

Workforce planning in uncertain times

Wendy Hirsh, Peter Reilly, Dilys Robinson, Alex Martin

Institute for Employment Studies

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Institute for Employment Studies
City Gate
185 Dyke Road
Brighton BN3 1TL
UK

Telephone: +44 (0)1273 763400
Email: askies@employment-studies.co.uk
Website: www.employment-studies.co.uk

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Contents

Introduction to this guide	1
Practical tips for workforce planning	2
1 Workforce planning – an overview	3
What is workforce planning and why does it matter?.....	3
A framework for workforce planning.....	5
Workforce planning as a mindset.....	7
Choosing where to focus workforce planning effort.....	7
A shared language linking demand with supply.....	8
2 Understanding the business and its environment	10
The shifting business environment.....	10
Understanding the business strategy.....	12
3 Estimating workforce demand	14
Approaching demand planning.....	14
Methods for estimating workforce demand.....	15
Scenario planning.....	16
4 Assessing workforce supply	18
Key features of workforce supply.....	18
Workforce supply data needs.....	20
Understanding workforce ‘stocks’ and ‘flows’.....	21
Skills and capability.....	23
Workforce potential and succession.....	23
Understanding your external labour markets.....	24
5 Identifying gaps and action areas	27
Identifying gaps.....	27
What kinds of actions might we need to consider?.....	28
Summarising gaps and action areas.....	30
Planning for action in uncertain times.....	31
6 Workforce resourcing and development	34
Using workforce planning in resourcing and development.....	34
Improving skills supply.....	36
7 Monitoring and evaluation	39
Monitoring plans and responding to change.....	39
Monitoring the changing workforce.....	40
Evaluating the impact of actions and interventions.....	40
Workforce analytics.....	42
8 Developing the capability for workforce planning	44
Organising workforce planning.....	44
Developing the skills for workforce planning.....	47
Developing relevant data and access to it.....	48
Evolving your own approach.....	48
Resources	49
References and useful publications.....	49
Websites.....	50

Introduction to this guide

This guide is a practical introduction to workforce planning for HR professionals and line managers. The overall framework, presented in the first section of this guide, and the questions and issues outlined in each of its component parts, can be used at differing levels of sophistication and in smaller organisations as well as large ones.

We live in uncertain times and this makes it tempting not to plan. The examples in this guide show that change and uncertainty make planning even more important. We show how approaches to business and workforce planning can acknowledge and work with uncertainty. At the time of writing in 2017, Brexit is an especially big change on the UK agenda, but issues of world economics, technology, demography and changing social attitudes are always influencing how we resource our organisations – and will continue to do so.

The guide is illustrated with examples from varied organisations of their workforce issues, how they approach workforce planning and how they are responding to their changing business needs and the environment in which they are operating. These insights and examples are drawn from case studies and expert interviews undertaken specifically for this guide, as well as from research reports and IES assignments.

A resources section at the back of the report includes some useful websites, especially for labour market information, as well as references.

The guide starts with a dozen practical tips - short enough for even the busiest people to glance at - summarising some of the key things all HR professionals and business managers should know about workforce planning.

Practical tips for workforce planning

This list of a dozen practical tips, is short enough for even the busiest people to glance at and summarises some of the key things you need to know about workforce planning.

1. Focus workforce planning activities on your real resourcing risks. These tend to arise in workforce groups that are key to organisational performance and hard to recruit or take a long time to train. As the labour market changes, new shortage groups can emerge.
2. Consider planning on varied timeframes for different purposes – not just the normal annual cycle but short-term workforce deployment and longer term strategic workforce planning. Workforce plans can also run alongside specific business change programmes.
3. Workforce planning helps managers surface and share their assumptions and understanding, identify options and agree on actions that better align the workforce with business needs. A workforce planning mindset creates the habit of challenging assumptions and looking for relevant information to inform employment decisions.
4. When looking ahead at your demand for people, start with the business strategy and the external factors that might affect the organisation (eg economics, technology, demography, competitor behaviour, regulation etc.). When the business environment is very uncertain, simple forecasting is likely to be misleading; use scenario planning to explore possible futures and identify risks.
5. Plan for workforce demand and supply in terms of skills as well as numbers, so you can identify and address current and upcoming skills gaps.
6. When planning for workforce supply, remember to plan how you will replace leavers from a job group (including those who move to other jobs internally), not just to fill new roles. Planning for necessary workforce reductions is as important as planning for growth.
7. A stronger emphasis on ‘growing your own’ skills internally and increasing the flexibility and resilience of your existing employees, mitigates the business risk not being able to find the skills you need in the external labour market.
8. Ensure that your workforce plans link to practical action in the recruitment, development and deployment of people, and where appropriate in work design, reward and so on.
9. Organise workforce planning to suit your business, for example what is best done centrally and what locally, what by HR and what by managers and leaders at different levels. Clearly communicate responsibilities for workforce planning as well as for business planning.
10. Ensure that whoever is charged with workforce planning, has the know-how they need. Asking the right kinds of questions is a very good start. Access is also needed to relevant data, people in the business who understand the issues, and decision-makers who are the customers for workforce planning.
11. Develop simple but reliable and relevant data about business activity and the workforce, with data fields classified and reported in a consistent manner.
12. Use your analytical skills, and those of your colleagues, to turn data into useful management information and insights, addressing real business problems and informing decisions.

1 Workforce planning – an overview

What is workforce planning and why does it matter?

People in charge of organisations, teams or projects have always needed to plan how activities will be accomplished. Such planning involves recruiting, training and deploying the people needed to get the work done. This requires an understanding of the amount of work and how it will be organised. If organisations wait until the moment the work has to be done, the people needed to do it will simply not be there.

The long-used and simple definition of workforce planning is in terms of its outcome - having *“the right people in the right place at the right time.”*

‘Right’ in this sense, means having the supply of people and their deployment aligned with changing business demand, so workforce planning is *‘a process in 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.’* Reilly (1996)

Those consulted in this study, added some increasingly important parameters to the traditional statement of workforce planning, turning it into: *“the right people with the right skills in the right place at the right time and on the right contract, at the right cost.”*

Both business and workforce planning tend to operate more confidently in periods of economic growth. Confidence in business planning – and workforce planning too - was eroded in the late twentieth century by periods of recession and economic volatility. When planning becomes weak, businesses tend to rely on hiring and firing in response to short-run changes in business needs.

In the UK, this reactive approach has been made easier by our famously ‘flexible’ labour market. Flexible resourcing through outsourcing, off-shoring, part-time working, zero hours contracts and using agency workers has the business benefit of passing employment risk to someone else (including workers themselves), but can also erode the employment relationship and, over time, weaken the nation’s skill base (Taylor et al 2017; Balaram et al 2017).

Indeed the UK suffers chronic skills shortages in management, science, engineering, technology, construction and a range of occupations in health and social care. In many more occupations that do not require high level formal qualifications or long training times, employers still find it difficult to attract and retain people with the general skills and positive work attitudes they are seeking.

Workforce planning should lead to action. Recruitment and workforce development, delivered through education, training, learning on the job and career development, are the two most obvious action areas influenced by effective workforce planning. Other actions

can be important too, including work or job design, deployment, reward and how employees are led and managed. By deployment we mean how organisations place people in jobs and individuals move within the organisation between jobs, units or locations so that their skills are well used and their careers can develop.

“You need to integrate workforce planning, recruitment and the transfer of knowledge from your existing workforce to the people you are developing in the business.” HR Director, manufacturing

Inadequate workforce planning can hit the headlines and cause significant reputational and financial damage. We saw this when the recruitment of security staff for the 2012 London Olympics was not planned properly and military personnel had to be called in at short notice. The provider’s contract penalties were over £80million. More recently, poor planning for pilots led to the cancellation of over 2,000 flights, with consequent misery for travellers and long-term damage to the airline’s business.

The rise of talent management, with its focus on developing future pipelines of individuals and key workforce groups, can be seen as a response to the relative neglect of both workforce planning and workforce development (including career development). Recent attention to data analytics and evidence-based decision-making in many fields, is putting the spotlight on workforce planning again, as a ‘*cornerstone of fact-based HR management*’ (Boston Consulting Group, 2010).

“Managers need to be reminded that workforce planning is really important because not having the right people to support your business plan is probably your critical business risk.” People Development Director, hospitality sector

The benefits of an effective workforce planning process

Beyond the central goal of smoother and more efficient business delivery, the process helps to:

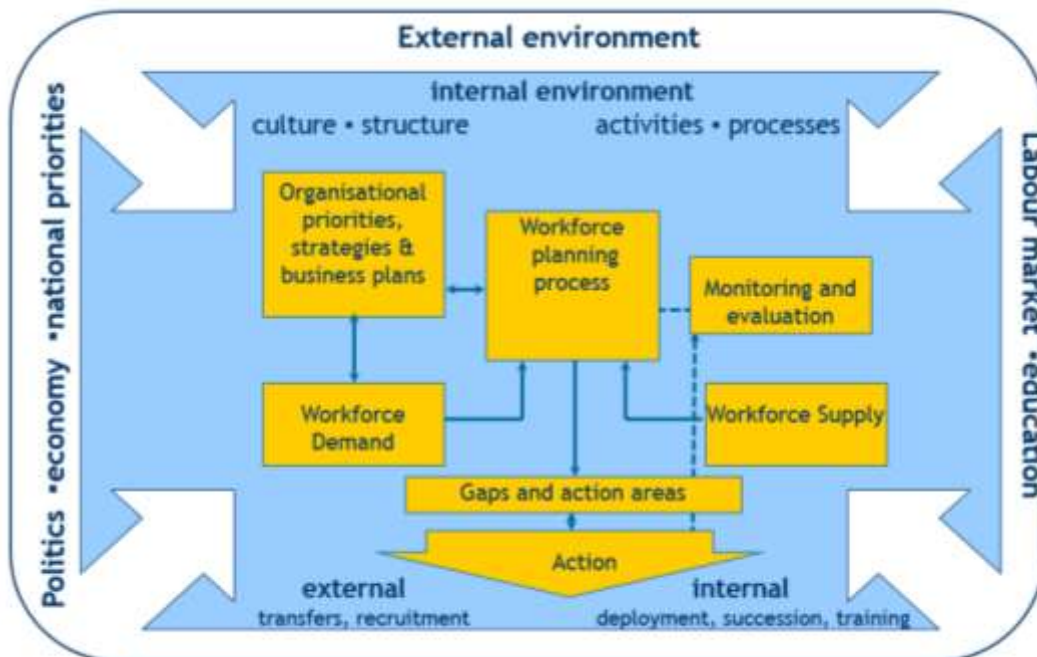
- Get busy managers to do some high quality thinking about future resourcing.
- Improve shared understanding of current business and workforce issues and assumptions about future business priorities and planned changes, which are also challenged and tested against relevant information.
- Coordinate and integrate decision-making and actions, especially during change. So everyone knows where they are going.
- Develop more consistent business and workforce data, which reduces the time spent arguing about the facts.
- Through better quality data and regular monitoring, workforce planning can improve control of workforce numbers, costs and quality and reduce unnecessary redundancies.

“You plan to ensure that you have the right human resources to deliver on the business plan and also to avoid redundancies. If you don’t address these two challenges you cost the business money, constrain business development and cause individuals unnecessary hardship.” Andrew Mayo

A framework for workforce planning

It is helpful to think about workforce planning both as a management process and as a system, connecting different areas of information, thinking and action, as shown below.

A framework for workforce planning



Although it is convenient to describe workforce planning as a series of steps, it is important to realise that it is an iterative process and a later step will often loop back to inform an earlier area of investigation or decision.

