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WORKFORCE PLANNING
THE WIDER CONTEXT

A Literature Review

July 2003

Employers' Organisation for local government

Institute for Employment Studies

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WORKFORCE PLANNING: THE WIDER CONTEXT

Foreword

The Employers' Organisation for local government (EO) commissioned the Institute for Employment Studies (IES) to carry out a literature review of published material on workforce planning. The focus of the research is the current thinking and practice in the private sector in Britain and overseas.

The purpose of the review is to complement EO's work on workforce planning in the local government sector, in particular **The Guide to Workforce Planning In Local Authorities** published in July 2003. The Guide provides an introduction to the subject for authorities wishing to embark on this project, and for those wishing to improve their existing workforce systems.

Our thanks are due to Alice Sinclair of the IES who is the author of the review, and Dylis Robinson who is the IES project manager.

Further information on EO and IES, and contact details are shown on pages 23-24.

The EO is developing its support for local authorities on workforce planning via the Regional Skills and Capacity Advisors who work with individual authorities. This is one part of a wider programme to support authorities in recruitment and retention, workforce development, capacity building and improvement. For further information on the current programme please see the contacts shown at the end of the review.

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1   Summary

Whilst workforce planning has been around for a number of years, there has been a recent resurgence of interest in this HR practice as organisations have begun to realise that the need for planning is greater than ever. The current business climate of intense competition and increasing speed of delivery means that organisations need to plan ahead in order to survive. The fluctuating economy means that they need to be prepared for possible downturns as well as upturns. In addition, changing demography, in particular the ageing of the workforce, means that organisations need to make efforts to avert an impending loss of skills as a large portion of the workforce retires.

The need for workforce planning is not exclusive to the private sector. The public sector faces a number of the same pressures, in addition to extra pressures of staff shortages and demands to modernise service delivery. Both in the US and here in the UK government initiatives are requiring local government to demonstrate workforce planning capability and action.

The benefits of conducting workforce planning are many and varied. Essentially it helps organisations to 'get the right people in the right job at the right time'. It allows for a more effective and efficient use of workers and for organisations to prepare for restructuring, reducing or expanding their workforces. In addition to the practical benefits, the process of workforce planning aids organisations by providing overarching objectives which integrate the various divisions and focus employees' attention on common goals for the future.

A number of models and techniques are available to help organisations conduct workforce planning. What is appropriate for an organisation to use depends on how easily it can be implemented and the ease with which it can be tailored to the situation at hand. Most models are broadly alike but there are some specific models which focus on particular organisations or types of work or on short-term logistical planning. There are also sophisticated software packages available. However, most organisations do not need a complicated approach and it is often better to take the simplest route than to try to do too much.

Some HR researchers believe that if workforce planning is to work, organisations should take note of the following issues:

- It is important that workforce planning is not seen as being able to predict the future or organisations will end up disappointed. Rather, it should be seen as setting the longer-term context for business issues and providing a decision filter through which other plans can pass.

- HR staff often find workforce planning challenging. It presents a strain on their resources and is difficult to fit into the traditional HR role. Some HR professionals may also lack an understanding of business issues which would help in creating workforce plans and in selling them to their colleagues.

- The approach of workforce planning is often misguided. Practitioners try to set a bulls-eye target covering the entire organisation to be reached over a fixed time-period, sometimes spanning several years. However, fluctuations (both internal to the organisation and external) mean that they rarely follow straight-line paths. To be effective, workforce planning needs to be flexible, ongoing and sensitive to the different needs of units. It should not stand alone but should be integrated with business plans in a symbiotic relationship where they both react to and inform each other.

- Finally, workforce planning should not be too ambitious in its objectives. It cannot be expected to even out the peaks and troughs of the business world. Nonetheless it is an important practice. It is much better to develop a clear understanding of the present situation, consider key future issues and manage the interplay between the two than to leave things entirely to chance.

We are currently facing the 'golden era' of workforce planning (Sullivan, 2002a). Whilst some organisations have been conducting workforce planning since the 1960s, there has been a considerable resurgence of interest in the last decade as it has risen to become one of the 'hottest topics on the planet' (Sullivan, 2002a). Despite the recent enthusiasm, the implementation of workforce planning continues to present difficulties to practitioners and it has been described as 'one of today's greatest business challenges' (Laabs, 1996).

This report has been commissioned by the Employers' Organisation for local government as part of its project to support local authorities through the Comprehensive Performance Assessment. It is one of a number of national initiatives being developed to support local authorities. Others include:

- The DH and LGA recruitment and retention initiatives in social care

- The TTA and DfES initiatives for promoting teacher recruitment

- Recent NHS work including a DH report Working Together, Learning Together

- A raft of other initiatives by the Employers' Organisation for local government, including HR management (see www.lg-employers.gov.uk)

The main purpose of the report is to summarise research and literature primarily outside local government. No attempt is made to detail the specific techniques and models or to describe how they should be applied (for guidance on the operational features of the practice please refer to the Employers' Organisations for local government 'Workforce Planning: Guidance for Local Authorities'). Instead, academic literature, practitioner literature and case studies are drawn upon to illustrate the context of workforce planning – its history, who uses it and why. In addition to highlighting the benefits that workforce planning can bring to organisations, the report will address some of the difficulties that practitioners may expect to experience.

