HRⁿ Paper

The importance of planning in an uncertain world

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Introduction

The current UK labour market is one of the tightest we have seen in decades. A key metric of tightness, the ratio of those seeking work to vacancies, is at its lowest level since the 1950s.[1] Currently, there is close to one vacancy for every person seeking work. One reason for this is the lower number of people seeking work, with 600,000 fewer people active in the UK labour market compared with pre-pandemic levels. At IES' recent annual HR conference on the future of work, IES Director Tony Wilson highlighted the two critical challenges as being a crisis of participation and a crisis of recruitment.[2] IES' Director of HR Research and Consulting has previously referred to the current recruitment challenges as 'fishing in puddles'.[3] Add to this the fact that we are seeing the highest ever job-to-job moves for over 20 years, and it's easy to see why the dual challenges of recruitment and retention are top of HR's priority list currently.

It is not just a question of numbers, with both long-running skills shortages in areas such as digital and data science, and also skills mismatches defining the current labour market. There is also evidence of considerable over-employment of those who are in work, suggesting long working hours could further fuel the retention challenges.

All in all, the UK labour market is a jobseeker's market right now, firmly placing the onus on business leaders and HR to do all they can to make their organisations employers of choice for the kinds of people they most need. There is also an onus on them to fit jobs to people not just people to jobs. Flexibility, job crafting and job design should be at the forefront of employers' minds right now. It is worth noting that recent research from the ONS has suggested many older people who have left the labour market since the pandemic would consider returning to it for the right job.[4]

Looking to the future, it is not clear how all this will play out. Will the loss of so many potential workers from the active workforce be short-lived or a permanent shift? Uncertainty is ever present and it's no different today.

So, there are two critical challenges facing HR and business leaders right now:

- how to get a firm grip on current workforce risks (and opportunities) to combat the current recruitment and retention crisis; and

- how to proactively plan sufficiently well to mitigate potential future risks, both in the immediate and longer-term future.

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[1] https://www.employment-studies.co.uk/system/files/resources/files/IES%20briefing%20-%20Labour%20Market%20Statistics%20April%202022.pdf

[2] https://www.youtube.com/watch?v=76Xki9I760E

[3] https://www.employment-studies.co.uk/news/fishing-puddles-recruitment-2022

[4] https://blog.ons.gov.uk/2022/03/14/the-over-50s-and-the-world-of-work-whats-happening-and-why/

Essentially, this is the terrain of workforce planning. Often mischaracterised as simply number crunching, mature workforce planning uses an evidence-based approach allied with systems thinking to address both current and potential future workforce challenges and opportunities. In doing so, workforce planning has to look at both demand (ie what the organisation needs) and supply (ie who the organisation can get). Too often HR only looks at supply and does not question demand information which is usually short-term and produced for budget control purposes. Workforce planning should provide a flexible approach and a range of tools and techniques to gain a holistic view of the workforce and address specific questions. It is also a means to support the achievement of workforce agility and resilience, often cited as desirable characteristics to flexibly adapt to change.

