



**WHITEPAPER**  
VOLUME FOURTEEN

**OPTIMIZE YOUR WORKFORCE PLANNING**  
A LITTLE PLANNING ELIMINATES A LOT OF PANIC

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## 1 :: INTRODUCTION

“Let our advance worrying become advance thinking and planning.”  
—Winston Churchill



- Do you have a workforce planning process in your organization?
- Do you manage and track absences and react to them appropriately?

Workforce planning is all about balancing the optimum supply of workers to the demands of workload in the most effective way. However, managing and tracking employee absenteeism is an integral part of workforce planning that can directly affect an organization's retention, productivity and bottom line.

In the day-to-day world of management, simply managing who is and is not at work becomes an important task. Scheduling leave, such as vacations, in a way that gets the right people working at the right times can be a challenge—as is responding to unscheduled absences when employees are sick. Failure to manage and track absenteeism can increase costs and lead to violations of labour law, however, the right processes, policies and technologies can make all these problems manageable. In this whitepaper we will look at the immediate cost savings that can be found with annual workforce planning, focusing on the strategic issues of both scheduled and unscheduled absences and the solutions involved with balancing workforce to workload so that productivity does not suffer.

# WORKFORCE PLANNING

## 2 :: WORKFORCE PLANNING OVERVIEW



- Are you spending too much time and money managing scheduled and unscheduled absenteeism?
- Are you always trying to fill positions at the last minute?
- Is your shift and vacation scheduling under control?

Workforce planning can be confusing because different people use the term to refer to different things. It can mean strategic planning: “What kind of talent issues will we face over the next two to five years?” It can also mean annual planning: “What is the right staffing level?”, “When should we schedule vacations?” or “What are our hiring and training plans for the next fiscal year?” Finally, it can refer to forecasting shifts where the focus is on matching the right workforce to workload over the next couple of weeks, or even months.

All cases are about matching the supply of workers to the demand, but the timescales are different. Different timescales lead to different issues. We will look at each of the three timescales in turn.

### A. Strategic Workforce Planning (Long-term Planning)

If you picked up an old “manpower” planning textbook you would see graphs and tables showing retirement rates, promotion rates and turnover rates for various jobs. The idea was to calculate how many people the organization would need in each job over the next five to ten years. However, the uncertainty inherent in today’s rapidly changing employment market put an end to that level of detailed planning.

Subsequently, organizations find that they still need to look three to five years ahead. Leaders try to define what kind of workforce they will need and how they are going to obtain them. Other concerns may include how many senior executives are eligible for retirement and how they will be replaced. Another crucial concern, because of rapidly advancing technologies, is how companies can ensure that they have top performing technical expertise—and what will be needed three years from now? These questions are the topic of long-term strategic workforce planning.

Companies have realized that they cannot plan for their entire workforce years in advance, but they do need to pay attention to certain strategic areas. Even a simple exercise, like asking business leaders to note strategic initiatives on a piece of paper, and the workforce implications of those initiatives, can ensure that strategic workforce planning issues are not overlooked.

### B. Day-to-Day Workforce Planning: Scheduling Shifts (Short-term Planning)

For some firms the bulk of workforce planning is short-term; usually a day-to-day effort of scheduling shifts. This can be surprisingly complicated and difficult. Fortunately, the software to handle this has improved and the savings to be had from improved scheduling can be very significant. For some industries, such as airlines, savings of hundreds of thousands of dollars a month are not uncommon.

### C. Annual Workforce Planning

Organizations need to schedule and plan for absences on an annual basis to ensure that they have the right staff available—at the right times. This requires knowing the peak periods, understanding when employees want time off and having the systems to track and administer leave. At the same time, an organization must deal with the problems caused by unscheduled absences.

An important aspect of annual workforce planning is to know in advance the likely hiring and training needs for the coming year. A Human Resources department cannot operate effectively without enough lead-time to hire qualified candidates—nor can they deliver appropriate training once those candidates have been found. Many recruitment needs can emerge at the last minute; however, management often does have a good sense of their workforce requirements for the coming year, particularly when there are recurring seasonal demands. The challenge is in the lack of communication between management and HR.

