UNIT 1 INTRODUCTION TO HUMAN RESOURCE PLANNING SYSTEM: THE EMERGING CONTEXT

Objectives

After going through this unit, you will be able to:

l   understand various approaches to human resource planning and important trends that will affect organisations, employees and job applicants;

l   realise the importance of human resource planning in current organisational scenario;

l   understand the HRP process and the impact of external and internal issues on HRP process; and

l   appreciate the dynamics of various forecasting techniques.

Structure

1.1   INTRODUCTION

Planning the right man for right job and developing him into effective team member is an important function of every manager. It is because HR is an important corporate asset and performance of organisations depends upon the way it is put in use. HRP is a deliberate strategy for acquisition, improvement and preservation of enterprise's human resources. It is a managerial function aimed at coordinating the requirements, for and availability of different types of employees. This involves ensuring that the organisation has enough of right kind of people at right time and also adjusting the requirements to the available supply.

HRP is a forward looking function and an organisational tool to identify skill and competency gaps and subsequently develop plans for development of deficient skills and competencies in human resources to remain competitive. HRP is influenced by technological changes and other global business compulsions. HRP ensures benefits to the organisations by creating a reservoir of talent, preparing people for future cost-cutting and succession planning besides creating a back-up plan in case of diversification and expansion.

Human resource planning should be an integral part of business planning. The planning process defines projected changes in the types of activities carried out by the organisation and the scale of those activities. It identifies the core competencies required by the organisation to achieve its goals. Human resource planning interprets people requirements in terms of stalls and competencies. As Quinnmills indicates, human resource planning is a decision making process that combines three important activities (1) identifying and acquiring the right number of people with the proper skills, (2) motivating them to achieve high performance, and (3) creating interactive links between business objectives and resource planning activities.

Human resource planning is indeed concerned with broader issues about the employment of people than the traditional quantitative model approach of manpower planning. But it specifically focuses on those aspects of human resource management that are primarily about the organisation's requirements for people from the viewpoint of numbers, skills and how they are deployed.

However, it must be recognized that although the notion of human resource planning is well established in the HRM vocabulary it does not seem to be established as key HR activity.

1.2 WHY IS HUMAN RESOURCE PLANNING IMPORTANT?

Human resource planning is important for helping both organisations and employees to prepare for the future but you might be thinking "Are not things always changing?" for example, a few years ago, the legal profession seemed to be a good field. But it is now very crowded. So what is the value of planning? The answer is that even an imperfect forecast of the future can be quite helpful. Consider weather forecasts. You can probably think of occasions when it snowed, even though the television weather forecaster predicted there would be no snow. Conversely, you can probably think of times when it did not snow, even though the weather forecaster predicted a foot of snow by the next morning. You may be surprised to lean that as inaccurate as weather forecasts sometimes seem to be many organisations pay a forecasting service for regular weather updates. The reason for this is quite simple. Even a production that is sometimes wrong is better than no forecast or production at all. Perhaps the best example is the stock market. If someone had even a fairly accurate way to predict which stocks would go up and which stocks would go down, that person could make a great deal of money investing in the stock market, even though there would be some mistakes. The key is whether ones production tool improves the chances of making the right decisions. Even though the predictive tool may not be always accurate, as long as it is more accurate than random guessing it will result in better decisions.

The same point applies to human resource planning. Even though neither organisations nor employees can look into the future, making predictions can be quite helpful, even if they are not always accurate. The basic goal of human resource planning, then, is to predict the future and, based on these predictions, implement programmes to avoid anticipated problems. Very briefly humans resource planning is the process of examining an organisations or individuals future human resource needs

(for instance, what types of skills will be needed for jobs of the future) compared to future human resource capabilities (such as the types of skills employees or you already have) and developing human resource policies and practices to address potential problems for example, implementing training programmes to avoid skill deficiencies.

