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Turnover Overstated: The Functional Taxonomy

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The issue is the measurement of turnover. The traditional reliance on a metric derived from a dichotomy which describes turnover as either voluntary or involuntary has the clear effect of overstating the gravity of turnover for any organization. It also serves to perpetuate the notion that voluntary turnover invariably is detrimental to the organization. A taxonomy, which introduces the notions of functional turnover and managerial control that may reduce this tendency, is suggested. Implications for practitioners and organizational theorists are discussed.

The dysfunctional aspects of employee turnover on the organization have been variously described as "axiomatic" (Dalton & Todor, 1979) and as the "sine qua non" (Muchinsky & Tuttle, 1979) of the withdrawal literature. Given this view, it is not surprising that employee turnover continues to be of interest to organizational theorists and practitioners alike. It has been estimated, for example, that there are well over 1,000 relevant citations in the literature addressing employee turnover (Muchinsky & Morrow, 1980; Steers & Mowday, 1981). Staw (1980) suggests that the implicit assumption underlying these efforts has been that turnover is an important organizational problem that is costly and should be reduced. It is notable, and arguably presumptive evidence, that nearly all previous research has correlated (or otherwise associated) independent variables with measures of turnover and tested for significant differences from zero (Staw & Oldham, 1978).

Although it is true that turnover traditionally has been thought of as dysfunctional to the organization, there is some discussion that suggests otherwise (Dalton, 1981; Dalton & Todor, 1979; Dalton

& Todor, in press; Muchinsky & Morrow, 1980; Muchinsky & Tuttle, 1979; Staw, 1980; Staw & Oldham, 1978). It has been argued that turnover may actually benefit both the individual and the organization (Dalton & Todor, 1979; Dalton & Todor, in press; Muchinsky & Tuttle, 1979).

Although somewhat anecdotal, Staw and Oldham (1978) report descriptive notes that are thought provoking. As shown in a 1973 national survey (Department of Labor, 1975), job tenure in the railroad industry was 19.6 years as compared to 5.7 years in durable goods manufacturing and 5.3 years in nondurable goods. Railroad employee tenure is some seven times that of wholesale and retail trade (2.6 years). Job tenure in the postal service (10.3 years) also is relatively higher than most other sectors of the economy. To suggest that the performance of the United States' railroad industry and the Postal Service, in general terms, is not popularly respected is something of an understatement.

It may be, then, that the stated dysfunctional aspects of turnover, although not in error, are overstated. Aside from the issue of the costs of

turnover versus the value of its benefits, there is another factor that may lead to a systematic overstatement of the impact of turnover: its measurement and reporting.

Measurement and Reporting

Traditionally, turnover is separated into two categories: voluntary and involuntary (Price, 1977). Attempts to reduce turnover focus on voluntary turnover as the dependent variable (Graen & Ginsburgh, 1977; Krackhardt, McKenna, Porter, & Steers, 1981; Mowday, Porter, & Stone, 1978; Mowday, Stone, & Porter, 1979). The classification of turnover in this manner, although subject to some methodological difficulties (Price, 1977), seems sound. Price (1977) outlined several reasons for this concentration on voluntary turnover: the majority of turnover is voluntary, theory formation is eased by homogeneity, voluntary and involuntary turnover probably have different determinants, and voluntary turnover is more subject to control by organizations. It is suggested that this dichotomy of turnover is necessary, but insufficient for an accurate examination of organizational turnover.

An Expanded Taxonomy

A comparison of the graphics in Figure 1 illustrates a fundamental difference in the interpretation of turnover in the organization. Graphic 1 is representative of the traditional approach to measuring and reporting turnover. Each cell represents a condition of the employment relation between an employee and the organization.

1. Cell a illustrates a condition in which the organization is positively disposed toward the individual and the individual is similarly disposed toward the organization. In this condition, both parties are content to maintain the employment relation.
2. In cell b the individual would like to maintain the employment relation. However, the organization is not so inclined. In this situation, the organization will terminate (fire) the employee.
3. Cell c illustrates the condition in which the employee, for whatever reasons, does not wish to continue the employment relation. The employee quits. Importantly, this cell represents "voluntary" turnover.

