



Moving Beyond Panic: Strategic Workforce Planning

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- The Panic: Labour market changes and upcoming shortages
- Moving beyond panic: Strategic Workforce Planning
- Workforce planning evolution
 - What are major companies doing when they face labour shortages and how do they evolve?
- Summary

RECRUITING

Rising demand for skilled workers isn't being met, global survey finds

NICK ZIEMINSK
REUTERS

More employers around the world, including Canada and the United States, say they are having trouble finding skilled technicians, sales representatives and engineers.

IN-DEMAND JOBS

1. Technicians
2. Sales representatives
3. Skilled trades workers
4. Engineers
5. Labourers
6. Management
7. Accounting

8. IT staff
9. Production operators
10. Support staff, including secretaries and

Aging society has no time to waste



Labour crunch hits oil, gas drillers

LAUREN KRUGEL

Calgary— Globe and Mail Update

Published Friday, Jan. 27, 2012 5:20PM EST

Last updated Friday, Jan. 27, 2012 5:23PM EST

Oil patch labour crisis seen spreading to rest of country

headed for 'perfect storm' in worker shortages: Employment minister

BY DARCY HENTON, CALGARY HERALD APRIL 27, 2011 COMMENTS (38)

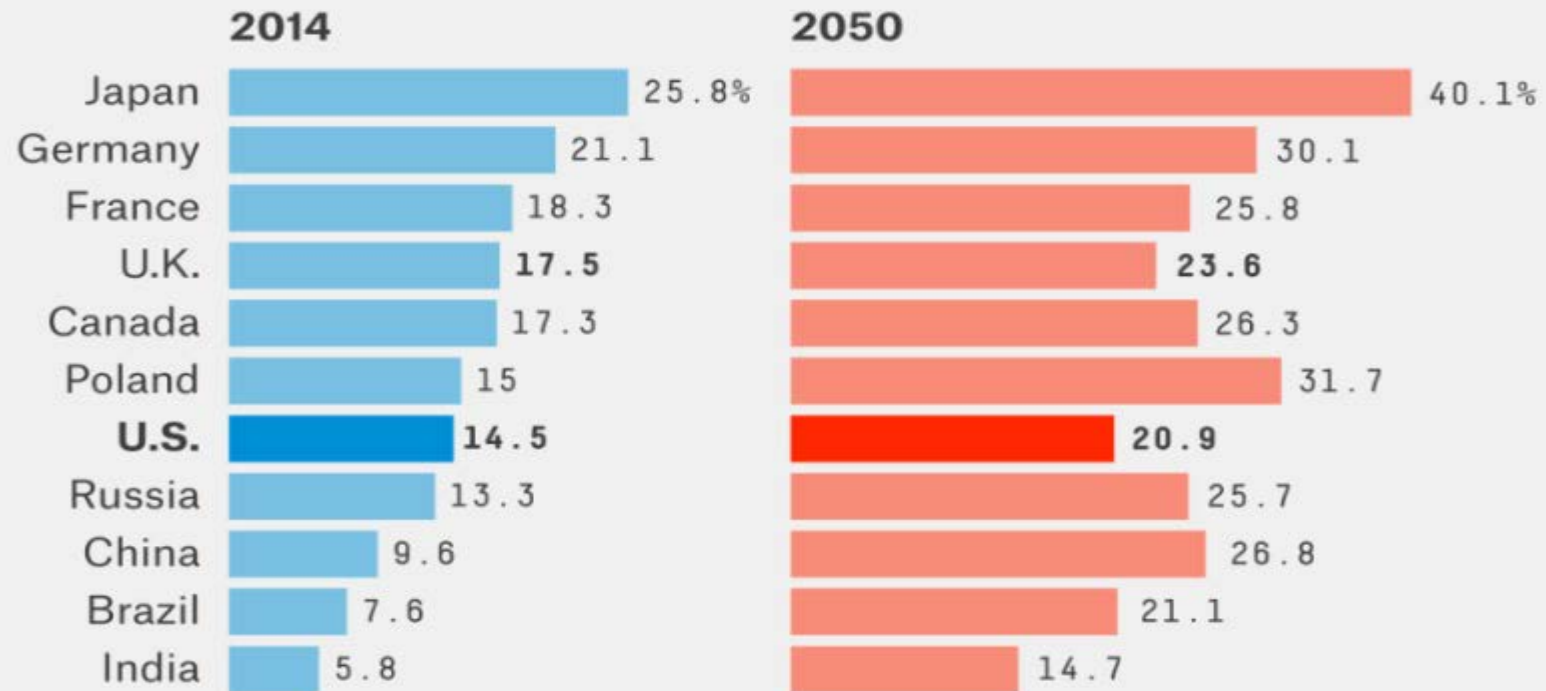
The Changing Labour Market



The Changing Labour Market

Share of Population Age 65 And Over

Selected countries

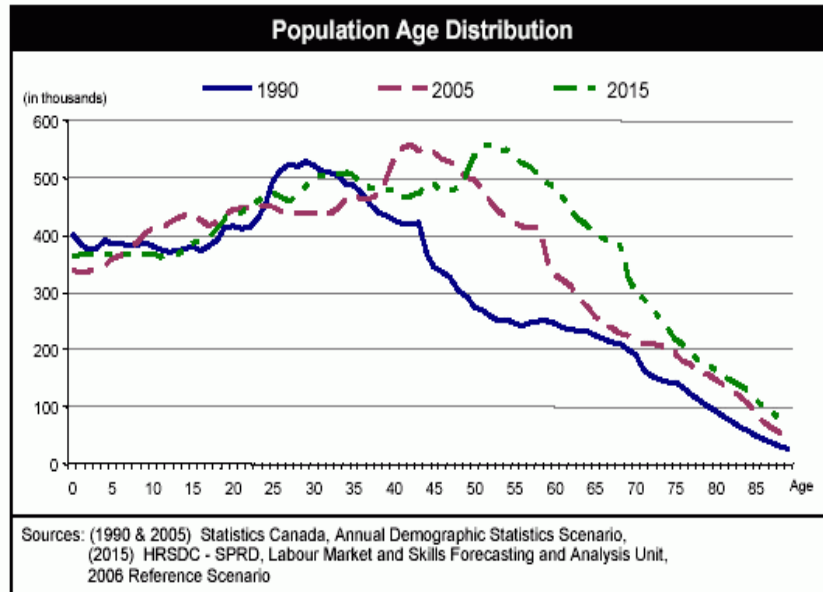


SOURCE: U.S. CENSUS BUREAU INTERNATIONAL DATABASE

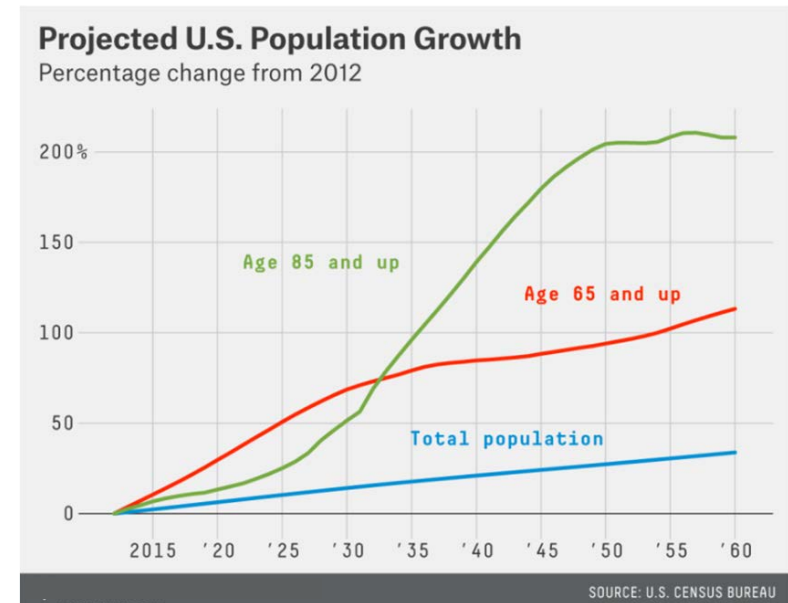
Share of population over the age of 65 is increasing rapidly.
Canada has hit the problem before the U.S.

