

What Is Employee Retention? Importance, Benefits, and Calculation - Oracle

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Executive Summary

This article, authored by Oracle content strategist Grant Kieckhaefer and published in March 2024, addresses the concept of employee retention — its definition, strategic importance, measurement, and improvement methods. The author argues that retaining skilled employees is essential to organizational efficiency, innovation, and competitive advantage, and that high turnover imposes significant financial and reputational costs. Key evidence is drawn from a 2022 Gallup global survey, which found that over half of employees expressed interest in leaving their jobs, 59% were quietly disengaged, 18% were actively disengaged, and low engagement collectively costs the global economy an estimated US\$8.8 trillion. The article presents a formula for calculating employee retention rates, outlines ten cited best practices for improving retention, and features a case study of Silver Fern Farms — a New Zealand food manufacturer with 7,000 employees — which implemented Oracle Fusion Cloud HCM and reported a 10-day reduction in compensation review cycles and improved employee goal-setting participation. The article concludes by positioning Oracle's HCM platform as the enabling infrastructure for effective retention strategies.

Key Insights

1. A 2022 Gallup global survey found that more than half of employees expressed some level of interest in leaving their jobs, with 59% quietly disengaged and 18% actively disengaged, costing the global economy an estimated US\$8.8 trillion.
2. Employee retention is directly linked to the employee experience — encompassing the full lifecycle from onboarding through exit — with engagement, culture, pay, and well-being identified as the top factors employees cite as areas for improvement.
3. High employee turnover generates compounding costs beyond direct recruitment and onboarding expenses, including loss of institutional knowledge, reduced morale, productivity decline, and reputational damage with customers.

Practical Takeaways

- Organizations can calculate their annual employee retention rate using the formula: $[(\text{employees at end of period} - \text{new employees during period}) / \text{employees at start of period}] \times 100$, enabling year-over-year benchmarking.
- Exit interviews and current employee feedback represent concrete mechanisms for diagnosing retention weaknesses and measuring the effectiveness of implemented retention strategies over time.

Critical Analysis

Strengths: The article anchors its claims in a credible and widely cited 2022 Gallup global survey, providing specific and quantifiable data points on disengagement and its economic cost. The retention rate formula is a legitimate and commonly used HR metric. The article covers the topic comprehensively, addressing definition, causes of attrition, benefits of retention, measurement, and improvement levers. **Limitations:** The article is produced by Oracle's content team and serves a clear commercial purpose — the Silver Fern Farms case study is an Oracle customer reference, not an independent evaluation. No control comparisons or third-party validation of the case study outcomes are provided. The '10 best practices' referenced in the text are not actually enumerated in the extracted content, reducing its practical utility. The article conflates general HR guidance with Oracle product advocacy without clearly distinguishing the two. **Biases:** As vendor-produced content, the article systematically steers readers toward HCM technology — specifically Oracle Fusion Cloud HCM — as the solution to retention challenges, which may overstate the role of technology relative to cultural, managerial, or structural factors. The case study metric (10-day reduction in review cycles) is reported without baseline context or independent verification.

Organizational Practice

Silver Fern Farms, a New Zealand-based food manufacturer with 7,000 employees, replaced internally developed HR tools with a cloud-based HCM platform. The organization linked learning management with LinkedIn Learning to track employee development, streamlined annual compensation reviews — reportedly reducing the process duration by 10 days — and used a performance management application that resulted in half of permanent staff documenting impact and development goals within the first year of implementation.

Strategic Implications

The article reflects a broader industry trend toward consolidating HR processes — including performance management, compensation, learning, and engagement — into unified cloud-based HCM platforms. The Gallup data cited points to a persistent and large-scale disengagement challenge that organizations across sectors are navigating, with implications for how performance management systems are designed to address not just output measurement but employee experience and manager-employee communication. The emphasis on quantifying retention rates as an organizational metric signals movement toward treating retention as a trackable performance indicator alongside financial and operational KPIs.

Validation Status: passed
