

20 May 2019

Workforce planning

Explores the benefits of workforce planning, the activities involved and the stages of the workforce planning process

Introduction

Workforce planning is a core business process to align changing organisation needs with people strategy. It can be the most effective activity an organisation can engage in. It doesn't need to be complicated and can be adjusted to suit the size and maturity of any organisation. It can provide market and industry intelligence to help organisations focus on a range of challenges and issues, and pave the way for initiatives to support longer term business goals.

This factsheet examines the concept of workforce planning and looks at recent developments. It distinguishes between strategic and operational workforce planning, 'hard' and 'soft' workforce planning, which work together to generate and analyse information before planning what action to take. The factsheet explores the different stages of the workforce planning process and highlights key issues and action points for its implementation.

What is workforce planning?

Workforce planning is a process of analysing the current workforce, determining future workforce needs, identifying the gap between the present and the future, and implementing solutions so that an organisation can accomplish its mission, goals, and strategic plan. It's about getting the right number of people with the right skills employed in the right place at the right time, at the right cost and on the right contract to deliver an organisation's short and long-term objectives.

Larger organisations may have dedicated workforce planning teams. Others may start the process as a result of a specific event such as a merger, acquisition or a transformational change project. But a focus on broader workforce planning can be important to an organisation at any time. It can uncover obstacles or unrealistic targets that could hinder strategic change and provide solutions to mitigate risks to support future strategic

objectives.

Workforce planning processes can:

- reduce labour costs in favour of workforce deployment and flexibility
- identify and respond to changing customer needs
- identify relevant strategies for focussed people development
- target inefficiencies
- improve employee retention
- improve productivity and quality outputs
- improve employees' work-life balance
- make recommendations to deliver strategic value through talent.

In turn, this will inform HR practices such as:

- organisational design and development
- succession planning
- work-life balance initiatives such as flexible working and well-being
- recruitment and selection
- retention planning
- talent management
- job design
- career planning
- learning and development focus
- reward and recognition.

For more information on some of these topics, view our other factsheets on [talent management](#), [succession planning](#), [recruitment](#), [job design](#) and [identifying learning and development needs](#).

Workforce planning can vary in timeframe, scale and the types of roles it considers. It may be viewed in fairly basic operational terms, ensuring the right number of people with the right skills are allocated to projects or work areas to fulfil day-to-day customer needs or demand for products and services. Examples might include the need to ensure call centres are appropriately staffed or that sufficient people are recruited to fulfil a predicted demand for certain products or services. An alternative approach is to create a longer-term plan that ensures that the best talent is in the right roles and develop a better understanding of what sort of future workforce is likely to be needed. Many HR practitioners link workforce planning to talent planning or succession planning and feed the results into resourcing plans implemented locally by line managers.

Whatever its precise form, workforce planning should be linked to the organisation's goals and viewed as an important part of the strategic business planning process.

Our guide [Workforce planning practice](#) (for CIPD members) gives more detail and a variety of approaches.

Recent developments in workforce planning

The original concept of workforce planning fell out of favour around the early 1980s as some commentators deemed it an inflexible process that failed to predict or allow for downturns in economic growth. One of the perceived failures was that of forecast targets being too narrow and therefore being missed.

More recent interpretations of workforce planning, based on less rigid forecasting, with more flexible target ranges and a greater role for contextual understanding, mean that the technique is an increasingly useful tool for the HR profession. This is especially true as organisations strive to be entrepreneurial, proactive and lead rather than follow change: It's crucial to be adequately staffed to be prepared for future changes.

Modern approaches to workforce planning are often informed by management information systems such as [PESTLE analysis](#).

Workforce planning in the time of coronavirus

The COVID-19 pandemic has created an urgent need for workforce planning in organisations of all sizes. In this unprecedented situation, workforce planning will help you understand how best to support your business and workforce. Our webinar [Workforce planning through COVID-19](#) discussed critical decisions from pay freezes and furlough to remote working and redeployment, and our [workforce planner](#) is an interactive decision-making tool to guide your actions.

There's more on how employers should be dealing with the crisis in our [Responding to the coronavirus hub](#).

What does workforce planning involve?

Workforce planning is about generating information, analysing it to inform future demand for people and skills, and translating that into a set of actions that will develop and build on the existing workforce to meet that demand. Understanding of the distinction between 'soft' and 'hard' workforce planning can help to explain the recent resurgence of interest:

- **'Hard' workforce planning** is about numbers: predicting how many people with what skills are likely to be needed. In recent years, the use of basic numerical or statistical data forms has become embedded in management information systems

that can help understand cause and effect of certain phenomena, together with an understanding that metrics alone are not enough, but rather they need to be analysed and understood in context.

- **'Soft' (or strategic) workforce planning** is about defining a strategy or developing a strategic framework within which information can be considered. With an increased emphasis on agility and responsiveness, there is a growing realisation that good-quality management information set within such a framework is the key to identifying and maximising the drivers of performance. This approach to planning gives managers the opportunity to consider a range of possibilities before reaching a stage where they are forced into action by circumstance.

A number of key issues are associated with the start of the process:

- Workforce planning flows from organisational strategy and links people management into the operational business process. Read more on this in our [strategic human resource management factsheet](#).
- Workforce planning is an integral part of people management and provides the context for most other activities concerned with acquiring, developing and deploying people.
- The planning process must be organisation-wide and requires effective communication between HR and the rest of the business as well as input from a variety of stakeholders.
- Good-quality information is vital for good planning and this information must flow both from within the organisation and from external sources.

Stages of workforce planning

While the workforce planning process can take many forms, it's essentially about turning the business strategy into a set of actions to ensure a workforce capable of delivering the organisation's goals and objectives.

