Workforce Planning Guide

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Before You Get Going

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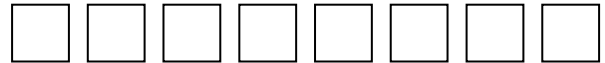This workforce planning guide is intended to help both HR practitioners and managers through the workforce planning process, using an eight-step approach:

Step 1 ■ Understanding the business and its direction

Step 2 ■ Analysing the workforce

Step 3 ■ Identifying skills gaps

Step 4 ■ Assessing future workforce demand

Step 5 ■ Recruitment and retention

Step 6 ■ Understanding labour markets and planning for succession

Step 7 ■ Training and development plans

Step 8 ■ Developing workforce plans.

Before rushing into the steps, however, it is worth spending some time preparing, by thinking about the context, the content and the process.

Workforce planning – why do it?

Organisations that would benefit most from workforce planning typically have certain characteristics. Even if you work in a small company or in a fast-changing, expanding sector, the core ideas of workforce planning will still be relevant to you – although probably used in a simpler, more flexible way. Many organisations have financial constraints, meaning that labour costs are very important. Perhaps they are in the pubic sector, where labour can account for 70 per cent of overall costs and efficiency savings are required. Alternatively, they could be private sector companies operating in a highly competitive market and following a cost leadership strategy.

Another compelling reason for workforce planning is scarcity of resources. Often organisations are competing for the same people, and labour market shortages mean that they are hard to get. Sometimes, these people are managers, professionals or

technicians with a long training period, which forces organisations into either paying a premium for qualified staff, or growing their own. Whichever option is followed, organisations in this position benefit from having some kind of forecast about the numbers they are likely to require and how they will achieve their target.

Larger organisations often make decisions that have long-term implications – relocating, for example, or opening a new plant or service, or a deliberate market expansion or contraction, or moving into a joint venture or merger with another organisation. Such decisions are likely to have major implications for the workforce, and would therefore benefit from a considered approach to planning the change.

Although we all work in a changing world with a degree of uncertainty, many organisations are relatively stable and have fairly predictable requirements for certain types of employee. Even if expanding, contracting or relocating, they have a good idea of the size, nature and timing of the changes they face. In these circumstances, it is both possible and desirable to give serious thought to the workforce requirements associated with the change. In a downsizing or closure, who will be made redundant, and when, and who do you need to keep until the very end? In an expansion – especially if it involves a relocation – where will you get people from? If not available in the labour market, how will you go about growing your own, and how many people will you need?

Accountability is another reason why organisations take workforce planning seriously. The public sector has to demonstrate value for money and show that it is spending public money appropriately. The private sector, too, often operates within financial and regulatory constraints and must be able to produce properly-costed plans for workforce deployment and development.

Finally, and perhaps most important of all, your organisation has a purpose, and the delivery of that purpose may be jeopardised if your understanding of your existing and future requirements is weak. At the other extreme, global enterprises have to consider their workforce requirements across countries, adding a further dimension of scale and complexity to planning and decision-making. Your **customers** deserve a good quality service, and they won't get this if you have staff shortages, or people who are inadequately skilled. Your **staff** deserve career opportunities and well-being at work, which they won't get if they are stressed or unable to take up training and development opportunities through covering for vacancies, or are demotivated because of promotion blockages. Recruitment and retention **hotspots** need to be tackled if you want to run a good business, with fully engaged staff.

What is workforce planning? The activities

Workforce planning is a practical activity. It involves finding things out, talking to people, understanding and manipulating data, presenting workforce analyses clearly, and translating findings into action plans. It exists in the real world, so progress won't always be smooth. Priorities may change, strategy may head off in a different direction, decisions may be made on the basis of anecdote rather than your carefully worked-out, evidence-based analysis, and managers will get distracted by short-term events. Workforce planning is also not something you can do once, then trust to others to take forward; overall plans will need revisiting for relevance, and action plans will need to be monitored to ensure that things are happening, and that they are having the desired results.

What does it involve? The process

Workforce planning, as a process, does not exist in isolation. It sits within the context of the internal organisation, and the external world, as Figure 1 shows. It is also important to understand that, although this guide takes you through an eight-step process, your progression will not necessarily be neat and tidy; you will need to revisit steps, rework some of your assumptions and calculations, and constantly check that your stakeholders are on board.

Figure 1: Workforce planning: processes and external context

Workforce planning is also not something that HR does in isolation. The skills and the employee data may lie mainly within HR, but it is function heads, directors and managers who have the required understanding of the business, its products or service and its customers, and the capability and characteristics of the staff who deliver the business. Managers may wish to work with HR on workforce issues at corporate level, but also on a divisional or functional basis. Things are often further complicated by the need to work in partnership with other companies, organisations or agencies, some of whom might be based outside the UK. Securing support, co-operation and buy-in from managers is essential for success. Having a 'champion' at the top of the organisation, who will take responsibility for getting and keeping workforce planning on the board's agenda, will be enormously helpful.

The time frame for workforce planning can vary depending on the group of staff under consideration. Usually, however, it is easiest to think about the year ahead for short-term plans, and the next three to five years for the medium to longer term. These time frames are usually in line with business and strategic planning cycles. For some forecasting (for example, working through the implications of a new graduate or management development scheme, or monitoring diversity targets), you might want to take a longer perspective – perhaps up to ten years.

Knowing when you've got it right

There is rarely a celebration or much applause for successful workforce planning – don't expect a high profile launch or public plaudits! However, you'll know you've succeeded when: businesses are running smoothly, with no staffing crises; you have a good age, gender and ethnicity balance in the workforce; your staff have clearly understood career progression routes without any blockages or shortfalls; and your customers are happy.

Note: at the head of each section, the step is shown in relation to other steps that inform, and that it in turn informs, thus step 2 is informed by step 1, and feeds into steps 3 and 5:
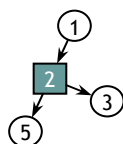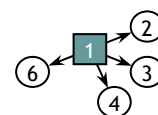
Step 1 ■ Understanding the Business and its Direction

Know your organisation

Understanding what is going on, and getting a feel for the direction in which your organisation is heading over the next few years, is an essential activity for workforce planners. Workforce planners in HR should be familiar with strategic plans and stated priority areas, and should have done some research about the business, the needs it meets, the types of people who are its customers, the nature of the services or products provided, and who delivers them. Demonstrating this level of understanding will give workforce planners credibility and help them talk the right language.

Work with your managers

To be of any practical benefit, detailed workforce plans are likely to be at a business unit or function level, sometimes at a sub-level. Action plans are also likely to be at this level of detail, so early conversations with managers are an essential ingredient of success. These are the sorts of questions you should ask:

■ Are there any planned major business developments or cut-backs?

■ Is the way the business is being delivered changing?

■ Are there business goals to be achieved within a certain time frame?

■ For the public sector, are there any national, regional or local priorities or promises that need to be delivered?

■ What are the relationships and divisions of responsibility with partner organisations?

■ Which parts of the business are outsourced and will this change? Does your organisation need to work with service providers to ensure that their workforce will be available to meet your needs?

■ Is the business funded for expansion or is it constrained financially?