The main components or steps in workforce planning are:

- **Understanding the business and its environment** – the demand for people is generated by business strategies, goals and plans. So it is essential to understand the direction and priorities of the business. Both the changing external environment in which the organisation operates and its internal environment (including organisational structure and culture) will influence demand, workforce supply and employment practices.
- **Estimating workforce demand** - that is the numbers and skills of people in different workforce groups that the business will require in future. Scenario planning is one technique for looking at workforce demand under conditions of uncertainty.
- **Assessing workforce supply** - understanding the people available to meet future demand. People can come from inside the organisation (your existing workforce) and

outside (those who may be hired). Understanding workforce supply means looking at the flows of people over time into, through and out of the organisation.

- **Identifying gaps and action areas** - workforce planning is normally seen as concluding with a workforce plan or a summary of action areas, often for different workforce groups. Some actions will be fairly straightforward – for example, recruitment of similar people to backfill expected vacancies or training activities to address specific skill gaps. If demand is reducing, supply will need to be reduced over time too. Other action areas may reflect demand-supply gaps that cannot be addressed so simply and will link with more fundamental changes in resourcing, for example, involving work re-design and changes in employment strategy.
- **Action** - moving from action areas or a workforce plan to practical actions, especially in relation to resourcing (i.e. recruitment and deployment) and workforce development. This strictly speaking lies beyond workforce planning itself, but is illustrated in this guide to make the link to action clearer.
- **Monitoring and evaluation** - tracking change, adjusting workforce plans and evaluating the impact of action taken. This section of the guide also links workforce planning with the developing field of business and workforce analytics.
- **Developing the capability for workforce planning** is not a step in the process, but an essential foundation for its use. It covers how workforce planning is organised, and developing the required skills and data for its effective application.

Each of these areas is explained and illustrated in turn in the guide.

Case examples of the components of workforce planning in practice

A global consumer goods company began with simple supply and demand workforce planning questions at business unit level, for example 'do we have the right people deployment against our business ambition, including existing and future business projects?' The analysis showed talent gaps, functionally and geographically, with an over-reliance on external hiring and a lack of international experience in some parts of the management population. The team prioritised and implemented actions, and tracked their impact.

A company in the hospitality sector has recently made its workforce planning more rigorous and systematic. It operates both top down (from the corporate centre) and bottom up (from local business units). It includes:

- In-depth analysis of turnover in different jobs at every level in each business unit to estimate staff needed to replace likely losses; front line turnover is a hugely costly business issue.
- Staffing plans for each new business unit, with staff establishment levels for all units set locally.
- Succession planning, both locally and regionally. The company expects to grow 70% of their unit general managers and 80% of assistant managers internally, so talent pipelines for these roles are crucial to delivering the business strategy.
- A people plan supports recruitment, on-boarding and training and includes estimates of volumes, which are also used to set budgets for these activities. In the past the business was surprised by very high recruitment costs, which were not really estimated in advance.
- Slightly less detailed workforce planning is adequate for corporate functions as they are small and have low turnover. Succession planning is still used to ensure cover for key roles and the roles at the corporate centre are also evolving as the business grows.

Workforce planning as a mindset

Workforce planning is not just a process, it can also be seen as a mindset, involving habits of thinking and analysis which are markedly different from the emphasis on policies and procedures which HR people are so used to. In this sense, understanding workforce planning and practising even its simplest techniques can help all HR professionals and line managers tackle resourcing problems more effectively.

Some of the characteristics of the workforce planning mindset are:

- Start with business needs and always aim for **business alignment**. Workforce planning is really part of business management just as much as an aspect of HR work.
- Consider change over time - past, present and future. Workforce planning is essentially **future-focussed** while many HR activities only look at the here and now.
- Understand and **challenge assumptions about workforce demand**. HR tends to get more involved with issues of labour supply, but decisions concerning productivity, work design and the use of technology are central to workforce planning.

“Make sure you have the right roles and then the right people to do them – stop and ask yourself ‘do we really need this role?’ before you fill it.” HR Director, food manufacturing

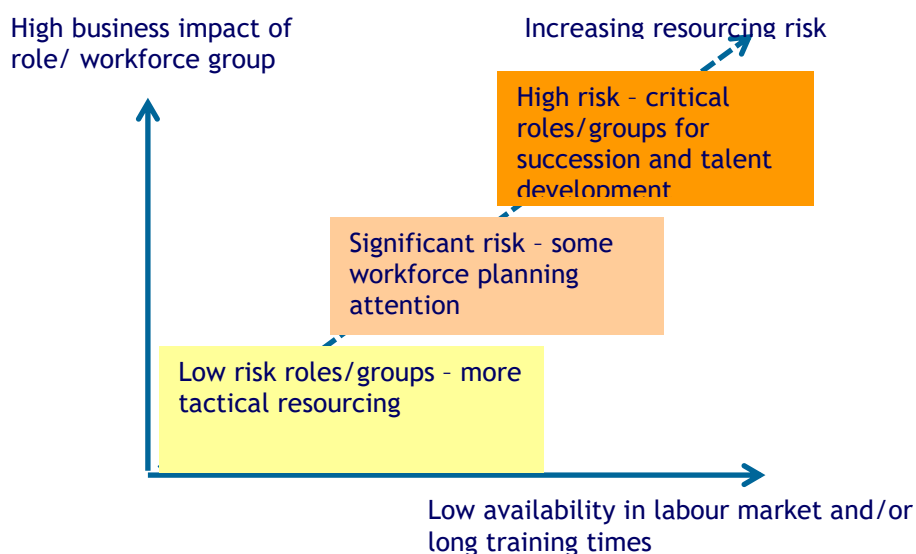
- Think about both demand and supply in terms of numbers and costs but also **skills or capability**.
- Understand **groups of jobs** and the characteristics and behaviour of **groups of people**. Don't try and lump the whole workforce together or – at the other extreme – analyse the workforce only at individual level.
- Look for **evidence or data** to understand issues of concern. Data can be quantitative (numerical) or qualitative (attitudinal or based on judgement). It can come from internal or external sources. We often need to analyse patterns across different data sets – for example the relationship between employee engagement, staff retention and customer satisfaction.
- Workforce planning has always considered uncertainty and has asked ‘what if’ type questions. Working with **uncertainty and ambiguity** means addressing business risks under different views of the future and different actions. Techniques such as scenario planning can be more appropriate than simply extrapolating past trends into the future.
- Much of workforce planning is essentially **risk mitigation**. We can't get resourcing right, but we can certainly get it less wrong and often avoid the worst outcomes, both for business and employees.

Choosing where to focus workforce planning effort

Workforce planning can take many forms. Some of the choices include:

- **Planning timeframes** from very short term (hours, days or weeks, for example in scheduling shifts in hospitals, factories and in transport) to the familiar annual planning horizon (often linked with budgets and anticipating recruitment and training needs) to longer term planning for product lifecycles and highly skilled people (who can take many years to develop). Sometimes we also need specific plans to align with a major change, for example closing a site and opening another, or implementing major technological or business process change.
- **Central or local planning.** Long term planning for groups of corporate interest, such as senior leaders, is often centralised. Professional skill groups can be planned by business division, region or function. More local planning is often used for staff who will be recruited, developed and deployed locally against local budgets.
- **Workforce groups** can be covered to differing degrees. While some overall monitoring is useful, it makes sense to look more carefully at groups of jobs and people that have a big impact on business performance and/or where recruitment/retention is problematic. These are often called key or critical workforce groups. The diagram below shows how this relates to resourcing risk.

Critical roles or workforce groups for planning purposes



A shared language linking demand with supply

We need a simple, clear language linking types of work (on the demand side) with **workforce groups** (on the supply side). The easiest place to start is with two key parameters: the main functions of the business (such as operations, commercial, R&D, IT, finance and so on) and broad job levels (usually related to grade or pay and also to skill levels). It is usually better to look at demand and supply by both these factors than only one or the other. Lumping everyone in a function or at the same grade level together usually masks the real resourcing issues.

This way we can easily identify and plan for relevant groups such as 'senior professionals in finance', 'managers in operations' or 'front line staff in customer service'. Each workforce group can usually be described in terms of its skills, so we can plan for changing capabilities by workforce group too.

Sometimes we will also need to split the workforce in other ways, like geographical location or business division (some functions may stretch across divisions). As we will see later we may also need to look at demographic differences within a workforce group or contractual differences (such a full-time versus part-time).

2 Understanding the business and its environment

In this chapter we examine the first step in workforce planning: understanding the environment in which the organisation will be operating and its business strategy.

The shifting business environment

As shown in the box, the mnemonic PESTLE is a handy way of checking through some of the main external factors which may affect how the business operates and also labour demand and supply. These factors set the 'big picture' context for business and workforce planning.

PESTLE analysis of the external business environment

Political – different possible parties in power (nationally and locally) and their policies, public spending and public services, foreign policy, lobby groups

Economic – macro and regional growth or depression, trade situation and agreements. Labour markets, education and skills are often included here and are a key backcloth to labour supply

Sociological – demographic change, family formation, attitudes to gender, work and education

Technological – innovation at work and home eg mobile technology, process automation, robots, driverless vehicles

Legal – health and safety legislation, employment laws related to hiring and firing, pensions, immigration

Environmental – climate change, water, unpredictable weather events, attention to the environmental impact of businesses and public attitudes to environmental issues

See the CIPD factsheet on PESTLE for more information

Some of the environmental factors emerging most strongly in the case study organisations included:

- Brexit and its possible impact on the economy as well as on the supply of workers from EU countries. In sectors such as social care and construction, employers are already used to facing skill shortages, sometimes eased by immigration. In sectors with large numbers of less skilled, seasonal jobs such as tourism, hospitality and agriculture, reduced immigration from the EU could impact severely on labour supply (CIPD and NIESR, 2017).

A nationwide restaurant chain is looking at how it might fill potential staffing gaps created in some parts of the country if migration from the EU to the UK is constrained. However, the business is more concerned about the potential impact of such changes on its suppliers in the horticultural and agricultural sectors. Understanding your supply chain, including its workforce supply, is an important part of looking at the business environment.

- Economic performance affects business demand and also labour costs. The government has long been concerned about how UK productivity lags other developed economies and is seeking ways to bolster innovation.
- On the labour supply side, some flexible employment practices (like zero hours contracts and treating workers as self-employed) are under scrutiny and may be affected by employment law or taxation policy. Public policy and regulatory regimes remain interested in workforce diversity, especially in the senior populations of larger companies and public bodies. The education system is a key external factor, for example in the impact of student fees and the evolving structures and financial arrangements for apprenticeships.
- Demographics is much on employers' minds as the baby boomers retire and key roles need successors. With changes in pensions and retirement ages, the process of forecasting and replacing retirements is more challenging than in the past. Employees of different ages also have different life issues to attend to and employment strategies often need to adjust to these.

Some key features of the UK labour market context

- High rates of employment (over 75% for 16-64 year olds in 2017), both historically and compared with other countries, but with marked regional variations in economic activity.
- About 15% of those in work are self-employed and about a quarter of all people in work are working part-time, including nearly a million full-time students with part-time jobs.
- Female entrants now outnumber men in many established professions, such as law and medicine, but are still under-represented in engineering and in senior management. Older women have been staying longer in full-time employment in response to rising pension age.
- A recent prolonged period in which wages have been growing more slowly than inflation, so real earnings are decreasing for many workers.
- A long term shift in the UK to a service economy, bringing with it changes in the composition of jobs. From 1978 to 2017 jobs in manufacturing and primary sectors fell from over 26% to under 8% of the total. Meanwhile, the services sector's jobs proportion increased from 63% to 83%.
- An ageing workforce. By 2025 it is projected that there will be almost 200,000 fewer people under 50 in the workforce, and over one million more people over 50. People in the UK aged under 25 are falling and numbers of 20-24 year olds is projected to fall until 2030.

