State Auditor's Office
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Workforce Planning Guide

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Overview

What Is Workforce Planning?

Workforce planning is an organized process for:

- Identifying the number of employees and the types of employee skill sets required to meet agency goals and strategic objectives.
- Developing a plan of action to ensure that the appropriate workforce will be available to provide quality services to the citizens of Texas.

Workforce Planning Benefits

The State Auditor's Office's State Classification Team surveyed state agencies in February 2006 to ask how workforce planning has benefited their agencies.

The top five benefits are listed below:

- Helped prepare for the growing number of retirements.
- Helped identify gaps between current job skills and job skills needed to perform work in the future.
- Helped maintain or recruit a diversified workforce.
- Provided an orderly way to address new external or internal environmental changes that could change the workforce.
- Helped prepare for expansion, restructuring, or reduction in the workforce.

Why Is It Important?

Within the next decade, the State can expect to see:

- Its workforce age, creating an increasing need for effective succession plans.
- A more ethnically diverse workforce.
- Increased competition for highly skilled employees.
- Technology playing an increasing role in improving efficiency and productivity.
- An increasing demand for agency services, especially in the areas of education, technology, law enforcement, and health care.

To address these factors, agencies must take the time to develop useful workforce plans to ensure they have the right number of people in the right jobs at the right time to meet their goals and objectives.

This *Workforce Planning Guide* is a reference for that purpose. It was designed to assist agencies with their workforce planning processes and in developing their workforce plans. The workforce planning model and processes described in this guide are derived from considerable research on workforce planning in other states and thorough review of available literature.

Is a Workforce Plan Required?

As part of the strategic plan required under Texas Government Code, Section 2056.002, each state agency is required to conduct a strategic staffing analysis and develop a workforce plan according to guidelines developed by the State Auditor. Institutions of higher education, university systems, and agencies within the judicial or legislative branches are not subject to this requirement.

The Workforce Planning Model

Many organizations have developed models for workforce planning. Except for variations in terminology and the order of the processes, all models are similar. The State Auditor's Office developed the State of Texas Workforce Planning Model as an example for state agencies to follow (see figure below). This model was derived from other models used in a variety of organizations. Each state agency has unique operating cultures and business needs; therefore, this model and its associated considerations and strategies can be modified by each agency to address its unique needs. However, all workforce plans should address the agencies' critical staffing and training needs, including the need for experienced employees to impart knowledge to their potential successors pursuant to Texas Government Code, Section 2056.002.

State of Texas Workforce Planning Model

Phase I
Determine Agency Strategic Direction

Determine future functional requirements of the workforce through the agency's strategic planning and budgeting process.

Phase IV
Monitor, Evaluate, and Revise

- Assess what is working and what is not working.
- Make adjustments to the plan.
- Address new organizational issues that affect the workforce.

Phase II
Conduct Workforce Analysis

- Analyze supply: Determine current workforce profile.
- Analyze demand: Develop future workforce profile.
- Analyze gap: Identify discrepancy between supply and demand analyses.
- Develop strategy: Recommend solutions to reduce shortages and surpluses in the number of staff and needed skills.

Phase III
Implement Workforce Plan

- Communicate workforce plan.
- Implement strategies to reduce gaps and surpluses.

Workforce Planning Model
Phase I - Determine Agency Strategic Direction

Strategic planning sets organizational direction and defines agency goals and measurable objectives. These goals and objectives not only provide the basis for determining necessary financial resources, but they also provide the basis for determining workforce needs.

Workforce planning complements and is a follow-up to strategic planning. A workforce plan translates strategy into action to identify workforce staffing and training needs. It attempts to answer the following questions:

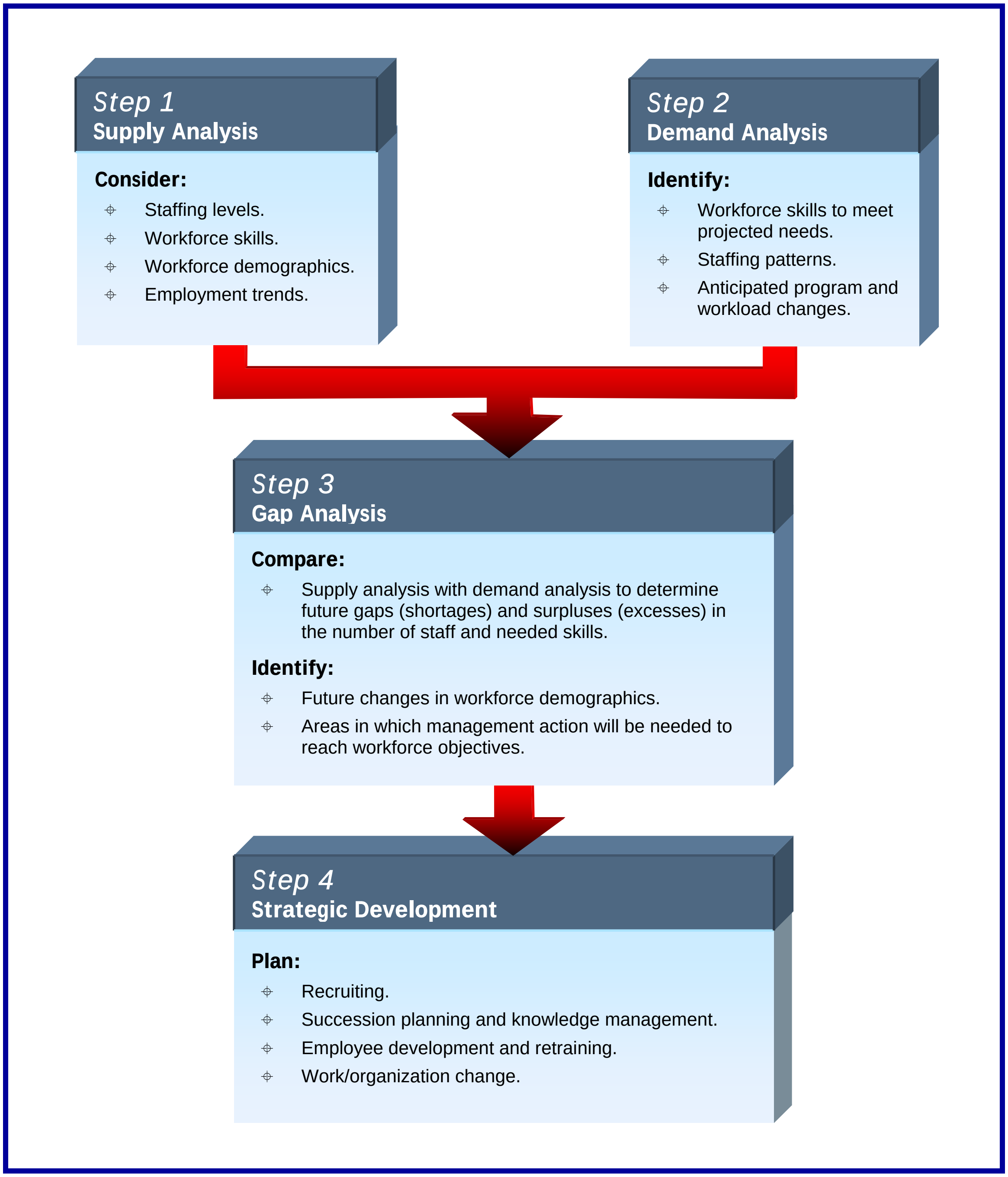
- How many and what types of jobs and skills are needed to meet the mission and strategic goals of the agency?
- What strategies should the agency use to hire, retain, or teach these skills?

To understand the agency's direction and future workforce needs, a summary of anticipated changes to the mission, strategies, and goals over the next five years will need to be documented and analyzed. Valuable workforce planning information can be found in the agency's strategic plan.

