

1.3: Practicing the Discipline of Workforce Planning



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Workforce Planning

Overview

Workforce planning is the process an organization uses to analyze its workforce and determine the steps it must take to prepare for future staffing needs.

Any business plan deals with resource requirements, and, just as financial requirements need to be addressed, the business plan needs to ensure that the appropriate workforce mix is available to accomplish plan goals and objectives. In workforce planning, an organization conducts a systematic assessment of workforce content and composition issues and determines what actions must be taken to respond to future needs. The actions to be taken may depend on external factors (e.g., skill availability) as well as internal factors (e.g., age of the workforce). These factors may determine whether future skill needs will be met by recruiting, by training or by outsourcing the work.

Whether handled separately or as part of the business plan, workforce planning involves working through four issues:

- The composition and content of the workforce that will be required to strategically position the organization to deal with its possible futures and business objectives.
- The gaps that exist between the future "model" organization(s) and the existing organization, including any special skills required by possible futures.
- The recruiting and training plans for permanent and contingent staff that must be put in place to deal with those gaps.
- The determination of the outside sources that will be able to meet the skill needs for functions or processes that are to be outsourced.

While many see workforce planning as purely a staffing tool for anticipating employment needs, it can also be a critical tool for staff training and development and succession planning. To be successful, organizations should conduct a regular and thorough workforce planning assessment so that staffing needs can be measured, training and development goals can be established, and contingent workforce options can be used to create an optimally staffed and trained workforce able to respond to the needs of the business.

Roles of HR and Senior Management in Workforce Planning

Often, a workforce plan is completed simultaneously with organizational strategic planning and is updated with the same frequency as the strategic plan. While the HR department is typically responsible for the bulk of workforce planning initiatives, other members of senior management may be involved in the workforce planning process, including the CEO, COO, CFO and other leaders responsible for organizational strategy. To ensure the effectiveness of a workforce plan, leaders should evaluate the ability of the plan to anticipate and respond to future needs so that the organization can make and execute sound business decisions. Performance indicators will include standard organizational performance measures: profitability, ROI, productivity and so on. An effective performance management system can have a positive impact on the performance indicators of the organization. Benchmarks may also be established by relying on industry data.

Tips for Effective Workforce Planning

For the workforce planning process to be successful, human resource professionals responsible for leading workforce planning initiatives should make sure to:

- Designate a specific member of the HR team to manage the process.
- Find a high-level executive to champion the plan.
- Involve key stakeholders in the workforce planning process.
- Align the plan with the company's strategic business plan.
- Coordinate the workforce plan with succession planning and career development initiatives.
- Make workforce planning an ongoing activity, with continuous evaluation of changes in the internal and external environment that may affect the organization's staffing needs.

Steps in the Workforce Planning Process

Several distinct analytical steps need to be taken in workforce planning:

1. The supply analysis, also referred to as the "supply model" or "staffing assessment," involves an analysis of an organization's current labor supply.
2. The demand analysis, also referred to as the "demand model," includes a review of future business plans and objectives.
3. The gap analysis compares the differences in the supply and demand models and identifies skill surpluses and deficiencies.
4. The solution analysis focuses on how to address gaps in current staffing and future staffing needs through recruiting, training and development, contingent staffing, and outsourcing.

Step 1: Supply analysis

The purpose of the supply model is to analyze the organization as it currently exists—in other words, the supply of labor and skill sets that are vital to an organization. This analysis should encompass not only the number of employees and their skills, but also factors such as workforce demographics and representation of protected classes. Demographics may be especially important in workforce planning if the organization has large numbers of workers nearing retirement age, or if it has large numbers of young workforce entrants with turnover rates exceeding those of older, seasoned employees. Representation of protected classes will have significance for federal or state government contractors, which must comply with applicable affirmative action plan requirements, as well as for organizations that have a voluntary affirmative action plans and that wish to improve representation of underused protected classes.