Find out how the workforce is structured

Discussions between workforce planners and business unit/function heads will enable a much greater understanding of workforce realities. Getting workforce data reports from computerised HR systems, and understanding what really goes in workforce terms, are often very different. An HR system will tend to produce reports that are neatly arranged by level, perhaps within department or division, but this is only part of the story. Workforce planners need to understand:

■ How the workforce is grouped – eg can all staff within the area under consideration be contained within the four broad categories of administrative support, operational support, operational, and managerial? Or does 'operational' need a further break-down, eg into different professional or occupational groups? Is there perhaps also a 'trainee' category? Might there be 'specialists' who need to be considered separately?

■ How the work is divided and delivered – eg are there teams for different activities/ customer groups, or are teams geographically based? How relevant are these teams, in workforce planning terms – eg is there, in reality, free movement between the teams (which means they could all be considered as one entity), or do they require different skills and experience and therefore need to be seen as distinct groups? Is some work done by flexible pools of people who work on a project basis? If so, which pools do you need to identify and plan for?

A simplified example is given in Figure 2. This fictitious organisation has three business divisions (A, B and C) plus a Corporate Services Division. Each division has people at a range of levels. In practice, there is little overlap of activity, or cross-over of employees, between the four main divisions; this is important for workforce planning purposes. Also important is the fact that both the senior management and the administrative support provided to the divisions are not organised by division, but on a whole organisation basis. Getting to grips in this way with how work and staff groups are organised is the first step in constructing a workforce plan.

Figure 2: How is the workforce structured?
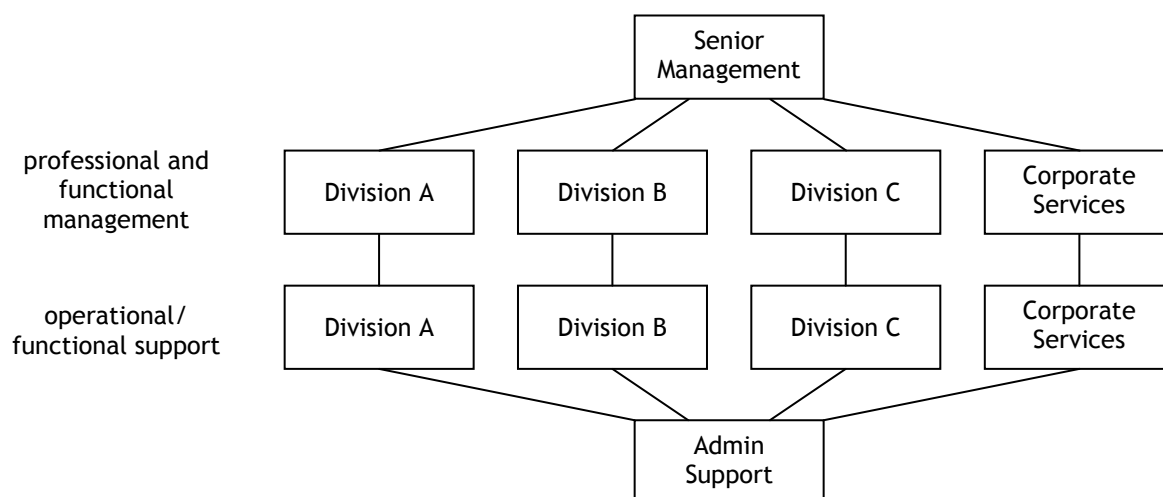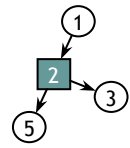
Step 2 ■ Analysing the Workforce
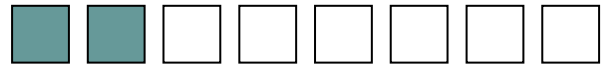
Getting to grips with the detail

'Know your workforce' is the key message here. At overall organisational level, and particularly within each business unit or function (or at a sub-level if this is a more appropriate planning unit), the workforce planner needs a good grasp of the detail.

Essential data for workforce planning

■ Personal details of employees – gender, age, ethnicity, perhaps some other characteristics, especially if there are related targets, such as disability.

■ Job-related details – full time/part time, nature of contract (permanent, fixed-term, temporary), working pattern (days, shifts), length of service in the organisation, grade level, occupational group (eg production or finance) and job (eg customer services manager or accountant), organisational location (eg care for the elderly or management accounts), geographical location.

■ Vacancy levels – how these are distributed in terms of occupational group, the extent to which they are 'real' vacancies (eg are active attempts are being made to fill them?), how they are being covered, whether they are recognised shortage 'hotspots'.

Carrying out some initial analyses at this point may immediately help you to spot problems, of which the manager may not be fully aware. For example, an age analysis by main staff group will enable you to identify any age imbalances within the workforce, or an impending 'baby boomer' retirement bulge. Analyses by gender and ethnicity will help you to see whether women and minority ethic staff are concentrated in certain types of work, particular groups, or certain grade levels. You may have diversity targets attached to one or more of these groups, which you will need to bear in mind when planning for the future. A vacancy analysis could show some vacancies are nor 'real', in the sense that they may have existed for some time without efforts to fill them; it might also reveal some interesting methods of covering for vacancies, from which other managers could learn.

One thing to understand from the outset is that workforce planning deals in numbers of people, not full time equivalents; it is individual people who join, move around,

and leave the organisation. Some organisations (eg in local government, health and retail) use a lot of part time employees, so it is important to understand the full time/part time balance in every area and in the staff groups within each area. Part-timers and full-timers often behave differently in terms of career moves and length of service, both of which could have a big impact on recruitment and retention requirements.

Understanding the 'workforce system'

The most important thing, in workforce planning, is understanding the workforce system – the ways in which people enter the workforce, move through it, and leave it. The workforce system is the basis of all workforce planning activity, such as initial diagnosis of problems and workforce projections for the future.

We will use as an example a mythical group of people called Environmental Hazard Officers (EHOs). EHOs are in demand in the public and private sectors and, typically, work in health and safety, inspection and quality assurance; we will meet them again in later examples. We would first decide upon our main staff groups for planning purposes – perhaps managers, qualified EHOs, trainees, operational (unqualified) support to EHOs, and administrative support. These five groups can then be represented as five 'boxes' in the system.

Understanding entry flows to the system

It is important to understand entry points into the system, and where people come from when they join. Some systems are 'closed', in the sense that new entrants can only start at the bottom and work their way up; the Police Service is a good example, as all new recruits have to start out as probationary Police Constables. EHOs all start out as a trainees, but within any particular Environmental Hazard team there are likely to be external recruits and wastage. This means that the system is 'open'. Where do entrants to the administrative support box, and the unqualified operational support box, come from? How about managers – do they have to be qualified EHOs?

Understanding exit flows from the system

Understanding employee wastage is key to being able to use the workforce system effectively. How many people leave each box every year? Are younger people more likely to leave than their older colleagues? What about length of service – once people have been in post for five years or so, are they likely to stay for the foreseeable future? Do people leave to go to similar jobs elsewhere, or are they quitting the area of work altogether? At what age do people typically retire?

Understanding wastage

To calculate the wastage rate for workforce planning purposes, start with the number of people in post at the start of the period under consideration; this will normally be one year. Then find out how many people have left during the year. Finally, express the number of leavers as a percentage of those at the start of the year. For example, if you have 30 EHOs at the start of the year, six of whom left during the course of the year, the wastage rate is $6/30 \times 100 = 20$ per cent. If the data are available, it is best to use an average wastage rate based on the past three years or so, in case the past year was unusual. It can also be useful to look at wastage patterns in broad age or length of service bands as wastage is normally lower among staff who are older and have been with you longer. Men and women may show different patterns, as may full-timers and part-timers.