Strategy	Actions to Consider
Document and Analyze Organizational Direction	**Strategic focus of the agency** ⌖ Review agency strategic plan. ⌖ Analyze strategic plan and identify mission, key strategies, goals, and workforce issues. ⌖ Determine whether there are pending changes to the agency's mission documented in the strategic plan that would affect the agency workforce now or in the future.
	Budget/financial forecasts ⌖ Analyze budget estimates. ⌖ Determine whether there will be budget issues affecting the current or future workforce.
	Changes in technology ⌖ Determine whether changes in technology will change the way the work is performed.
	Legislative ⌖ Determine whether current, new, or anticipated legislation will affect the agency.
Determine Scope	**Scope** Determine whether the plan will cover the entire workforce or a more limited scope, such as: ⌖ Focusing only on mission-critical occupations. ⌖ Focusing only on occupations that are difficult to recruit or retain. ⌖ Focusing on a particular strategy outlined in the strategic plan to ensure that the right people are available to get the work done.

Workforce Planning Model
Phase II - Conduct Workforce Analysis

Analysis of workforce data is the key element in the workforce planning process. Workforce analysis frequently considers information such as occupations, skills, experience, retirement eligibility, diversity, turnover rates, education, and trend data. There are four key steps to the workforce analysis phase of the planning model. These steps are illustrated below.



STEP 1: SUPPLY ANALYSIS

Supply analysis focuses on an agency's existing and future workforce supply. It answers the question, "What is the existing profile of the current workforce, and what does it need to be in the future to accomplish the agency's goals and objectives?"

Create an Existing Profile

This step involves (1) creating a current workforce profile, (2) reviewing trend data, and (3) projecting future workforce supply.

Create a Future Profile

Reviewing trend data will help an agency project future workforce supply. It will also help an agency apply assumptions about how various factors will influence the future workforce. Trend information, combined with the current workforce profile, is an essential building block for forecasting workforce supply.

To gather this information, some agencies have found it beneficial to delegate workforce planning to each division or satellite office. This gives managers the flexibility to address local issues, outcomes, and strategies. If this is the approach an agency takes, the local or divisional workforce plans should be centrally coordinated and encompassed in the agency's overall workforce plan.

Strategy	Actions to Consider
Determine the Internal Supply Factors	**Determine the workforce profile** ⌖ Identify employees' ages, genders, ethnicity factors, education levels, and lengths of service. ⌖ Determine the skill profile. Agencies may want to compare the best, average, and poor performers. What knowledge, skills, and abilities do high performers use to achieve success? ⌖ Identify workforce management issues that affect the internal labor market.
	Consultation ⌖ Meet with or survey managers to identify segments of the workforce that are currently or potentially vulnerable.
Determine Future Supply Factors	**Projection** ⌖ Review retention, turnover, promotion patterns, and leave usage. ⌖ Determine whether the agency's turnover rate affects its ability to conduct its work. ⌖ Review retirement patterns. ⌖ Determine the projected workforce needed based on expected turnover without hiring replacements. ⌖ Project what the skill and experience level of the current workforce will be in the future. ⌖ What did data from the employee exit surveys show? ⌖ How have retirements, hiring freezes, or layoffs affected the agency? ⌖ What challenges might affect the agency's ability to recruit and retain mission-critical skills?
	Data sources ⌖ Agency employee data can be obtained using the State Auditor's Office E-Class System (http://sao.hr.state.tx.us/apps/eclass) and agency payroll systems.

STEP 2: DEMAND ANALYSIS

Demand analysis identifies the future workforce needed to carry out the agency's mission. The focus of this step should be on the *work* the agency must perform and on the *staff* needed to perform that work.

Some of this information can be obtained from the agency's strategic plan, as stated in Phase I of this guide. Additional, more workforce-specific analyses can be conducted through additional environmental scanning, which involves examining external trends in the environment in which the agency operates, and *organizational analyses*, which involve examining internal factors that are affecting or could affect the workforce.

Additional environmental scanning and organizational analyses can take many forms, including:

1. Structured/semi-structured questionnaires.
2. Focus groups.
3. Literature reviews.

Strategy	Actions to Consider
Examine Internal/External Environmental Factors	**Demographic** ⌖ Identify significant external demographic issues that are likely to influence the demands placed on the agency, such as the aging population.
	Technological ⌖ Investigate how technology can and will be used to enhance service provision. ⌖ Identify jobs that will be affected by technological enhancements. ⌖ Determine whether any changes in technology will affect the number of employees needed to do the work or the type of skills needed.
	Economic ⌖ Are there economic considerations that have particular relevance to the agency and its provision of programs and services?
	Labor market ⌖ Identify labor trends. ⌖ Examine student information available from educational institutions. ⌖ Identify issues associated with the use of non-permanent staff, including cost and supply.
	Summary ⌖ Will the way the work is being done need to change? ⌖ Will new programs be added or deleted? ⌖ Will current employees have the necessary skills to do the work in the future? ⌖ Will the workload change? ⌖ Will more or fewer employees be needed?