A supply analysis also involves making projections of attrition (due to resignations, retirements, internal transfers, promotions and involuntary terminations) over the planning horizon being used, so that attrition is taken into account in considering the future supply of labor and skill. From this information, the workforce planner can develop a profile of current staff as it would exist in the future if no action is taken in recruiting, training or outsourcing.

Step 2: Demand analysis

The purpose of the demand model is to forecast the organization's future workforce composition. This forecast should take into consideration a broad range of business issues, including new product lines, competitive forces and expansion/constriction in global marketplaces, anticipated workforce availability within geographic boundaries, and myriad other issues.

Internal and external factors need to be considered in the demand analysis. Analyses of internal demand influences may focus on the following questions, among others:

- Will the current workforce, with minimal retraining, have the skill sets necessary to perform new duties with a new product line?
- Will current employees remain loyal to the organization if it has anticipated changes in mind?

Analyses of external demand influences may consider these questions:

- Is labor readily available that possesses the skills and abilities needed by the evolving organization?
- What external pressures will change demand for goods and services that may ultimately affect internal business decisions and, thus, workforce planning needs?

The future composition of the workforce must also be analyzed. This analysis will seek answers to the following questions:

- How many employees will be necessary to achieve business plan goals and objectives?
- What skills and competencies will be required for the new business?
- What is the composition of the available workforce population?
- What will the organization need to do to attract prospective employees?

- What will the organization need to do to attract and retain a diverse group of workers?

Step 3: Gap analysis

The next step in the process seeks to compare the supply model with the demand model to identify gaps between the composition of the current workforce and future workforce needs. The workforce planning professional may want to categorize a variety of future scenarios and then select the future that is most likely to occur, with contingency planning for alternative futures. When conducting this analysis, the planner should identify the additional number of employees needed who have the requisite skill sets, as well as the employees who will no longer be needed due to limited skill sets.

Step 4: Solution analysis

Solution analysis involves the development of strategies to close the gaps identified in the previous step. Approaches for meeting future workplace demands may include recruiting, training and retraining, using contingent staff, or outsourcing. The approaches selected will be dependent on whether the organization will need to expand, contract, restructure or rely on contingent staff to meet new workplace demands.

Recruiting. When external staff is required to meet a workforce expansion due to demands of new product lines, expanded production or service offerings, or new geographic areas to be served, external recruitment may be the logical strategy to address gaps. Recruiting may also be required as turnover occurs, whether due to employees leaving to find other employment opportunities or to retirement, which may be the case for organizations with large numbers of employees nearing retirement age. Employers can choose among a wide variety of tactics for executing their recruiting strategy. These tactics vary depending on market conditions, the type of targeted candidates, diversity-related issues and other factors. Cost and time are major issues in recruitment. Even if the recruitment process is efficient, it typically costs more and takes longer to find, hire and train a new person than to "recycle" a current employee through internal recruitment. So, in many instances, external recruitment should be the workforce planning strategy of last resort.

Training and retraining. Instead of filling the skills gaps through external recruiting, human resource professionals may choose the less costly solution of employee development, particularly for key high-value positions. Employee development builds on current intellectual capital, retains the corporate culture, and motivates and stimulates the workforce. As skill sets become obsolete due to new technology, new services, additional product lines or other competitive forces, the organization should focus on updating skills and capabilities of their employees as a critical workforce planning strategy. Training, retraining and development may include many methodologies, such as classroom training, on-the-job training, e-learning, webinars and job aids. These activities may concentrate on specific job duties and tasks or on leadership and managerial skills for new leaders.

Contingent staffing. When the current number of employees or their skills sets are insufficient to accomplish the work, given the anticipated business future, contingent staffing may be used to fill that gap. This approach makes sense when the demand model indicates that the numbers of employees will vary significantly and cannot be leveled out through resource allocation strategies. Contingent staffing is often best used when the future is likely to be fluid or highly dynamic; in these circumstances, it may be a better alternative than hiring full-time employees who may not be needed on an ongoing basis. Contingent staffing options include temporary employees, part-time employees, contract workers and consultants. Discussion of each of these types follows.