The Changing Labour Market

Canada



U.S

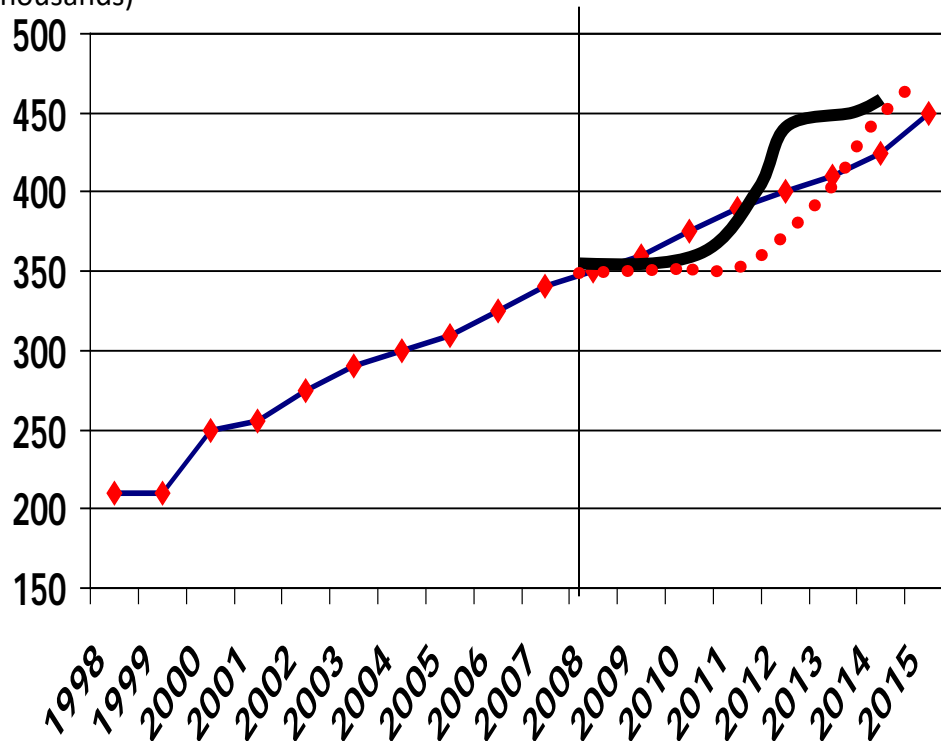


The aging population is contributing to a major upward trend in retirements

The Changing Labour Market

Projected Canadian Retirements

(in thousands)



Canada

- Retirements will make up about 2.5% of workforce exiting per/year (2011-2015)
 - But there are surprises
- Economic growth expected to be around 2%- 3% and expected to require increased workforce
- Entrants to the workforce from schools are expected to remain flat (about 2% entering per year).

In Canada, retirements are expected to account for 80% of job openings by 2015

The Changing Labour Market

US

U.S. Unemployment

	<i>Apr. 2013</i>	<i>May 2013</i>	<i>June 2013</i>	<i>July 2013</i>	<i>Aug. 2013</i>	<i>Sept. 2013</i>	<i>Oct. 2013</i>	<i>Nov. 2013</i>	<i>Dec. 2013</i>	<i>Jan. 2014</i>	<i>Feb. 2014</i>	<i>Mar. 2014</i>	<i>Apr. 2014</i>
<i>U.S.</i>	<i>7.5</i>	<i>7.5</i>	<i>7.5</i>	<i>7.3</i>	<i>7.2</i>	<i>7.2</i>	<i>7.2</i>	<i>7.0</i>	<i>6.7</i>	<i>6.6</i>	<i>6.7</i>	<i>6.7</i>	<i>6.3</i>

- Economic growth expected to be around 2%- 3% and expected to require increased workforce
- In the US. Roughly 17 % of Boomers now report they are retired up from 10% in 2010. There's no stopping it now.

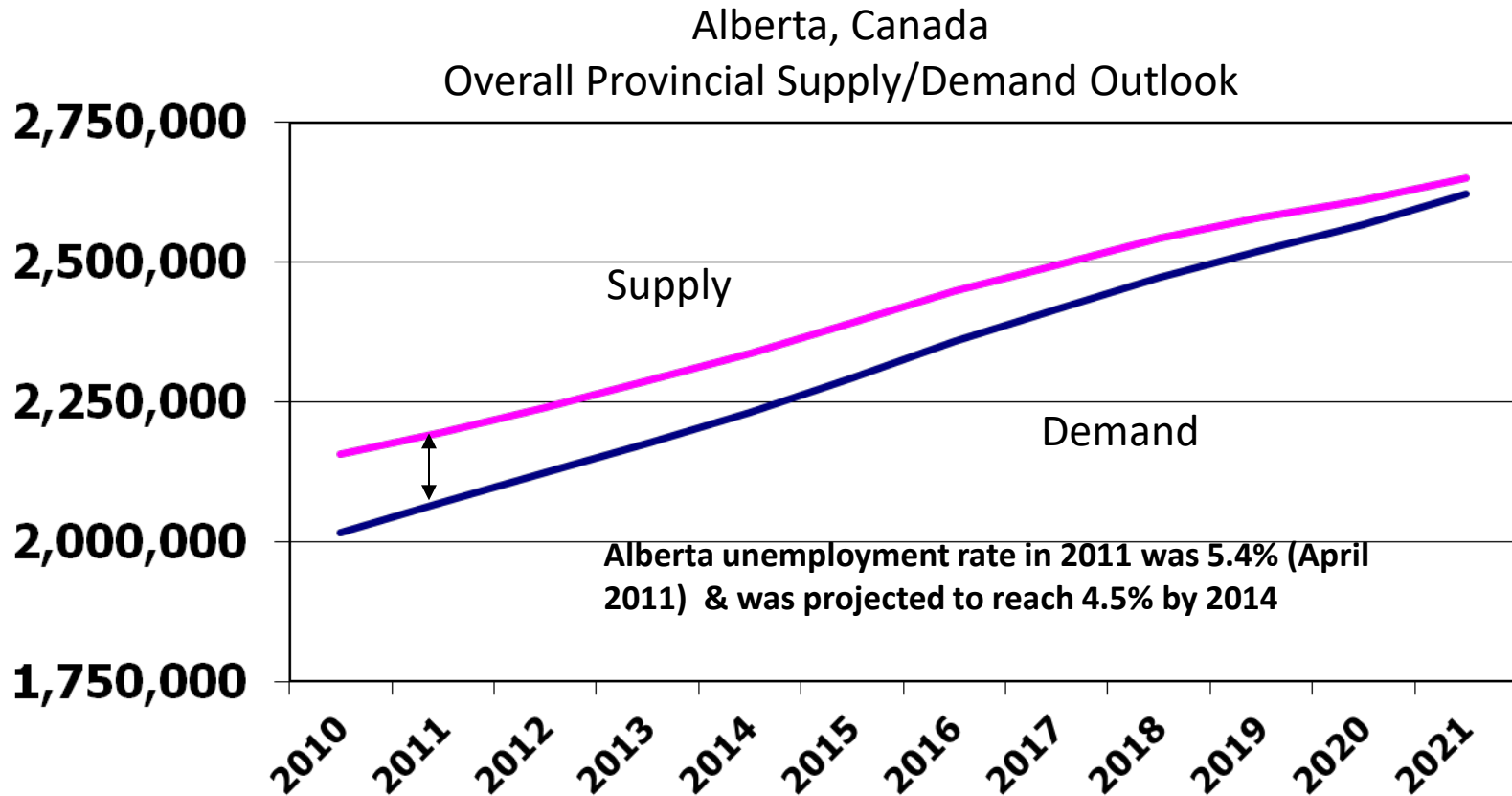
In addition to boomers retiring, the U.S. Economic recovery is driving lower unemployment rates

Overall

- There will be a tightening of the Labour Markets
 - Boomers retiring & economic recovery
 - **Subject to extreme fluctuation with Booms and Busts of Economy**
- There will be large regional differences e.g.
 - Canada unemployment range(April 2014)
 - Saskatchewan 3.4% - Newfoundland Labrador 12.1%
 - U.S. unemployment range(April 2014)
 - North Dakota 2.6%- Rhode Island 8.3%
- Employment landscape will look different for most:
 - Higher % older workers & bi-modal age of work force
 - Higher % of immigrants
 - Experience and skill gap in back filling senior positions
- Skilled worker shortage. This is already being felt.

