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The Government Workforce
of the Future: Innovation in
Strategic Workforce
Planning in OECD Countries

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The Government Workforce of the Future: Innovation in Strategic Workforce Planning in OECD Countries

Abstract

Strategic workforce planning is gradually becoming a key priority and core management practice for public sector employees in OECD countries. In times of limited resources, governments are required to demonstrate workforce planning capability to meet current and future challenges for service delivery and to produce efficiency gains. Since experience in workforce planning remains limited, a simple but pragmatic approach that takes into account the national context is recommended. To send consistent messages about financial and human capital resources required to achieve government's programmatic goals, workforce planning should be aligned with the budget process. Its success depends on the cooperation between the finance authority, the central Human Resource Management (HRM) body, and line managers in individual ministries and agencies. The implementation of workforce planning continues to present difficulties for practitioners. Therefore, management flexibility, incentives to engage managers, developing workforce planning capability, and revisions to the HRM process are critical to pave the way for a successful implementation. Monitoring and evaluating progress of the workforce plan and its contribution to the programmatic goals should be conducted systematically.

FOREWORD

Governments are increasingly turning to strategic workforce planning and management to effectively ensure capacity for service delivery while generating efficiency gains. The benefits of conducting workforce planning are varied, but it essentially helps organisations to get the right people in the right job at the right time. It allows for a more effective and efficient use of staff and for organisations to prepare for restructuring, reducing or expanding their workforces. Countries are also trying to be better prepared for the future so that they are not caught in a purely reactive mode, forced to take *ad hoc* measures that relieve fiscal pressures while simultaneously generating other problems. Workforce planning can also act as a lever for informed human resource management (HRM) decisions. Thus, the OECD Network on Public Employment and Management (PEM) requested the OECD Secretariat to provide a comparative report on the practice of workforce planning in the public service across member countries.

To respond to PEM delegates' request, the OECD Secretariat organised a Symposium on "The Government Workforce of the Future: innovation in strategic workforce planning in OECD countries" on 11-12 June 2012. National experts on workforce planning addressed questions such as: How can governments maintain and improve the capacity of the public service while producing savings? How do OECD countries plan to acquire, develop, and maintain the skills and competencies required for service delivery in a context of budget cuts? How are OECD countries implementing workforce planning? What building blocks are needed to integrate workforce planning into the organisational management culture? Finally, what lessons can be drawn from past experience?

This report benefits from the discussions held during the Symposium; a literature review; and the contribution of member countries through the 2010 OECD Strategic Human Resource Management Survey in Central/Federal Governments. Its aim is to assist countries in their quest towards a more strategic management of the workforce that supports a leaner, more strategic and results oriented government.

This project was led by Oscar Huerta Melchor (OECD Secretariat). Initial research was conducted by Cornelia Lercher and Jacob Arturo Rivera Pérez (OECD Secretariat). Useful comments were provided by Robert Ball and Maya Beauvallet (OECD Secretariat). Janos Bertok and Edwin Lau successively oversaw the project.

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THE GOVERNMENT WORKFORCE OF THE FUTURE: INNOVATION IN STRATEGIC WORKFORCE PLANNING IN OECD COUNTRIES

Introduction

To be responsive to social demands, governments depend on a talented, diverse, high-performing, and knowledge-based workforce. The workforce defines government's character and capacity to perform. Governments from across OECD countries increasingly recognise that effective organisations integrate human capital approaches as strategies for accomplishing their mission and desired outcomes. The effectiveness of this integration is judged by how well it helps achieve organisational goals. OECD countries recognise to an increasing extent that high-performing organisations must stay alert to emerging mission demands and human resource challenges, and must be prepared to evaluate the human resource management practices in achieving their strategic objectives.

OECD countries are increasingly turning to workforce planning, a core HRM process, to ensure that they have the adequate human capital to accomplish their mission and meet their strategic objectives. Workforce planning efforts can enable an organisation to assess and anticipate its current and future needs such as the size of the workforce, the deployment of the workforce across the organisation, and the knowledge, skills and competencies needed to pursue its mission.

OECD (2011c) research has found that although some OECD countries have developed sophisticated systems to link workforce planning and management with strategic planning, budgeting and public policy evaluation, many member countries continue to make little use of workforce planning. There appears to be considerable scope for some countries to make HRM and employment provisions in the public service more flexible in order to support the adaptation of the workforce. The economic crisis may offer a window of opportunity for reforms. Governments have to make sure, however, that when pursuing flexibility they do not undermine HRM rules that prevent patronage and corruption.

Hence, the aim of this report is to present, in a comparative perspective, the trends and innovative practices in workforce planning in the public service across OECD countries.

The Strategic Context for Workforce Planning

Five years after the global financial crisis and two years after the European sovereign debt crisis, most OECD member countries have introduced a variety of austerity measures intended to restructure public finances. The results of the "OECD Fiscal Consolidation Survey 2012" found that most of the participating OECD countries, as part of their consolidation measures, use programme expenditure measures (i.e., health care, social benefit systems, old-age pensions, infrastructure, official development assistance, and transfers to sub-national governments) to a larger extent than operational measures (government's running costs). Ireland and Greece, plan to achieve more than 70% their fiscal reduction targets through cuts to programme expenditures. In Portugal, about 40% of expenditure reduction measures are operational measures, including wage cuts. In Denmark, cuts in operational expenditures amount to 87% of total expenditure reduction measures (out of a small total). France will cut operational expenditures by 10%. The Netherlands and the United Kingdom have also announced substantial reductions to operational expenditures. In the Netherlands, these savings will be implemented at all levels of government, amounting to EUR 6 billion by 2015. In the United Kingdom the operational budget of all ministries will be reduced by 33% to 42% by 2014.

The results of the survey also show that over three-quarters of participating OECD countries have marked operational expenditures for savings with wage cuts and staffing reductions included in the reform

agenda, although this percentage is slightly lower than in 2011. Among participating countries, 59% are introducing wage cuts (e.g., wage freezes in the United Kingdom and the United States; 5-10% wage cuts and salary freezes in Portugal and Spain; and a 2% wage cut in Italy) and 28% are undertaking staff reductions (e.g., 20% cut in central government staff in Japan; 10-12% reduction in staff in the Czech Republic, Ireland and Poland; a 1/3 reduction in the public workforce in Italy by 2014; the elimination of up to 10 000 staffing positions by 2014 in Germany; and a reduction of 1/3 of administrative costs of government in the United Kingdom, resulting in the lowest number of civil servants since the Cold War). Such cuts have a significant effect on employment and public finances, as governments in OECD countries employ, on average, 15% of the labour force, and compensation costs account for 23% of government expenditures on average. The public sector wage bill in the OECD area amounted to 11.4% of GDP in 2009 on average, decreasing to 10.8% of GDP in 2011 due to wage cuts and staff reductions across OECD countries.

Table 1. Workforce reduction measures in selected OECD countries

Country	Measure	Country	Measure
Austria	Replacing 50% of retiring staff	Italy	Replacing 20% of retiring staff
Czech Republic	10% reduction in staff in 2010	Netherlands	Reduction of 120 000 to 150 000 jobs
Denmark	Reduction of administrative staff	Poland	10% reduction in staff
Estonia	15% decrease in personnel costs	Portugal	1% reduction in staff per year, 2012-14
France	Replacing 50% of retiring staff	Slovak Republic	Hiring freeze
Greece	Replacing 10% of retiring staff	Spain	Replacing 10% of retiring staff
Ireland	12% reduction in staff by 2010	United Kingdom	Reduction of 490 000 jobs, hiring freeze

Source: OECD (2011c), *Public Servants as Partners for Growth: Toward a stronger, leaner and more equitable workforce*, OECD Publishing, Paris.

Operational expenditure measures are being used by countries as a signal to markets and the public regarding government's determination to improve fiscal balances by taking politically difficult decisions. However, the effects of staffing and salary cuts and freezes on employee motivation and the longer-term consequences on the attractiveness of the public sector as an employer are not yet clear. Past experience has shown that reductions in operational costs are mainly a stopgap measure. In the long-term, they may contribute to lower employee morale employees, damage the perception of public career opportunities, and make it difficult to attract and retain high-qualified people for key occupations. In countries like Portugal, the image of the public sector has reportedly deteriorated, whereas in others like Slovenia and Spain it still attracts and retains qualified staff. At the same time, evidence suggests that recruitment freezes are probably the most detrimental approach to downsizing, because they are indiscriminate and limit the ability of organisations to restructure and reskill. Moreover, as they tend to be protracted, the negative impact on the morale of staff and managers and on the capacity to deliver services is likely to be significant. Some countries are outsourcing certain tasks to the private sector to reduce staffing levels and costs. But such outsourcing may hinder the development of skills in the public service and, in fact, may increase transaction costs.

Reductions in compensation and staffing levels are not the only threats to government capacity and capability. Demographic developments are also creating pressures to reform management of the public workforce. The workforce is ageing in many OECD member countries, in some cases even more rapidly than the rest of society and the wider labour market (OECD, 2007a, 2011b, 2011c). For example, in Italy 50% of central government employees are more than 50 years old; in Belgium, Germany, Iceland, Sweden and the United States the percentage is over 40%. An ageing public workforce increases the fiscal burden while decreasing the immediate capacity to respond to the general challenges of population ageing. The large numbers of retirements from the public service will affect capacity for service delivery. Moreover, the pressure to decrease staff costs conflicts with the costs of maintaining capacity through new recruitment, the retention of older and more expensive workers, and increased resources devoted to

training. While several countries – for instance Canada, Denmark, the United Kingdom, and the United States – are taking steps to plan for ageing public services (e.g., by focusing on skills, recruitment strategies and pension reforms), many governments have yet to focus their full attention and develop strategies in this area. Current cost-cutting measures may overshadow the need to plan ahead for ageing workforces and to adapt to other demographic changes, such as more diverse workforces and the loss of skills through emigration.

Another key challenge is the competition for skilled labour. Recruiting the best candidates into the public workforce is important at a time when the loss of experienced employees due to redundancies and retirement are creating a looming talent shortage. While the current economic context and the rise of unemployment in the private sector may certainly increase the number of applicants to the public sector, governments will still have to offer more than a steady job to attract highly qualified candidates. Governments compete with private firms offering attractive salaries. In some cases, the negative image of government may also make recruiting qualified personnel much tougher. The extent of the problem varies across OECD countries and occupational sectors. .

Several OECD countries have policies to foster diversity in the composition of the public workforce and enhance equality, but progress has been slow. OECD data (OECD, 2009) show that although women are well represented in the public workforce, they tend to occupy administrative and middle-management positions. Top management positions still tend to be filled by men. Indigenous populations, immigrants and disabled people face tougher challenges joining the civil service, as they do not generally have the same means of education and training possibilities. Without effective diversity policies, the possibilities for the civil service to acquire a wider array of competencies and skills needed to adapt itself to a changing environment are limited.

On a positive note, governments are seeing the current context as an opportunity for renewal. OECD research (2007a) concluded that planning for an ageing workforce was an opportunity to better organise the public service to face consequences of an ageing society. Now, countries like Belgium, Canada and Ireland are also seizing the budget crisis as an opportunity to modernise the civil service and take advantage of new technologies. These countries see the need to restructure the civil service as an opportunity to meet cost saving goals, develop methodological tools to keep costs under control, revalue public service work and re-skill the workforce. This context could also represent a unique opportunity to renew not only the skills and competences of the workforce and human capital management processes, but also the culture of the public service, the ways of thinking and viewing the role of the public workforce in achieving economic and social development. Governments may need to think about how best to take advantage of the departures and other staff movements.

Understanding Strategic Workforce Planning

The definition

Strategic workforce planning, also known as strategic human capital planning, is a core HRM process that helps to identify, develop and sustain the necessary workforce skills. In doing so, it also contributes to the career and lifestyle goals of employees and ensures the continued effective performance of organisations. Workforce planning is a dynamic process that ensures that the organisation has the right number of people with the right skills in the right place at the right time to deliver short and long-term organisational objectives. Workforce planning aims to reach an optimal combination of available personnel budget and appropriate number of human resources endowed with the required skills to bring about organisational objectives. Workforce planning not only identifies mission-critical occupations and the essential competencies to meet organisational goals, but also detects competency gaps.

A distinction has to be made between the short-term or operational dimension of workforce planning, and the long-term or strategic dimension. In the short-term, there is a direct link between workforce planning and operational decisions. In the long-term, workforce planning is linked to strategic decisions about the positioning of the organisation a number of years into the future. Workforce planning is not necessarily the same as central or top-down planning. Adequate workforce planning can be developed in any organisation, centralised or decentralised.