Source: ONS 2017

- There is considerable current debate about the future impact of technology on employment – especially on whether we will all be replaced by robots. As with other business changes, the answer seems to be very context specific.

The march of the robots?

Employers interviewed for this guide in sectors ranging from social care to restaurants to agriculture highlight that much of their activity seems likely to remain labour intensive for many years. The case organisations also had examples of where technology has already replaced most of the work – for example with one food crop where harvesting is so highly mechanised that even large suppliers only need one or two workers on their farms. Other operators in the same sector do not think the technology can yet replace humans – eg in sensitively picking soft fruit and handling salad vegetables.

In science and technology companies and professional services, routine work is already being automated but employees able to innovate and make complex judgements are still in high demand.

“Technology is perhaps the biggest driver of current change. You don’t know exactly when it will come but you usually have some warning and can identify groups of people whose jobs may need to change or even disappear – you then have some chance of retraining and redeploying those people.” Andrew Mayo

Understanding the business strategy

To be able to undertake workforce planning you need to understand how the business operates now and its strategy for the future. The workforce implications of business plans may be explicit, but often need teasing out. Alongside the numerical impact of business plans, you should not neglect changes to the skills and competencies of the workforce, and implications for culture and leadership.

Business plans also influence the timeframe for workforce planning. In some businesses there are long product cycles and others operate over much shorter periods – some companies have a mix of timeframes in different divisions, functions or locations. So changes to business direction can affect not only the number and kinds of people needed but how far ahead the business needs to plan.

Given the shifting environment described above, many organisations are considering how to become more agile and responsive to change (Mercer, 2017). This theme emerges strongly in how organisations are looking at both demand and supply.

Key questions about the business strategy

How might the following affect the business and the workforce?

- Overall business growth or contraction and budgetary constraints
- Planned major introductions or withdrawals of products/services or moves into different markets
- Upcoming plans to increase productivity, including changes to how the business will be delivered (structures and processes) by both front line staff and support functions
- Plans to introduce new technology

- Changes in quality standards and regulatory requirements
- Whether some business activities will be outsourced or delivered in partnership

In linking the environment to workforce plans, we need to ask about the likely or possible effects of such factors on workforce numbers, skill requirements, geographical locations, work patterns, contracts and labour costs.

Business strategy can also affect the psychological contract with employees (what the organisation offers staff and expects from them), how you attract and deploy labour, and organisational culture and leadership style. These broader factors are explored further in the IES/PPMA business-workforce dialogue tool for workforce planning (2013).

This step of considering both the external environment and planned shifts in business strategy highlights risk areas where workforce demand and supply may need looking at more carefully. A SWOT analysis – of organisational Strengths and Weaknesses, and the Opportunities and Threats presented by the environment can help to identify business opportunities and risks. These are very useful to keep front of mind throughout the workforce planning process.

An organisational SWOT analysis

<p>STRENGTHS eg market leading technology</p>	<p>WEAKNESSES eg under-developed commercial functions</p>	<p>It can be helpful to think of strengths and weaknesses as reflecting the internal perspective....</p>
<p>OPPORTUNITIES eg expanding potential markets in Asia, big competitors less agile</p>	<p>THREATS eg rapidly rising costs of meeting environmental requirements, tight labour market for technical recruits</p>	

3 Estimating workforce demand

Approaching demand planning

The term workforce demand means the labour required for an organisation to meet its business goals. This sounds simple. However, demand is more difficult to grapple with than supply, and often HR struggles to get a handle on it.

The questions about business strategy and change, summarised in the previous chapter, feed directly into understanding how demand for people might be changing in terms of:

- The numbers and skills (generic, managerial and technical) required in each main workforce group
- When some work previously done by employees may move outside the organisation or vice versa
- Any changes in where work may be located or work patterns (eg peaks and troughs)
- Opportunities to increase productivity – the relationship between labour inputs and outputs in terms of goods or services.

HR is very much involved with productivity in some sectors, but in other sectors functions concerned with quality, production, logistics or process design in effect organise and design work roles without necessarily much attention to whether those roles will actually work well in practice. Workforce planning can help by ensuring we measure productivity in informative ways and can link it to supply-side thinking.

“More attention needs to be given to productivity – which has been a dirty word in the UK. There are measurement challenges in a service economy, but productivity is too often measured only in volume terms (the number of widgets produced) rather than more informative measures of output such as customer satisfaction, customer retention, innovation, and revenue per full time equivalent employee.” Julia Howes, Principal, Mercer

As we will examine later in this chapter, business plans are often far from certain and so, therefore, is their impact on workforce demand.

In estimating demand, we may need to address the distinctive issues of different **timeframes**:

- Very short run changes in demand, as seen in several of the case study organisations, especially in service industries.
- Medium term changes, over a one or two year period – often aligned with the operational planning or budgeting cycles

- Changes associated with a particular change project or programme
- Longer term changes – often those carrying the biggest implications for restructuring the workforce and therefore often the most important to address.

So, demand needs to be specified in sufficient detail to be useful, but where there is a great deal of uncertainty it is unwise to be too precise.

“In many organisations the habitual approach to workforce planning is just a short-term budget and headcount exercise. Attempting to be this granular and precise is not useful when looking longer term, especially when the environment is uncertain.” Julia Howes, Principal, Mercer

Workforce demand should consider the capabilities required by the business, reflected in how work will be organised and the skills, knowledge and experience needed by groups in the workforce. So we need qualitative as well as quantitative demand information.

“A workforce plan should define the organisational capabilities needed with enough precision to be meaningful. For example, simply identifying the need for ‘digital capability’ is too broad to be useful. Once capabilities are clearer you can link these with key kinds of jobs, culture/behaviour and technical skills/experience requirements.” Julia Howes, Principal, Mercer

Methods for estimating workforce demand

There are a wide range of methods for tackling the thorny issue of estimating workforce requirements, including simply asking managers what they think. Beyond that, approaches include:

- Budget-based – using cost per employee to work out how many people you can afford to employ if the budget for an area of work has already been set. Easy to use for annual planning in support functions, for example, but it does not challenge how resources are being allocated or link to levels of activity.
- Ratios - of staff to activity levels or one group of staff to another. Can work well in stable circumstances, where staff demand moves in line with activity levels.
- Benchmarking – looks at ratios or costs in other organisations or between parts of the same organisation. It can stimulate questions but does not necessarily represent good practice or take account of different work contexts.
- Extrapolating trends – for example forecasting based on past increases in productivity, assuming these trends to continue into the future. Not a good method if the future is very uncertain or technology is changing fast.
- Forecasting can also be based on more sophisticated models, taking a range of factors into account, including variations in demand across the year. This can be helpful for broad brush planning, but is only as good as the assumptions put into the model.
- Work study or activity analysis – Work study is based on a detailed analysis of the time taken for each task. This can be useful when work methods are changing or for

new activities. Activity analysis is rather similar but based on recording how individuals spend their time. It is useful where there is a wider mix of tasks. If business process re-engineering is taking place, this can also be adapted to look at staff levels at the same time, although this opportunity is often missed.

- Zero base demand estimation – does not start with what you have now, but estimates the workforce you might ideally need, informed by a mix of the methods above. Organisations are often so blinkered by their historical job design, staffing patterns and numbers that they avoid the need to change these assumptions. Zero base approaches can help to unlock new thinking about work design and productivity.
- Scenario planning – tackles uncertainty directly by looking further ahead at alternative views of the future. It is useful in assessing the risks of different business futures, but cannot predict what will happen. We look at scenario planning in more detail below.

These methods can be used in combination and, as suggested above, have different strengths and weaknesses, so suiting different workforce groups or circumstances. Most organisations need a handle on understanding workforce costs, but should not just extrapolate costs without considering possible changes in work methods and productivity.

Case study examples of demand planning

A housing and social care provider uses fairly standard approaches to workforce planning in its support services (finance, HR etc), where demand is strongly linked to budgets for these functions and supply does not need to be considered too far ahead. However, the staffing levels in care homes are planned more intensively and on both short-term and longer-term timeframes. Demand is calculated home by home in real time, relating to the residents they have. The organisation uses overall staff/resident ratios to set 'budgeted hours' for care staff in each home. These estimates are then modified in real time by taking account of the degree of dependency of each resident – that is how much care they need. The layout of the home can affect staffing too, as some buildings are more efficient to work in than others. Strategic goals for the proportion of qualified front line staff inform the mix of staff employed, exceeding regulatory requirements.

An international development charity has growth in income from grants, especially from governments and global institutions, but a reduction in its proportion of income from individual donors. This obviously means it has to develop the capability to win grants – often an extremely complex process – and both existing job roles and newly created roles are responding to this. But it also needs to move from a model of delivering programmes to showing the long term impact of its work, as this is what grant-giving bodies look for. This change affects the skills of nearly everyone who works for the organisation as they need to be far more aware of the impact of what they do on the communities they work in and also on governments and partners.

Scenario planning

The frequency, scale and unpredictability of organisational change has led many organisations to abandon longer-term workforce planning because it appears too inflexible and too conservative in its assumptions about the future. When faced with very uncertain environments, some large corporations – notably Shell operating in the very turbulent petro-chemical sector – developed scenario-based business planning as a way

of addressing high levels of uncertainty head on. The ideas behind scenario planning can be used in workforce planning to show how different futures may affect demand and supply.

“We tend to extrapolate forecasts from recent trends. In times of uncertainty, things become more chaotic. So you have to dig deep into every assumption, try to identify any scenarios and risks that can be foreseen, and decide on the principles that will help you navigate your way through” Professor Paul Sparrow, Lancaster University

“How do we deal with an uncertain future other than by hiding our heads in the sand or putting the future in the too difficult tray? We can use scenarios to avoid surprises and to get a handle of the implications of what we can’t be sure of.” Andrew Mayo

Scenarios are not intended to be predictive, but rather to challenge assumptions about how the world works and to generate understanding of the important factors involved. The aim is to open managers’ minds to a range of possibilities in what the organisation will have to confront. As shown on the diagram, the factors (or drivers) of the future are used to construct a series of internally consistent pictures of alternative futures – these are called scenarios. External commentaries and experts often inform views about the external environment. Factors are explored in terms of their importance to the business and the degree of uncertainty attached to them.

Managers are not forced to choose between scenarios, but rather seek to identify differences between them, including in their implications for workforce demand and/or supply. Business plans, including workforce plans, can be tested against different scenarios, to establish where workforce decisions would need to diverge depending on what happens.

A typical process for scenario planning



The understanding gained from scenario planning can support the kind of contingency and adaptive workforce planning we will describe in chapter 5. To get the best from scenario planning, it is important to look at fundamentally different views of the future, not just a plus or minus 10% variation in business targets.

4 Assessing workforce supply

Key features of workforce supply

The basic question in workforce supply is: where will get the people to meet our future business demand? For most organisations, most of the time, the people employed now are going to be a very significant part of the workforce in a few years' time. HR often plans for recruitment, but often pays insufficient attention to what current employees need to prepare them for what is coming by way of change.

Workforce group

Workforce supply should always be examined by workforce group, as introduced in Chapter 1. A workforce group can often be usefully defined by the combination of broad function (sometimes called job family) and level – both are required not just one or the other. These parameters are broad and intuitive enough to be used for broad brush longer term planning. Just looking at overall workforce numbers – or headcount - is not enough.

Sometimes we need to differentiate different kinds of job role within the same function at the same level. For example some senior financial professionals may also carry management responsibilities and others not. You might need to plan differently for these two role types as they have different skill needs and you may be able to recruit quite easily into one type of job but not the other.

'Topping up' or major change?

If workforce demand is not changing much, then our supply analysis is in effect helping us 'top up' the workforce to replace leavers (or let numbers drop if demand is falling), develop the skills of those new in the job and help existing staff adjust to other changes.