This paper will highlight three key reasons why workforce planning is critical right now for businesses and HR teams attempting to successfully navigate the tight labour market, and a future world of work characterised by rapid changes in ways of working and workforce expectations, and increased use of technology. It will also highlight a number of key practice tips HR professionals should consider when embarking on workforce planning. But first, a brief reminder of the aims of workforce planning.
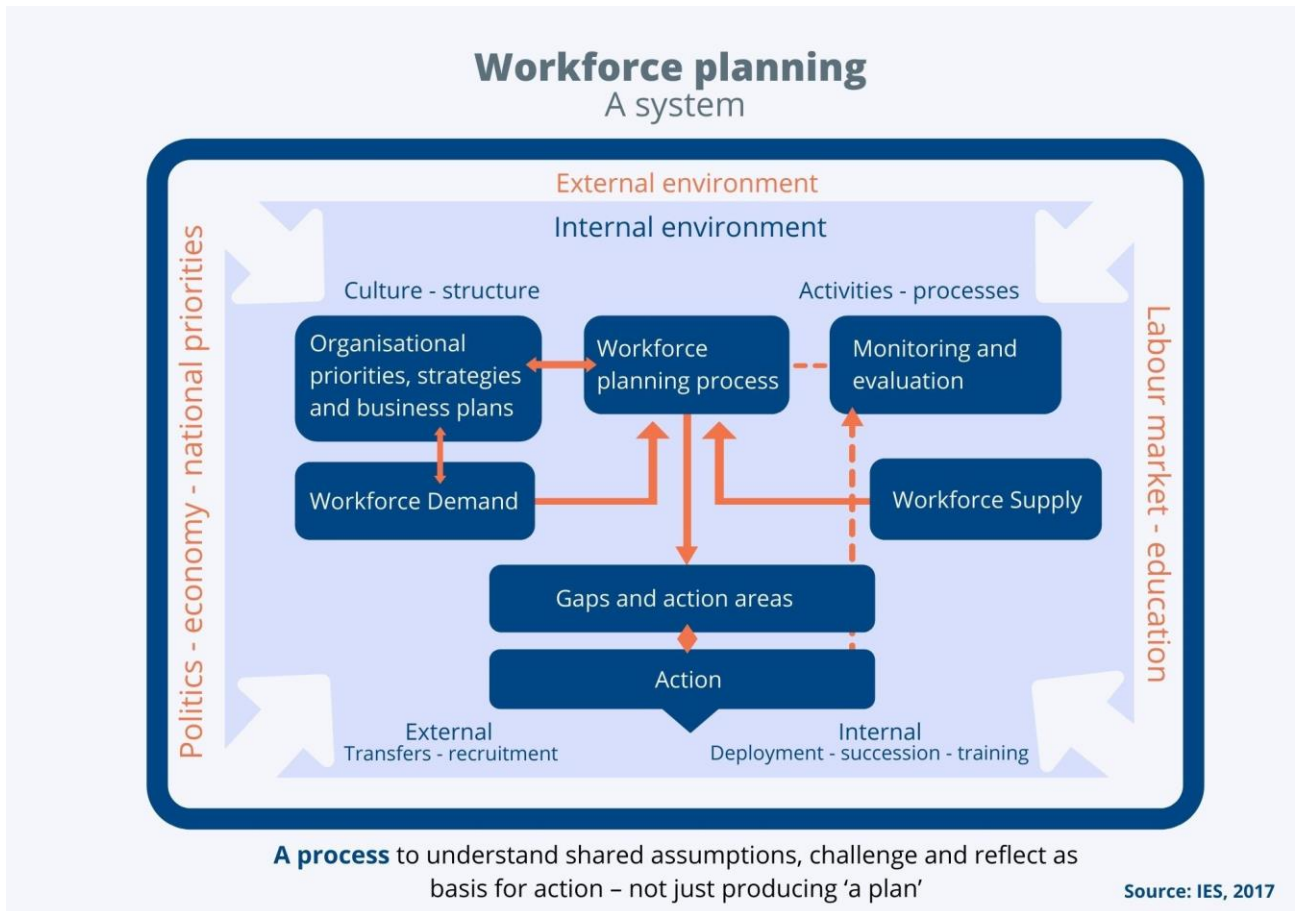
What is workforce planning?

Workforce planning
A system

Figure 1: Workforce planning is about systems thinking as well as a process[5]

Multiple definitions of workforce planning exist, but essentially it is about:

Getting the right number of people, with the right skills, in the right place, at the right time.

Or:

A process by which an organisation attempts to estimate the demand for labour and evaluate the size, nature and sources of the supply which will be required to meet that demand.

Whilst both of these definitions are right, there are aspects of them that are worth highlighting, particularly since workforce planning can often be misconstrued as a predominantly number-crunching exercise.

