

Study on the Pay Equity Perception and Turnover Intention of New Generation Employees

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Abstract

With the progress and development of the times, the new generation of employees born in the 1990s has become the driving force of corporate innovation and development, however, the problem of high turnover rate of new generation employees in general has become the focus of scholars and corporate managers. Research has shown that fairness is a key factor influencing employees' propensity to leave, and a sense of pay equity is an intuitive feeling of social fairness for employees. In this paper, relevant questionnaires were distributed to new generation employees in different industries and cities, and statistical methods such as factor analysis and correlation analysis were used to test the relationship between new generation employees' sense of pay equity and their propensity to leave. The results show that the perception of pay equity is significantly and negatively related to the propensity to leave, and that procedural equity has a greater effect on the propensity to leave and distributive equity has a smaller effect on the propensity to leave.

Keywords

New Generation Employees; Pay Equity Perception; Turnover Intention.

1. Introduction

In the process of China's continuous promotion of continuous socio-economic transformation and deepening of comprehensive reform, the new generation of employee groups, as a new force, contribute their own strength to social and economic construction, inject new vitality into social development, raise a constant source of power for the current industrialization and urbanization of society, and gradually become a monumental force for economic development and social progress. New generation employees are widely distributed in various industries and sectors, and their share in the human resource structure is becoming larger and larger, so the management of new generation employees has become a key research issue for corporate and social managers. The new generation of employees growing up in a diverse social environment has distinctive personality characteristics. On the one hand, because the new generation employees generally have higher education level, better education and relatively better upbringing than the older generation, they have a more open vision, active and diffuse thinking and relatively higher awareness of rights protection, they work with passion and creativity, and are full of expectations for life and the future. On the other hand, they have a low sense of belonging to the company, weak psychological quality and resistance to stress, low job satisfaction, low responsibility for work, lack of work perseverance and tenacity, and low compliance with disciplinary rules, etc. At present, the leaders in charge of the new generation of employees are 50, 60, 70 people, the old generation of employees who grew up in the background of differentiation, they also have the same brand of the time, so in the enterprise production and management, the strong generation gap has brought new contradictions to modern human resources management. Among the various manifestations of the new generation of employees, the weak sense of responsibility, frequent job-hopping, lack of long-

term awareness, the pursuit of short-term rewards and other aspects are seen as a major difficulty and challenge in the management of the new generation of employees by business managers and human resources management departments.

At the beginning of the 20th century, some Western scholars began to explore the phenomenon of employee turnover, and a large number of research results have been developed in the field of turnover tendency research. Scholars Porter and Steers (1973) argue that when an individual is hit with bad feelings at work, he tends to develop a subconscious sense of escape, and if his needs are not fully satisfied at work, he will develop withdrawal behavior, i.e., the tendency to leave, and if he is offered other job opportunities at this time, the employee's tendency to leave will most likely turn into separation behavior. Previous studies on employees' tendency to leave have been conducted mainly in terms of job satisfaction (Xi Yuqin et al., 2014), sense of organizational support (Chen Dongjian, 2009), and organizational commitment (Tian Hui, 2014), which are based on objective organizational factors and employees' psychological perceptions and feelings, and less research has been conducted to study the tendency of new generation employees to leave from the perspective of the sense of pay equity. In China's history, there is a saying that "the problem of inequality is not a problem of scarcity", and the idea of egalitarianism has been emphasized from ancient times to the present. If employees feel that there is unfairness in the organization, it may weaken their enthusiasm for work and reduce their work efficiency, which will eventually lead to the loss of talents and be detrimental to the further development of the enterprise. In particular, pay equity, as an important vehicle of social distribution equity, has gradually become a subject of much attention.