The goals

The experience of OECD countries suggests that successful workforce planning and management are responsive to the constant fluxes in the workforce and the labour market. The goals of strategic workforce planning and management are to:

- strengthen departments' and ministries' capacity for strategic workforce management and make managers accountable for the strategic management of their workforce;
- ensure the adequacy of the workforce to achieve the mission of the organisation;
- produce an appropriately dimensioned, structured and representative workforce with the right skills and competencies, which is able to meet the changing needs of government organisations in a cost-efficient manner;
- promote whole-of-government goals in terms of workforce planning, especially in terms of numbers and costs;
- promote whole-of-government goals in terms of diversity, competences and level of education.
- respond to changing labour needs; and
- develop an ability to detect and prepare for future changes in the organisation's need for and access to skills and competencies.

Strategic workforce planning focuses on developing information that can help an organisation make decisions for the short term based on a longer-term context. Workforce planning is intended to help solve staffing problems related to managing employees' movement into, around and out of an organisation. Workforce planning thus has the potential to contribute to government's agility by preparing it to respond to changing strategies or needs.

Good workforce planning requires: i) high-quality information and discussion, organisational strategies and efficiency concerns and organisational arrangements that support workforce decisions efficiently; ii) good tracking of employee numbers, costs and competencies; iii) alignment of workforce planning strategies with the strategy of each government organisation; iv) flexibility in the management of the workforce; v) a whole-of-government perspective on allocations across sectors and on the size and costs of the workforce; and vi) managers' accountability in terms of workforce planning.

Increasing internal and external mobility is normally not among the primary goals of workforce planning and management. It can, however, be a secondary goal, to the extent that such mobility contributes to the organisation's primary goals, for example by developing generic competencies and increasing internal flexibility, or by augmenting the attractiveness of the organisation as employer. The exception is senior management, like in Italy and the Netherlands, where internal mobility strengthens

coherence and cohesion, and where an appropriate amount of external recruitment is necessary for enhancing the dynamism of the internal management culture.

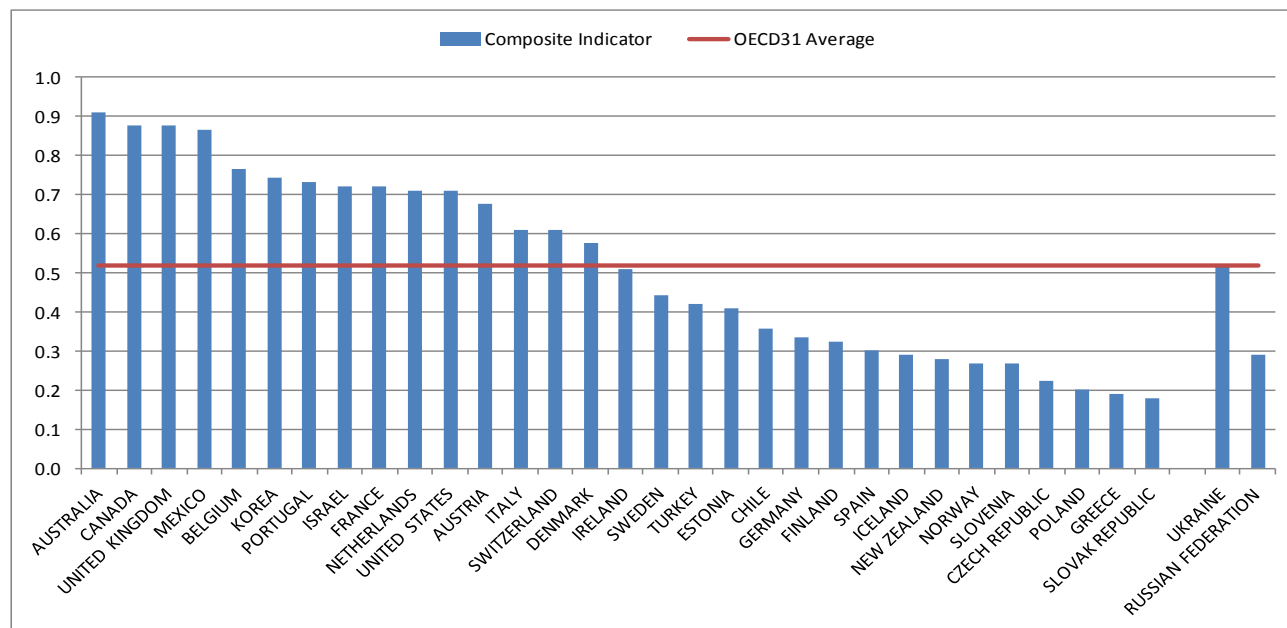
The Case for Strategic Workforce Planning in Times of Fiscal Restraint

Level of utilisation of workforce planning across OECD countries

Strategic HRM is essential to align people management with the strategic goals of public sector organisations. It encourages governments to look to the future, thinking strategically about the right mix of people and skills that will be needed to respond to changing societal needs. Therefore, workforce planning is a key element of any strategic HRM initiative.

Figure 1 looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning. The index benchmarks countries according to several factors including the existence of a general accountability framework for middle and top managers which incorporates strategic HRM components; the use of HRM targets in the performance assessment of middle and top managers; assessments of ministries'/departments' performance in terms of following good HRM practices; and the use of workplace planning. There is a large variance among OECD countries in the use of such strategic HRM and workforce planning, practices. Australia, Canada and the United Kingdom are leaders in this regard, while the Czech Republic, Poland, Greece and the Slovak Republic report not yet having many of these practices in place in central government.

Figure 1. Utilisation of strategic HRM practices in central government



Notes: Data for Brazil, Hungary and Japan are not available. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The index is composed of the following variables: the existence of a general accountability framework; the existence of HRM targets built into performance assessments of top and middle managers; elements that top and middle management should take into account when planning and reporting within the general accountability framework; regular review and assessment of Ministries'/Departments' HRM capacity; existence of forward planning to adjust for adequate workforces to deliver services; and elements considered in governments' forward planning. The index ranges between 0 (low utilisation of strategic HRM practices) and 1 (high utilisation of strategic HRM practices).

For further details on the methodology and factors used in constructing this index, see Government at a Glance 2011, Annex E, available at: www.oecd.org/gov/indicators/govtaglance).

Source: 2010 OECD Survey on Strategic Human Resource Management in Central/Federal Governments. Published in OECD (2011b) Government at a Glance 2011, OECD Publishing, Paris.

Table 2 shows that most countries have workforce planning mechanisms in place, although their extent varies across countries. Ten countries (Austria, Belgium, Mexico, the Netherlands, Poland, Portugal, Russian Federation, Slovenia, Spain, and Turkey) reported to have a formalised and regular entire government systematic process in place in order to plan their workforce.

In another seventeen countries, workforce planning is left to the discretion of the different organisations, e.g., ministries or agencies. For example, in Finland budget limits and frameworks for the coming years for costs, including personnel costs, are set for each ministry or agency. In the Slovak Republic as well as in Italy, HR planning considers both budgetary and personnel limits. Therefore, in Italy each ministry/agency defines its adequate workforce with the support and the advice of the central HRM body provided that workforce costs respect budget limits. In the Slovak Republic, the approved number of people and budget is given through a top-down process to each of the ministries for the next three years.

Five OECD countries implement HR planning practices in an *ad hoc* manner (Chile, the Czech Republic, Greece, Ireland and Israel) when the need arises to ensure adequate workforce available to deliver services. For example, Ireland reported that the organisation of strategic HRM issues is a matter largely left to each ministry/agency, which have to look at their own and specific emerging needs. Brazil, Hungary, Iceland, and Japan reported not to use forward-looking scenarios in order to be able to plan the future staff requirements. Most countries have a planning period of one to three years in place. Five countries (Austria, Ireland, Korea, the Slovak Republic, and Spain) have implemented an HR planning period of four to five years; in Mexico and Chile, the HR planning period the HR planning period is more than 6 years.

Table 2. Strategic workforce planning across OECD countries

	Is forward looking planning in place to make sure that government has the adequate workforce to deliver services?				How many years is this kind of HR planning done?						
	Yes, and there is a formalised and regular whole of government systematic process in place for workforce planning	Yes, but the design of the framework is left to the discretion of the different organisations	Yes, when and where the need arises (ad hoc)	No	1 year	2-3years	4-5 years	6-9 years	10 years	More than 10 years	Other
Australia	-	●	-	-	-	●	-	-	-	-	-
Austria	●	-	-	-	-	-	●	-	-	-	-
Belgium	●	-	-	-	-	●	-	-	-	-	-
Canada	-	●	-	-	●	-	-	-	-	-	-
Chile	-	-	●	-	-	-	-	-	-	●	-
Czech Republic	-	-	●	-	-	●	-	-	-	-	-
Denmark	-	●	-	-	●	-	-	-	-	-	-
Estonia	-	●	-	-	●	-	-	-	-	-	-
Finland	-	●	-	-	-	-	-	-	-	-	-
France	-	●	-	-	-	●	-	-	-	-	-
Germany	-	●	-	-	●	-	-	-	-	-	-
Greece	-	-	●	-	●	-	-	-	-	-	-
Hungary	-	-	-	●	●	-	-	-	-	-	-
Iceland	-	-	-	●	-	-	-	-	-	-	-

Ireland	-	-	●	-	-	-	●	-	-	-	-
Israel	-	-	●	-	-	●	-	-	-	-	-
Italy	-	●	-	-	-	●	-	-	-	-	-
Japan	-	-	-	●	-	-	-	-	-	-	-
Korea	-	●	-	-	-	-	●	-	-	-	-
Mexico	●	-	-	-	-	-	-	●	-	-	-
Netherlands	●	-	-	-	-	-	-	-	-	-	-
New Zealand	-	●	-	-	-	-	-	-	-	-	●
Norway	-	●	-	-	-	-	-	-	-	-	●
Poland	●	-	-	-	●	-	-	-	-	-	-
Portugal	●	-	-	-	●	-	-	-	-	-	-
Slovak Republic	-	●	-	-	-	-	●	-	-	-	-
Slovenia	●	-	-	-	-	●	-	-	-	-	-
Spain	●	-	-	-	-	-	●	-	-	-	-
Sweden	-	●	-	-	-	●	-	-	-	-	-
Switzerland	-	●	-	-	-	●	-	-	-	-	-
Turkey	●	-	-	-	●	-	-	-	-	-	-
United Kingdom	-	●	-	-	-	●	-	-	-	-	-
United States	-	●	-	-	-	-	-	-	-	-	●
Brazil	-	-	-	●	-	-	-	-	-	-	-
Russian Federation	●	-	-	-	●	-	-	-	-	-	-
Ukraine	-	●	-	-	●	-	-	-	-	-	-
Total	10	17	5	4	11	10	5	1	0	1	3

(-) Not Applicable

Source: 2010 OECD Strategic Human Resource Management Survey in Central/Federal Countries.

The potential benefits of workforce planning

As a result of the measures to restore public finances and the constant pressures for efficiency gains and value for money, there seems to be a growing trend across OECD countries towards a leaner and more strategic public service. Ageing workforces and tight budgets have created an opportunity for renewing the profile and shape of the public service. Getting the right size and allocation of the public service workforce has become an important issue for governments, because they need to secure and build the capacity for delivery at a time of limited financial and human resources, as well as tough labour market competition for scarce skills. However, OECD (2011c) has argued that there is no “right size” of the public service workforce as it depends on governments’ needs and political decisions on the role of the state in service delivery. There are large differences in the share of government employment among member countries, reflecting different choices with regard to the scope, level and delivery of public services.

Embracing a leaner and more strategic approach means that governments will need to be more agile, focused on outcomes and results, and more flexible to easily adapt to changing needs and related human capital challenges. OECD countries are using workforce planning to shape the size and profile of the public workforce to maximise the use of financial and human resources in more efficient and effective manners.

Experience has shown that the lack of workforce planning could have negative repercussions in the capacity and capability of the workforce. Without careful planning, countries could be required to dedicate large amounts of time and resources to reskill the workforce, potentially erasing the actual gains of cutbacks. Canada’s across-the-board workforce reductions in the 1990s led government to spend considerable resources in re-skilling the workforce. In 2006, Canada’s government implemented workforce planning mechanisms to renew the public service. Having these mechanisms in place before the crisis helped Canada to manage its current workforce restructuring measures in a more coherent and planned manner. Canada’s experience shows that workforce planning has the potential to facilitate the workforce

renewal even in times of fiscal restraint through the re-purposing and re-deployment of existing staff and targeted recruitment of new staff, even at a reduced level.

Box 1. Strategic Workforce Planning – Public Service Renewal in Canada

Canada has set a goal of balancing its budget by 2015-16. Efforts to cut spending have focused on finding savings in operations and enhancing productivity, as well as better aligning spending with the priorities of Canadians. These cuts in operational expenditures, including the modernisation and reduction of back office operations, will result in the loss of 19 000 positions, highlighting the need for effective strategic workforce planning.

Canada's current planning effort builds on its experiences with workforce reductions in the 1990s. Then, the government lacked the tools to identify the skills it was losing as a result of across-the-board cuts. The current approach is more nuanced, aimed at achieving a leaner and more agile public workforce. While recruiting has slowed, it has not stopped, allowing the civil service to continue to acquire specific skills for which it has identified a need.