1.3   MEANING AND DEFINITION OF HRP

In simple words HRP is understood as the process of forecasting an organisation's future human resource demand for, and supply to meet the objectives such as the right type of people in the right number. After this process only the HRM department can initiate recruitment and selection process. HRP is a sub-system in the total organisational planning. Organisational planning includes managerial activities that set the company's objectives for the future and determines appropriate means for achieving those objectives. HRP facilitates the realization of the company's objectives for the future and determines appropriate means for achieving those objectives. HRP also facilitates the realization of the company's objectives by providing the right type and the right number of personnel. HRP is variously called manpower planning, personnel planning or employment planning.

Human resource planning is the process by which an organisation ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing tasks that will help the organisation achieve its overall objective. Human resource planning, then translates the organisation's objectives and plans into the number of workers needed to meet those objectives. Without a clear cut planning, estimation of human resource need is reduced to mere guesswork.

1.4   NEED FOR PLANNING

The need for planning arises mostly due to the fact that modern organisations have to survive, operate and grow in highly competitive market economics where change is the order of the day. The change may be either revolutionary (sudden) or evolutionary (slow). The different areas of change include: change in technology, change in population, change in economic structures and systems, change in policies of government, change in employee attitudes behaviour. etc. These changes create problems for the management through threats and challenges. Managers have to bear the problems caused due to the changes and act upon them tactfully in order to avoid or reduce the effects of these problems on the survival, operation and growth of the organisation.

Efficient managers can foresee the problems likely to occur and try to prevent them. As pointed by Terry, successful managers deal with foreseen problems and unsuccessful managers struggle with unforeseen problems. The difference lies in planning. Managers have to foresee to make the future favourable to the organisation in order to achieve the goals effectively. They introduce action, overcome current problems, prevent future uncertainties, adjust the goals with the unforeseen environmental conditions and exert all their resources to achieve their goals.

According to Megginson, et al "to have an organisation that looks forward to the future and tries to stay alive and prosper in a changing world, there must be active, vigorous, continuous and creative planning".

Thus, there is a greater need for planning in order to keep the organisation dynamic in a changing situation of uncertainty.

More specifically, HRP is required to meet following objectives:

1) Forecast HR requirement.

2) Cope-up with the change — in market conditions, technologies, products, government regulations and policies, etc.

3) Use existing HR productivity.

4) Promote employees in a systematic manner.

If used properly, it offers a number of benefits:

1) Create reservoir of talent.

2) Prepares people for future.

3) Expand or contract.

4) Cut cost.

5) Succession planning.

1.5 TYPES OF PLANS

There are nine types of plans, such as, philosophy, purpose, objectives, strategies, policies, procedures and rules, programmes and budgets. Now we shall discuss in brief each of these types of plans.

1) **Philosophy:** The organisations' role that they wish to play in society in terms of philosophy. The philosophy of the company should have clarity of thought and action in the accomplishment of economic objectives of a country. The philosophy bridges the gap between society and the company.

2) **Purpose:** Every kind of organized group activities or operations has a purpose. For example, the purpose of a bank is to accept deposits and grant loans and advances.

3) **Objectives:** Objectives are the ends towards which organisational activity is aimed. Every department has its own objectives which may not be completely same as of the other department or organisation.

4) **Strategies:** Strategy is determination of the basic long term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

5) **Policies:** Policies are general statements or understandings which guide or direct thinking and action in decision making. However, all policies are not statements.

6) **Procedure and Rules:** Procedures are plans that establish a desired method of handling future activities. They detail the exact manner in which a certain activity must be accomplished.

7) **Programmes:** These are complexes of goals, policies, procedures, task assigment rules, steps to be taken, or sources to be employed and other elements necessary to carry out a given course of action.

8) **Budget:** A budget is a statement of expected results in terms of members. It may be referred to as a numerical programme. Cash budget, sales budget, capital expenditure budget are some of the examples of budget.