Understanding internal flows within the system

Workforce planners also need to understand how people move around the system. Can administrative support staff become trainee EHOs, or unqualified operational support staff? Is there a mechanism whereby unqualified operational support staff can gain their qualification via work-based training, and move into the qualified EHO box? When people leave, how are they typically replaced – from within the system, via promotion or transfer, or from outside? Are all flows 'pull' flows (*ie* entry occurs only if there are vacant posts to be filled) or are some of them 'push' flows (ie promotion is automatic once certain criteria have been fulfilled, eg trainees gaining automatic promotion to EHO once qualified)? Just because a flow can happen in theory, does it need to be represented, or does it in reality never or very rarely happen?

Drawing the workforce system

An initial sketch of a workforce system might look like Figure 3. The workforce planner has identified the boxes, and the main flows into, within and out of the system.

Figure 3: A simple workforce system for EHOs
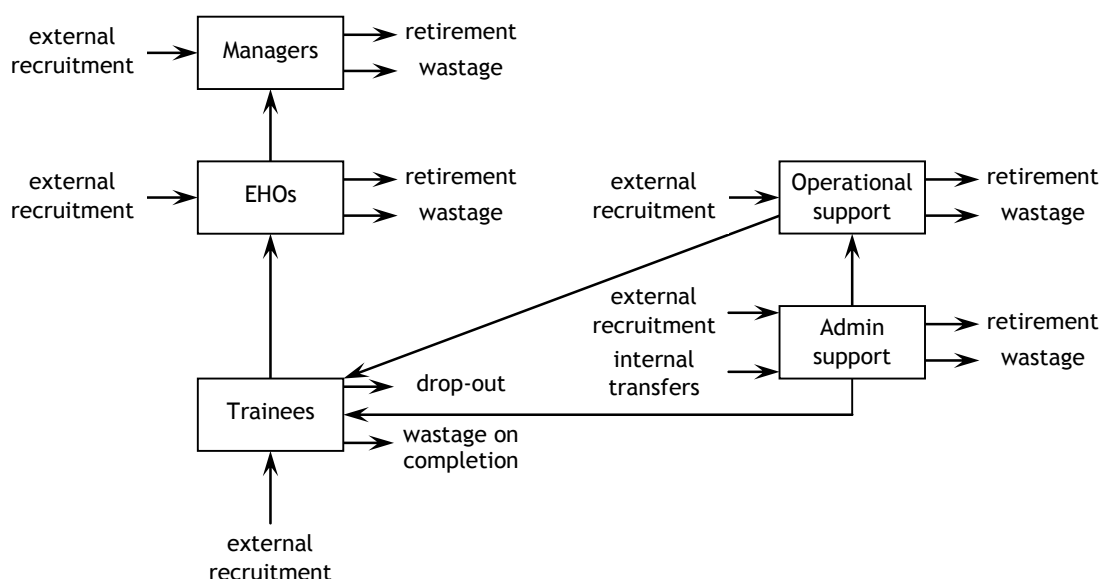
Having established the basics, and having checked understanding with the manager, the workforce planner can now refine the system in various ways – in particular, to vary the size of the boxes in line with the number of staff, and to represent larger flows by bigger, bolder arrows.

Figure 4 shows what this might look like. The system is now really starting to come to life. It is clear, for example, that trainees are being lost to other organisations (perhaps through lack of automatic promotion on qualifying, or because pay, or development opportunities, are better elsewhere). It is also apparent that managers, once appointed, are very unlikely to leave until they retire, which could point to serious promotion blockages, especially with retirement ages increasing.

Figure 4: Refining the system for EHOs
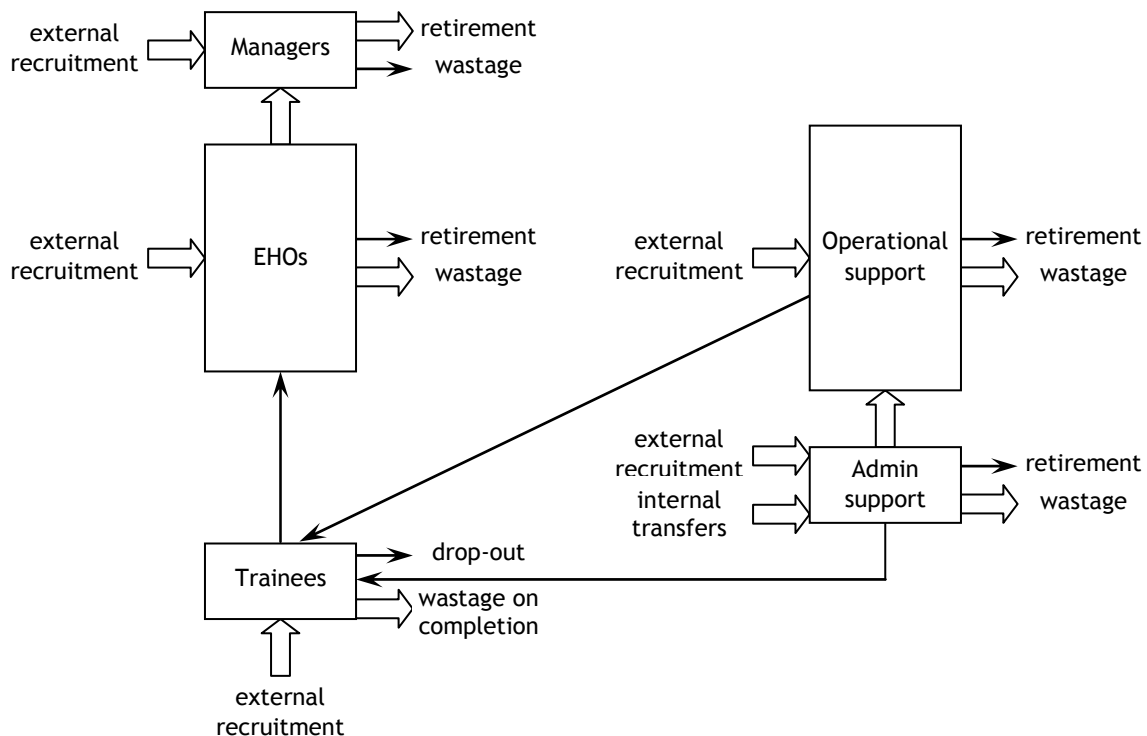
A further refinement might be to use the system diagram to illustrate what is happening to different groups of people. This is particularly useful for diversity monitoring, as Figure 5 shows. It is clear, from the diagram, that women outnumber men in support roles but not in qualified EHO or managerial roles. It is also apparent that there is considerable success in recruiting woman as trainees, but that they leave on qualification; also, none are currently being promoted to manager grades. Are the culture, atmosphere and required working patterns perhaps not generally friendly to women, or are managers not supportive to women?

