Why Employees Leave: Company Records and Analysis of Causes of Exits[1]

By Lloyd R. Miller, *Metropolitan Life Insurance Company*

The exit interview and its uses in analyzing labor turnover received emphasis at the joint meeting of the Personnel Research Federation and the American Statistical Association on October 8th, 1926. Mr. Miller's paper, read at this meeting, presents in stimulating and authoritative form the experiences of policyholders of the Metropolitan Life Insurance Company with the exit interview as one means to increase labor stability.

This paper discusses the practice of systematically obtaining and recording reasons for exits and then taking whatever action is necessary. Experience has shown the following results of this practice: (1) Prevention of arbitrary discharge by foremen or department heads and better understanding of way to handle men. (2) Disclosure of personal grievances and misunderstandings. (3) Reduction of turnover due to improper selection and placement. (4) Exposure of unsatisfactory working conditions. (5) Exposure of unsatisfactory personal, home, and community conditions, some of which can be corrected. (6) Development of employee good will.

Reference is made to the increasing number of firms using the exit interview. Reasons are given for its failure to produce results in some companies.

The purpose of this paper is to outline one method of improving the relations between employer and employee. The method affords an opportunity for a company to learn systematically what the employees think of its policies; it makes it possible to correct false impressions regarding the company and to change conditions which hinder efficiency and lower morale. The outstanding features of this method are: (1) Learning through interviews at the time of exit why employees leave; (2) recording this information in convenient form to show such facts as department, occupation, and reason for leaving; and (3) taking the necessary action to improve the efficiency of the organization and to reduce costs. It is not proposed to advocate any one record form nor to discuss the merits of individual items to be included on such forms, but rather, first, to con-

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sider the value of studying the causes of labor turnover, and second, to suggest possible ways in which this method can be applied and improved. Questions taken up will be: How did the idea develop? What has been the experience of companies using this method? Has their number increased or decreased? What factors influence success and failure? How can the procedure be made more effective?

HOW THE IDEA DEVELOPED

During the first fifteen years of the twentieth century manufacturing methods, equipment, and ideas were undergoing radical changes. Manufacturers were invading foreign markets and organizing great industrial combinations. Production executives were solving problems arising out of the use of many new inventions. Foremen frequently discharged workers arbitrarily, trained men were displaced by new machines, and business had many ups and downs—all contributing to increase labor mobility. Meanwhile public-spirited citizens became interested in preventing unemployment, and executives began to realize that further efficiency in manufacturing could be obtained by better labor management.

These executives were stimulated first by the excessive amount of their labor turnover and its cost. As director of training at the West Lynn Works of the General Electric Company, Magnus W. Alexander realized the savings to any company which come by maintaining a stable work force, and his estimates of the cost of labor turnover made in 1913 played a real part in focussing attention on the problem. Mr. W. A. Grieves began a study of turnover at the Jeffrey Manufacturing Company in 1912 and arrived at conclusions substantially similar to those of Mr. Alexander.

Other men approached the matter from an interest in scientific management. As a part of the Taylor system, several plants installed employment departments as early as 1910. Each gave the employment superintendent full control over that function, thus taking away from the foreman his absolute authority in the matter of discharge.

By 1916 the stoppage of immigration and the return to Europe of many reservists had caused an acute shortage of labor. Associations of employment managers were organized in some of the principal centers of industry and a new idea began to crystallize. While there had been a tendency to attack the high cost of excessive turnover blindly with the thought that a reduction by any means meant economy, personnel managers began to realize that there were many times when an employer was better rid of an employee. It became apparent that no matter what the definition of turnover, no single figure would give the management a true picture of what was going on in the shop or office. One way to obtain this, it was thought, was to make provision for systematically learning why employees leave—to find out their opinions regarding the company and to use this information in order to improve conditions.

Perhaps the first general program with reference to the study of the causes of turnover was outlined by a committee of the Employment Managers Association of Boston of which the chairman was Mr. E. H. Fish of the Norton Company. Forms for recording and analyzing the causes of leaving by departments and for the plant as a whole were drawn up. Arrangements were made to have these published by the Library Bureau, with headquarters in Boston, and sold to interested employers.

