
Workforce planning during bleak times

A public sector view

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Deep budget cuts are now hitting the public sector, and will have a big impact on central and local government and on the NHS in the coming years. Within the private sector there is some evidence of economic recovery, but experience from previous recessions suggests that private sector employers will be unlikely to recruit to previous levels until there is much greater certainty about the economy. The private sector is unlikely, therefore, to pick up those who are being shed by public sector organisations. It will be a long time before the labour market returns to buoyancy. The challenge for the public sector over the short and medium term will be to plan workforce reductions to get not only the best possible outcome for service delivery, but also a sustainable workforce to carry the organisation into the future.

From one perspective, a recession might suggest that there is no longer a need for workforce planning. Suddenly, there is no 'war for talent'. Good people with scarce skills are in plentiful supply, the public sector is no longer seeing its trainees depart to better-paid jobs once qualified, and any organisation that has retained its graduate programme has seen applications sky-rocket; they can take their pick from the most able. However, the recession also brings problems that require thoughtful workforce planning attention. Labour turnover, already low in much of the public sector before the current round of budget pressures, is likely to come to a near standstill; few people will risk a job move unless absolutely necessary or extremely safe. In addition, older workers may choose to stay put rather than retire at 60 or 65. People staying put always presents difficulties: no injection of fresh blood, promotion blockages leading to frustration and disenchantment, and less scope for restructuring.

Another issue is that financial and headcount constraints will impact on the ability to recruit; essentially this means that more will have to be done with fewer people. Maximising the use of the existing workforce has all sorts of implications for HR – training, performance management, relocations, selective retention initiatives in some areas and selective redundancies in others. – and one of the most important is to ensure that workforce plans are in place for different employee groups, functions, and areas of work. This is particularly essential for employees working in essential priority services.

What is workforce planning, why do it, and when is it needed?

Conceptually, workforce planning is simple. It is all about arriving at existing and future demand for different types of employee, matching this to the current

workforce and to likely future supply, putting the two together and assessing the impact on training, recruitment and retention plans. A simple, often quoted definition, is that workforce planning involves ensuring that there are the right number of people, with the right skills, in the right place, at the right time. In practice, it involves a lot of different activities: understanding the strategic direction of the organisation, finding out what is going on in the organisation, talking to people, understanding the existing workforce and the labour market, manipulating data, presenting analyses and their implications clearly to the organisation, and helping to translate workforce plans and forecasts into action plans.

However ... because workforce planning is all about people, and because it takes a longer-term look (in some organisations, six months is long term, whilst in others it might be ten years or more), actually doing workforce planning in practice is much harder than it sounds. Priorities shift, managers get distracted by short-term crises, politicians change direction, and the economy does unexpected things. At a recent IES event, participants quoted all sorts of obstacles that get in the way of effective workforce planning: lack of strategic direction, poor quality data, or data not in the right format, getting workforce planning on the senior management agenda, choosing where to put workforce planning energies, getting the organisation to think long term, and extracting sensible demand forecasts from managers.

A practical approach to workforce planning

To make an impact, it is best not to dissipate workforce planning energies too widely. Instead of trying to produce a comprehensive plan for the whole organisation, focus on key activities and key employee groups. This does not mean ignoring the rest, as it is essential that workforce planners have a good understanding of the workforce as a whole, in order to identify 'hot spots' and future sources of supply. However, helping the organisation to staff effectively its areas of highest risk (or greatest pain) is probably the most efficient way of using workforce planning resources.

IES's eight-step approach to workforce planning, taken from our 2008 publication¹ is described in outline in the box below.