Determining the right level of permanent staff is inherent in this. If a manager needs to hire ten shipping clerks, then their HR department should lead the analysis to determine if those should be permanent hires or contingent workers. This area of workforce planning is where Drake has made a significant contribution.<sup>1</sup> The next section will outline the basic steps involved in a standard annual workforce planning process.

### 3 :: THE ANNUAL WORKFORCE PLANNING PROCESS

The process begins with business planning and a strong understanding of the implications that a company's workforce has on those plans. There are three areas that organizations need to look at:

1. The number of permanent, flexible and contingent workers
2. Hiring and training plans
3. Systems to manage and track absences

FIGURE 1



#### The Business Planning Cycle and Workforce Implications

Annual workforce planning should be a natural part of an organization's overall business planning process. Typically, as an outcome of the annual business planning cycle, managers will have an idea as to the number of people and skills they will need during the coming year. In this first step, analysis is not the problem—communication is. Managers often fail to communicate their needs to the Human Resources department until the last moment. This leaves HR scrambling, causing unnecessary costs, lost quality, and potentially alienating the HR team.

Every organization should make sure that HR is involved as part of the planning cycle, at the very least at the end of the process, to understand the workforce implications of the business plan. For instance, a new product launch will cause peaks in sales; expanded production will require new workers and; new machinery will require the delivery of training. If HR understands the implications of an opportunity, they can deal proactively with them.

The workforce implications of the business planning cycle can be seen as defining the demand for work: “What skills do we need?”, “How many workers do we need?”, “When do we need them?”

#### Staffing Analysis

Understanding the optimum supply of workers is an integral part of the process as well. Organizations need to decide how many of those workers should be hired on a permanent basis and how many should be contingent staff. Generally, the right number of permanent workers is just enough to cover the regular workload and contingent workers are used to address peaks in demand. This is the heart of Drake's approach to Flexible Staffing. By using tools such as the Drake Productivity Planner, the right level of staff can be determined. However, to fully understand the peaks and valleys of workload, companies should also monitor vacations, sick leave and trends in absenteeism.

#### Hiring and Training Plans

Hiring and training can be planned for the coming year once the need for permanent staff has been established. Not all hiring can be planned in advance, but if the business plan is to double the number of call centres then the recruiting effort can be ramped up accordingly. Similarly, if business planning calls for a new range of products, a Human Resources department can begin to organize and schedule appropriate training.

#### Managing and Tracking Absences

The number of workers at work on a given day is never the same as the number of employees. Employees have many possible reasons for scheduled absences. The biggest number of days off is due to statutory holidays and vacations but other scheduled leave can include maternity leave, scheduled sick leave (e.g. for hospital appointments), and jury duty. There is also unscheduled leave, typically sick leave. In the next section, we will examine the issues surrounding this subject more closely if absences are not managed, and tracked accurately.

# WORKFORCE PLANNING

## 4 :: ISSUES IN MANAGING & TRACKING ABSENCES

### Scheduled Leave

Vacation planning is something many companies do informally, if at all. For example, if management found that every programmer had taken August off, or perhaps that the shipping department is at half-strength during a seasonal peak, they need to sit up and take notice. The fundamental step is to require employees to pick their preferred vacation times in advance. The manager can track this on a whiteboard, a spreadsheet or using HR-specific technologies.

The problem with vacation scheduling is that everyone wants to go on holiday at the same time. This leaves managers with the unhappy task of deciding who gets to go on vacation and who has to stay. Some companies mitigate the problem by shutting down their offices entirely during the Christmas season. The issue becomes one of fairness, making it important to track who was entitled to their first vacation choices in previous years. There is often room for productive negotiation—one person may gladly work over Thanksgiving as long as they get time off at Christmas.

Unions often specify rules around vacations in their collective agreements; choice of holiday times is usually based on seniority. The mechanisms—normally a sequence of bids for preferred times—should be spelled out in the contract. In any situation, a savvy manager will take the time to learn what is important to their staff and be diligent in ensuring that fairness prevails.

Vacation planning will help head-off most problems, but there will always be a need for last minute changes. A manager may choose to handle them personally. If this is too time consuming they can put the onus on employees to find someone with which to switch their vacation time.