In 2006, the Government of Canada launched a "Public Service Renewal" initiative to improve and modernise the core functions of the public service. The Government has recognised the need to continue implementing Public Service Renewal despite fiscal restraint, as it considers this initiative essential to ensuring service excellence. Budget cuts have presented the civil service with an opportunity to achieve Public Service Renewal through re-purposing employees and focusing recruitment of new talent to fill gaps and ensure demographic balance. The four pillars identified in 2006 remain the foundation of Public Service Renewal in the context of fiscal restraint.

- *Integrated Planning* - to align goals, resources and results - is more important than ever. Organisations need access to comprehensive data to align limited resources accordingly.
- *Recruitment* - to target hiring based on integrated plans and areas of need, including at senior levels and at entry level - may slow down but cannot stop, as targeted recruitment to acquire key skills will be necessary.
- *Employee Development* - to continue the pursuit of excellence - remains a priority despite fiscal restraint, albeit in an innovative, renewed way.
- *Workplace Renewal* - to address how civil servants work - has highlighted the need to be more efficient on the back end to respond to Canadians.

Source: Van Amelsvoort-Thoms, Margaret (2012), "Canadian Public Service Renewal in the context of fiscal restraint", presentation given during the OECD Symposium on "The Government of the Future: innovation in strategic workforce planning in OECD countries", 11-12 June 2012.

Developing a more flexible HRM system, both to organise the workforce around current priorities and to prepare for future challenges, is one of the conditions to secure and build capacity for delivery. The US Government Accountability Office (GAO) has found that when the workforce implications of any public service reform or innovation are considered from the outset, it helps to minimise disruption and protect to capacity and continuity of service. But for workforce planning to be successful it was accompanied by a flexible management of the workforce and delegation of HRM authority.

Box 2. Learning from experience: the US Government Accountability Office human capital challenges

A significant reduction in the size of the US Government Accountability Office's (GAO) workforce in the mid-1990s created several human capital challenges for the agency. Between 1992 and 1997, GAO underwent budgetary cuts totalling 33 percent in constant fiscal 1992 dollars. To achieve those budgetary reductions while meeting other agency needs, GAO reduced the number of its employees by 39 percent through extensive field office closings and targeted reductions in headquarters staff. To conform to the reduced budgetary ceiling, GAO then instituted a virtual hiring freeze at the entry level, cut training for all staff, suspended agency wide incentive programmes, and at times

used mid-level promotions as a retention strategy. Because of the reduction in hiring and the nature of the then-existing reduction-in-force (RIF) rules, the average age of the agency's workforce increased, and the retirement of the staff accelerated. Analysis showed that by the end of fiscal 2004, about 34 percent of all GAO employees would be eligible to retire. For upper-level staff, the proportion eligible to retire was even larger: 48 percent of all band III management-level employees and 55 percent of all Senior Executive Service members.

As a consequence, GAO's human capital profile had come to reflect a workforce that was smaller, older, and increasingly top-heavy. In addition to the succession-related concerns raised by such profile, GAO also faced a range of skill gaps. As major policy issues have become more complex and as technology has radically altered the way the US federal government conducts business, the types of skills and knowledge needed by GAO staff have been evolving, and the need for sophisticated technical skills has been increasing.

In the late 1990s, GAO's leadership recognised that GAO's human capital profile and selected skills gaps presented serious challenges to GAO's future ability to serve the US Congress. GAO's ability to operate in an efficient, effective and economical manner and meet the ever-changing and increasingly complex needs of the Congress could be seriously compromised if the agency's human capital challenges were not effectively addressed.

As a first step, GAO utilised its internal administrative authority to implement measures to improve the alignment of its human capital with overall strategic goals and objectives as contained in GAO's Strategic Plan. GAO underwent a process of restructuring that resulted in the elimination of a layer of management and the consolidation of 35 issue areas into 13 teams, and further reduced its field offices from 16 to 11. These changes enabled GAO to become less hierarchical, process-oriented, 'siloed', and internally focused and more results-oriented, partnerial, client focused, and externally aware. Other major human capital initiatives included an overall human capital self-assessment, the revitalisation of the recruiting and college relation programmes, a workforce planning process and the establishment of a professional development programme for entry-level analysts. These and subsequent measures improved the 'shape' of the agency by decreasing the numbers of mid-level managers and by increasing the number of entry-level and other staff with the skills and abilities needed to accomplished GAO's work.

According to the 'Partnership for the Public Service' report on The Best Places to Work in the Federal Government, workforce size and trends in GAO reflect evolving workforce capability. For instance, 25% of the current GAO workforce has less than three years of service. In 2010 248 employees (7.4%) joined GAO while 201 employees (6.0%) left the organisation.

Source: US Government Accountability Office, 'The Human Capital Strategic Plan', Fiscal Years 2004-2006, and Partnership for the Public Service accessed at <http://bestplacestowork.org> on 14 September 2012.

Moreover, workforce planning could be seminal in reducing the uncertainties of the labour market and the fluctuations of employment, and protect core competencies. Indeed, the workforce of an organisation is in constant flux due to flows in and out of employment. Business transformation, fluctuating demand, and social and technical evolutions are constantly changing the organisation's need for skills and competencies. Labour mobility and turnover add to the recruitment needs. The labour market is at the same time characterised by constant flows in and out of the market, and by fluxes in the supply and demand of different skills and competencies. Such challenges create uncertainties in an organisation's dependence on its workforce and on the labour market that the organisation tries to reduce or master by workforce planning and by devising appropriate HRM arrangements.

Workforce planning could help governments manage effective downsizing programmes, and avoid being caught in a reactive mode to changes in the labour market, the public service environment and government's priorities. Without planning, governments are usually forced to take *ad hoc* measures that relieve fiscal pressures while simultaneously generating other problems. Proper management of the workforce, using an array of instruments, improved governments' ability to make adjustments. In fact, many countries were already embarked on workforce initiatives well before the economic crisis began. Organisations that were unprepared for the cutbacks are now planning for how they will regenerate capacity when the economy improves.

Workforce planning may help organisations rethink and modernise their entire HRM process. By looking at current and future workforce capacity and capability issues, workforce planning helps organisations review and reform the process of selection, recruitment, retention, competence management, compensation, training, and performance management of staff. Workforce planning can upgrade the practice of human resource management in government. It may ensure that replacement staff are available to fill important vacancies, provide realistic staffing projections for budgeting purposes, provide a clear rationale for linking expenditures for training and retraining, development, career counselling and recruiting efforts, help maintain and improve a diversified workforce and help prepare for restructuring, reducing and expanding the workforce. It also helps organisations identify the next generation of managers.

Workforce planning looks at an entire workforce and deals with levels of turnover, ‘churn’ and workforce stability to support decision-making on overall recruitment, the structure and quantity of training programmes, the need to manage downsizing programmes and cost budgeting. Succession planning, as part of workforce planning, deals with the series for particular jobs, especially very senior jobs or those where there is a repository of important know-how that must be maintained.

Workforce planning can contribute to the implementation of redeployment arrangements in the context of staff reductions so as to retain skills and experience, and help manage the industrial relations aspects of downsizing. However, more needs to be done across OECD countries to break down barriers to redeployment and mobility to support the restructuring of services and optimal use of skills.

The Obstacles to Workforce Planning in the Public Sector

Despite the current enthusiasm for workforce planning, its implementation is still in its early stages. A look at the experiences of OECD countries conducting workforce planning suggests that while some countries have developed guidelines on how to conduct workforce planning, like Australia¹ and the United States², progress on putting it into practice has been limited. The US Corporate Leadership Council research found that the majority of organisations (70%) conduct some sort of annual staff or vacancy planning process, but only 10% have a process for identifying and responding to the longer term talent gaps most critical to the success of the organisation.³ As Table 2 shows, the large majority of OECD countries leave the design of a framework for forward looking planning to the discretion of the different organisations, which may not be compelled to conduct workforce planning. For many OECD countries, engaging in workforce planning has been difficult. Some of the major obstacles to workforce planning are:

- *Lack of correlation between human resources/capital management and the strategic political agenda of government.* The workforce implications of any reform or innovation are not always considered and planned from the outset, both in terms of anticipated staff requirements, and in terms of management needs. Past experience has shown that when the public workforce is seen as a cost and not as an asset, the capacity of the public workforce to deliver services is compromised, for example in Canada in the 1990s and at the US GAO. Strategic management of the workforce requires recognising the contribution of the workforce to the strategic objectives of government and how this contribution can be achieved.

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1. See: APS Workforce Planning Guide at www.apsc.gov.au/publications-and-media/current-publications/workforce-planning-guide
 2. See: US Office of Personnel Management at: www.opm.gov/hcaaf_resource_center/assets/Sa_tool4.pdf
 3. For further information on the Corporate Leadership Council research see: www.opm.gov/WIKI/uploads/docs/Wiki/OPM/training/CLC%20Research%20Tools.pdf

- *Lack of a systematic whole-of-government approach to linking workforce planning to funding and performance.* In most countries budget negotiations have traditionally included some discussion of workforce needs. However, these discussions have not been focused on the priority areas of government. In the current tight budget times, many countries have automatically cut funding to government ministries and agencies affecting the level of staffing and compensation of public employees without considering the scope of their mission and objectives. Such cuts could lead to poor performance. Most OECD countries have adopted performance budgeting as a form of budgeting that relates funds allocated to measurable results. Lack of funding affecting staffing levels imperils mission at key agencies and ministries. Agencies are cutting their workforces to help meet budget constraints through freezing recruitment and not replacing employees who retire. The problem is that countries continue cutting budgets without scaling back agencies' and ministries' missions, compromising the ability to serve the public. Workforce planning, performance measurement and budgeting need to be coordinated to ensure staffing levels necessary to maintain the core missions of the agencies without furloughs or reductions-in-force.
- *Limited institutional capacity and capability of ministries and agencies to conduct workforce planning.* Countries have experienced problems with developing the necessary institutional capacity to engage in workforce planning both at the level of the central HRM body and the budget authority, and at the level of HR departments, professionals and front line managers. HR departments are generally required to develop a new set of competencies and approaches that translate into the strategic HR skills and abilities needed for workforce planning. In general, HR departments have high levels of turnover and very young staff without the necessary experience to manage workforce reductions or conduct workforce planning. HR departments often lack common capability standards and practices, which hinders not only the implementation of the HR reform agenda but also the development of strategic workforce planning. Many governments need to invest in building their strengths and capabilities in HR; work collaboratively within and across ministries, agencies and departments on activities that are of common interest, sharing best practice and learning from each other; and understand and deliver the business strategy of the organisations they support. Front line managers often do not have the skills or incentives to engage in workforce planning, which should be part of their managerial responsibilities.
- *Rigid and centralised HRM practices.* In countries with rigid HRM frameworks, ministries and agencies have limited possibilities to shape the profile of their workforce to meet their objectives in a more efficient and effective manner. Line ministries and agencies do not always have the authority to use certain human resources tools and flexibilities to manage the profile of their workforce in terms of size, competencies and skills, diversity and allocation. Moreover, ministries and agencies have limited possibilities to innovate and implement strategies to attract, retain and manage a talented workforce, which are critical elements of workforce planning.
- *Lack of prioritisation.* Experience has shown that workforce planning does not produce the desired results when it is overly ambitious. To be effective, workforce planning should aim to cover only those areas where it is deemed to have a more significant impact. Workforce plans cannot possibly include everything so they should prioritise certain units, jobs, customers and products. Workforce planning has used fixed plans and targets that have been applied uniformly throughout the units. Although using a template adds consistency, units may be adopting parameters that are not appropriate. To be useful, a plan needs to reflect the management and environment of the organisation for which it is developed.
- *Resistance from public servants.* Strategic management of the public workforce that contributes to meeting government's objectives may require moving staff across ministries and agencies and

even fields of specialisation, or require staff to do different tasks than those they were hired to perform originally. In many countries, public servants may resist such changes and prefer to be in the same position throughout their career. Resistance can also come from management levels. Managers may not support workforce planning as they may see it as an addition to their workloads without added value to them. If managers are not familiar with workforce planning, they may not prioritise it. Moreover, workforce planning may face resistance as many public servants may understand it as staffing cuts.

- *A slow-moving, process-oriented, and change averse culture in the public service* can hamper government's efforts to adapt to emerging needs and changing contexts swiftly. The public service has few incentives to challenge the *status quo* or to look for more efficient and effective ways to deliver public services, and many public servants may feel that innovating and taking risks may jeopardise their careers or their organisation's ability to meet its objectives.