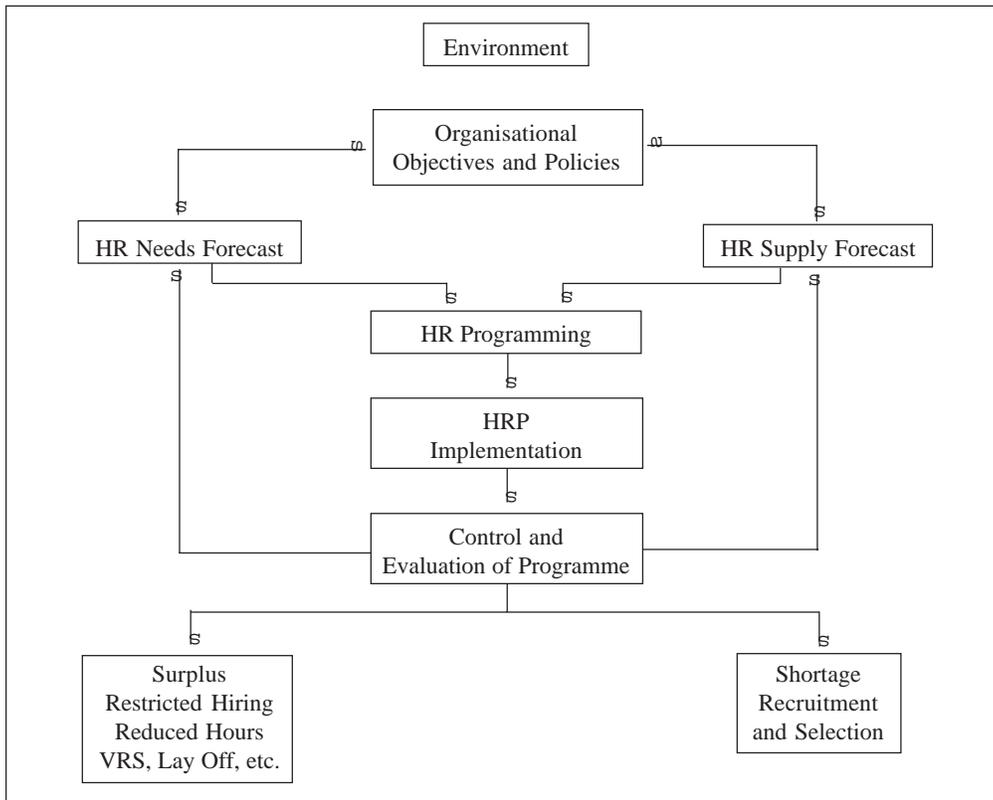## 1.6 THE PLANNING PROCESS

The planning process is influenced by overall organisational objectives and the environment of business. HRP essentially involved forecasting human resource needs,

assessing human resource supply and matching demand supply factors through human resource related programmes.

The HRP Process

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Source: Human Resource and Personnel Management by K. Aswathappa

Organisational Objectives and Policies

HR plans to be made based on organisational objectives implies that the objectives of the HR plan must be derived from organisational objectives. Specific requirements in terms of number and characteristics of employees should be derived from the organisational objectives.

Organisational objectives are defined by the top management and the role of HRP is to subserve the overall objectives by ensuring availability and utilization of human resources.

1.7 FORECASTING TECHNIQUES

Forecasting techniques vary from simple to sophisticated ones. It may be stated that organizations generally follow more than one technique. The techniques are:

1) Managerial Judgement

2) Ratio Trend Analysis

3) Work Study Techniques

4) Delphi Technique

5) Flow Models

6) Others.

All these above mentioned techniques will be covered in detail in the next Unit.

HR Demand Forecast

Demand forecast is the process of estimating the future quantity and quality of people required. The basis of the forecast must be the annual budget and long term corporate plan, translated into activity levels for each function and department.

Demand forecasting must consider several factors — both external as well as internal. The external factors are competition, economic climate, laws and regulatory bodies, changes in technology and social factors. Internal factors include budget constraints, production levels, new products and services, organisational structure and employee separations.

