



A HR Society Publication

THE COMPLETE GUIDE
TO WORKFORCE
PLANNING

What is workforce planning

Section One

SECTION ONE – WHAT IS WORKFORCE PLANNING (WFP)?

This section covers:

- the two most common definitions of workforce planning and explains their advantages and disadvantages.
- how WFP has developed from the days of manpower planning
- workforce planning in context – its links to the business
- challenges for organisations of different size and type
- how to make the case for workforce planning in your organisation

1.1 Which Definition best suits your needs?

A popular definition of WFP is “getting the right people, with the right skills, in the right place and at the right time.” To this we may add “with the right contract” and “at the right cost”. The word “right” has different meanings however. “Right people” means the needed number in particular roles. “Right skills” means people with the capabilities needed for those roles; “right time” means they are available at the time when they are needed. “Right contract” means that their employment status fits our resourcing strategy.

The attraction of this definition is that it focuses on outcomes It is also very memorable which appeals to who like snappy phrases. However, there has been a big on-line debate about the usefulness of this definition. This argues that “right place” is not particularly useful for those jobs that can be partly done from home, as part of flexible working to meet employee needs and the organisation’s aim of reducing office costs.

The main drawback of this definition is that it implies that workforce planning is an exact science that can produce right answers. If this were the case, there would be no need to use scenario planning to cope with uncertainty, by testing the impact of alternative futures. In reality, workforce planning is a process to align the workforce closer to business requirements by using gap closing measures and then closer still through using contingency plans. Implying that exact answers can be obtained may discourage managers from doing the workforce plans because they are conscious of many uncertainties, especially beyond the current year. However, it is better to be approximately right than exactly wrong – and as we shall see the penalties from not planning can be punitive.

We like this definition:

“ Workforce planning is the strategic alignment of an organisation’s human capital with its business direction. It is a methodical process of analysing the current workforce, determining future workforce needs, indentifying the gap between the present and the future, and implementing solutions so the organisation can accomplish its mission, goals, and objectives.”

Minnesota Management and Budget

The attraction of this definition is that is very comprehensive and descriptive. On the downside, it lacks the “snappy” appeal.

WFP is often confused with “HR Planning” and the general formulation of plans relating to people and people policies. This is not helpful, because there is a very specific discipline that is a strategic derivative of the business plan – namely “what is the human resource needed to deliver this plan?” This then leads to what types of resource, where it will come from and forward to the next level of plans – rewards, training, premises and so on.

In summary, workforce planning is a strategic, long-term approach that is organisation wide and integrated with business needs.

1.2 How workforce planning has developed

Workforce planning was originally called manpower planning. This was reflected in the titles of the leading organisations in the field. For instance, the Manpower Society was founded in 1970 to specifically focus on this discipline. It was renamed the HR Society in 2000. The Institute of Manpower Studies (established 1969) was a founder member (along with the then Institute of Personnel Management) and this itself was renamed the Institute of Employment Studies.

Workforce planning in the 1970s had a strong orientation towards large, stable jobs-for-life organisations, with many young entrants of different kinds, who moved up a clearly defined hierarchy. This enabled some fairly scientific forecasting. Shortly afterwards the world was badly shaken by oil crises and more intense global competition. This led to more flexible approaches, such as scenario planning, which explores several futures rather than just one. But the original focus was very much on the numbers of staff required. The seminal book of this era was *The Manpower Planning Handbook*, (Bennison & Casson, 1983) and – of its genre – it has hardly been bettered since. It showed how to map career paths, analyse attrition and calculate future replacements by grade . We may look back now and say it lacked a number of important factors such as workforce demand and productivity – which we will cover in other sections.

WFP must embrace changes in the composition of the workforce and job design. For example in the NHS, specialist nurses have been trained to undertake the work previously undertaken by doctors; health care assistants with some on-the-job training have taken over lower level tasks from nurses. In addition, there has been a growth in many senior roles in other healthcare professions. Substituting one type of worker for another, changing skill mix, is a key activity in assessing workforce demand. It also links workforce planning more closely to workforce development, i.e. how staff acquire new competencies.

