

Turning Labor Insights into Action

HOW CFOs CAN LEVERAGE LABOR PLANNING AND ANALYTICS IN 2024

MARKET DYNAMICS

Following the "Great Resignation," labor markets have undergone a significant shift, marked by rising quit rates, hybrid workforces, technology advancements, and misalignments between available jobs vs. those who are seeking them. Despite recent targeted workforce contractions in 2023, the outlook for 2024 hints at improved economic conditions. Based on anticipated workforce trends, it's imperative that leadership has the right visibility into their workforce and respective costs. By leveraging labor analytics, the finance function can facilitate faster data-driven decisions and translate operational data into action. In turn, this will enable workforce productivity, cross-functional partnering, and organizational agility.

Managers need to be aware of and prepared for these trends in 2024:

Wage and Overall Inflation	Although both wage and overall inflation have declined, rates are still historically high. Managers should understand the relationship between overall inflation, wage inflation and how different scenarios impact personnel costs and financial statements.
Moderation of Remote Work	While many organizations will continue to embrace remote work, this trend is expected to steady in 2024. As labor models continue to evolve, managers will need to keep a pulse on worker productivity to assess the most optimal workforce composition.
Elevated Attrition Rates	Even though 2023 has seen a moderation in attrition, quit rates are expected to remain high heading into 2024. Financial consequences will be looming in the absence of proper talent management or automation strategies.
Investment in Human Capital Technology	89% of HR leaders[5] plan to maintain or increase HR technology budgets in 2024. Targeted investment in HR technology will enhance data security and accessibility allowing managers to unlock greater value from their data.
Generative AI	AI is expected to have a profound impact on workforce dynamics. Managers should consider how AI will boost productivity, create demand for new skills, shift responsibilities, and impact hiring needs.

METRICS AT A GLANCE

3.1%

INCREASE IN IN-PERSON JOB POSTINGS[1]

VERSUS 1% OVERALL (REMOTE + IN-PERSON) DECREASE

June 16th to November 3rd 2023

5.3%

SEPTEMBER 2023 YoY U.S. WAGE RATE INCREASE[2]

2.3%

SEPTEMBER 2023 U.S. QUIT RATE[3]

▲25% vs. Pre-Pandemic Average

▼23% vs. Pandemic Peak

74%

INCREASE IN NUMBER OF CFOs INCLUDNG COST MANAGEMENT AS A TOP PRIORITY IN 2024[4]

Source
1 Indeed Hiring Lab
2 Trading Economics
3 FRED Economic Data
4 Gartner CFO Perspective on the 2023 CEO Survey
5 Gartner 2024 HR Technology Imperatives

LABOR PLANNING & ANALYTICS: GETTING IT RIGHT

1 More time spent on data aggregation than on data analysis and actionable reporting

COMMON PITFALLS

Typically, headcount data collection efforts are manual and the data is backwards looking (i.e., not actionable). As a result, analyses can be error prone, inconsistent, and misunderstood by different end-users. Additionally, P&L owners may not have timely visibility or access into the right data. This may impede their ability to make informed decisions, manage headcount, and control costs.

RECOMMENDATIONS FOR FINANCE

Develop labor analytics dashboards empowering proactive decisions. Faster.

Dashboards facilitate speed to insight. Considering labor is typically a company's most valuable asset, real-time and forward-looking visibility is critical. For strategic planning, it is important to understand headcount trends, hiring projections, run-rate costs and associated impact on financials. Labor analytic dashboards can be used to inform hiring decisions, optimize org design, manage costs, and align employees to higher value activities.

2 Disconnect between Finance and HR

Finance and HR functions may share common goals, but they often speak different languages. Many companies lack insight into the relationship between budgets, headcount, and financial statements. This disconnect can lead to inconsistent reporting, confusion, misguided decision-making, and wasted time i.e., cost. HR may assume they are targeting the right candidates but can be hindered by limited views of budgets or by untimely and inaccurate data. If resulting ramifications are discovered during financial statement review, it is too late.

Implement centralized labor planning & analysis capability

A formalized labor planning & analysis competency with strong cross-functional partnerships can precipitate a single common headcount view across the organization. It can translate what is happening operationally (HR Ops) into financial statement impacts and track changes to hiring plans against budget.

3 No single source of truth

Many organizations lack a single source of truth or a technology platform to centrally manage labor data. A simple question like "how many people do we have in a given function?" may be unclear because of disparate data sets across multiple systems. Blurred functional alignment and reduced employee oversight in a remote work environment can breed shadow functions. This can result in decreased productivity, higher costs, and setbacks during workforce planning and budgeting.

Drive alignment around functional ownership and reporting lines

A single source of truth is necessary to provide reliable data and clarity around headcount ownership. HR and Finance should collaboratively partner with functional leads to confirm that employees and their respective reporting lines are associated with the appropriate P&L owner. Doing so will instill organizational accountability, bring credibility to headcount analyses, and mitigate shadow activities.

4 Organization design ambiguity

Hiring managers are often disconnected from a holistic view of organization strategy, design, and respective affordability. Having an overarching view and accompanying data (e.g., headcount productivity metrics, staffing levels, functional benchmarks) are necessary for understanding the variable labor components of the workforce required to scale and support growth. Additionally, navigating org design has become increasingly challenging as wage inflation precipitates higher personnel costs, which impact the bottom line.

Conduct data-driven organization design

Organization design, investments in labor, and right-sizing the workforce should all follow strategy. Once the baseline costs and workforce footprint are understood, managers should leverage key productivity metrics and benchmarks, to set headcount targets that inform the right staffing mix. Establishing alignment and awareness of where headcount needs to flex to support strategic objectives will promote high performance.

HOW WE SUPPORT CLIENTS

- ✓ Assess and identify labor planning and analysis pain points across functions
- ✓ Develop and implement standardized headcount analytics and reporting to serve as a single source of truth to drive organization design and operating model decisions
- ✓ Build labor planning & analysis capability to empower cross-functional business partnering and centralize the ownership of all financial labor planning and analytics
- ✓ Design organization structures and operating models through a data-driven approach in partnership with leadership while leveraging benchmarks and labor metrics

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