Workforce Planning is becoming a critical factor to the success of organizations

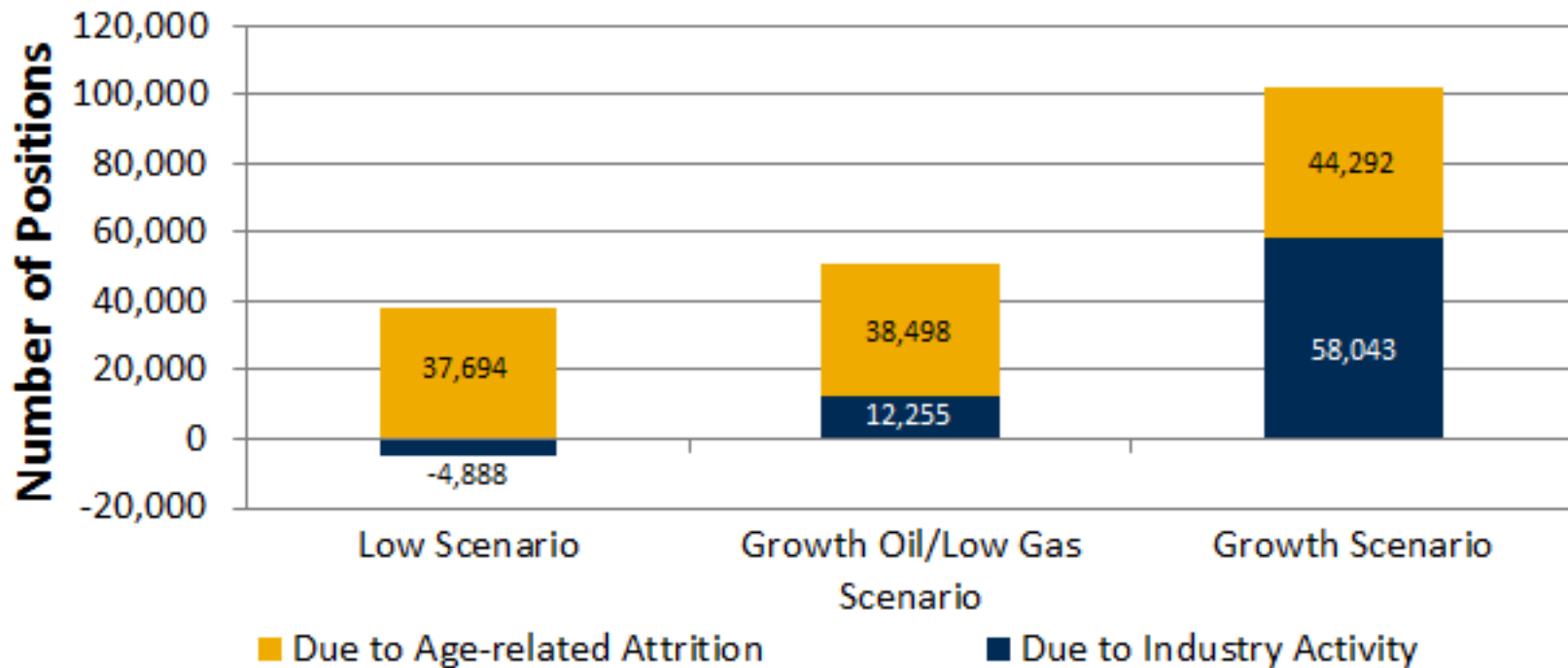
Alberta: The Upcoming Labour Shortage



In Alberta, there is expected to be a labour shortage of 114,000 people over the next 10 years

Alberta: The Upcoming Labour Shortage

Net Hiring for Alberta Based Oil & Gas employment 2010 - 2020



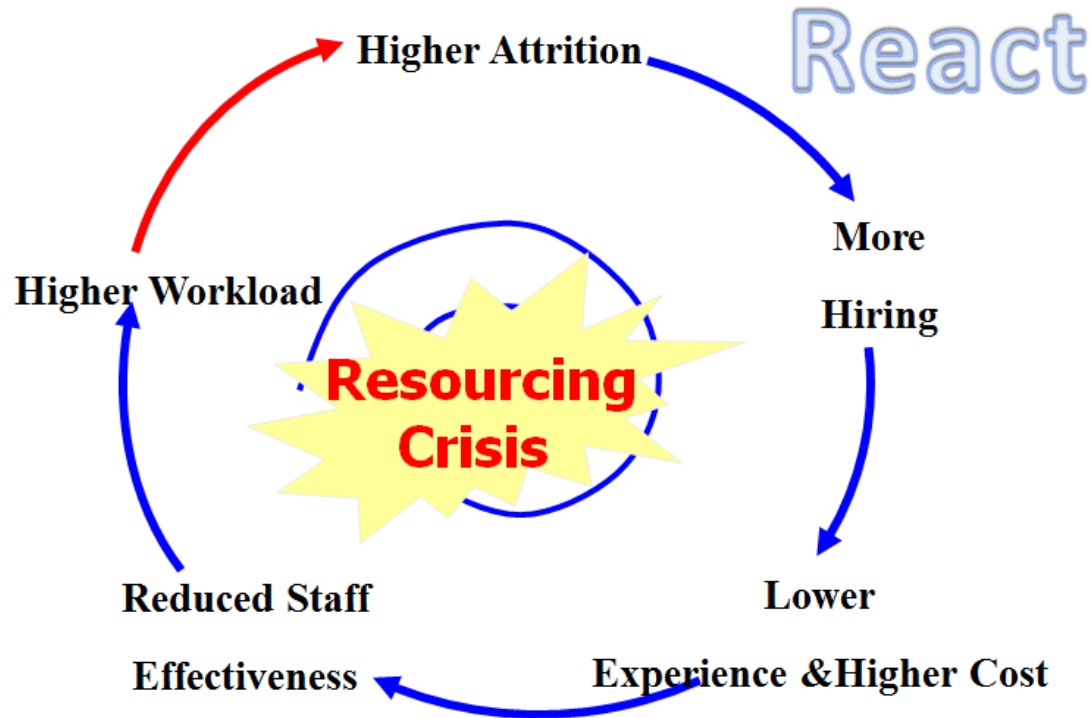
About 50% of this expected shortage is expected in the Oil & Gas industry

Alberta: The Upcoming Labour Shortage

- Hot” skills in Oil & Gas, where current labour shortages are already reported:
 - Experienced Engineers (e.g. Exploitation, Completions and Production)
 - Plant Operators, 1st, 2nd, 3rd class steam Engineers and Power Engineers
 - Maintenance Trades
 - Production Accountants
 - Field Operators/Specialists
 - Rig Crews
 - Environmental, Water management, Regulatory Technicians and Specialists

Shortages in skilled labour are occurring

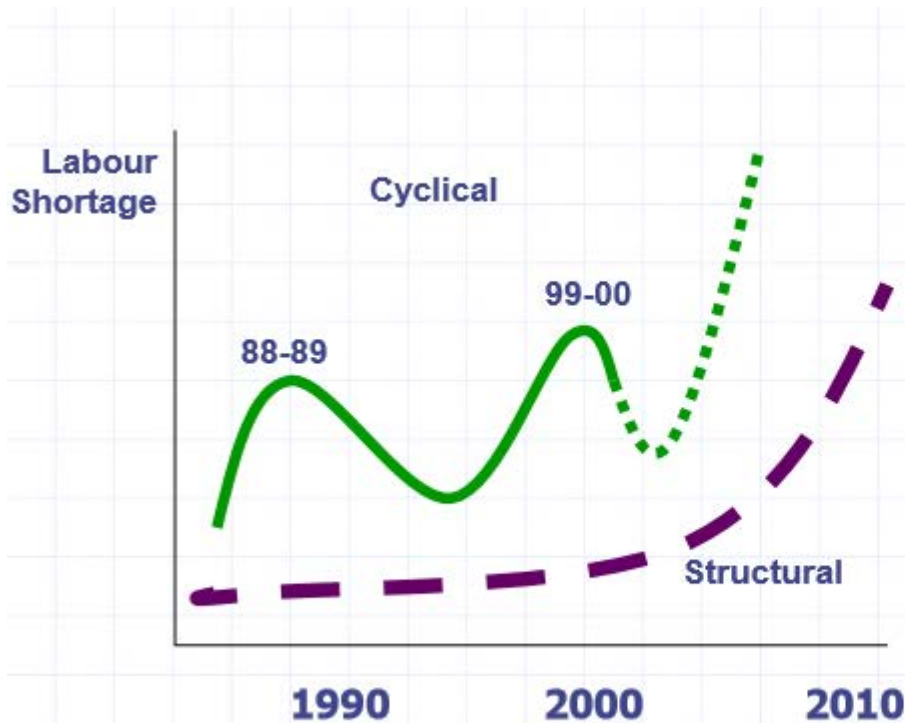
Heading for a Downward Spiral



Two mechanisms you can use to address your workforce challenges:

1. Business as usual: turnover increases, cost goes up, business performance declines, & you face a constant resourcing crisis OR
2. Develop and implement new strategies & break the cycle!!!!

