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# WORKFORCE PLANNING EXPLAINED

Survive the now and plan for a prosperous future with strategic workforce planning

Building workforces that transform organisations

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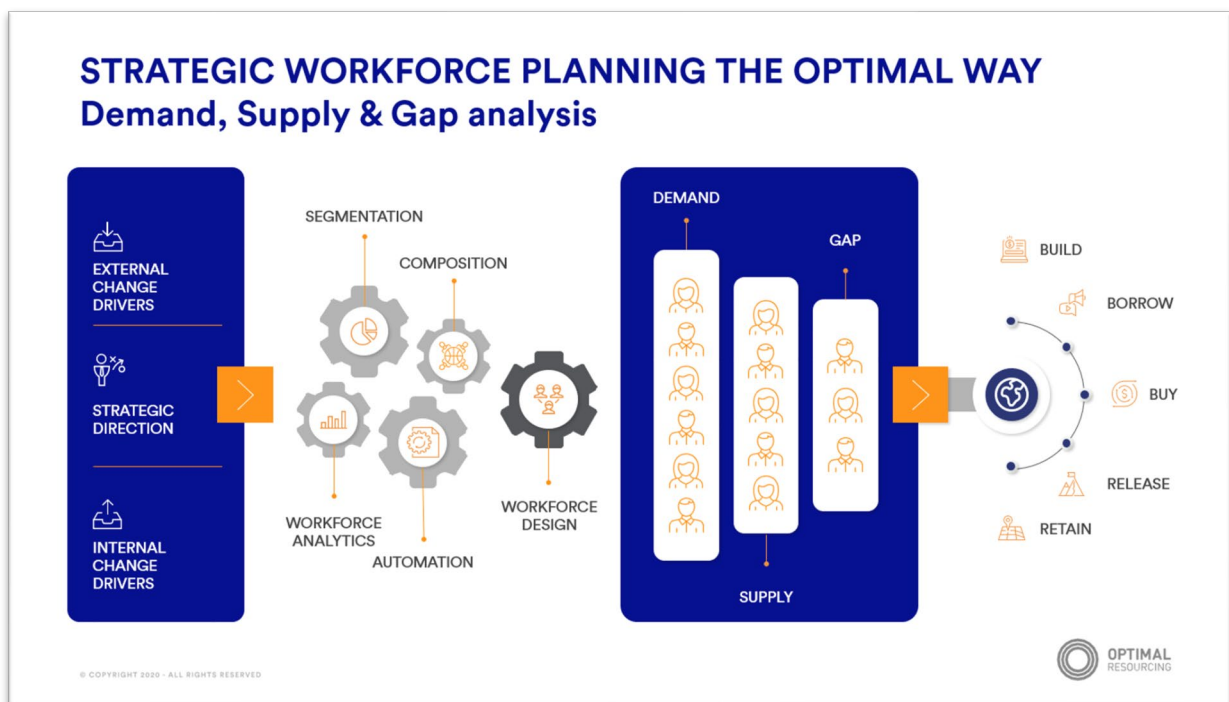


## What is workforce planning?

Workforce planning is a business-driven and business-owned process. It's about knowing your organisation's business and using this knowledge to position your organisation's workforce to best deliver your business outcomes and manage workforce-related risks.

Workforce planning is a process of identifying the workforce capacity and capability your organisation needs to meet its objectives, now and into the future. It aims to ensure that the right people—those with the skills and capabilities necessary for the work—are available in the right numbers, in the right employment types, in the right place and at the right time to deliver your business outcomes. Focusing on the *number* of employees alone does not tell you about your organisation's ability to achieve its organisational goals and outcomes.

### Overview of the workforce planning process



Workforce planning is an iterative process and your workforce plan should be regularly reviewed and matured over time. Ideally, it should be aligned with your organisation's business planning so it can respond to changes in business direction.

## Where does workforce planning fit?

Workforce planning needs to be incorporated into your organisation's business and financial planning processes. It also needs to be informed by strategic and business plans at your business unit or department level and your organisational level.

Human Resources (HR) strategies, in turn, should be informed by workforce planning to ensure they are correctly prioritised and respond to current and future workforce issues.



The arrows in the figure below depict the flow of information between the planning activities.