Since that time other organizations have become interested along similar lines. Typical of these are:

1. Department of Industrial Research of the Wharton School of Finance and Commerce.
2. National Metal Trades Association.
3. Metropolitan Life Insurance Company.

WHAT HAS EXPERIENCE SHOWN?

Where employees are interviewed and records are kept and properly used, what practical results can a company reasonably expect? Experience shows at least six possible results:

1. Prevention of arbitrary discharge by foremen or department heads and a better understanding of how to handle men.
2. Disclosure of personal grievances and misunderstandings.
3. Reduction of turnover due to improper selection and placement.
4. Exposure of unsatisfactory working conditions.
5. Exposure of unsatisfactory personal, home, and community conditions, some of which can be corrected.
6. Development of employee good will.

Suppose we consider some actual cases observed this year. Upon being asked whether or not exit interviews prevent arbitrary discharge, the employment manager of a rubber company said:

> I believe they have a beneficial effect on foremen. I make a practice of dealing individually with the foremen as much as possible. For example, sometimes when I learn of a man's grievance or misunderstanding, I call in the foreman to hear what the man has to say. Hot words follow and the man doesn't stay, because we back up the foreman in order to preserve discipline; yet when a similar case comes up, the foreman thinks before he discharges the man.

As another case, consider the experience of a company manufacturing motor cars as reported by its employment manager.

> There is an effect upon executives and foremen throughout the plant when they know that every man who leaves is interviewed. For instance, a foreman would not desire a man to come down here and say that the boss swore at him or in any other way treated him unjustly. There also is a possibility of baseball pools and other evils creeping into a large plant, reports of which we often get through a man who is quitting. We have had cases where a foreman took money for picking out good jobs for certain workmen. On matters of this kind there usually comes a falling out, and when the employee comes to this department on his way out, we make a clean-up. I think we sometimes over-estimate the seriousness of labor turnover, but the matter of exit interviews is a vital part of our employment system. Our endeavor is to apply the remedy immediately and not wait for executive action, thereby getting rid of a good deal of red tape.

Then there is the man who cannot agree with his foreman as to the duties of his job. In a plant manufacturing steel tools, it was found that arguments sometimes arose between good workmen and their foremen. In one case when a foreman gave an order, a workman replied, "That's not my job." A heated argument followed and as a matter of discipline the foreman was forced to dismiss the man. The employee stated in strong language that he wouldn't work in such a plant. In this case the employment superintendent talked the matter over with both men. He called the foreman's attention to the value of keeping a good man and the fact that the situation was largely the foreman's fault because the details of the job had never been explained fully to the man. To the workman he pointed out that the foreman had to keep discipline and was really a good fellow. By showing each the other fellow's viewpoint, the matter was straightened out and a good workman saved.

Just as this method is a check on the foreman, it is also a check on the employment manager himself. As one employment manager said, "Studying the causes of turnover is valuable to us because in this way our own mistakes come home to roost." An office manager's experience illustrates this point further. Upon glancing over his past turnover record, he discovered that seven out of eleven stenographers had been discharged because of incompetency. None of these girls had been with the company more than five weeks. These seven cases were discussed in detail by the office manager with his subordinates, with the result that greater care was taken in the selection and placement of new applicants for such positions. In a New England factory the employment officer thought that because he interviewed everyone who left he was more familiar with the type of man to hire for certain jobs.

Sometimes unsatisfactory working conditions are brought to light by learning the employee's viewpoint. Speaking of this, the assistant treasurer of a New York bank who keeps a record of labor turnover on his desk at all times and interviews personally every clerk who is hired or leaves, said:

> We found that a number of employees were leaving on account of night work in one of the departments. As a result we now have two shifts and the turnover for that reason has been eliminated.

Complaints against the poor ventilation in one department were received by a Rhode Island manufacturer in the course of final interviews. These were taken up with the works manager and a new ventilating system was installed, which soon reduced labor turnover on the jobs immediately affected.

On the other hand, labor mobility is frequently due to conditions outside the plant although not necessarily outside the control of the employment department. The director of employment of a steel mill states:

> When we learn that employees are leaving on account of financial troubles we often keep them by helping them straighten out their financial difficulties.