Figure 5: Using the system for monitoring
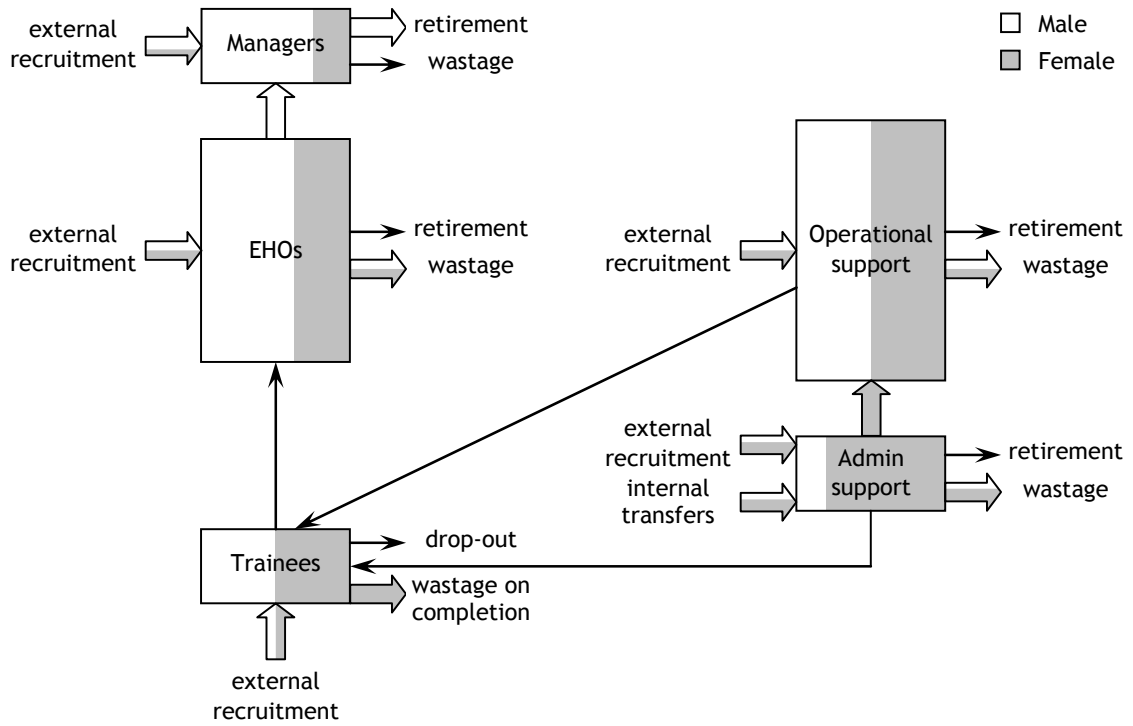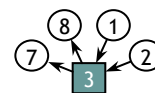
Step 3 ■ Identifying Skill Gaps

Why do we identify skill gaps?

Organisations need the right numbers of people to fill jobs and so deliver businesses and services. But these people also need the right skills – or capabilities – for the work they will do.

In this step we look at how to assess the skill needs of the organisation, both for current work and for changes we can see coming.

How does it link with other steps?

Steps 1 and 2 are important inputs to identifying skill gaps in two ways. Firstly they identify the key workforce groups you are planning for. It helps to use the same groups when you consider skills. Secondly Step 1 identifies major changes likely in how the business is delivered. These changes feed into your thinking on new skills people might need.

Step 3 produces an analysis of possible skills gaps. Actions to address these gaps will feature in your plans for training and development (Step 7) and be summarised in your overall action plan (Step 8).

What do we mean by skills or capabilities?

Here we use the simple term 'skills' to cover a range of things which people need to be good at doing their jobs. The word 'capability' is just a fancy-sounding term for the same things. Someone 'skilled' for a job needs to have:

■ Personal attributes or aptitudes. These are hard to change, so we need to recruit for them. For example if someone has no natural affiliation with other people, it is most unwise to recruit them into a customer-facing role.

■ Knowledge and experience. Most skills are acquired through a combination of formal learning and practice. A teacher, for example, needs both underpinning

knowledge of their subject and of the learning process, but also practical experience of planning lessons and managing a class. An engineer needs to apply theoretical knowledge in a range of practical situations.

■ Attitudes and motivation. Job performance requires us to put our aptitudes, knowledge and experience into operation. Attitudes are not influenced very effectively by training. They are more the result of how people are selected and how they are managed. For example 'putting customers first' is as much about attitude as skill. If the top team do not put customers first, no-one else will.

Four simple types of skills to consider

Whenever we think about skills it helps to think about these four categories:

1. Generic skills – often called 'core' skills – are things everyone needs to be good at. Being part of a team, dealing with customers, working in an efficient way, communicating effectively are all examples of generic skills.

2. Management and leadership skills are mostly needed by people in formal positions of authority, although all staff can lead to some extent. Financial management and people management are critical here, including the ability to motivate and develop other people. At senior levels, managers need to set strategy and direction.

3. Job specific and professional skills are different in different jobs and most often reflect the knowledge and experience aspects of skills. For example someone working in Environmental Hazard needs knowledge of legislation and of risk assessment. Many skill gaps reflect a lack of job-specific skills.

4. Skills that will help individuals and organisations to improve, such as:

   □ organisational development and change management

   □ business process redesign and analysis

   □ performance, productivity and people management

   □ customer relations management

   □ project and financial management

   □ procurement and client-side management

   □ managing and promoting diversity

   □ maximising use of technology.

A word on competencies

Many organisations use 'competence frameworks' to articulate the skills people need in their work. They usually cover the more generic and managerial skills, although we

can also have technical or professional competence frameworks. Competence frameworks often couch skills in terms of desired **behaviour** in the job, which can make it clearer to people what is expected of them. These behaviours often include things which are more the result of attitudes (sometimes called 'values').

You do not need to base your analysis of skill gaps on existing competence or skill frameworks. Indeed using such lists rigidly prevents you seeing obvious gaps which are just not on the list! However, if you have such frameworks they can be used to stimulate debate about skills. Detailed databases of skills held by particular employees often get in the way of seeing skill issues clearly from a broader planning perspective and are not generally a good start point for an analysis of skill gaps.

How do you assess skill gaps in your organisation?

A simple approach to assessing the skills or capabilities in your organisation is as follows:

1. Choose a particular workforce group as your start point. This can be all the people working in a particular department or business unit, or in a function. Break them down by broad level and job type (*see Step 1*). The rest of the process is conducted for each main job group within each department or function.

2. Collect evidence on the skill gaps for this particular group of people.

3. Discuss the skill issues or gaps emerging with appropriate groups of line managers.

4. Pull the information together in a simple summary which can feed into your plans for training and development, and your overall workforce plan.

Collecting the evidence

Collecting the evidence on skills means knowing where the evidence might come from and also what questions to ask.

Table 1: Asking the right questions

Source of evidence	Questions to ask
Business performance data	Do skill problems influence our ability to meet our business goals? Which skills in which groups of staff may be inhibiting progress?
	What do customer surveys or complaints tell us about skills lacking in our staff?
	What do our partner organisations say about the quality or our work and staff?
Appraisals, Job filling etc.	What items come up repeatedly in appraisals or PDPs as weaknesses for individuals in this skill group/department?
	Are there jobs we can't fill? What do our internal candidates lack?
	What do our staff surveys tell us about whether employees feel they – and their managers – have the right skills?
Interviews or focus groups with line managers and/or teams	Which tasks or types of work do you worry about in terms of quality or efficiency? Is this because staff are lacking the skills?
	What do you hear customers (internal or external) saying about your staff?
	Are senior people doing work they should be delegating? What lies behind this?
	Are their better ways of working which are inhibited by a lack of skills?
Future business plans	Where will the business be changing in nature? Who will deliver the changed business and what will their critical skills be?
	Are some areas of work or types of task likely to grow? Who will we need to skill up for this work?
	Are there external changes (eg legislation) which will affect the skills we need? Which groups of staff are affected?