### Unscheduled Leave

Unscheduled leave usually means sick leave, although it can include vacation days taken at the last moment (presumably with supervisor approval). Sick leave can either be legitimate (the person really is sick) or illegitimate (the person just wants to take the day off). A good tracking system allows analysis of the pattern of sick leave—something a Drake consultant can help with. Telling signs of abuse of sick leave are a disproportionate number of Mondays or Fridays off, sick leave around long weekends and regularly using up all entitled sick days for the year.

### Tracking Absences

Planning for vacations and other scheduled leave are not enough—organizations need to track when people are actually off. There are a variety of systems to do this. In many offices the department manager keeps track simply by observation and on-going communication with staff. Consulting firms typically ask employees to fill in time sheets that, in addition to tracking billable time, record absences. In factory environments, punch cards have been the traditional way of tracking hours although more recently, electronic card readers are replacing mechanical punch clocks.

It is critical to capture why staff are not coming into work. This is important for legal reasons. Managers need to know how much vacation and sick leave an employee has accrued so that the payroll is accurate.

### Reducing Abuse of Unscheduled Leave

There are a number of methods managers can implement to reduce the abuse of sick leave. The first is for a manager to show their employees that they **do** notice and that they **do** care. A manager who lets an employee know they were missed while away, and asks how they are feeling, will reduce sick leave.

If a manager suspects that sick leave is being abused, then they will need to address their concern to the employee and remind them that sick leave should only be taken when they are “actually sick”—not just when they are “sick of working”. Staff can be asked to provide a note from a doctor confirming their illness. Some companies have given up the notion of sick leave altogether and just give a certain number of days as paid time off. This process combines vacation and sick leave into one system.

### Legal and Policy Issues

Once a company implements workforce analysis and vacation planning, it naturally leads to investigating whether a change in HR policies could make the business more efficient. For example, if workforce analysis shows absenteeism is causing unacceptable problems with operations it may justify programs or policies to reduce it.

Of course, all policies must comply with labour legislation. Labour legislation varies by jurisdiction. Labour laws typically cover issues such as hours of work, vacation, holidays, sick leave, overtime, maternity leave, rest periods and lunch breaks. HR managers need to check any changes to policies surrounding these matters.

If an organization is not tracking leave it can fall out of compliance. An employee is due a certain amount of leave and the only way to ensure that the right amount is allocated is through accurate tracking. When an employee leaves a company they may be due additional pay for unused vacation days and it may not always be efficient to rely on a supervisor's memory to confirm this information. The next section will explore the ramifications of not accurately tracking or managing employee absenteeism.

## 5 :: RAMIFICATIONS



- Did you know that 15% of the average payroll goes to people who aren't even at work? (Commerce Clearing House)

According to Commerce Clearing House, this figure represents only the direct costs of employee absences. Overtime, temporary employees and lost productivity are some of the indirect expenses that can double or even triple that amount.

Managers have many issues to deal with and worrying about managing scheduled and unscheduled leave may seem like an extra burden. However, failure to accurately track absences carries the risk of paying someone for time off they do not deserve. Problems also arise when people carry over vacation from year to year and claim they are owed several months of vacation when this may not be the case. Organizations need to maintain accurate records if they wish to dispute such claims. In addition to rising costs from overtime premiums, companies must also consider the ramifications of ineffective time management and the aggravation that managers face trying to sort out what type of leave was taken by their employees and when.

A second ramification is the abuse of sick leave. Again, a company incurs costs by paying someone who is not working. This leads to departments being short-staffed and can have a drastic affect on morale and productivity. Both of these scenarios can carry the cost of overtime paid to the employees that must pick up the slack and often place unreasonable demands on them.

Even if a manager feels that they can live with the abuse of sick leave, their good employees may feel that they cannot.

Good employees go to work despite being tired, stressed and busy with personal matters. They don't take time off just for a set of sniffles. It is irritating for them to see co-workers abusing the system and not being taken to task, and leaves them feeling unappreciated. This reason, perhaps more than any other, is why managers need to track and analyse unscheduled leaves of absence and respond appropriately—so that employee retention does not decline.