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[5] IES report to CIPD: Workforce planning in uncertain times https://www.employment-studies.co.uk/resource/workforce-planning-uncertain-times

Workforce planning is a *process*. It is actually an iterative, agile process. Insights are generated, posing new questions, which may then generate further insights. But it is not purely an analytical activity, it is also about assessing the options available to address strategic challenges in the short, medium and long term. It is, then, also about monitoring and evaluating the success of options chosen and adjusting in response to feedback.

It is a process that attempts to *estimate* the demand for labour and understand possible sources of supply. As my colleague and IES Principal Associate Wendy Hirsh has previously commented: 'it is difficult to get this exactly right but better planning can help us get it less wrong'. It is, in reality, a constantly moving target.

Three reasons why HR should be focusing on workforce planning now

Addressing the immediate challenge of recruitment and retention

One of the key activities of workforce planning is to understand the current workforce system, in particular for workforce groups central to the delivery of core business objectives. The workforce system refers to how similar types of staff enter the organisation, move through it in terms of upward or sideways moves; and out, whether through voluntary resignation, retirement, or managed exits. In doing so, the approach can offer critical insights on potential career blockages, or points at which staff typically seek pastures new.

Equally, it can prompt the asking of useful questions about where recruits are typically sourced from, at what level, and where they leave to and why. It can paint a useful picture of where regrettable losses may be occurring, why, and offer potential solutions to address the unwanted loss of staff with valuable skills. Such analysis is of incredible value in the current context, given that a retention challenge can easily be misunderstood as a recruitment challenge without the right information, leading to costly and potentially frustrating efforts to recruit a scarce resource. For example, I was told a story recently of a senior leader who felt they had a recruitment issue with a technical group of staff, but an analysis of the data suggested that whilst what this senior leader saw was a constant need to recruit technical staff, the actual problem was with retaining current staff.

The fact that workforce planning focuses on groups or types of staff who do similar work, and encourages consideration of critical capabilities, leads naturally to thinking strategically about what different groups or types of staff value in their work and differentiating employee value propositions to best attract, recruit and retain different parts of the workforce. Equally, highlighting critical capabilities can inform decisions about where best to invest in the workforce.

Workforce planning also prompts an examination of sources of labour supply. It could be that the process identifies excessive use of costly agency staff. It may also highlight the common recruiting grounds for current staff as well as potentially highlight alternative recruitment sources that could be exploited more fully. In the longer term, it can highlight patterns in relevant markets that any organisation would be well served to proactively

respond to. For example, if analysis reveals a slowing down in the supply of newly qualified entrants into a profession, the organisation may need to think about how it positions itself with universities and education providers to compete effectively for talent as well as perhaps acting in partnership with others to boost the number of people entering training. In understanding the external labour market, it is important to look at labour competitors rather than just sectoral business competitors. For example, some of those who are proving difficult to attract back into the hospitality sector have found more stable work and more conducive working hours in retail.

Enabling agility to respond to shocks and opportunities

There has been much written about the need for, and potential benefits from, a more agile workforce mindset or culture. There has been a huge amount of agility shown by businesses in recent times, both in preparation for Brexit but also in responding to the pandemic. And, it seems, the need for agility is likely to continue as multiple sectors experience staff shortages and scheduling difficulties prompted by Covid-19 outbreaks.[6] However, as much as the responses of businesses have been admirable, as my colleague and IES Principal Associate Wendy Hirsh has observed: 'Agility doesn't happen overnight. It has to be planned for and it can be designed into many aspects of employment policy and practice.'[7]

An organisation can enhance the agility of its workforce through three types of flexibility: numerical; temporal and spatial; and functional. Temporal and spatial flexibility refers to when and where work is carried out. Examples are things like overtime, part-time working, flexible hours as well as shift work. The location of work could be about offshoring as well as the widespread homeworking we have seen in the pandemic. Numerical flexibility covers the use of agency staff, the gig economy as well as casual and seasonal workers. Functional flexibility is perhaps the least common form of flexibility and requires using work design, strategic development and deployment to foster the capability of employees to take on a wider range of tasks and to move between roles more easily. This requires more conscious development and deployment of employees, and ultimately a better understanding of current workforce skills, motivations and a leadership culture dedicated to developing people.