At the outset, it is important to note that the academic literature on this area is scarce. The majority of published information is based on anecdotal evidence and not robust research findings. Whilst we cannot profess to an exhaustive search, it appears that the renewed interest amongst practitioners is yet to be matched by academics. Nonetheless, this day-to-day experience of practitioners provides a valid insight from which we can learn.

Although the intended audience for the review is local authorities within the UK, the literature is drawn from a range of public and private sector organisations, both in the UK and abroad. Some may question the relevance of a large multinational corporation's experience to the current local government. However, it is important to note that different organisations face a number of common external pressures, especially those relating to the changes in workforce demography. In addition, it

would be foolhardy to negate the lessons learned from the private sector, which typically has a more substantial history of using workforce planning techniques.

3   What is Workforce Planning?

What is meant by 'workforce planning' and how can it be distinguished from other concepts? Perhaps the most simple and most commonly used definition describes workforce planning as:

> *Getting the right number of people with the right competencies in the right jobs at the right time.*

A more comprehensive definition, which highlights some of the procedural issues involved, defines it as:

> *A process in which an organisation attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet that demand. (Reilly, 1996)*

The term itself is a relatively new one which is used interchangeably with older terms such as 'human resource planning', 'succession planning' and 'building bench strength'. In the past workforce planning was predominantly known as 'manpower planning'. Although still used occasionally, there has been a move away from this latter term due to its gender-unequal connotation and because it suggests a mechanistic quantitative approach to thinking about the workforce (Reilly, 1996). Manpower planning is associated with a rather centralised, number crunching type of process, whereas workforce planning allows for a greater recognition of qualitative issues, especially concerning skills, and is appropriate in a variety of organisational settings.

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4 History of Workforce Planning

Workforce planning grew during the 1960s and early 1970s in a period of relative economic stability when unemployment was low and organisations were faced with supply shortages and the need to improve labour utilisation (see Reilly, 1996). It remained a significant practice in most large HR departments right up until the economic downturn of the 1980s when the failure to prove the economic value of workforce plans resulted in many efforts being eliminated (Sullivan, 2002b).

A number of factors contributed to the rejection of workforce planning over this period. The traditional approach had been highly mechanistic and concerned with 'head count' rather than 'head content', which prevented it from being flexible enough to meet the changing conditions (Castley, 1996). A number of shifts in organisational structures and attitudes during the 1980s were opposed to the practice of workforce planning (Reilly, 1996). There was a reaction against a centralised corporate power and organisations began devolving power to the local units. This, in turn, made workforce planning more difficult and led to the loss of some workforce planning skills. In addition, the HR agenda switched from a quantitative approach and a concern for numbers to a more qualitative approach looking at the skills employees bring to the workplace.

Furthermore, the fluctuating economy led some to regard planning as a futile activity (Reilly, 1996). The mood at the time was captured by the following quotation, taken from Minzberg (1994):

> *Those that say they make plans and that they work are liars. The term planning is imbecilic; everything can change tomorrow.*

In the latter part of the 1990s workforce planning started to creep back onto the HR agenda. Today it represents a high priority for an increasing number of organisations as they realise that the need for planning is greater than ever (Sullivan, 2002b). There is an awareness of the importance of skill development in an environment that requires adaptability rather than stability. There is recognition that employee contribution must be maximised through better utilisation and deployment. Finally, there is an understanding of the need to frame employee tasks in the context of business plans and to make them more challenging in the drive for continuous business improvement.

Far from undermining workforce planning, the unpredictable nature of business necessitates thinking about the future. Organisations need to be able to deal effectively with any upturns or downturns they may face. The last couple of years has seen a period of instability in the economy, which has led to downsizing and lay-offs in many industrialised nations. Organisations that were unprepared for the cutbacks are now planning for how they will regenerate the business when the economy brightens up again. There is increasing concern (especially in industries such as IT) of 'throwing the baby out with the bath water', and losing competitive advantage because of a failure to protect core competencies (Melymuka, 2002). As one practitioner advised:

Even if recession has forced you to cut back on projects you can use this time to assess your skill base, figure out what you'll need and get organised to hit the ground running when your budget loosens (quoted in Melymuka, 2002).

Although we cannot predict some of the changes in the business world, we can be certain of others, some of which relate to the workforce itself. The future is expected to bring a shift to higher-skilled 'knowledge-worker' jobs, increased competition for talent as well as greater worker diversification, changes in worker values and expectations and an increasing number of workers retiring. An examination of organisation workforce planning guidelines suggests that it is this latter problem which has spurred a number of organisations into creating workforce plans. As the first wave of baby-boomers edges towards retirement age, organisations that do not prepare for their replacement are expected to face a sudden loss of skills, or 'brain drain'.

Some organisations are planning for the increasing diversity of the population. Despite equal opportunity and diversity initiatives, most middle and senior management positions are still held by white middle-aged men, particularly in many areas of the private sector. However, a multicultural economy is on the way and many believe that if organisations want to identify with their customers, the people running the businesses will need to look like the people they serve (*eg* White, 2002). One organisation, Abbott Laboratories, a US-based health-care products company, has begun to increase the diversity of its workforce through aggressive targeted recruitment initiatives, including building relationships with minority universities and sponsoring science programs in schools in predominantly minority neighbourhoods (see White, 2002).