If workforce demand is changing significantly, then supply is likely to need a bigger re-think too. We may need people to do very different work with different skills and either to look for them in different places or to re-train our workforce very significantly.

Often, for example in technological change, demand change may be affecting different groups in the workforce to different extents on differing timeframes.

Make versus buy strategies

The 'make versus buy' choice is about whether an organisation prefers to develop skills internally and fill many jobs by movement within the workforce and/or the extent to which job vacancies are filled by recruitment from outside. This choice depends in part on the internal and external supply of the skills needed, but is also affected by whether the

organisation has the capacity and commitment to train people internally, whether providing such opportunities is part of its ethos and employment brand, and whether home-grown people bring competitive advantage. As we will see later, 'make' strategies are usually required for job roles seen as 'critical' to the organisation.

Recruitment brings advantages too, in terms of fresh ideas and practices developed elsewhere and can also be the only option if demand is changing quickly and there simply is not enough time to train people up for some new areas of work. In financial terms, 'make' strategies are an investment to mitigate the risks of being unable to 'buy' skills or the costs incurred if a lack of internal opportunities make it harder to attract and retain staff of the necessary quality.

As Beames (2014) points out, the make/buy strategy will not necessarily be the same for all jobs in a function or at the same level in the organisation.

In recent years a fast food restaurant chain has focused increasingly on growing its own staff and widening its recruitment pool at the bottom end, to challenge the business and bring in new ideas. With resourcing risks, for example from Brexit and an ageing UK workforce, managers are being educated to think more about such risks. They can offer employees more flexibility, for example with part-time working and accommodating personal constraints on certain days or shift times. This is all part of focussing on staff and fostering the right workplace environment. Some of the groups now being attracted into the business are more interested in a longer term career, further increasing the emphasis on internal development. So the make/buy choice leads to other choices about how to meet the needs of different kinds of employees to attract and retain them.

Diversity

Interest in increasing workforce diversity can influence our supply choices and now reaches much wider than the well-established analysis of gender, race and disability. Many organisations facing uncertain times feel they will be more likely to succeed if their workforce is simply more varied – by age, social and educational background and previous experience. This may affect how we look at the demography of the workforce and how we might act to change it over time (Hirsh and Tyler, 2017).

Employment contract

Choices in the contractual form of employment are an important aspect of planning labour supply. The outsourcing of major business functions to specialist providers or partners in business alliances may move large numbers of employees out of the organisation. In a similar way, we may have people working for us who are not technically our employees as they are employed through agencies or contractors. We may also employ workers part-time, on shifts or temporary contracts.

So, when we look at labour supply against demand we need to include these different kinds of workers. For example if we do not include the numbers and costs of agency staff, we may be under-estimate our current labour supply and ignore opportunities to cut costs.

Workforce supply data needs

Assessing workforce supply can mean looking a wide range of data, sometimes diving into detail and sometimes just looking at broad brush patterns. The box below will help you pick and choose what to look at for what purposes.

Data relevant to assessing workforce supply

Staff in post – so called ‘stocks’ – current plus recent trends

Individual demographic data of current employees – gender, age, ethnicity, and other characteristics relevant to diversity goals (eg disability) or regulatory issues (eg nationality)

People in relation to jobs – type of work (function, role, occupation), level of work (grade, pay level or equivalent), length of service (with organisation), length of service in job and/or grade, organisational work location (division, unit), geographical location (region, country, site or home office – travel to work distances and patterns), salary cost

Types of employment contract - full time/part time, nature of contract (permanent, fixed-term, temporary, agency staff or contractors, any zero hours staff), working pattern if relevant (actual hours, term-time only, days, shifts)

Current gaps between agreed demand and supply – scale and pattern of unfilled vacancies and staff absences, staff away on secondment and maternity leave – how such temporary gaps are covered (and the cost of this cover)

Staff movements – ‘flows’ – ideally over past few years

External recruitment (numbers, types of contract, sources) by job group and entry type (eg trainees)

Leavers – voluntary leavers (‘wastage’), retirements (and early retirements if special terms offered), voluntary and compulsory redundancies, dismissals

Destinations and reasons for leaving

Patterns of internal movement – a matrix of people moving from each job group into other job groups, or internal moves split between promotions and lateral transfers at same level. Inter functional/business unit transfers separately identified.

Skills, capability and attitudes

Factual data on qualifications (usually only highest), licenses to practice and other relevant skills (eg languages in international businesses + fluency level)

Subjective data on skills, performance (eg ratings), potential (links with succession planning), training needs (from internal studies or personal development plans)

Attitudinal data eg engagement or staff survey items as well as overall scores

External labour market information

Data on geographical, sectoral and occupational labour markets relevant to where staff come from or might come from in future: size and demography of potential workforce,

employment/unemployment, educational qualifications and flows into work from the education system, attitudinal data on sectors/occupations

Understanding workforce ‘stocks’ and ‘flows’

If demand is not changing rapidly, then knowing about the current workforce is much of what we do in workforce planning, as this is the supply we will be ‘topping up’. By ‘stocks’ we mean the people in post currently. By ‘flows’ we mean people moving in and out of a job group – both external movements and internal movements.

Even if demand is changing significantly, your current workforce is the start point for that change, so knowing what you have now will enable and constrain how you adjust the workforce to meet future needs.

Typically, we want to get a handle on:

- Whether the demographic and experience make-up of the current workforce by job group is likely to lead to future supply issues
- Whether managers already experience problems in workforce supply eg are there high levels of unfilled vacancies or high levels of staff absence?
- How many people we are likely to lose from the job group and therefore how many vacancies are we likely to need to fill to get to the demand numbers required.

Understanding wastage

Understanding wastage can be really important, as was emphasised in several of our case study interviews. An overall ‘turnover’ figure (all those leaving a group divided by the average across a year) is not nearly as useful in workforce planning as a ‘wastage’ rate (voluntary leavers from the organisation divided by those in post at the start of the year and equivalent figures separately for each main type of movement out of the group).

Wastage patterns usually vary according to the length of service of employees and may also differ by age, gender and work pattern such as full- or part-time. It is well worth understanding these differences to manage future supply effectively.

A care home provider faces continuous recruitment challenges for front line staff, especially in the south-east of England and in locations where public transport is limited. The work is demanding and pay levels are held down by the amount local authorities will pay for care. Workforce analysis has shown that wastage rates – although lower than for the sector overall – are still high in the first year of service. In addition to its already good provision of training and career progression, the organisation offers additional personal, social and work-related support to its new entrants to try and keep them through their challenging first months.

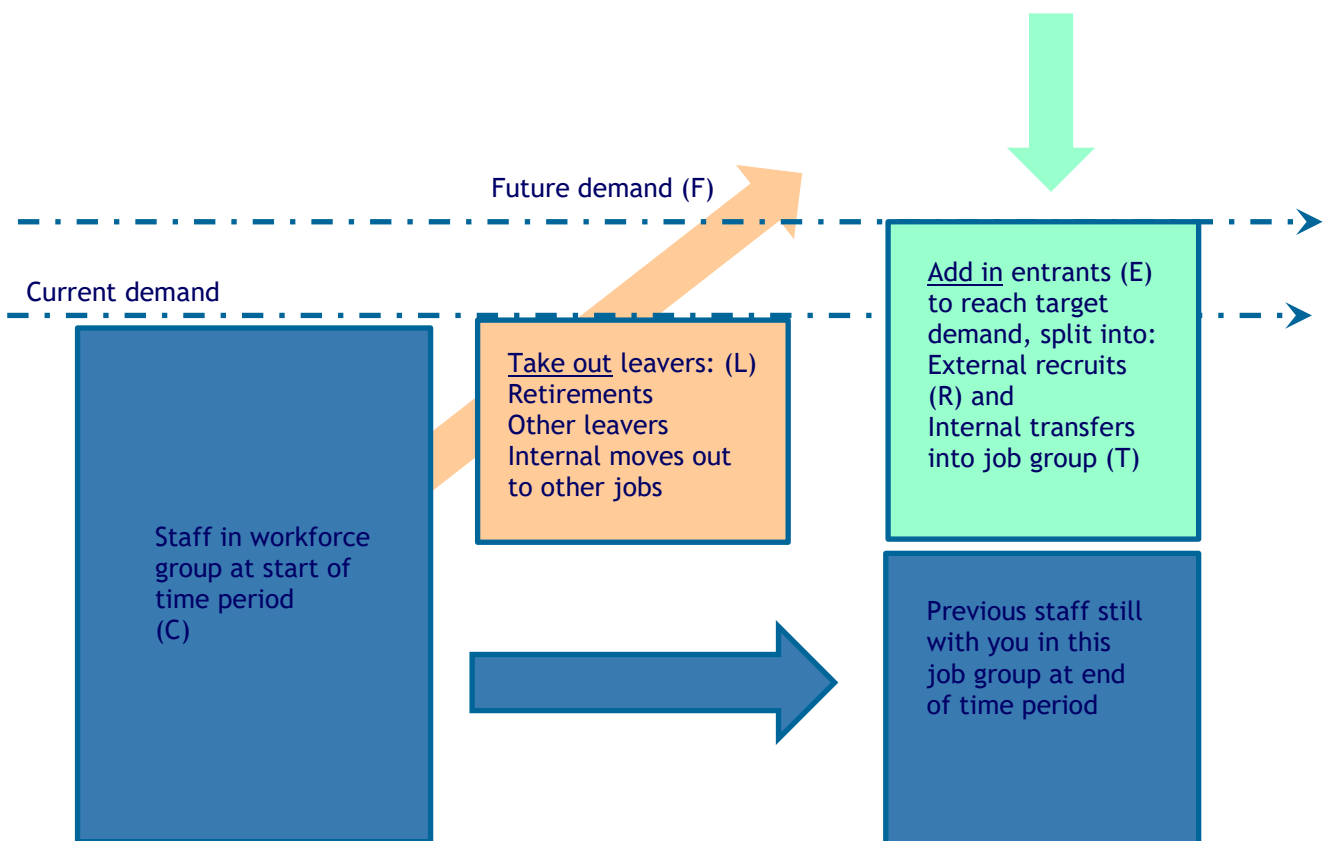
“Understanding turnover is key – not just your headline figure but the churn by site, job role, sector, recruitment route etc. You also need to know why people leave.” People Development Director, hospitality sector

Doing the arithmetic

Workforce planning really does not require complex mathematics, but some simple arithmetic is worth mastering.

The diagram shows how new entrants to a workforce group – what we often want to calculate – are related to the numbers you have now, expected losses and future demand.

Simple workforce supply calculation to meet projected demand



If you like equations, this one is $E = F - C + L$

The new entrants (E) are split in your make/buy mix between internal transfers or promotions (T) and external recruits (R)

If future demand is lower than current numbers then entrants will be a negative number – the numbers you will need to lose

We need to be careful if workforce demand is expressed in whole time equivalents, while employees are obviously individual people. It can be easiest to carry out the calculation

on a FTE basis (ensuring that wastage rates are also calculated this way) and then convert back into actual people at the end.

Skills and capability

When we assess the skills or capability of the workforce, we are moving from numbers into judgements. In both demand and supply it is useful to think about whether a particular skill or skill change is about:

- Generic skills, knowledge or behaviours relevant to all employees
- Technical, professional or job specific requirements, applying to some job groups only
- Changing skill or behaviour needs particular to those in managerial roles

Our most reliable indicators of the current capability of a workforce group can be external feedback from customers and suppliers, internal data on quality, and managers' views on whether the staff they have (and the kinds of people they have been recruiting) can do the job effectively. Appraisal data can sometimes be informative, but appraisal ratings are not necessarily reliable indicators of skill levels.