Being short-staffed can cause numerous problems for an organization. It can affect the efficiency of the whole team, delay projects or reduce the level of customer service. In some industries, like call centres, where certain levels of service are guaranteed, being short staffed can trigger penalty clauses—costing revenue.

These ramifications can severely impact an organization's bottom line and, as a result, reinforce why companies need to invest in a solution that addresses both scheduled and unscheduled absences. The next section will outline Drake's end-to-end Workforce Planning solution in more detail, illustrating how companies can reduce costs and improve productivity by effectively analysing and forecasting their existing and future workforce needs.

# WORKFORCE PLANNING

FIGURE 2

DRAKE'S END-TO-END WORKFORCE PLANNING SOLUTION



## 6 :: DRAKE'S END-TO-END WORKFORCE PLANNING SOLUTION

There are many expensive software suites available that track all aspects of HR reporting functions. These systems are typically high cost purchases that a company is expected to implement out-of-the-box and on their own. However, hard data without context is of little use to most companies.

The Drake difference is expertise. Our consultants will implement an end-to-end solution to address your company's complete workforce needs. Using the Drake Productivity Planner to gather general data about workforce and workload, we will better understand your company's peaks and valleys. Our workforce planning experts will audit and analyze your employees' vacation and absenteeism history over a twelve-month period, within specific departments, in order to balance these trends against productivity levels and identify gaps for continued process improvement. Drake's consultants will also recommend the most effective business plan that provides the greatest return on investment for your organization.

### Data Analysis and Workforce Forecasting

By collecting your organization's workforce metrics from the previous year and analyzing it, Drake can forecast your needs for the coming year. This customized approach to understanding your business needs and tracking trends in scheduled and unscheduled absenteeism adds value that a simple software purchase cannot offer. Imagine having your vacation requests tabulated against the actual workload that your company faces. Many HR Managers are surprised when faced with data that shows how employee requests for time off often matches the busiest cycles that a company

faces, thereby creating staffing and productivity gaps. (Refer to output graphs #1 and 2 to view examples of an ineffective and a properly forecasted vacation planner).

### Business Planning and Staffing Analysis

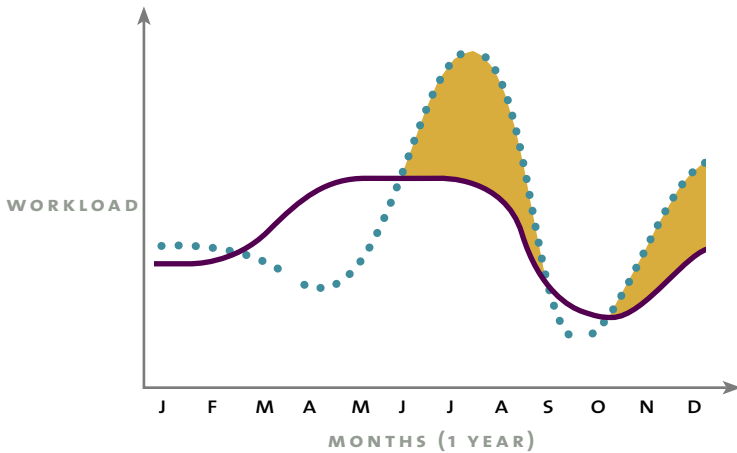
Drake will help identify these gaps to ensure that your workforce matches your workload, preventing lost revenue opportunities. During busy periods, cycles may be identified that suggest your company needs a more effective hiring process, such as flexible staffing to ease the workload, or perhaps, that more employees be recruited on a permanent basis. Drake's consultants will recommend the most effective HR solution that meets your immediate business needs whether it is determining the optimal level of staff to match your workload or implementing Effective Hiring practices<sup>3</sup> to identify and retain top performers.

### Workforce Productivity

Drake's goal is to provide a continual increase in productivity. If you believe an employee might be taking advantage of their sick leave time, potentially alienating your hard-working top performers, you'll be able to use Drake's Annual Workforce Planner to track and manage their unscheduled absences against peak periods and provide a documented framework to help deal with the issue. By inputting your employees' data into Drake's web-based tool, you will be able to manage and track scheduled and unscheduled absenteeism and effectively forecast your employees requested time off in the coming year.

(Refer to output graph #3 to view periods of being overstaffed and lost productivity).