The relationship between strategic business planning, workforce planning and human resources strategies



## Why undertake workforce planning?

Workforce planning is a business planning tool that improves your knowledge of your organisation's business and budgetary framework to position your workforce to best deliver your business outcomes and manage workforce-related risks. Workforce risks may manifest in different shapes and forms within an organisation and are highly dependent on the business unit or department's business, internal demographics and the locations where business is being delivered. Workforce planning identifies the HR strategies required to mitigate workforce risks and deliver optimal business outcomes within available budgets. The table below lists the reasons why, at a strategic level, the need to get workforce planning right is compelling.



## Compelling reasons for the need to get workforce planning right

Reasons	Consequences
continuing reports of chronic skills shortages across different occupational groupings	weaknesses in organisational capability and operational performance
an ageing Australian workforce	new opportunities and challenges arising from greater workplace diversity
a fiercely competitive global labour market (particularly in key skill areas)	need to be more agile in, and focused on, accessing labour and need to know where skills need to be developed internally
a tightening fiscal environment	need to establish an employment value proposition that does not compete on remuneration alone, but also targets and draws on a sophisticated understanding of the demographics, attitudes and opinions of the various occupational groups
increasing demands and expectations to improve delivery of existing services or undertake new tasks within approved budgets	need to be forward looking in linking workforce planning to business and financial planning and need to be anticipatory and agile



## Benefits of workforce planning

Workforce planning provides benefits to all businesses. Organisations that integrate workforce planning into their strategic business and financial planning and become forward looking with desired business outcomes and the workforce needed to execute these outcomes will realise these benefits. There are *five key benefits*:

1. Increased value—the ability to increase the level of confidence in your business to deliver effective, efficient services that meet your customer needs.
2. Financial (value for money)—the ability to reduce costs of operations and transactions associated with delivering service to your customers, while fulfilling requirements of revenues and expenditure.
3. Improved business outcomes—the ability to maintain and improve the quality and effectiveness of services while reducing risks associated with business delivery. This encompasses the ability to ensure business continuity while responding quickly to changes in business delivery to meet customer needs.
4. Increased capability and capacity—the ability to meet customer demands and expectations, while building trust in the ongoing delivery of outputs and outcomes into the future.
5. Improved decision-making—the ability to make business and investment decisions that take into account the workforce capacity and capability required to deliver successful outcomes.

An organisation's workforce is one of its largest assets and investments and, as such, there is an obligation and a business imperative to plan it properly. Shaping your workforce takes time and effort and therefore lends itself to careful planning and implementation. Systematic workforce planning improves business decision making and investment in the workforce which ultimately improve workforce and business effectiveness.

Every organisation requires skills and capabilities, and therefore people to deliver its business outcomes. Particularly in knowledge-intensive organisations and industries, people are vital to the effective functioning of an organisation. Consequently, a shortage or surplus of people poses a significant threat to your organisation's ability to deliver its business outcomes within budget. Workforce planning enables you to identify and mitigate these workforce-related risks, and is an important component of organisational risk management.



## The key questions

Workforce planning can seem daunting if you haven't done it before, or if you've attempted it without the right tools and guidance. Scope, complexity and terminology are some reasons why workforce planning can seem intimidating. However, underpinning the terminology is a basic set of key questions listed below.

### Workforce planning terminology

### Underpinning key workforce planning questions

<p>Future workforce demand</p>	<ol style="list-style-type: none"> <li>1. What outcomes does your organisation need to deliver now and over the next one, two, three and four-plus years?</li> <li>2. How will your income or funding change over the next one, two, three and four-plus years?</li> <li>3. What does your organisation need from its workforce, in terms of numbers and skills and capabilities, to deliver its outcomes now and over the next one, two, three and four-plus years?</li> <li>4. Where and when does your workforce need to be located to deliver these outcomes, now and over the next one, two, three and four-plus years?</li> <li>5. At what points in time are segments of your workforce needed (for example, yearly, seasonally, peak times) for business delivery?</li> <li>6. What internal and external factors will impact on future workforce demand?</li> <li>7. What are the likely business scenarios your organisation could face that could have implications for workforce demand?</li> </ol>
<p>Current internal workforce supply</p>	<ol style="list-style-type: none"> <li>8. What does your organisation currently 'own' in terms of employee numbers, skills and capabilities (noting that employees may have extra skills and capabilities in addition to those required by their current position)?</li> </ol>
<p>Future internal workforce supply</p>	<ol style="list-style-type: none"> <li>9. What are the forecast workforce capacity and capability shortages based on your organisation's current workforce profile (age, tenure, separations, retirements), and where are they (in which job family, job function, department, location, business unit etc.)?</li> </ol>
<p>External workforce supply</p>	<ol style="list-style-type: none"> <li>10. What is the availability of the required job roles, skills and capabilities in the labour market (taking into consideration the points in time they are needed)?</li> </ol>

