

Workforce Planning in the Public Sector: Balancing capability and affordability



Introduction

The workforce of the future will look significantly different to today; effective workforce planning will be essential to enabling a successful transition.

The public sector is experiencing unprecedented levels of change. Shifts in technology, workforce demographics, pressure on staffing budgets and expectations of how citizens and businesses interact with government are all shaping the workforce of the future.

More people expect digitally-enabled services, and government departments and agencies need to work in an agile way to effectively meet these expectations.

Many organisations are embracing the challenge, building partnerships with each other and industry to ensure future success. Yet limited insights into current workforce capability and future requirements often impede these efforts. PwC's 21st CEO Survey¹ found that 79% of Australian CEOs are concerned about the availability of key skills.

Investment in activities that affect the here and now is understandable, but a more strategic view of threats and opportunities will help bring the future into focus. To determine future workforce skill and capability requirements, we need longer planning horizons, and alignment between strategy choices and workforce implications.

Unreliable workforce data and limited analytics capabilities result in executives resorting to simplistic measures of success. For instance, remaining within workforce caps demonstrates an ability to manage staffing numbers but shows no initiative to build capability for the future. Having the right number of staff can't be the only important issue. Shouldn't we consider the mix of skills and capabilities too?

Shaping the future of the public sector workforce requires us to look past the current standard to consider how workforce affordability and capability is valuable to the business.

A mature approach to strategic workforce planning and the development of meaningful people analytics will equip executives to make informed and effective decisions about their workforces for the long term.

Trends affecting the workforce



Technological breakthroughs

Rapid advances in technological innovation



Demographic shifts

The changing size, distribution and age profile of the world's population



Rapid urbanisation

More people moving to live in cities



Shifts in global economic power

Power shifting between developed and developing countries



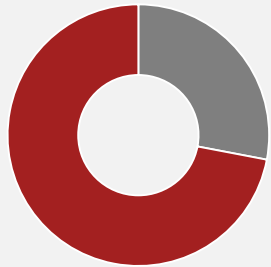
Resource scarcity and climate change

Depleted fossil fuels, extreme weather, rising sea levels and water shortages

PwC Workforce Planning Survey highlights²

Progress in workforce planning is slow because most organisations focus on short planning horizons

The impact of future workforce requirements, demand drivers and external trends needs attention



72% of respondents were not satisfied with their ability to **predict future workforce needs** to deliver the right people, at the right time, at the right cost



63% of respondents felt that their existing strategic workforce planning approach did not adequately take into account or address the possible impact of **external future workforce trends**

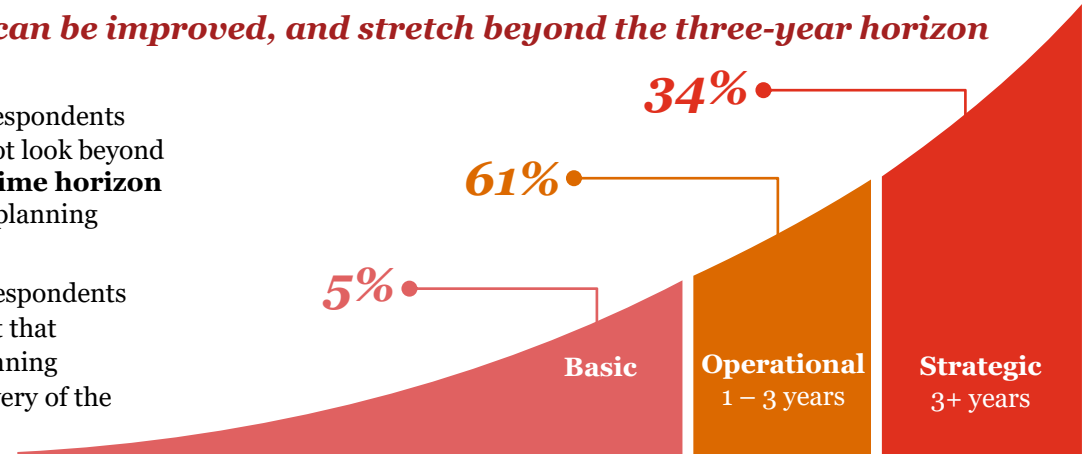


50% of respondents did not understand their organisation's workforce **demand drivers**, or have strategies in place to **address critical capabilities**