HR Supply Forecast

Personnel Demand analysis provides the manager with the means of estimating the number and kind of employees that will be required. The next step for the management is to determine whether it will be able to procure the required number of personnel and the sources for such procurement. This information is provided by supply forecasting. Supply forecasting measures the number of people likely to be available from within and outside an organisation, after making allowance for absenteeism, internal movements and promotions, wastage and changes in hours and other conditions of work.

New Venture Analysis

New venture analysis will be useful when new ventures contemplate employment planning. This technique requires planners to estimate HR needs in line with companies that perform similar operations. For example, a petroleum company that plans to open a coal mine can estimate its future employment by determining employment levels of other coal mines.

Other Forecasting Methods

The organisations follow more than one technique for forecasting their peoples' needs. L&T, for example, follows 'bottom-up' of management judgement and work study techniques for demand forecasting. Forecasting process in L&T begins during November of every year. The Department heads prepare their personnel estimates (based on details of production budget supplied to them) and submit the estimates to the respective personnel managers. The personnel heads will review the estimates with the departmental heads and will send final reports to Bombay office where centralized HR department is located. Estimates are reviewed by the HR department and final figures are made known to those personnel managers who initiate steps to hire the required number of people in the following year. The forecast is made for once in Five yars quinquennium, but is broken down to yearly requirements.

We turn now to approaches to human resource planning and discuss some important trends that will affcet organisation, employees, and job applicants alike. Each of these steps is discussed below in detail.

1.8   EXAMINING EXTERNAL AND INTERNAL ISSUES

External and internal issues are the forces that drive human resource planning. An issue is any event or trend that has the potential to affect human resource outcomes, such as employee motivation, turnover, absenteeism, the number and types of employees needed and so forth. External issues are events or trends outside of the organisation, such as work force demographics and technology. Internal issues refer to events or trends within the organisation, such as business strategy, organisations structure and company profitability.

Work Force Demographics: Potentially important external issue is the composition of the national workforce. Specifically, there are likely to be changes in the social, gender and age composition of the workforce. Asians will comprise a large percentage of the workforce in the future. Women are also expected to comprise a large segment of the workforce than in the past. The number of married women who are employed has doubled since 1970. The increased participation of women will have a pressure on organisations to provide pro-family policies, such as flexi time, and child care to support working mothers. Increased representation of minorities will result in more emphasis on diversity programmes to ensure harmonious relations between workers from different racial and ethnic groups.

Technology: Organisation are investing so much amount on information technology during the 1980s. Given the size of the investment, a variety of changes in the human resource area have occured. Human resource requirements have come down drastically due to technological changes.

There are many organisations who have announced plans to reduce its workforce around 50 per cent employees as a result of technological changes. Now that you have read about some of the external issues that affect human resource planning, you will learn about some important internal issues.

Organisational Structure: Many businesses today are changing their organisational structure. Organisational structure refers to how work tasks are assigned, who reports to whom, how communications and decisions are made? As part of their restructuring during some companies are creating teams to perform the work.

Business Strategy: The approach that a company adopts in conducting business is referred to as its business strategy. For example, a particular compnay may adopt strategy on quality enhancement, cost reduction and so on and so forth. It is important for organisations to monitor both the internal and external environment to anticipate and understand the issues that will affect human resources in the future.

1.9 DETERMINING FUTURE ORGANISATIONAL CAPABILITIES

The second step of the human resource planning process involves an analysis of future organisational or personal capabilities. Capabilities include the skill level of employees, productivity rates and number of employees, etc.

In the past, more emphasis was on predicting the number of employees of human resource supply the company was likely to have in the future. Organisations may use varieties of procedures to estimate the supply. These procedures are generally categories as either quantitative which use mathematical or statistical procedures or qualitative which use subjective judgement approaches.