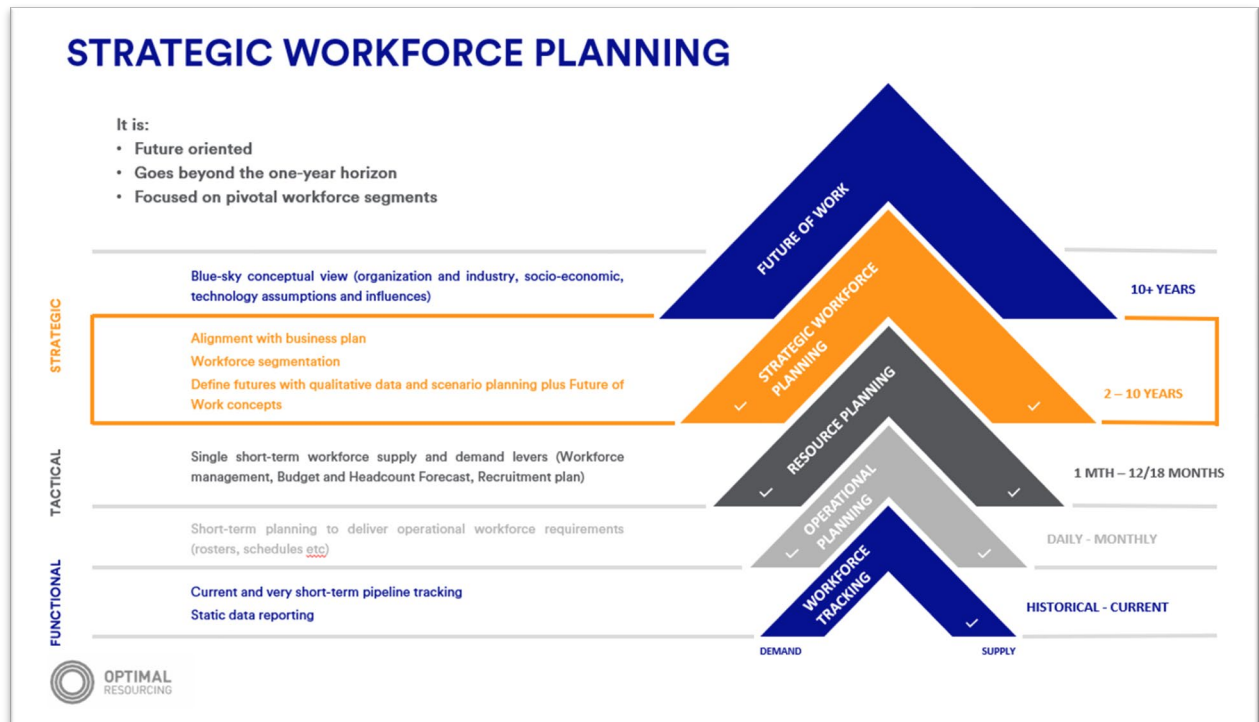


Gap analysis	11. What are the gaps between what you need and what you have, now and in the future?
Workforce planning strategies	12. Can you close these gaps by using your employees differently (for example, job redesign, restructure, redeployment)? 13. Can you train existing staff in line with the changed skill requirements? 14. Can you build partnerships with other businesses or departments to share resources? 15. Can you develop commercial arrangements with vendors to fill your gaps short or long-term? 16. Can you close these gaps from outside the business and how can you best do this (how do you attract and recruit new people)? 17. What is best practice in addressing these gaps? 18. What are the mix of employee types you can use to fill these gaps (casual vs gig-based workers vs permanent employees)





## Types of workforce plan



In general, there are three types of workforce plan:

- Strategic workforce plan
- Operational workforce plan
- Workforce management plan

The methodology is the same, regardless of the type of plan. It is the forecast period covered by the plan and the level of detail required to adequately respond to workforce related risks that differs from plan to plan.