STEP 3: GAP ANALYSIS

Gap analysis involves comparing the workforce supply projection to the workforce demand forecast and attempting to answer the following questions:

- What new skills will the agency need to accomplish its goals and objectives?
- Does the agency's workforce currently have the anticipated needed skills?
- What job functions or skills will no longer be required?

The agency will establish workforce strategies based on the results of this analysis.

Analysis results may show one of the following:

- A **gap** (when projected supply is less than forecasted demand), which indicates a future shortage of needed workers or skills. It is important to know what critical jobs will have gaps so the necessary training or recruiting can be anticipated.
- A **surplus** (when projected supply is greater than forecasted demand), which indicates a future excess in some categories of workers and may require action. The surplus data may represent occupations or skills that will not be needed in the future or at least will not be needed to the same extent.

STEP 4: STRATEGY DEVELOPMENT

The final step in the workforce analysis phase involves the development of strategies to address future gaps and surpluses. Strategies include the programs, policies, and practices that assist an agency in recruiting, developing, and retaining the critical staff needed to achieve its mission and strategic goals and in dealing with workers or skills no longer needed.

Strategies can fall into the broad categories of:

- **Position classification actions**, including redefining title series, adding new job classifications, reallocating job classes or job class series, and rewriting job descriptions to better reflect future functional requirements.
- **Salary actions**, including equity adjustments, promotions, and merit increases that may be needed.
- **Staff development strategies** to prepare employees for specific positions, titles, or occupations.
- **Recruitment/selection strategies** to find and hire recent school graduates or qualified candidates from other agencies or the private sector.
- **Retention strategies** to encourage employees to stay in the agency.
- **Organizational interventions** such as redeployment of staff or reorganization.
- **Succession planning strategies** to prepare to ensure that there are highly qualified people capable of filling critical positions. See Appendix B for additional information.
- **Knowledge transfer strategies** to capture the knowledge of experienced employees before they leave the agency. See Appendix B for additional information.

Strategies should be kept to a manageable number so they can be achievable, and they should be prioritized to allow an agency to focus its resources on the most important strategies first. In addition, there are several factors that influence which strategy or, more likely, which combination of strategies should be used. Some of these factors include, but are not limited to, the following:

> **Time** - Is there enough time to develop staff internally for anticipated vacancies or new skill needs, or is special, fast-paced recruitment the best approach?
>
> **Resources -** What resources (for example, technology, Web sites, structured templates, and sample plans) are currently available to provide assistance, or must resources be developed?
>
> **Internal depth -** Does existing staff demonstrate the potential or interest to develop new skills and assume new or modified positions, or is external recruitment needed?

Workforce Planning Model
Phase III - Implement Workforce Plan

An agency may need a separate action plan to address the implementation of each strategy in the workforce plan. Before implementing the plan, the agency should consider:

- Ensuring that there is executive support for the workforce strategies.
- Allocating necessary resources to carry out identified workforce strategies.
- Clarifying roles and responsibilities in implementing strategies.
- Establishing time lines.
- Defining performance measures and milestones and expected deliverables.
- Communicating the plan.

The workforce plan should be implemented in connection with the requirements of the agency's strategic plan. If the strategic plan changes due to unanticipated customer, leadership, or legislative changes, adjustments to workforce plan strategies may be necessary.

Workforce Planning Model
Phase IV - Monitor, Evaluate, and Revise

Ongoing evaluation and adjustments are important in workforce planning and are key to continuous improvement.

Workforce plans should be reviewed annually. If an agency does not regularly review its workforce planning efforts, it risks failing to respond to unanticipated changes.

Consequently, agencies should establish a process that allows for a regular review of their workforce planning efforts to:

- Review performance measurement information.
- Assess what is working and what is not working.
- Adjust the plan and strategies as necessary.
- Address new workforce and organizational issues that occur.

