Classification and Compensation Strategies

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As part of the effort to develop and maintain a quality workforce, public sector organizations must position themselves as "employers of choice" and recognize the value of their human capital. The methods by which employees are recruited, trained, retained, measured, and compensated are under scrutiny to ensure that goals can be accomplished and that future needs can be met. It is not enough to develop and implement programs to recruit, train, retain, measure and compensate -- in the face of global competition, organizations must develop strategies to manage these important human resource functions.

In today's market a number of organizations are continuously seeking new strategies to meet both organizational and employee needs. From a global perspective there are still substantial differences in the way people get paid. However, organizations are finding that their human resource strategy can be structured using similar philosophies to reward people regardless of where there are located. The logic of market-based economies suggests that the differences are narrowing as employers worldwide cope with similar pressures. All are affected by intense competition for critical skills; or are influenced by global financial markets.

Public sector organizations need to develop aggressive pay policies to compete successfully for well-qualified employees. Compensation levels must be high enough to attract a strong applicant pool and retain the best among current employees. Morale is enhanced if employees know they are being paid at least as much as comparable employees are being paid by other employers. Classification and compensation systems should therefore not only classify positions on the basis of uniform criteria, but also allocate positions to salary grades that reflect their relative worth and market value.

An increasing number of organizations are trying to link pay to performance, through programs such as variable or incentive pay, where a percentage increase in pay depends on the employee's achievement of predetermined measurable goals; skill-based pay, where employees are paid for the number of skills they possess; and most recently, competency-based pay, in which an employee is paid for the range, depth and types of skills and knowledge he/she is capable of using in the job rather than for the position they hold.

This paper will address the trend toward developing long-term classification and compensation strategies that are linked to organizational goals, as well as examine various pay systems and structures. "Best practices" in implementing pay strategies will also be discussed.

Long-term Strategies

Compensation and reward systems can become an important signal of an organization's culture and values. When considered from a strategic perspective, organizations could customize classification and compensation systems to help create a culture and attract a workforce that

possesses the values, knowledge, skills, and abilities that support the organization's strategic goals and objectives.

The guiding principles for a successful classification and compensation program should ensure that:

- Employees doing similar work should receive comparable wages
- Variations in pay must be based on significant differences in responsibilities and required knowledge, skills, and abilities (KSAs) on salaries paid by other employers in the marketplace.
- The process for classifying and evaluating the relative worth of positions must be fair.

In addition, a classification and compensation plan that is continuously maintained results in:

- Fewer requests for reclassifications,
- Fewer grievances arising out of disputed job requirements,
- Fewer pay inequities and morale problems, and
- A solid basis for evaluating work performance.

One of the most fundamental and difficult tasks in the management of any personnel system is determining the comparative worth of each position. Employees are acutely aware of what they are paid, how much responsibility they are assigned, and the "status" of their positions in relation to other positions. Perceived inequities in pay or status can be a source of intense dissatisfaction, which translates into declining morale, lost productivity, absenteeism, grievances, and chronic bickering. It is impossible to eliminate all feelings among employees that inequalities exist in the pay system, but every effort can be made to achieve fair job groupings and an equitable pay level for all positions in the workforce.

In recent years, organizations have responded to changes in the economy and shortages of employees with specific skills by taking a short-term approach that addresses the immediate need. Changes made to increase the flexibility of current classification and pay systems have allowed organizations to be more responsive to the changes in the external climate and internal needs. The broadening of job classes, allowing for higher pay maximums, is just one way that flexibilities have been introduced. Those types of initiatives have been generally successful in the public sector, and will be discussed later in greater detail. It is clear that most public sector employers have at least considered making tactical changes to classification or pay plans.

