STRATEGIC WORKFORCE PLANNING
LATEST TRENDS AND LEADING PRACTICE EXAMPLES

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MAKE TOMORROW, TODAY   **MERCER**

A WORKFORCE TSUNAMI IS APPROACHING

CHANGING DEMOGRAPHICS

THE FRAGMENTED WORKFORCE

NEW MACHINE AGE
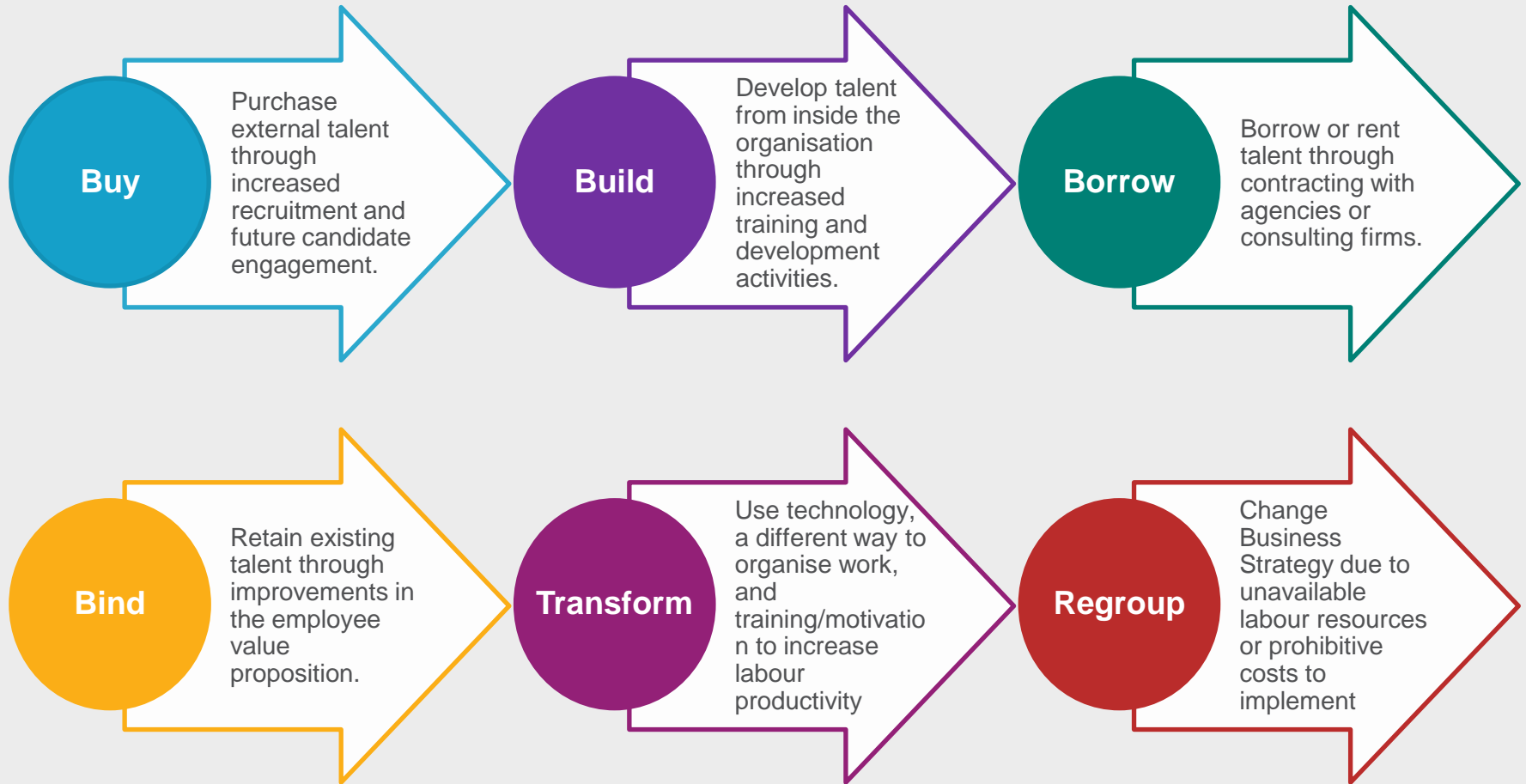
LEVERAGING THE BIG DATA PROMISE

THE OVERWHELMED EMPLOYEE

DIVERSITY AND LABOUR PARTICIPATION

CAREER MOBILITY

STRATEGIC WORKFORCE PLANNING

1 Gain strategic insights

- Organisation Imperatives
- Talent Implications

Demand Scenarios for Critical Segments

2 Measure the gap risks

- Talent Demand
- Workforce Gaps & Risks
- Talent Supply

Risk Assessment

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)