Agencies should ask the following questions to determine whether the plan needs revisions:

- Have agency strategies changed?
- Are the assumptions used in both the demand and supply models still valid?
- Have there been changes that would cause the strategies to need revision?

Workforce Planning Questionnaire

This questionnaire, when completed, is recommended for use as a baseline workforce plan for each agency's strategic plan.

By completing this questionnaire, an agency will have a basic workforce plan upon which it can build in subsequent years. Agencies should expand on this minimized format as time and agency needs dictate. Agencies can create much more detailed workforce plans using this guide and available tools.

Phase 1

Overview

Describe the mission, strategic goals, objectives, and business functions of the agency. Discuss what changes, if any, may take place over the next five years that could affect the agency's mission, objectives, and strategies.

Basic Information to Include in the Workforce Plan:

- Agency mission
- Agency strategic goals and objectives
- Core business functions
- Anticipated changes to the mission, strategies, and goals over the next five years

Phase 2

Step 1- Current Workforce Profile (Supply Analysis)

Describe the agency's current workforce by assessing whether current employees have the knowledge, skills, and abilities needed to address critical business issues in the future.

Basic Information to Include in the Workforce Plan:

- Demographics information, including age, gender, ethnicity, and length of service
- Percent of workforce eligible to retire
- Agency turnover
- Projected employee turnover rate over the next five years
- Workforce skills critical to the mission and goals of the agency

Step 2 - Future Workforce Profile (Demand Analysis)

Develop a future business and staffing outlook. Determine trends, future influences, and challenges for the agency's business functions, new and at-risk business, and workforce composition.

Basic Information to Include in the Workforce Plan:

- Expected workforce changes driven by factors such as changing missions, goals, strategies, technology, work, workloads, and work processes
- Future workforce skills needed
- Anticipated increase or decrease in the number of employees needed to do the work
- Critical functions that must be performed to achieve the strategic plan

STEP 3 - GAP ANALYSIS

Identify gaps (shortages) and surpluses (excesses) in staffing and skill levels needed to meet future functional requirements.

Basic Information to Include in the Workforce Plan:

- Anticipated surplus or shortage in staffing levels
- Anticipated surplus or shortage of skills

STEP 4 – STRATEGY DEVELOPMENT

Develop strategies for workforce transition.

Basic Information to Include in the Workforce Plan:

- List specific goals to address workforce competency gaps or surpluses (may include the following):
  - Changes in organizational structure
  - Succession planning
  - Retention programs
  - Recruitment plans
  - Career development programs
  - Leadership development
  - Organizational training and employee development

Appendix A:

Factors that Affect Workforce Needs

The National Academy of Public Administration developed the following chart that illustrates how certain factors can change an organization's workforce needs.

Examples of Drivers of Change and Their Impact on Future Workforce Needs

Driver of Change	Area of Impact on Future Workforce Needs				
	Employees Needed (Workload)	Demographics	Geographic Location	Occupational Knowledge, Skills, and Abilities	Core Knowledge, Skills, and Abilities
Demographic trends		X			X
Program strategies that affect staffing (for example, expanding program coverage)	X		X	X	
Diversity goals		X			X
External mandates (for example, departmental initiatives and new legislation)	X	X	X	X	X
Special programs (for example, quality improvement initiatives)	X	X	X	X	X
Cyclical workload factors	X		X	X	X
Evolution of jobs from defined duties and roles (that is, specialists to generalists)					X
New technology, different work processes, and workflow	X		X	X	
Budget constraints	X		X	X	X
Growth of team-based organizations					X
New organizational designs to provide better, faster, and cheaper delivery of services	X		X		

Source: National Academy of Public Administration, *Building Successful Organizations: A Guide to Strategic Workforce Planning*, May 2000.

Appendix B:

Succession Planning and Knowledge Management

SUCCESSION PLANNING

The purpose of succession planning is to prepare an agency for risks associated with the planned or unplanned loss of knowledge that is critical to the success of the agency. Succession planning accomplishes this by developing employees to ensure that the agency has highly qualified employees who are capable of filling critical positions.