The quantitative procedure generally use past information about job categories and the number of people retiring, being terminated, leaving the organisation voluntarily and being promoted. One of the most well known quantitative procedures is the Markov analysis. This technique uses historical rates of promotion, transfer and turnover to estimate future availabilities in the workforce. Based on the past abilities, one can estimate the number of employees who will be in various positions within the organisation in the future. Qualitative or judgemental approaches are much more popular in forecasting human resource supplies. Among the most frequent used methods are replacement planning, succession planning and vacancy analysis. Replacement planning evolves an assessment of potential candidates to replace existing executives and other top level managers as they retire or leave for other organisations. Succession planning is similar to replacement planning, except that it is

more long term and developmentally oriented. Finally, vacancy analysis is much like the Markov analysis, except that it is based on managerial judgements of the probabilities. If knowledgeable experts provide estimates, vacancy analysis may be quite accurate.

In recent years, organisations have become concerned with a broader range of issues of future capabilities. For example, organisations have begun to estimate their future productivity levels. Towards this end, bench marking is a technique that has become popular. Bench marking involves comprising an organisation's human resource practices and programmes to other organisations.

Although bench marking often focuses on an organisation's competitors, best practices bench marking focuses on the programmes and policies used by outstanding organisation. For example, Federal express, leadership evaluation system, employee survey programme and total quality management efforts are frequently studied by other organisations because of their reputations.

1.10   DETERMINING FUTURE ORGANISATIONAL NEEDS

In this step, the organisation must determine what is human resource needs will be in the future. This includes the number of employees that will be needed, the types of skills that will be required. Productivity rates needed to complete successfully. There are methods for examining the future number of employees, also several procedures are there for predicting the number of employees needed in the future. This is referred to as the human resource demand two basic approaches or estimating human resource demand are qualitative and quantitative methods.

Two quantitative techniques for estimating human resource demand are ratio analysis and regression analysis. Ratio analysis involves comparing the number of employees to some index of work load. If your organisation was planning its future training and development (T&D) staffing demand in five years, you could estimate the number of employees likely to be employed by the company in five years. And then use this ratio to determine the number of T&D employees needed in given years. For example, if your company was expecting to have 5,000 employees in five years, this ratio would suggest that around 21 T&D employees would be needed.

Regression analysis relies on factors or predictors that determine the demand for employees, such as revenues, degree of automation, and so forth. Information on these predictors from past years, as well as the number of workers employees in each of these years is used to produce an equation or formula. The organisation can then enter expected figures for the predictors, such as revenues and degree of automation into the formula to obtain an estimated number of employees needed in future years. Regression analysis is more sophisticated than ratio analysis and should lead to more accurate predictions of employee demand. Although both procedures are widely used, they have their weaknesses. A major weakness is the factors that were related to workforce size may not be relevant factors in future years.

Turning now to qualitative tools for estimating the demand for employees, the most common tool is the bottom-up forecast where department managers make estimates of future human resource demands based on issues, such as new positions needed, positions to be eliminated or not filled, expected overtime hours to be worked by temporary, part-time or independent contractor employees and expected changes in workload by department. Like any other technique, bottom-up forecasting has its shortcomings. For instance, line managers may overestimate the demand in order to ensure that they don't find themselves understaffed.

1.11 IMPLEMENTING HUMAN RESOURCE PROGRAMME TO ADDRESS ANTICIPATED PROBLEMS

In this step the organisation must determine the gaps between future capabilities and future needs and then employ the necessary human resource programmes to avoid the problems arising from these gaps.

In implementing a new human resource programme, following basic steps are recommended to obtain employee acceptance.

1) **Communicate need for the programme:** Employees would like to know why the programme is being reduced. Many people believe the old saying "If it aint's broke, don't fix it". It is imperative to explain, then exactly why the change is needed.

2) **Explain the programme:** Management must explain precisely what the programme is, how it will be implemented and what its effects will be on other practices and programmes.

3) **Explain what is expected of the employees:** Management must discuss how the behaviours of employees are expected to change as a result of the new programme system. For example, implementation of a new pay for performance system may also redirect employee activities.