2. Theoretical Analysis and Research Hypothesis

2.1. Theoretical Basis

The sense of pay equity refers to the perceptions of employees about the fairness of their own pay distribution and the corporate management pay system. The earliest research on the sense of pay equity began with the equity theory proposed by American psychologist Adams in 1969, which mainly studied the rationality and fairness of employee salary and compensation distribution and the positive impact on employee work efficiency. The degree of employees' satisfaction with their pay depends on the process of social comparison, and they care not only about the absolute amount of their income, but also about the amount of their relative income. Based on the equity theory, the perception of pay equity refers to the subjective feeling of employees on whether the result of pay allocation is reasonable, whether it is in their own interest and whether the process of pay allocation is fair, and whether they feel fair at the subjective level when comparing the ratio of their contribution and reward with themselves or others. The results of employees' perception of pay equity are not only related to the results of pay allocation, but also to the fairness and reasonableness of the process and interactions in the process. The study of pay equity is extended from the study of organizational equity. The dimensions of pay equity are not yet unified, and from the existing literature, there are mainly four different dimensions to try to study pay equity. With the need for management, subsequent scholars have progressively focused on procedural fairness, interaction fairness, and other aspects of the sense of pay equity. This paper measures and examines the perception of pay equity using three dimensions that are currently more established and commonly used: distributive equity, procedural equity, and interactional equity.

Separation tendency is different from separation. Separation is a behavior, which means the employee's idea of separation is put into practical action. The tendency to leave is a subjective psychological feeling and willingness of employees to leave. The study of the propensity to leave can effectively predict employees' job-hopping behavior. Talent is the fundamental of enterprise development, and retaining talent is always a concern for enterprises, and how to

attract talent and reduce the turnover rate is a problem that enterprise managers need to constantly think about, and is also the focus of scholars. Different scholars have also given different explanations about the research definition of the tendency to leave. Mobley (1977) considered the propensity to leave as when employees are low in satisfaction with their current job and look for the idea of leaving the original organization.

2.2. Theoretical Basis

Pay equity or not will directly affect employees' attitudes, and excessive pay disparity will trigger negative work attitudes. Zhang Jianqi and Wang Fan (2003) showed that the more pronounced internal inequity in a firm, the higher the turnover rate of top management; studies such as Liu Bing and Peng Lai(2005) and Liu Zhiqiang et al. (2006) showed that access to compensation fairness is a key factor affecting employee turnover; Yuan Li (2014), Deng Jinying (2015), Xu Xuejiao(2015), Sun Kehan (2017) and other empirical studies also found a significant negative relationship between pay equity and turnover propensity. Therefore, the hypotheses proposed in this study are as follows.

Hypothesis 1: The lower the sense of pay equity, the higher the propensity to leave; conversely, the lower the propensity to leave; that is, the sense of pay equity is significantly and negatively related to the propensity to leave.

At present, the post-90s have become the main force of human resources in enterprises. They pay more attention to self-expression at work, actively participate in the formulation of relevant policies or standards, prefer enterprises with open and transparent workflow, and are more sensitive to their own interests, and are more likely to choose to leave directly if they think that the enterprise's salary setting procedure is unfair and their own interests are damaged.

Hypothesis 2: Procedural fairness is significantly and negatively related to the propensity to leave and has the greatest impact on the propensity to leave of new generation employees.

3. Questionnaire Design and Empirical Analysis

3.1. Measurement of Key Variables

3.1.1. Pay Equity Perception

Compensation actually includes a variety of manifestations such as wages, benefits, bonuses, etc. Liu Aijun divides the overall compensation into two categories: material compensation and spiritual compensation, i.e. the sense of pay equity is a subjective self-perception judgment of employees on whether the material and spiritual rewards they receive and pay as well as the process are fair. The article draws on the three-dimensional division of pay equity, in which distributive equity refers to the subjective perception of whether individuals feel fair and satisfied with the ratio between the material and spiritual rewards they receive and the time, effort and labor they put in; procedural equity refers to the judgment of whether individuals feel just and fair in the procedures and methods of the compensation system set by the organization and the process of executing compensation; interactive equity mainly refers to the perception judgment of whether decision makers are treated fairly in the process of compensation decision implementation and whether employees are treated fairly in the process of interpersonal interactions. This part is mainly formed by referring to the pay equity perception scale of Zhou Li (2015).