Economic Booms and Busts



Use different scenarios to develop robust plans for your workforce

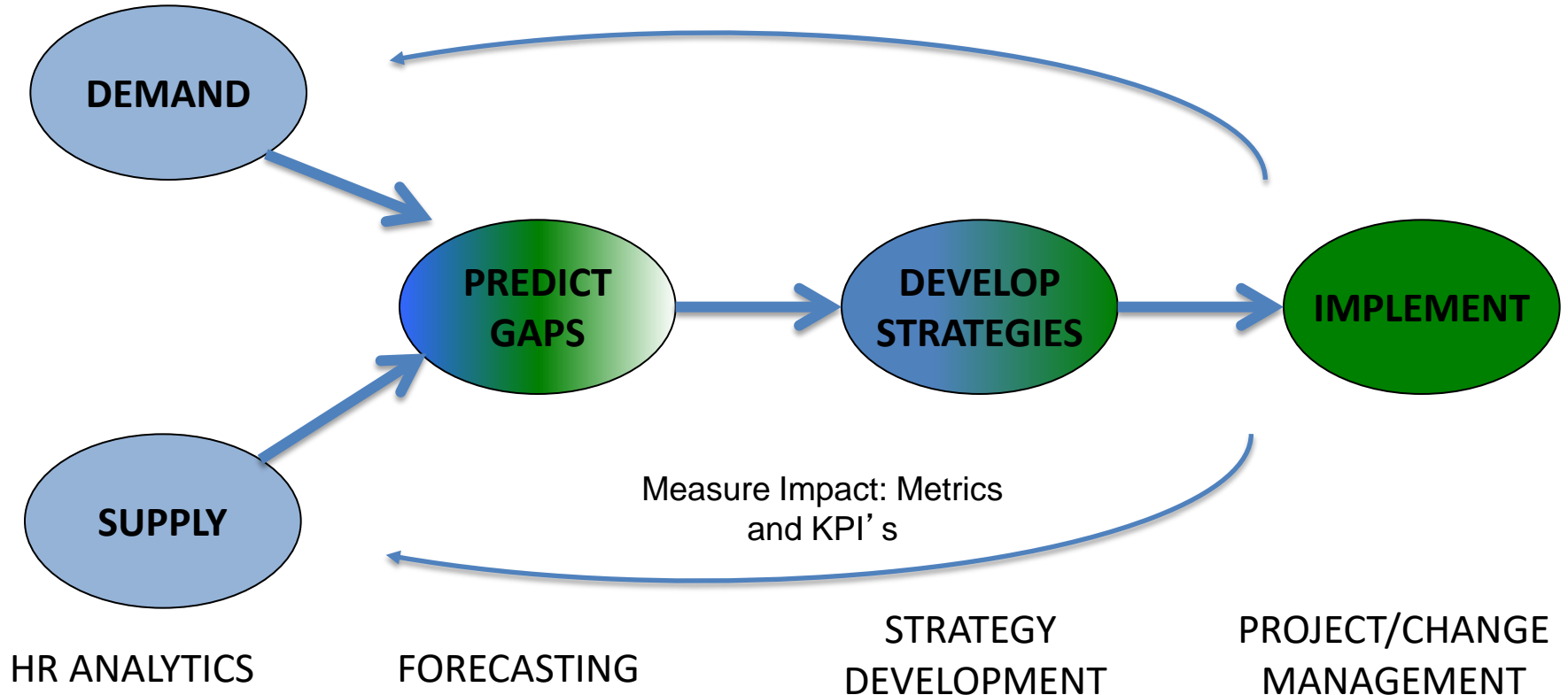
Moving Beyond Panic: Strategic Workforce Planning

- Moving beyond panic: Strategic Workforce Planning
 - HR Analytics: The foundation
 - Workforce Forecasting: Understanding the gaps
 - Workforce Strategy: Developing the plan
 - Project/Change management: Implementing the plan
 - Workforce Planning Maturity: Evolving capabilities

If you know the size of the problem you can develop the solution!

Strategic Workforce Planning Model[©]

Workforce Planning Governance & Accountability



Project Management & Communication

HR Analytics: The Foundation

FTE counts

Demographics (Age & Service Profiles)

Turnover Rates

Hiring Profiles (Age, Service & Experience)

Turnover and Retirement Profiles

Key Attribute Analysis (e.g. Location, Skill)

Analytics establish the key inputs for supply forecasting, identify pinch points and establish benchmarks for ongoing monitoring (status quo)

Workforce Modeling/Forecasting

Key Business Driver Identification/Collection & Scenarios

Development of Labour Assumptions

Demand Forecasting

Supply Information Collection (Current FTE's & External Supply)