1.3 WFP in context

Workforce planning needs to be fully integrated into the business planning process. This avoids managers duplicating their efforts working on different sets of plans in a piecemeal uncoordinated way. The workforce planning process needs to be owned by the whole board with those involved in the business and workforce plans working very closely together, to an agreed timetable. If it is organisation wide, redundancies can be avoided by the overview of skill deficits and surpluses and therefore redeployment or retraining.

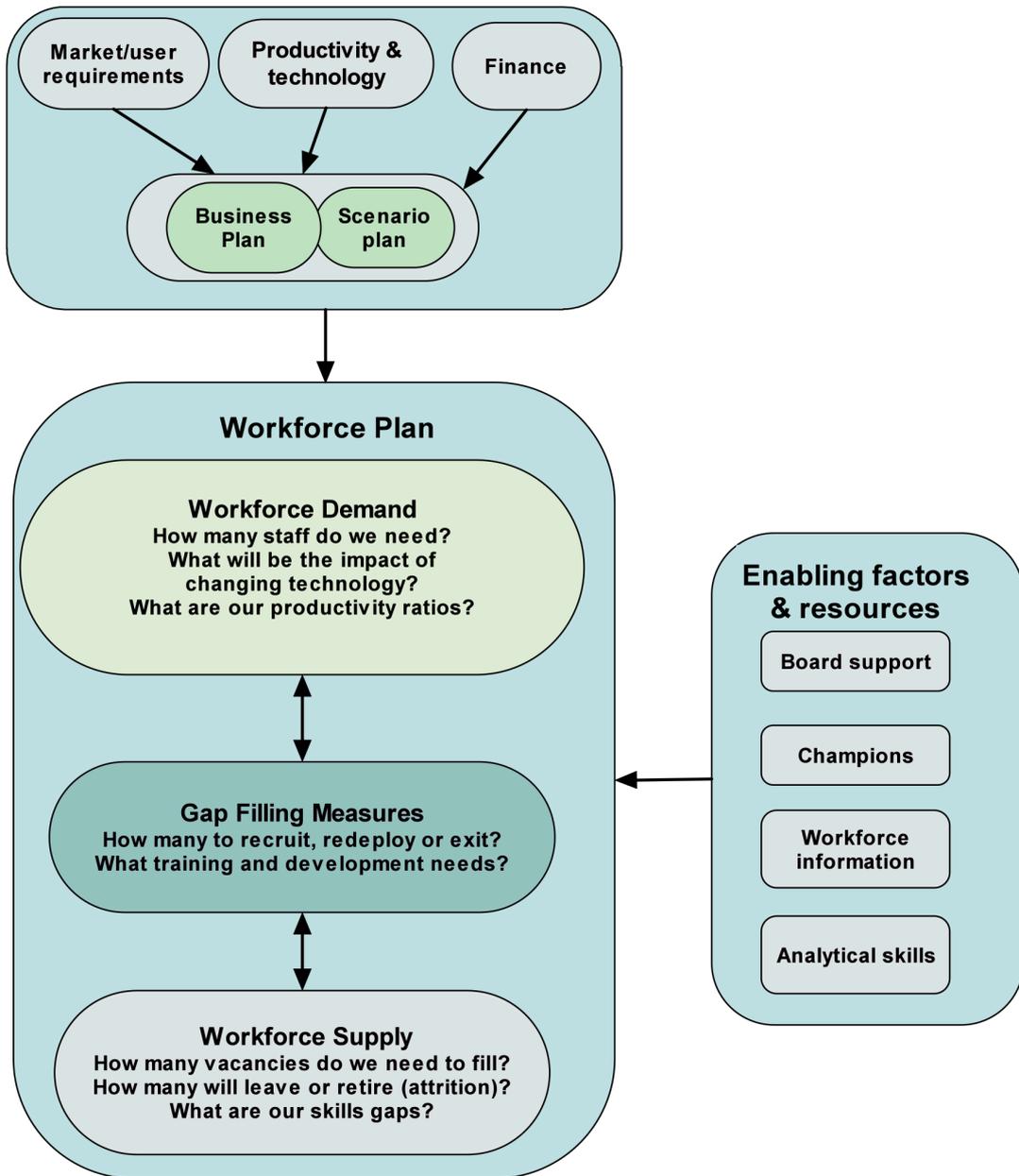
The Basic Steps involved

The different elements of a workforce plan and how they link with business planning are shown in Figure 1.

