

Bankers Bulletin

September 2026



Employee Retention: What It Is & How to Calculate

Employee retention refers to an organization's ability to keep its employees over time. It reflects how well a company supports, engages, and develops its workforce — and is one of the clearest indicators of overall organizational health.

What Is Employee Retention Rate?

Your employee retention rate is the percentage of employees who stay with your company over a specific period of time compared to those who leave. Expressing retention as a percentage accounts for the natural movement of people in and out of your workforce, giving you a more accurate read than headcount alone.

A high retention rate typically indicates that employees are satisfied and engaged, while a low retention rate may signal cultural problems or other issues.

Retention Rate vs. Turnover Rate

You can use these metrics to examine different aspects of your company culture and employee experience:

- **Retention rate is an indicator of stability and employee satisfaction.** A high employee retention rate typically means you have a positive, supportive workplace environment and that you are hiring the right people.
- **Turnover rate measures the percentage of employees who leave an organization over a specific period.** If your turnover is higher than average or you see an increase from one period to the next, consider potential causes such as poor management or lack of growth opportunities.

How To Calculate Employee Retention Rate

Retention rate summarizes workforce movement with an actionable percentage.

Employee Retention Rate Formula:

$(\text{Employees Retained} \div \text{Starting Headcount}) \times 100 = \% \text{ Retention Rate}$

You can apply it to any time period — monthly, quarterly, or annually — depending on what you need to measure.

Lay the Groundwork for Better Employee Retention Rates

The best way to retain high-quality employees is to establish a culture that values well-being, growth, flexible work, and meaningful contribution.

Developing an employee retention strategy that centers on positive employee experiences can help you keep your best employees engaged, satisfied, and productive.

Learn more about calculating employee retention rates at Go.Paychex.com/Sep-bb26

Ask how Paycor can help your business clients.