Planning for agility now will stand organisations in good stead, whatever future scenarios develop. The real benefit of workforce planning in this context is enabling a better appreciation of where opportunities for greater agility might exist and identifying ways in which they may be realised.

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[6] https://www.bbc.co.uk/news/business-60948441

[7] https://www.xperthr.co.uk/commentary-and-analysis/workforce-planning-during-coronavirus-strategies-for-planning-in-flexibility/165367/

Ensuring workforce strategies are robust in the face of alternative futures

Workforce planning is essentially about confronting the future. We cannot predict the future but we can be better prepared for whichever future emerges. A workforce planning process can be a vehicle through which HR can shift from its often necessarily reactive, day-to-day operations to a much more strategic stance, asking 'what if' questions and testing the robustness of current approaches to attracting, recruiting and retaining staff in different circumstances. For example, whilst we are currently experiencing a participation crisis with older workers deciding to leave the labour market, how prepared would we be should that reverse? Would we be in a position to take advantage of highly skilled older workers who wished to return to work but in a job adapted to their needs and circumstances? Equally, 'what if' the recruitment crisis worsens further for some of our critical staff groups? What is our strategic response to that? Can we redesign work in ways so that we can manage effectively with a smaller cadre of experienced staff? Or, can we enhance retention of current staff through a targeted and enhanced employee value proposition? What is our competitive advantage in the marketplace? Alternatively, if we expect shortages to continue for some time, what strategic early interventions can we put in place to secure a future supply of entrants to a profession or area of expertise?

'What if' questions can stimulate thinking around foreseeable but uncertain risks. Scenarios can be used to test out the implications of less foreseeable changes over longer periods of time. Whilst the scenarios may look long-term, they are not purely a navel-gazing exercise. Whilst they may identify some long-range planning objectives, due to the challenging of assumptions they prompt they can also usefully identify immediate actions to improve the attraction, recruitment and retention of valued staff.

Some useful tips on workforce planning

As a systems-based approach with both a current and future focus, embarking on workforce planning can seem daunting. But it needn't be. To make it seem less formidable, a few useful tips to bear in mind are:

- Whilst a tangible workforce plan may often be an outcome of workforce planning, it is important to remember that a thorough process and the asking of good (quite often basic) questions is at least as valuable if not more.

- Involve business leaders and line managers at different levels in the planning process and colleagues in other functions (such as finance and business strategy). Workforce planning cannot and should not be done by HR alone, but HR can play an important role in structuring and facilitating a process, asking good questions, and supporting the business to identify strategic actions. Understanding workforce costs – of recruitment and training as well as salary and benefits – can be illuminating and an impetus to action.

- Data and evidence are central to a workforce planning process but remember that data can come in a variety of forms and from a range of sources. It is not solely

about numbers but informed judgments. Don't wait to have all the data you think you need; start with what you have and develop it as you go along.

- Remember that workforce planning is not about organisational structure or job roles per se, but about logical workforce groups and critical capabilities.

- Workforce planning can be conducted along varied timeframes. It's important to plan according to a timeframe that makes sense for the business or particular workforce group of interest. For example, if focused on a portion of the workforce that has long training lead times, then planning according to that timeframe makes most sense.

- At its heart, workforce planning fits in with a philosophy where people are recognised as an organisation's greatest asset and strategic people management is seen as core to achieving business objectives in the short, medium and long term.

- If you are embarking on a workforce planning exercise, do remember that there is lots of useful guidance out there to get you started. IES has previously produced several guides to workforce planning that you can draw on.[8]

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[8] Weeks A, Reilly P, Hirsh W, Robinson R, Martin A (2018) 'Workforce Planning Practice' CIPD. https://www.employment-studies.co.uk/resource/workforce-planning-practice; Robinson D, Hirsh W (2008) Workforce Planning Guide. IES Report 451. https://www.employment-studies.co.uk/resource/workforce-planning-guide

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- delivering practical, sustainable business benefits

- building our clients' capabilities rather than their dependence.

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