Discussing skill gaps

Understanding and prioritising skill gaps is greatly helped by discussions. Sometimes such discussion helps us see that many groups of employees have shared skill gaps. Discussion also helps us to prioritise skill gaps and decide which ones need to feature in our plans for action.

In a small organisation the top team can cover this discussion themselves and work through broad workforce groups (eg different professions or functions, senior managers, support staff). In a large organisation, discussions in each major department, function or business unit would be helpful, with the top team then taking an overview of the output of these discussions. The discussions should be of line managers. It can help if HR acts as facilitator. It is important to keep a clear record of such discussions and circulate a summary to the managers accountable for each main group of staff.

Summarising skill gaps

A table is a good way of summarising skill gaps as shown in this example.

Table 2: Summarising skills gaps and skills issues

Workforce group	Current skill gaps	Future skill issues
Senior managers	Dealing with poor performers Managing major change projects	Developing new models for partnership working Balancing conflicting targets
Accountants	Informing line managers & explaining decisions Delegating and progress chasing	Retraining for new IT system
Enquiry desk staff servicing the whole company	Keeping on top of changes in who to refer people to	Writing skills in helping to deal with e-mail enquiries
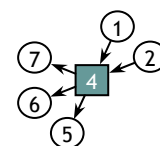
Step 4 ■ Assessing Future Workforce Demand

Thinking about numbers

Steps 1 and 2 will have given the workforce planner a good feel for the existing business, and an understanding of plans for the future. Even if there are no formal, written business plans, there will be business intentions. It is now time to work with managers to estimate what these plans mean in terms of future numbers of employees needed. You will need to encourage managers to be as precise as possible about numbers and timing, which may not be easy for them. They may have to be led through the thought process. Let's take a local government example – social care – as an illustration of how to work things through:

■ The new agenda for children means greater collaboration between social services and the NHS locally, and more direct relationships with schools. What does this mean for social care staff? Will more social workers have to be recruited to cover the additional work, or will unqualified operational staff be more suitable for some aspects, such as schools liaison? If more staff are required, which type, when will they be needed and where? Will more administrative staff be required for increased record-keeping and communication? If so, when and how many? Will recruitment of employees working with children become more difficult if people are expected to work outside normal hours, for example in children's centres and in schools to cover extended schools activities?

■ Will the current ratio of qualified social workers to unqualified operational support be maintained in the future, or are plans afoot to change skill mix? A change from the current 60:40 ratio of qualified to unqualified staff to 40:60, for example, would have major implications in terms of required numbers. If something like this is due to happen, what is the timescale and when does the change have to be complete? What does it mean for the existing workforce – redundancies, or can natural wastage effect the necessary reductions? Where are the support staff going to come from, how many more will be needed and when?

- The local elderly population is growing, with the 85 plus age group predicted to increase particularly fast over the next ten years. Services to the elderly are a local priority so it is important to take steps now to deal with anticipated future demand. Does a 20 per cent increase in the elderly population mean that there will be a 20 per cent increase in demand for services? Current thinking focuses on domiciliary care services and 'supported independence': for elderly people remaining in their homes, what support will they need and how many more staff, and what types, will be needed to cope with the increased demand? The shift from hospital-based care to community-based social services will have a big impact on the size and make-up of community social care teams. Workforce planners should also question the strategy; given the increased elderly population will it, in practice, be necessary to plan for new care homes?

These detailed discussions with managers should result in a set of rule-of-thumb assumptions about future workforce requirements. Of course, planning for the future is always uncertain, and all sorts of things can happen to throw plans into confusion. Workforce plans should be seen as a framework on which to hang training plans and recruitment strategies; essentially as a way of enabling the organisation to make workforce decisions now to prepare for the future. They are not just about those directly employed, but need to take account of outsourced services and partner organisations.

Thinking about different scenarios

So far, the workforce planner has worked with the 'most likely' scenario for the future, relying on information that is already available, plus the expert opinion of managers. In order to introduce an element of flexibility into plans, and to help managers to think more creatively about the future, a 'brainstorming' exercise can be useful. Some managers will be more willing than others to get involved in such an exercise, and to allow their staff to participate. The normal rules of brainstorming are:

- accept all suggestions initially, without criticism; defer judgement

- express ideas freely, even if apparently irrelevant or bizarre

- quantity is important; the more ideas, the greater then chance of coming up with something interesting and plausible

- build on ideas, to encourage elaboration and group interaction.

Following this initial phase, the group can discuss the likelihood and the implications of the ideas, and will probably emerge with some scenarios that do merit further attention. Our social care group might, for example, have thought of increased economic prosperity leading to a growth in the private sector, which would attract graduates who might otherwise perhaps have gone into public service and might have trained to become social workers. Another idea might be tightening of the rules regarding the literacy and numeracy skills of care workers, possibly following a series

of scandals; these care workers might be required to sit entry tests, which could lead to a reduction in supply and a consequent wage spiral as local authorities compete for scarce resources. Understanding the workforce implications of these scenarios will help organisations to think flexibly and responsively about the future.

Thinking about the changes year on year, in a logical way, will help clarify the possibilities. Table 3 gives an example.

Table 3: Thinking about the future year on year

Staff group	Current nos.		Future requirements for staff		
			Most likely scenario	Scenario 1	Scenario 2
			Increased demand	Greatly increased service demand in short/medium term	Skill mix change
Managers	10	In 1 yr	10	11	10
		In 2 yrs	11	12	11
		In 3 yrs	12	14	12
		In 4 yrs	12	14	12
		In 5 yrs	12	15	12
Professionals	42	In 1 yr	44	48	40
		In 2 yrs	48	55	36
		In 3 yrs	52	60	32
		In 4 yrs	56	66	30
		In 5 yrs	60	66	30
Operational support	32	In 1 yr	35	36	36
		In 2 yrs	38	40	42
		In 3 yrs	41	44	46
		In 4 yrs	44	48	50
		In 5 yrs	47	48	50
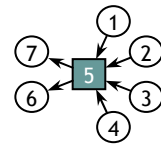
Step 5 ■ Recruitment and Retention
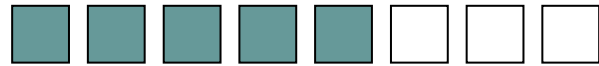
Crunching the numbers

This is where the number work really gets going! Having arrived at some workforce demand forecasts via Steps 1 to 4 previously, Step 5 is the time to match these demand forecasts to anticipated staff supply, and to translate workforce requirements into recruitment plans, training and development plans and retention strategies.

There is nothing magical or scientific about this step; it is basically concerned with the straightforward application of numbers. Let's return to our Environmental Hazard Officers example. Our existing stock of EHOs might be, for example, 20. We know that wastage runs at around 15 per cent, indicating that every year we will have to recruit three new EHOs just to maintain our numbers. As we take on three new trainees a year, theoretically we ought not to have any problems; in reality, however, we know that two out of three of these newly qualified people tend not to stay. Two courses of action are suggested.