The second graphic is like the first except that in this case the voluntary turnover sector is divided further into two cells: c and d (????). This, however, is a fundamental and, arguably, very im-

Figure 1 A Comparison of Turnover Taxonomies

Graphic 1
Traditional Taxonomy

		Organization's Evaluation of Individual	
		+	-
Individual's Evaluation of Organization	No Initiation of Voluntary Turnover	Employee Remains a	Employee is Terminated b
	Initiation of Voluntary Turnover	Employee Quits c	

Graphic 2
Expanded Taxonomy

		Organization's Evaluation of Individual	
		+	-
Individual's Evaluation of Organization	No Initiation of Voluntary Turnover	Employee Remains a	Employee is Terminated b
	Initiation of Voluntary Turnover	Employee Quits Dysfunctional Turnover c	Employee Quits ???? Functional Turnover d

portant distinction.

The bottom sections of both graphics represent voluntary turnover, and the numerical count of individuals in this category in both cases would be identical. In other words, the reported level of turnover would be the same. It is irrelevant for these purposes (although certainly not as a methodological issue) which of many means of calculating turnover is used. In both cases (graphics 1 & 2) the reported level of voluntary turnover will be the same.

The impact of that turnover on the organization, however, is not identical and, in fact, may not be remotely related. Notice in Figure 1 (graphic 2) that

cell c represents the condition wherein the employee wants to terminate the employment relation but the employer has a positive evaluation of the employee. In this case, it may well be that this voluntary turnover is dysfunctional to the organization. Simply stated, in this condition, employees are leaving when the organization would prefer that they remain.

In cell d, there is an entirely different situation. Here is the case of an individual leaving the organization when the organization has a negative evaluation of the employee. To include those individuals who can be categorized as cell d in the measurement and reporting of turnover would seem to overstate the dysfunctional aspects. It is hard to argue that individuals in cell d represent dysfunctional turnover; indeed, it can be argued that they represent functional turnover. Such turnover may be a decided benefit to the organization.

This raises an interesting question. Why wouldn't such people be dismissed by the organization if, in fact, their departure would benefit the organization? There probably are a variety of reasons that marginal (or worse) employees are not terminated. Turnover can adversely affect the social dynamics of the work organization (Muchinsky & Tuttle, 1979). It may be that qualitative factors such as organizational climate and group cohesion, for instance, may suffer as a consequence of turnover. Steers and Mowday (1981), although restricting their discussion to voluntary turnover, posit that turnover has consequences for those who remain in the organization. Turnover, in this case, may be interpreted by co-workers of an individual who leaves the workplace as an implicit, if not explicit, recognition that better employment opportunities exist elsewhere. This may lead remaining co-workers to reevaluate their condition.

Probably the most prevalent reason for maintaining marginal employees is the institutionalization of employment security, widespread in both the private and the public sectors. Labor unions, employee associations, administrative appeal boards, and their equivalents, for example, routinely provide a mechanism whereby employees who might be in cell d cannot be terminated.

University tenure is a classic example. In most institutions there may be faculty members with institutionalized job security (tenure) whose leaving could hardly be classified as dysfunctional to their

various departments. Job security, as a function of collective bargaining agreements, may operate similarly to maintain the employment of individuals whose leaving would be no cause for consternation. Such individuals may never actually commit (or omit) behaviors that likely would be sufficient to fire them. This, however, need not be interpreted to mean that they are indispensable to the organization or even valued by it.

The fundamental point is that the summation of cases in cells c and d in graphic 2 to determine turnover in the organization serves to overstate the gravity of turnover in the organization. In the measurement and reporting of turnover, however, no attempt is made traditionally to identify the distinction between the cells. Cell d is referred to as "?????" because there is not, in the field, a term to describe this condition. Perhaps functional turnover—turnover that actually is beneficial to the organization—is appropriate.