Some organisations have tried to build comprehensive skills databases where each member of staff is given a skill rating or self-assesses against a comprehensive list of core competencies and/or job-specific skills. This approach has worked in some specific contexts, but many large initiatives to record skills have been scrapped as too large, complex and impossible to update (Hirsh and Reilly, 1998). New approaches using real-time social media type systems seem more promising for the future.

Workforce potential and succession

The potential of our employees to do more complex or different kinds of work is an important facet of planning our future supply. The term talent management is often used to describe the process of identifying and developing people with potential. Workforce planning defines the needs for such people and so should link closely with talent management.

Succession planning highlights where there may be risks because internal replacements are not available within a strategy that seeks to fill at least some of these roles internally. Succession plans do not normally cover every job in the organisation but tend to focus on senior and/or critical roles. Critical roles need not be senior but do affect the business significantly if left unfilled and are hard to fill by recruitment. Where posts could be filled from the same pool of successors it is better to plan for such groups of posts than for each post separately.

A basic succession plan might look like the table below.

- Emergency cover can be included in succession plans or can be planned for separately.
- Short-term successors are people who could do the job as their next job, normally within a year or two.

- Longer-term successors will have at least one major job move before moving into the role. They are typically three to five years away from being ready.

The example table is colour as a traffic light to show where risk may be present (orange) or severe (red). Of course longer term successors only reduce risk if development action starts early enough to prepare them for this type of role.

A simple succession plan

Post or groups of posts	Current job holder(s)	Key factors to consider	Emergency cover	Short-term successors	Longer term successors
Finance director	Jill B	External market very difficult	Bill T (deputy)	Bill T	Sangita P
Marketing manager	John B Melissa L Anne M	Will restructure in 2018	Ruth N	Brian T?	Ruth J Andrew Z Omar A
IT service manager	Pankaj P	Post holder retires Feb 2018 Major change in autumn 2018	Know an external for short-term cover	? May not fill job in current form as change coming up	Raj K Joanna R Floella W

Successors are not normally ‘placed’ in a vacant job, but go through the normal appointment process. The function of succession planning is to ensure there are at least some credible candidates for roles that may be hard to fill externally.

An international development charity integrated workforce planning with a simple approach to succession planning to inform talent management and leadership development. It identified two levels of leadership - country directors and middle managers – as problematic from a supply point of view. Jobs were hard to fill not just because of hot competition between organisations in their sector, but because skill needs were changing as a result of shifts in organisational strategy and funding sources. Background analysis clarified replacement numbers needed each year and the skills and behaviours most appropriate in identifying those with potential to progress into these roles internally. Succession planning at country, region and corporate level has identified individuals best suited to pro-active leadership development. Numbers developed each year are aligned with business needs and can also accommodate the timing that is best for individuals in terms of their own career and personal priorities. Development has focused particularly on giving individuals the experiences they need to be credible candidates for more senior roles. Diversity both by gender and by country of birth is examined at every stage of the succession and development process to ensure that women and those from less developed countries are well represented in talent pools.

Understanding your external labour markets

A labour market refers both to what the people are doing who might join you to do a certain type of work and the geographical area from which they are likely to come. Key questions to ask for particular workforce groups, especially those where you feel you may have difficulty recruiting, are:

- Where do the current staff live who are already doing this work? How far are they travelling to work? Are there other areas people may be willing to travel from?
- When you have filled jobs recently what were people doing before and where did they come from?
- When people have left you, where have they gone? *i.e.* to which kinds of employers in which locations?

For some workforce groups you may only need to understand a very local labour market. For others, the market can be regional, national or international.

Questions to ask about the labour market

- What are the characteristics of the working population in the relevant labour market area, eg its age profile, employment patterns (occupational and sectoral) and educational characteristics?
- Who do you compete with for the relevant workforce group? Remember you do not always compete for labour with employers in your own business sector.
- Are important changes occurring to your labour competitors, eg is the growth of financial services companies in your labour market increasing demand for high quality office staff?
- Do your labour competitors offer better terms and conditions of employment than you do? Do you actually lose people to them?
- Is the available population from which you might recruit changing, eg is it a professional group which is facing a lot of retirements nationally over the next few years?
- Are important changes occurring to the education and training system or to numbers of trainees, eg is this a group which has seen a marked drop in numbers entering training?
- Are there general reports of labour shortages or skills gaps in this labour market? Are they getting worse or better over time?

There are useful and accessible sources of labour market information for the UK, now mostly on-line and listed at the end of this guide.

Several case organisations commented on the constrained supply of labour in the UK for manual and semi-skilled jobs. So we cannot assume that labour shortages only occur in high skill work.

In restaurants, pubs and bars, employers experience high turnover (one quoted a figure of 80% per annum). They need front line staff with the right attitudes as well as the required job skills. Skilled kitchen staff are often hard to find. Competition for skills is often strongest in urban centres, but transport issues can constrain labour supply in rural areas. Other sectors such as retail are competing for similar skills and may offer shorter hours and better pay.

One nationwide restaurant chain observes that parents of teenagers and young adults in affluent areas are not keen on them taking on this kind of work, even as a part-time option while studying. By contrast a chain of bars, with many university students as customers and as employees, seems to be more attractive to applicants, perhaps because of its ability to offer appealing social interactions at work.

The farming industry has particular difficulties in attracting UK labour, especially for seasonal work. A pilot training programme, organised by the DWP and a sector training body, attracted 200 entrants for the course, of whom 130 successfully completed training but only 65 started work and only a handful stayed for the whole season. One of the problems is the benefits system, which is not geared to periods of seasonal employment; so people prefer permanent, year-round jobs.

5 Identifying gaps and action areas

In this crucial step, the analysis of both demand and supply is summarised and leads to identifying key action areas, before embarking on specific resourcing and development activities. Ideally it helps HR and the line locally and/or corporately to identify priorities. These link back to the idea of risk – effort being most needed where the business risk of inappropriate resources is greatest.

Identifying gaps

The information you have collected on both demand and internal and external labour supply helps you identify:

- Some ‘business as usual’ action areas where recruitment, development and deployment activities will be needed to keep supply in line with demand. It is helpful here to make a note of changes to skill needs which need to influence the more bottom-up process of individual development planning.
- Workforce groups where resourcing will be more of a challenge in recruitment, retention or both and therefore where alternative resourcing options may need to be considered. These gaps may cover all jobs in a particular group or they may apply especially to some locations or teams.
- Workforce groups and/or parts of the business where workforce reductions are likely to be necessary and need to be well managed.
- A change in the business strategy that might lead to radical change in supply needs. This could be the result of competitive pressures, a new approach to product manufacturing or marketing, caused by emergent technology or the desire to reduce costs (as in offshoring).
- In extreme cases resourcing difficulties may challenge the whole business strategy or move major areas of work out of the organisation or to a different part of the world. A combination of skills shortages, together with labour costs and different rates of market growth may also have driven many companies to re-balance their global footprint away from the UK and Europe and more into Asia.

Case examples of gaps identified

Looking to the future a growing company in the hospitality sector is looking to break down gender stereotyping by job role to increase the talent pools they can appeal to. This means looking at the messaging present in their recruitment to ensure that their range of roles appeal to both men and women. There are also lifestyle issues in their sector, where working hours tend to be long and anti-social. They may need to offer employees more flexibility, for example to take breaks from work to go travelling. Career paths also need to appeal more to young people, so they stay longer in the sector.

Rapid technological change can drive radical workforce supply solutions. For example, when the process of map surveying and map printing both turned digital in the same period of time, a map producing organisation committed to completely re-skilling the people who collected field data and also retrained the long established craft print workforce into new digital ways of working. This was a major undertaking but judged to be a more viable and cost effective option than shedding hundreds of people and then trying to recruit digital skills, which were in short supply.

A car manufacturer offers interesting work and a very attractive employer brand but its location is not very close to employers needing similar skills and is in a market where top end engineering skills are always hard to recruit and retain. It plans carefully for a mix of apprentice and graduate entrants each year, using work placements to help its selection, and finds these two different groups bring different strengths, with apprentices being more likely to have strong ties to the local area and so less likely to leave in the first few years.

What kinds of actions might we need to consider?

When we pull together workforce plans, we habitually think about supply-side actions, especially recruitment and training. These can echo what we have done before, and/or look for alternative sources of supply. We also need to consider demand-side actions – better ways of designing work or organisational structures so that people and their skills are used more effectively. Sometimes actions will be about more radical changes in how work is delivered, for example through contracting out or working with partner organisations either for business reasons (cost or quality) or supply reasons (inability to secure the necessary skills).

We can also ease recruitment and training needs if we retain and motivate staff better. This is partly a matter of policies and processes, but very largely down to improving the quality of people management. The table below shows some types of action to prompt your thinking.

Examples of action areas applicable to one or more workforce groups:

- Adjusting organisation and job design to make better use of people or reduce cost eg by shifting 'skill mix' of higher skilled to lower skilled people within the same kind of work, using technology to replace some human activity, multi-skilling and more flexible deployment
- Changing contractual arrangements to find different people or increase flexibility eg fixed term contracts, temporary or zero hours working, agency working/contracting out
- Reducing supply needs by improving retention eg better management, rewards, career structure, engagement
- Reducing employee numbers if demand is falling eg voluntary severance and outplacement
- Shifting the mix between 'make' and 'buy' resourcing
- Improving existing recruitment activity eg better employer brand, checking rewards in line with market, improved selection methods
- Widening workforce supply eg appealing to different demographic groups such as older workers or women returners, people living in different places (including different countries)

- Building or strengthening internal talent pipelines eg upskilling, talent management and succession planning, career structures and advice for employees, internal development programmes for those with potential and interest in progression, including employees in under-represented groups
- Increasing movement across the organisation from surplus to shortage areas eg re-deployment, often accompanied by re-training
- Building or strengthening alternative educational routes in eg apprenticeships, graduate recruitment, work with schools to increase longer-term supply of STEM skills

Sometimes we need to revisit our assumptions about make/buy strategies once we can see that meeting our supply is going to be problematic. The table below shows a simple way of setting out how required capabilities or workforce groups can be resourced.

How will capabilities and/or workforce groups be resourced?

Areas of capability or workforce groups	Capability or group A	B	C	D....
Resourcing options for each capability				
Recruit				
Develop				
Outsource				
Relocate				
Redeploy				
Use agency workers				
.....				

A hi-tech company used a catchy version of the same idea to explore its resourcing options as:

Buy it: Recruit new employees direct into roles when resource is needed.

Build it: Change the skills, knowledge and capability of current employees.

Borrow it: Second or transfer employees from elsewhere in the company.

Bump it: Transfer the work to elsewhere in the company or to a third party or remove altogether.

Bind it: Take steps to retain talent in key areas critical to our future success. Identifying the 'bind it' areas is a useful reminder of where turnover might be giving you an uphill climb and could perhaps be addressed if you fully understand its causes.

Summarising gaps and action areas

It is helpful to pull together the work you have done in the workforce planning processes into a list of gaps and actions. Doing this for each main workforce group shows differences as well as similarities. This is in effect a workforce plan, but you can call it what you like.

The table below shows this kind of summary using a row for each main workforce group and columns recording both issues and action areas. Such a grid can be used in a small department or a large division, function or geographical region. One grid could cover everyone in a small firm. The timeframe for planning also needs to be clear and a simple grid can indicate both short- term and longer-term issues and actions.

Action areas can be drawn up to reflect the different business and labour market scenarios discussed in earlier chapters. Some action areas may be contingent on events that are not yet certain, as we explore below.

