

How does supply and demand affect workforce planning?

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All businesses regardless of their size and sector, depend on human capital to succeed. Despite its importance, human capital is often not carefully planned, measured or optimized. It is a common rule that [workforce planning and optimisation](#) is one of the key roles of every leader.

Workforce planning is a term used to describe the *planning* process undertaken to ensure that an organisation has the right people with the right skills at the right time performing the right tasks. It is simply a methodical process that documents the directions in which an organisation is heading and provides managers with a tool for making human resource decisions now and into the future.

A talented and aligned workforce is crucial for bringing strategy to life and ensuring an organisation delivers on its objectives. Great *workforce planning* should balance both *workforce demand and supply*. There is a number of techniques used to forecast both *workforce demand* and *supply* but the overall goal is to make sure you don't have *workforce surpluses or shortages*.

[Workforce demand forecasting](#) is the process of estimating the future quantity and quality of *manpower requirement*. In *demand forecasting*, one should consider product demand, economics, technology, financial resources, absenteeism, turnover, organisational growth and philosophy.

Knowledge of the present situation on manpower requirement is essential if a satisfactory forecast is to be made. After knowledge of present situation, *future forecasts* can be made from long term corporate plan which are translated into activity levels for each function and department.

For example, in a manufacturing company, the sales budget would be translated into a manufacturing plan, giving the numbers and types of products to be produced in each period. From this information the number of man-hours, by skill and personality categories, required to set the target for production would start from the production plan setting out a programme for installing new machinery. In an insurance company, forecasts of new business would be translated into the number of proposals that would have to be processed by the underwriting department. In a mail order company, forecasts would be made from the number of orders that are to be processed, assembled and dispatched.

The factors that influence *workforce demand* include; External Environmental Challenges (challenges that arise from economic developments, political, legal, social, technical changes, and the competition.), Organisational decisions (the organization's strategic plans, sales and production forecasts and new ventures.), and Workforce Factors (for example retirements, terminations, resignations, death and leave of absence, among other reasons).

Once an organization has forecast its future requirements for employees, it then goes on to determine how it can fulfil its requirements. *Workforce supply* forecasting involves determining if there are sufficient numbers and types of employees eligible for the positions in question. It scans the internal and external environment for the best-fit candidate for the positions in question.

Internal supply includes staffing tables, [markov analysis](#), skills inventories, management inventories, replacement charts and succession planning. External supply includes demographic changes, education of workforce, new graduates, labour mobility, government policies and unemployment rate.

Gap analysis is the process of comparing your current *workforce supply* to your *workforce demand* and identifying gaps (deficits or surpluses). The process of identifying the differences between *supply and demand* establishes the roadmap for your organisation's Workforce Action Plan. One should prioritise those gaps that are critical to the delivery of your organisation's future goals. The focus should be on these gaps at least initially.

Microsoft and Shell Oil (which used to operate in Zimbabwe) are some of the organisations that have a good reputation on *workforce planning*. For example, Shell in the 90s used *scenario planning* to generate a number of possible options for their future *workforce*. This benefited them in the next crisis that stroke the oil industry and most of their competitors suffered because they were not prepared.

In a nutshell, a balance between *workforce demand and supply* will allow for a more effective and efficient *workforce*. Well forecasted and planned supply helps an organisation to ensure that replacements are available to fill important vacancies in the right time and with the right skills.

After proper [workforce planning](#), realistic budgets for recruitment, training or retraining, development, career counselling and succession planning can easily be done. Other activities such as restructuring, reducing or expanding your workforce can be done objectively.

A number of organisations are now starting to realise the value of *workforce planning*. The billionaire Bill Gates once said, ***“Bringing together the right information with the right people will dramatically improve a company's ability to develop and act on strategic business opportunities”***. It is time for organisations to utilise the benefits of workforce planning.

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