Firstly, as a matter of urgency, we should talk to the trainees to find out what their plans are, and if there is a clear reason why newly qualified people leave; perhaps any problems could be put right, which will more or less solve our supply problems. If this yields no clear answers, another approach would be to take on considerably more than three trainees a year, doubling or even tripling the intake, with the expectation that one third will stay. Discussions about this approach might, in turn, reveal that the department cannot support more than a small number of trainees a year, due to supervision requirements – which means that retaining existing staff, and attracting qualified staff from outside, become priorities. Gradually, it will become clearer what needs to be done. Taking a step-by-step approach has the benefit of providing evidence to back up proposal for action. Table 4 should help to clarify the working.

Table 4: Working through the numbers

	No. in post	Likely leavers during yr	Likely retirements	No. at end	Likely promotion/ internal transfer	No. needed to recruit to maintain existing level
EHOs	20	4	1	15	2	3
Operational support	25	6	0	19	4	2

The forecasts and associated action plans can be refined if planned developments, or changes in service delivery, have already been quantified in workforce terms. This will enable planners to estimate, for example, that in two years time another three EHOs will be needed due to changes in regulations, or perhaps that over the next ten years, the requirement will increase/decrease by one a year due to anticipated increases or decreases in demand for their services.

Simple forecasting models

You can build up a very simple model, for example using an Excel spreadsheet, which will enable you to test out your assumptions, and also to try out some 'what if?' scenarios:

■ What if wastage increases from 15 to 30 per cent? How about if it decreases from 15 to ten per cent?

■ What if we decide to try to fill all managerial vacancies from the EHO pool, instead of bringing people in from outside?

■ What if we automatically promote newly qualified people to EHO instead of making them apply for vacancies?

■ If we recruit equal numbers of men and women and promote them at the same rate, how many years will it take before there is equality in the gender balance at managerial level?

Table 5 shows a worked example of a very simple model. This model uses known wastage, retirement and internal promotion/transfer rates, and a known annual intake for trainees. It shows how many new recruits will be needed every year to maintain numbers as they are. It has been deliberately simplified to assume that training takes only a year, although in reality training arrangements are more complicated and take longer.

Once you have set up a model like this, you can make changes to investigate what would be the implications of higher or lower wastage rates, or different promotion rates, or different trainee numbers.

Table 5: Simple workforce model: recruits required to maintain the numbers

wastage rate (managers and EHOs)	0.2 (20%)
retirement rate (managers)	0.1 (10%)
wastage rate (trainees)	0.67 (67%)
promotion rate EHO to manager	0.05 (5%)
new trainees: annual intake	3

Year 1

Group	No. at start year	Leavers	Retire-ments	Promo-ted	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	42	8		2	11	1	10	11	0	42
Trainee	3	2		1	3		3	3	0	3
All professional	55	12	1	3	17		13	17	0	55

Year 2

Grade	No. at start year	Leavers	Retire-ments	Promo-ted out	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	42	8		2	11	1	10	11	0	42
Trainee	3	2		1	3		3	3	0	3
All professional	55	12	1	3	17	3	13	17	0	55

Year 3 *etc.*

Grade	No. at start year	Leavers	Retire-ments	Promo-ted out	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	42	8		2	11	1	10	11	0	42
Trainee	3	2		1	3		3	3	0	3
All professional	55	12	1	3	17	3	13	17	0	55

Table 6 shows what happens when:

■ due to national shortages, it is only possible to recruit half the number of EHOs required from external sources

■ to try to tackle the shortfall, the annual intake of trainees is doubled to six

■ in addition, big efforts will be made to improve the retention of newly qualified trainees, so that two-thirds stay on and are promoted to EHO, while only one-third leave.

The model shows that EHO numbers decrease, although the bigger trainee intake and better trainee retention partly help.

Table 6: Simple workforce model: manipulating the assumptions

wastage rate (managers and EHOs)	0.2 (20%)
retirement rate (managers)	0.1 (10%)
wastage rate (trainees)	0.33 (33%)
promotion rate EHO to manager	0.05 (5%)
new trainees: annual intake	6
Promotion rate trainee to EHO	0.67 (67%)

Year 1

Group	No. at start year	Leavers	Retire-ments	Promo-ted	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	42	8		2	11	2	4	6	−4	38
Trainee	3	1		2	3		6	6	3	6
All professional	55	11	1	4	17	4	11	1	−1	54

Year 2

| Grade	No. at start year	Leavers	Retire-ments	Promo-ted out	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	38	8		2	9	4	3	7	−3	35
Trainee	6	2	1	4	6		6	6	0	6
All professional	54	12		6	18	6	10	16	−3	51

Year 3 *etc.*

Grade	No. at start year	Leavers	Retire-ments	Promo-ted out	Total outflow	Promo-ted in	New entrants req'd	Total inflow	Net flow	No. at end
Manager	10	2	1		3	2	1	3	0	10
EHO	35	7		2	9	4	2	6	−2	33
Trainee	6	2		4	6		6	6	0	6
All professional	51	11	1	6	18	6	10	15	−2	49

Simple modelling is not difficult, if you work through the steps carefully. It has the big benefit of showing your organisation what might happen using different scenarios for the future. It may help the workforce planner to show that certain courses of action for the future are better than others, or that existing plans are just not realistic. Numbers can also help managers understand much more clearly what may happen, and give workforce planning a much more tangible feel. Deciding the best course of action in number crunching terms, of course, is only the beginning. The numbers must be translated into recruitment and retention action.
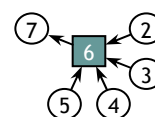
Step 6 ■ Understanding Labour Markets and Planning for Succession

Why do we need to understand labour markets and plan for succession?

Step 5 has looked at likely needs for new entrants to workforce groups and at preferred resourcing strategies.

But it is important that you check both the external and internal labour market supply of the people you need. If you don't you might not be able to find the people you need to fill your likely future vacancies.

We check the external supply though what is usually called Labour Market Analysis. We examine internal supply in a general way through workforce analysis (Step 2) and identification of skill gaps (Step 3). However for key groups you should have a more critical analysis of how people will be developed internally into more highly skilled roles. Succession Planning is a way of doing this.

In this section we look at these two areas of labour market analysis and succession planning in turn.

Understanding labour markets

Defining your labour market for particular workforce groups

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. So, for example, experienced office staff are likely to come from within a few miles of your offices – a fairly **local labour market**. Professionals such as engineers, accountants and lawyers are more identifiable by a professional qualification, but may also be willing to move house for the right job, often within a **regional labour market**. Senior managers operate more in a **national or even international labour market** and will often move to a different geographical region or country to get the right job.

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 you already have doing this work? How far are they travelling to work?

■ When you have filled jobs recently in this workforce group, where have the new recruits come from? Were they already nearby, or have they come from jobs elsewhere within a long daily journey, or have they moved house to come to you?

■ When people have left you, where have they gone? *ie* to which kinds of employers in which locations?

Finding out about supply and demand in your labour markets

A good starting point for local labour markets is local authority websites, which often give a wealth of detail about their populations.

For workforce groups which live very near where they work, you may need to look at smaller areas within a county or city. For regional workers, you may need to look at a labour market which is much wider than the local authority boundaries. For some groups, you need to look at the national labour market trends, and maybe also what is happening internationally.

Whatever the workforce group and its associated labour market, relevant questions are:

■ 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?

Sources of labour market data

To answer the questions above you will get data from different kinds of sources:

■ Data on the local population in general can be found on local authority websites. The census is a key source of data, although it can get out of date quite quickly if the area is one that experiences a lot of movement.

■ Data on your existing workforce should come from your own personnel records.