Organizations that develop long-term pay strategies recognize the important role that compensation can play in achieving business objectives. Pay strategy looks at using pay to motivate employee behavior towards the achievement of employer goals, and bases salary levels and salary increases on the value employees bring to their work. Cary Randow, Compensation Manager for the State of Washington in the United States, discusses in a recent IPMA-HR report, *Compensation Strategies in the Public Sector*, five important elements that make up the foundation for pay strategy:

***Pay Philosophy**:* The organization's concept of how employees will be compensated. It communicates the employer's direction and intent about employee's salaries. An organization's pay philosophy must be simply stated, practical in its approach and application, and clearly communicated. It is a vitally important component in preparing management to understand and apply employee salaries and salary changes in ways and circumstances that consistently support the employer's strategic goals. Pay philosophy is the core element in developing a successful pay strategy.

***Pay Competitiveness**:* Easy to understand but difficult to achieve and communicate. The main reason, for most public sector employers, is the general unpredictability of operating budgets, which often negatively impact the organization's ability to fund employee salary increases. Most employers address pay competitiveness issues from only a tactical perspective, focusing on the individual situation as the issue presents itself. However, most public sector employers will never achieve total salary competitiveness if they continue with a short-term approach. Employers focused on pay strategy, however, have a much better chance to succeed by managing and defining it on their terms.

Competitiveness from the perspective of a pay strategy suggests that the organization prioritize based on both the position and the person. Salary dollars are directed to those positions most critical to the employer's operating mission(s) while also addressing retention of critically skilled employees and those employees performing at high levels. This approach to pay competitiveness, while unlike the approach typically taken in the public sector, can be very effective in achieving business results. Paying competitively also does not necessarily mean paying the market average. Pay strategy focuses on *total compensation (*salaries and benefits) and ranges of pay as opposed to specific pay levels to attract and retain employees.

Pay Delivery in the public sector has traditionally been through rigid and inflexible systems. Traditional pay structures with pre-determined pay steps and timing intervals are still common in many jurisdictions, and are the most frequently used structure for delivering base salary and salary increases to employees. High performing organizations are often those that recognize and reward achievement in as many ways and circumstances as possible. Allowing managers greater discretion in pay structure can be very beneficial in positioning the organization as an "employer of choice." Public sector employers who are able to use compensation to attract and retain high performers will experience the most success in the accomplishment of their business mission.

Pay Practices are the systems an organization uses to deliver pay and pay increases. Pay practices play an important role in the application of pay strategies in the public sector; from the way a pay increase is granted (i.e. base pay or lump sum) to increases for special skills, job hazards or geographic work location. Public

jurisdictions can maximize long-term pay strategies by adopting flexible and innovative pay structures and systems that integrate well with each other and accomplish their purpose.

Communication is an important, but often worst applied component of personnel system change. Typically, information is shared with employees on a "just in time" basis, and oftentimes knowledge is typically uneven throughout the management structure and messages and timing usually are out of synch. Developing a strategic approach to communicating your pay strategy helps assure that the right messages are delivered and received in the right time and in the right manner. A well developed communications plan will support an important strategic objective of achieving employee understanding of the organization's compensation plan.

Tips for Successfully Developing and Implementing a Classification and Pay System

- Hold orientation meetings with government officials and employees to explain project activities and objectives.
- If they are not already available, draw organizational charts of the whole administration and of individual agencies.
- Determine job duties and responsibilities (essential functions) using trained observers, on-site interviews, position analysis questionnaires, or work logs.
- Develop draft and final job descriptions.
- Rate positions and assign them to pay grades on the basis of an objective evaluation system.
- Establish salary schedule(s) using comparative salary data.
- Provide guidelines for maintaining and updating the position classification and compensation plan.
- Review requests for reclassification, rate positions using a standard rating system, and adjust the classification accordingly.
- If needed, update organizational charts to reflect changes in positions and ranks.
- Update salary schedules to reflect annual cost-of-living increases.
- Periodically collect and analyze comparable salary data to make sure positions are being paid competitively in comparison to the labor market.