Turnover and Retirement Forecast

Supply Forecast

Forecasting Gaps

Forecasting provides supply, demand estimates and forecasted gaps

Strategy & Implementation

High Level-HR Strategy

Strategies to Meet the Specific Gaps

External Labour Market Information and Trends

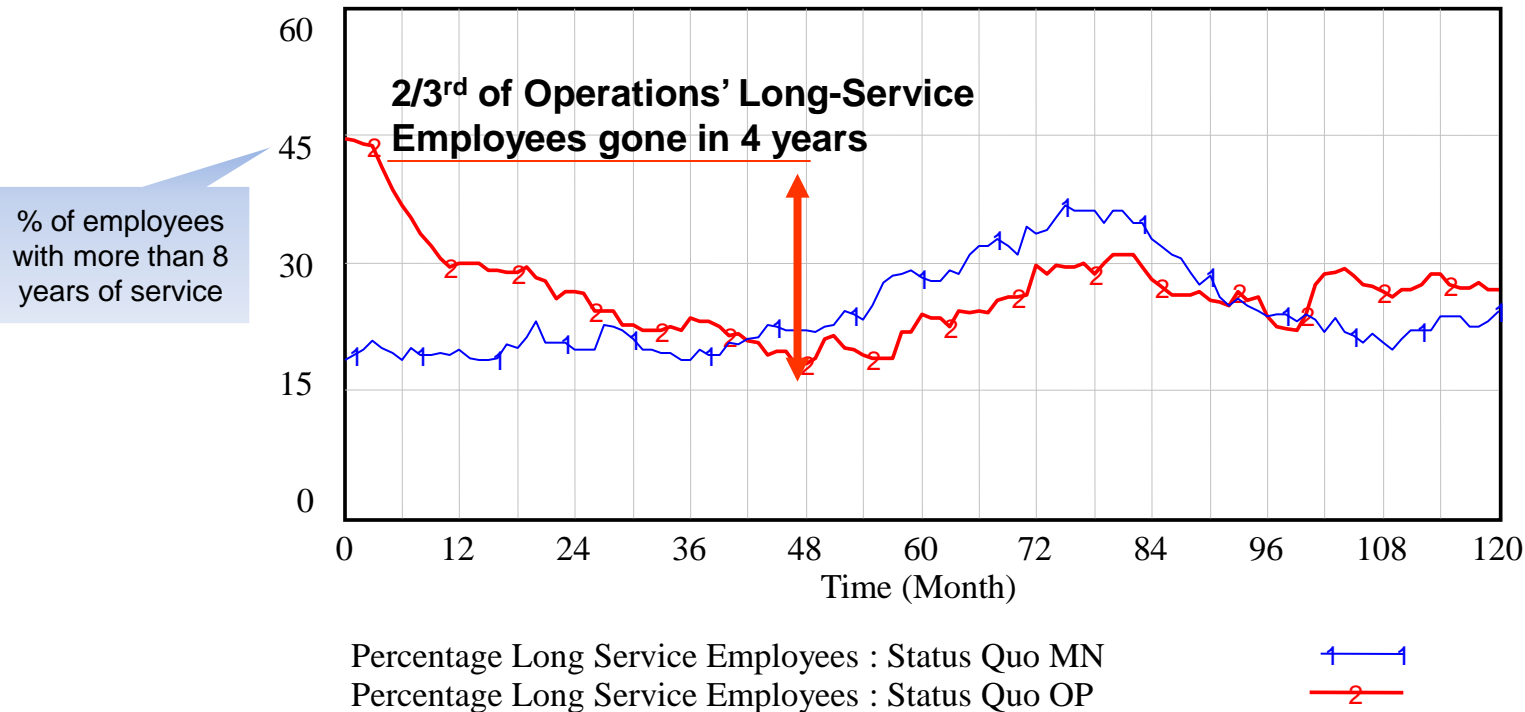
Implementation Plan

Implementation and Benefit Realization

Strategy determines how you are going to meet the upcoming challenges

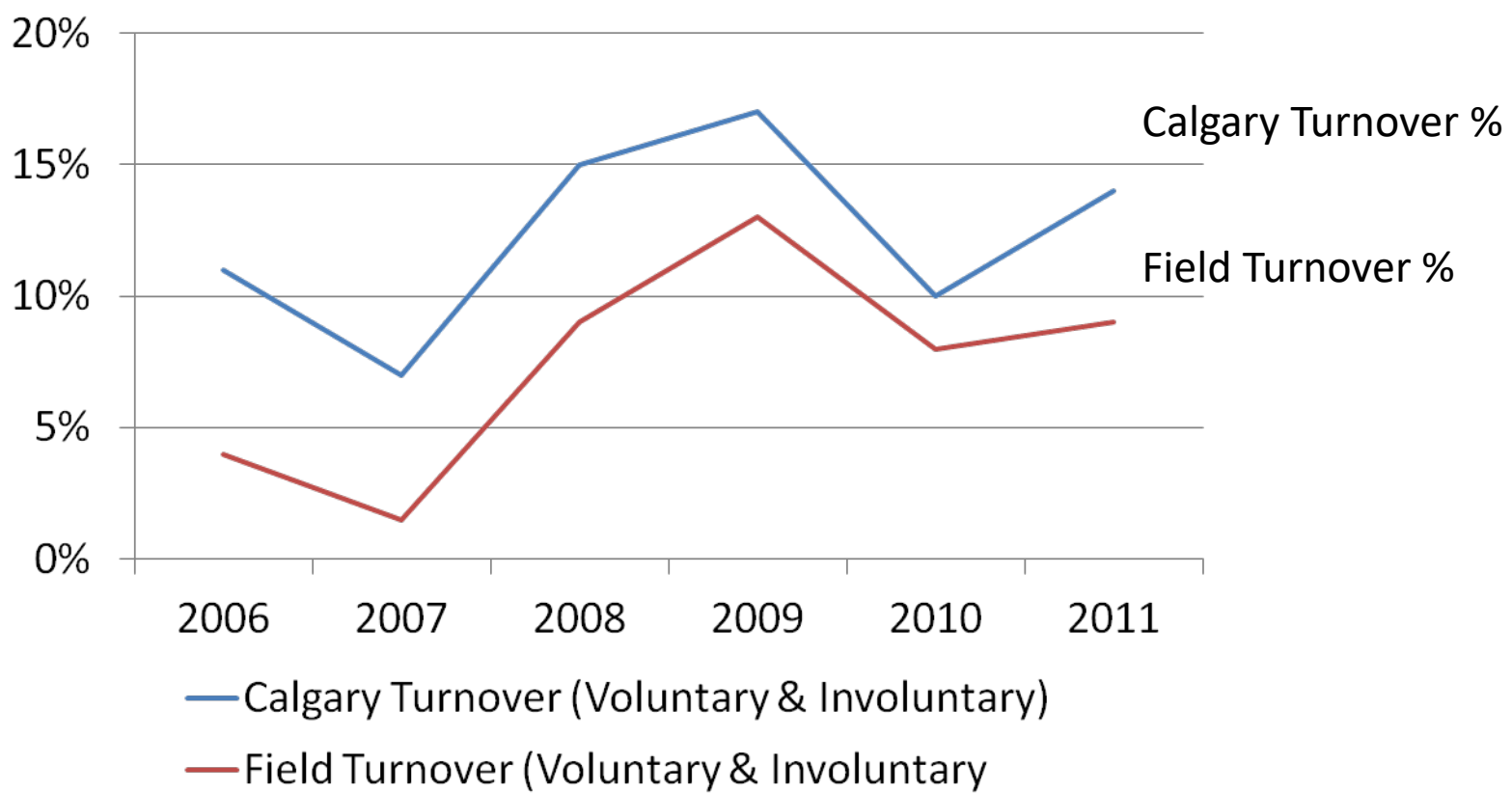
HR Analytics Example: Service Length Profile Implications

Percentage Long Service Employees



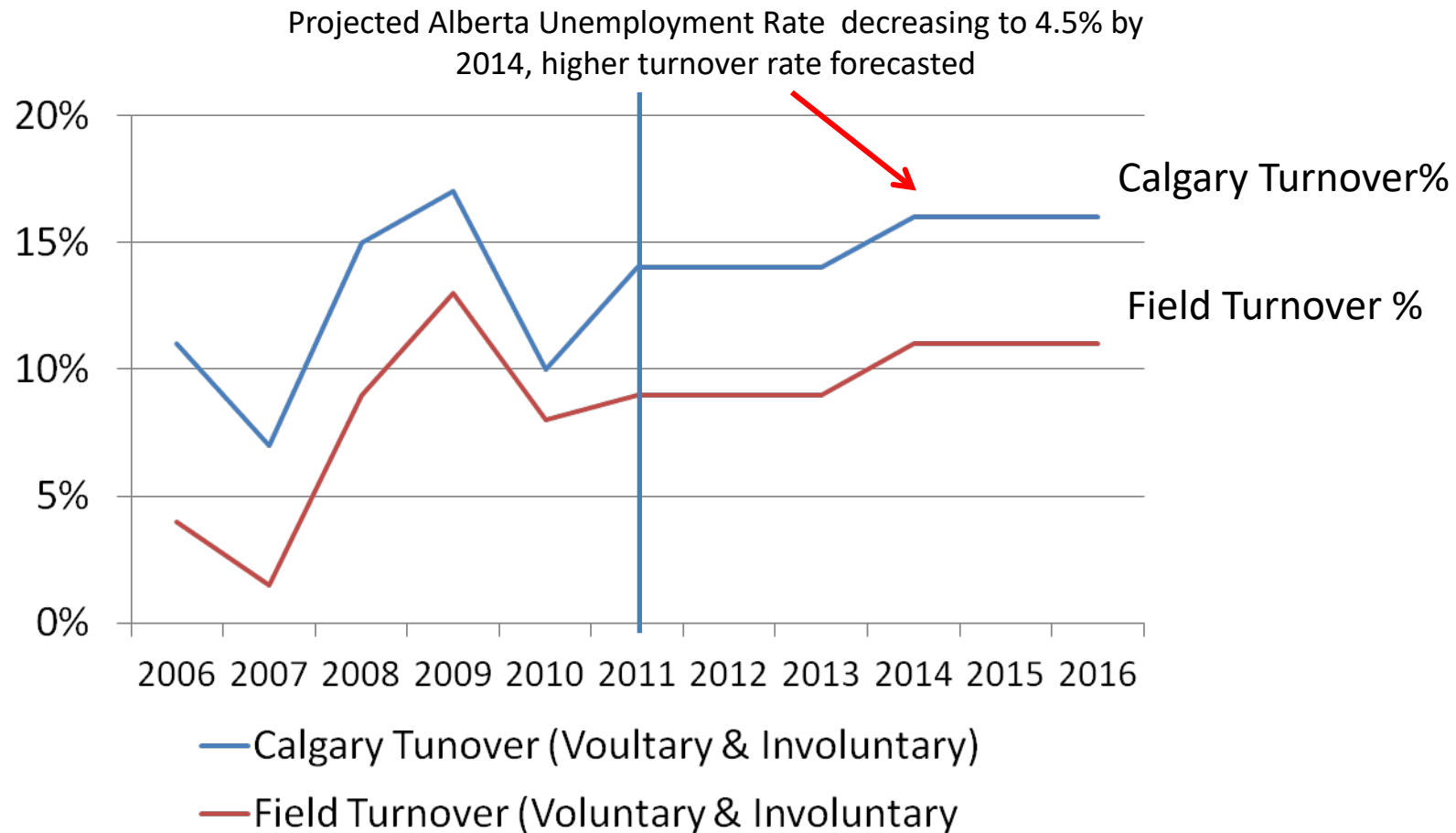
In this example, the data indicates that the organization will face a serious loss of experience in the field which needs to be considered in strategy development

HR Analytics Example: Turnover % Analysis



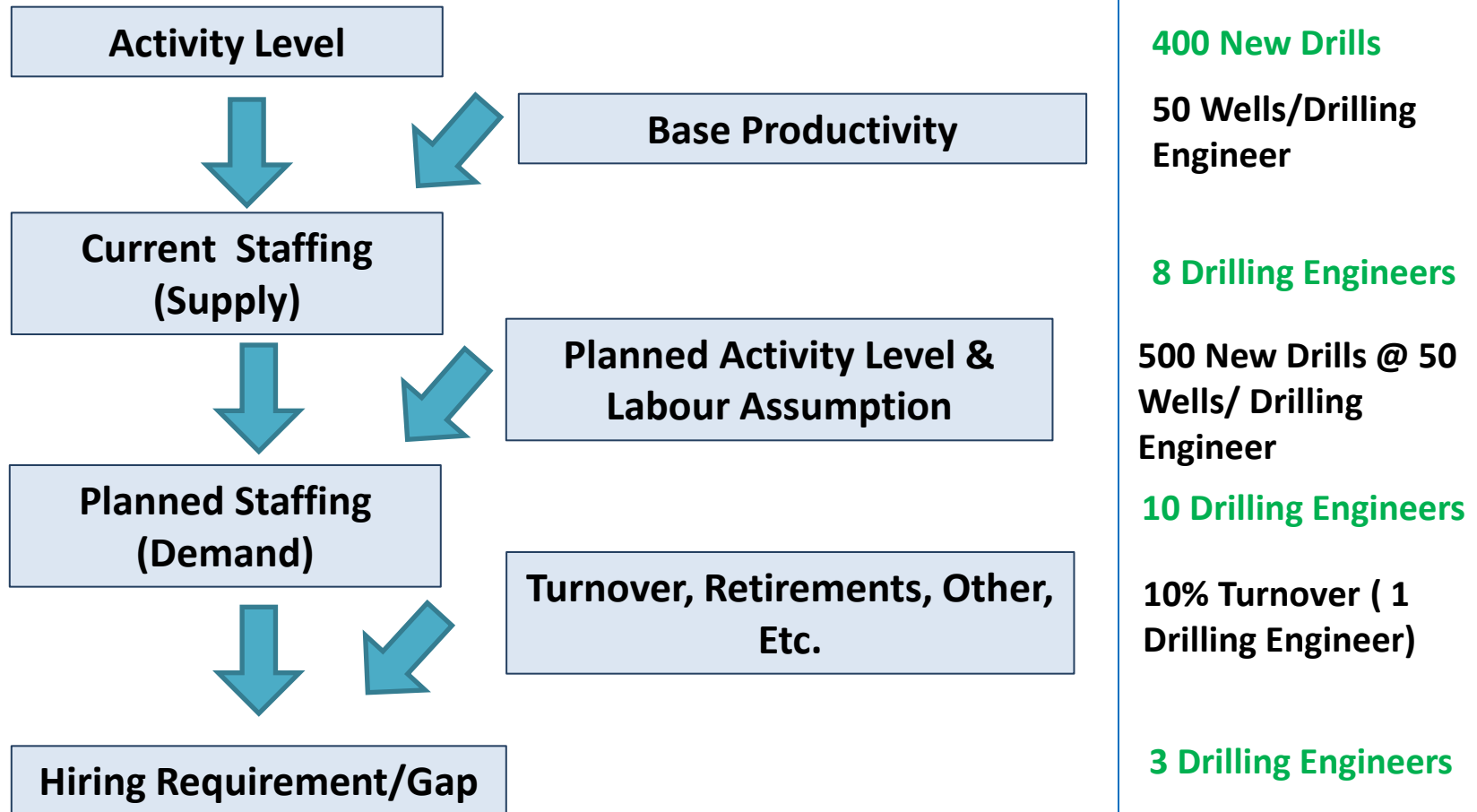
In this example, the data indicates that City turnover is consistently higher than Field turnover and needs to be forecasted at different rates