Common Features in Workforce Planning across OECD Countries

There is no common model or approach to workforce planning across OECD countries. The way workforce planning is conducted depends on the level of development of HR information systems and the extent to which the workforce is considered a strategic asset for governments. Workforce planning could focus on different key aspects such as efficiency savings, demographics, new issues in policy delivery, etc. However, comparing the most advanced practices of workforce planning in OECD countries, it is possible to distinguish several common features:

- *Workforce planning begins by setting the strategic direction.* Strategic workforce planning requires full integration of organisations' strategic goals and objectives, annual performance, and work activities required to carry out the goals and objectives of the strategic plan for the long term and the performance plan for the short term. Setting the strategic direction requires scanning the environment in which public organisations function. It requires looking at what is needed in terms of financial and human resources to meet government's goals. Indeed, OECD research (2011c) has found that the workforce implications of any public service reform or innovation need to be considered and planned for from the outset, both in terms of any anticipated staff reductions or redeployment and in terms of managing the change so as to minimise disruption, protect capacity and continuity of service, and avoid to the extent possible depleting trust or eroding morale. Moreover, experience suggests that initiating workforce planning also involves determining the level of readiness to undertake workforce planning and the responsible unit and people to conduct it, and linking workforce planning to the financial planning cycle. For example, Belgium, Canada and the United Kingdom have made moving to a learner, more agile and more strategic public service their vision, thus their reforms and workforce plans are designed to support this vision.

Box 3. Strategic workforce planning in the Belgian federal public service

The Belgian Copernicus reform introduced strategic workforce planning as a way to modernise government. It combines three factors: budget; the right people with the right skills; and aligning the objectives of the organisation. Workforce planning in Belgium has two main mechanisms: the personnel envelope, which is the budget determined by the central government that each federal service must manage; and the personnel plan, which is a management tool to progress from the "as is" to the "to be" situation. The underlying principle is that it is government's responsibility to decide *how much to spend* on public staff in order to achieve governmental missions, and it is the administration's responsibility to decide *how best to use* their envelope to pay for the best possible staff.

The federal government uses the personnel envelope to determine the financial resources to be allocated to pay for staff for each federal public service, on a yearly basis. The government ensures transparency by publishing all

services' envelopes and government decisions. It provides autonomy to the heads of administration to organise the workforce in the way they believe best to meet government's goals. Accountability is ensured by using the envelope to meet government's mission. The personnel envelope is a tool for government to increase or decrease the federal personnel budget.

The personnel plan is a management instrument to analyse the situation as it is in terms of full time employment (FTE) and costs to make decisions of one scope year in order to renew the workforce through recruitment, departures and upgrades. The goal is to give federal public services the opportunity to assess and plan the suitable human resources to carry out their objectives. There is one personnel plan for one personnel envelope. The process to design the personnel plan begins with a strategic reflexion at the President of the Board of the Public Service. The budget context is considered to assess the feasibility of the Head of administration's HR planning vision, and the coherence between the personnel plan and the objectives of the public service. The personnel plan is at the intersection of the financial and HR logistics. The personnel plan provides flexibility in the management of the workforce and facilitates more targeted replacements. It integrates a method to estimate the cost of HR policy with a high degree of accuracy, and facilitates transversal assessments of all public services.

Source : Vos, Anne de, et. al. (2012), *Human Resources Planning in the Belgian Federal Government*, presentation given at the OECD Symposium on "The Government Workforce of the Future: Innovation in Strategic Workforce Planning in OECD Countries" on 11-12 June 2012.

- *Skills and competencies gaps identification and workforce risks analysis.* This stage requires determining the current resources and how they will evolve over time through, for example, turnover. At this stage, specifying the kind, number and location of workers and managers needed to meet the strategic objectives of the organisation is essential. The organisation defines its target workforce in terms of size, shape and competencies needed to accomplish its goals. Some countries, such as Australia, France and the United States, conduct a supply and demand analysis, assessing the organisation's workload, workforce and competencies to determine whether imbalances exist now or may exist in the future. Such assessments help determine the existing gaps in terms of numbers and competencies between the current and projected workforce needs. In addition, government organisations need to identify workforce risks specific to them, with clear reference to their organisational capability for the short and medium terms. The problems for public organisations in identifying workforce risks are the changing context and the difficulties in recruiting and retaining talented staff. Identifying skills and competencies gaps requires financial and human resources and time that many organisations cannot afford. The capability to forecast capability requirements is not always highly developed in all public organisations.
- *Defining an action plan is required to implement workforce planning.* Workforce planning requires developing actions plans to address the most critical gaps facing public organisations so that human resources can support organisational and governmental strategies. In general, each organisation determines its own action plan based on the relationship between the gaps identified. The aim is to identify strategies to close gaps, plans to implement the strategies, and measures for assessing strategic processes all aligned with organisational objectives. The experience of OECD countries such as Australia and Canada suggests that HR and line managers need to be closely involved in developing a tangible, realistic action plan for implementation. Australia's experience suggests that the more effort expanded in stakeholder engagement during the action planning stage, the greater the likelihood of a more coordinated approach to strategy implementation. Depending on the gaps, the action plan may address some or all aspects of the HRM process such as: recruitment, selection, compensation, training/retraining, restructuring, outsourcing, performance management, succession planning, diversity, quality of life, retention, technological enhancements, etc.

- *Implementing the action plan.* For most OECD countries, implementing workforce plans and their activities remains a challenge. However, successful workforce planning requires human and fiscal resources to be in place, roles to be understood, and the necessary communication, marketing and coordination to occur to execute the plan and achieve the strategic objectives. The experience of OECD countries such as Australia, Canada, and the United States indicates that, as organisations move to the implementation stage, they should consider several aspects, such as: how strategies and initiatives are prioritised; who will undertake the strategies and initiatives; the costs and budget implications; how success should be measured; whether the initiatives and/or strategies are interconnected; the mechanism available to monitor workforce planning progress; the timeline for each strategy and initiative; and the communication and the expectations management strategies.
- *Monitoring, evaluating, reviewing and adjusting the workforce planning strategy are critical to its success.* In addition to implementation, monitoring, evaluating and adjusting the workforce plan remain a challenge for most OECD countries. Workforce planning is not static; it needs to respond to changing circumstances. Indeed, the experience of the most advanced OECD countries suggests that the workforce planning cycle should include monitoring progress against milestones, assessing for continuous improvement purposes, and adjusting the plan as necessary to make corrections and to address new workforce issues. Countries get feedback about how well their organisations accomplish their action plans and how effective the outcomes have been via meetings, surveys, focus groups, performance indicators, and reviews of accomplishment reports. At this stage, the organisation should analyse whether the actions and strategies were completed and whether they fulfil the goals; whether the action plan accomplished what the organisation needed, or if not, whether the organisation strategies were changed; whether the conditions have changed so that the strategies need to be revised; whether workforce gaps still exist, the employees' skills have been developed quickly enough to be effective, the new recruits possess the needed competencies, and the cost of hiring has been reduced; and whether the overall performance of the organisation has increased. The organisation could also develop indicators could to measure results.

Some countries like Australia have designed key performance indicators (KPI) to track changes in the workforce and inform workforce plan evaluation and review. Such KPIs include: workload increases and decreases, unscheduled absence rates, workforce age profile, resignations, and staff satisfaction levels, etc. The US Office of Personnel Management (OPM) has developed metrics for assessing the effectiveness of its Human Capital Assessment and Accountability Framework (HCAAF). OPM has established metrics to help US federal government agencies accomplish the standard for the systems that implement strategic human capital plans and programmes. Required metrics focus on human capital management outcomes and are required for government wide reporting; suggested metrics focus on human capital management activities that support outcome metrics and show the health of a specific HCAAF critical success factor. When evaluating the workforce plan progress, it is necessary to consider that some benefits are realised with a time lag. Adjustments to the workforce plan, according to the experience of OECD countries, usually occur a year after the first iteration. At this point, a full scale workforce planning process may not be required, but rather small adjustments to the current plan to incorporate new data. Experience suggests that organisations should revise their workforce plans every 12 or 18 months.

Box 4. Strategic workforce planning, strategic alignment, and workforce analysis in the United States

In the United States, workforce planning is part of the strategic alignment system which connects a human capital strategy to the mission, goals and organisational objectives of federal departments and agencies. It is implemented by the senior management, and in particular by the chief human capital officer (CHCO), through analysis, planning,

investment, measurement and management of human capital programmes.

Human capital management strategies are integrated into strategic plans, performance plans and budgets and are organised around: human capital planning, workforce planning, human capital best practices, knowledge sharing, and human resources as strategic partner. Each has several key elements that indicate effectiveness and is linked to suggested indicators that identify how well the agency is doing relative to key elements.

Activities and outcomes of this system are assessed through documented evidence of a Strategic Human Capital Plan which includes human capital goals, objectives and strategies; a workforce plan; and performance measures and milestones.

Office of Personnel Management (OPM) regulations implementing the CHCO Act require agencies to submit the Strategic Human Capital Plan described by this system to OPM on an annual basis.

Effectiveness results of workforce planning

Each agency approaches workforce planning strategically and in an explicit, documented manner. The workforce plan links directly to the agency's strategic and annual performance plans and is used to make decisions about structuring and deploying the workforce.

Mission-critical occupations and competencies are identified and documented, providing a baseline of information for the agency to develop strategies to recruit, develop and retain talent needed for programme performance.

The agency's documented workforce plan identifies current and future workforce competencies and the agency is closing identified competency gaps through implementation of gap reduction strategies such as:

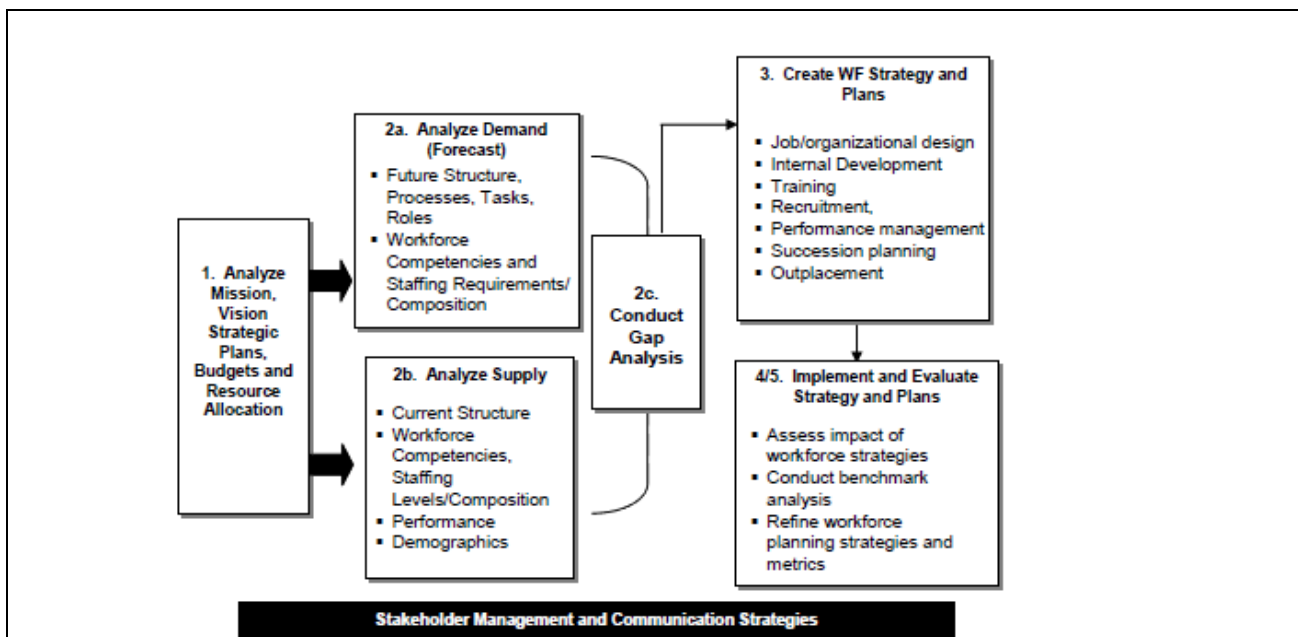
- restructuring;
- recruitment;
- competitive sourcing;
- redeployment;
- retraining;
- retention (e.g. compensation, quality of work life); and
- technology solutions.

A business forecasting process identifies probable workforce changes, enabling agency leadership to anticipate changes to human capital which require action to ensure programme performance.

Based on functional analyses, the agency is structured to achieve the right mix and distribution of the workforce to best support the agency's mission. Based on analysis of customer needs and workload distribution, the agency has the right balance of supervisory and non-supervisory positions to support the agency mission.

Workforce analysis

To support agencies' workforce planning efforts, OPM has issued a Federal Workforce Planning Model, which includes a workforce analysis framework. The following process chart illustrates this framework:



Workforce planning principles

In recent years, the US Government Accountability Office (GAO) has advocated five leading principles for aligning an organisation's human capital programme with its current and emerging mission and programmatic goals and for developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.

1. Set strategic direction: strategic workforce planning is more likely to succeed if, at its outset, agencies' top program and human capital leaders set the overall direction, pace, tone, and goals of the efforts, and involve employees and other stakeholders in establishing a communication strategy that creates shared expectations for the outcome of the process.