### 1 OUTPUT GRAPH #1: ANNUAL VACATION PLANNER (SCHEDULED ABSENTEEISM) LAST YEAR'S DATA

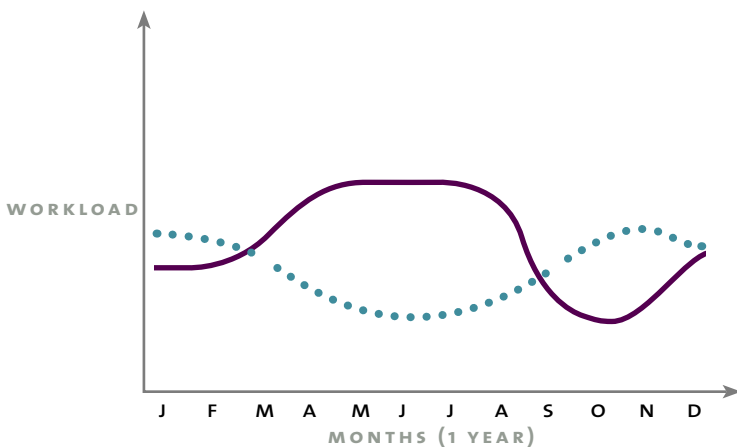


EXAMPLE OF AN INEFFECTIVELY FORECASTED VACATION PLANNER FOR COMPANY A.



\*WORKLOAD WILL VARY THROUGHOUT YEAR AND BY COMPANY

### 2 OUTPUT GRAPH #2: ANNUAL VACATION PLANNER (SCHEDULED ABSENTEEISM) FORECASTED FOR NEXT YEAR

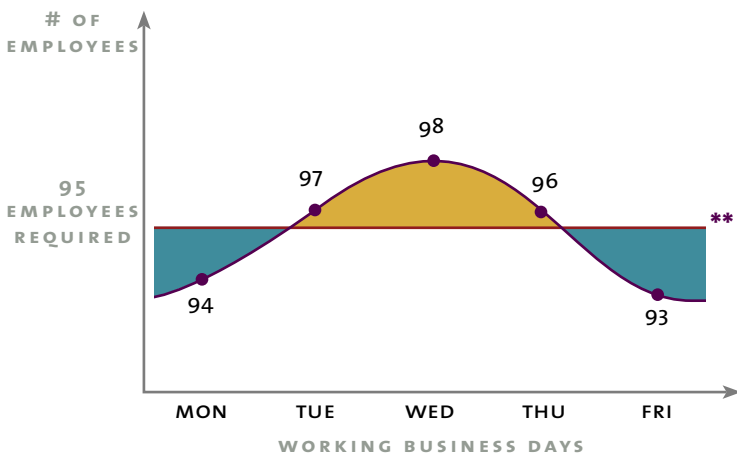


EXAMPLE OF AN EFFECTIVELY FORECASTED VACATION PLANNER FOR COMPANY A USING DRAKE'S END-TO-END SOLUTION.

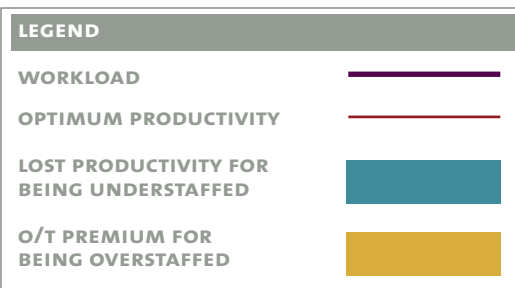


\*WORKLOAD WILL VARY THROUGHOUT YEAR AND BY COMPANY

### 3 OUTPUT GRAPH #3: TRACKING SICK LEAVE (UNSCHEDULED ABSENTEEISM) WEEKLY BASIS



EXAMPLE OF A COMPANY THAT TRACKS UNSCHEDULED ABSENTEEISM OVER ONE WORK WEEK.



\* 100 EMPLOYEES HIRED

\*\* OPTIMUM PRODUCTION IS BASED ON 95 EMPLOYEES WORKING AT ANY GIVEN TIME (INCLUDING A 5% ABSENTEEISM RATE)

# WORKFORCE PLANNING

## 7 :: RETURN ON INVESTMENT

The return on investment from an effectively planned and forecasted annual workforce planning process can be traced to savings from different outcomes.