5   Context of Workforce Planning

Figure 1 shows how, ideally, workforce planning fits into the wider scheme of an organisation (taken from Reilly, 1996). It illustrates how the practice is linked to the formation of business plans and, in both consideration of supply and demand, sensitive to the external environment. The model implies that strategy-making drives the process of implementation. In fact, as the feedback loops are intended to show, the reality is more iterative and complex. Workforce planning is not static but should respond to changing circumstances, either internal or external to the organisation. Sometimes decisions may follow the strategic vision, sometimes strategies emerge from the action itself, and act as a form of *post hoc* rationalisation. It may be a rational process, or one formed in *the 'political hurly-burly of organisational life'* (Johnson, 1987). As we will see, in practice the fit between workforce planning and the wider organisational environment is not always so smooth.

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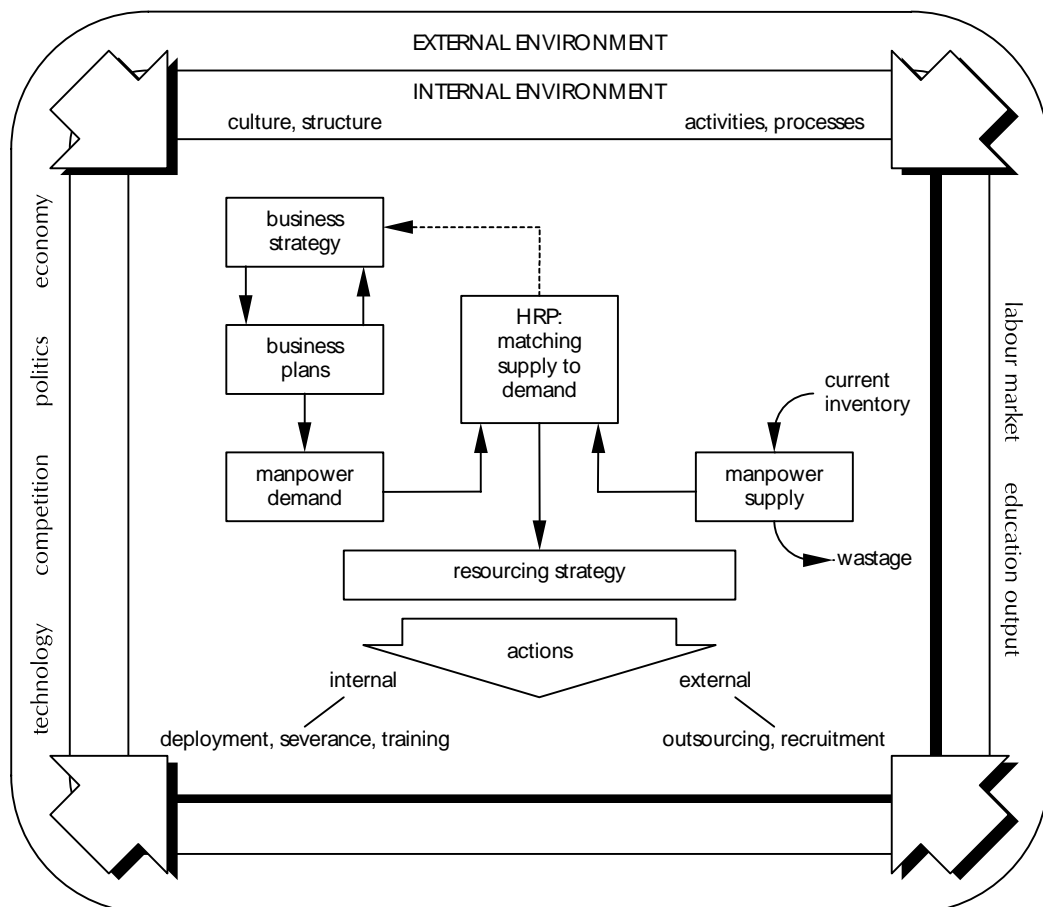improvement and development agency
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6   Why do Workforce Planning?

There is no set reason for adopting workforce planning. It can be applied in a number of environments for a number of reasons at all levels of an organisation and in the short-term or long-term. From his work with HR practitioners, Reilly (1996) reported that it is primarily used for two reasons; to plan for substantive reasons, *ie* to have a practical effect, and to plan for the process benefits that the activity brings.

Some examples of possible substantive reasons to adopt workforce planning are:

1. to determine staff numbers and skills required at a new location

2. to deal with the problems of retaining a highly skilled staff

3. to manage an effective downsizing programme

4. to look to see where the next generation of managers will come from (see Reilly, 1996).

Figure 1: HR Planning model

Source: IES, P Reilly, 1996

Workforce planning can bring a number of benefits to an organisation. It can allow for a more effective and efficient workforce, help ensure that replacements are available to fill important vacancies, provide realistic staffing projections for budgeting purposes, provide a clear rationale for linking expenditures for training and retraining, development, career counselling and recruiting efforts, help maintain and improve a diversified workforce and help prepare for restructuring, reducing and expanding the workforce (taken from Texan State Workforce Planning Guide, www.hr.state.tx.us/workforce/guide.htm).