2. Workforce gap analysis: an agency needs to define the critical skills and competencies that it will require in the future to meet its strategic program goals. Fiscal, demographic, technological, and other forces are challenging to government agencies to change the activities that they perform and the goals that they must achieve, how they do their business, and even who does the government's business.

3. Workforce strategies to fill the gaps: once an agency identifies the critical skills and competencies that its future workforce must possess, it can develop strategies tailored to address gaps in the number, skills, competencies, and deployment of the workforce and alignment of human capital approaches that enable and sustain the contributions of all critical skills and competencies needed for the future.

4. Monitor and evaluate progress: evaluating the contribution that the workforce makes to the strategic results measures the effectiveness of the workforce plan and helps ensure that the strategies work as intended. This involves two activities: determining (1) how well the agency implemented its workforce plan and (2) the contribution that the implementation made toward achieving programmatic goals.

5. Build workforce planning capability: as agencies develop tailored workforce plans and address administrative, educational, and other requirements that are important to support them, it is especially important to recognise practices that are key to the effective use of human capital authorities. These practices include educating managers and employees on the availability and use of flexibilities so that they are implemented openly, fairly, and effectively.

Source: US Office of Personnel Management, The Strategic Alignment System, http://www.opm.gov/hcaaf_resource_center/3-1.asp, (accessed July 2012), US Office of Personnel Management (2008), *Workforce Planning Best Practices*, http://www.opm.gov/services-for-agencies/hr-line-of-business/migration-planning-guidance/mpg-2_information_workforce_planning_best-practicesv2.pdf; and US Government Accountability Office (2012), *DHS Strategic Workforce Planning. Oversight of Department wide Efforts should be*

Different countries adopt different strategies to conduct workforce planning. In general, the most consolidated models in OECD countries, such as those from Australia, Belgium, Canada, France, the United Kingdom and the United States, emphasise the need for forward-looking assessment of organisational capabilities, with a strong focus on the delivery of services, working across organisational boundaries, value for money and innovation. They are based on rigorous frameworks with a strong emphasis on implementation, designed to drive a common approach in public services in which management decision making is decentralised. They also link the “macro” aspects of organisational capability with the “micro” aspects of human resource management and human capital development.

How are OECD Countries Reshaping the Profile of the Workforce? - Looking into the Action Plans

As Table 3 reveals, efficiency savings appear to be the main aspect considered in workforce planning in OECD countries. However, implementing the operational reduction measures while preserving capacity and capability of government is one of the main challenges faced by OECD countries that highlights the need for workforce planning. Most OECD countries seem to be aware that large-scale downsizing is the most problematic option for workforce adjustment. Previous experiences have highlighted a variety of negative effects on the capacity of the workforce as well as on trust and morale, and have questioned the longer-term sustainability of staff reductions achieved in this way, like in Canada and the United States. Citizens could also lose trust if downsizing undermines the continuity of services. If governments feel they have no option but to embark on such programmes, they need to be aware of these risks and take steps to minimise the adverse effects. Experience suggests that close attention to managing the human aspects (for remaining staff as well as those leaving) and use of strategic planning to assess workforce requirements in advance of implementing cuts are essential elements of any downsizing operation. A differentiated approach to staff reductions is preferable to across-the-board cuts.

Table 3. Key aspects considered in strategic workforce planning

	New issues in policy delivery are explicitly considered in forward-looking planning	Civil service demographics are explicitly considered in forward-planning	Possibilities for outsourcing are explicitly considered in forward-planning	Possibilities for reallocating staff are explicitly considered in forward-planning	Efficiency savings (for example, through e-gov) are explicitly considered in forward-planning
Australia	●	●	○	●	●
Austria	○	●	○	●	●
Belgium	●	●	○	●	●
Canada	●	●	○	○	●
Chile	●	●	○	○	○
Czech Republic	●	○	○	○	●
Denmark	○	○	○	○	○
Estonia	●	○	●	●	●
Finland	○	●	○	○	●
France	●	●	●	●	●
Germany	●	●	●	●	●
Greece	●	●	○	●	●
Hungary	○	○	○	○	○
Iceland	○	○	○	○	○

Ireland	●	●	●	●	●
Israel	○	○	○	●	●
Italy	●	○	○	○	●
Japan	○	○	○	○	○
Korea	●	●	○	○	○
Mexico	●	○	○	○	●
Netherlands	●	●	●	●	●
New Zealand	●	●	●	●	●
Norway	○	○	○	○	○
Poland	●	○	○	○	○
Portugal	●	○	○	●	●
Slovak Republic	●	○	○	○	●
Slovenia	●	○	○	●	●
Spain	●	●	○	●	●
Sweden	●	●	●	●	●
Switzerland	●	○	○	●	○
Turkey	●	●	●	●	○
United Kingdom	●	○	●	●	●
United States	●	●	●	●	●
Brazil	○	○	○	○	○
Russian Federation	○	○	○	●	●
Ukraine	○	○	○	○	●
● Yes	25	17	10	20	25
○ No	11	19	26	16	11

Source: 2010 Survey on Strategic Human Resources Management in Central/Federal Governments of OECD Countries.

Government at a Glance (OECD, 2009) notes that while measures to cut the number of public service staff and limit recruitment and promotion may create opportunities to lose unproductive staff, administrations need to ensure that they are not losing the best of their staff to the private sector, or creating “generational gaps” or future skills shortages that will affect their capacity to address long-term challenges. Thus, the public service needs to pay attention to their future skills requirements, and governments should integrate workforce and human capital considerations into broader policy changes that could impact on service delivery.

A key message from the experience of OECD countries is that workforce reduction and reallocation measures should not be stand-alone but part of broader reforms. In this context, workforce planning should ensure that the workforce is seen as an asset and not as a cost. OECD (2011c) has found that there is still scope for making better use HR instruments such as: skills strategies, recruitment strategies, competency management, HRM policies that will support innovation, development of leaders, etc. These instruments remain underused and are seminal in the assessment of future capacity and human capital requirements and in the development of strategies and instruments to address future needs.

Planning for future competencies

Countries like Canada have realised that recruitment freezes are diminish the capacity and capability of the public service. As a result, these countries have chosen to slow down—but not stop—recruitment, targeting key skills and competencies. Indeed, among OECD countries, the use of competency management and the development of strategies such as competency management frameworks to identify competency gaps for a more targeted recruitment have increased. Planning future competencies is critical in securing an effective workforce now and in the future. Canada, for example, has identified emerging

skills that can support a high performing public workforce: versatility and agility, innovativeness, results-focused and efficiency, responsiveness, leveraging technology better, stronger communication, values-based leadership, and analysis/policy focus. Once limited to calculating the gap between talent supply and demand, workforce planning is now a far more sophisticated process that enables an organisation to adjust and respond quickly to immediate and future changes. An ageing workforce, for example, implies a loss of capacity and thus a loss of competencies; workforce planning can help organisations anticipate and prepare for this potential loss (OECD, 2007a).

Box 5. Planning of competences in Australia and Korea

Australia. According to the Commonwealth of Australia, workforce planning is “a continuous process of shaping the workforce to ensure it is capable of delivering organisational objectives now and in the future”. Workforce planning involves *inter alia* identification of workforce requirements and any capability gaps through assessment of the demand and supply dimensions. Such planning is essential if demand is to be met.

The Australian Public Service (APS) Commission developed a general workforce planning model, but agencies may substitute their own agency-specific model. The Commission’s guide points out that workforce planning is not an isolated process or system, but should be integrated with business practices; incorporate an analysis of the agency’s current and possible future operating contexts; and include ongoing monitoring of the environment, workforce issues, and organisational strategies. The Commission’s guide suggests that a capable, available, adaptive and effective workforce is required to enhance organisational performance and accountability.

In workforce planning, it is important to focus on critical data and emerging trends. The APS Commission states that three questions should be answered:

- Where are we heading? This is about understanding the strategic context; for example, identify the organisational and business unit-specific skill requirements emerging from the most likely future scenarios.
- Where are we now? This is about knowing the current workforce and work programme; for example, examine critical workforce data of the agency.
- How are we going to get there? This is about identifying gaps/deviation in current and future workforce capability.

In order to identify workforce planning issues, agencies need to know their workforce, in terms of both characteristics and competencies. A number of agencies now have competency frameworks in place that are linked to performance and learning management systems. Such systems can facilitate the identification of occupational groups or competencies required by the organisation.

Korea. In the Korean government, a workforce plan is established by each central ministry and agency every five years. In its planning, the central ministry or agency first needs to analyse the current workforce: its size, disposition, structure and composition, recent change, personnel management practices, and current competency level. Second, it predicts what will be necessary for the next five years: personnel size, composition, and the competencies required for achieving any mid- or long-term vision and strategies. Third, it estimates the gap between the current level and future demand. If a significant gap is identified, likely problems are analysed, and possible alternatives are reviewed. Finally, it develop strategies for reducing the gap so that, by the end of the five-year period, the objectives of the workforce plan – personnel size and competency levels – will have been accomplished. A workforce plan includes recruitment (selection, promotion and transfer), development (education, outside training and mentoring) and disposition (career development and job posting).

Source: OECD Survey on Competency Management in Government, 2009.

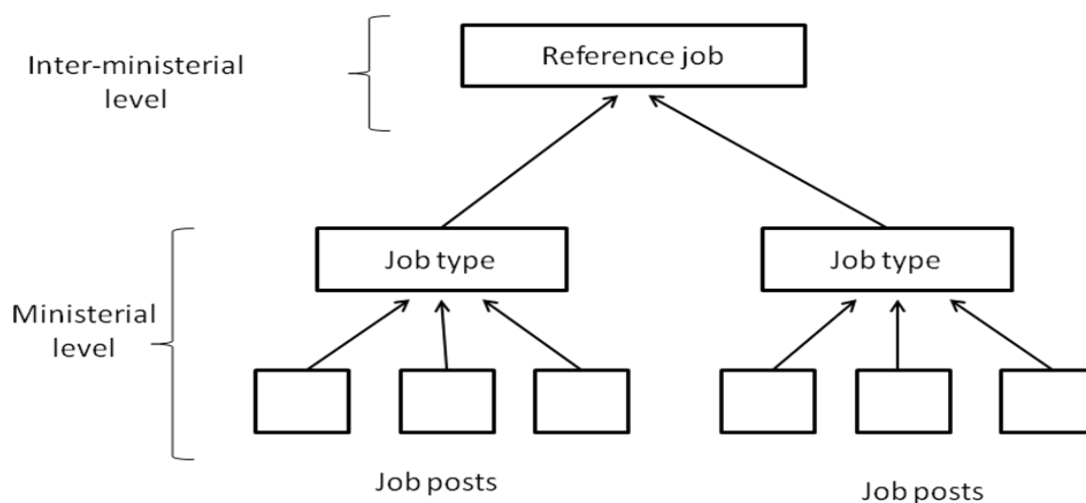
A gap analysis can reveal the chasm between the competencies that individual employees, groups, or even the organisation should have to contribute to workforce development plans, and the competencies of staff in place. Organisations assess potential replacements for key positions based on the competency

requirements identified, which are then used to identify and rank employees with high potential for succeeding in each position. Finally employees are trained, to ensure that they are prepared to assume each critical leadership position in the event that it becomes vacant.

Australia emphasises succession planning that focuses on developing internal or employee capability in an organisation. An important part of this planning is the Career Development Assessment Centre. Canada is developing more generic jobs and competencies to ensure that the skills in the workforce are transportable when positions are moved or cut. France developed the *Répertoire Interministériel des Métiers de l'Etat* (RIME) to provide a catalogue of competencies to be used by all departments. The RIME reviews the different job types and functions within the state administration in order to reinforce linkages with the competency needs analysis and to increase cross-departmental staff mobility.

Box 6. The French Job Classification System – Le répertoire interministériel des métiers de l'État (RIME)

France has adopted a job classification system known as *répertoire interministériel des métiers de l'État* (RIME). The *métiers* approach aims to: i) name and quantify as precisely as possible the necessary jobs within a service; ii) ensure the best possible definition of the job profile; iii) supply reference table of skills to accompany training and mobility; iv) prepare referential training and build referential for inter-services training; v) guide the revision of the content of the competitions, and organise common competitions for several ministries; and vi) feed the processes to acknowledge acquired professional experience. The RIME identifies and describes each *métier* within the administration of the State (261). It is a key element to ensure ministerial and inter-ministerial coherence on employment policies. The RIME proposes a common language on *métiers* to develop the ministerial capacities in the area of human resource management.



The tools of the RIME are mainly: i) the *inter-ministerial dictionary of competencies* with the definitions of 21 social skills (*savoir-être*), 102 know-how skills (*savoir-faire*), and a database of competencies and their equivalents; ii) the inter-ministerial job fairs (*bourse interministérielle de l'emploi public*, BIEP) and the regional inter-ministerial job fairs (*bourses régionales interministérielles de l'emploi public*, BRIEP), which are online databases of available positions and use the same nomenclature of the RIME (since 2006 it has offered 30 000 jobs and has had 5.6 million of connections); and iii) the mobility kit.