The process should not be overly complicated. It's important to involve stakeholders from all parts of the organisation and ensure that they can understand the data and what it means for both short- and long-term resourcing needs.

It's convenient to describe workforce planning as a series of steps. However, it is equally important to realise that it's an iterative process as indicated in the diagram below, not a rigidly linear one.

The main stages are:

- **Understand the organisation and the operating environment:** What does the organisational structure look like now and what's likely in future? What are the plans to increase productivity, including changes to organisation structure and processes? Are there intentions to introduce or update technology, remembering people remain at the heart of work?
- **Analysing the workforce:** Identify the knowledge, skills, abilities, demographics, talent profiles, attrition rates and other factors such as employees' views on job security, satisfaction and intention to leave. Include other parameters, such as people by geographical location or business division (some functions stretch across divisions), demographic differences within the workforce or contractual differences as to how work is resourced. In a fast-paced working environment, innovation, agility and resilience are essential to retain competitive advantage. Collecting and analysing workforce data can provide organisations with the information they need to develop capability in these areas.
- **Determine future workforce needs:** Identify future skills and capabilities and predict the timeframes involved. Scenario planning can show different futures affecting people requirements. Such exercises can help to formulate contingency and adaptive plans to mitigate potential risks to achieving future goals.
- **Identify gaps in the workforce:** Identify gaps in skills and knowledge to deliver future business plans. Bear in mind that future roles will often involve a greater use of technology and require a greater digital awareness. Where recruitment, retention, or both, present a resourcing challenge, greater focus will be needed to build required skills via staff development or by borrowing them via outsourcing or the 'gig economy'.
- **Develop an action plan that allows for functional, numerical and adaptational flexibility:** An agile workforce who can adapt to change will contribute greatly to a change-ready organisation which can proactively restructure as a result of progress.
- **Monitor and evaluate action plans and solutions:** A set of actions should be developed and agreed with appropriate support and information for managers and regular reviews of the outcomes. It's important that clear evaluation processes should be designed and embedded into all stages of the process.

To help with these stages, see our factsheet on [employee turnover and retention](#).

Implementing workforce planning

Workforce planning will only add value if it can be positively and successfully implemented

in practice. Some key issues are:

- **Generate consensus on the plan:** A collaborative approach is vital. It will involve wide-ranging consultation with stakeholders to enable all parties to agree and understand the rationale for the actions being taken.
- **Ensure clear allocation and understanding of responsibilities:** It's essential that all those involved are clear about what they are responsible for and what actions they need to take.
- **Provide support for managers:** Line managers will need support from people professionals and others to fulfil their responsibilities and ensure they have the skills and understanding to fully participate in the planning process and act on the outcomes. Skills to interpret data, to input good quality information and analyse performance are essential.
- **Review and capture learning:** The process needs to incorporate clear and robust mechanisms to review and capture learning and feed this back into the process. Evaluation criteria will depend on the objectives. As workforce planning is about trying to predict the future to inform decision-making, evaluation needs to relate to the outcomes of the decisions and their consequences. Evaluation should be iterative - the more proficient organisations become at planning the more likely they are to be able to identify relevant evaluation criteria to demonstrate their ability to make more accurate future predictions.
- **Data is kept over time:** So, for example, snapshots of workforce composition at the same date each year can be easily extracted. Relevant workforce data relies on keeping information on joiners, leavers and movers in each year.

Key action points for workforce planning

When putting a workforce plan together, people professionals should consider:

- **Inputs to the plan:** What information will be relevant? Does the organisation have good quality data?
- **Communication:** Supporting managers to act on the plan and using appropriate language and data.
- **Measurement and evaluation:** What criteria will be used to assess the success of the plan? How will it be reviewed and refreshed?

The following points are key in workforce planning:

- It starts with the organisational strategy and business plan.
- It should be 'future-focussed' to enable the organisation to deliver the business strategy.
- It should be flexible enough to deal with constant change.
- It's a dynamic process and should be subject to constant feedback and review.
- It's not just about numbers. It is also about skills, potential and how these are deployed and organised.
- It encompasses the whole organisation and requires buy-in at all levels to be effective.
- It brings together operational and strategic planning processes.
- It's as much art as science. No single formula exists that will give a 'correct' workforce plan. However, with a wealth of data available, the art is about bringing this together and interpreting it in a meaningful way.

Useful contacts and further reading

Contacts

[Adam Gibson's Agile Workforce Planning blog.](#)

[PwC - Strategic workforce planning - preparing for the future of work](#)

[WillisTowersWatson – Talent analytics](#)

Books and reports

BECHET, T. (2008) *Strategic staffing: a comprehensive system for effective workforce planning*. New York: Amacom.

SPARKMAN, R. (2018) *Strategic workforce planning: developing optimized talent strategies for future growth*. London: Kogan Page.

TAYLOR, S. (2018) *Resourcing and talent management*. 7th ed. London: Chartered Institute of Personnel and Development.

TRIP, R. and WARD, D. (2013) *Positioned: strategic workforce planning that gets the right person in the right job*. New York: Amacom.

Visit the [CIPD and Kogan Page Bookshop](#) to see all our priced publications currently in print.

Journal articles

KIRTON, H. (2018) [Need for workforce planning goes 'from amber to red' as net migration slows](#). *People Management* (online). 16 July.

MAYO, A. (2015) Strategic workforce planning: a vital business activity. *Strategic HR Review*. Vol 14. No 5, pp.174-181.

TUCKER, E. (2017) 3 keys to closing workforce planning gaps. *TD: Talent Development*. Vol 71, No 11, November. pp34-38.

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This factsheet was last updated by Ally Weeks.