Compensation Structures and Systems

Pay for Performance
In pay for performance systems, a percentage increase in pay depends on the employee's achievement of predetermined measurable production, operations, or other goals. Pay for performance systems can measure individual, group or organizational performance, and different types of systems are often used together.

Incentive Pay
Incentive pay is given to employees in addition to their base wage, and is intended to induce action or provide motivation. Rather than rewarding employees for their performance, incentive pay can be provided to encourage behaviors and outcomes. Incentive pay can be used as a management tool as well as a compensation scheme.

Broadbanding
In a broadbanded pay structure, combinations of job classifications are grouped into pay bands. This system differs from a conventional grading system because of the greater pay range within each band and the smaller number of bands. Pay progression through each band is normally related to employee competency, performance, contribution or market rates of pay. Broadbanding is often introduced as a means of enabling an organization to comprehensively redesign its salary structure.

Gainsharing/Team-based Pay
Gainsharing or team-based pay is a method of linking the pay of employees to the level of performance that they have achieved in a team, and rewarding the group for improving productivity and meeting organizational goals. By reinforcing group performance through the recognition of successful teamwork, an organization can harness the collective potential of employees. Team-based pay can be applied on the basis of how well employees have performed across the whole organization or it can be based on departmental activity or project.

Goalsharing
(sometimes called winsharing) - An incentive plan that measures the achievement of pre-determined goals, objectives and then shares the gains from productivity, process and/or service improvements with the employees who have made them. Measurement can include qualitative data, such as information from customer surveys. It relies on a system of employee involvement to maintain a strong link between group performance and rewards. A simple version might cover management-determined or collectively negotiated goals

Competency and Skills-based Pay
Competencies are the knowledge, skills and abilities that are needed to accomplish a job effectively. When used in a pay system, they provide a basis for individual assessment to reward individuals who can positively contribute to the overall values and objectives of an organization. Competency- and skills-based pay reward the *way* people work -- pay based on competencies recognizes the behaviors needed, while pay based on skills recognizes the knowledge.

Contribution and Hybrid Pay Systems

Contribution pay combines elements of performance and competency-based pay schemes by recognizing the employee's performance and results, as well as the competencies that they have used to achieve them. Unlike strict pay for performance schemes, contribution or hybrid pay does not solely provide a direct incentive for achieving a defined set of targets. In conjunction with a competency-based pay reward system, it also emphasizes the developmental needs that are required of employees to achieve success. Contribution pay systems are best suited to a broadbanded pay structure because this allows the necessary flexibility to effectively reward the results employees are expected to achieve through the acquisition of defined skills and competencies.

Condition-based Pay
Examples of this are pay increases that are awarded because of working conditions or situations that have little or nothing to do with employee performance. Hazardous duty pay is often awarded as an incentive to endure physical hardship or other hazardous working conditions. Locality pay can be provided to encourage an employee to submit to undesirable working conditions, or in recognition of the high cost of living in a particular area. Longevity pay is offered in some situations in recognition of an employee's tenure, not related to their performance.

Compensation Best Practices

More and more public jurisdictions are introducing the systems mentioned above, as well as other types of pay flexibilities and innovations. Several recent benchmarking studies conducted by IPMA-HR, show that the use of variable pay approaches in the public sector is increasing. In the 2001 Benchmarking study, slightly less than half of the respondents surveyed said they use some form of variable or flexible pay system. Of the 45 percent who reported using variable pay programs, pay for performance was by far the most popular, with 80 percent participation. Employers who used pay for performance plans typically provided rewards based on individual performance (99 percent), and most often distributed them as an addition to base pay (52 percent).

When asked how they determine appropriate compensation, participants cited three main sources of comparison: jurisdictions in the same geographic region (89 percent); jurisdictions of comparable size in the same geographic region (73 percent); and the private sector (53 percent).