In France the *Gestion Prévisionnelle des Effectifs, des Emplois et des Compétences* (Employment, Workforce and Competency Planning, GPEEC) is a government-wide strategy that analyses the current staffing picture by functions and categories, and aims at forecasting adjustments of staffing needs. The GPEEC has established a common framework across government departments, although each ministerial department is responsible for its own GPEEC plans under the supervision of the central HRM body. Evaluation of current GPEEC plans shows that all ministries have made progress in aligning staff with missions and integrating HRM strategies into the plans.

Source : Schuffenecker, Dominique (2011), *Emploi public et Gestion prévisionnelle des ressources humaines de l'Etat en France*:

Workforce planning could also require creating a workforce architecture through segmentation. This involves mining current and historic data to analyse the relationships between different employment types and skill clusters, as well as the links between HR and business data. Some other countries engage in modelling and forecasting, which includes building various hypothetical scenarios to analyse the strategic reliability of different staffing models. This difficult, resource-intensive undertaking is fraught with unknowns and justified only when the organisation in question operates in a business environment in considerable flux. Workforce segmentation comprises a variety of approaches distinguishing staff in terms of strategic contribution to completing a task. Workforce segmentation, however, seeks not to differentiate performance or individual contribution, but rather to distinguish roles and skill sets in terms of how vital they are to organisational success.

Enhancing talent management

OECD countries with long experience in workforce planning, like Canada and the United States, are implementing talent management strategies, which aim to address competency gaps, particularly in mission-critical occupations, by implementing and maintaining programmes to attract, acquire, develop, promote and retain highly qualified staff. Public organisations determine how they should target their recruitment, retention, and development efforts to bring the competencies of the workforce into alignment with the organisation's current and future needs. They also consider the extent to which employees think the organisation has the necessary talent to achieve its goals, and employee satisfaction.

In the current context of tough competition for highly-skilled people, government organisations are becoming more proactive in ensuring they have the right people with the right skills and competencies. Having access to diversified sources of candidates to join the public service and open channels of communication with society may help to develop a more proactive approach to recruitment. Some of the activities that are normally considered in recruitment strategies are: internet recruitment, employee referral programmes, job fairs, professional associations and conferences, radio and television advertising, executive recruitment firms, campus recruitment and outreach (including internships), print media, candidate databases of interested applicants, and hiring retirees. Countries could also assess the level of compliance of the recruitment system with the merit system principles.

OECD countries such as Australia and the United Kingdom recognise that retaining employees is as important as attracting them. Some of the strategies employed to retain employees may also convince potential employees to choose the public service as their employer of choice because of a work environment that is productive, flexible, and meaningful. Some of the strategies used by OECD countries to retain staff, and as part of their workforce planning, are: flexible work schedules, promotion from within, childcare, employee input in decision-making, employee recognition, safe and attractive facilities, job-sharing, and timely and thorough communication.

The majority of the OECD member countries are focusing on improving training and knowledge management. However, longer-term assessments of capability requirements are required and public services need to put in place strategies to ensure that they will have the necessary capabilities in the future. Capabilities will depend both on having the necessary human capital and on having the requisite leadership, management and organisational capacity. While a few countries are focusing on longer-term capability strategies, many have yet to develop their workforce strategies in this area. The United Kingdom's Departmental Improvement Plans (formerly Capability Reviews) provide an example of how workforce planning could guide training strategies. These plans assess future capabilities and identify

the specific measures that are needed to meet future challenges. They focus on crosscutting aspects such as service delivery, innovation, collaboration, value for money, and working across organisational boundaries, identifying weaknesses as well as strengths, and pointing to what needs to be done to strengthen capabilities.

Enhancing leadership and improving knowledge management

The experience of OECD countries like Australia, Canada, Ireland, the United Kingdom and the United States suggests that ownership of any HR initiative needs to be extended to senior levels with a senior champion to help to drive the process. Traditionally, workforce planning has been seen as something owned by the HR department or agency, not by management, which has threatened the security of workforce planning since management may decide it is dispensable without considering its benefits. Thus, successful workforce planning requires agency leaders and managers to ensure continuity of leadership, sustain a learning environment that drives continuous improvement in performance, and provide a means to share critical knowledge across the organisation and the wider public service. Knowledge management must be supported by an appropriate investment in training.

For example, to maximise the benefits of the current better practice and agency experience in workforce planning, the Australian Public Service Commission has established collaborative forums with 60% of agencies that cover 94% of the workforce that are, to varying degrees, engaged in progressing workforce planning. These forums provide an opportunity to share best practice and contribute to the development of practical tools and templates. Through these forums, agencies can share their knowledge, develop their networks and benchmark their activities against the performance of similar agencies. Canada has also emphasised developing a spirit of collaboration and mutual support. Canada's Treasury Board is the focal point to facilitate collaboration for sharing plans, strategies, training, and information, and to encourage dialogue among departments at multiple levels to ensure consistency and benefit from best practices across-the-board. The Treasury Board found such a focal point necessary because no department was able to manage reductions on its own. Thus, 67 departments were required to develop proposals, but no resources were provided to departments to work independently.

The experience of the United States suggests that to enhance leadership and improve knowledge management, public organisations need to look into how they will target their recruitment, retention, and development efforts to bring the competencies of its managers and leaders into alignment with the organisations' needs; and determine to what extent employees hold their leadership in high regard, both overall and on specific facets of leadership.

Strengthening performance management

Performance management plays a critical role in workforce planning and is often the weakest link in the talent management in public organisations. Performance management comes into the workforce planning process at both the supply and demand phases. It is also a factor in recruitment and retention for employer of choice organisations. In the public sector, performance management has been most successful as a development tool facilitated by supervisor-employee discussions on strengths and weaknesses with the goal of enhancing future performance. As public entities are asked to be more accountable for meeting organisational goals and objectives using resources well—especially in times of scarce resources—the move to performance-related pay is becoming more common. This trend goes hand-in-hand with the need for workforce planning.

Indeed, public organisations aim to have a diverse, results-oriented, high-performing workforce and a performance management system that differentiates between high and low levels of performance and links individual, team and unit performance to organisational goals and desired results effectively. Thus, in order

to better link performance management and workforce planning, public organisations need to determine the extent to which senior managers' appraisals and awards are appropriately based on the achievement of organisational results. Similarly, organisations should consider whether all employees have performance appraisal plans that are effectively linked to the organisation's mission, goals and outcomes. Organisations should also determine the extent to which employees believe their organisational culture promotes an improvement in processes, products and services. Japan considers that in order to make the most of performance measurement, it should be linked to organisational strategy. In this way organisational performance measurements and staff performance assessments would be linked making possible to plan staffing needs and staff development measures.⁴

The United Kingdom's Departmental Improvement Plans exemplify the link between workforce planning and performance management. The Plans were designed to assess the capability of central government departments against a common framework of leadership, strategy and delivery and aim to: improve the capability of the civil service; assure the public and ministries that the civil service is well equipped to develop and deliver departmental strategies; and help departments act on long-term key development areas. The plans provide an assessment of capability for departments, identify key areas for improvement and set out key actions. One of their key features is linking capability to results and outcomes.

In the same vein, the Canadian Management Accountability Framework (MAF) defines the conditions necessary to ensure that government is well managed and to promote management of excellence. The MAF process includes annual assessments of most departments and agencies and public reporting on the state of management, including HRM. The Canadian government uses MAF assessments to identify strengths and weaknesses in individual departments and agencies and on a government-wide basis. The People Component of the MAF provides a common structure for assessing human resources management in departments and agencies. It sets out a vision, expectations, key performance indicators and associated measures for sound human resources management. One of its key outcomes is to ensure a workforce that is talented, professional, representative, engaged, and productive, with the required competencies and values to meet current and future needs.

Strong information management practices

Having timely and accurate information is essential for workforce planning. The lack of such information has been one of the main obstacles for many countries, who often do not know how many public servants work for the public service, where they are allocated, how much they are paid, and what they can do. Without basic information, governments cannot make informed decisions on how best to meet their goals and objectives and, when it is the case, undertake consolidation plans that include workforce reduction measures, without damaging the capability of the public service. Simply understanding the size and structure of employment is a first step in using management information to inform on-going reform. Without good management information, effective strategic workforce planning will be problematic.

Information management should not be seen simply as a technology problem. Organisational, cultural and strategic factors must be considered to improve the management of information. It is also about information itself, including the structure of information, metadata, content quality, among other things.

Governments face many problems related to information management. The use of ICT is not normally the solution, and electronic information has sometimes made the problems worse. Many OECD countries

4. Hirai, Bunzo (2012), *Overarching the barriers to the implementation of workforce planning*, presentation at the Symposium on "The Government Workforce of the Future: Innovation in Strategic Workforce Planning in OECD Countries", 11-12 June 2012.

face a variety of challenges to manage information effectively: a large number of disparate information management systems; little integration or coordination between information systems; the lack of strategic direction for the overall technology environment; poor quality information (lack of consistency, duplication, and out-of-date information); limited support by the senior managers; and a large number of diverse business needs and issues to be addressed. Managers should be clear about their business needs and the type of information they required for informed decision-making.

There are no simple answers to complex issues and needs for information in the public service. Countries have been looking for new approaches to information management. Successful information management is about organisational and cultural change, which can only be achieved by strong leadership. Organisational leaders should set the vision of the desired outcomes of the information strategy. They should specify how the organisation should operate, more than just describing how the information systems themselves will work. The information management systems will need the active participation of staff throughout the organisation itself and the public service as a whole. Staff must be able to identify the benefits to them, therefore ensuring that the systems are useful and usable for staff is critical.

To ensure the effectiveness of information management, countries need to bear in mind that these projects must always be designed so that they deliver tangible and visible benefits. This involves identifying concrete business needs that must be met and allowing meaningful measurement of the impact of the projects on the operation of the organisation. Information management should be targeted at the most urgent business needs or issues. These in turn are normally derived from the overall business strategy and direction for the organisation as a whole. This should be accompanied by a clear communications message.

Box 7. Information management practices in Belgium, Canada, the United Kingdom and Brazil

In 2004 **Belgium** implemented the SEPP Project as a standard methodology to count civil servants in each of the federal public services. It follows a strict definition of the plan's borders to guarantee the follow-up of a plan's execution. It takes into account the paid workforce of a service and includes a simple description of the HR workforce making a distinction between management, statutory and contractual staff. The SEPP Project includes a strict definition of a period of time to avoid the problem of constant flux of the workforce due to flows in and out of employment. SEPP provides an estimate of the employee's cost based on the real latest paid salary, an estimate of the existing personnel on individual level and a standardised definition of the heading costs. SEPP is used by the Head of administration each year to make the final step of the workforce planning process which is to provide an estimation of the HR vision, and every month to follow the state of progress of the plan and to make decision on how to achieve the goals. Government used SEPP on a yearly basis to analyse the risk level taken by all services in their workforce planning process and to avoid bankruptcy (*ex ante* control) which is published in the Personnel Plan Assessment; and every four months to analyse the evolution of the civil servants.

In order to have the right information on a timely basis, **Canada** has implemented a Public Service Management (PSM) Dashboard which pulls together data from different systems, such as the central payroll system, department-specific data systems, recruitment systems, etc. As part of its approach to workforce planning, Canada's authorities needed to ensure their senior and middle managers understand what their business is, what it will be in the medium and long-terms, and what skills they have. The PSM Dashboard is an online suite of information and knowledge transfer tools developed to meet the performance monitoring and reporting needs of central agencies, as well as to inform decision making by deputy heads and departmental human resources officials. The PSM Dashboard reduces the burden of departmental people management performance reporting by leveraging and sharing data from central systems among users. It is a people management tool that assists deputy heads with their people management accountability and decision making. It contains more than 200 people management measures accessible to users across the public service. The PSM Dashboard continuously incorporates additional performance measures, toolkits, hyperlinks and functionalities to enable a high-performing public service.

The **United Kingdom** publishes the Business Plan Quarterly Data Summaries (QDS) designed to provide a quarterly snapshot on how each department is spending its budget, the results it has achieved and how it is deploying its workforce. Their primary purpose is to make more of the management information currently held by government available to members of the public on a regular basis in an easy-to-read format. The UK government intends for an

annual version of this information to be formally laid in Parliament in an Annual Report and Accounts. The information is presented in a re-usable format. The QDS template is the same for all departments, though many of the individual indicators are unique to the department (especially input and impact indicators). In addition, there is monthly management information on staff numbers and paybill costs in Cabinet Office and non-consolidated performance-related pay data for Cabinet Office. Although the figures are not official statistics, they are internal workforce management information published in the interests of transparency.

