Becoming Proactive About Your Future Workforce Demands

Author: Benjamin Sombi . December 2019

Being proactive in workforce requirements is one of the characteristics that separate the best organisations from the rest. All Leaders are required to understand the right numbers and skills of their future workforce that is demanded by deferent departments. These workforce demands arise from corporate plans which are translated into activity levels for each function and department.

Workforce demand forecasting is the process of estimating the future quantity and quality of *manpower requirements*. There are different methods used for forecasting workforce demand. There is no one appropriate method, it depends on the organisation being assessed.

We have both qualitative methods and quantitative methods. Quantitative approaches to forecasting involve the use of statistical or mathematical techniques. In this article, we will discuss each method briefly. We will not cover all methods as they are many

1. Trend analysis or regression analysis

This method forecasts employment requirements on the basis of some organisational index and is one of the most commonly used approaches for projecting workforce demand. Trend analysis predicts the demand for labour based on projections of past relationship patterns over a number of years between an operational index (e.g. revenue per employee and productivity per employee) and the demand for labour (number of employees).

Regression analysis allows for adjustment of seasonal fluctuation, long-term trends, and random movement when forecasting. This method provides statistical projections using mathematical formulas to determine the correlation between multiple measurable output business factors (independent variables) and an organisation or department's employment level (dependent variable).

Here we assume that the past employment needs are indicative of future needs when linked with an operational index.

IPC in 2018 carried out a workforce demand exercise for a big firm in Zimbabwe. The objective was to establish if the organisation had the optimum number of employees. They wanted to know which departments needed more employees or had more employees than required.

2. Ratio analysis

Ratio analysis determines future workforce demand based on ratios between assumed business factors and the number of employees needed. Ratio analysis appears very similar to trend analysis, but the primary difference is that there is no requirement for significant historical data collection. This allows organizations that do not have easy access to multiple years' worth of data to use current ratios to help estimate future demand.

For example, lecturers to students' ratio can be used to estimate the number of lecturers or assistants that are required for a given year.

3. Work-Study Techniques

Work-study techniques can be used when it is possible to apply work measurement to calculate the length of operations and the amount of labor required. Work-study analysis involves techniques such as workload analysis and time utilisation analysis.

Under workload analysis, the amount of workload and the continuity of operations are determined. Accordingly, the labour requirement is determined. The workload becomes the base for workforce analysis for the forthcoming years. Here due consideration is given to absenteeism and labour turnover. Time utilisation analysis is the process of ascertaining an optimal distribution of work hours that would help the company ensure its sustainability and profitability.

A number of organisations in Zimbabwe have applied workload analysis to determine how many employees they need for certain departments. After that they then establish how much time each skilled employee needs to perform certain duties. This helped them increase morale by avoiding employee burn-out.

4. Delphi method

This process involves a panel of experts using their judgments to make estimates of short-term future demands. Experts use a variety of factors to make their judgments, including economical, demographical, technological, legal, and social conditions outside of the organisation, as well as production, sales, turnover, experiences, and education levels of the workforce within the organisation.

5. Scenario Analysis

Due to the high number of factors that can affect predictions of workforce demand, some organisations prefer to conduct a scenario analysis rather than determining a single demand scenario. Scenario analysis provides multiple estimates of future workforce demand, contingent on a unique set of assumptions and circumstances for each scenario. This method involves recognizing uncertainties about the future. For example, forecasts are contingent upon the overall economic outlook of the firm's output. An organisation may create three different estimates accordingly, one for a constant economic situation (e.g., zero growth), a second for some anticipated economic growth (e.g., five percent growth), and a third for the possibility of economic decline (e.g., five percent reduction).

The net human resource requirement depends upon the human resource requirement of the organization for the future i.e. demand forecasting and the total supply of human resources available. We will discuss the workforce supply methods in our next article.

Benjamin Sombi is a Data Scientist, Entrepreneur, & Business Analytics Manager at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

https://thehumancapitalhub.com/articles/Becoming-Proactive-About-Your-Future-Workforce-Demands