A recently released *Compensation Best Practices* report stemming from the 2001 IPMA benchmarking survey highlights how six public jurisdictions in the United States use pay strategies and creative compensation practices as tools to recruit and retain a high-performing workforce. The jurisdictions selected by the Benchmarking Committee for the Best Practices report vary in size, political structure, and employee makeup; and each has its own unique environment and culture. In screening the benchmarking survey respondents, the committee looked at whether:

- The organization has a defined pay philosophy.
- The organization uses variable pay approaches such as pay for performance, skill-based pay, gainsharing, competency-based pay, etc.
- The respondents believe variable pay has helped improve performance to a moderate, great or very great extent.

As with all best practice identification, the committee also looked for programs that:

- Have been successful over time.
- Have quantitative and/or qualitative results.
- Achieved recognized or recognizable positive outcomes.
- Are innovative.
- Are replicable and transferable.

The "best practices" jurisdictions met the above criteria and also had the following core elements:

- Approaches that are non-traditional and innovative,
- Systems that create incentives for employees to perform better,
- Systems that produce better organizational performance,
- Systems in which pay is variable (everyone does not get the same amount) to make distinctions between employees, and
- Approaches that are linked to organizational goals/strategy/mission.

Conclusion

To ensure successful implementation, organizations should develop classification and pay strategies that are in alignment with the organizations' mission. To do this, an organization must first recognize the importance of developing pay practices within a framework that ultimately comes down to rewarding employees appropriately for the skills, intellect, innovation, energy and commitment that they bring to the organization.

When it comes to strategic compensation design, there are additional factors that are fundamental to achieving a Best Practice pay plan:

- Rewards must be linked to organization strategy.
- Plan objectives must be clearly articulated (participants must know what is being rewarded and why).
- Behaviors motivated by the plan must support the organization's culture and values.
- Plan design must be adaptable to changing business conditions.
- All elements of the plan, including expected performance and results, must be clearly communicated and fully understood by participating employees.
- Participating employees must be involved in the design process.
- Participants must believe the plan has value.

Successful organizations meet the challenge of competition for "human capital" by developing new strategies that allow them to recognize and respond to changing conditions.

In considering the topic of classification and compensation strategies, Symposium participants

may wish to discuss the following:

1. Have you implemented any reforms to your classification system, such as Broadbanding?

2. How is compensation determined in your organization?

3. What impact does your classification and compensation system have on recruitment and retention?

4. a. Does your organization utilize any variable pay approaches, such as performance-based pay, skill-based pay, gainsharing/goalsharing, competency-based pay, etc.?

   b. If so, has it been successfully implemented?

5. If your organization is unionized, what impact have unions had on reforms to your classification and compensation system?

6. Does your organization have an executive compensation system?

7. What are your biggest classification and compensation challenges?

Workforce /Succession Planning

Workforce/Succession Planning has become one of the hottest topics today. If you examine any survey of senior managers of HR you will find that workforce planning (or one of it's many variations like succession planning or HR planning) is consistently listed among their top five issues.

In recent years, many agencies have found themselves coping with the serious productivity ramifications of downsizing, retirement, restructuring, and the difficult financial climates that result in reduced budgets. The consequences of this decrease in human capital are often a loss of institutional memory, skill imbalances, reduced recruitment success, and workplace inefficiencies. These consequences may be less severe if agencies are prepared with strategic workforce and succession plans.

This paper will review the importance of workforce and succession planning; the process for creating and implementing a generic workforce planning and succession planning model; and will identify several specific issues that should be addressed when undertaking workforce planning and succession planning initiatives.

Why Undertake Workforce/Succession Planning?

Workforce Planning ---the systematic approach to managing an organization's workforce by identifying future requirements and developing strategies to support the development and maintenance of such a workforce—is perhaps the most important tool that can be utilized by HR practitioners to address the current challenges facing public sector organizations.

Succession planning, sometimes called *succession management* to emphasize the active and continuous nature of this effort, is the actual process for preparing people to meet an organization's needs for talent over time. It is not the only way to do that, but it is an important effort that decision-makers must consider and manage.