Brazil's Ministry of Planning Budgeting and Management publishes a Personnel Statistical Bulletin (*Boletim Estatístico de Pessoal*) every month. It contains data on personnel expenditure, distribution of staff by organisation and entity of the federal administration, the number of public servants and the distribution based on the level of remuneration, as well as information on the profiles of jobs contained in the job structure.

Sources: Belgium: Vos, Anne de, *et. al.* (2012), *Human Resources Planning in the Belgian Federal Government*, presentation given at the OECD Symposium on "The Government Workforce of the Future: Innovation in Strategic Workforce Planning in OECD Countries", 11-12 June 2012. Canada: Treasury Board of Canada Secretariat: www.tbs-sct.gc.ca/reports-rapports/pmt-gpt/2010-2011/pmt-gpt04-eng.asp. United Kingdom: Cabinet Office www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary. Brazil: Ministry of Planning, Budgeting and Management www.planejamento.gov.br/secretaria.asp?cat=233&sec=25.

Workforce planning as part of efficiency measures

Public sector organisations have to address workforce planning in a recession environment. Planning in such an environment may not result in a full and through process, and organisations may not achieve all the benefits of workforce planning. One way OECD countries are approaching this challenge is by ensuring an effective combination of instruments to manage the workforce, particularly through a *better integration of HRM instruments*, such as competencies and skills strategies, redesign of work, and compensation, *with budgeting instruments* such as automatic productivity cuts, performance management and programme/spending reviews. This way workforce planning is linked to the strategic planning of organisations, including business forecasting and planning, budgeting, accountability and reporting mechanisms for managers, and strategic human resource management.

The Dutch downsizing operation (Box 8) shows the technical complexity of implementing a political decision regarding efficiency targets and staffing cuts. The drive of the reform was to produce efficiency gains by reducing resources in policy making, advisory services, inspectorates, and support services (OECD, 2011a). The Dutch reforms exemplify the trends across OECD countries aimed at better quality of services and cost savings, whose effectiveness could be enhanced by workforce planning, including:

- A more consistent division of tasks between levels of government;
- Vertical integration, i.e., a better use of executive and professional expertise in policy development;
- Horizontal integration, i.e., process sharing among executive agencies and merging of executive agencies; sharing of support services;
- Stricter standards of operational management;
- Separation of financing of agencies from steering and control of outputs.

Box 8. The Dutch Governmental Renewal Programme: lessons for downsizing operations

The Dutch Governmental Renewal Programme (GRP) 2007-2012 was the first of two consecutive downsizing operations that targeted policy-makers, inspectorates and support departments. The GRP aimed to create a central

government that generates fewer and less complex rules, reduces administrative burden, produces policy and abolishes obsolete policy, shows results, provides services, performs professionally and impartially, and is a good employer for competent, honest and loyal civil servants.

The objective was not only to reduce the civil service but to improve the quality of policy preparation, implementation and enforcement. Based on the idea of reducing the burden of policy coordination, the accumulation of new and old policies, and overheads, the main focus of the GRP was on policy, the knowledge and advice infrastructure, and support services. The principle was that government must approach society on the basis of trust rather than distrust; thus the amount of supervision had to be drastically reduced. Hence, the Dutch government decided to conduct cutbacks of 20% in policy divisions, 25% in support staff, and 20% in inspectorates. The government assumed that every department could increase its efficiency by 5% within four years.

The Coalition Agreement signed by government included cuts of EUR 630 million divided between the ministries and the autonomous administrative authorities, which translated to cuts of 11 000 jobs. Considering that certain agencies and autonomous administrative authorities are financed by charges – they receive all or part of their income by third parties – and in order to achieve the reduction targets, a cutback of 10% was established for them. These bodies comprise 18 000 jobs involved in policy implementation. Thus, the downsizing operation contemplated a reduction of maximum 12 800 jobs in total.

To carry out the cutbacks, the ministries were asked to prepare action plans for themselves and for the autonomous administrative authorities for which they are responsible. Cutbacks were measured in terms of money and full time equivalent positions (FTE) using the existing measurement instruments and statistics as much as possible. The ministerial plans incorporated some of the savings generated by what are known as 'supra ministerial plans'—plans in which efficiency gains are achieved either by means of cooperation, or policy or implementation units are merged and brought under the wing of new, smaller organisations. Extra attention was given to the precise number of jobs in central government and the autonomous administrative authorities, and to their definitions. It was established that ministries that own an agency would have primary responsibility for reducing the number of FTEs; and the ministries that make use of the agency's services were responsible for the financial cuts.

It was also established that new policies should always include a section on personnel, laying out and justifying the consequences for the civil service. This meant that recruitment efforts for new policies had to be tracked separately to make sure that the anticipated increase in employment was not confused with plans to reduce the civil service giving a false picture of the cutbacks.

Between December 2007 and 2010, 11 489 functions were suppressed, while 6 222 functions were created, resulting in a net reduction of 5 267 FTEs, of which 3 000 FTEs were abolished in 2010. Weak inter-ministerial cooperation and cabinet and financial crises led to these results. Thus, the second downsizing operation, the reinforce programme 'Compact Central Government 2011-2015' focuses on co-operation and co-ordination concerning a wide variety of business and administrative tasks.

Some of the lessons emanated from the Dutch experience with downsizing could be summarized as follows:

- Downsizing operations require a combination of quantitative and qualitative goals.
- A good snapshot and a zero-baseline of the administration to allow monitoring and manage corrections are required.
- Targets should be formulated in terms of personnel and budget.
- Political and administrative support is necessary as well as cooperation with the Treasury authority.
- Achieving goals should be a common responsibility for ministers and senior officials.
- Staffing reduction targets should be linked to budget targets and co-operation with the economy scheme should be ensured. Flexibility is required.
- Transparency and accountability should be enhanced by introducing an annual reporting cycle on personnel and material expenditure. Administrative expenditure should be separated from programme

budgets.

Source: Gaast, Peter van der (2011), *On the Dutch Downsizing Operations Governmental Renewal 2007-2012 & Compact Central Government 2011-2015*. Unpublished paper.

Similarly, in 2004 Finland introduced the Central Government Productivity Programme 2005–2015 in order to achieve public sector efficiencies through government administrative structures and effective use of ICT, with a view to permanently reducing government staff numbers and improving labour competitiveness, curbing expenditure growth and increasing the potential to re-allocate resources. Reducing staff numbers was a major priority, including a target of reducing the public administration by 9 645 person-years by 2011, and an additional 4 884 person-years by 2015⁵. Most of this target is expected to be achieved through natural attrition, as over 5 500 public servants are expected to retire or transfer by 2015. However, because Finland has not implemented innovative practices to support increased productivity, the large loss of staff due to staff reductions and retirements is forcing the remaining staff, unlike in the Dutch case, to do the same amount of work with fewer resources. Separately, a review of Australia's efficiency programme found that small agencies did not have the same capacity as larger ones to absorb cuts imposed by the efficiency programme and to improve processes. Thus, the key message from these experiences is that as part of the workforce planning efforts, any productivity/efficiency programme should link staff reductions with efforts to examine the capacity needs associated with work intensification, and create the environment for innovation. Countries need to assess the impact of performance management arrangements on productivity, and to identify opportunities to improve these arrangements. Particular attention should be paid to the impact on the morale of the public service and on retention of key staff, and to change management aspects.

Transforming government into a leaner, more strategic, and service-oriented body demands a broader orientation in the operation and duties of government, as the Dutch experience shows. If the labour force is expected to be reduced in the long term, then the demands placed on the workforce capacity will have to decrease. Organisations should consider which functions or tasks are better to outsource. Canada and the Netherlands have raised warnings about simply transferring money from the public to the private sector when public sector positions are cut. Therefore, when conducting workforce planning outsourcing should be part of the discussion as it needs to be justified. Organisations need to decide which activities could be passed to the private sector to effectively reduce costs, like certain operational management tasks or activities for which no skills exist internally.

OECD countries are also incorporating workforce planning into automatic productivity cuts measures,⁶ which are a way to conduct across-the-board cuts on operational expenses in terms of the economic classification of expenditure. In some cases, like in Finland, a different rate is applied for different ministries. These cuts are either applied directly to the budgets of the agencies, or they reduce the budget of core ministries, who then have to pass on the cuts to their agencies in the proportion they choose, as long as they respect the overall cut. Countries that use automatic productivity cuts find that they are useful to maintain efficiency dividends, but they are aware that there are several ways around these cuts. The use of automatic productivity cuts to drive more efficient staffing (not only staffing levels but also the redesign of work and other changes in how services are delivered) remains under-analysed. More needs to

5. By the end of 2008, Finland achieved a reduction of 3 700 person-years (OECD, 2010e).

6. Automatic productivity cuts—or efficiency dividends—are based on the principle that if productivity increases in the public sector are recognised, then there is room for cutting the inputs of public sector by the rate of the increase in productivity, without changing the level of output.

be known about the advantages and disadvantages of this approach and how it can be integrated into workforce planning and management.

Countries that use spending reviews, such as Australia, Canada, the Netherlands, and the United Kingdom, see them as a better way to find resources for new priorities than more traditional tools, such as across-the-board cuts or cuts on subsidies. These reviews look at not only the effectiveness and efficiency of programmes under current funding levels but also at the consequences for outputs and outcomes of alternative funding levels. Both instruments—automatic productivity cuts and spending reviews—include the planning of the workforce considered necessary to produce the same amount of output but with fewer resources. Some OECD countries like Ireland and Mexico are establishing links between performance budgeting and workforce planning as a way to improve expenditure control and/or public sector efficiency and performance. These reforms can be combined with reductions in inputs controls and increased flexibility for managers, in return for stronger accountability for the results, to enable them to decide how best to deliver public services.

Box 9. Why are OECD countries using performance budgeting?

In most OECD countries budget negotiations have traditionally included some element of discussion on planning, as budgetary estimates generally state what a ministry aims to achieve with funding. The introduction of performance budgeting has formalised this process and has placed greater emphasis on setting targets and measuring results. Some of the reported or expected benefits of performance budgeting are:

- It generates a sharper focus on results within the government.
- It provides more and better information on government goals and priorities, and on how different programmes contribute to achieve these goals.
- It encourages a greater emphasis on planning and acts as a signalling device that provides key actors with details on what is working and what is not.
- It improves transparency by providing more and better information to Parliaments and to the public.
- It has the potential to improve the management of programmes and efficiency.

Source: OECD (2007c), Performance Budgeting in OECD Countries, OECD Publishing, Paris.

Some countries like Canada are using integrated planning to obtain a better sense of organisational strengths and of the gaps that need to be filled, whether through recruitment or development or by bringing in specialised skills at mid-career. There are five steps to integrated planning at the departmental level: 1) determining organisational business goals; 2) analysing the organisational environment to see if there is the right mix of skills and people to meet current and future needs of the organisation; 3) assessing the gaps or surplus in the organisation's workforce – what is missing or what is no longer required from an HR perspective in order for the organisation to achieve its goals; 4) setting priorities and taking action – initiating strategies to close the gap and help get the quantity and quality of the resources required; and 5) reviewing, monitoring and measuring whether efforts were successful.

The experience in the use of instruments such as programme reviews, automatic productivity cuts, strategic reviews, spending reviews and productivity programmes suggests that governments should consider the capacity of the public service to meet current and future challenges, including matters such as leadership, skills and flexibility of the workforce and likely needs to renew the workforce in the medium

terms (i.e., through recruitment and staff development). Workforce planning should be integrated in the medium-term budget framework. Measures to support mobility and reallocation of staff should be in place.

Experience suggests that using a combination of instruments can increase the potential advantages associated with any of those instruments. For example, spending reviews can help target cuts; instruments that drive ongoing productivity improvements may reduce the need to resort to ad hoc cuts; investment in skills renewal and support for redeployment of staff can help preserve capacity and maintain the trust and morale of employees. However, whatever the instrument to enhance efficiency is adopted by a country, it is advisable to make sure that the mantra is ‘value-added’ to decide which programmes or policies to continue or stop.