Succession planning can cross all divisions and levels within an agency, or it can focus on just a few areas. The parameters chosen will depend on the needs of the agency and the time and resources available. This guide focuses on succession planning for key positions.

What Are Key Positions?

Key positions are positions that have a significant impact on the work that needs to be performed. Key positions vary by agency and are not determined based on job title alone. Criteria for key positions may include:

- Positions that require specialized job skills or expertise.
- High-level leadership positions.
- Positions that are considered "mission-critical" to the agency.

Succession Planning Process

Strategies for developing a successful succession plan may include:

- <u>Building a job profile for each key position</u> – This will help to determine the key success factors of the job and how proficient the job holder would need to be. This information can be obtained several ways, including performing a job analysis or gathering critical information during the performance appraisal process. The information that should be gathered includes the knowledge, skills, abilities, and attributes that the current employee in a position possesses that allow for the competent and efficient performance of the functions that employee performs.
- <u>Communicating key knowledge, skills, abilities, and attributes required for key jobs</u> – One way to do this is to ensure that job descriptions for key positions reflect the knowledge, skills, abilities, and attributes needed to successfully perform the job. Another way is to gather this information during the performance appraisal process.
- <u>Developing an inventory of key candidates</u> – This can involve assessing both the abilities and the career interests of employees. Candidates should demonstrate high potential or ability that will enable them to achieve success at a higher level within the organization. Preferably, the list of possible replacements should be stored in a database so that the agency can easily track candidates.

- Designing a plan for each candidate – Developmental plans should be available for candidates and then incorporated into their performance management plans. Plans may include identifying career paths for high-potential candidates and others who have the interest and ability to move upward in the agency.
- Providing development opportunities – This can be accomplished through job assignments, training, or job rotation, and it is one of the best ways for employees to gain additional knowledge and skills.

How Do You Determine which Employees Are Candidates for Succession?

After the profiles for key positions are defined, agencies must evaluate employees on the qualifications within those profiles to identify individuals with a high potential for promotion. There are many methods to identify which employees are possible candidates for succession. These include:

- Performance of candidate's team or division.
- Evaluation feedback from peers, supervisors, and subordinates.
- Demonstrated leadership characteristics, which are defined by the agency. Agencies should keep in mind that the best technical skills do not always translate into good management skills.
- Asking other leaders, mentors, and employees who they see as leaders or potential leaders.
- Demonstrated interest.

KNOWLEDGE MANAGEMENT

If succession planning is not currently possible or if an agency is too small to truly benefit from a succession plan, then at a minimum the agency should ensure there is a plan to "transfer knowledge" of key employees to other employees.

All employees will leave at some point in time, and many of them will take valuable knowledge gained from experience and training with them. Agencies need to plan so that years of accumulated knowledge, both technical and historical, do not leave the agency when an employee retires or pursues other opportunities.

How to Transfer Knowledge

There are many ways to transfer knowledge of key staff. Strategies for transferring knowledge may include:

- Developing a method to document processes – This documentation may include the reason for the processes, steps in the processes, key dates, relationship to other processes that come before and after, key players and contact information, and copies of forms and file names associated with the processes.

- Training – Often, key employees can make excellent instructors on tasks in which they specialize. This method also allows many employees to learn directly from someone who is an expert in their field.
- Conducting "lessons learned" meetings – This allows other employees to understand what worked well and what needs improvement so they can learn from those experiences. These meetings should be conducted immediately after an event or project, and the results should be shared quickly among those who would benefit from that knowledge.
- Developing job aids – These are tools that help people perform tasks accurately. They include checklists, flow charts, diagrams, and reference guides.
- Allowing employees to work closely with key staff members – This can take many forms, including pairing key employees on projects with other staff, internship programs, and mentoring programs.
- Allowing employees to "shadow" other employees who are leaving – This involves "double filling" a position temporarily so that the position can be filled with a new employee before the current employee leaves. It allows for a transfer of knowledge and adequate training of new employees.

While there are many ways agencies can identify, store, and transfer knowledge, certain strategies will work better in some agencies than they will in others. Agencies may need to try several strategies before finding the ones that are best suited to their needs.

Appendix C:

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