Process benefits refer to the *'value of posing the questions more than attempting to answer them'* (Pascale, 1991). The three major benefits are described below (taken from Reilly, 1996).

Thinking About the Future

As a starting point, workforce planning allows staff time and space to think ahead. It is tempting for organisations to ignore the future. There is a natural concentration on the immediate because of the pressure to meet deadlines. Moreover, the detail of daily work often obscures the overall picture.

Spending time developing plans, it is felt, can give staff time and space to consider long-range issues in the context of the whole organisation. This process should allow the organisation to be better prepared for the future and able to confront the unexpected, not just the familiar.

Corporate Control

In recent years there has been a reaction against the devolution of power that took precedence in the 1980s. Many organisations have learned through experience that aligning behaviour in relation to overarching common goals avoids corporate anarchy and helps prevent thinking becoming too short-term in its focus. Workforce planning is one means through which the centre can regain control because it requires operating units to plan their resources in a structured way, defined corporately and then report periodically on progress.

Integrating Actions

As indicated above, there is an understandable desire to optimise for the benefit of the organisation as a whole. This is most easily done by integrating the actions for the various parts of the organisation, be they businesses or functions, so that they are all working to common objectives. In particular, it is important that the function of HR is integrated with those of the rest of the business. This can be achieved through the formal planning process by detailing the assumptions about the environment facing the organisation, the broad business strategy, its financial constraints and the resource constraints.

By taking an overall picture of an organisation, workforce planning can also be used to inform other organisational processes, such as succession planning (Hirsh, 2000). Before looking at the detail of who should succeed to what position when, it makes

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7 Models and Techniques of Workforce Planning

A number of models and tools are available to help organisations conduct workforce planning. Despite variations in terminology and the order of processes, most models are very much alike. Essentially, workforce planning involves an analysis of the present workforce competencies, identification of the competencies needed in the future, a comparison of the present workforce to future needs to identify competency gaps and surpluses, and the preparation of plans for building the required workforce and evaluation. For a guide applicable to local authority workforce planning, please refer to the Employers' Organisation for local government's **'Guide to Workforce Planning in Local Authorities'** (which can be downloaded from:
www.lg-employers.gov.uk/recruit/working_planning).

Some models have been designed specifically for use in particular contexts. Many organisations have developed their own models. For example, after discovering they needed a different planning tool to those available on the market, the American power company Duke Power, developed its own model based on the notion of 'pivotal roles', (*ie* jobs in the organisation which are fundamental to moving it forward) and the make-or-break competencies underlying them (see Laabs, 1996). Unlike traditional models which were based on head-count, the changing nature of the power industry and in particular the organisation's move towards the non-power side of business, demanded a model that was much more competency-driven.

A number of models have been designed specifically for short-term planning systems, such as in the emergency services and call centres. Many of these have been reported to have achieved huge gains. For example, Church, Sorensen & Corrigan (2001) developed several special models for use in the emergency service in order to efficiently deploy staff throughout each week. They noted that workforce planning in such organisations is complicated by the need to include geographic coverage. Testing their model in San Francisco police service, they found it provided higher levels of officers on the street during periods of high demand, officer response times improved by 20 per cent and revenue from traffic violations increased by three million dollars. Although such short-term models are concerned with planning they are not particularly relevant to the current context; they relate to operational management and the logistics of staff scheduling and have less to do with longer-term planning for future business.

There is a small body of academic research which continues to refine complex models of workforce planning using complicated statistics. For example, Bordoloi & Matsuo (2001) developed a non-linear model which accounts for the different knowledge levels and training needs of entry-level staff. Applying their principles to a semi-conductor manufacturer they found that previous planning by the company

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had underestimated the ideal number of workers required in the higher knowledge levels.

There are also a number of sophisticated software packages emerging on the market to help organisations conduct workforce planning (see Khirallah *et al.*, 2001). For example, a workforce planning application by PeopleSoft Inc is a new addition to its Workforce Analytics suite that lets companies maintain rankings of employees based on descriptions of their training and competencies, comments by supervisors on performance and details about availability, location and other criteria. PeopleSoft has also designed a Business Analyzer Modeler, a spreadsheet-like tool for creating 'scenarios' to determine the best employees and resources for a project. Other applications, such as the Niku 6 go even further by tying together previously separate applications for resource allocation, project management, revenue management, collaboration and financial management.

However, most organisations and most planning situations do not require a complicated technique or complicated software (Reilly, 1996). Except for a few organisations that allow it, it is unlikely that organisations will use complex statistical models because the environment is too unstable and cannot specify demand with any precision. Whilst the software packages tend to offer a number of benefits besides workforce planning, they are often expensive and HR software are frequently reported as being difficult to use (Robinson, 1997). According to Reilly (1996), they are also surplus to the requirements of the workforce planning activity. Simple spreadsheet models, tailor-made and based on accurate and complete data are all that is required.