■ Statistical employment data is produced from a variety of sources. The Labour Force Survey has data on employees and the self-employed. The Department for Children, Families and Schools produces data on educational qualifications. The ONS website is a good start point for population data (www.statistics.gov.uk). The Annual Business Enquiry covers employees in employment, and provides data at a very detailed industrial level, and for local authority districts.

■ Regional Development Agencies and the local Learning and Skills Councils should be helpful.

■ For particular workforce groups, you may also find specific labour market studies, which may be produced by parts of government, professional bodies or sectoral organisations such as Sector Skill Councils and employer or trade associations.

■ Managers are often well networked in their own occupation and can get a feel for the labour market from colleagues in other companies and professional journals.

■ People who train for your occupations, specialist recruitment agencies, local employment services, freelancers etc. all have useful insights into what is happening in the particular labour markets they know well. You are likely to know at least some of these people. Short telephone conversations are often very helpful.

What do you do with your labour market analysis?

■ Identify where your resourcing strategy may be in trouble because of likely external labour market factors. Be specific about which workforce groups you are worried about as well as which business units or functions.

■ Identify where this is so problematic that you need to revise your business plans (Step 1) or assumptions about who will do the work (Step 4).

■ Identify alternatives and/or training and development actions to create a stronger internal supply of people (Step 7).

■ Record your areas of concern clearly to bring forward into your overall workforce plan (Step 8).

Succession planning

Succession planning helps you assess the ability of the organisation to replace people internally if they leave or move into different roles. It has two main functions:

■ Audit and risk management: to inform senior management about where the ability to deliver the business may be at risk because internal replacements are not available and recruitment is likely to be difficult.

■ Workforce development: to identify individuals who need pro-active development to prepare them for types of roles they might do in future.

What jobs should succession plans cover?

Succession plans do not normally cover every job in the organisation. It is sensible to look at all senior management posts and also senior professional roles, unless it is easy to recruit into them from outside. Increasingly, it is becoming important to develop scarce management and leadership skills as well as technical and professional skills.

Succession plans do not need to look at every post separately if there are groups of posts which could be filled from the same **pool** of successors. For example, if a business or service has four area managers, each doing a similar job, it makes sense to plan for these four jobs together and find a pool of suitable successors. Opinions vary as to how many successors you need. Two or three short-term and longer-term successors is sensible in many cases.

What is the content of a succession plan?

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 two years or so.

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

Some organisations have a much broader approach to developing a 'talent pool' of longer-term successors for management positions. This can be helpful, but it is still necessary to check that each main function has enough successors coming through with the particular professional or technical skills needed as well as general management skills.

A simple **symbol** system is used here (Table 7) showing the danger areas with exclamation marks, areas of moderate risk with a question mark, and areas where successors seem to be present, with a tick. Note that the latter areas still need development action to get those successors ready.

This simple succession plan needs to be matched by **development plans** for the people appearing as successors showing what training and experience they need to prepare them for this type of role.

Table 7: Constructing the 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 2006	James N ?? ?	Brian T ?? !	Ruth J ✓ Andrew Z Omar A
IT service manager	Pankaj P	Post holder retires Aug 2006 Major change in 2007	??? Know an external for short-term cover ?	?? !	Raj K ✓ Joanna R Floella W

✓ = OK   ? = possible area of risk   ! = significant area of risk

The process is as important as the plan

Succession plans are only as good as the process used to draw them up. Here are some practical tips:

- Discuss possible successors with relevant line managers one-to-one. On no account should HR draw up succession plans without input from line management.

- Then get groups of managers – up to the top team – to agree the plans collectively

- Always base judgements on objective data about people, especially from performance reviews, 360 feedback etc. This is crucial to the integrity of the process and also to equal opportunity considerations.

- Review plans at least annually to check development actions are taking place.

What happens to succession plans?

Succession plans feed into wider workforce plans in two ways.

- Steps need to be taken to manage areas seriously at risk because of lack of successors. This can involve work re-design as well as resourcing options.

- The development of potential successors feeds into the training and development plan (Step 7).
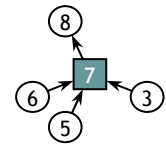
Step 7 ■ Training and Development Plans
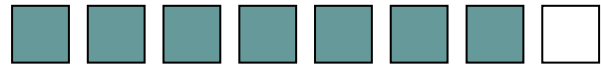
Why do we plan training and development activity?

Workforce planning influences recruitment activity and may also lead us to reconsider organisation or job design. However it is also the main link between business needs and the delivery of training and development to employees.

How does it link with other steps?

Step 3, the analysis of current skill gaps and future skill needs is a key input to training and development plans. The other main input is the assessed need for new entrants into particular workforce groups (Step 5) and an assessment of whether the existing labour market will provide the skilled people the organisation needs (Step 6). Succession planning (Step 6) generates development needs, often at individual level, which will be part of the training and development plan.

Step 7 pulls together the different types of need in the organisation for training and development. These then need to be implemented through more detailed training plans and built into budgets. The training and development plan forms one of the inputs to the broader workforce plan in Step 8.

Investing in the education of key professionals

Many organisations employ large numbers of professionals. Some groups (eg accountants, HR professionals) are found in all sectors, while for others (eg teachers, financial advisors, chemists) some sectors will dominate employment and if they do not train enough of these people severe labour market shortages exist. Employers are often left to judge whether they need to support trainees through their education as well as recruit qualified staff.

An important part of the workforce plan is to decide how many professional trainees you need in key workforce groups. The questions below show how to approach this for an example group, EHOs:

■ How many new professionals do we need to enter this group (eg EHOs) over the short and medium term? You will have done this in Step 5.

  □ We are likely to need at least 15 over the coming year and on average 10 to 15 per year for the next three years.

■ How likely are we to find qualified people locally? You will have looked at this in Step 6.

  □ We usually fill our jobs but not with the quality we would like. We struggle to get more than five good EHOs a year.

■ What are the costs and availability of training our own?

  □ Local university has a good course and we know them well. Although costs are significant, we are spending £X,000 per annum on recruitment.

■ Our overall assessment?

  □ We should aim to grow about five newly trained EHOs each year. In addition to easing recruitment, this option will give us closer links with best practice and enhance the reputation of out department. This in turn may improve retention and attraction.

Sources of information on education and development

Professional training is, of course, not the only way in which workforce planning influences workforce development. We also need to pick up staff development priorities from several other strands of our workforce planning. Development actions can come from several places as shown on the diagram below.

We have already addressed skill gaps (in Step 3) covering both currently needed skills and the skills to meet changing business needs. We have also covered professional education (see above) and development needs arising from succession planning (see Step 6).

Organisations sometimes forget to plan in the training for new staff who join (or move into a new job). This training is needed simply to keep the business running smoothly. It often consists of both some general induction training and job specific training to get people up and running in their jobs. This training need not be in the form of courses; it can be better delivered sometimes through structured development on-the-job.

