflation factor) values of the above variables were all less than 10, as well as the multi-dimensional characteristic root values, were greater than 0, demonstrating that there is no significant multicollinearity between the variables.

Table 2. Mean, Standard Deviation and Person Coefficient Matrix of Research Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Person Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Gender</td>
<td>0.54</td>
<td>0.499</td>
<td>1.000</td>
</tr>
<tr>
<td>Age</td>
<td>3.073</td>
<td>1.453</td>
<td>0.158**</td>
</tr>
<tr>
<td>Educational Status</td>
<td>2.791</td>
<td>0.829</td>
<td>0.086</td>
</tr>
<tr>
<td>Tenure</td>
<td>3.139</td>
<td>1.378</td>
<td>0.136*</td>
</tr>
<tr>
<td>Salary Distribution Fairness</td>
<td>3.130</td>
<td>1.146</td>
<td>-0.007</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>3.176</td>
<td>0.921</td>
<td>-0.006</td>
</tr>
<tr>
<td>External Job Opportunity Per</td>
<td>3.413</td>
<td>0.841</td>
<td>0.125*</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>2.772</td>
<td>1.182</td>
<td>-0.005</td>
</tr>
</tbody>
</table>

Note: *P<0.05, **P<0.01, ***P<0.001, n=2106.

After that, this paper applies SPSS23.0 establish hierarchical linear regression model was constructed to test the hypotheses, and the results are shown in Table 3.

Table 3. Hypotheses testing

<table>
<thead>
<tr>
<th>Classification</th>
<th>Dependent Variable</th>
<th>OC</th>
<th>TI</th>
<th>TI</th>
<th>OC</th>
<th>TI</th>
<th>TI</th>
<th>TI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model</td>
<td></td>
<td>M1</td>
<td>M2</td>
<td>M3</td>
<td>M4</td>
<td>M5</td>
<td>M6</td>
<td>M7</td>
</tr>
<tr>
<td>Controlled</td>
<td>Gender</td>
<td>-0.023</td>
<td>0.013</td>
<td>0.011</td>
<td>-0.005</td>
<td>0.01</td>
<td>-0.028</td>
<td>-0.018</td>
</tr>
<tr>
<td>Variable</td>
<td>Age</td>
<td>0.17</td>
<td>-0.066</td>
<td>-0.001</td>
<td>0.139</td>
<td>-0.004</td>
<td>-0.035</td>
<td>-0.102</td>
</tr>
<tr>
<td></td>
<td>Title and Rank</td>
<td>-0.106</td>
<td>-0.005</td>
<td>-0.073</td>
<td>-0.143</td>
<td>-0.068</td>
<td>-0.078</td>
<td>0</td>
</tr>
</tbody>
</table>
Aiming at the correlation between the sense of fairness in salary distribution and turnover intention in H1, the control variables of gender, age, education and working years were added into the regression model, and then the independent variables of the sense of fairness in salary distribution were added. The results showed that the sense of fairness in salary distribution had a significant negative correlation with turnover intention ($M_2$, $\beta = -0.352$, $p < 0.001$).

The results of the regression of $M_3$ and $M_4$ were easy to obtain, and there was a significant negative correlation between organizational commitment and employees’ turnover intention ($M_3$, $\beta = -0.472$, $p < 0.001$), there was a significant positive correlation between a sense of pay allocation fairness and employee organizational commitment ($M_4$, $\beta = 0.709$, $p < 0.001$), H2 and H3 are established accordingly.

Subsequently, the mediating role of the $H_4$ organizational commitment was tested according to the methodology used by Wen (2006). According to the above test, there is a significant negative correlation between the fairness of salary distribution and employees’ turnover intention ($M_3$, $\beta = -0.472$, $p < 0.001$), there was a significant positive correlation between a sense of pay allocation fairness and employee organizational commitment ($M_4$, $\beta = 0.709$, $p < 0.001$), H2 and H3 are established accordingly.

However, the effect of the fairness of salary distribution on turnover intention was no longer significant ($M_5$, $\beta = -0.036$), which proved that organizational commitment played a completely mediating role between fairness of salary distribution and turnover intention. H4 is supported.

According to the method of Wen, et al. (2006), this paper tests the moderating effect of external job opportunity perception on organizational commitment and turnover intention, salary distribution fairness, and turnover intention. There was a significant positive effect of organizational commitment on turnover intention ($M_3$, $\beta = 0.472$, $p < 0.001$), and then control variables, organizational commitment variables, and extrinsic job opportunity perception variables were added to the model in turn. The results showed that the interaction was significant ($M_6$, $\beta = -0.11$, $p < 0.05$), indicating that extrinsic job opportunity perception plays a positive role in regulating the correlation between organizational commitment and turnover intention. The negative correlation between organizational commitment and turnover intention was more significant because of more perception of external job opportunities. Was supported for H5.
The main effect of fairness in salary distribution on turnover intention was significant (M2, $\beta = -0.352$, $p < 0.001$), and then control variables, fairness in salary distribution, and perception of extrinsic job opportunities were added to the model. The interaction was not significant (M7, $\beta = 0.023$), indicating a sense of extrinsic job opportunity. There is no moderating effect of knowledge on the fairness of salary distribution and turnover intention. Hence, H6 could not be supported.

5. Conclusion
This article studies the relationship and influence of the sense of fairness in salary distribution, organizational commitment and perception of external job opportunities on employees’ turnover intention through obtaining the samples of small and medium enterprises in China, and constructs a hierarchical linear regression model to analyze the mechanism of the effect of the sense of fairness in salary distribution on employees’ turnover intention. The findings indicate that:

- There is a significant negative correlation between the fairness of salary distribution and employee turnover intention.
- Organizational commitment plays a completely intermediary role between the fairness of salary distribution and employees’ turnover intention.
- The perception of extrinsic job opportunities positively moderates the negative correlation between organizational commitment and employee turnover intentions. When the external environment is reduced, or it is challenging to seek replaceable jobs with employees’ qualifications in the job market, even if the loyalty and trust of the organization are reduced to a certain extent, the organizational commitment will drop significantly, and the employees still hold a tolerant attitude towards the organization and give up the immediate decision to leave;
- There is no significant positive effect of the mutual effect of the fairness of salary distribution and the perception of external job opportunities on employees’ turnover intention, indicating that the moderating effect of the perception of external job opportunities on the fairness of salary distribution and turnover intention is relatively weak, which may be related to the fact that the fairness of salary distribution has a more significant effect on employees’ turnover intention. In a private enterprise with fair salary distribution, even if employees can easily find replaceable jobs in the external labor market, employees’ turnover intention is usually very low (Schminke., et al., 2000).

References


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