Although many approaches to workforce planning exist, the practicality of such approaches depends on how easily they can be implemented and the ease with which they can be tailored to the situation at hand. The nature of the decision to be made, the timeliness, those involved and the context should determine which techniques to use (Reilly, 1996). The simplest approach may be the best since, as we shall see later in this review, workforce plans have often failed through attempting to do too much (Sullivan, 2002c).

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8 Who is Doing Workforce Planning?

There is no set typology of organisations that use workforce planning (Reilly, 1996). Some organisations are predisposed to plan and have always done so for a number of reasons; a policy of 'growing their own timber' rather than 'buying in' as necessary; the need for skills which are often in short supply; the complexity of the expertise required which leads to extended training with consequently long recruitment lead times (Reilly, 1996). Examples of organisations which have a good reputation for workforce planning over the years are Shell Oil, Intel, NASA, Microsoft, Motorola and the US military (Sullivan, 2002b, 2000c). For example, in the 1970s, Shell used scenario planning to generate a number of possible options for the future, with associated workforce implications. This approach was very beneficial to the company during the oil price crisis that followed, for which most of Shell's competitors were completely unprepared. However, a much broader spectrum of organisations are now beginning to see the value of workforce planning (Sullivan, 2002a).

The majority of the literature refers to private sector organisations. However, the public sector is not immune to the pressures that face today's businesses (Reilly, 1996). In the US, the civil service personnel systems have been repeatedly attacked for being rigid, regressive, rule-bound and cumbersome (see Selden *et al.*, 2001). As a result, various personnel reforms have swept through government and there has been a big drive to modernise and look for examples from the private sector. Cayer (1996) suggests that without such knowledge, agencies and their managers will have difficulty maintaining a highly productive workforce.

In response, the General Accounting Office, Office of Management and Budget and Office of Personnel Management (OPM) have challenged government agencies to begin workforce planning and have compiled a number of guidelines and recommendations to ease the process (see The Federal Workforce Planning Model, www.opm.gov/workforceplanning). In the UK, the Government's Comprehensive Performance Assessment framework now requires local authorities to implement workforce planning as a key element in securing change (see the Society of Personnel Officers in Local Government website www.socpo.org.uk).

The public sector is particularly vulnerable to employment shortages as it attempts to change its business and sometimes expand its remit, whilst simultaneously experiencing problems recruiting new staff. One of the forerunners of workforce planning in the UK is the NHS. Despite a long history of using workforce planning techniques, this organisation continues to face difficulties which are partly due to changes in approaches to healthcare, shifts in clinical care, technological advances and changes in patterns of disease (Memorandum by Department of Health, October, 1998).

Like the private sector, the public sector must address the demographic changes in the workforce. In the US it has been estimated that 30 per cent of Federal personnel will be eligible to retire in five years and an additional 20 per cent could seek early retirement. Some agencies have been responding to these alarming findings. For example, the Social Security Administration conducted a study of employee retirements in 1998 and forecast that the agency would be hit by a huge retirement

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wave in the second half of this decade (see Friel, 2002). To prevent a sudden exodus, the agency staggered retirements by offering early retirements to some staff. It also developed a hiring plan aimed at having more experienced workers in place before the end of the decade. An early evaluation of the programme has already shown projections of a flattened retirement wave. In the UK, the age of the local government workforce is also skewed and similarity presents a serious issue for local authorities to address.

9 Lessons Learnt

Despite the current enthusiasm for workforce planning, the implementation of the practice is still in its infancy. An examination of organisation websites suggests that, whilst many organisations have devised guidelines on how to conduct workforce planning, few have begun to put them into practice.

In the US federal government, agencies were issued with scorecards by the Office of Management and Budget and the Office for Personnel Management using red, yellow and green lights to rate their workforce planning performance (see Friel, 2002). To win a green light an agency had to have a human capital strategy aligned with its organisational goals and a performance appraisal system that differentiated between high and low performers. So far no federal agencies have met this criteria and all but three agencies have received red lights. The narratives accompanying the red lights had little nice to say:

> *Education has not completed an inventory of its staff's current skills or a workforce restructuring plan to align its workforce with its mission and goals…[Health and Human Services] has not implemented the comprehensive restructuring reforms needed to create a citizen-centred department… Treasury has not developed a co-ordinated strategy that addresses skills imbalances in mission critical occupations (Quoted from Friel, 2002).*

Similarly, an audit of state government agencies found that the majority do little or no planning at all (see Selden, Ingraham & Jacobson, 2001). Only a few states (such as North Carolina and Washington) had vertically integrated workforce plans with state and agency strategic planning. Slightly more states had horizontally integrated the plans with other human resource functions such as recruitment, selection, training and development. Such an audit of workforce planning efforts is yet to be completed in the UK.

The major problem reported in the above audit was lack of resources. For example, during the above audit, one state personnel office responded as follows:

> *I don't think anyone does any kind of workforce planning – either us or the agencies. I don't think anyone disagrees with the notion. The idea is that you have limited resources available to you, both in the agency and in human resources, and there are so many continuing issues that you have to deal with*

Of the planning that has been done, there have been few evaluation studies so it may be premature to comment on whether or not it works. However, based on 30 years of research in human resources, Sullivan (2002c) describes how the track record of workforce planning is dismal and estimates that around 90 per cent of 'old model' workforce planning fails. As he explains, it is hard to discover the reasons for their failure because most workforce planners were laid off years ago. However, Sullivan (2002c, 2000d) and Bechet (2000) have compiled lists from their experiences in HR as to why workforce planning fails. They suggest that we learn from the mistakes of the past to help develop simple, focused, effective workforce plans. Some of the challenges of workforce planning are therefore described below.

