

Workforce Planning – Balancing Demand and Supply

What is Workforce Planning?

Simply put, workforce planning is about forecasting your current and future staffing needs in relation to your strategic business objectives, then addressing matters relating to the supply of labour, for example are there candidates with the skills you require available? The final step is to get the right balance between labour demand and supply, so that you have the right number of employees, with the right skills at the right time.

Labour Demand Forecasting

Labour demand forecasting is crucial, as businesses don't want a surplus of employees who are not being fully and effectively deployed, nor do they want gaps in their employee pool which results in reduced productivity, performance and profitability.

When business owners are considering labour demand forecasting, their first questions are likely to be:

- Where are we going as a business – what is our intended growth in the next 3-5 years (or longer)?
- Will we be developing or expanding our services or product range?
- What technological advancements may affect what we do and will this affect our need for differing staffing levels?
- What are our absenteeism and turnover rates like?
- Do we have sufficient management support to progress our objectives and will they be behind the plans?

Any changes to the human resources needs within the business, should be led by the strategic business plan and the goals for the business – not the other way around.

When undertaking labour demand forecasting there tend to be two approaches – quantitative and qualitative. The quantitative approach is often led by HR and computer specialists who focus on this area and who use a variety of statistical and mathematical approaches to determine the needs, including indexation (forecasts determined in relation to one or more fixed organisational indices) or trend analysis (forecasts based on the study of past human resource growth). These are often complex and expensive – but a real need, especially for larger organisations.

Small and medium sized businesses (SMEs) often prefer to rely on qualitative approaches to determine labour demand forecasting. These approaches tend to use experts within the business to determine future need i.e. the employees, managers and business owners themselves. Popular approaches include the Delphi Technique (uses problem solving and expert consultation methods in a structured manner); managerial judgement (business owners and managers assess their own labour requirements taking into account factors such as retirements, promotions, new technologies etc); and the Nominal Group Technique (using group processes to compare predictions on the staffing needs for the future).

One of the major advantages of using qualitative methods, especially with SMEs is that the techniques used involve the people that are likely to be affected by any changes to the business in relation to human resources practices. Therefore, there is likely to be greater commitment and acceptance of policies and practices by those involved. One of the downsides however is the time and cost of involving employees, managers and business owners in the processes.

Having a HR Consultant on hand, able to lead the process and adopt the most appropriate processes to lead businesses through these processes, can help to achieve effective forecasting of future employee needs.

Labour Supply Analysis

Once a business has forecast what it's future requirements are likely to be, it is then important to determine what number of employees will be needed, with what skills and when. Labour supply may come from within the organisation or outside. The first step therefore, is to do an analysis of the skills currently within the business. If skills are not

available internally, then they may need to be sought externally. Once looking externally factors such as availability of skills within the job market will be a major consideration.

Balancing the Supply and Demand

If a business is short of employees to achieve the business objectives, effective recruitment strategies will need to be devised. Considerations will then relate to job design, career development, flexible work options, remuneration and reward programmes.

If a business has too many employees, effective strategies will need to be created to manage retirements, redundancies and if appropriate, dismissals.