STRATEGIC WORKFORCE PLANNING
LATEST TRENDS AND LEADING PRACTICE EXAMPLES

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Mercer Workforce Analytics & Planning
A WORKFORCE TSUNAMI IS APPROACHING

CHANGING DEMOGRAPHICS

THE FRAGMENTED WORKFORCE

NEW MACHINE AGE

LEVERAGING THE BIG DATA PROMISE

THE OVERWHELMED EMPLOYEE

DIVERSITY AND LABOUR PARTICIPATION

CAREER MOBILITY
**STRATEGIC WORKFORCE PLANNING**

1. **Gain strategic insights**
   - Organisation Imperatives
   - Talent Implications

2. **Measure the gap risks**
   - Talent Demand
   - Workforce Gaps & Risks
   - Talent Supply

3. **Model talent management options**
   - Quantity
   - Quality
   - Location
   - Talent Development (build strategy)
   - Talent Acquisition (buy strategy)
   - Contingent Workforce (borrow strategy)
   - Talent Deployment (transform strategy)
   - Talent Retention (bind strategy)
   - Regroup (change business strategy)

4. **People Practices and Programmes**
   - Attraction
   - Retention
   - Engagement
   - Career Development
   - Performance
   - Rewards
   - Leadership
   - Mobility

- **Demand Scenarios for Critical Segments**
- **Risk Assessment**
- **Workforce Plan**
- **Talent Solutions & Ownership Model**
The advantages of addressing the future workforce gaps early

Buy: Purchase external talent through increased recruitment and future candidate engagement.

Build: Develop talent from inside the organisation through increased training and development activities.

Borrow: Borrow or rent talent through contracting with agencies or consulting firms.

Bind: Retain existing talent through improvements in the employee value proposition.

Transform: Use technology, a different way to organise work, and training/motivation to increase labour productivity.

Regroup: Change Business Strategy due to unavailable labour resources or prohibitive costs to implement.
Buy

- Foresight allows for the development of a talent brand and the recognition of that brand in the labour market.
- Foresight also enables the development of a recruitment strategy to find and communicate effectively with the specific recruitment targets.

**CLIENT EXAMPLE**

- To maintain the speed of expansion as fast growing 5-star airline, this company needed to hire approximately 25,000 new hires over a 5 year period.

- Analysis of key labour markets in reference to flight destinations provided a clear picture of the passive candidate pool per region. In many regions, less than ¼ of the supply were actually available to meet the demands in critical jobs/locations, when assessed by availability, quality and cost.

- The understanding of the labour markets led to new target markets, that were not the traditional labour markets.
Foresight allows for the development of training programs and new career paths (including developmental assignments) that bring individuals “up to speed” for filling critical jobs.

CLIENT EXAMPLE

- Given the known age profile of a critical engineering role, this organisation had already put in place a new graduate programme in collaboration with a local university. Consequently they felt that the risk was appropriately managed and under control.

- Strategic workforce planning showed that the graduate programme would only replace some retiring employees, and did not fill the full gap created by increased demand and voluntary terminations.

- Consequently, the client looked at its internal career paths to determine if the average time in particular pathways could be decreased with job rotations and development opportunities.
Borrow

This utilities company had traditionally used contractors to gain access to strategic skills and to allow for flexibility around roles that were perceived to be volatile.

Strategic workforce planning forecasts established that in both high change and low change future states, that the needs for the volatile roles where more stable and certain that currently contemplated.

Modelling showed that reducing the proportion of contractors in this critical role, would amount to savings in the overall cost of labour.

CLIENT EXAMPLE

Foresight enables strategic decision making for the most effective use of expensive rented labour.

It also helps to identify the most effective providers as well as the establishment of relationships that will over time improve quality and reduce costs.

Reducing the proportion of contractors and buying and building talent will allow for significant opportunities to do more with the same...

**Future state**

Using today's assumptions, if the contractor base were reduced to 10% of the total workforce and employees represented 90% of the workforce, there would be significant cost implications as follows:

<table>
<thead>
<tr>
<th>Proposed # of employees by salary grade</th>
<th>Proposed contractor spend $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>127.6</td>
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<tr>
<td>13</td>
<td>159.8</td>
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<td>7</td>
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Total employee costs = $ 198M
Total cost of labour for 2014 = $ 239M
Foresight enables the identification of the best retention strategy for critical employment segments.

Foresight also improves the effectiveness of retention strategies over time through enhanced consistency and believability in support of a recognised employment brand.

