



## TenStep Supplemental Paper

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### Workforce Forecasts

Workforce planning, more commonly known as manpower planning, is integral to an organization's business and HR strategies. The most critical component of workforce planning is workforce forecasting. A workforce forecast projects organizational growth plans and corresponding talent needs. The accuracy of the forecast determines the success of the plan.

#### Approaches to forecasting

The three basic methods that determine future workforce requirements in terms of quality and quantity include:

- **Statistical approach.** Large organizations base their forecasts on sophisticated statistical models. These models use regression analysis as well as internal and external statistics to plot future projections.
- **Precursor approach.** This approach uses past records and patterns specific to an industry to predict future growth. Relatively cheap and easy-to-use, it is highly accurate.
- **Natural or gut instinct.** This comes with experience. Senior members of an organization often rely on their gut feelings because of an abundance of past experiences. The precursor approach is better suited for organizations with limited resources that are new to the concept of manpower planning.

#### Elements

Statistical and precursor methods of forecasting have four basic elements:

- **Organizational growth.** For projecting future workforce requirements, it is imperative to determine the growth rate of the business. Once this figure is determined, managers can hire accordingly.
- **Talent needs.** This element identifies and defines the number and type of talent likely to be recruited. It is a function of a company's business strategy.
- **Vacancy forecast.** This involves projecting the number of vacancies likely to be created in the future and the number of employees that will require a replacement.
- **Talent supply.** Estimate how much talent can be recruited from external sources and whether internal talent development can meet the future demand.