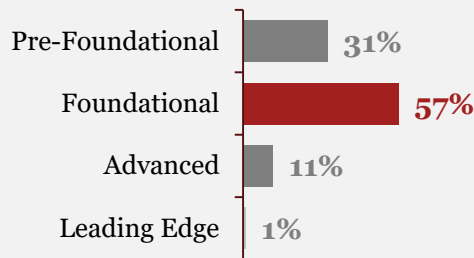
Planning can be improved, and stretch beyond the three-year horizon

61% of respondents said they do not look beyond the **1-3 year time horizon** for workforce planning

53% of respondents were confident that workforce planning **enabled** delivery of the **right talent**



Data and analytics can better inform workforce planning



57% of respondent said they were operating at a **foundational level** of maturity, which involves basic core HR analytics, tools, metrics and analysis, simple dashboards



Data integration governance:

70% have a manual data analytics process and disparate data sets, which increases manual errors and lowers data confidence



People capability:

73% believe that their analytics function is under-resourced, and doesn't have a sufficient level of analytics capability to deliver insights



Analysis was mostly retrospective:

70% focused on retrospective ("what happened?") rather than future focused ("what will happen and what should we do?")

Implications

Without a proper focus on longer-term strategic workforce planning, the impact will be broader than localised workforce challenges



Organisations

Leaders need to consider what capabilities will be required in the future and have firm plans for how they will build, buy, or borrow talent to ensure they can deliver against strategy.

Workforce planning is an essential part of an enterprise planning approach, but only 53% of respondents were confident that their current practices were enabling the delivery of the right talent at the right time².

Competition for the right talent remains tough. Without an appropriate focus on scenario planning and impact modelling, organisations could fail to consider a range of external and internal drivers, increasing their workforce risks.

In lieu of a clear plan, organisations continue to make short-term decisions based on affordability, without considering long-term capability requirements.

Employees

In one way or another, all roles will be affected by change over time - the question is to what degree can this be effectively managed to minimise negative effects on the workforce.

Digital transformation will profoundly affect the types of roles, business processes, customer behaviours, and ways of working within our organisations.

Leaders must ensure their workforces are future-ready. By developing a clear understanding of their current and future workforce capability, they can determine the workforce gaps and implement strategies for skills development.

Reassuringly, survey results indicate employees are ready to transition and open to enhancing their skills, with 74% of respondents saying they are prepared to re-train to remain employable in the future².

Citizens

The public sector is under increasing pressure to deliver effective and affordable citizen-centric services, and organisations must evolve to more agile and innovative ways of working.

Key to success will be determining the core capability an organisation requires to be successful, and effectively training, mobilising, and motivating that workforce.

Leaders must decide what capabilities they will build themselves, and what they will buy from the market. Each role should have a career pathway showing how people can be retrained and redeployed, ensuring sustainable employment options as roles are affected by change.

