REWARD CONTINGENCY, UNEMPLOYMENT, AND FUNCTIONAL TURNOVER

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Based on the valence model of expectancy theory and the Cornell model of job satisfaction, this field study investigated the relationship between reward contingency, unemployment, pay satisfaction, job satisfaction, and functional turnover. The latter of which separates turnover into four categories: poor performing leavers, good performing leavers, poor performing stayers, and good performing stayers. It was conducted with a geographically dispersed sample of sales representatives (i.e., from 25 states and 66 cities), resulting in unemployment rates that ranged from 2 percent to 12 percent. The sales representatives were employed by four companies that paid different combinations of salary and commissions, ranging from mostly salary and little commission to 100 percent commission. A discriminant analysis accounted for 62 percent of the variance in functional turnover and achieved an overall classification hit rate of 67 percent across the four functional turnover groups. Follow-up univariate analyses indicated that objective reward contingency (R^2 = 0.34), state unemployment (R^2 = 0.11), state sales unemployment (R^2 = 0.08), education (R^2 = 0.09), and tenure (R^2 = 0.08) accounted for most of the variance in functional turnover. Perceived reward contingency, pay satisfaction, job satisfaction, age, and gender were not related to functional turnover.

Traditionally, it has been assumed that employee turnover was inherently bad, that frequent employee turnover was expensive, and that organizations should reduce turnover whenever possible (Brayfield & Crockett, 1955; Herzberg, Mausner, Peterson, & Capwell, 1957). Yet, it has also been argued that some kinds and levels of turnover are actually beneficial or "functional" for organizations (Abelson & Baysinger, 1984; Dalton, Krackhardt, & Porter, 1981; Dalton, Todor, & Krackhardt, 1982; Mobley, 1982; Muchinsky & Tuttle, 1979; Porter & Steers, 1973). For example, Hollenbeck and Williams (1986, p. 609) estimated that simply replacing poor performing leavers with average performing new hires would increase

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the revenues of retail sales persons in their study by "roughly US$112,000 per person per year."

While thousands of studies have investigated why employees choose to leave their jobs (Mowday, Porter, & Steers, 1982), very little research has directly examined the organizational consequences associated with voluntary employee turnover. In this article, I attempt to extend previous work in the area of functional turnover in a number of ways. First, I review and discuss the different kinds of measures that have been used to examine functional turnover. Second, I present a general model of functional turnover that is based on the valence model of expectancy theory and the Cornell model of job satisfaction. Finally, I present the results of an exploratory test of this model.

MEANING AND MEASUREMENT OF FUNCTIONAL TURNOVER

Dalton et al. (1981, 1982) argued that the traditional stay/quit definition of employee turnover overstates the negative consequences of employee turnover and ignores its positive consequences. Accordingly, the "expanded taxonomy" turnover by Dalton et al. distinguished between two kinds of voluntary turnover, dysfunctional turnover, where someone valued by the organization leaves, and functional turnover, where a person not valued by the organization leaves.

Only a handful of empirical studies have been published since Dalton and his colleagues formally distinguished between functional and dysfunctional turnover. However, these studies have operationalized functional turnover in somewhat different ways. These measures can be categorized according to the way in which "functionality" was measured (rehire/quality/replaceability, opportunity gains/losses, and functional turnover/retention) and the method by which the data were collected (subjective and retrospective vs. objective and prospective).

Rehire? Quality? Replacement?

In a purely descriptive study, Dalton et al. (1981) compared the traditional stay/quit turnover measure to their expanded turnover taxonomy. They determined whether voluntary turnover was functional or dysfunctional by having immediate supervisors retrospectively assess leavers' performance. Turnover was functional if the supervisor would not rehire the person who quit, or if the quality of their job performance was judged to be poor, or if it would be easy to replace the person who left.

In another study which asked supervisors to retrospectively complete a nearly identical set of questions, Campion (1991) found that supervisors judged that work was done more efficiently when poor performers left and that they were more satisfied with the "exchange of employees" when turnover was functional rather than dysfunctional. Functional turnover was also negatively related to employee salaries, meaning that poorer employees who left (i.e., functional turnover) had smaller salaries than good performers who left (i.e., dysfunctional turnover).

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