There are a number of reasons why workforce /succession planning is becoming the next key competency in HR and why it is among the top organization issues today:

1. **Redeploying resources.** As internal organization priorities change in response to rapid external change, it is essential that an organization be able to rapidly redeploy or redistribute skills and people to business units and jobs with a higher return on investment to the organization. Even if you usually forecast well, there will still be cases when you will need to quickly react and adjust by shifting resources within the organization.

2. **The retirement bubble.** The coming "bubble" of baby boomer retirements will mean a dramatic shortage of senior experienced leadership in most organizations. Workforce plans are needed to fill the gap through alternative development and staffing strategies.

3. **Predicting retirement accurately.** Longer life spans, coupled with the instability in the economy and the stock market, means predicting when workers will choose to retire, which becomes much more difficult. However, more accurate projections are necessary in order to avoid surpluses or shortages of senior talent.

4. **Anticipating and dealing with rapid change.** The ever-increasing rate of change in

the organization cycle ("instant bankruptcies" and industry consolidation) requires more accurate forecasting of both the economy and what competitors are doing. Organizations must develop alerts, or "smoke detectors," which give managers advanced warning before minor workforce issues become major ones

5. **Organization size.** As organizations get larger in size relatively fast (often due to mergers), identifying future leaders and workforce needs becomes almost impossible because you can't "know" everyone and see them in action. Instead, a formalized workforce planning process that uses technology to connect all and metrics to assess performance is required.

6. **Flat organizations.** As tight economic times force organizations to cut costs, organizational charts get flatter as mid-level management positions get eliminated. Fewer management positions generally also mean fewer promotions, and consequently the need increases for plans and strategies to motivate, challenge, and develop workers in other ways.

Headcount and Retention Forces

7. **Smoothing out the fluctuations in the hire/layoff cycle.** There is a desire from managers and employees alike to smooth out the sudden "peaks" in employee headcount growth and shrinkage. The boom and bust cycle needs to end. It is expensive, it dampens morale, and it hurts an organization's external image as an employer of choice. Effective plans can identify workforce "fat" buildup long before it gets out of control (and thus requires layoffs).

8. **The war for talent.** As competition increases for valuable top talent, organizations must develop more sophisticated plans and tools to fight off talent poaching. Organizations must also simultaneously develop recruiting plans to identify and poach away the very best from other organizations.

9. **Increased turnover and its impact on succession.** Employee loyalty has been declining over the last few years across the board, due to changing worker values, recent layoffs, and the prominence of the Internet (which makes job searches so much easier). These factors mean higher overall turnover rates and more difficulty in predicting employee tenure. Shorter and less predictable employee tenures means an increased need for both succession planning (because the targeted employees may be gone before they can be promoted) as well as effective "just in time" recruiting to respond to sudden vacancies.

10. **Shifting worker expectations.** Changing worker interests (with increased demand for work/life balance) must be forecast in order to provide sufficient lead-time to respond to the changing worker needs and interests.

Skill Issues

11. **Candidates' skill levels.** The decrease in the number of technically trained candidates graduating from college, in some countries (especially in engineering) means recruiting will be more difficult. The quality and skill level of candidates entering the workforce (in many cases) is also on a steady decline.

12. **Employee skill obsolescence and learning speed.** In a rapidly changing world, worker skills rapidly become outdated. As a result, it is important to track the current skills that employees have through automated skills inventories, which would improve the utilization of these skills. Rapid learning plans and strategies are also needed to increase the firm's overall learning speed and "what works" sharing.

13. **Predicting succession.** As the skills needed to do most jobs change more rapidly (or become obsolete), it becomes more difficult to plan "worker succession" because the current skills may be irrelevant for future jobs.

Other Factors

14. **Diversity.** As the workforce becomes more diverse it is essential that both organizations and managers prepare for the different and unique needs of diverse workers. Also, as the economic value of a diverse workforce becomes more apparent, the desire to attract and retain diverse workers will also increase.