Summarising action areas by workforce group

Workforce group	Demand	Supply	Resourcing issues, risks, gaps	Priority actions/ options to mitigate risks
Marketing specialists	Numbers steady over planning period	At least 3 will retire over next 3 years but wastage also expected to rise Lack of good mid-career successors. Labour market extremely tight	Need at least 10 new people over next 3 years Significant risk of inability to recruit Need to 'grow our own' more	Support initial professional training for 1-2 people p.a. (start year 2) Accelerate development of less experienced professionals - aiming for 3-4 pa.
Call centre operatives	Need more staff capable of dealing with difficult customers - the current job role does not really acknowledge this need.	Already have a group of long serving, experienced staff who could extend their technical and interpersonal skills	To date recruitment not a problem but 15% of entrants have come from non-UK EU countries	Explore a higher level job dealing with the most difficult customers. Would need a more structured approach to bringing on talent - Moving some call centre work to EU and/or reaching out to new sources of supply in UK Investigate using customer service apprenticeships
Senior leaders	Increasing need to lead people through a period of uncertainty	Some will not like culture change and leave. Some high performers lower down the organisation	Danger taking too long to raise our game as short-term talent pool weak	Selective head-hunting, not necessarily from our sector. Development for existing senior managers on engaging employees Targeted development for junior managers who could progress quickly

The same logic can be used to create a higher level, and therefore less detailed, corporate workforce plan. It can serve a more strategic purpose of alerting senior managers and HR managers to the most important actions and to areas of significant risk. At this level, the plan could be part of a wider workforce or business strategy.

Separately from these planning documents it is also helpful to record – perhaps as appendices to such documents – some of the key data you have collected. This will make it easier to track changes (as we suggest in Chapter 7) and provide useful base line data for colleagues.

Planning for action in uncertain times

In Chapter 3 we looked at developing scenarios for planning purposes in uncertain times. Such scenarios can be used, even very simply, to identify possible business risks in some circumstances or emergencies.

Contingency planning

One practical way of planning for the risks highlighted in various scenarios is to estimate the possible seriousness of a risk and its likelihood, as shown on the diagram below. This analysis helps to identify which risks to plan for and which can be given lesser priority.

A simple contingency model



Case examples of contingency planning

With high uncertainty about trading arrangements post Brexit, UK companies in sectors such as finance and aviation are setting up embryonic offices and subsidiary companies in European cities outside London. This addresses the possibility that their trade access to the EU from the UK will be reduced. Such risks are both fairly likely and extremely serious. Contingency plans will include scaling up these operations if they do turn out to be needed.

To give a more positive example, a food manufacturer thinks it possible that their UK sales will expand over the next five years as a result of economic and regulatory changes. It is too early to act on this growth now, but they are already strengthening their capacity to increase their staff and reduce training times. They will decide over the next year or 18 months whether to up their

recruitment levels as the situation becomes clearer. It is important not to risk missing growth opportunities, but the actions required are fairly well understood, as is the lead time for growth.

Adaptive planning

“There are dangers in only looking at the short-term and hoping to react to change. But there also dangers with long-term planning that can get us into analysis-paralysis. We need adaptive approaches to planning that can help us close the gap between long term scenarios and practical actions we need to be taking now.” Linda Holbeche

Planning can be designed to adapt to changing circumstances, if this is built into how plans are used from the outset. It combines the discipline of planning with the reality of ‘feeling your way forward’. Organisations make selected changes which they can implement quickly, accepting the risk that not all will prove successful.

Adaptive workforce planning should aim to move closer to the right resources in the short term by challenging past practices (eg using zero based demand) and then building in workforce flexibility, especially through adjusting recruitment and development (Holbeche, 2015). As the impact of actions is understood against the back cloth of an evolving environment, actions are adjusted to keep the organisation moving in the right direction.

Planning for agility and flexibility

Gap analysis and action-planning can explore different actions relevant to different scenarios or varying paces of change. However, there are a range of action areas that may help organisations respond to uncertainty by building in more flexibility whatever happens.

- **Functional flexibility** across a range of tasks can be increased by recruitment, training, job design, deployment and reward mechanisms eg multi-skilling and job rotation.
- **Numerical flexibility** is provided by contracts of employment that flex numbers employed eg temporary, seasonal, casual, agency or outsourced staffing.
- **Temporal flexibility** allows flexibility in working time, its organisation or duration eg part-time, overtime, shift work, annual hours.
- **Educational pathways** can provide alternative sources of supply with different characteristics.
- **Increasing change readiness in the workforce** is an important part of functional flexibility over longer periods of time. Sustained attention to the career and skill development of key workforce groups keeps them more confident that they can face change (Hirsh and Tyler, 2017). This means having managers who pay attention to the development of the individuals in their teams. Involving employees in change management keeps them in touch with changing business needs, so when they are asked to adjust this does not come as a surprise and they understand why change is being made.

“In uncertain times we need to develop the ability of the workforce to cope with change. It helps employees understand change if they can see at first hand what’s happening in the business, have a wider range of work opportunities over time and be more involved in decision-making.”
Linda Holbeche

Case examples of planning for flexibility

A hotel deliberately increases its agility to respond to customer needs by adopting a very flat (three layer) structure and a flexible staffing model with multi-skilled staff. To succeed with this approach, it is necessary to have flexible and intelligent staff who understand the logic of the model and can use their own initiative. This has led the company to hire people with a good cultural fit, rather than for a defined job vacancy, on the basis that they will find a place for them in their adaptable structure and then develop the skills they need.

A nationwide restaurant chain devolves workforce planning to the manager of each restaurant. With fairly short training times for restaurant staff, planning for emergency situations and reacting quickly to change is the most appropriate planning approach.

A goods handling company operating in many locations, each with distinctive features and customer types, has an increasing need to combine flexibility with high levels of customer service in a range of historically distinct occupations. Technology is changing many of the skilled manual jobs, which is challenging past practices and also puts the future employment of many long serving staff at risk. The company is therefore working towards a multi-skilled operational workforce, offering employees the chance to discuss widening their skills and making themselves available for a wider range of tasks with training to match. This change will affect reward strategy as well as job and organisation design, training and deployment.

An engineering company knows that it will face new challenges and must ensure that its broad population of engineers (about a third of its total workforce) remain flexible and confident to master new types of work. To this end it continues to identify a very small proportion of engineers as ‘high potential’ and to give these individuals accelerated development. But it is also re-investing in the continuous skill and career development of all its engineers, and exposing them to developmental work assignments to maintain their flexibility. It helps that their engineering leaders firmly believe that sound theoretical understanding can be applied to many different design challenges in varied products and market segments.

6 Workforce resourcing and development

Using workforce planning in resourcing and development

Organisations have processes they use for resourcing and development, but these tend to deal with the here and now and be procedural, rather than strategic. In this chapter, we highlight how improved workforce planning can lead to those customary practices taking better account of the future and of the business risks posed by uncertainty.

We can expect a strong emphasis on workforce development in the UK over the coming years. It is widely acknowledged that the UK has talented people but has under-invested in the skill development of the workforce. Employers have a crucial role to play in the skill and career development of the people they already employ.

“It is worth growing the people you have now, if you know what your big skill gaps are going to be and if you have people who could fill them. This is not about doing employees a favour. It is investing for your business future.” Linda Holbeche

“All organisations know how to recruit, but they don’t all know how to develop the workforce, because some have relied very heavily on external hires to meet their changing needs. Many organisations in the UK would benefit from a shift in organisational behaviour to investing in the workforce – having a development mind-set.” Professor Paul Sparrow, Lancaster University

Here are some ways in which workforce planning can usefully influence existing people management processes in organisations:

- Consideration of future needs can modify what is looked for in recruitment. Recruitment is often against a fairly rigid job description, which may not even reflect skill changes already taking place. Selection should look for competencies and attitudes likely to become more important in that kind of job role. More generic role descriptions offer greater deployment flexibility, as illustrated by the case examples below.
- Internal job filling or deployment often relies on individuals seeing a vacancy advertised and applying for it. This is a very hit and miss affair. At times of significant job loss, organisations often put in place processes to consider the redeployment of individuals whose employment is at risk. But wider use of pro-active developmental experiences or job rotation could improve skill supply and organisational resilience as well as offering more interesting work and career opportunities to employees.
- Individual training or personal development plans are usually generated ‘bottom up’ by the individual employee and their manager, often as part of a performance and

development review process. But this process can too easily ignore changing skills needs and how upcoming change may affect that individual and their job - sometimes even putting that job at risk. Insights from workforce planning should be communicated back to managers and employees, and discussed at unit and team levels, to inform individual skill and career development plans.

Workforce development has moved from a model largely based on formal, off-the-job training courses to what is often called 70-20-10 delivery. 70% of skill development is assumed to take place on or very near the job, much of it through coaching by the line manager and team colleagues. 20% comes from personalised inputs like mentoring, learning sets, planned developmental experiences and so on. 10% is expected to come from off-the-job training courses. So, when we wish to align development more closely with future business requirements, we need to ensure that managers and employees are thinking about the future in their performance and development conversations, not just the skills needed in the current job.

- Training schemes in early career and management development programmes can usefully provide a well understood architecture for skill and career development at different levels or career stages. However, the content of such programmes needs adjusting over time to remain relevant to changing skill needs and the volume of training needs to be well tuned to numbers being appointed or promoted. A steady, modest flow of numbers through such schemes or programmes is usually much more effective than the stop-start pattern one often sees.
- Planning for a more diverse workforce is another area where workforce planning meets processes for resourcing and development. Workforce planning can highlight where the demographic make-up of a job group seems skewed compared with the job groups that feed into it from below. For example, one might see that only 20% of senior managers are female, compared with 60% of first line managers in the same organisation. Short-listing and selection processes should be monitored in real time to check where in the process under-represented groups are falling out. Interventions to encourage such groups to apply and/or to give them extra support (through workshops, mentors etc) may stem from this same analysis (Hirsh and Tyler, 2017).

Case examples of linking workforce planning with resourcing and development

An engineering company reviews each vacancy before it is filled, whether it be a new role or an existing one that has become vacant. The HR Business Partner has a brief, but systematic, discussion with the appointing line manager about the job in terms of business risk (low, medium, high) and how quickly it needs to be filled. This results in a view of whether the vacant job requires a 'safe pair of hands', whether it might make a good developmental role for a high potential employee (linking with succession plans and talent management) or whether it might be best filled from outside (eg to bring in specific expertise or new ideas) This discussion, informed by information on skill needs and available internal and external supply, decides how the job filling process is taken forward – for example whether to advertise externally or not.

A food manufacturer carries out comprehensive People Reviews to identify likely recruitment and development needs. In selected roles critical to operational performance, recruits are brought into existing shift teams as supernumeraries ahead of vacancies, to give time for them to be trained up to full levels of competence by learning on the job.

The Civil Service has long emphasised generic competencies needed by all staff and especially by all managers and leaders. As work changes, newer skill needs such as commercial awareness, IT understanding and project management have been incorporated into recruitment and development for many jobs, including all managerial roles. The Civil Service has also recognised the growing need for function-specific skills and knowledge. A range of professional job families, each with their framework for skills at various grade levels, are now in use across departments in the Civil Service, so individuals now acquire expertise in one or more professions or functions and can use those skills to move between government departments within the same job family.

A chemical company is increasing the number of highly specialised chemists it employs to resource its product development plans. In the past it has recruited just a few PhD chemists every year and has met these needs with fairly personalised recruitment from higher education. But to meet its increased needs, the company requires a higher profile in the PhD labour market and pro-active planning to scale up its recruitment and training. Recruitment has been improved by strengthening links with chemistry departments in selected universities, where research is close to the company's fields of interest. Induction and in-company skill development has also been strengthened by, for example, allocating some of the time of a leading technologist in each team to training new recruits. In the past managers had enough time to do this, but they cannot do it all themselves when several recruits might come into the same team. So here we see one action – to take more PhD recruits – leading to practical consequences for attraction, induction and early years training and also team structure and job design.