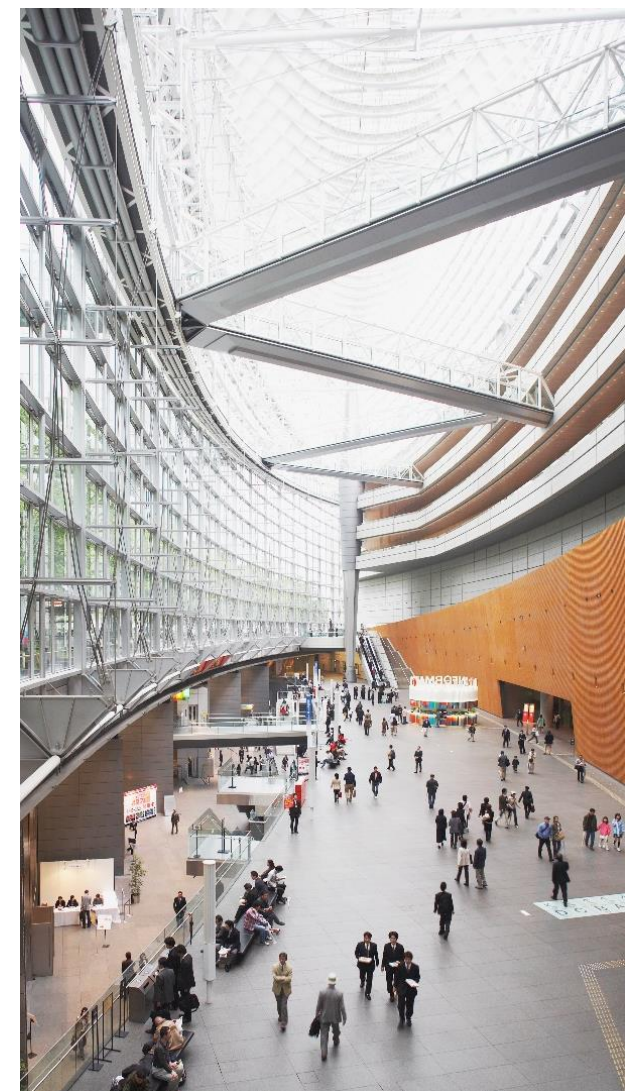
By taking this approach, organisations can continue to deliver high-quality services to citizens as the world around them changes.

Opportunities

Focus on both internal and external opportunities

Based on our experience working with the public sector, we see three distinct opportunities organisations should consider to optimise their workforce planning outcomes.

 <p>Focusing on workforce capability, not just affordability</p>	<p>Increasing or decreasing the size of a team to achieve budgeted staffing levels is too simplistic: there must be a focus on critical capabilities.</p> <p>Essential questions to ask are:</p> <ul style="list-style-type: none">• How will the organisation's strategy or operating model change over time?• How will this affect workforce demand in the short, medium and long-term?• What are the identifiable and material gaps between supply and demand for critical skills and capabilities?
 <p>Plan for the future through workforce scenarios</p>	<ul style="list-style-type: none">• The public sector can better position itself for the future through a variety of workforce solutions• Leverage 'what-if' scenarios and determine workforce capacity and capability implications for each• Scenarios show the resultant talent gaps when different events occur and when workforce decisions are made• Consideration of various potential future outcomes is a key enabler for business leaders and decision makers
 <p>Managing the total workforce</p>	<ul style="list-style-type: none">• Across the public sector traditional silos continue to exist within HR and Finance• Both public servants and contractors need to be considered in determining workforce supply• Agile workforce practices will mean organisational effectiveness relies on the ability of a blended workforce to come together to solve complex problems regardless of individual employment arrangements



Start from where you are...

To mature your workforce planning capability and look further to the future, we recommend taking action across four activities



Align your workforce strategy with business strategy and capabilities

Workforce planning should be done alongside business planning in a 'two track-process'. One is operational and aligned to business and budget planning, and the other a longer horizon, data driven, strategic sweep that accounts for seismic shifts in workforce supply and demand.

The second track must forecast the impact of changes in the environment including technological, generational and cultural, and define the required future workforce to meet these challenges.



Make iterative improvements to your workforce planning process

For organisations with workforce planning processes in place, analyse the strengths and weaknesses of your approach and look for opportunities to improve.

The key is to concentrate less on cyclical workforce planning processes, and more on continuous improvement to the overall approach. Value comes from embedding processes, measuring outcomes, digitally-enabling the process wherever possible, using better data, and building your workforce planning capability.



Accelerate development of critical capabilities

Once you have identified capability and capacity requirements, a tactical approach is essential to accelerate the development of critical capabilities. This means having a robust action plan in place to build, buy, or borrow to address capability gaps.

Successful organisations accelerate the development of critical capabilities to maximise investments—and carefully consider the breadth of available reskilling, upskilling, and employment models.



Build confidence in your data to power your people decisions

Data-based insights can tell you a lot about your people and drive better decisions at every level. However, data is rarely harnessed and taken from analysis to action.

HR needs to lead the change in building confidence in data across the employee lifecycle. With the right data, you can create simple but powerful models to scenario plan and predict future needs.

...build from there...