Example HR Analytics/Planning: Turnover % Forecasting



Forecasts based on company turnover data, economic projections
and industry turnover trends

Workforce Forecast Development Example: Understanding the Gaps



Example: Workforce Forecast Model

2005	Number of Employee Base	Productivity/Volume Net Factor	Number of Employees Required	Employee Required (+/-)	Turnover Rate	Internal Movement Out Rate	Flow Factor	Projected Retirements	Worst Case Scenario (Eligible to Retire)	Hiring Demand
MM Level Directors	6	100%	6	0	0	1	0	0	0	1
MM Level Managers	16	100%	16	0	0	2	0.50	0	1	3
MS Level Managers	175	104%	182	7	1	10	4.5	2	8	26
Rail Traffic Controllers	155	108%	167	12	3	10	5	1	5	30
Crew Dispatchers	100	108%	108	8	6	10	3	1	4	28

2006	Number of Employee Base	Productivity/Volume Net Factor	Number of Employees Required	Employee Required (+/-)	Turnover Rate	Internal Movement Out Rate	Flow Factor	Projected Retirements	Worst Case Scenario (Eligible to Retire)	Hiring Demand
MM Level Directors	6	100%	6	0	0	1	0	0	1	1
MM Level Managers	16	100%	16	0	0	2	0.50	1	0	3
MS Level Managers	176	104%	182	7	1	10	4.5	3	4	14
Rail Traffic Controllers	155	108%	167	12	3	10	5	1	1	14
Crew Dispatchers	100	108%	108	8	6	10	3	1	1	17

2009	Number of Employee Base	Productivity/Volume Net Factor	Number of Employees Required	Employee Required (+/-)	Turnover Rate	Internal Movement Out Rate	Flow Factor	Projected Retirements	Worst Case Scenario (Eligible to Retire)	Hiring Demand
MM Level Directors	6	100%	6	0	0	1	0	0	1	1
MM Level Managers	16	100%	16	0	0	2	0.50	1	1	3
MS Level Managers	175	104%	182	7	1	10	4.5	3	4	14
Rail Traffic Controllers	166	108%	167	12	3	10	5	4	8	17
Crew Dispatchers	100	108%	108	8	6	10	3	2	4	18

- Broken into specific skill band requirements
- Eligible to retire and predicted retirements used to plan for worst case and expected experience (sensitivity analysis)
- Primary challenges for this area is volume growth related to western expansion and internal movement
- Affected by retirements in other areas of company more than within their own operation (internal movement)

Example: Reports on Key Positions Across Organization for Periods of Interest

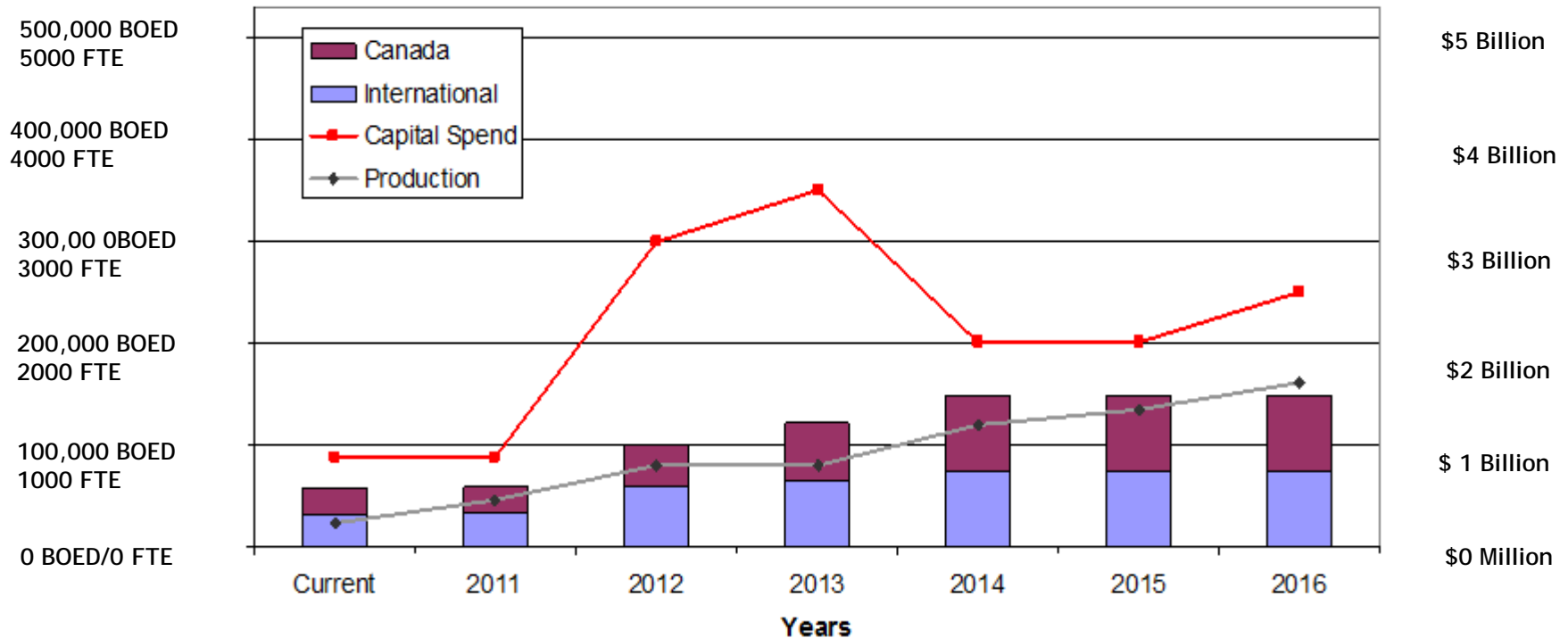
Workforce Model 2012-2016 Forecasted Engineers and Technologists Hiring Requirements

Budgeted Growth

	2012 Hiring Requirements- Demand	2013 Hiring Requirements- Demand	2014 Hiring Requirements- Demand	2015 Hiring Requirements- Demand	2016 Hiring Requirements- Demand
Production					
Production Engineers & Techs	5	4	5	5	6
Field Production Engineers & Techs	0	1	1	1	1
Maintenance & Turnaround					
Engineers & Techs	4	3	3	3	3
Operations					
Drilling Engineer and Technologists	4	3	2	5	4
Drilling & Reg Technicians	2	2	2	3	2
Completions Engineers & Technologists	4	6	3	5	6
Technical					
Project Managers (Engineers & Technologists)	11	12	7	13	14
Development					
Engineers & Technologists	10.0	11.0	8.0	11.0	11.0
.....					
TOTAL	50	49	62	59	52

- Broken into specific skill band and department requirements
- Future requirement for 2015 used to determine number of Engineers in training to hire in 2012