Improving skills supply

Working with education and new entry routes

Solutions to long-term labour supply problems can lie in influencing the curriculum, work-related learning and career choices for young people, while they are still in education and also for existing employees. Tapping into good sources of workforce supply in the education system can mean opening up new entry routes into the business. As above, this often requires elements of work re-design, recruitment and development.

UK governments and sector bodies have, for a number of years, been trying to strengthen the role of apprenticeships in the UK economy for equipping young people to enter work but also to re-skill or up-skill the existing workforce. Employers in shortage areas, such as engineering, are consciously mixing their graduate recruitment and apprenticeship intakes to widen their potential pipelines of talent but also to pull on the distinctive strengths of these two different kinds of employees (Pollard et al, 2015). Apprentices are often seen as bringing strong applied skills and also may have more personal ties to a specific geographical area. Workforce planning, including skills analysis, should inform which workforce groups might be suitable for apprenticeship and at what level.

Exploring apprenticeships as a recruitment and/or development intervention

Training delivered through apprenticeships – a blend of work-based and college-based learning - is a mechanism for up-skilling or re-skilling existing employees as well as widening the possible pool of labour by providing an alternative entry route.

Employer-led standards for apprenticeship are available in many occupations and sectors and increasingly at higher levels – up to degree standard and beyond.

Employers can access public financial support (from the Training Levy on larger employers) to offset some of the costs of the external training provision.

There is plenty of information for employers considering apprenticeships (see the Education and Skills Funding Agency, *Employer Guide to Apprenticeships*) and there is advice for employers through the National Apprenticeship Service.

Case examples of working with education and new entry routes

Many employers are increasing their engagement with schools, often in their local area, to help pupils and students understand the labour market better and develop both generic employability skills (for example through work-related projects and work experience) and sector or occupation specific skills (often STEM skills but also skills needed in the creative industries). The Careers and Enterprise Company acts as an enabling body for employers who wish to get more involved with supporting schools.

A major financial services company has introduced a scheme for school leavers who lack formal qualifications but have positive work attitudes and good interpersonal skills. They are working with the local authority. School leavers are offered six months of work experience, with opportunities available in a range of departments. The business is currently taking two cohorts of 20 each year. 65-70% of these young people have entered permanent work in the company. Up to 30% have gone back into further education and almost all the rest to employment elsewhere. The business has especially benefited from the IT skills of these young people.

One major challenge for a food manufacturer is to speed up the acquisition of business-specific skills for younger people coming into several disciplines within their engineering workforce. In the past there was a more 'time served' approach to developing capability, but this is too slow to cope with change today. The company is using the expertise of long serving staff to create a suite of vocational training materials taking learners to agreed competency standards in a range of skills. The training provision is internally supported and leads to externally accredited vocational qualifications for their employees, who can drive the learning at their own pace. The company also finds it difficult to recruit into its locations, which are mostly in fairly rural areas and away from large urban centres such as London, Manchester etc. It is building closer links with educational establishments, including universities, in its own region so as to attract people who already have links with the area and so might be easier to attract and retain.

A care home provider has had a Level 2 apprenticeship in social care running for a couple of years and now has about 100 apprentices at different stages of their training. It helped to start this approach in selected care homes that had the capability to support apprentices well. The scheme has tended to attract young people, partly because many adults already working in social care do not especially wish to go back to formal study. The organisation has also put in place additional support for new apprentices as starting work in the care sector is very demanding, especially emotionally. Social activities have also been found helpful, as a way of helping apprentices get to know each other and bond with other staff too.

A nationwide restaurant chain has apprenticeships at level 2 and 3. In addition, it has been offering a business management qualification with a university for many years, and is in the

process of elevating this to level 6 (equivalent to a degree); the first cohort is in the process of being taken in.

A growing bar and restaurant chain have structured training to equip employees for promotion at a number of key levels as they progress inside the organisation. In this case, training is internally provided as the high volumes of staff movement, the very specific nature of customer service and kitchen skills, and need for rapid training make internal provision more cost effective than using providers in the education system.

Collaborative approaches to workforce development

Employers do not have to tackle skill issues alone. Sector bodies, local partnerships (such as Local Enterprise Partnerships) and professional bodies all play a vital part in skilling the UK to meet its future needs. Active involvement in such bodies is especially useful for smaller employers who need to make sure that it is not only the voices of large employers that influence public and sector policy for skills.

Case example of employer-led collaboration on skill supply

TRS is a not-for-profit programme that has evolved over more than ten years to address skill issues, primarily in engineering and advanced manufacturing. It has been led from the start by major engineering employers but with strong political and government backing and union involvement. It started in 2005 with engineering and advanced manufacturing businesses in the midlands wanting to keep engineering skills available to the sector, even when short-term job losses were making engineers redundant. The simple but effective idea was to put employers looking for engineers in touch with individuals who were at risk of job loss or were already redundant. TRS is evolving into a national talent platform for the manufacturing, engineering and technology sectors, reaching out to small firms as well as large ones. It is now working with higher and further education institutions to put university and college students in touch with STEM employers to help them find internships and placements as well as jobs. See www.talentretention.biz

7 Monitoring and evaluation

Workforce planning and its application should be followed up with monitoring and evaluation, otherwise we do not know if actions are being taken and if our workforce situation is getting better or worse. Key aspects of monitoring and evaluation include:

- Monitoring and adjusting our plans: have we done what we said we would do?
- Are these actions still relevant in the changing business and labour market context?
- What has been happening to the size, shape and composition of the workforce? This links with regular reporting of workforce data.
- Evaluating specific courses or action or interventions – for example, what has been the impact of our investment in workforce development?

Monitoring plans and responding to change

Workforce plans should be reviewed by management teams on a regular basis - certainly more than once a year. Some organisations include a people review component in regular business reviews, often at divisional or unit/function level. These reviews are partly there to see if the planned actions are taking place, but also to check that the plans themselves are still relevant.

The HR function, often through HR business partners, need to stay in regular touch with local management teams to check progress and respond to any important changes, whether internal or external. Managers may also appreciate briefing on the possible impact and risks associated with external changes in employment law, tax regimes etc. The significant threats must be emphasised and management alerted to the potential effect on supply.

In the contingency and adaptive approaches to workforce planning we discussed in Chapter 5, organisational agility is supported by short-term actions which can be quickly adjusted as circumstances change. So, for example, we have seen graduate recruitment moving from a once a year burst of activity to taking in graduates all year round. The activity can be monitored and adjusted both across and within years to take on a few extra people if business growth is higher than expected or if candidate quality seems especially high in a given period. The skill mix of intakes can be adjusted in the same way, if some business functions or units experience high levels of turnover but others not.

Monitoring the changing workforce

Many organisations regularly report some workforce data to managers, but it is not always clear what regular reports are supposed to achieve, how the data items are chosen or what use is made of them. The trend is now away from loading managers up with a mass of data that they do not really use, but this means selecting workforce reports that are more informative.

Critical issues to monitor and report on might include:

Staff in post and costs (salary plus additional payments) by workforce group – don't forget temporary and agency staff, and the costs of these, as well as permanent employees.

Whether actual staffing is on track against demand. Unfilled vacancies and/or time to fill vacancies are useful indicators of the supply/demand balance. They also reveal managers who may be under-staffing to give themselves budget leeway.

Changes in staff composition, especially if increasing diversity is part of the workforce plan.

Key flows (especially voluntary wastage) compared to same time in previous years for each main workforce group. Intelligence from exit interviews or staff surveys on why people leave. Changing retirement patterns may be important to understand too.

Upcoming workforce risks not previously identified (eg succession concerns following a surprise resignation, areas of concern from staff attitude or engagement surveys)

A local authority reduced its workforce very significantly over several years as an unavoidable response to deep budget cuts. The reductions were largely achieved through voluntary severance and early retirement. The workforce planning team used two snapshots of simple workforce data three years apart - before and after the rapid reductions - to check whether the use of voluntary severance was retaining an appropriate skill mix for the future. The analysis used broad job families and levels of work by directorate, also identifying casual staff as well as permanent employees and differentiating between full-time and part-time employees. Demographic data was examined by age, length of service, gender, ethnicity and disability. The changes over the period were identified in terms of 'net losses' by category – allowing for the patterns of new recruits as well as those who had left. The analysis highlighted that reductions had not adversely affected diversity but that the pipeline of young workers needed higher priority, especially into shortage skill areas such as social care.

Evaluating the impact of actions and interventions

Where specific actions or interventions follow workforce planning, the impact or effectiveness of these actions should be evaluated.

Evaluation, as with so many other aspects of people management, can be conducted at varying levels of sophistication as shown in the 'maturity journey' diagram below.

The evaluation and analysis maturity journey



Starting with the simplest approaches, informal evaluation can be very useful, for example talking to managers about whether a change to job design, recruitment or development seems effective. Simple follow up questions such as “what makes you think this?” can flush out very important examples of what is happening on the ground and these can be used to improve policies or practices.

Systematic evaluation collects quantitative and/or qualitative information on those items expected to be influenced by an intervention. For example, has training in customer service led to lower rates of complaint and higher rates of repeat business?

Evaluation can be built into people processes. For example, courses can include discussion of the relevance and use of training at the event, alongside the simple feedback sheets often already used. In recruitment, for example, the process can always include getting feedback from both successful and unsuccessful applicants about their experience of the process.

A care home provider is developing its use of social media to attract potential recruits. Because clicks can easily be tracked on recruitment web pages, the organisation can see which messages tend to attract recruits and which not. They have found, for example, that information on pay has turned out to be very important to potential applicants entering the website, but detail about their excellent training provision is not of such high interest at this early stage in the recruitment process. Visual images also have an effect on how potential candidates click through the information, so the organisation can use images that seem to attract candidates to hold them longer on the website and make it more likely they actually apply.

Evaluation-led implementation takes the integration of evaluation one step further by using it to improve activities as they are happening, as illustrated below. This is akin to the adaptive planning approaches described earlier.

A public sector management development programme consisted of a series of modules, including group activities (such as learning sets) and also work experiences and inputs from coaches/ mentors. Instead of designing the whole programme in detail at the start, the programme design was driven as it went along by feedback on each module. Feedback was obtained from the learners themselves and also from their line managers and from the training providers (for example the coaches working with individuals). This allowed both the content of the programme and its method of delivery to respond to changing learner needs as the programme went along. This is a demanding way of working, but certainly reinforces the concept of learners managing their own development. It also avoids wasting valuable resources on activities or content that learners do not need.

Workforce analytics

Workforce analytics is a term that has been around for decades, but has gained prominence over the past 5 years or so. This is perhaps because of increasing interest in using data in so many aspects of our lives, partly enabled by better access to technology. The demand for evidence-based HR is another manifestation of these same trends (Rousseau and Barends, 2011).

“Workforce analytics is the discovery, interpretation, and communication of meaningful patterns in workforce-related data to inform decision-making and improve performance.” Guenole *et al.*, 2017

“the synthesis of qualitative and quantitative data and information to bring predictive insight and decision making support to the management of people in organisations.” KPMG (2013)

Workforce analytics overlaps to a great extent with workforce planning and also evaluation. It shares the emphasis on informing decisions by using data or evidence, and on looking for relationships between one set of information and another.

The maturity diagram above applies to the development of analytics in a similar way as to the use of data in evaluation and indeed workforce planning overall. Going up through the levels of maturity, analytics moves from ad hoc data reporting, to more pro-active investigations, and then to a greater understanding of cause and effect which enables modelling. At the most sophisticated level, so called predictive analytics applies this understanding to modelling the impact of possible responses to future events.

Prediction builds on earlier analysis. It is wise to understand what has happened and, especially, why before trying to predict what will happen and how to prepare for it.

