



# Impact of job stress, reward and recognition on employee turnover intention

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**Abstract:** Employee turnover intention is one of the most widely studied topics in organizational research. The continuing interest in this topic stems from the fact that employee turnover can be extremely damaging and costly for an organization. In order to reduce the cost of employee turnover, it is important for organizations to develop effective methods of retaining employees.

The main purpose of this research is to investigate the relationship between job stress, reward and recognition related to employee turnover intention in SMEs. Data were collected through personally administered survey from 500 employees working among SMEs in Chengdu, China. However, in this study, the influence of job stress, reward and recognition on employee turnover intention of small and medium-sized enterprises in Chengdu, China is not supported.

The results of the current study put forward that if enterprises are willing to retain employees, they must reduce job stress which will eventually lead to employees leaving. In this research also found that money is not the most important motivator. Meanwhile, non-monetary rewards are very meaningful to employees and can motivate them to improve their performance. non-monetary rewards can reinforce positive behavior and improve employee retention and performance.

**Keywords:** Job stress, Reward and recognition, Employee turnover intention, China SMEs

## **1. Introduction**

### **1.1. Research Questions**

This research is to investigate the relationship between job stress, reward and recognition, related to employee turnover intention in SMEs.

There are two main questions in the present study. The research questions are:

RQ1. What is the relationship between job stress and employee turnover intention in SMEs ?

RQ2. What is the relationship between reward and recognition and employee turnover intention in SMEs ?

### **1.2. Research Objectives**

The purpose of the study is to investigate the relationship between job stress, reward and recognition with employee turnover intention in SMEs. Thus, the objectives of this research are:

RO1. To investigate the relationship between job stress and employee turnover intention in SMEs .

RO2. To investigate the relationship between reward and recognition and employee turnover intention in SMEs .

## **2. Literature review**

### **2.1. Job Stress**

Job stress is a common phenomenon in today's society. Many scholars have studied and classified it. Several studies have shown that job stress is a major source of stress

for American adults, and it has increased dramatically over the past few decades (American institute of stress, 2016b). There is growing interest in this topic, and there are some very important findings that can be explained by the fact that these findings are related to the work stress of employees and employers (Watkins, 2003; Brun & Lamarche, 2006). To analyze all aspects of job stress, we must first understand the nature and basis of job stress.

Ross(1997) pointed out that job stress is "a form of physical and emotional arousal" experienced by employees in the face of threatening situations or conflicts with other employees or customers. According to Leka et al. (2004), "job stress is the response of people in the face of job requirements and pressures that do not match their knowledge and abilities and challenge their coping skills." It is important to understand that in the modern business world, job Stress itself is neither completely avoidable nor necessarily destructive. Conversely, when an employee is under sufficient and controllable pressure, he or she may be alert and motivated to do the work and learn. However, employees' perceptions of acceptable stress are very independent, and once they exceed this limit, the impact on employee health and performance can be significant (WHO, 2016). According to some research papers, the most stressful types of work do not match the capabilities and knowledge requirements and pressures of employees, workers do not have the opportunity to make choices or have any control, and lack the support of others (Leka et al., 2004).

Cartwright and Cooper (1997) further added another environmental factor, the homework interface. It has been recognized that work and family life are interrelated and can interact greatly (Huang et al., 2004, Zhao et al., 2011). According to Greenhaus and Beutell (1985, Zhao et al., quote, 2011), work-family conflict is "a form of conflict between roles in which the pressure of roles from work and family is contradictory in some respects." Later, This has become one of the many points of interest for researchers investigating work stress, job satisfaction and other work-related issues (Chiang et al., 2010; Zhao et al., 2011).

Job stress affects individuals and organizations. People who are under job pressure may encounter a variety of problems, such as being unable to relax or concentrate, making logical thinking and decision mistakes, feeling upset and irritated. A person may also have sleep problems, feeling tired, depressed or anxious, and even have serious physical problems such as heart disease, digestive disorders, elevated blood pressure, headache or musculoskeletal disorders (Leka et al., 2004). In extreme cases, when stress is untreated and poorly managed, the consequences can be as severe as mental illness and psychological problems (Leka et al., 2004). When employees are under stress, do not have enough support, or do not know how to manage stress, they may also engage in unhealthy activities such as smoking, drinking or taking drugs (Leka et al., 2004).

The researchers also found that stress can be one of the main factors of aggressive behavior, such as destruction, interpersonal attacks, hostility and complaints (Luthans, 2011). In addition, these behaviors have proven to be important for low job performance, low self-esteem, dissatisfaction with supervision, inability to concentrate and make decisions, and dissatisfaction with work (Luthans, 2011; Shaq and Davis, 2009). The consequences of all these pressures are expensive for the employer and certainly harmful.