4) **Establish feedback mechanisms:** No matter how carefully planned and implemented, almost any new policy or practice is likely to lead to questions and problems. It is critical, therefore, for mechanisms to be established to resolve problems and answer concerns that arise. Such mechanisms may include a telephone hotline, ongoing survey programme as well as a dispute resolution policy.

Finally, utility analysis is a relatively recent approach to choosing which, if any, human resource programmes should be implemented. Utility analysis and related approaches such as human resource accounting, consider the financial benefits versus the costs of any human resource programme and attempt to base choice of a programme on its rupee value of the organisation. Using such techniques organisations are able to determine the best way to invest money in employees.

1.12 ROLE OF HRP PROFESSIONALS

HRP professionals have to perform the following roles that may be divided into three categories:

1) Administrative role

   – Managing the organisational resources

   – Employees welfare activities.

2) Strategic role

   – Formulating HR strategies

   – Managing relationships with managers.

3) Specialized role

   – Collecting and analyzing data

   – Designing and applying forecasting systems

   – Managaing career development.

These roles are neither necessarily found in every HRP work, nor they are evenly weighed in time allocation. Many combinations of roles are possible with different focuses based on circumstances of the organisation. The first two roles managing relationships with managers and for mutating strategies are weighed equally. The activities in these areas are equally important to HRP because of the implicit purposes of anticipating and implementing change in the organisation. The strategic roles are crucial to the HR professionals effectiveness. These skills are very difficult to develop when compared to administrative skills. The administrative aspects of the work are represented in managing the staff function of HRP and in managing employee welfare activities. These aspects are often seen as supplementary to other aspects and demand a lot of attention. The remaining three roles represent specialized functions performed. Primary attention is given to a combination of three categories of activities – collecting and analyzing data, deisgning and applying forecasting systems and managing career development. These activities are new to the HR function in many organisations, and are closely linked with the mission of anticipating and managing change. Accordingly, they are viewed as central roles of HRP Professionals.

Activity A

As a HR Manager, what factors you would like to consider for human resource planning? Briefly explain, how these factors are contributing in planning process.

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Activity B

What are the forecasting techniques that have been used for human resource planning in your own organisation or any organisation you are familiar with? Briefly mention reasons why these techniques are being used.

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Impact of HRP

HRP itself is a process of determining human resources needs in the future and of monitoring responses to these needs. HRP links a company's business plans and broad objectives with the specific programmes and other HRM activities. Organisations need to learn to forecast HR needs more effectively. More analytic techniques, driven by strategic planning are vital. Organisations must learn to manage employee performance more effectively. Even though performance measurement is complex and ill-defined, yet it is critical to effective management for this very reason. Organisations must also learn to manage careers of their employees more effectively.

Impact of Technology on HRP

In order to cope with the competition, organisations have to ensure on:

a) Producing goods and services more efficiently and economically.

b) Innovating product and processes so as to gain competitive advantages.

Advances in computer technology have offered organisations new opportunities to enhance and streamline their processes. Computer aided design (CAD), and computer aided manufacturing (CAM) reduce human resource involvement and shrink the cycle time. Advances in information technology has reduced efforts required in impacting, retrieval, processing, and sharing of data. Accurate and timely information can be made available to different levels of management for decision making. All these changes in technology result in a change in occupational and skill profile of manpower.

Different manufacturing technologies have different skills required to design, operate and maintain the machines and equipment. Also, the same technology can have a different impact on different categories of workers and industries. The actual skill implications of technology change will depend on:

a) Management policy for deployment of manpower

b) Attitudes bargaining strength of the union

c) Ability of manpower to adjust and adopt to the new technology.

According to ILO, introduction of new technology can affect other aspects of working like workers responsibilities, skill requirements, job-content, physical and mental work load, career prospects and communication and social relationships at workplace. Skills and knowledge are required for operating and maintaining new technology and participating in innovative processes. The manual content of skill tends to decrease for skilled workers and office staff but requirements for mathematical skills and ability to plan and anticipate future situations tend to increase. The methods, systems and style of management also need changes in line with high skill demands on personnel. A more democratic and decentralized management style is necessary to motivate highly educated employees.