3.1.2. Turnover Intention

The propensity to leave is an attitudinal tendency in which an employee, for some reason, develops a perception of dissatisfaction at work that causes him or her to be unwilling to continue working in the company. The propensity to leave is the final behavioral manifestation of an individual before taking action to leave, specifically the attitudinal willingness or

behavioral intention of an individual to want and be willing to leave the job they are doing at the moment or the organization they are working in. The measurement scale in this section uses the propensity to leave scale used by Guirong Xiao and Yanjun Zhao (2017).

3.2. Empirical Analysis

The questionnaire in this study is divided into three sections: basic personal information, sense of pay equity, and propensity to leave. The questionnaires in the pay equity and turnover tendency sections use Likert's five-point scale, i.e., "strongly disagree", "disagree", "average", "agree", and "strongly agree". "agree" and "strongly agree". A total of 231 questionnaires were distributed and 204 questionnaires were returned, 27 invalid questionnaires were excluded, and the effective return rate was about 88%.

3.2.1. Frequency Analysis

Table 1. Frequency analysis of demographic variables

Frequency analysis of demographic variables					
Variables	Option	Frequency	Percent	Mean	Standard deviation
Gender	Female	110	54%	1.46	0.50
	Male	94	46%		
Age	18-22	46	23%	2.20	0.91
	23-25	93	46%		
	26-30	43	21%		
	Over 30	22	11%		
Education	Specialized and below	32	16%	2.07	0.63
	Undergraduate	126	62%		
	Master	45	22%		
	PhD and above	1	0%		

Based on the results of the above analysis, the numerical characteristics of the demographic variables can be seen, reflecting the distribution of the respondents of this survey. Where the mean value represents the concentration trend. The standard deviation represents the fluctuation. According to the analysis results of each variable, it can be seen that the distribution basically meets the requirements of the sample survey.

3.2.2. Reliability Analysis

Reliability is the Cronbach's alpha coefficient, which is the degree of reliability of the measurement data obtained from different questions within the measurement scale also, which is expressed as whether the measurement results are consistent or not. The reliability test values of the pay equity perception variable and the propensity to leave variable of this questionnaire were higher than 0.8 by using spss24 software, where the Cronbach's Alpha coefficients of distributive equity (4-7 questions), procedural equity (8- 11 questions), interaction equity (12-15 questions), and propensity to leave (16-19 questions) were 0.885, 0.814, 0.860, and 0.861, indicating that all four scales have good internal consistency and the credibility of this questionnaire design is good.

3.2.3. Factor Analysis

The KMO value of the pay equity scale was 0.890, and the Bartlett's test reached a significance level of 0.000, indicating that it was suitable for factor analysis. Therefore, principal component analysis was used to extract the factors, and the eigenvalue greater than 1 was used as the criterion to determine the number of factors extracted, and finally three factors were extracted and subjected to maximum variance rotation and rotated component matrix method. The results are shown in Table 2.

As can be seen from Table 2, the loadings of each question item in the scale are greater than 0.5, which is consistent with the requirements of this study. The structure of the three dimensions of pay equity perception is clear and has strong explanatory power, and the three-dimensional structure of the rotated component matrix is the same as the three-dimensional division of pay equity perception used in this study and is consistent with the original hypothesis. Therefore, the above results indicate that the pay equity perception scale has good construct validity.

Table 2. Rotated component matrix

Title item	1	2	3
4. My salary is fair when compared with employees in similar positions in the same industry.	.866		
5. I am paid fairly compared to employees with similar job performance in the company	.778		
6. I am paid fairly based on my work pressure, performance and effort.	.822		
7. My current salary is fair compared to what I expect the Bank to pay me.	.837		
8. In the compensation management work, the procedure of compensation policy development is very reasonable.		.538	
9. For the implementation of the remuneration policy, the company follows the principle of openness and transparency.		.692	
10. The company will consider employees' opinions when setting compensation and performance appraisal targets.		.827	
11. All levels of supervisors in the company are able to participate in the decisions of the compensation and performance appraisal system.		.835	
12. The company leaders sincerely communicate with me during the development and implementation of the compensation policy.			.881
13. I have the full respect of the leaders in the unit.			.580
14. The company leadership provided a full and reasonable explanation for my compensation results.			.557
15. The company's response is fair and timely when dealing with issues raised about compensation.			.581

The KMO value of the propensity to leave scale was 0.807, and the Bartlertt test reached a significance level of 0.000, indicating that it was suitable for factor analysis. Therefore, principal component analysis was used to extract factors, and the number of factors extracted was determined by eigenvalues greater than 1. Finally, one factor was extracted, and the component matrix method was used because maximum variance rotation could not be performed. The results are shown in Table 3.