The set of assumptions that organizations use today to make decisions about the size and composition of their workforce is very different than it was a decade ago. Trends such as the increasing use of technology and its effect on how HR conducts business, the overall aging population, and the shrinking labor pool in some countries, are redefining the relationship between employer and employee.

In conducting workforce planning, an organization conducts a systematic assessment of workforce content and composition factors and determines what actions to take to respond to future needs. The actions taken may depend on external factors (e.g. skill availability), as well as internal factors (e.g., age of the workforce). Examining these factors will determine whether future skill needs will be met by training, recruiting, or by outsourcing the work.

Workforce planning involves working through four issues:

1. The composition and content of the workforce that will be needed to strategically position the organization to deal with its possible future and business objectives.

2. The gaps that exist between the future "model" organization(s) and the existing organization, including any special skills required in the future.

3. The recruiting and training plans for permanent and temporary staff that must be put in place to deal with those gaps.

4. The determination of the outside forces that will be able to meet the skill needs for functions or processes that are to be outsourced.

Other issues and actions HR and management need to get involved in:

- The development and understanding of the full range of future demands on the current workforce.
- Using this assessment to predict the shape of the whole workforce making links across professions.
- Reviewing the links between the above and local and national factors determining workforce supply, e.g. trends in turnover or shortages in key skills area.
- Reviewing the effectiveness of current plans, e.g. for investment in new employee trainees, recruitment of new staff.
- Assessing potential courses of action for making the transition from the current profile to the future configuration.
- Determining which of these options will be the most cost-effective.

Organizations can then use this information to guide and inform future investment in:

- succession planning
- skill mix reviews
- education and training
- continuing professional development
- staff retention, and
- career development

Workforce and succession planning allows an organization to factor these and other changes into their plans to accomplish their goals and mission. In addition, workforce planning provides realistic staffing projections for budget purposes and can offer clear rationale for linking expenditures for training and retraining, professional development, and recruiting/retention efforts. Data gathered in a workforce or succession planning initiative can help to maintain or improve a diversified workforce, and can assist in preparing for restructuring, reducing, or expanding an agency's workforce. An effective workforce planning/succession model is an essential tool to assist organizations in meeting their objectives.

A Workforce Planning Model

Many organizations, both public and private, have developed models for workforce/succession planning. While the terms may vary, most processes are very similar. All practical models rely on:

- determining the strategic direction of the organization and analyze present workforce competencies, including demographics and retirement projections (SCAN)
- identification of competencies needed in the future (SUPPLY/DEMAND)
- a comparison of the present workforce to future needs to identify competency gaps/surpluses (GAP ANALYSIS) and
- the preparation of plans for building the workforce needed in the future (ACTION PLAN)

To ensure that the workforce planning process remains valid, an evaluation process should be included in the steps to implementation (EVALUATE).

This model is simple in outline but depends on rigorous and comprehensive analysis of the organization's work, workforce, and strategic direction. Strategic workforce planning can be performed in many ways depending on the requirements of the agency. While the number and sequence of steps in the process will vary depending on the specific agency situation, following is a generic workforce/succession planning process.

Step One - SCAN

Identifying the Strategic Direction

Workforce planning naturally complements and is a follow-up to strategic planning. Just as strategic planning helps agencies map where they are, where they are going, and how they plan to

get there, a workforce plan lays out the specific tasks and actions needed to ensure an agency has the resources to accomplish its mission.

One of the main purposes of workforce planning is to ensure that an agency has the necessary workers to support its mission and strategic plan. In this phase, those responsible for workforce planning should identify the agency's mission and the key goals and objectives of its strategic plan.

A strategic plan charts the future with broad mission-related targets and milestones. An agency's vision, mission, and measurable goals and objectives drive the identification of what type of work needs to be accomplished. A workforce plan translates strategic thinking into concrete action in the area of workforce staffing and training needs. It attempts to answer the following questions:

- How many and what types of jobs are needed in order to meet the performance objectives of the organization?
- How will the agency develop worker skills?
- What strategies should the agency use to retain these skills?