Workforce Plan

4 People Practices and Programmes

- Attraction
- Retention
- Engagement
- Career Development
- Performance
- Rewards
- Leadership
- Mobility

Talent Solutions & Ownership Model

3

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.
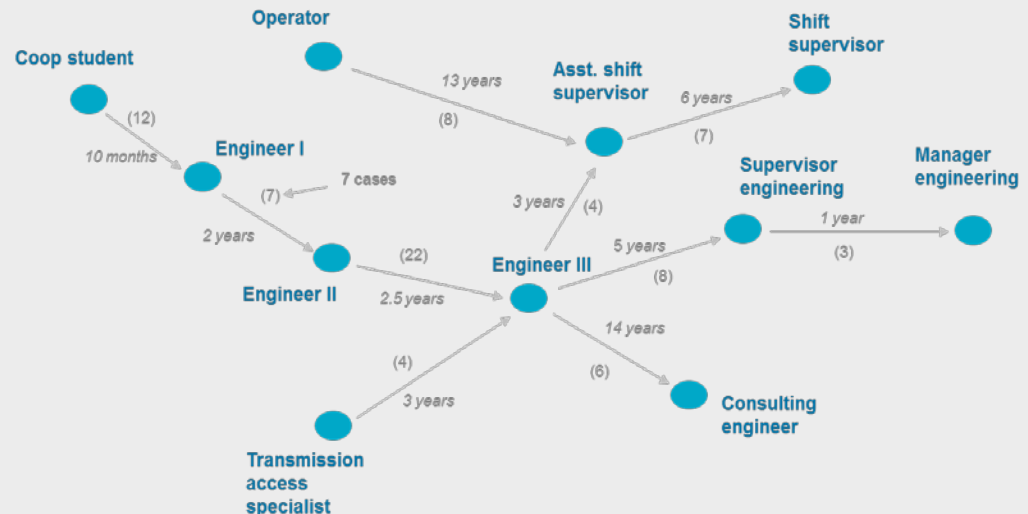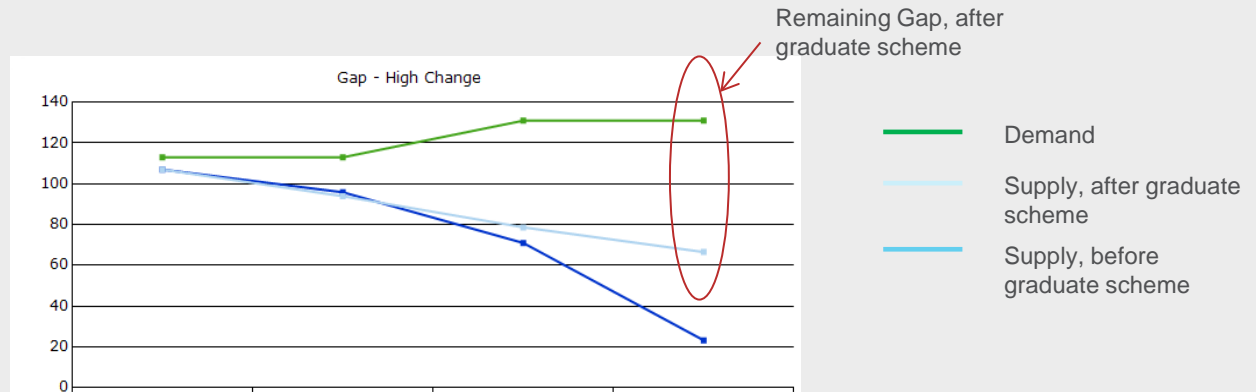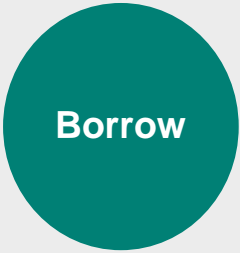
RECRUITMENT REQUIREMENT
(thousand employees, per year)

