

How do I calculate retention? Is retention related to turnover?

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Retention rate is not simply the inverse of turnover. For the experienced workforce planner, the retention rate complements the turnover rate. By calculating both the retention rate and turnover rate, a workforce planner can obtain a more complete view of worker movement than by calculating either metric alone.

By definition, the retention rate is the percentage of employees who were employed at the beginning of a period, and remain with the company at the end of the period. The retention rate tracks particular employees over time and is unaffected by subsequently hired workers. This figure is quite useful but the downside is that it does not track the departures of employees that joined and subsequently left during the period being tracked.

Turnover rate is often defined as the number of separations divided by the average number of employees during that same time period. The most common formula used to determine turnover is the number of exits divided by the number of employees for a given period.

If your purpose is to compare your figures to external benchmarks, keep in mind that many organizations using this particular benchmark will often include a raw figure that includes all separations, including retirements and voluntary separations. Thus, their figures will often show the total number of exits divided by the number of employees. The problem with comparisons made using this definition is that you have no idea how many of their departures were retirements or terminations and this type of benchmark data is of limited value.

Use the formulas below to calculate retention rate and turnover rate.

In a department of eight, let us assume that two people in the department left and were replaced.

- T (turnover) = $(2/8) \times 100 = 25$ percent
- And R (retention) = $(6/8) \times 100 = 75$ percent

However, sometimes it happens that the incumbent leaves after a short period of time and is quickly replaced. If we assume that the two positions became vacant during the time period being tracked, were filled, and those personnel were also replaced, the numbers tell a different story.

- $T = (4/8) \times 100 = 50$ percent
- $R = (6/8) \times 100 = 75$ percent

One can clearly see that a better and more accurate metric is to track both retention and turnover.