Essentially we have four key steps:

- Strategic analysis leading to a Business Plan for x years
- Workforce Demand planning – this is the sum of the demand derived from the business plan, plus the results of changes in organisation structure and productivity, plus those that derive from ongoing movements such as labour turnover
- Estimating the Supply availability to match the demand – from both internal and external sources
- Managing the Gaps that may arise between Demand and Supply

Figure 1 – The Workforce Plan in Context



1.4 Challenges for different organisations

WFP started with well planned career-for-life organisations. In such cases people entered the organisation at the bottom and departed after a given number of years, meanwhile having traversed a career path appropriate to their ability. Such environments were relatively stable, offered permanent contracts only and enjoyed relatively long term strategic business plans. They included for example the NHS, the Armed Forces, oil companies, drug companies and banks/insurance. A few such organisations still exist – and they lend themselves to more precise mathematical modelling as espoused in the seventies and eighties - but most are now more flexible and diverse in many ways.

At the other extreme we have project based organisations where human resource needs vary enormously according to projects obtained. In shipbuilding or construction a project may last as much as 5 years; in IT or consultancy it may be as little as 2 months. One question in such organisations is how flexible staff members can be between different kinds of projects – skills planning may be a critical element, whereas longer range numbers planning may not be.

In between are those with typically 3-5 years strategic plans (the majority), seeking “business as usual” and subject to the winds of the market. Whole industries have shrunk almost beyond trace over the years and new ones have emerged. In contrast to this most of the public sector often argue that they are subject to the vagaries of political policy and the Treasury and can rarely plan ahead for long. In practice the bulk of what most of them do continues to stay in place over the years. Major shifts such as the move to academy schools from local government control are not frequent. And in any case an essential part of WFP is scenario planning – considering various options ahead and their impact.

1.5 The case for WFP

The case for WFP hits us in the face daily. How often do we find “shortages of staff” as an excuse for poor customer service? In the NHS and in public transport it is a daily occurrence. In our seminars we ask delegates to think of an occasion where costs have been incurred, revenues have been lost, service has been disrupted, positions have been unfilled – and to estimate the financial implications. No delegate has been stuck for examples! Some of the implications are staggering.

If we need to make a case it will be for the following:

- Expertise – a person or people trained and expert in the methodologies of WFP and able to claim the hearts and minds of others in the organisation as to its importance. They need to be analytical, business minded, with good consultancy and presentation skills.
- Systems and processes – though it is amazing how much can be done by Excel which everyone has
- Close teamwork with Finance, Operations and Strategic Planning or equivalent, should you have such a function.
- The time, commitment and energy of managers – perhaps the most difficult to achieve

What will make the case are real examples people can relate to. The champion for WFP should go around the organisation collecting them. There is no doubt that many redundancies can be saved by forward planning. The UK is a country where relatively large redundancy payments are paid as if they are an inevitable result of change. Indeed they are often considered a right by employees and even manipulated to happen. A former CEO in a large IT company was so appalled by the scale of

payments – quickly followed by recruitment requests – that he made it “politically incorrect” to pay out packages. This meant in practice that he called managers to account to explain why they had not planned avoidance early enough. His focus on this had a dramatic effect.

In January 2013 the Daily Telegraph¹ reported that £18.5b billion had been spent on redundancies since the current recession started. In May 2013 the Daily Mail reported that at least 2,200 NHS staff – mostly managers with an average payout of £48,000 – have been re-employed after taking voluntary or compulsory redundancy since May 2010.

Whether an organisation is large or small, WFP can undoubtedly help it succeed by ensuring the workforce meets its future needs. However, there are some who feel that planning is out of place in a rapidly changing business environment and that reactive hiring and firing is the solution. What do we often see here? Organisations sack staff and shortly after re-engage them as subcontractors or even on another permanent contract.