Legend:
- Recruitment due attrition
- Recruitment due growth

~ 25,000 new hires (within 5 y)

1,079 Supply within critical job
809 Qualified for job
314 Security-clearable
245 Available

Potential	Yield per drive	Average cost per year of tenure (USD)
(green)	> 7.4	< 400
(yellow)	> 7.4	> 400
(yellow)	< 7.4	< 400
(red)	< 7.4	> 400
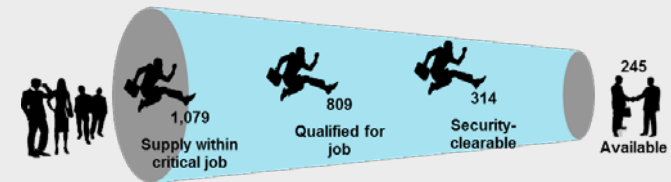
Build

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.

Remaining Gap, after graduate scheme

Gap - High Change

Demand

Supply, after graduate scheme

Supply, before graduate scheme

Borrow

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.

CLIENT EXAMPLE

- 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.

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: |

Proposed # of employees by salary grade

- 5
- 13
- 7
- 54
- 102
- 157
- 49
- 1
- 2
- 5

(axis: - , 50.00, 100.00, 150.00, 200.00)
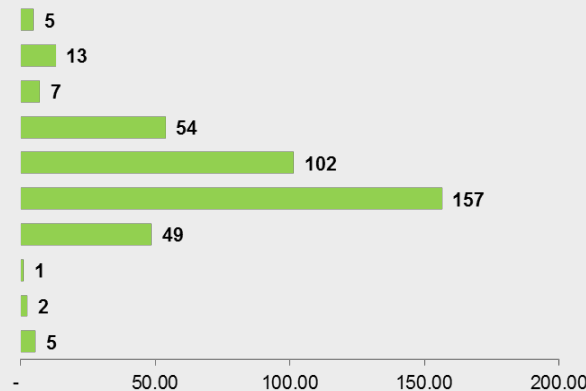
Total employee costs = $ 198M

Total cost of labour for 2014 = $ 239M

Proposed contractor spend $M

- 2011: 127.6
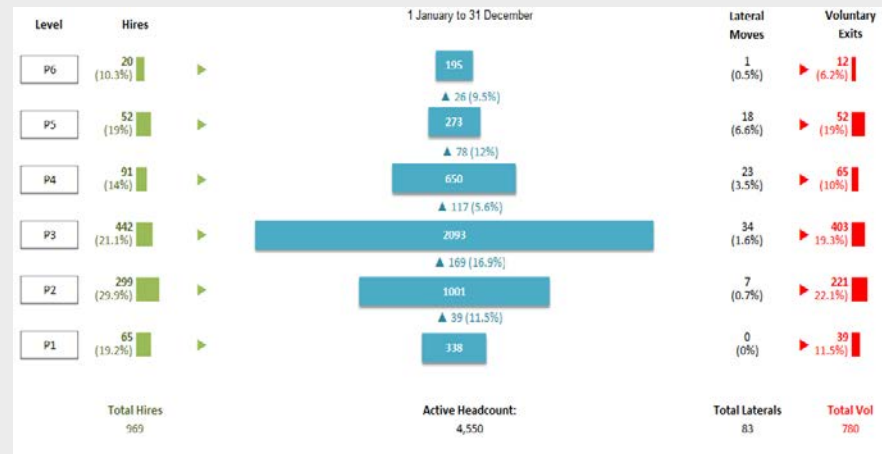- 2012: 159.8
- 2013: 86.4
- 2014 (f): 41.2
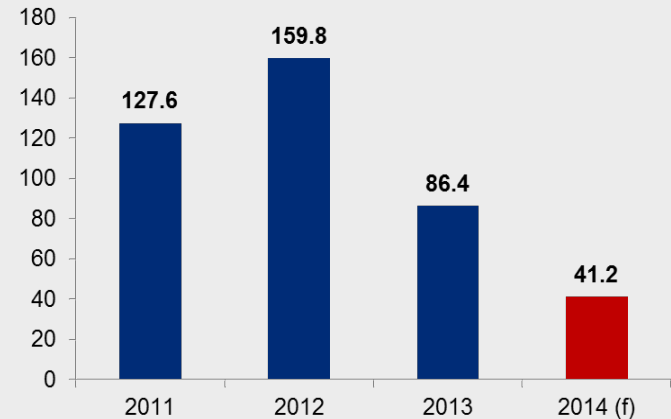
Bind