How Much Functional Turnover?

Naturally, the extent of functional turnover is unknown. Presumably, it would vary depending on the nature of the organization. Organizations marked by institutionalized job security, for example, may have relatively less functional turnover. Arguably, organizations that are not subject to harsh review on employee terminations would have fewer persons in cell d because such persons would long since have been dismissed.

It is suspected that the number of people who could be categorized in cell d is substantial, perhaps half or more of total voluntary turnover. Again, this remains to be determined. However, noting a certain lack of methodological rigor, one might look around at co-workers and ask, "How much damage would be done if those persons left?" A guess, and it is a guess, is that many people would be in this category.

This does not suggest that turnover in the functional cell is without cost to the organization in absolute terms. Sundry recruitment, training costs, and some portion of administrative overhead undoubtedly will be incurred and must be defrayed by the organization. In the balance, however, it could be argued that such turnover, despite its cost, is not dysfunctional to the organization.

Identifying Functional Turnover

The individual's assessment of the organization can be inferred quite simply from graphic 2 of Figure 1. With respect to cells a and b if the employee remains or is fired, it can be assumed that the individual had felt a positive regard for the organization at least with respect to membership.

This, of course, is a relatively simplistic analysis, a snapshot actually of the turnover process from the individual's perspective. Clearly, not all employees who are negatively disposed toward their employer will quit; not all employees who are positively disposed will remain. There may be external events (such as the transfer of a spouse) that may "force" employees to leave an organization even though they are (were) positively disposed. Also, an alternate employment opportunity may arise that may "force" an employee's movement although she or he remains positive with respect to the organization. Even so, employees who leave under these and similar circumstances are no longer members of cell a; they become members of cell c. They initiate the movement themselves. If they are valued employees, they represent dysfunctional turnover; if not, they represent functional turnover.

A comprehensive model of the turnover process must include opportunity among other factors. Indeed recent models do so (Mobley, 1977; Price, 1977; Steers & Mowday, 1981). For purposes of measurement and reporting of turnover, however, distinctions such as opportunity and other external forces are unnecessary. But they are essential to the discussion of managerial control in a later section.

Measurement of Functional Turnover

Rehire?

The critical issue here is identifying the organization's assessment of the employee. In some organizations, this can be accomplished rather easily. Many organizations (usually larger ones) have formal separation documents for their employee files. When an employee leaves the organization voluntarily (for any reason) or is fired, these papers are completed and sent to the personnel department. Among other items, the reason for leaving or the dismissal is outlined, and the official date of separation, vacation time remaining, pension rights, and so on are noted. Frequently, the first

level supervisor is asked on the form if the separating employee "is recommended for rehire."

This relatively simple recommendation may serve as a valid indicator of functional turnover. Presumably, individuals who are not recommended for rehire (for any reason) are functional separations. It may be true that the organization would not act (or has not acted) to dismiss such employees for any number of reasons, but the lack of rehire recommendation may be valid testimony of the organization's evaluation of the departing employee.

It is true, of course, that any such judgment is subjective. A rehire appraisal by the first level supervisor may be suspect. There may be some encouragement in the requirement that ordinarily the second level supervisor must sustain the judgment of the employee's direct supervisor (first level). Presumably, if an employee is not recommended for rehire, the first level supervisor would be asked to justify that assessment.

Another, perhaps creative, approach would be to obtain rehire appraisals of departing employees from co-workers. A disadvantage is that this information ordinarily would not be available as a matter of organizational policy. It does, however, suggest a fascinating research topic: the comparison of dysfunctional/functional turnover assessments by supervision and rank and file employees.

Quality and Replaceability

When rehire recommendations do not exist as a matter of policy in an organization, there may be other metrics that may serve to identify the organization's assessment of the employee: quality and replaceability.