Understanding your workforce planning capability is essential to improving it

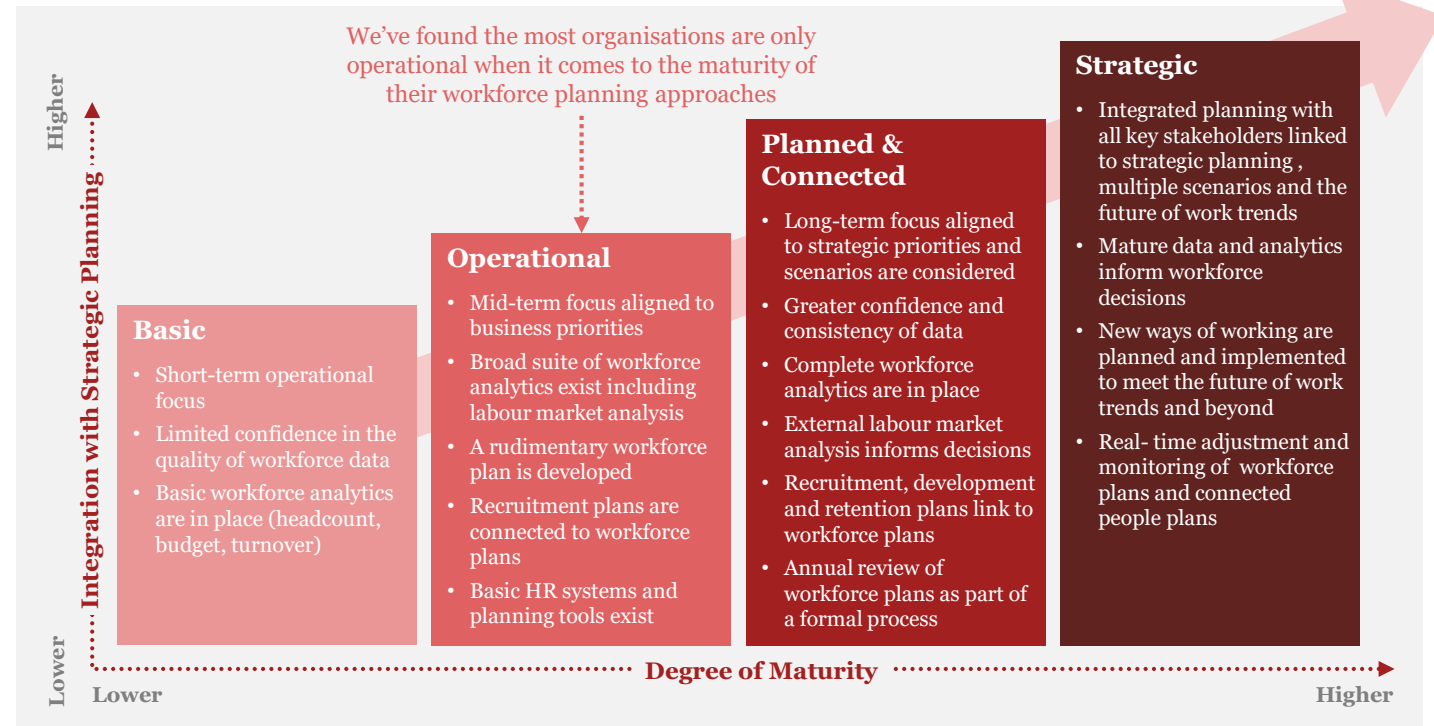
So how do you move beyond operational to strategic?

Investment in building organisational capability is key to enable data-driven decisions, and equip your organisation to meet future challenges.

Understanding how you compare and how you can get to the next level will help build your workforce planning maturity from operational to strategic.

A shift from operational to strategic workforce planning won't happen overnight. It is a critical business capability that must be developed and built over time.

With commitment, support, and a focus on improving the approach and alignment to strategic planning, improvements can be made that will enable business strategy and increase workforce agility.



To bring your workforce planning capability to life, we recommend that you position your leaders to respond

Workforce planning cannot be seen as only HR's responsibility. HR is the natural custodian of the approach, but for strategic workforce planning to be effective it must be owned by the business. Leaders are typically inexperienced at this activity. Maturing organisational effectiveness will require a combination of building both a technical centre of excellence to design and govern the enterprise approach, and leadership effectiveness in data-driven decision making. The development of localised workforce strategies and agile workforce management of increasingly blended workforces will also be critical to success.