Foresight enables the identification of the best retention strategy for critical employment segments.
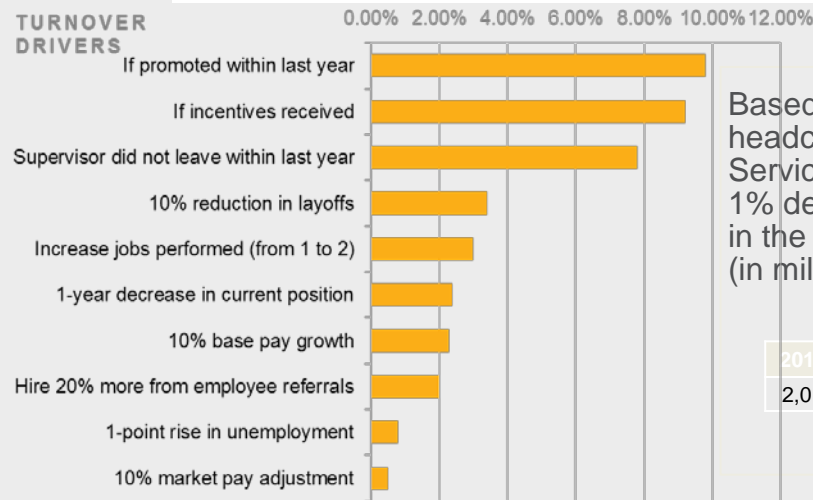
Foresight also improves the effectiveness of retention strategies over time through enhanced consistency and believability in support of a recognised employment brand.

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.

Level	Hires	1 January to 31 December	Lateral Moves	Voluntary Exits
P6	20 (10.3%)	195 ▲ 26 (9.5%)	1 (0.5%)	12 (6.2%)
P5	52 (19%)	273 ▲ 78 (12%)	18 (6.6%)	52 (19%)
P4	91 (14%)	650 ▲ 117 (5.6%)	23 (3.5%)	65 (10%)
P3	442 (21.1%)	2093 ▲ 169 (16.9%)	34 (1.6%)	403 (19.3%)
P2	299 (29.9%)	1001 ▲ 39 (11.5%)	7 (0.7%)	221 (22.1%)
P1	65 (19.2%)	338	0 (0%)	39 (11.5%)

Total Hires	Active Headcount:	Total Laterals	Total Vol
969	4,550	83	780

TURNOVER DRIVERS

0.00% 2.00% 4.00% 6.00% 8.00% 10.00% 12.00%

- If promoted within last year
- If incentives received
- Supervisor did not leave within last year
- 10% reduction in layoffs
- Increase jobs performed (from 1 to 2)
- 1-year decrease in current position
- 10% base pay growth
- Hire 20% more from employee referrals
- 1-point rise in unemployment
- 10% market pay adjustment

PERCENTAGE POINT REDUCTION IN TURNOVER

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):