### CLIENT EXAMPLE

- For this client, when analysing a key role (Service Professional) a high turnover rate of 18% was identified.
- Given the high recruitment and onboarding costs for this role, the client found that a 1% decrease in turnover would have high savings.
- Detailed predictive analytics showed the drivers of turnover was impacted by supervisor stability and variety of experiences and jobs.
- A holistic retention programme was put in place by focusing on the supervisor training and mentoring and career moves.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.01</td>
<td>2.39</td>
<td>2.81</td>
<td>3.28</td>
<td>3.88</td>
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</table>

Based on an average cost per headcount of 46.790 RMB in the Service Professional population, a 1% decrease of turnover will result in the following savings (in million RMBs):
For this client, analysing the productivity drivers of key engineering and technician roles identified inefficiencies. As a consequence, a more comprehensive programme for service engineers and technicians was designed and delivered within the corporate academy framework. Administrative tasks were taken away from the role of service engineers and technicians, which lead to a higher output (in the form of units under maintenance). A 6% increase of productivity resulted in lower hiring needs and related cost savings were able to be calculated.

Foresight allows for the informed design of targeted people practices to increase productivity such as scheduling, training, and incentive design.
HOWEVER, SOME ORGANISATIONS ARE STRUGGLING TO REALISE THE PROMISE

SPEND

60% Plan to increase spend

HAVE A WORKFORCE PLAN

Yes 77%
No 23%

EFFECTIVENESS

Source: Mercer Talent Barometer Survey
TOP TIPS

1. Have a clear but flexible methodology.
2. The workforce plan is owned by the business, but the process is driven by HR.
3. Focus on your critical workforce segments.
4. Plan for more than one outcome.
5. Find the right people (and skills) to support the process.
6. Your workforce plan should tell a story.
7. Workforce planning is not an “event”.

TOP 10 TIPS FOR STRATEGIC WORKFORCE PLANNING
CLOSE OF DAY 1

A TALENT NETWORK?

• CANDID PEER INTERACTIONS
• COLLEGIAL AND CONFIDENTIAL ENVIRONMENT
• ACCESS TO FELLOW MEMBERS’ “INSIDE STORY”
• HIGHLY PARTICIPATIVE SESSIONS
• STAY “AHEAD OF THE CURVE” RE GOOD PRACTICES & TRENDS
• TEST IDEAS TO INNOVATE
• VIRTUAL COMMUNITY AND F2F MEETINGS
# 15 Mercer Networks and 300 Members Globally

## Top 100 Network Members

<table>
<thead>
<tr>
<th>3M Company</th>
<th>CBS</th>
<th>General Dynamics</th>
<th>Lafarge</th>
<th>Reckitt Benckiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>AbbVie</td>
<td>Chevron</td>
<td>General Electric</td>
<td>Land O’Lakes</td>
<td>Rexam</td>
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<tr>
<td>Akzo Nobel</td>
<td>Chrysler</td>
<td>General Mills</td>
<td>Lockheed Martin</td>
<td>Rolls-Royce</td>
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<tr>
<td>Alcatel-Lucent</td>
<td>Cintas</td>
<td>General Motors</td>
<td>MasterCard</td>
<td>Royal Ahold</td>
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<td>Alcoa Inc.</td>
<td>Citibank</td>
<td>GlaxoSmithKline</td>
<td>MGM</td>
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<tr>
<td>ARAMARK</td>
<td>Coca-Cola</td>
<td>Goodyear</td>
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<td>ArcelorMittal</td>
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<td>AT&amp;T</td>
<td>Corning</td>
<td>Holcim</td>
<td>National Oilwell Varco</td>
<td>Sodexo</td>
</tr>
<tr>
<td>Avaya</td>
<td>Crown Cork &amp; Seal</td>
<td>Honeywell</td>
<td>Nielsen Company</td>
<td>Sony Europa</td>
</tr>
<tr>
<td>BAE Systems</td>
<td>Deere &amp; Company</td>
<td>IBM</td>
<td>Northrop Grumman</td>
<td>Stanley Black &amp; Decker</td>
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<tr>
<td>BASF</td>
<td>Dell</td>
<td>Ingersoll-Rand</td>
<td>Novartis AG</td>
<td>Sunoco</td>
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<tr>
<td>BAT</td>
<td>Disney</td>
<td>International Paper</td>
<td>Panasonic</td>
<td>Sysco</td>
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<tr>
<td>Bayer AG</td>
<td>Dow Corning</td>
<td>JM Smuckers</td>
<td>Parker Hannifin</td>
<td>TRW</td>
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<tr>
<td>BMW</td>
<td>Du Pont</td>
<td>Johnson Controls</td>
<td>PepsiCo</td>
<td>Unilever</td>
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<td>Boeing</td>
<td>eBay</td>
<td>Johnson &amp; Johnson</td>
<td>Pfizer</td>
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<td>Caterpillar</td>
<td>Ford</td>
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<td>Procter &amp; Gamble</td>
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