It is important to undertake environmental scanning of external factors as well as an organizational analysis of internal factors in order to identify future workforce requirements. Environmental scanning is the process of examining external trends to obtain a better understanding of what is happening in the environment in which the agency operates, and should include trends and issues in the economic, social, technological, legal, and political areas. Organizational analysis should include internal factors such as strategic objectives, business functions, and technology.

Workforce Analysis

Analysis of workforce data is a key element in the workforce planning process. Workforce analysis frequently considers information such as occupations, skills and experience, retirement eligibility, diversity, turnover rates, and trend data. Questions agencies should consider include:

- Are there certain occupational groups with increasing worker turnover?
- Can factors influencing turnover be identified?
- Has turnover reduced the skill set of a certain occupational group?

Answering these questions should help agencies develop plans for stable staffing levels, succession planning, and skill development.

Step Two - SUPPLY/DEMAND

Supply Analysis

Supply analysis focuses on the specifics of an agency's existing workforce and projects future workforce supply. This step analyzes the current workforce profile, and projects future workforce

supply. A profile of its existing workforce helps an agency understand where it is in terms of the right number of people with the right skills. Analysis of the current workforce can include:

- Number of employees and contracted workers
- Skill assessment of employees
- Salary and contract workforce expenditure data
- Workforce diversity (age, gender, and race)
- Retirement eligibility statistics

Next, agencies should look at trend data, which provide a picture of what occurred in the past. It can also help an agency predict the supply of skills that may be available in the future. Examples of trend data include:

- Hiring patterns (time required to fill vacancies, average number of vacancies in a year, etc.)
- Retirement patterns
- Employee turnover statistics

Demand Analysis

Demand analysis identifies the workforce needed to carry out the mission of an organization. The focus of this step should be on the functions that an organization must perform and not just on the people. One reason this step is separated from the supply projections is to ensure that changes in functions are considered. These changes might have a significant impact on the size and kind of workforce that will be needed in the future. This step may provide one of the greatest benefits in workforce planning because it offers the chance for an agency to reexamine long-standing assumptions about the purpose and direction of its programs in light of changes that are taking place in the external environment. Results include a forecast of the numbers of employees needed in the future and the skills those employees will need.

Step Three - GAP ANALYSIS

Gap analysis is the process of comparing the workforce supply projection to the workforce demand forecast. An analysis should consider the composition of the workforce, including demographic characteristics, geographic location, size, and skill level. The agency will eventually establish workforce strategies based on the results of this analysis. Analysis of results will 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.

- A surplus (when projected supply is greater than forecasted demand), which indicates future excess in some categories of workers, which may also require action. The surplus data may represent occupations or skills that will not be needed in the future or at least not needed to the same extent.

Step Four - ACTION PLAN

Strategy Development

The next step involves the development of strategies to address future gaps and surpluses. A wide range of strategies exists for attracting and/or developing staff with needed skills and dealing with workers or skills no longer needed in an organization.

Once an agency identifies a workforce gap, it needs to develop and implement effective strategies to fill the gap. Such strategies include recruitment, contracting out, staff training, and succession planning. Critical gaps should be analyzed with care to ensure that timely action is taken before these gaps become a problem for the organization. Several factors 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, model plans, and sample processes) 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?

- "In-demand" skills - What competition exists for future skills that are needed? Will the agency need to recruit for these skills or develop them internally?

- Job classification - Do presently used job classifications and position descriptions reflect future functional requirements and skills?

- Reorganization - Will some divisions need to be reorganized to meet business needs and strategic objectives?

Implement Workforce Plan

Implementation brings the workforce plan to life. A separate action plan may be needed to address the implementation of each strategy in the workforce plan. Before implementing the plan, agencies should consider:

- Allocating necessary resources to carry out workforce strategies.