Prior to examining the challenges, it is important to keep in mind the context of the audience for this report. Local authorities employ many different types of staff and have responsibilities for a wide range of services, each of which has its own career structures and workforce difficulties. Autonomous employers work within a statutory service framework with a looser employment framework. These features are likely to make workforce planning across local authorities even more challenging than in conventional organisations (please refer to the Employer Organisation's for local government '**Guide to Workforce Planning in Local Authorities**' which can be downloaded from
www.lg-employers.gov.uk/recruit/working_planning).

9.1   Definition and Approach

Bechet (2000) believes that the traditional approach to workforce planning - taking the practice as part of an annual planning process, defining future needs for the planning period using a template at a common level of detail based on common planning parameters and then combining these to create an overall picture of needs – is not working and proposes taking a different approach.

According to him, workforce planning would benefit from being more pragmatic. The objective needs to be changed so that it is seen as building a context for decision-making, not predicting the future. Part of the reason manpower planning went out of favour in the 1980s was because it failed to predict the downturn in the economy (Sullivan, 2002b). If organisations continue to regard workforce planning as providing a complete understanding of the future they will ultimately be disappointed.

Since we cannot hope to predict the future needs with any certainty, Bechet proposes that it is better to think of workforce planning as providing a longer-term context within which more effective near-term staffing decisions can be made. It makes sense that the best 'near-term' solutions, such as how to organise a succession plan, can only be determined once we understand what the future workforce will look like. Workforce planning should be seen as a decision filter through which other plans need to pass (Sullivan, 2002d).

Some of the problems with workforce planning relate to the incongruence of the process with the traditional HR function (Friel, 2002). Most senior HR practitioners oversee established, routine work involving benefits, payroll processing and job classification. Time which could be spent doing strategic work is often eaten up by HR administration. In the US, some federal agencies such as the Internal Revenue Service, have attempted to counteract this problem by splitting the two sides of the HR function to create two departments (Friel, 2002).

Moreover, HR staff lack some of the skills that would help them to do workforce planning properly (Sullivan, 2002b). They are usually measured and rewarded for short-term objectives, and are unaccustomed to thinking in the long-term. They may also lack an understanding of business issues which makes it difficult to align current and future workforces to meet future product and service demands and to demonstrate the high return on investment that planning offers.

In the past workforce plans have been approved on the basis of personal credibility, not quantifiable metrics, which do not stand the test when organisations run into difficulties. Sullivan (2002b) recommends that organisations consider training their HR staff in the relevant skills and revisiting their performance management and bonus schemes so that they measure and reward workforce planning.

9.3 Integration

One of the procedural benefits of workforce planning described in Section 6 is that it integrates the various activities and functions of an organisation. However, in practice, it is often done independently of other processes, and there is also a danger of exercising too much corporate power over different units (Sullivan, 2002d).

Integration of Planning Processes

In the past, the process of workforce planning was independent to other resource allocation activities such as budgeting and production planning. As a result, managers found themselves confronted with different and often contradictory forecasts (Sullivan, 2002d).

A number of models of workforce planning propose that forecasting should begin with an appreciation of the future direction of the business. The importance of aligning strategic and workforce plans has been emphasised in academic research. There has long been the argument that HR practices that are consistent with or support organisational strategy are more effective than those that do not (eg Schuler & Jackson, 1987).

A recent study by Khatri (2000) used a typology of organisational strategies on a selection of Singaporean organisations and found that type of business strategy moderated the effect of an organisation's HR practices on its performance. For some organisations workforce planning was not a good thing as it was negatively associated with their non-financial performance. It was concluded from this research

that HR managers should not copy others blindly but need first to fully understand the strategies pursued by their organisations.

As mentioned in Section 5, the strategic planning-workforce planning relationship is a two-way process (Reilly, 1996). Just as a strategic plan informs a workforce plan, so it may work the other way. A business cannot run efficiently without the right pipeline of people to staff it, and conversely, HR cannot staff correctly unless it understands what the business needs and plans are. Although traditionally HR has functioned downstream of strategic planning, being expected to operationalise it rather than assist in its formulation (Purcell & Ahlstand, 1994), an organisational strategy is blind if it does not include a consideration of employee supply and demand issues.
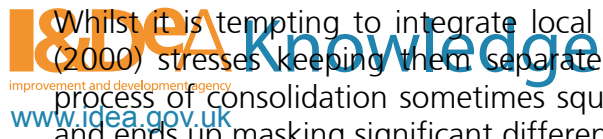
Some initiatives have begun in the public sector which aim to create greater coherence in planning processes. For example, the Training Organisation for Personal Social Services (TOPSS) was established recently in England, Wales, Scotland and Northern Ireland to take responsibility for the overall coherence of training and education in the social care sector. It is employment-led, with representatives from private, voluntary and statutory employer organisations, education, users, staff and professional organisations.