Temporary workers. Temporary workers may be found internally or externally, depending on the needs of the organization. Although temporary staff is often hired to perform traditional clerical duties, the desire for additional flexibility, as well as early retirement, has resulted in higher-level experienced individuals seeking temporary assignments to meet their personal goals. Today's temporary workers can be hired to work in virtually every level of an organization, including CEOs, controllers, accountants, consultants, IT, marketing and HR.

To maximize the benefits of using temporary workers, human resource professionals should consider whether to use an agency or internal resources, determine selection criteria, ensure successful onboarding, set expectations and effectively manage performance. Organizations will also want to ensure that policies or procedures are established for issues such as screening and selecting temporary agencies, temporary-to-regular employee classification, discipline, work behaviors and legal compliance activities.

Part-time employees. Part-time employees are those who typically work less than a full-time schedule. Many of these employees work a partial day every workday; some work part-week, and some may work part-month. Some may even job-share with another part-time employee. Part-time work can be used to attract diverse workers, including students, parents of young children, older workers and others who need or want to work but do not wish to work a full-time schedule. Most organizations require part-time

employees to follow all policies and procedures that their full-time employees must follow. Fewer or different benefits may be offered to part-time employees than to full-time employees.

Contract workers and consultants. Sometimes an organization may need workers who have specialized knowledge or expertise to help meet new business requirements. Independent contractors and consultants may be used to meet these special requirements. Employers should take care in properly identifying contract workers and consultants, as misclassification of these workers can result in violations of the Fair Labor Standards Act or Internal Revenue Service regulations. Classifying a worker as an independent contractor should always be an informed and bona fide business decision, not a subterfuge to avoid the employer's legal obligations to employees. Independent contractor arrangements have drawn increasing scrutiny and significance with the proliferation of workplace laws covering "employees" and the growth of the contingent workforce. Misclassification of an individual as an independent contractor can give rise to a variety of liabilities.

Outsourcing. Organizations may determine that certain non-core business functions would be better accomplished by outsourcing them to an organization that specializes in those functional areas. Jobs that are prime targets for outsourcing are those that require a skill that is critical, in short supply and needed only periodically. If such needs can be handled through contingent staff—for example, by using retirees—the organization will, of course, be ahead. However, many high-demand, low-supply, leading-edge skill needs may be met only through outsourcing to specialized contractors.

To ensure that outsourced functions are properly managed, HR should consider:

- Selecting the right firm.
- Establishing guidelines for a partnering relationship.
- Communication methodologies and protocols.
- Metrics for measuring and ensuring business results.

Succession Planning as a Workforce Planning Tool

Another aspect of effective workforce planning is succession planning. Succession planning is used by organizations to identify and prepare suitable employees to fill key positions when current employees leave their jobs. An effective workforce planning process will include a review of key leadership and business-critical roles and will identify key incumbents able to progress into these roles. Having a succession plan in place generally ensures a smooth continuation of business when key players leave due to retirement, resignations or transfers within the company.

The types of positions included in a succession plan vary by organization. Traditionally, these plans included only executive-level positions. In recent years, however, companies have been selecting successors for positions throughout the organization. During times of economic upheaval, when the economic security of organizations and their staffs may be uncertain, the need for up-to-date succession plans increases. With a wavering economic outlook, downsizing, mergers and acquisitions become more likely. With these events leading to potential increases in turnover, implementing a succession plan is a key strategy an organization can use to reduce turnover costs and ensure smooth transitions. In addition, a succession plan can help foster employee commitment because it demonstrates to employees that the organization supports their development and internal growth.

Organizations use a variety of models for succession planning, which may range from self-identification or nomination to highly sophisticated software tools that maintain information about individual employees' development plans, training and education completed, classes taken, performance evaluations, and recommendations for future development.

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