Figure 6: Links to the training and development plan
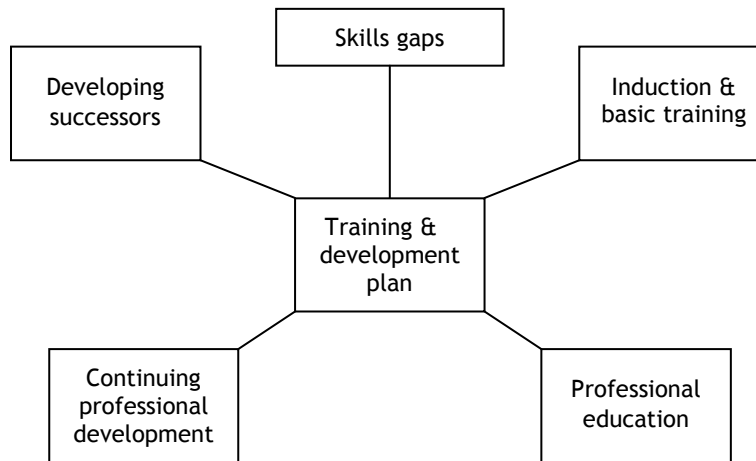
In a similar way, continuing professional development (CPD) is needed just to keep people up to date with small but important changes in their work and ideas of best practice. CPD is not needed just by 'professionals' in the strict sense of the word. Something equivalent to CPD is really needed by all staff.
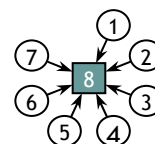
Pulling together a training and development plan

Each main workforce group needs to be looked at in this way. For some groups (eg EHOs), one department or business unit might want to take the lead, as it employs large numbers of these people. In some cases – especially with clerical support roles and senior management roles – the same development issues are likely to arise *across* departments or businesses. To do this, the HR function can help by picking up the information from each area on such common groups, and pulling their needs together in one place.

Table 8: Action planning

Workforce group	Learning need	How need might be met	
Senior managers	Dealing with poor performers	Two day course, SMs first. Practical skills based	Detail of when development needed, cost etc. in detailed plan of L&D function activities
	Developing new models for partnership working	Masterclass and action learning	
	Developing longer term successors	Planned attachments to other departments + coaching from top team	
Accountants	Informing line managers & explaining decisions	Shared workshops with line managers, using real examples. HR facilitates	
	Support professional training for 1-2 people p.a.	Planned work experience as well as formal course	
Customer-facing support staff	Directing queries	Mix of information and skill (*eg* tackling busy people). Cross-department workshop	

Step 8 ■ Developing Workforce Plans

Why do we need overall workforce plans?

Once you have got to this step, you have really done all the hard work. But it is easy to have lost sight of the wood for the trees. It is also easy to identify issues or problems but then not clarify how they will be addressed.

We use the term 'plans' in the plural here, because you often need workforce plans at different levels of detail, and workforce plans can be part of a wider business plan. At least two levels are usually helpful:

■ Workforce plans at business unit or functional level to pull together much of the detail of what we have covered.

■ An overall workforce plan for the organisation. This serves 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 corporate 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 next time to update the data and find out how it has changed. It will also help you answer queries on the plans even some time after they have been pulled together.

Workforce plan for a business unit or function

It is helpful to pull together the work you have done by workforce group for each of the main areas separately.

Where a function stretches across the organisation structure and has staff scattered in a number of locations it is helpful to look at the workforce groups in this function together rather than as a small part of each location.

The example below, for marketing specialists, shows one way of pulling together the workforce plan. A row would be added for each main workforce group within a particular business unit or function.

As mentioned in the introductory sections, the timeframe for planning needs to be clear. A plan can combine a detailed short-term view with some longer-term issues.

Table 9: Pulling together the plan for a workforce group

Workforce group	Demand	Supply	Resourcing & risks	Priority actions on resourcing and development
	(from Steps 1 & 4)	(from Steps 2, 3, 6)	(from Step 5, 6)	(from Steps 5, 6, 7) + timing + who is responsible
Marketing specialists	Numbers steady over planning period	3 will retire over next 3 years Lack of good mid-career successors. Labour market extremely tight	Need at least 7 new people over next 3 years Significant risk of inability to recruit Need to 'grow our own' more	Support professional training for 1-2 people p.a. (start year 2) Accelerate development of less experienced professionals
	Possible better use of support staff			Further investigation of whether support staff can take more responsibility Development for senior managers on marketing decisions (yr 1)

What kinds of actions do we need to think about?

When we pull together workforce plans, we often think about supply-side actions, especially recruitment and training.

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. For example, if expensive and hard-to-recruit experts are doing a lot of routine administrative work, a different staffing structure might be more effective.

Sometimes actions will be about more radical changes in how work is delivered, for example through contracting out or working with partner organisations.

We can also ease recruitment and training needs if we retain and motivate staff better, so attending to these 'softer' aspects of HR may be important too.

Workforce plan for the organisation overall

A similar approach can be used to record key issues and actions for the organisation overall, but with less detail.

In process terms it is helpful for senior managers to meet together and summarise for each other their business plans, and then agree together on the most significant risks and actions for the organisation. As with some of the other steps, discussion between the key players can be just as important as what is written down.

The overall plan should show three key groups of actions from the more detailed plans:

- Key resourcing and development actions which are required to keep the business running smoothly and to ensure people are brought in and developed to get the work done efficiently. Most of these actions should say which workforce group they relate to.

- Actions required as a result of significant changes occurring in business units and/or staffing strategies (eg a new development, pulling different business units together, major changes in skill mix, contracting out etc.)

- Actions required to address areas of significant resourcing risk for the organisation ie where shortages or skill gaps are likely to constrain business delivery.


Each action area should show its timeframe and who is responsible for the action. It is important to identify clearly how the plan will be reviewed and by whom. For example, management teams should check progress at intervals, perhaps every six months. For significant action areas more detailed project plans will be necessary. In many large organisations there is a regular business review process. It can be useful to carry out a matching people review, checking change or progress with people plans, at the same time.

To close the planning loop, these 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 senior managers this will strengthen their objectives around people issues and also make them more focused on the people issues most important to business unit delivery.

A Final Word ■ Review and Evaluation
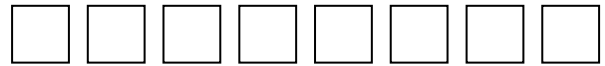
Throughout this guide it has been stressed that workforce planning is not a one-off activity. You will need to **review and revisit** the plan, not allow it to sit unchanged.

■ Keep on top of strategic and business plans, and organisational priorities; have any of these changed? What are the implications for the workforce?

■ Are all the necessary actions being carried out? Does everyone know their responsibilities? If things aren't happening that should be, why, and how can they be put right? The key action areas should be reported on at the appropriate regular management meetings.

■ Stay in touch with managers, and talk to them about their part of the business. This is especially important if a new recruitment, retention or development initiative has been launched in response to staffing shortages. It is really important that such initiatives succeed, and are seen to succeed, so stay on top of them!

■ Pay particular attention to those business areas where putting workforce problems right would make a big difference and would enable the organisation to do business better or achieve priority goals.

As well as keeping on top of changes and monitoring action plans, take some time to **evaluate** what you have achieved so far in the workforce planning process. Did things go well? What stumbling blocks did you have to overcome? Will it go better next time? Talk to managers about how they found the workforce planning process, and whether they could suggest improvements. Have you managed to involve senior people, and if so, how useful was this to the process and profile of workforce planning? If manager/senior manager involvement was difficult, how could this be improved for next time?

Don't forget to **publicise success.** If a new training sponsorship scheme, or retention initiative, or recruitment drive means that a 'hotspot' is fully staffed for the first time in years, make sure everyone knows about the positive impact this is having. To ensure good will and future co-operation, share the credit with the business, and with any managers/senior managers who took an active interest. **Good luck!**