¹ Robinson D, Hirsh W (2008), *Workforce Planning Guide*, IES Report 451

Eight steps to workforce planning

- 1. Understanding the business and its direction:** particularly strategic plans, priority areas, restructuring, and any planned major changes such as closures, new services, changed delivery models etc.
- 2. Analysing the workforce:** planning for the future is difficult without a thorough understanding of the existing workforce, including entry points, career progression routes, employee turnover rates, and exit points.
- 3. Identifying skills gaps:** assessing skills and capabilities of the existing workforce, especially in key areas, and how these might change in the future.
- 4. Assessing future workforce demand:** which means understanding any existing shortfalls/surpluses, and any planned changes for the future. This is where the co-operation of managers will often be needed.
- 5. Recruitment and retention:** the translation of demand forecasts into recruitment, training and development, and retention plans.
- 6. Understanding labour markets and planning for succession:** this involves getting a really good grip on workforce supply, both now and in the future.
- 7. Training and development plans:** the workforce plan needs to inform these, especially in areas where organisations 'grow their own' and training is lengthy and expensive.
- 8. Developing workforce plans:** putting everything together - and then revisiting plans at intervals.

Understanding demand

Understanding workforce demand is notoriously difficult. Common problems include assuming the future will be the same as the past; failing to think through the implications of change, both internal and in the external environment; and not factoring in productivity improvement. The end result is that workforce forecasts often look remarkably similar to the existing picture – even though managers, if pressed, often admit that their existing workforce profile is far from ideal.

Demand-setting, if done at all, tends to use a variety of methods: financially derived (what the budget can afford, or labour unit costs), ratios (of full time equivalents required for a certain level of activity), trend analysis (follow the direction of the trend), benchmarking (see what others are doing), and professional judgement are probably the most common. Sophisticated organisations may take things further and use business process modelling, or even scenario planning.

In practice, demand setting will need to involve managers, who have a better understanding of their workforce and area of activity than a centrally-based workforce planner. However, involving managers has its own challenges. There are all sorts of reasons why managers may be reluctant to commit themselves to workforce forecasts – including fear of losing part of the budget, difficulties in thinking longer-term, being too busy with day-to-day activities, and reluctance to admit that they need help with a difficult task. It is often useful to involve HR business partners in discussions with managers, and to try some mind-loosening exercises, such as a SWOT analysis, before getting into the nitty-gritty of workforce numbers. In practice, two or three meetings with a manager, and perhaps his/her direct reports, may be necessary before a workforce forecast is arrived at. The sort of questions to ask are:

- Do workforce problems inhibit our ability to meet organisational goals?
- What items come up repeatedly in appraisals or PDPs as weaknesses or development needs?
- Are there roles we can't do, or jobs we can't fill? What do internal candidates lack?
- Are there better ways of working? What might be inhibiting these?
- What are the pressures for change that we are experiencing? What impact do these have?
- Where will the organisation be changing in nature? What are the workforce implications?
- Are there external changes (eg legislation) which will affect the work we do and how we do it? Which employee groups will be affected?

Understanding supply

Before spending too much time considering external sources of supply, it is worth remembering the obvious, but often neglected point: your future supply (at least for the next few years) is, for the most part, already with you. A significant proportion of your current workforce will still be with you in five years – maybe even in ten years if your workforce is very stable. This means that establishing a really good understanding of the existing workforce is crucial. In particular, look at:

- age and length of service profiles
- employee turnover rates (often called wastage rates)
- resourcing patterns, such as key points of entry and exit, career structures, and the balance between external hires and internal promotion.

This can quickly identify areas where a problem is building (perhaps an ageing cohort of experts that might be vulnerable to mass departure) and also possible opportunities (such as new forms of service delivery that might offer career development opportunities). When thinking about new entrants (eg to replace leavers), it is important to consider whether the labour market is local, regional, national or even international, and whether there are skills shortages or surpluses in the labour market. This information can inform external recruitment versus 'grow your own' decisions.

Many sources of information about the labour market are readily available. The Office for National Statistics (www.statistics.gov.uk) has information about employment/unemployment rates and the UK's demography, while the Department for Education (www.education.gov.uk/researchandstatistics) has information about educational attainment and education providers. Council websites often contain a wealth of information about the local population and businesses, and Jobcentre Plus can help with local vacancies and employment/unemployment rates. Sector Skills Councils are helpful for particular employee groups.