- Clarifying roles and responsibilities in implementing strategies. This includes identifying who is involved in implementing what and identifying the need for coordination among different parts of the organization or with different agencies.
- Establishing timelines.
- Defining performance measures/milestones and expected deliverables.
- Communicating the plan.

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

Final Step - EVALUATE

Monitor, Evaluate, and Revise

Ongoing evaluation and adjustments are imperative in workforce planning and are keys to continuous improvement. Although a workforce plan should cover several years, it should be reviewed annually. If an agency does not regularly review its workforce planning efforts, it runs the risk of failing to respond to unanticipated changes.

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

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

Agencies should ask themselves the following questions to determine whether or not 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 Issues

Barriers

At an IPMA-HR sponsored workforce planning workshop conducted at the 2001 International Training Conference, participants were asked "What are some of the barriers to developing workforce planning programs in your organization?" The chart below graphically depicts the responses, which included cultural and attitudinal factors, resource constraints, lack of leadership, and the need for more/better information/data for planning.

The importance of dedicating resources (both human and financial) to ensure the success of a workforce planning initiative cannot be overlooked. Inadequate funding for strategic programs is often the result of overall budget reductions, which necessitate the allocation of funds to more immediate and tangible projects. However, the lack of resources dedicated to workforce planning may also be the unhappy consequence of an organizational culture that does not appreciate how critical strategic and long-term workforce planning can be to the health of the organization.

Practical Considerations

Implementing workforce and succession planning in an organization may initiate changes in other HR processes. Effective and responsive recruitment, retention, professional development and training programs are all critical to the ongoing success of workforce and succession planning initiatives.

There will always exist the need to hire the right people for the right job. This becomes a particular challenge in an environment where the existing labor market and the proposed skills sets do not match, such as an aging workforce and an increasing reliance on technology. With enhanced competition for scarce human capital, it is increasingly important that public sector organizations position themselves as employers of choice, and undertake innovative recruitment and retention strategies. A successful workforce plan will also address the importance of retaining quality employees. In many situations, there exists great competition for qualified employees, and in most cases, recruiting is an expensive alternative to retention. Following are approaches that may help

public sector organizations meet the recruitment and retention goals necessary to ensure a successful workforce/succession planning initiative:

Recruitment	**Retention**
* web-based recruitment	* flexible work schedules/job-sharing
* job fairs	* promotion from within
* radio/television/print advertising	* cafeteria benefit plans
* campus recruitment/internships	* employee input to decision making
* maintain database of applicants	* timely and thorough communication
* executive search firms/professional associations	* safe and attractive facilities
* hiring retirees	* employee recognition

The role of education and training -- whether in technical skills, or executive development -- is critical to the success of any workforce/ succession planning initiative. A comprehensive evaluation of the existing workforce will identify areas where training can be particularly effective. In some situations, training may be provided to individuals who, due to restructuring or downsizing, will be relocated to other positions either inside or outside of the organization. Mentoring or coaching programs can prove very successful, particularly in developing non-technical or behavioral skills. In addition, mentoring programs may provide for a smooth transition in leadership positions.

Conclusion

In many situations, it is simply harder to find and retain qualified employees today than it was a decade ago. At the same time, ever-increasing competitive pressures have made it more imperative to have the right people in the right place at the right time. To be sure, downsizings, restructurings and staff realignments will continue, and they will be accompanied by a greater focus on strategic staffing and improved utilization of existing human resources.

Workforce/succession planning can provide invaluable data to assist HR practitioners in understanding this changing workforce and its impact on accomplishing the organization's mission. It provides HR practitioners with a strategic basis for making human resource decisions and responding to changing organizational conditions. It also allows leaders to anticipate change rather than being surprised by events, and provides strategic methods for addressing present and anticipated workforce issues. Organizational success depends on having the employees with the right competencies at the right time.

Source: Republic of Korea Civil Service Commission
http://www.csc.go.kr/ 11/2003