The first planning outcome discussed in this paper was a flexible staffing analysis. This ensures organizations have the optimal number of permanent employees, using flexible and/or contingent workers to handle peaks in demand. The ROI would be as follows:

### Assumptions:

- Workforce of 300 employees where 20% (60 employees) take 2 weeks vacation during high production periods
- There are 120 weeks of overtime work to be covered (i.e. 60 employees 2 x weeks vacation)
- The decision is to replace the employees on vacation with flexible staff workers

### ROI Calculation

\$20.00/hr.	Pay rate (Industrial worker including all statutory pay and company benefits)
x	% 50
<hr/>	
=	\$10.00/hr. Overtime premium (Company policy is to pay overtime on any hours worked over 40 hrs.)
-	\$5.00 Flex savings (Savings of employing a flexible worker versus paying a permanent worker overtime)
<hr/>	
=	\$5.00 Total savings in labour per hour
x	4800 Total overtime hours (120 weeks x 40 hrs worked)
<hr/> <hr/>	
=	\$24 000 Total staffing cost savings (Over 120 weeks of overtime or 16.67% savings per hour)

The second outcome discussed in this paper was hiring and training plans. This refers to giving Human resources enough notice to do a good job of hiring and training to match the demands for the coming year. The value of advance knowledge

for hiring and training needs, as opposed to scrambling to fill positions at the last minute, is self-evident. However, the savings can be hard to quantify. Would HR have made a better hire at a lower cost with adequate notice? Probably, but it's hard to put a number on that. By involving HR or a third party organization in the business planning cycle to assess workforce implications is best done by stating the logic of the case to prevent a lost opportunity.

Finally, using better systems to manage and track absences provides these four benefits:

1. Reduced abuse of sick leave
2. Savings by avoiding understaffing at key times (less overtime)
3. Reduced supervisor time spent on managing and tracking absences
4. Improved employee morale

## 8 :: CONCLUSION

When discussing workforce planning, ensure that everyone is referring to the same thing. The term can be used to mean strategic planning (two to five year time frame), annual planning (twelve month time frame) or day-to-day planning (a week to a month time frame).

Annual planning is important to include as a part of the normal business planning cycle. It is a matter of getting HR on the agenda. When HR understands the workforce implications of the business plan they can determine the appropriate number of permanent staff, plan for new hires and training, and put in place appropriate systems for managing absences.

There are a number of high-priced tracking systems available on the market that companies can purchase in order to track and manage absences. In most cases, they have to tabulate and interpret this data on their own. This leads to an inaccurate analysis of information and knowledge is often not effectively transferred to the business planning stage. Drake's web-based Annual Workforce Planning tool tracks unscheduled absenteeism and show trends in vacation time taken. Your organization will effectively plan employee time-off requested and eliminate the challenges of a workforce that is not balanced to workload. Our consultants will audit, analyze and develop a solution that meets your specific business needs, decreasing costs, increasing productivity and creating a framework for the continued improvement of your annual workforce planning process.



## ABOUT DRAKE

Members of The Drake Group of Companies are global leaders in the field of human resources, consultative management, staffing and technology solutions. For more than 50 years, Drake International has helped North American businesses solve productivity problems and recruit the best people. We begin with a business needs analysis which pinpoints the optimal way in which we can help your organization achieve its strategic objectives and overall workforce optimization strategy.

Using a partnership approach to deliver measurable results, Drake optimizes a company's profitability applying a blend of flexible staffing, permanent recruitment and technology solutions. Using innovative strategies, Drake reduces costs, increases revenue and customizes HR solutions, including outsourcing of non-core business functions. Our unique vision plans to hire the right people for our clients the first time—saving them money by reducing their need for recruitment.

Drake's operating philosophy is based on the principle that organizations and people are at the highest level of productivity when they are working with the right skills, knowledge and behaviours, using the best processes and technologies.

We aim to assist your organization in achieving heightened productivity, performance and profit standards through the effective use of people and the application of proprietary technologies to help match workforce levels to workload. Allow Drake to help you and your company Outperform.

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