As can be seen from Table 3, the loadings of each question item in the scale are greater than 0.5, which is consistent with the requirements of this study, and the tendency to leave the job dimension is clear and has strong explanatory power, which is the same as the tendency to leave the job dimension of this study. Based on the above results, it indicates that the construct validity of the tendency to leave scale is good.

Table 3. Component Matrix

Title item	Component
My career at my current company is short-term.	.810
My prospects for growth and development in my current company are slim.	.818
I've often thought about quitting my current job.	.841
I will probably leave my current company to find another job.	.892

3.2.4. Related Analysis

According to the results of Pearson calculation, the correlation coefficients between distributive fairness, procedural fairness, and interactive fairness and turnover tendency components were -0.17, -0.68, and -0.53, respectively, all of which were significant at the 0.05 level, indicating that the sense of pay fairness had a significant negative relationship with turnover tendency, which verified research hypothesis 1. It was further found that the correlation coefficient between procedural fairness and turnover tendency was - 0.68, the largest absolute value, indicates that procedural fairness has the most significant effect on the propensity to leave, so research hypothesis 2 is also verified.

Table 4. Related Analysis

		Distributional Equity	Procedural Fairness	Interactive Fairness	turnover intention
Distributional Equity	R	1			
	Sig				
Procedural Fairness	R	.584**	1		
	Sig	.000			
Interactive Fairness	R	.588**	.750**	1	
	Sig	.000	.000		
turnover intention	R	-0.17**	-0.68**	-0.53**	1
	Sig	.000	.000	.000	

4. Conclusion and Recommendations

4.1. Reinforcing Fairness in the Compensation Process

First, enhance the transparency of the salary implementation process, clearly implement the salary reward and punishment system procedures, so that employees are clear about their salary structure and increase the reasonableness of the enterprise's salary structure; second, ensure that the salary management has rules to follow, reduce the loopholes in salary management, and let employees feel the real fairness; again, the management should encourage employees to actively participate in the salary formulation process, and actively listen to the opinions and views of employees at all levels; finally, the enterprise should improve the information consultation and information feedback system while improving the fairness of the salary process, so as to timely understand employees' feelings about salary fairness, timely solve problems and eliminate doubts.

4.2. Reflecting Fairness in Salary Distribution

First, investigate the salary level of the same industry in the region to improve the external fairness of the salary; second, set the job salary according to the actual situation of the enterprise to ensure that the salary level can correspond with the job level one by one, improve the match between individual job contribution and reward, and increase the satisfaction of the

employees; third, focus on the incentive of the reward, in the way of rewarding the new generation employees should take into account both material and spiritual rewards to improve the enthusiasm and stability of the employees.

4.3. Focus on Compensation Interaction Equity

On the one hand, enterprises should strengthen the two-way communication between management personnel and new generation employees, timely understand the needs of employees and solve their problems, ensure the authenticity and smooth flow of information released by enterprise leaders about salary information, and prevent employees from feeling cheated and tendency to leave; on the other hand, enterprises should protect the interests of new generation employees, respect the rights, personality and dignity of employees, and treat every employee equally.

4.4. Build an Early Warning Mechanism for Employee Departure

The enterprise should build a corresponding separation warning mechanism according to the existing salary system, so that when employees show signs of tendency to leave, managers can take corresponding measures to reduce the separation rate of new generation employees and reduce the increased cost due to employee separation. When employees are in the latent period of tendency to leave, their direct leaders promptly notify managers to communicate with employees, understand the reasons for their dissatisfaction, check the problems of the enterprise salary system and the defects in the process of propaganda implementation, and eliminate employees' salary dissatisfaction in time; when employees are in the trade-off period of tendency to leave, managers should take measures for employees' attitude to improve their salary fairness perception.

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