Example: Overall Organization Summary



Budget Case

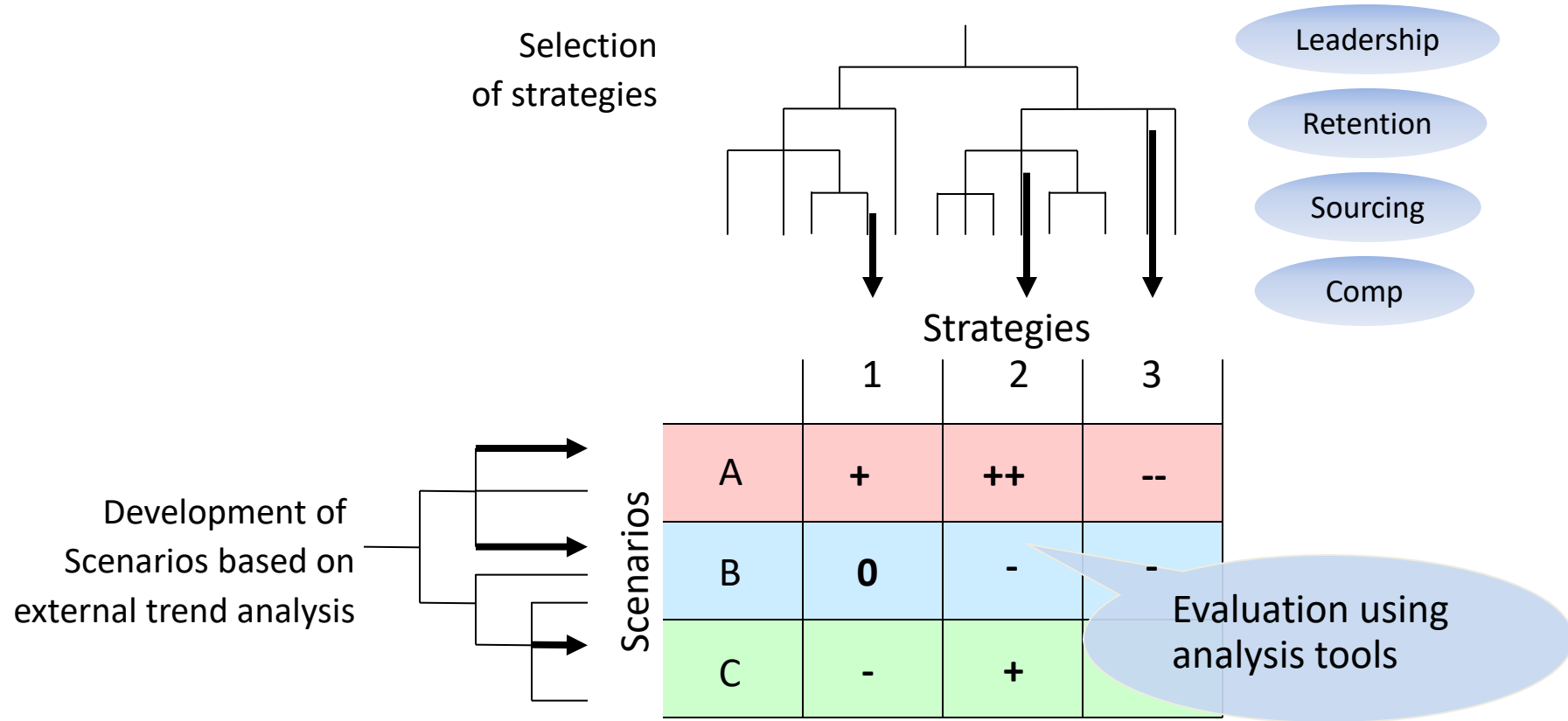
Over the next 5 years it is expected that the organization will require an additional 920 people due to growth. Total projected hiring requirement (with turnover), 1650 people

Moving Beyond Panic: Strategic Workforce Planning

“Understanding where your organization is going to have gaps and the story behind it allows you to move from panic to focused action”

High level-HR Strategy

Strategic Decision Paths



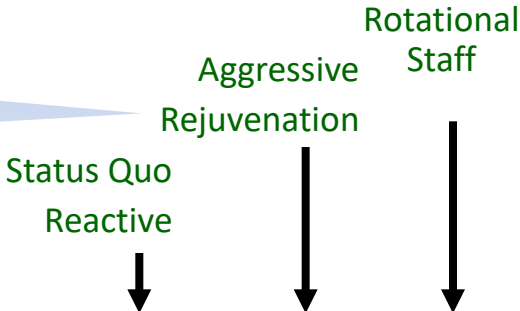
High level-Example HR Strategy

Service Company (Mostly truck drivers)

- 100 % Turnover
- Remote Location
- Hiring warm bodies
- If spend time/money developing employees they are poached

Strategy selection should consider robustness

Strategies



- Leadership
- Retention
- Sourcing
- Comp

Scenarios

Steady Growth
Boom/Bust Cycles
Industry Consolidation

	1	2	3
A	---	++	+
B	-	-	++
C	++	0	+

Evaluation using analysis tools

Result: Turnover Reduced to 15%, flexible workforce & significant leadership improvements

Sourcing Options

Longer Lead Time
Strategies

Traditional Hiring

New Grad Hiring

Pro-active Hiring

Mature Worker Hiring

Under Utilized Labour segments

School Partnerships/Development

Rotational Workers

Foreign workers

Internal Re-allocation

Collaborative Training

Inter-industry targeting

Fixed-term contracts

Many effective options for employers to source the employees they need and expand the overall labour pool, however, lead time to develop is often required

Beyond Sourcing

Compensation
Retention
Leadership
Automation/Productivity Improvement
Employee Development/Succession Planning
Employee Engagement
Culture
Contracting

Other options to close gaps &
sourcing can not be a stand alone strategy

Develop Specific Tactics to Address Specific Gaps

External labour market information
and trends can help inform strategies

Future availability of workers in area (e.g.
Local market)

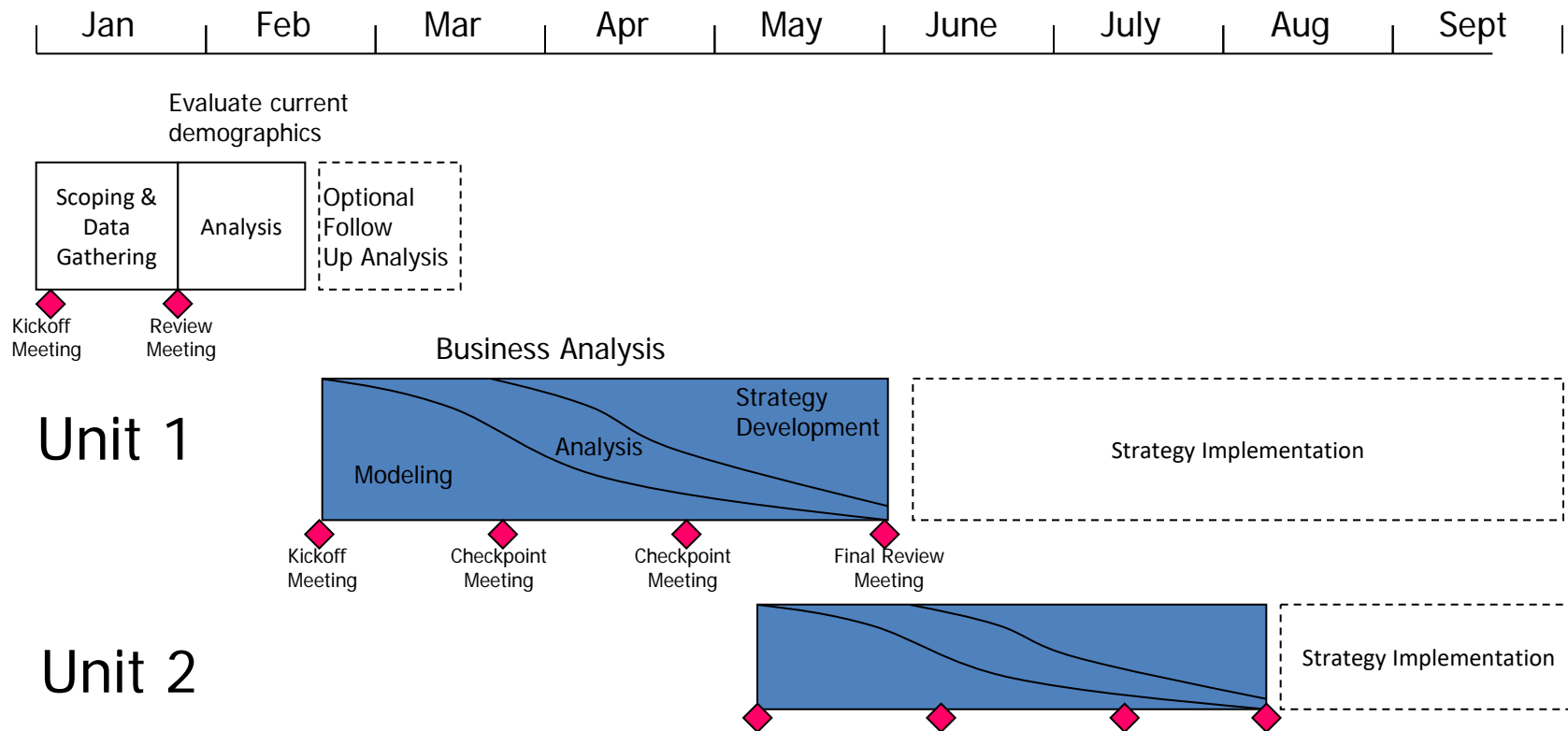
Availability of workers and skills in other
areas (e.g. Other provinces, US, International)

Time, cost & fit of options

Moving Beyond Panic: Strategic Workforce Planning

- Having a strategy and specific tactics to address specific gaps in the workforce allow organizations to face the up-coming challenges with confidence
- Implementation and monitoring is where the rubber hits the road!

Typical Workforce Planning Project



Depending on complexity, initial Workforce Planning projects typically take 6- 12 months

Moving Beyond Panic: Strategic Workforce Planning

- The benefits of Strategic Workforce Planning include:
 - Awareness of the issues
 - Focused direction and resources to manage the challenges
 - Ability to develop, attract and retain the talent required for the organization
 - Lower operating costs, reduction of turnover and manage corporate risk
 - Getting the right result!