Other effects of job stress are sometimes more pronounced, such as damage to the internal and external image of the company, which increases customer and customer complaints. Unsafe working conditions and increased work accidents can lead to direct costs for insurance and legal claims (Luthans, 2011; Leka et al., 2004). Last but not least, pressure not only severely increases employee absenteeism but also increases employee turnover (Leka et al., 2004; Shaq and Davis, 2009).

According to the existing literature, employees have four ways to deal with job stress and job dissatisfaction: resignation, discourse power, loyalty and neglect (Hon et al., 2013). Employees can choose to leave the organization (exit), they are more willing to stay, can participate in finding sources of improvement and reduce stress (voice), and

some may decide to stay in the company and accept patterns that are not trying to improve it (loyalty), or their exit behavior (ignoring) can be maintained and passively demonstrated. According to Farrell (1983, Hon, 2013), the voice response to revocation of advertising is constructive to the organization, while loyalty and neglect are destructive.

## **2.2. Reward and recognition**

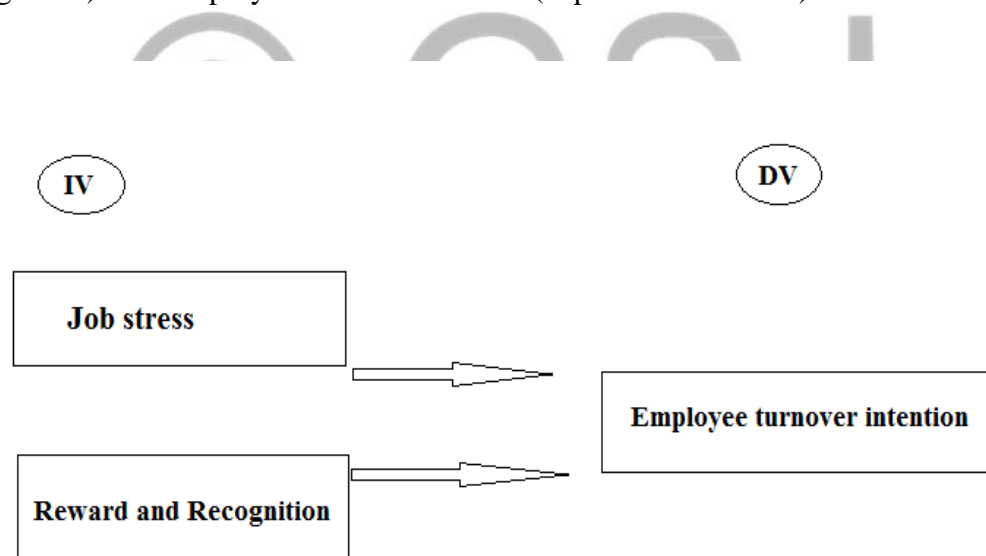
Rewards is one of the most important factors in motivating employees to do their best to create innovative ideas that lead to better business functions and further improve the company's financial and non-financial performance. According to the study of Dewhurst et al. (2010), there are other ways to reward employees besides focusing on financial compensation. These include praise that employees can receive from managers, opportunities to take on important projects or tasks, and even the attention of leaders. Many studies on leadership power have found that managers' rewards are positively related to employee performance, employee productivity, employee satisfaction, employee turnover rate, and employee commitment to organization.

Without the motivation to do so, the productivity of skilled workers may be limited. There is a method for organizations to improve their employee motivation and employee performance which is to provide performance-related compensation as Delaney and Huselid, (1996) stated. The rewards and recognition system is simply based on expectations theory, which means that if employees realize that there is a strong correlation between their performance and their rewards they would receive, they would be more likely to be motivated to perform better. To put it another way, compensation system improve employee effort and performance by linking employee interests to the interests of teams and organizations. Nielsen and Spitzer (2002) argued that although cash rewards are very popular used in organizations, managers should not use them as a tool to motivate employees on improving their performance frequently. Because if this happens, the original intention of the reward will be forgotten. In the study of Bowen (2000), researchers proposed warning that managers

should pay attention to “non-reward. This kind of reward should be used with caution, not always to be used, as it is passive and does not necessarily lead to employees’ long-term positive behavior. Based on Shore & Shore (1995), employees who are able to receive and gain job recognition can also better understand the nature of their job, the workplace and the people they work for. Therefore, employers must really strive to show employees that his/her health is an organizational and management concern, and that employee contributions to the organization are very valuable. Buchanan (1974) further reiterated this view and added that recognition of organizational contributions has had a positive influence on employee commitment to the organization and its goals.

### 2.3. Framework

The relationship between the independent variables((job stress, reward and recognition) with employee turnover intention(dependent variables) is shown below.



**The Framework of this study**

### 2.4. Hypothesis

Researcher estimates (1) there is a direct relationship between job stress and employee turnover intention, and (2) there is a direct relationship between reward and

recognition and employee turnover intention in SMEs of Chengdu, China.