Empowering your leaders to take ownership of their workforce affordability and capability challenges and holding them to account for the outcomes of their decision making are tangible levers that organisations can pull to ensure that leaders across the enterprise work together to make informed decisions that consider the impact on government, employees, and society as a whole.

...and deliver sustainable change over time

Don't fear the future - plan for it

Workforce planning is no longer only for select organisations with unique operational requirements—it is essential for your organisation regardless of size, focus, or operating environment. The workforce of the future will look very different to the current workforce. To ensure you are on the front foot to meet this change, we recommend you use strategic workforce planning to guide your talent strategies, and plan affordable workforces without compromising on capability.

To anticipate impending change, you need to know...



Where you want to be

Look beyond the three-year horizon: what role does your business serve in five to ten years? How do your people deliver this?



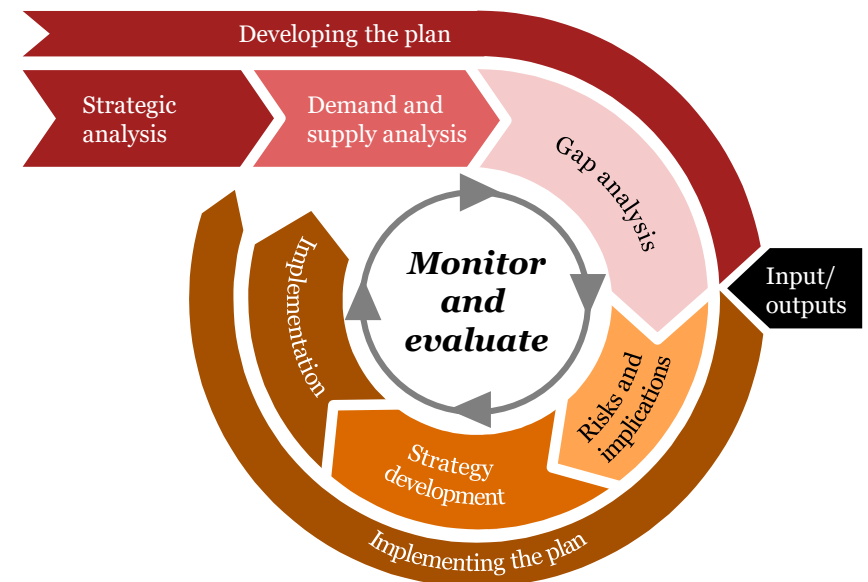
How you can get there

Do you know what changes you need to make? How will you align the affordability concerns of today with the capability needs of tomorrow?



If your workforce planning is up to the task

Are you confident you have the internal capability to create a joint agenda between finance and HR? How are you engaging with your people to design 'best-fit' initiatives and drive lasting change?



The PwC Workforce Planning Methodology

The future of work is already happening and accelerating—to confidently prepare, you need to act now. **What does your plan look like?**

At PwC, we have worked extensively with government and across multiple sectors in Australia and globally. We can bring this experience to help you evolve your workforce planning capability and think beyond short-term affordability, instead aligning your financial and capability agendas to embed long-term, sustainable change over time.

Read further on the future of work³ to identify the considerations for *your* organisation, and consider how the findings of our 21st CEO Survey¹ relate to you.

Contacts



Ben Neal

Partner – People & Organisation

Canberra

Email: ben.neal@pwc.com

[LinkedIn](#)



Stephanie Waddon

Director – People & Organisation

Canberra

Email: steph.waddon@pwc.com

[LinkedIn](#)

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Footnotes

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- ² PwC Workforce Planning and Analytics Survey, 2017 (includes 98 responders working as Executive or HR Professionals)
- ³ PwC Workforce of the Future, <https://www.pwc.com.au/people/workforce-of-the-future-mar18.pdf>, 2017

Further reading

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- Committee for Economic Development Australia, <https://www.ceda.com.au/Research-and-policy/All-CEDA-research/Research-catalogue/Australia-s-future-workforce>, 2015
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