Case Slide – Growing Oil company

Engineer Dependent

- Organization:
 - Mid size Oil and Gas
 - Rapidly growing organization
 - Located in large urban center
- Issue:
 - Engineers make up 10% the organization and are key to future growth
 - Existing engineers have a young demographic
 - Already long hiring times and difficulty in recruiting engineers
 - Significant amount of engineers required in upcoming years
 - High turnover in group in the past year (15%)
- Staffing Strategy:
 - Use Forecast 2 years out to inform # of engineers to develop (EIT & New Grad Program)
 - Focus on development of individuals (identified as # 1 problem in exit surveys)
 - Pro-Active recruiting to source experienced engineers to balance younger workforce and support new entrants (recruitment 6 month – 1 year in advance of requirement)
 - Improve internal brand to get Company's "sexy" story out and get the basics right
 - Target hiring/retaining mature workers to help mentor existing staff and take advantage of growing segment of retired workers (e.g. flexible work arrangement)
 - Address leadership & compensation issues to maintain competitiveness and reduce experienced worker turnover

Organization has a strategy to develop, source and retain workers it needs to meet growth targets

- Unit:
 - Small hydro-power business unit, part of large corporation
 - Very limited growth and low tech
 - Remote/small town location in mountains
- Issue:
 - Aging workforce, difficulty retaining younger new hires
 - Management struggling to ramp up apprenticeship program
- Staffing Strategy:
 - Discontinue apprenticeship program
 - “Truth in Advertising”, paint realistic picture to potential hires:
 - Small, family-oriented town living
 - No technology innovation
 - Reliance on end-of-career older transferees from other units
 - Recruitment of younger hires in other BU’s

Organization stops allocating resources to “trendy” initiative and adopts a strategy that delivers results

- Unit:
 - Established large oil sands firm
 - Significant growth requiring specialized expertise
- Issue:
 - New oil sands entrants piling in: significant poaching of experienced staff. This threatens client's growth plans
 - Management considering opposing new entrants
- Staffing Strategy:
 - Collaborative Training – work with entrants and government to establish training facilities
 - New entrants are unavoidable
 - New entrants have no choice but to hire experienced established players
 - Enhance retention through work environment improvements
 - Systematically address non-compensation reasons for turnover

Organization increase the size of pool rather than fight over limited resources at detriment to all

- Unit:
 - Large Urban Gas Distribution company (Ontario)
 - Heavy reliance on contract service providers
- Issue:
 - Balancing reliability (aging infrastructure) and growth
 - Aging workforce, massive retirement wave looming
 - Contentious (unions) technology changes (work scheduling, crew tracking)
- Staffing Strategy:
 - Technology Introduction delayed
 - Synchronize technology introduction with attrition (no forced downsizing, use gradual technology introduction to maintain service with shrinking workforce)
 - Collaborative Planning & Counterparty Risk
 - Used materials with Unions to achieve labour flexibility
 - Reliance on unsophisticated service providers – launch joint planning project
 - Increase internal (non-contract) critical skills – e.g. integrity management

Organization able to introduce automation, achieve union buy-in,
improve efficiency & reduce cost

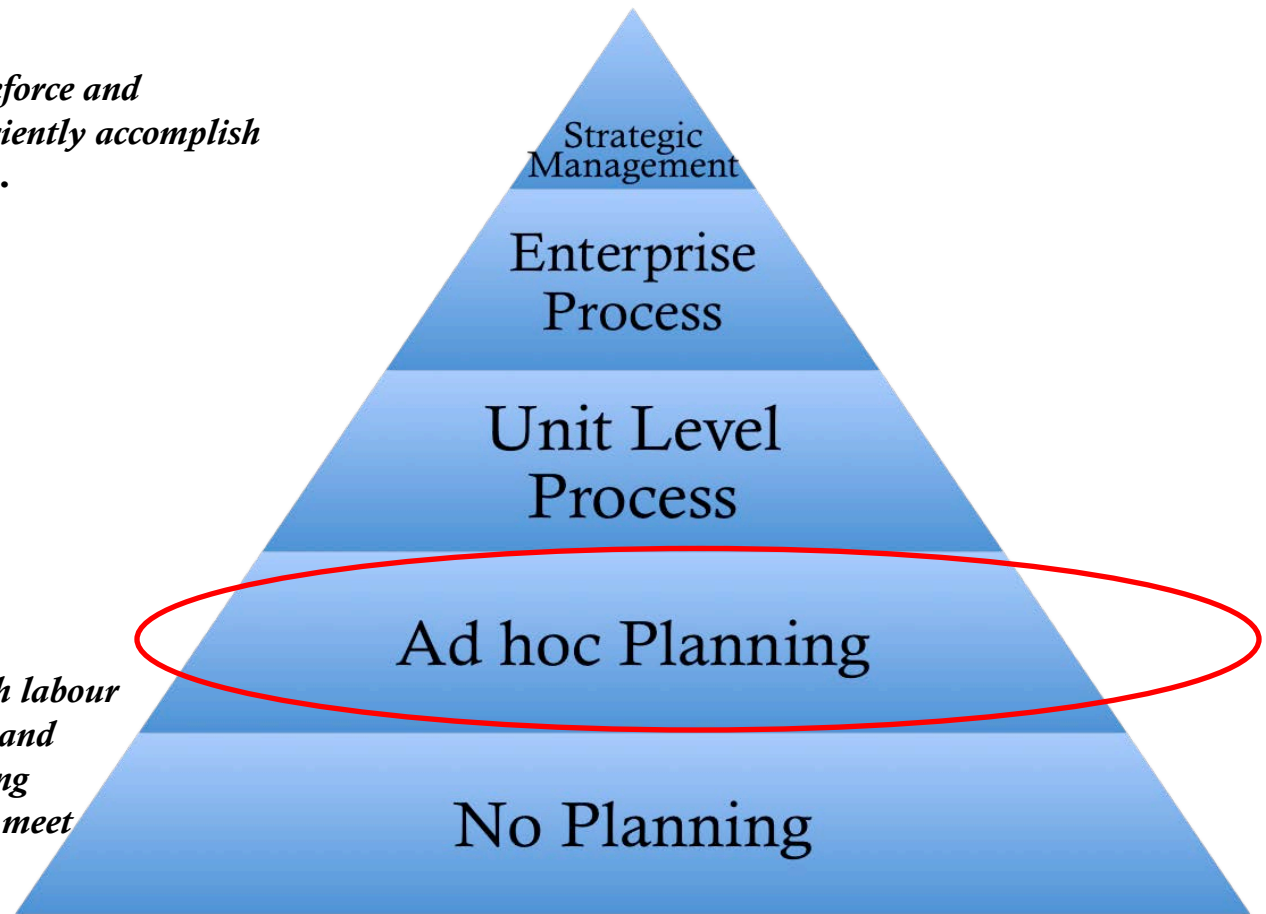
What are most major companies doing and where are they headed?

Work Force Maturity Model: Evolving the Capabilities ©

Organizations have workforce and business solutions to efficiently accomplish their goals and objectives.



Shortages, turnover, high labour costs, poor employee fit, and productivity are impacting organization's ability to meet goals and objectives.



- The Upcoming labour shortage will result in tighter labour market, especially in some areas
- Major companies have begun to develop adhoc plans but for most part workforce planning is still relatively new and capabilities are still being developed
- Through Strategic Workforce Planning companies can move beyond panic, understand the size of the problem and develop strategic plans to meet upcoming needs!
- It is up to HR **AND** the Business to drive the development of work force planning with-in their organizations.
- HR has a key role in ensuring the right expertise and support is available

Is your organization ready?
Where is your company in the evolution of Workforce Planning?

- Questions/Comments?



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Evolving the Capabilities (Level Description)

Level One

No Planning; Characterized by reacting to workforce shortages or problems as they occur. Results in short term action lists and crisis management.

Current level of most large organizations

Level Two

Ad hoc Planning; Characterized as one time or intermittent effort to develop a workforce plan to address immediate requirements, with substantial effort to obtain data, information and develop models.

Level Three

Unit level Processes; Characterized as having workforce models for key units. Consistent and repeatable approach to planning, regular monitoring of model/strategy/actions and KPIs, systematic collection of data.

Level four

Enterprise Processes; Characterized as having in place predictive short term and multi-year workforce models at unit and organizational level. Broader, deep, holistic, multi year strategies that allow the organization to meet Business Strategy goals are in place. Consistent approaches to planning, benchmarking (across unit and external organizations) and use of KPI's.

Evolving the Capabilities (Level Description)

Level Five

Strategic Management; Characterized as having in place predictive short term and multi-year workforce models at the unit and organizational level with an understanding of dollar value impact, industry trends and external/internal integration/co-operation. Models are used in development of organizational Business Strategy and tactics which flows to the implementation of overall organizational strategy, focuses internal/external people strategy and is regularly monitored for success. Owned by the CEO & President.