Presumably the departure of high quality employees is more likely to be dysfunctional to organizations than that of low quality. The quality of employees, once again, is a subjective judgment. This could be accomplished by supervisory ratings (validated by multiple judging) or peer ratings. Obviously, where available, "hard" measures of quality are superior and more indicative of bottom line performance than are "softer" measures (Dalton, Todor, Spendolini, Fielding, & Porter 1980). Supervisory appraisals, self-perceptions, and similar measures are soft and should be relied on less heavily than such measures as productivity, sales, commissions, and services rendered, which arguably are harder measures (Dalton et. al., 1980).

The quality and replaceability measures may be orthogonal. These factors may be essential to the firm, but under different circumstances. For example, it is quite possible for a truly stellar (very high quality) employee to leave the work unit; yet, because of the nature of the work or the work force, many equally or even better qualified people are available to replace him/her. Such turnover is not a threat to the organization even though it involves high quality performers. In the market condition as described, these people are easily replaced. Correspondingly, a relatively poor performer may be better than none. If no replacements are available for such persons, their departure may be a genuine cause of concern for the organization.

Both quality of employee and replaceability may be sound metrics to determine functional turnover. The more preferred of the two may depend on the nature of the organization. Both measures have the advantage of being able to be applied retrospectively. Employment records of departed employees can be reviewed with the appropriate first and second level supervisors, or peer groups, and a fair estimation of functional turnover can be determined. With this information of the ratio between functional and dysfunctional turnover, a more responsible estimate of the gravity of turnover on the organization can be assessed.

Organizational Control

Earlier it was noted that voluntary turnover is thought to be more subject to control by organizations. Reviews of the turnover phenomenon demonstrate rather clearly that the preponderance of research has been dedicated to determining its antecedents or determinants (Mobley, Griffeth, Hand, & Meglino, 1979; Muchinsky & Tuttle, 1979; Porter & Steers, 1979; Price, 1977). This may be interpreted as presumptive evidence of an interest to reduce the incidence of turnover in the organization. If it is to be reduced, then voluntary turnover must be under organizational control. Any portion of voluntary turnover that is not under the control of the organization and cannot be reduced tends to overstate numerically the impact of turnover.

It has been argued that only cell c represents turnover that is truly dysfunctional to the organization. Even in cell c, however, there are cases that, although upsetting to the organization, are not avoidable. In other words, the total number of

employees in cell c does not necessarily represent turnover over which the organization has control. Employees who voluntarily leave the organization for education, family commitment (spouses being transferred, etc.), retirements, and health matters, among others, are not normally under organizational control. Employee deaths, less frequent, also belong in this category. If an aim of the organization is to reduce turnover, the inclusion of these people in its statistics is misleading. From a research perspective, including these cases to determine the antecedents and/or determinants of turnover is questionable as well. It is very hard to argue that these quits are homogeneous with the remainder of cell c separations.

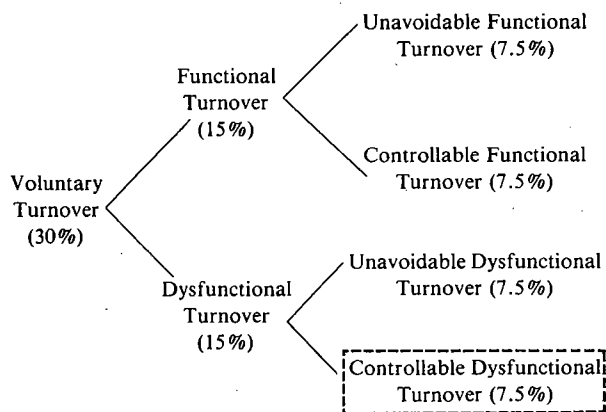
It has been suggested that some portion of employee turnover is unavoidable. This may be somewhat shortsighted. In theory, with the obvious exception of employee death, no turnover is unavoidable. Organizations probably have the wherewithal to persuade most members not to quit if they choose to use their resources in this manner. However, as a practical matter, the categories described here are essentially unavoidable. As Dalton and Todor have noted, "It may be far less expensive to cope with turnover than to prevent it" (1979, p. 226). This may be such an occasion.