The present education system of our country is inadequate to match the technological needs. The syllabus is outdated, teachers are not fully acquainted with the new technology and there is a lack of infrastructure facilities. Therefore, companies will have to provide appropriate training to add these skills. Manpower planners should keep in mind this requirement and also the requirement of retraining. There may also be a need for rationalization of the trade structure because of multi-skilling. For example, traditional and relatively conceived metal trades which date back to 1930s have been replaced by six broadly defined occupations. Lathe, mulling, grinding could be clubbed as cutting mechanics, production engineering, machine and systems. Engineering, precision engineering and light engineering could be put as industrial mechanics. In office context, we now require persons who are computer trained and also operate other office equipment such as fax, and xeroxing machines – this will also require restructuring of employees.

Changes in work and work design are to be created.

HR Programming

Once an organisations personnel and supply are forecast, the two must be reconciled in order that vacancies can be filled by the right employees at the right time. HR programming assumes greater importance in the planning process.

HR Plan Implementation

Implementation is nothing but converting an HR plan into action. A series of action programmes are initiated as a part of HR plan implementation. Some such programmes are recruitment, selection and placement, training and development, retraining and redeployment, the retention plan and the redundancies plan.

Control and Evaluation

The HR plan should include budgets, targets and standards. It should also clarify responsibilities for implementation and control, and establish reporting procedures which will enable achievements to be monitored against the plan. These may simply report on the numbers employed against establishment and on the numbers recruited against the recruitment targets. They should also report employment costs against budget, and trends in wastage and employment ratios.

1.13 BARRIERS TO HRP

Planners face significant barriers while formulating an HRP. The major ones are following:

1) HR practitioners are perceived as experts in handling personnel matters, but are not experts in managing business.

2) People question the importance or making HR practices future oriented and the role assigned to HR practitioners in formulation of organisational strategies. There are people when needed offer handsome packages of benefits to them to quit when you find them in surplus. When the task is so simple, where is the need for elaborate and time consuming planning for human resources.

3) HR information often is incompatible with other information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting, often to the exclusion of other types of information. Financial forecasting takes precedence over HRP.

4) Conflict may exist between short term and long term HR needs. For example, there arises a conflict between the pressure to get the work done on time and long term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. Therefore, long time plays are not required, short planning are only needed.

5) There is conflict between quantitative and qualitative approaches to HRP. Some people view HRP as a number game designed to track the flow of people across the department.

6) Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a co-ordinated effort on the part of operating managers and HR personnel.

1.14 SUMMARY

Today, human resource planning is viewed as the way management comes to grasp the ill-defined and tough-to-solve human resource problems facing an organisation. Human resource planning as a process of determining the human resources required by the organisation to achieve its goals. Human resource planning also looks at broader issues relating to the ways in which people are employed and developed in order to improve organisational effectiveness. HRP is a decision making process that combines activities such as identifying and acquiring the right number of people with

the proper skills, motivating them to achieve high performance and creating interactive links between business objectives are resource planning activities. HRP sets out requirements in both quantitative and qualitative terms. Accurate manpower plan is a dream. A common error of many managers is to focus on the organisation's short term replacement needs. Any human resource plan, if it is to be effective, must be derived from the long term plans and strategies of the organisation. The various approaches to human resource planning under which a number of major issues and trends in today's work plan that will affect organisation and employees are (1) Examine external and internal isses, (2) Determining future organisations capabilities, (3) Determining future organisational needs, and (4) Implementing human resources programmes to address anticipated problems.

Although change is occuring very rapidly in the work world it is important for both organisations and employees to monitor issues and events continuously and consider their potential effects.

1.15   SELF-ASSESSMENT QUESTIONS

1.   Explain the role of HR professional in human resource planning process in organisations.

2)   Describe the various forecasting techniques and how these techniques are being used in human resource planning.

3)   Explain the barriers to HRP. Bring out the requisites for effective planning.

1.16   FURTHER READINGS

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