Hence, hypotheses of the study have been developed as follows:

Hypothesis 1: There is a direct relationship between job stress and employee turnover intention.

Hypothesis 2: There is a direct relationship between reward and recognition and employee turnover intention.

### **3. Methodology**

#### **3.1. Scope of the Study**

The current research population is mainly from Chengdu, China. SMEs surveyed in the study are located in industrial district of the city. This kind of company is very representative as a SME in manufacturing industry in China and fits our purpose of studying employee turnover in China as well. The target respondents to this study were employees working in SMEs in Chengdu. The unit analysis of the current research is the employee turnover intention among SMEs in Chengdu, China. Since all questionnaires were sent to SMEs in Chengdu, China, the survey was selective and purposeful. In order to find out the reasons for the turnover intention of SMEs in Chengdu, China, the researcher distributed a well-defined questionnaire to employees working in SMEs in Chengdu, China. In addition, the researcher tend to use a convenient sample collecting method to quickly and economically obtain a large number of completed available questionnaires (Zikmund, 2003).

This study uses an impossibility to facilitate sampling design, which is a viable option due to time, cost and labor constraints. In order to determine the sample size, a general rule is adopted that the minimum variety of respondents should be a minimum of 5 times the quantity of variables analyzed. The additional acceptable size ought to be ten to one magnitude relation stated by Hair, Anderson, Tatham and Black (1998). Hair, Black, Bablin, Anderson, and Tatham (2006, p. 112) even presented at least 20 cases for each variable. According to statements by Hair, Black, Bablin,

Anderson, and Tathen (2006), the total variety of two hundred samples can meet the sample size of the study (10 dimensions  $\times$  20 cases = 200). In order to get more respondents, 500 questionnaires were distributed.

#### **4. Discussion**

##### **4.1. There's a direct relationship between job stress and employee turnover intention. (Rejected)**

In this part, the researcher will discuss research question 1 (what's the relationship between job stress and employee turnover intention?). H1(There's a direct relationship between job stress and employees intention.). According to the results of this study, there's a significant relationship between job stress and employee turnover intention. As for the coefficient  $r$  value of Pearson correlation is 0.316, which is significant when  $p$  value is less than 0.01. As it can be seen in table 4.18, the beta value of multiple regression analysis is -0.042. Because the value of significance is greater than the required mean ( $p = 0.802 > \alpha, 0.05$ ), this indicates that job stress and employee turnover are not sufficiently correlated in this study. In other words, hypothesis 1 is not accepted.

The results of the current study are consistent with those of other researchers. There are many researchers (Noor & Maad 2008; Sherazet al. 2014; Mxenge et al. 2014) found that job stress has a significant impact on employee turnover intention. Many researchers (Muhammad et al., cited in Khan et al. 2014; Kaur et al. 2013) put forward that if enterprises are willing to retain employees, they must reduce work pressure which will eventually lead to employees leaving.

##### **4.2. There's a direct relationship between reward and recognition and employee turnover intention. (Rejected)**

In Table 4.17, it gives out the result of coefficient for Pearson correlation with  $r$  value



-0.295, which is significant when p value is less than 0.01. In addition, as shown in table 4.18, the beta value is -0.068. Because the value of significance is greater than the required mean ( $p = 0.503 > \alpha, 0.05$ ), this indicates that rewards and recognition are not sufficiently correlated with employee turnover intention in this study. In other words, hypothesis 3 is not accepted.

The results of the current study are consistent with those of other researchers. Many researches on leaders' power find that managers' reward power is positively correlated with employees' task performance, productivity, satisfaction, turnover rate and organizational citizenship behavior (Simon, 1976; Martin and Hunt, 1980; Jahangir, 2006). Several studies found that money was not the most important motivator among the employees surveyed, and in some cases managers found that money had a negative impact on employees. Meanwhile, Ryan pointed out that non-monetary rewards are very meaningful to employees and can motivate them to improve their performance. Based on his view, creative use of personalized, non-monetary rewards can reinforce positive behavior and improve employee retention and performance. Specifically, these types of recognition are inexpensive, but priceless. A successful reward and recognition program does not have to be complex or expensive to be effective. This built a stronger team, unity, and improved communication within the company (Gardner, 2009).

## **5. Conclusion**

The main purpose of this research is to explore the antecedent factors influencing employee turnover intention among small and medium-sized enterprises in China. However, the finding of this study on impact of job stress, reward and recognition on employee turnover intention of small and medium-sized enterprises in Chengdu, China is not supported.

The results of the current study found that if enterprises are willing to retain employees, they must reduce job stress which will eventually lead to employees leaving. In this research also found that money is not the most important motivator

Meanwhile, non-monetary rewards are very meaningful to employees and can motivate them to improve their performance. non-monetary rewards can reinforce positive behavior and improve employee retention and performance.

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