Other results may be summed up under the heading of good will. A textile plant found that many people left work for rather vague reasons, often restlessness. Regarding this, the company said:

> We have a great many people with us now who have returned a second time and make better workers than at first. Often the leaving interview makes an employee feel kindly toward the firm and anxious to come back. This is particularly true of women and young boys.

A somewhat similar opinion was expressed by an Ohio manufacturer who said, on being asked about the effectiveness of exit interviews, "These should have an effect on the community because of the assurance that every man will be given a hearing and a square deal."

IS THE USE OF TURNOVER RECORDS INCREASING?

The facts at hand indicate an increase in the number of companies which use personnel records showing the causes of turnover. The Rand Kardex Bureau, of which the Library Bureau is now a part, stated that during the past year or so the original form has not been as frequently sold as heretofore. There has been a tendency for companies to order forms arranged slightly differently in order to carry out in detail some of their own ideas on the subject. Practically all of these forms have been based upon the one originally prepared.

Since 1917–1918 several individuals, associations and organizations have supplemented the activity of the Library Bureau. The form drafted for group policyholders of the Metropolitan Life Insurance Company some four years ago alone has increased by over 100 the number of companies using such records. In addition, there are scores of firms which began printing their own records about 1919–1920 and continue to use them. So, while no figures on the number of companies using such forms are available, it seems reasonable to conclude that the number is growing and that there is a tendency away from uniform records.

WHY TURNOVER ANALYSIS FAILS

Suppose we consider a few typical cases of companies failing to continue this method. A manufacturer of glass decided, in a burst of enthusiasm, to study the causes of his turnover. In the main plant perhaps 175 people were employed, and for the past few years the foremen had been reporting the reasons for leaving although no use was made of the information. So as a measure of economy the manufacturer began his study by searching these old records and analyzing the last six months' experience. Quite naturally, the final report was rather a dead affair and little valuable information was obtained from it. In addition, it was found that with the exception of the common laborers, labor turnover was too small to warrant detailed study.

Take another case of failure. In a New York printing plant employing about 200 people, the personnel activities, such as they were, were handled by the accountant who was responsible to the superintendent. Becoming interested in labor turnover and its causes, he thought he saw a way to increase his prestige with the superintendent. After gaining half-hearted approval of his plan, he asked each foreman to report in the future the reasons why each employee left. Later, taking the perfunctory comments set down on the foremen's reports, and by dint of careful clerical labor he classified and entered these causes in pretty columns. As no conclusions could be drawn from the final analysis, the superintendent was not interested, the foremen were not interested, and the idea discarded.

Then there was a dealer in china and glassware who asked to be furnished with forms to use in studying the causes of his labor turnover. One year later, upon being asked what the results had been, he replied, "Our turnover has been fairly steady and I don't notice much change in the reasons from month to month." This company employed only 50 people.

Still further ideas come from a metal manufacturer, who said:

> We had some turnover analysis forms printed sometime ago, but when we put them into use we found our turnover was less than one percent per month and practically all the sheets were turned back to us blank by the various department heads to whom they were issued. Even when two or three names appeared on a sheet we knew the foremen had done everything possible to keep the men. The idea of studying the causes of turnover is excellent when applied to a plant where turnover is relatively high. It tends to give the foremen the very training which we have instituted at our plants through other means.

Upon further inquiry it was learned that this company had had difficulty in classifying the reasons for leaving according to the code adopted. There was a lack of coördinated data. A later letter from the company, however, stated:

> Our judgment may have been premature because of the fact that it was arrived at before enough time had elapsed and enough cases recorded to determine correctly whether the record was valuable. We heartily agree with the thought that only by careful analysis of the actual reasons for people leaving can any plant or any industry hope to remedy the conditions responsible for labor turnover.

With the help of such illustrations as these, can we set down the reasons why such procedure has failed? There are at least eight of these. They are:

1. It is faulty to believe that the sole object of studying the causes of turnover is to reduce its amount. This point of view overlooks three things:

   a. The wholesome effect of certain kinds of turnover.

   b. The valuable information which can be obtained through turnover analysis and used to increase plant efficiency and build morale.

   c. The fact that turnover is a symptom of other sources of loss often greater than the loss due to turnover.