Staff turnover was modelled in just this way in large organisations in the 1970s, producing accurate predictions of how it would vary according to economic fluctuations and recruitment activity. Recruitment affects length of service profiles, which are strongly

related to employee retention, so turnover tends to kick up during expansion purely because there are more short-service staff around.

Employee engagement has been a recent focus of workforce analytics, seeking to establish the causal links between the factors driving particular employee attitudes (which are combined into engagement measures) and outcomes such as staff retention, customer satisfaction, safety at work and business performance.

An engineering company sees strategic workforce planning as an increasingly important focus of their HR analytics work. They see HR analytics supporting improved workforce planning by:

- Providing good quality, accurate data where definitions and assumptions are clear and transparent.
- Developing consistent assessments of business requirements (i.e. workforce demand) from the top of the organisation down.
- Offering sufficient analytical agility to deal with company changes, including acquisitions and joint ventures.

8 Developing the capability for workforce planning

Most of this guide has been concerned with the content of workforce planning and how its main components relate to each other to frame and evaluate actions. However, many organisations say that workforce planning is very important, but then do not take the practical steps to develop the capability to do it. No wonder then that several years down the line, they are still just saying it is very important and they will do it soon!

This final chapter addresses the issues concerned with workforce planning capability:

- How is workforce planning organised and who does it?
- What skills do they need?
- Developing relevant data and access to it

Organising workforce planning

A shared process for workforce planning

A good deal of workforce planning can address specific issues or problems, arising at any time. But many organisations find it useful to have some regular attention to workforce planning and to know when this happens and what the process looks like.

- Effective workforce planning requires a clear and simple process for collecting and collating information, usually a mix of judgements and issues supplied by line managers and both statistical and attitudinal data coming from existing internal and external sources. As highlighted throughout this guide, data needs to cover a range of topics, and is both qualitative and quantitative.
- Formal workforce planning often has both an annual and a longer-term component, ideally woven into these two business planning cycles. As we have seen in earlier examples, there may be weekly, quarterly or even daily aspects of workforce planning and monitoring where short-term staff deployment meets fluctuating demand.
- Within the process, it needs to be clear when and who brings data into play, cleans it up and gives it to managers in a useful form. Managers also need clear, simple guidance on any information they have to supply themselves.
- Meetings in which workforce issues are discussed and priorities – whether local or corporate – need to be planned or they will not happen. Discussion between the key players can be just as important as what is written down in a ‘plan’ or other document.

- To close the planning loop, workforce planning actions should feed into the budgeting process (so that costs of actions and of staffing levels are estimated and included in budgets) and also into the individual performance objectives for those responsible for various types of action. For senior managers this will strengthen their objectives around people issues and also make them more focused on the people issues most important to business delivery.

Several of the case organisations emphasised the need for the workforce planning process itself to be as simple and clear as possible. If managers are asked to fill in too many forms, or read too many standard data reports, they will not engage with the kind of thought process they need to apply.

A high-tech company found it difficult to agree the right level of data to be supplied from business units to the corporate centre. This is because the corporate centre wanted as much data on workforce trends as possible without being clear as to its use. The business units complained of 'feeding the corporate monster', fearing that the data would be used by the centre to control their actions and limit their freedoms.

Who does what and where in workforce planning?

- Longer term planning and planning for those key groups – such as senior managers – who are treated as a corporate resource, tends to take place centrally. The majority of workforce planning takes place in the main business entities – divisions or regions/areas of larger organisations. Corporate functions often do their own planning for all their roles across the business. Labour intensive organisations – like those in many service sectors – often do their planning for operational staff at local unit level, as this is where staff are recruited, developed and deployed. If in doubt, you need to ask where these decisions are made for a particular workforce group, and that is probably where the planning will work best.
- In any of these organisational locations, you need to know who will be responsible for the majority of workforce planning work. Specialist knowledge is likely to reside in just one or two people at the corporate centre and/or in divisions, who may combine workforce planning with other aspects of data analysis or with related HR fields, such as talent management. There are quite often specific data management roles in HR, and these vary from quite junior administrative roles to those with wider responsibility for workforce data systems.
- Line managers, often working with HR Business Partners should be the main players in local, functional or divisional workforce planning. But managers will rarely set the pace if HR is not supporting the process. At senior levels, both HR Directors and Board members should drive the strategic end of the process and set the agenda for workforce change.
- Workforce planning needs to operate across the silos in HR, linking with colleagues in recruitment, development, talent management, reward, employee relations and OD. Workforce planning needs especially strong links across business functions into strategic planning and finance. Involving some of these other stakeholders in the design of a workforce planning approach can be very helpful indeed.

Several of these issues are actually less of a problem in small organisations, where perhaps one person in HR can talk to the CEO about the full range of workforce issues.

Case examples of involving others in designing the approach to workforce planning

A charity working in many countries across the world needed to support senior managers in building local workforce planning into their existing business planning cycle at country level. An initial event was run with a sample of country directors and HR managers to build the workforce planning model. Subsequent sessions were then held to train more HR staff in workforce planning techniques and how to apply them in their context. The workforce planning model was piloted in a few locations before being rolled out to all countries. Keeping the planning approach as simple and relevant as possible was critical. A bespoke workforce planning guide was created, including a standardised reporting format for workforce plans and supporting information. Real examples from the pilot phase were included showing, for example, SWOT, risk and diversity analyses.

A local authority has implemented a simple, common approach to workforce planning with HR Business Partners working directly with the Directors of its main services, who in turn involve the teams under them. The approach, including the information that is examined, was developed by a range of people working in HR, together with colleagues from finance and service planning. The HR people included: senior HR leaders; the small workforce planning team; those who extract personnel information from varied business and HR computer systems; the HR business partners and specialists in related areas (such as performance, recruitment and OD/learning and development). This more collective approach helped to integrate workforce planning with organisational strategy and financial planning as well as with other aspects of HR work, especially resourcing and development.

With the growth of business analytics as an emergent discipline, some organisations are experimenting with resourcing some of the analytical work in workforce planning from a broader business analytics team. These teams appear to work best when there are intelligent customers who can specify their needs well and know when analytics would be helpful; a shared technology platform; and a way of dealing efficiently with routine data provision which does not tie up specialist expertise.

Case examples of centralising or sharing analytical capability

The HR function in a social and housing care provider has relied to date on good support from colleagues in the finance function to help extract and analyse workforce planning data. This has included information from personnel records, but often combined with information on the patterns of clients and also financial data, especially on workforce costs. HR is not the only function with an increasing need for an analytics capability in an increasingly regulated sector, with very tight margins. The organisation is starting to discuss whether a more centralised analytics team will be a better way of meeting this organisation-wide need going forward.

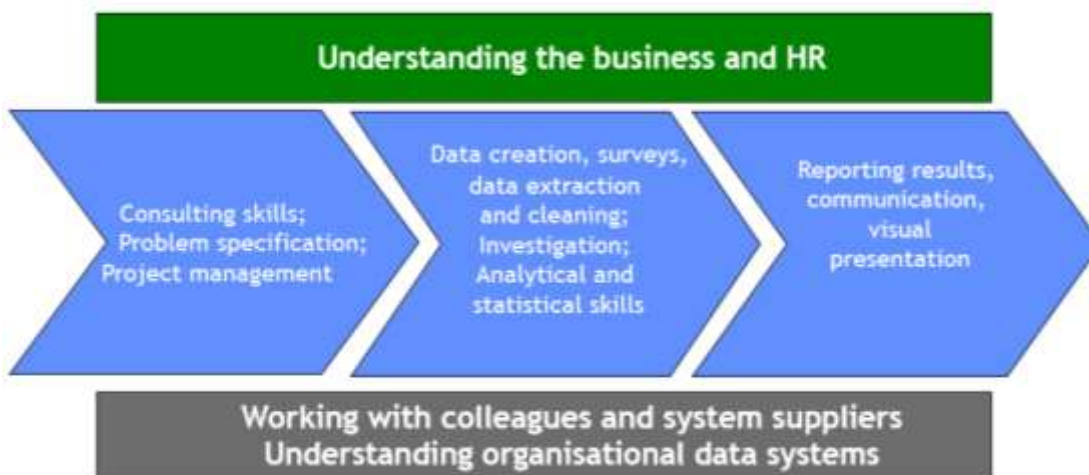
A government department has a cross-functional analytics group available to all functions including policy, operations and corporate services, including HR. This brings benefits of economies of scale, offering the possibility of accessing a larger and wider skill set and data sources. It makes cross-functional projects easier to undertake and should lead to integrated business scorecards with data derived from all functions rather than single functional perspectives.

Developing the skills for workforce planning

“HR people have a breadth of understanding of the impact of people on the business. So they should be well placed to alert CEOs and small business owners to potential people-related risks and come up with potential solutions.” Professor Paul Sparrow, Lancaster University

The model below summarises some of the skills most important to those who will have a specialist role in workforce planning. It can be difficult to find people who enjoy and are skilled at both the technical aspects of data and labour market analysis, and also have the consulting and communication skills to meet the needs of their internal customers. But these are the skills you really need.

The skills for workforce planning



- Understanding the business is well recognised as a key HR skill, but in this case also needs to include the external business and labour market environment.
- Manipulating both numerical and qualitative data should be core skills for everyone working in HR - as a function it has been slow to insist on this.
- Building relationships with colleagues in HR, especially HR business partners if you have them, and also in other functions really helps workforce planning flourish. They often have access to different information sources and may see business issues differently. Those involved in both financial management and strategic planning tend also to have better good access to senior business leaders, which helps a lot.
- Many HR professionals fight shy of getting to grips with the ins and outs of personnel information systems, but all those involved in workforce planning – including HR business partners – should have a good working knowledge of the workforce information that is accessible and how it is coded. External labour market data sources are not very accessible on the internet, and some are listed at the back of this guide.

HR generalists and line managers do not need in-depth technical knowledge of workforce planning, but they do need an appreciation of its principles, sensible questions to ask, and their own organisation’s business and workforce planning processes. They also need to

adopt the workforce planning 'mindset' of looking longer term and thinking about how people can be developed.

Developing relevant data and access to it

"Try and make it easy to collate information and for the business to know what to do with it. Pare back the information you collect and don't let it become too complex for the business to use."
HR Director, food manufacturer

It is easier to reduce routine reports if managers know they can inquire into workforce data at any time because there is an issue or risk they wish to investigate. Workforce data needs for both demand and supply was examined earlier in this guide. Data use tends to improve where:

- Fields held are clearly defined and updated accurately, especially the fields that identify employees by workforce group - for example by combining function or job family with grade or level
- HR works closely with the planning and finance functions to develop consistent data
- Data is kept over time so, for example, snapshots of workforce composition at the same date each year can be easily extracted. Workforce flows data relies on keeping information on joiners, leavers and movers in each year.
- Data quality is improved if errors are automatically checked for, so they can be corrected at the time they are entered. This is a dull job to specify when systems are commissioned, but saves a huge amount of time later.
- Business and workforce information systems need to be constructed in such a way that additional fields can easily be added and data from several fields can be extracted and cross-tabulated with ease. Many commercial providers charge ludicrous prices for adding extra data fields or even new codes for existing fields. They also do not always provide flexible reporting and interrogation in a user-friendly protocol.

Evolving your own approach

As with so many aspects of business management and HR activity, it is better to make a start than endlessly prevaricate. Start some simple workforce planning by talking to managers about where the business is going and their resourcing concerns. Help them investigate what is going on and what might work better. If things feel very uncertain, work with managers to develop some simple scenarios to find out where actions may need to be contingent on unfolding events.

Remember workforce planning is not about getting everything exactly right. It is about reducing business risk and improving business performance by narrowing the gap between the people the business really needs and the people it ends up with.

Resources

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