We can summarise the potential benefits for different stakeholders in an organisation as follows:

<p>Employees:</p> <ul style="list-style-type: none"> • Reduced risk of (especially sudden) redundancy • Reduced stress due to overwork, insufficient co workers etc • Reduced distress from unhappy customers • Career path planning 	<p>Senior management:</p> <ul style="list-style-type: none"> • Avoiding adverse effects on costs and revenues • Avoiding poor publicity • Ensuring continuity of business
<p>Managers:</p> <ul style="list-style-type: none"> • Having sufficient people to meet the demands of the task at the right time • Avoiding adverse effects on costs and revenues • Better able to meet targets • Maintaining staff morale and productivity 	<p>HR Departments:</p> <ul style="list-style-type: none"> • Effective partnership with business needs • Utilising their expertise to direct benefit of the business • Gaining credibility professionally • Achieving benefits such as favourable supplier contracts from agencies etc • Smoothing recruitment effort and reducing vacancy times

WFP will not solve all our resource problems. But for relatively minor effort, it can make us aware of risks, help us to plan to overcome them, and minimise disruption to meeting the demands of our mission.

It is often said that WFP is a waste of time because at the end of the day the resource allowed is subject to the finance department’s allocation and this determines the headcount. Managing by headcount – as is normal in the private sector – is why so many organisations fail to meet their plans and objectives. It is the task of WFP to determine the resource needed to achieve the business plans. If the Finance Director then says you can only have x% of that, a dialogue is needed which is about which parts of the Business Plan will not be achieved. Too often such a dialogue is avoided

with “well you’ll just have to manage”. And we don’t. This is particularly the case in time of financial difficulties when salami slicing, cutting all staff by budgets by the same percentage, is undertaken. The scope staff savings varies by department. Why should your most productive department have to be cut by the same percentage as your least productive one? The other popular blunt instrument is the freezing of vacancies across the board without taking into account their impact on customers and impact on the business. Vacancies often occur for posts that are in great demand in other organisations, which can be for roles critical for organisational success.

Case study: Lack of workforce planning

Failure to manage workforce supply can have dire consequences, where there are serious workforce shortages for critical areas of your business. This is particularly the case where this has been contracted out, as you have less control over your suppliers.

Network Rail has been fined a record £14 million following serious engineering work overruns that plagued passengers at the New Year. This work should have been completed by the end of December 30 2008 but took an extra four days, wrecking the travel plans of thousands of workers returning to offices after the festive season.¹ Chris Bolt, Office of the Railway Regulator Chairman, said: “ORR fined Network Rail for its project planning and management failings after it failed to complete the Portsmouth resignalling project last Christmas. It is extremely disappointing to have a repeat of that experience, on key parts of the network.”²

The House of Commons Transport Select Committee Report commented that “Network Rail’s own investigation into the causes of the overruns had already concluded that the supply chain for overhead line engineers needed to be reorganised so as to achieve greater reliability of delivery on future projects. This would be achieved by building up a larger workforce in-house, and being less reliant on agency staff. The goal would be to replicate, for overhead line engineers the model used for signalling staff, where Network Rail effectively controls the national supply of resources in this key skill set.”³

1 <http://www.telegraph.co.uk/news/uknews/1580140/Network-Rail-fined-record-14m-for-overruns.html>
By Lucy Cockcroft, 8:01AM GMT 28 Feb 2008 Accessed 7 January 2013

2 <http://www.rail-reg.gov.uk/server/show/ConWebDoc.9162> Accessed 7 January 2013

3 <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmtran/219/21905.htm>; Select Committee on Transport Tenth Report Accessed 7 January 2013

(Endnotes)

<http://www.telegraph.co.uk/finance/jobs/9830021/UK-redundancy-payouts-reach-record-5bn.html>
<http://www.dailymail.co.uk/news/article-2297858/How-2-200-NHS-staff-paid--hired-months-later-costing-taxpayer-tens-millions.html>

NEXT STEPS

Find examples in your organisation where the lack of workforce planning has had a detrimental impact on the quality of products or services or cost.

Want to read more?

Click here to send us your email address and we will update you when new chapters are ready.