The need for greater coherence in this sector is demonstrated in the following case study. In Northern Ireland there has been concern amongst employers that they may be facing a shortage of qualified social work staff. Recent social policy care initiatives developed by the DHSSPS included plans for residential childcare services of 77 additional residential childcare places and 22 new children's homes. However, using information from various invited groups, the TOPSS in Northern Ireland projected numbers of newly qualified staff for the years 2001/2002 to 2003/2004 and estimated that local Diploma in Social Work programmes will not be able to supply enough workers to meet the demand (for more information visit the Northern Ireland Social Care Council Website, www.niscc.gov.uk).

The TOPSS plans are examples of overview national plans that coordinate the main players in the sector including individual employer plans and, as such, represent a good example of the national/local linkages that are intrinsic to the public sector at large.

Integration of Local Units with Corporate Centre

One of the benefits of workforce planning is the integration of the local units and the provision of a more centralised control (Reilly, 1996). However, this act of integration is not without its associated problems. Sullivan (2002d) believes that, rather than enforcing a top-down approach, organisations should try to encourage local ownership. He believes that middle and line managers need to feel an involvement in workforce planning both to ensure that it is implemented and because they need to be informed to be able to supply the necessary information. Others have warned how the corporate centre should be cautious about how it exercises its powers (eg Reilly, 1996). If it is too rigid and lacks sensitivity to the varying needs of its units it will suffer the same problems that led to devolution a few decades ago.

Whilst it is tempting to integrate local plans into a master workforce plan, Bechet (2000) stresses keeping them separate and not consolidated. This is because the process of consolidation sometimes squeezes out the very detail that is most useful and ends up masking significant differences between units.

9.4 Ownership

According to Sullivan (2002c), workforce planning has often been seen as something owned by the HR department, not by management. However, when times are tight, it is not HR who has the authority. This threatens the security of workforce planning since, without a real appreciation of its benefits, management may decide it is dispensable. Experience shows that ownership of any HR initiative needs to be extended to senior levels with a senior champion identified to help drive the process through.

9.5 Flexibility

The manpower planning strategies of the past worked according to straight-line growth and tried to define a single bulls-eye for a target (Sullivan, 2002d). Recent changes have shown that the business world often fails to follow historical patterns and that organisational plans need to be more flexible (Sullivan, 2002b). To be useful, Sullivan recommends that workforce planning includes a range of targets and that organisations prepare for all eventualities in that range.

One means through which flexibility can be achieved is through *scenario planning* (see Reilly, 1996). Scenarios are not intended to be predictive. Rather they recognise that uncertainty 'is not just an occasional, temporary deviation from a reasonable predictability; it is a basic structural feature of the business environment.' (Wack, 1985). Particularly as originally developed by Shell, their aim is to challenge assumptions of how the world works and to generate understanding of the important factors involved.

Scenario planning works by opening minds to the range of possibilities that an organisation may have to confront. These can then be ordered in such a way that a series of internally consistent pictures of alternative futures can be constructed. Bechet (2000) recommends defining staffing requirements for each of the most likely scenarios and looking for commonality rather than scrambling to hire the 'right' number on short-notice once the actual scenario is determined.

As managers are not expected to choose between options or plan on the basis of their preferences, scenario planning is not a simple number-crunching tool that generates clear outcomes. Rather it is an intellectual process that seeks to identify issues and examine the possible consequences of events. It is suitable, therefore, for dealing with complex situations involving many variables, or where there are high levels of uncertainty.

In the past workforce plans have failed because they have been over-ambitious and have tried to achieve too much (Sullivan, 2002c). To be effective, Sullivan recommends that they be 'right-sized' and aim to cover only those areas where they will have a significant impact. Workforce plans cannot possibly include everything so they should prioritise certain units, jobs, customers and products.

Plans should be tailored for each issue (Bechet, 2000). Traditionally, workforce planning has used fixed plans and targets which have been applied uniformly throughout the units. Whilst using a template adds consistency, Bechet believes it means units may be adopting parameters that are not appropriate. To be useful a plan needs to reflect the management and environment of the organisation for which it is developed.

9.7 Reviewing Plans

In the past, workforce planning has used long time frames, sometimes looking ahead up to five or ten years. Often managers have refused to revisit plans more regularly because they take so long to develop (Sullivan, 2002d). Whilst an overview of the overall direction of the organisation requires a long-term focus, Sullivan recommends that detailed plans focus no more than 18 months ahead.

Workforce planning should be seen as a 'living document' (Reilly, 1996), something which is not static but needs to respond to changing circumstances. It is not an 'event' (Bechet, 2000) but should be monitored regularly to avoid 'strategic drift' (Johnson, 1987) where the match between the organisation and the external world disappears. Issues need to be defined on an ongoing basis and a discussion of the staffing implications of changes in business plans should be conducted each and every time change is discussed or anticipated.

Workforce plans should also be adapted to changing internal circumstances. As described above, effective plans are customised to the industry and company and therefore need to react to a change in culture, such as might result from a merger or take-over (Sullivan, 2002d).

