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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 which aligns 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 prepare for initiatives to support longer term business goals.

This factsheet examines the concept of workforce planning. It distinguishes between strategic and operational workforce planning, 'hard' and 'soft' workforce planning, which work together to generate and analyse information before planning actions. It also explores the stages of the workforce planning process and highlights key issues and action points for implementation.

What is workforce planning?

Workforce planning is the process of balancing labour supply (skills) against the demand (numbers needed). It includes 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. Workforce planning can enable sustainable organisation performance through better decision-making about the future people needs of the business.

Larger organisations may have dedicated workforce planning teams. Others may start the process following a specific event such as a merger, acquisition or a transformational change project. But a focus on broader workforce planning is important at any time. It can

uncover obstacles or unrealistic targets that could hinder strategic change, and provide solutions to mitigate risks to 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](#), [flexible working](#), [job design](#) and [identifying learning and development needs](#).

Workforce planning will vary in timeframe, scale and the roles covered. It can be seen in fairly basic operational terms, ensuring the right number of people with the right skills are allocated to projects or work areas to meet day-to-day needs. Examples include the need for call centres to be appropriately staffed, or that sufficient people are recruited to fulfil a specific project or deadline. Alternatively, it can be longer-term plan to ensure the best talent in the right roles and better understand what future workforce will be needed. Many people practitioners link workforce planning to talent planning or succession planning and feed the results into resourcing plans which are implemented locally by line managers.

Whatever its precise form, workforce planning should be linked to the organisation's goals and be part of the strategic business planning process. It offers an important opportunity for senior leaders to engage with and set the agenda for workforce change.

Our [Workforce planning practice](#) guide (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, 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. This is especially true as organisations strive to be entrepreneurial, proactive and lead rather than follow change.

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

Workforce planning in time of rapid change

The COVID-19 pandemic has created an urgent need for workforce planning in organisations of all sizes. In this unprecedented situation, workforce planning is needed to understand how best to support the business and workforce. Our webinar [Workforce planning through COVID-19](#) discussed critical workforce planning decisions, from pay freezes and furlough to remote working and redeployment, and our [workforce planner](#) is an interactive decision-making tool. There's more on how employers should be dealing with the crisis in our [Responding to the coronavirus hub](#).

As the UK adapts to leaving the EU, workforce planning is needed as labour markets change. There's more in our [Brexit 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' aspects can help to explain the renewed interest:

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

understand cause and effect of certain phenomena. Metrics alone are not enough however, and 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 assessed. With an increased emphasis on agility and responsiveness, there's a growing realisation that good-quality management information set within such a framework is the key to identifying and maximising performance drivers. This approach gives managers the opportunity to consider a range of possibilities before reaching a stage where they are forced into action by circumstances.

Some 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. Find out more in our [Resourcing and talent planning survey reports](#).
- The planning process must be organisation-wide and requires effective communication between the HR team and the rest of the business, as well as input from a variety of stakeholders.
- Good-quality information, from within the organisation and from external sources, is vital for good planning.

Stages of workforce planning

The workforce planning process can take many forms, but should not be overly complicated. It's important to involve stakeholders from all parts of the organisation to ensure that they 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 organisation's 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 plans to introduce or update [technology](#)?

- **Analysing the workforce:** Identify and analyse knowledge, skills, abilities and talent profiles, as well as attrition rates and other factors such as employees' views on job security, satisfaction and intention to leave. Assess 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.
- **Determine future workforce needs:** Identify future skills and capabilities, and predict the timeframes involved. Scenario planning can show how different futures might affect people requirements and help to formulate contingency and adaptive plans for achieving future goals.
- **Identify gaps in workforce skills and knowledge:** Future roles are likely to need greater technological and digital awareness. Where recruitment, retention, or both, present a challenge, skills will need to be built via staff development or borrowed via outsourcing or the '[gig economy](#)'.
- **Develop an action plan that has functional, numerical and adaptational flexibility:** An agile workforce who can adapt to change will help create a change-ready organisation which can proactively restructure as needed.
- **Monitor and evaluate action plans and solutions:** Develop and agree a set of actions with appropriate support and information for managers and regular reviews of outcomes. Design and embed clear evaluation processes 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 implemented positively and successfully. Key issues are:

- **Generate consensus on the plan:** A collaborative approach is vital. It needs 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 everyone involved is clear about what they're responsible for and what action they need to take.
- **Provide support for managers:** Line managers will need support from people

professionals and others to fulfil their responsibilities. They must have the skills and understanding to participate fully 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:** Clear and robust mechanisms are needed 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, evaluation needs to look at outcomes of the decisions and their consequences. Evaluation should be iterative - the more proficient organisations become at workforce planning, the more likely they are to identify relevant evaluation criteria.
- **Data is kept over time:** This allows, for example, snapshots of workforce composition at the same date each year to 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.

GIBSON, A. (forthcoming) *Agile workforce planning: how to align people with organizational strategy for improved performance*. London: Kogan Page.

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

FARAGHER, J. (2020) [You still need to get ready for Brexit \(remember Brexit?\)](#) *People Management* (online). 26 March.

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.