Summary

The notion that turnover is dysfunctional to the organization recently has been subject to criticism (Dalton, 1981; Dalton & Todor, 1979; Dalton & Todor, in press; Muchinsky & Morrow, 1980; Muchinsky & Tuttle, 1979; Staw, 1980; Staw & Oldham, 1978). Whether or not one is inclined to view employee turnover as largely dysfunctional or otherwise may be a function of its measurement. The traditional dichotomy separating turnover into its voluntary and involuntary segments for purposes of research and practice may be necessary, but insufficient.

By separating turnover further into dysfunctional and functional categories and considering that certain turnover, for all practical purposes, is unavoidable, one might be able to obtain a more responsible estimate of the impact of turnover. Figure 2 is an illustration of the possible effects of considering these factors in the measurement and reporting of turnover and its dysfunctional consequences on the organization.

Figure 2
Dysfunctional/Functional Taxonomy
with Unavoidable Separations
(All values are hypothetical)



The essential point represented in Figure 2 is that the category voluntary turnover has a clear tendency to overstate the gravity of turnover on the organization. By dividing voluntary into its functional and dysfunctional components, one might be able to make a somewhat more meaningful examination of a balance that may exist among the consequences of turnover on the organization. For most organizations, Figure 2 is presumed to represent this step-down phenomenon. Clearly, dysfunctional turnover (by percentage) is less than total voluntary turnover. The percentages on Figure 2 are strictly hypothetical to illustrate the point. Given a 30 percent voluntary turnover rate with an assumption of an equal distribution of functional and dysfunctional components, "bad" turnover is reduced by half, to 15 percent. Here again, the reliance on the voluntary turnover rate (30 percent) with its accompanying dysfunctional prejudices would seem to overstate the gravity of turnover. From this hypothetical treatment in Figure 2, dysfunctional turnover is reduced by half. There is no reason, of course to discount the remaining 15 percent. Indeed, this portion of turnover is actually beneficial to the organization.

Similarly, by considering whether the resulting dysfunctional turnover is reasonably subject to managerial control, a further step down is evident. If any employee turnover is considered to be unavoidable, that is, no reasonable management intervention could have prevented it, such turnover is

less a concern. Attempts to reduce any portion of voluntary turnover that is not under the control of the organization tends to focus organizational resources in vain. Arguably, resources dedicated in this manner are not wisely used. Again, given the assumption that half of voluntary turnover, irrespective of its categorization, is essentially unavoidable, dysfunctional turnover subject to managerial control is reduced to 7.5 percent.

The highlighted section of Figure 2, then, represents dysfunctional turnover that is potentially controllable by the organization. For the practitioner, this expanded taxonomy provides a more realistic portrayal of the impact of turnover on the organization. It also provides a guideline for the responsible expenditure of organizational funds for reducing turnover. The hypothetical 7.5 percent of turnover is not trivial; it is, however, less onerous and certainly more responsibly reported than is the original 30 percent voluntary rate. Succinctly, the reporting of that 30 percent rate at least implicitly tends to overstate the dysfunctional, controllable effects of voluntary turnover on the organization.

For the organizational researcher, this expansion may provide a rationale for relatively low associations between turnover and its suspected antecedents or determinants. Perhaps, when using voluntary turnover as a dependent variable, researchers were not dealing with a homogeneous subset. This is especially bothersome because, as noted, Price (1977) suggested that one of the primary reasons why researchers have used the voluntary/involuntary dichotomy is to assure homogeneity. It is not clear that the same antecedents, correlates, or determinants are shared between individuals who are characterized as functional and those characterized as dysfunctional.

If associated variables (whatever they may be) are dissimilar, organizations may be able to minimize dysfunctional turnover without artificially suppressing functional turnover. In fact, it is not inconceivable that organizations might endeavor to encourage functional turnover.

Whether there are substantive levels of functional turnover and whether differences exist in the antecedents and determinants of turnover for these employees remains an empirical question. The effects of functional versus dysfunctional turnover on the organization could hardly be overstated. These may be questions worthy of future inquiry.

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