9.8 Data and Analysis

In the 1980s the amount and the quality of workforce-planning-related information that was available to HR was minuscule by today's standards (Sullivan, 2002a). Without the ability to connect databases and analyse complex trends, HR planning was forced to 'guess', or all too commonly to utilise 'straight-line' forecast. In addition, plans tended to be based purely on internal data without any consideration of what was going on outside (Sullivan, 2002d).

Nowadays there are significantly better data and analysis techniques available (Sullivan, 2002a). The increased availability of economic and business data on the internet makes forecasting much easier and cheaper for even small firms. Access to enterprise-wide software packages now allows managers to easily collect data for forecasts and to prepare viable workforce plans. Some of these programs already

contain analytics (warning alerts) and metrics components that help HR and managers track trends and make more educated workforce decisions.

Nevertheless, given the rate of change in some organisations, a well-defined complete data set will never be available. Where it is not complete, planners should make sure they fully utilise the data that does exist (Bechet, 2000). Since no one can be certain of the future, it is also useful to adopt techniques such as scenario planning (see Section 9.5 above).

In addition, as stated in Section 7, there is no need to use a highly complicated technique. Statistics and data are important to managers but only to a point. Workforce planning should avoid the accusation levelled against over-quantification and the *'wrong headed analysis (that)…is too complex to be useful and too unwieldy to be flexible; analysis that strives to be precise (especially at the wrong time) about the inherently unknowable'* (Peters & Waterman, 1982). According to Sullivan (2002d), it is fundamental that any forecasts are accessible and easy to share. Effective plans need to use language and statistics that managers can easily utilise and understand.

9.9 Some final pointers

Although few government agencies in the UK and the US have begun their workforce planning efforts, a few have identified the lessons learned so far from their experience. The following list comes from the U.S. Forest Service and the Department of Navy, two agencies which have been extensively involved in workforce planning. The lessons were presented at the Workforce Assessments and Human Capital Planning conference in Washington D.C. in November, 2001 (see the State of Texas website, www.hr.state.tx.us/workforce):

- research, identify and use best practices

- keep top leadership involved and ensure they are involved in the review stages

- use advisory task force (workforce planning team) representing your agency

- understand your data requirements

- set realistic timelines

- keep it simple

- communicate, communicate, communicate

- focus on being helpful to field offices

- follow up and keep the momentum.

- address difference between 'head count' and 'head content'.

10 Conclusion

Workforce planning is a new big thing on the HR agenda. As organisations face increasing competition, an ageing workforce and a fluctuating economy, they are beginning to see the need to plan to avoid getting left behind. Numerous models, techniques and software packages are available to help organisations in their efforts. Although some of these are extremely complex, most organisations do not require a complicated approach. Nonetheless workforce planning is not an easy process and its track record to date is somewhat patchy.

Many of the issues surrounding the failures relate to a misunderstanding of the process and aim of the workforce planning rather than inherent problems with the practice or models. It is not a stand-alone event which organisations should conduct once a year using a fixed template for all units. Rather it should be an ongoing process which reacts to both internal and external changes and is sensitive to the different needs of units. It cannot, and should not aim to predict the future. Rather it should set the context for other plans and challenge the assumptions of business which short-term thinking can create.

Just because it is difficult does not mean we should not do it. It is much better to develop a clear understanding of the present situation, consider key future issues and manage the interplay between the two than to leave things entirely to chance. As Sullivan (2002b) declared, 'It is an unforgiving world for those that don't plan.'

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The Employers' Organisation for local government (EO) was established by the LGA in 1999. EO's main role is to support local authorities, in their role as employers, to deliver quality services.

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Advice on Workforce Planning

The EO has established a web area to disseminate advice on workforce planning. This includes case studies, downloadable tools, useful web links and the opportunity to get in touch with workforce planners from other authorities. The EO has appointed Regional Skills and Capacity Advisors to provide direct advice and guidance to authorities on Workforce Development activities. For further information visit our website at: www.lg-employers.gov.uk/recruit/working_planning/ or contact Jonathan Trubshaw on 020 7296 6503

The Local Government Workforce Development Plan

The Local Government Workforce Development Plan (LGWfDP) 2001-2004 sets out the key challenges facing authorities and outlines what action needs to be taken at local and national level to develop the workforce across the board to address these challenges. It has four key aims:

- to improve leadership development
- to improve employee development
- to improve the development of e-skills
- to address current and future recruitment and retention issues.

A consultation to revise the LGWfDP and up-date its targets to reflect the current issues facing local government is being undertaken in 2003. For further information please visit www.lg-employers.gov.uk/skills/workforce/ or contact Joan Munro on 020 7296 6579

Skills Foresight Senior managers' teams

This report predicts the skills of senior managers that local government is likely to require in the next five to 15 years. Councils can use it to map their current members of staff against future skills requirements and to design development pathways. For further information visit our website at

www.lg-employers.gov.uk/skills/ foresight/smt.html or contact Jonathan Trubshaw on 020 7296 6503

Recruitment, retention and workforce surveys

The EO collects information annually on recruitment and retention difficulties being encountered by councils. This information also highlights skills gaps for particular groups of staff. The surveys provide a "snapshot" of the difficulties faced by local authorities. For more information about these surveys please visit our website at www.lg-employers.gov.uk/recruit/workforce_surveys/ or contact David Mellor on 020 7296 6638