Challenges for Embedding the Practice of Workforce Planning in the Public Service

The level of development of workforce planning across OECD countries is extremely uneven. Even in the countries with the most sophisticated models, challenges remain to embed the practice of workforce planning in the public service culture and management practices, such as:

- *Embedding the practice of workforce planning at the organisational level.* National governments are aware of the importance of workforce planning as part of their human capital management strategies, but at the organisational level its development and acceptance remain a challenge, which may be linked to other challenges such as the lack of resources to conduct workforce planning and the lack of awareness of its potential. Therefore, more needs to be done to pass from a HR-centric function to an organisation-owned practice.
- *Understanding the capacity and capability of the workforce better.* Many governments still lack the tools and skills to understand what and how much the workforce can do. This gap may be the result of the lack of training for line managers and HR staff on conducting workforce analysis, and the lack of resources to do so. Alternatively, the right information may not be systematically available.
- *Linking workforce planning needs more closely to the business planning and the budget definition.* Countries have faced difficulties linking workforce planning to the budgeting process and in particular to performance budgeting. In many countries, the two topics remain dissociated. For instance, the central HRM body may not always be part of the discussions about the investment made in the workforce each year. In consequence, HR staff do not necessarily have a complete understanding of business issues, which complicates efforts to align current and future workforces to meet future product and service demands. Thus, coordination with substantive areas is important. As Sinclair (2004:13) argues, “A business cannot run efficiently without the right pipeline of people to staff it, and conversely, HR cannot staff correctly unless it understands what the business needs and plans are.” Moreover, more needs to be done to integrate workforce planning into the budget definition process. Workforce planning can be part of the annual budget cycle and feed into decision making at different levels and stages of the process.
- *Making management accountable for workforce planning.* Senior management needs to champion the workforce planning process in the organisation, but without a proper understanding of what workforce planning is and training on how to conduct it, managers will see workforce planning as an addition to their workload and not as a management instrument. Establishing incentives for managers to conduct workforce planning and making it part of the management accountability framework are two options to make managers own the practice of workforce planning.

- *Developing the capacity and capability for workforce planning.* Conducting workforce planning is not an easy exercise. As a result, countries have been organising forums, seminars and other events for sharing experiences and better practice, developing practical tools and templates, and benchmarking their own practices. These forums are normally focused on HR staff, but more needs to be done to involve senior and middle managers to develop their skills for workforce planning. This problem is exacerbated by the lack of experience of HR staff in workforce planning. HR staff are usually measured and rewarded for short-term objectives, and are unaccustomed to thinking in the long-term. Most HR staff oversee established, routine work such as payroll processing and job classification. Time which could be spent doing strategic work is often consumed by HR administration. HRM is one of the areas where countries reportedly have high levels of turnover.
- *Developing a more systematic approach to workforce planning.* The approach to workforce planning continues to be a challenge for public services in many countries, and exchange of information and mutual learning in this domain would prove helpful. Some countries, especially those affected most by the recession, will also have to contend with loss of skills as a result of rising levels of emigration.

Countries with less sophisticated or little experience in workforce planning face additional challenges:

- *Raising awareness of the potential of workforce planning among members of the political and senior management circles.* Some OECD countries abandoned the practice of workforce planning and their current leaders are unconvinced of the benefits it may bring about. Workforce planning, like any HRM reform, takes time to produce results. Thus, convincing decision-makers and senior managers of the benefits of investing in workforce planning is often difficult. The lack of monitoring and evaluation of workforce planning may have led to a lack of evidence to support the case of workforce planning. *Strengthening information management systems.* Having the right data at the right time to inform decision-making is seminal for workforce planning success. However, a number of OECD countries still face the challenge of building an information management system able to provide reliable data on a timely basis. Basic information such as the number of employees, their location, their background, and their competencies and skills is still unavailable in many countries.
- *Ensuring flexibility for the management of the public workforce.* Workforce planning seems to be more developed in decentralised environments where managers have the flexibility to decide the composition of their teams. If managers are to be held accountable for the management of the workforce and workforce planning, they need to be empowered to manage it in a more flexible manner. Centrally defined guidelines and frameworks can be of assistance, providing coherence and a common language across the public service, but organisations need to be able to adapt those to their own particular needs.

Guidelines for Designing, Implementing and Assessing Workforce Planning

Based on research and country experiences, OECD has developed some general insights intended to guide the design, implementation and assessment of strategic workforce planning strategies.

Designing a workforce planning strategy

Context is important. There is no single approach to workforce planning that can succeed in all countries; rather each model needs to be adapted to the relevant political and institutional context and be seen as part of a learning process. Institutional and political factors help to explain the different country

approaches, but also influence the ability of workforce planning to achieve its objectives. These factors include: the nature of the political system and of the budget process; the degree of centralisation of the HRM system; the development of the HRM process (recruitment, retention, training, performance management); the capacity of the central HRM body and of the individual ministries and agencies to conduct workforce planning; political support and leadership; strong management information systems; and the ownership of managers and stakeholders (for example unions). The success of workforce planning will depend to a large extent on the cooperation between the finance authority, the central HRM body, and the HR departments in individual ministries and agencies.

Have a clear vision and objectives. Clearly identifying the main objectives and goals of government from the outset and how the public workforce is expected to contribute to achieving them is critical. There should be clarity of purpose and of expectations. Objectives should be set and explained, emphasising how they will be achieved, how they relate to each other, and what are the key priorities. A communications strategy should be set to keep all stakeholders informed about the objectives, progress and results. HR bodies/departments need to be involved during the entire decision-making process and, more importantly, at the strategy development phase.

Use a scalpel to restructure the public workforce—not an axe. Countries have realised that restructuring the public workforce by freezing recruitment and conducting across-the board staffing reductions have a negative impact in the capacity and capability of the public service to meet its objectives. If restructuring is needed to contribute to fiscal consolidation, then recruitment could be slowed and focused on specific areas of need including the senior and entry levels. Programmes should be revised to identify both work that needs to be eliminated and work that needs to be enhanced through additional competencies and skills. A selective replacement policy may be adopted in cases of departures due to retirement, to do more with less and upgrade the competencies of the workforce.

Have a pragmatic approach to workforce planning. To be effective, workforce planning needs to be flexible, ongoing and sensitive to the different and evolving needs of units. The objective needs to be changed as in line with needs, so that it is seen as building a context for decision-making, not predicting the future. The reason workforce planning went out of favour in the past is because it failed to predict the downturn of the economy. Workforce planning is not about providing a complete picture of the future, but a longer-term context within which more effective near-term staffing decisions can be made.

Align workforce planning and the budget process. Many countries struggle to coordinate the budget process with the planning of the workforce, but it is essential to coordinate and send consistent messages about financial and human capital resources to achieve government's strategic goals. Thus, budget and HR people need to be in constant communication and coordination. Staffing levels tend to be defined according to budget availability and not according to objectives and expected results. Therefore it is difficult to relate workforce costs to results and make informed decisions for the future. Consideration of the workforce needs in terms of numbers, compensation, competencies and skills and allocation in the budget process will help maximise the benefits of workforce planning. Aligning financial, human capital and performance information is vital in ensuring the success of workforce planning. Linking performance budgeting to workforce planning may provide a solid basis for defining the right number of people allocated at the right place.

Involve key stakeholders in the workforce planning process. Some countries need to manage industrial relations and have collective agreements with bargaining agents. Hence, having unions as partners from the very early stages of the planning process is critical to create a deep understanding of government's needs and objectives and how to achieve them. This partnership facilitates the management of workforce reduction measures when they are necessary. Consulting senior managers and making them active agents in the planning process facilitates ownership and commitment to workforce planning. Budget

and HR departments are the major players in developing and implementing workforce planning and they need to work in coordination, but all levels of the organisation should be responsible for some components of workforce planning.

Develop a public service-wide workforce planning framework to redefine workforce planning from a human resources-centric function to a business-owned practice. A public service-wide framework helps provide guidance to individual organisations on their planning exercises. To develop such a framework, governments must integrate workforce planning with business planning (including finance); consider a greater focus on scenario-based demand forecasting of future plausible business delivery, including new and lapsing policy proposals; and define workforce capacity and capability strategies to deliver outcomes now and into the future. A public service-wide framework is needed if governments wish to engage in government-wide strategic planning and reporting.

Adopt an evidence-based comprehensive approach. Basing any decision that has an impact across the public service on solid evidence is critical. Consequently, organisations need a solid management information system to have the right data at the right time on a timely basis to inform workforce planning decision-making. It is necessary to make sure that senior managers and public employees understand what the information is, what it represents, and how to interpret it.

Ensure a fair and transparent decision-making process. Fairness and transparency are essential to improving understanding of workforce planning proposals, what is trying to be achieved, and how people will be affected. This would also help reducing stress levels when staffing cuts and salary reduction measures are adopted.

Keep it simple. Workforce planning should not be too ambitious in its objectives, especially if experience on workforce planning is limited. Not everything can be covered, thus setting priorities is needed.

Implementing workforce planning

Develop a spirit of collaboration and mutual support. There should be a focus on being helpful to field offices. Not all HR departments in individual agencies and ministries have the capacity and capability to engage in workforce planning. Having HR and management capacity for workforce planning is critical. Therefore, the central HRM authority may organise forums for sharing experiences, best practices, benchmarking, and exchanging information. The aim is to contribute to the development of workforce planning practices at the organisational level based on the experience and support of others. Establishing advisory task forces on workforce planning may be a way to help embed the practice in the organisation.

Ensure management flexibility. Management flexibility is critical to change the profile of the workforce according to changing needs and priorities. Managers should be able to manage their workforce in a ways that allow them to meet their objectives. Delegation of HRM authority to line ministries/agencies and line managers facilitates workforce planning and accountability for HR management. Organisations should provide incentives for workforce planning to management teams from the outset. Front line managers require a clear understanding of their business and their contribution to the organisation's mission and the government's strategic objectives.

Build incentives for managers to engage in workforce planning. Managers should be given the incentives to engage in workforce planning, for example by linking workforce planning to management accountability frameworks, publishing their performance on 'people management' to stimulate competition, or linking workforce planning to budget management flexibility.

Ensure consistency in HRM implementation. Consistency in the implementation of the HRM process and decisions is required to attract and retain qualified staff, give certainty about the ‘rules of the game’ to all public employees, and facilitate the support of employees and unions in the workforce planning process and, if required, staff reduction measures.

Develop HRM skills to do workforce planning. HRM staff often lack the experience and skills to conduct workforce planning. Generally they are rewarded for short-term objectives and may not have an understanding of the business issues, which complicates efforts to align current and future workforces to meet future product and service demands. HR staff should be trained and retrained in the relevant skills to do workforce planning. Their performance management scheme could be revised to include an assessment of their workforce planning. It is important that the central HRM body and the line ministries and agencies have the analytical and administrative capacities to implement workforce planning.

Address workforce issues and revise the HRM process. Ministries and agencies across the public service face different HRM problems. Conducting workforce planning is an opportunity to revise HRM practices to address issues such as: retaining staff through the use of more flexible work practices, investing in learning and development, improving the attraction and recruitment strategies, strengthening the performance management system, enhancing the diversity of the workforce, improving knowledge management, reducing the demands for skills through redesign of jobs, etc. Ministry and agency strategies could benefit from more specificity and focus on particular shortages or workforce issues that need to be addressed, desired enhancements to organisational capability and the building of individual capabilities.

Attain support from leadership. The support of political and administrative leaders is vital to push the implementation of workforce planning if it is to be successful. Political leaders can create momentum and impetus for change and help to overcome bureaucratic resistance. Administrative leaders can promote the development of management information practices and promote the use of that information in decision-making for workforce planning.

Assessing workforce planning strategies

Adapt workforce planning to changing circumstances. Governments and organisations need to allow the workforce planning decisions to be adapted as changes in the wider political, economic and administrative environment changes.

Monitor and evaluate the workforce planning strategy. Workforce planning is a dynamic and iterative process. It therefore requires close monitoring to detect necessary changes. The use of KPIs may be helpful in this stage to assess the extent to which the organisation is better positioned to meet its goals as a result of changes in the workforce. Workforce planning is also a continuously evolving process, as organisations adapt and learn from previous measures, and the environment in which governments operate is in constant change.

Assess how structural reforms affect levels of employment. Organisations need better evaluation of how structural reforms such as outsourcing, the creation of arm’s-length agencies, movement of staff to sub-national levels of government and privatisation or corporatisation have affected the size of the workforce and production costs of publicly funded goods and services over the long run, and how the workforce aspects of such reforms can best be managed.

Manage expectations. Previous experiences with workforce planning may create unrealistic expectations. It is important from the outset to manage expectations in terms of the length of time it takes for HR reforms in general to take place. It must be considered that workforce planning takes place in a political context and in a changing and complex environment. Recognising the limits of workforce

planning is a big step in this direction. The most realistic expectation is, perhaps, that countries will make HR-informed decisions.

Get started, the quicker the better!

What is Next?

Changes in the management of the public service workforce are a topic of strategic importance for OECD countries. Thus, there is a growing interest in member countries to gain knowledge and technical expertise in the area of workforce planning. Still, workforce planning remains an underused instrument in many countries, although some have developed sophisticated systems. Therefore, this report is a contribution to the debate and understanding of workforce planning that is currently taking place in a number of OECD countries. It will be used as a contribution to several OECD projects that aim at building governance capacity, as well as in Public Governance Reviews and Human Resource Management Reviews. This report is also expected to contribute to the works of the European Union Public Administration Network (EUPAN) on the topic during the Irish EU presidency.

A revised, shorter version of this report will be included in a forthcoming publication of the OECD Network on Public Employment and Management (PEM) in 2013 that will include other key topics for OECD countries such as HRM and strategic agility in the public sector, public sector unions, and the management of senior managers. This publication is expected to be presented to PEM delegates during its annual meeting in autumn 2013.

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