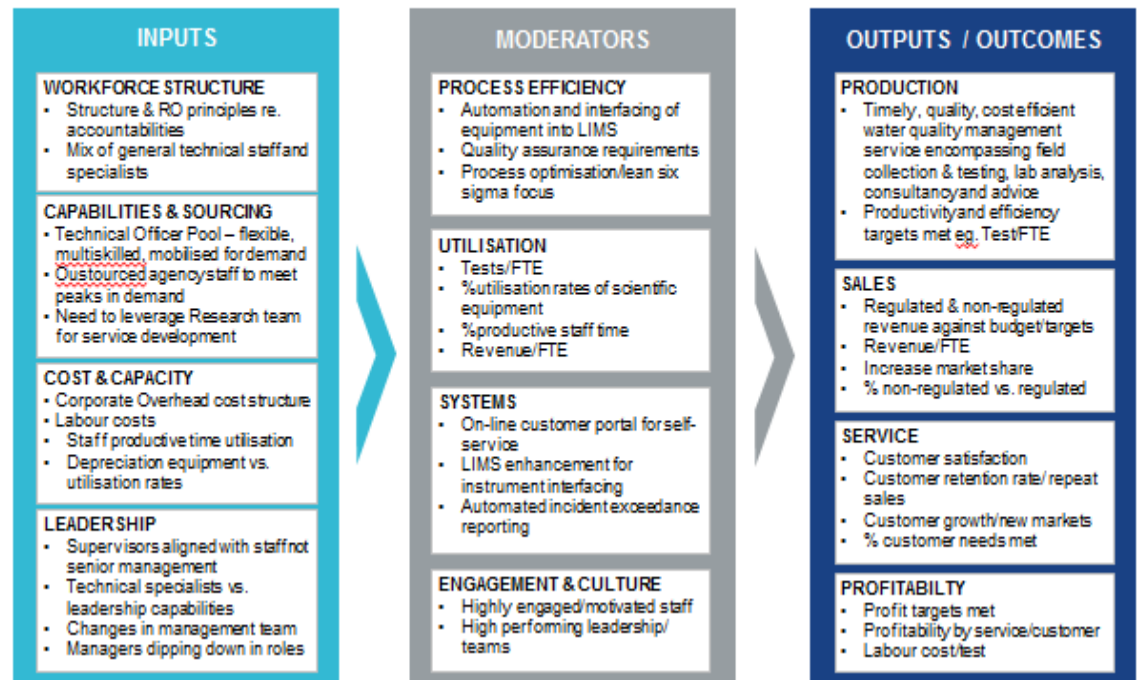| 2011	2012	2013	2014	2015	Total
2,01	2,39	2,81	3,28	3,88	14,4

Transform

Investments in technology take time to research and implement – as do efforts to reengineer work processes (including training).

Foresight allows for the informed design of targeted people practices to increase productivity such as scheduling, training, and incentive design.

CLIENT EXAMPLE

- 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.
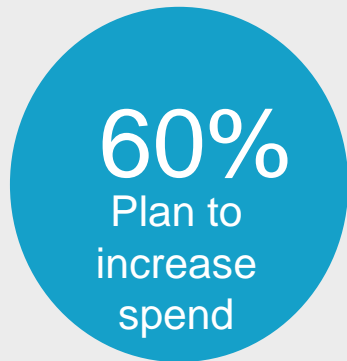

Workforce Productivity Driver Framework
What are the most important productivity drivers?

INPUTS

WORKFORCE STRUCTURE
- Structure & RO principles re. accountabilities
- Mix of general technical staff and specialists

CAPABILITIES & SOURCING
- Technical Officer Pool – flexible, multiskilled, mobilised for demand
- Outsourced agency staff to meet peaks in demand
- Need to leverage Research team for service development

COST & CAPACITY
- Corporate Overhead cost structure
- Labour costs
- Staff productive time utilisation
- Depreciation equipment vs. utilisation rates

LEADERSHIP
- Supervisors aligned with staff not senior management
- Technical specialists vs. leadership capabilities
- Changes in management team
- Managers dipping down in roles

MODERATORS

PROCESS EFFICIENCY
- Automation and interfacing of equipment into LIMS
- Quality assurance requirements
- Process optimisation/lean six sigma focus

UTILISATION
- Tests/FTE
- %utilisation rates of scientific equipment
- %productive staff time
- Revenue/FTE

SYSTEMS
- On-line customer portal for self-service
- LIMS enhancement for instrument interfacing
- Automated incident exceedance reporting

ENGAGEMENT & CULTURE
- Highly engaged/motivated staff
- High performing leadership/teams

OUTPUTS / OUTCOMES

PRODUCTION
- Timely, quality, cost efficient water quality management service encompassing field collection & testing, lab analysis, consultancy and advice
- Productivity and efficiency targets met eg. Test/FTE