You may have one workforce plan that focuses on the strategic direction of your whole organisation, or you may have several workforce plans covering different forecast periods for different divisions, departments, locations or business units.

### Strategic workforce plan (two-plus year outlook)

A strategic workforce plan usually covers a two to ten-year forecast period, with many organisations focusing on a four-year period. However, if the lead time to fill critical job roles for succession planning is longer than three to four years, the forecast period may need to extend beyond this.



A strategic workforce plan seeks to address high-level trends and developments that will affect the workforce by identifying *actionable strategies*. It describes the future workforce capability and capacity requirements to deliver against your organisation's strategic plan. Employee numbers by job role or job capability set would be aggregated to total numbers required a year, giving a high-level overview of the workforce you require.

A strategic workforce plan would ideally inform a people plan or strategy, which articulates what your current workforce capability is, what it needs to be and how it will be achieved.

### Operational (Tactical) workforce plan (from one month to 12 to 18-month outlook)

An operational workforce plan usually covers the next one month to 12 to 18 months and should align with the timeframe of your organisation's business planning cycle, where possible. It identifies actionable strategies to address a specific workforce gap in the short to medium term, and describes the workforce capability and capacity requirements to deliver against your organisation's business plan.

An operational workforce plan is a more detailed plan and may define workforce needs by month or quarter depending on the nature of your organisation and the level of monitoring required. Despite its shorter-term focus, you need to look further into the future (at strategic-level horizon) to understand where your organisation is headed.

### Workforce management plan (immediate issues)

A functional workforce management plan deals with immediate and specific workforce issues (such as impending restructure, the conclusion of a significant project or the addition of a new business line) and identifies actionable strategies for managing these.

Functional plans include the current and very short-term pipeline tracking and static data reporting requirements. Timeframes also include historical data and covers both demand and supply requirements.

*Your organisation may have a number of workforce management plans, depending on the complexity of your business or if your workforce is dispersed across locations.*



## Appendix

### Where to start

Generally, your workforce plan should summarise the information you have considered, which should include:

- the type of plan and the level of organisation it covers
- a description of the **demand** analysis, including:
  - future business direction of your organisation
  - scenario(s) considered along with workforce affordability
  - workforce capacity and capability required to deliver the business outcomes.
- a description of the **internal** current and future **supply** analysis, including:
  - a workforce profile outlining noteworthy workforce trends (for example, workforce ageing, gender imbalance, high tenure and separation rates)
  - employee survey data (if available)
  - skills and capabilities profiles.
- a description of the **external** current and future **supply** analysis that includes an assessment of the availability of the skills and capabilities your organisation requires
- a **gap analysis** of demand and supply, that draws attention to:
  - critical job role issues
  - significant skills and capabilities gaps
  - forecast workforce deficits or surpluses
  - high turnover and/or retirements in key roles
  - key workforce risks and options to mitigate the risks.
- A clear articulation of the **workforce strategies** you need to implement to mitigate the risks identified in the gap analysis.

### Suggested workforce plan outline

The content of your workforce plan will vary depending on its scope and level of progress. The following table outlines a suggested structure. Components may be omitted or added as appropriate.

- 1) Introduction
  - a) Project plan and planning approach
  - b) Stakeholder engagement plan
  - c) Workforce segmentation document
- 2) Demand analysis
  - a) Demand analysis (current and future)
  - b) Alternate futures analysis
- 3) Internal supply analysis
  - a) Workforce profile
  - b) Skills and capabilities profile
  - c) Employee survey
  - d) Internal supply analysis (current and future)
- 4) External supply analysis
  - a) External supply (current and future)



- b) Future external supply
- 5) Gap analysis
  - a) Gap analysis
- 6) Workforce strategies
  - a) Risks and options analysis
  - b) Action plan
  - c) Approval

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Optimal Resourcing specialise in the future of work, workforces and workplaces



The Optimal Resourcing mapping of your future workforce approach includes:

- identification of critical roles and skills that fit your immediate needs and long-term strategy,
- an adaptable workforce composition plan, with flexible, scalable options to suit VUCA business environments,
- talent retention and acquisition strategies that ensure your team can continually evolve to meet the changing demands of your business.

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