2. *Some companies are so small that this procedure is unnecessary.* The officers know each worker personally and the desired results can be obtained without a formal system of interviews and records.

3. *The costs of interviewing and record keeping are not kept.* Each company will have to determine for itself how costly this item is. However, this cost is not necessarily excessive.

4. *A mere tabulation of the causes of leaving is not sufficient.* Each separation is an individual case problem and should be considered as such. Unless such an attitude is taken turnover analyses will all look very much alike. No system runs itself and no company can expect to issue an order requiring someone to enter the causes of leaving on a blank form and then believe conditions automatically will be improved.

5. *Inaccurate information may be due to inferior rank of interviewer and consequent lack of remedial action.* It is important that

the interviewer have sufficient prestige to command the respect of employees, a personality calculated to win their confidence, and authority to take action himself or to present his recommendations to a superior who will thoughtfully consider them.

6. *There may be lack of interest and understanding on the part of foremen and other officials.* It is important to have the foremen realize that labor turnover is a problem for them to consider along with others relating to efficiency and costs.

7. *There may be lack of confidence in the employment department or interviewer.* Unless a company can convince employees that it is fair in its dealings and that it welcomes complaints made in the proper spirit, it is difficult to obtain accurate information.

8. *The company may pay high wages, have excellent working conditions, train its foremen successfully in handling men, and provide channels for grievances.* Under such conditions the value of this procedure is lessened because there are other methods of finding out what the workers are thinking.

SUMMARY

The sole purpose of this paper has been to present the idea of systematically finding out and recording the reasons for exits and taking whatever action is necessary. Illustrations of the results actually obtained were given, reference was made to the increasing number of companies following this method, and cases were cited to show why failure has come.

To sum the matter up, an employer has two alternatives. He can say, "All this sounds very well but I can't be bothered with systems and records. When I lose a man I hire another." If such is his attitude he must take the consequences. No matter how efficient and trustworthy his subordinates, they will not act as he himself would act. When he is called away on business he will be held responsible for the acts of his lieutenants—unjust discharges, petty tyrannies, etc.—many of which he will never even hear of. Neither is it a matter of merely losing one man and hiring another. When he loses an employee it tends either to make or to mar his reputation in the labor market. Every employee who leaves with a grievance makes it harder for him to hire good workers in the future. If he questions this, let him go down to the local employment agency, sit there unobserved, and listen to the remarks made about him. "Send me anywhere but there," one man will say, "I don't want to work for those people. Why? Well, a friend of mine worked there once." Such comments as these will make an employer realize the consequences of such a policy.

Then there is the other alternative. He can adopt such a plan as is described in this paper. If he follows it, grievances will come to light, his subordinates will try to conform to his labor policies, "sore spots" in the organization will heal more quickly, and a longer line of high grade workers will form outside the employment office. Such an employer doesn't worry about records or systems. He is convinced that a frank man-to-man talk with dissatisfied employees is profitable. If he records the reasons given by the employee and studies these occasionally to refresh his memory, that also is worth while. Certainly it is not to him a complicated system. If he finds it unnecessary to talk personally with every employee who leaves, and in certain cases learns the facts from someone else, he considers this not the breakdown of a system but merely common sense. In short, he believes it will pay him to learn what his employees think of him and to give them a correct impression of him.

The employer must decide which alternative he will take. What is our part in the matter? One suggestion is enough. The exit interview is the keystone of the procedure previously described. Can we not improve the art and technique of conducting such interviews?

An interviewer is handicapped in two ways. Some people will not tell him the truth; others cannot because they are not used to analyzing their own motives. In either case, an interviewer can put himself in the employee's place. He can learn the factors which might have influenced the employee. He can decide how he would have acted under similar conditions.

What are some of these conditions? They relate either to the man himself, his job, or his family and home. For example, is he ambitious, conscientious, accurate, etc.? What training has he had? Would he like to work for the same foreman again? Has his address changed since being employed? How many people are dependent upon him? Much of this information can be obtained before the final interview from personal history cards, production records, and efficiency ratings.

Labor will never be efficient, neither can the lot of the laboring man be a happy one unless industry consciously develops more human contacts between employer and employee, more understanding on the part of each regarding the other's problems.

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