SALES
- Regulated & non-regulated revenue against budget/targets
- Revenue/FTE
- Increase market share
- % non-regulated vs. regulated

SERVICE
- Customer satisfaction
- Customer retention rate/repeat sales
- Customer growth/new markets
- % customer needs met

PROFITABILTY
- Profit targets met
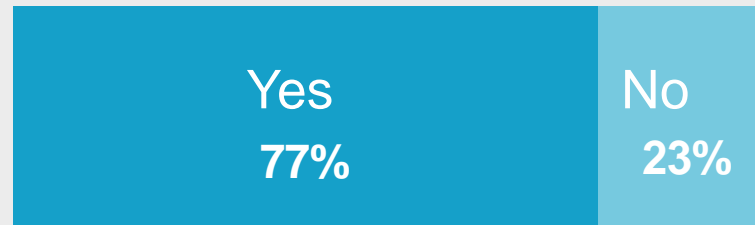- Profitability by service/customer
- Labour cost/test

Source: Mercer Workforce Productivity Drivers Framework, applied to the CBO context

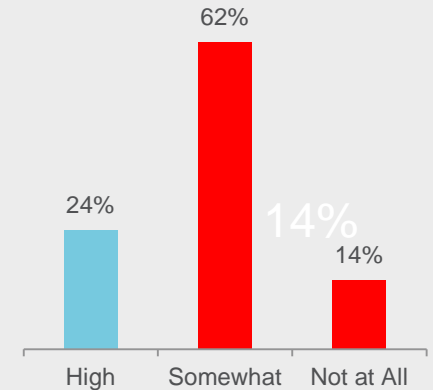# HOWEVER, SOME ORGANISATIONS ARE STRUGGLING TO REALISE THE PROMISE

SPEND

60%
Plan to increase spend

HAVE A WORKFORCE PLAN

Yes
77%

No
23%

EFFECTIVENESS

62%

24%

14%

14%

High | Somewhat | Not at All

Source: Mercer Talent Barometer Survey

TOP TIPS

Have a clear but flexible methodology

The workforce plan is owned by the business, but the process is driven by HR

Focus on your critical workforce segments

Plan for more than one outcome

Find the right people (and skills) to support the process

Your workforce plan should tell a story

Workforce planning is not an "event"

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

MAKE TOMORROW, TODAY

15 MERCER NETWORKS AND 300 MEMBERS GLOBALLY
TOP 100 NETWORK MEMBERS

3M Company	CBS	General Dynamics	Lafarge	Reckitt Benckiser
AbbVie	Chevron	General Electric	Land O'Lakes	Rexam
Akzo Nobel	Chrysler	General Mills	Lockheed Martin	Rolls-Royce
Alcatel-Lucent	Cintas	General Motors	MasterCard	Royal Ahold
Alcoa Inc.	Citibank	GlaxoSmithKline	MGM	Royal Bank of Scotland
ARAMARK	Coca-Cola	Goodyear	Michelin	Sanofi
ArcelorMittal	Colgate Palmolive	Hershey	Microsoft	Shell
AstraZeneca	Compass Group	Hertz	Mondelez	Siemens
AT&T	Corning	Holcim	National Oilwell Varco	Sodexo
Avaya	Crown Cork & Seal	Honeywell	Nielsen Company	Sony Europa
BAE Systems	Deere & Company	IBM	Northrop Grumman	Stanley Black & Decker
BASF	Dell	Ingersoll-Rand	Novartis AG	Sunoco
BAT	Disney	International Paper	Panasonic	Sysco
Bayer AG	Dow Corning	JM Smuckers	Parker Hannifin	TRW
BMW	Du Pont	Johnson Controls	PepsiCo	Unilever
Boeing	eBay	Johnson & Johnson	Pfizer	United Technologies
BP	Exelon	JT International	Philips	Verizon
British Airways	ExxonMobil	Kellogg Company	Philip Morris	Vodafone
BT Group	FedEx	Kone International	PPG Industries	Walmart
Caterpillar	Ford	Kraft	Procter & Gamble	WPP Group plc