

CHAPTER

2

Human Resource Planning

CHAPTER'S OUTLINE

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- Meaning of HRP
- Planning at Different Levels
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INTRODUCTION

Human resource planning is the most important managerial function of an organization. It ensures three main things:

- It ensures adequate supply of human resources.
- It ensures proper quality of human resources.
- It ensures effective utilization of human resources.

- (i) Human resource planning must incorporate the human resource needs in the light of organizational goals.
- (ii) Human resource planning must be directed towards clear and well-defined objectives.
- (iii) Human resource plan must ensure that it has the right number of people and the right kind of people at the right time doing work for which they are economically most suitable.
- (iv) Human resource planning should take into account the principle of periodical reconsideration of new developments and extending the plan to cover the changes during the given long period.
- (v) Human resource planning should pave the way for an effective motivational process.
- (vi) Adequate flexibility must be maintained in human resource planning to suit the changing needs of the organization.

HRP or MPP is essentially concerned with the process of estimating and projecting the supply and demand for different categories of personnel in the organization for the years to come.

HR PLANNING AT DIFFERENT LEVELS

Human Resource Planning (HRP) may be done at different levels and for different purposes. National planners may make a HR plan at the national level whereas the strategists at a company may make a HR plan at the unit level. The HR Planning thus operates at five levels.

1. **HRP at National Level:** HRP at the national level helps to plan for educational facilities, health care facilities, agricultural and industrial development and employment plans, etc. The government of the country plans for human resources at the national level. National plans for HR forecast the demand and supply of human resources at the national level. It also plans for occupational distribution, sectoral and regional allocation of human resources.
2. **HRP at the Sectoral Level:** HRP at the sectoral level helps to plan for a particular sector like agriculture, industry, etc. It helps the government to allocate its resources to the various sectors depending upon the priority accorded to the particular sector.
3. **HRP at the Industry Level:** HRP at the industry level takes into account the output/operational level of the particular industry when manpower needs are considered.
4. **HRP at the Unit Level:** HR Planning at the company level is based on the estimation of human resource needs of the particular company in question. It is based on the business plan of the company. A manpower plan helps to avoid the sudden disruption of the company's production since it indicates shortages of particular types of personnel, if any, in advance, thus enabling the management to adopt suitable strategies to cope with the situation.
5. **HRP at the Departmental Level:** HRP at the departmental level looks at the manpower needs of a particular department in an organization.

INTEGRATED STRATEGIC PLANNING AND HR

HRP like production planning, financial planning and marketing planning needs to be comprehensive, unified and integrated for the total corporation. HR manager provides inputs

like key HR areas, HR environmental constraints, HR capabilities and HR capability constraints to the corporate strategists. Corporate strategists further communicate their needs and constraints to HR manager. The corporate strategic plan and HR plan, thus incorporates both HR and other functional plans.

Integrated strategic planning involves four steps.

Figure 2.1 shows these steps.

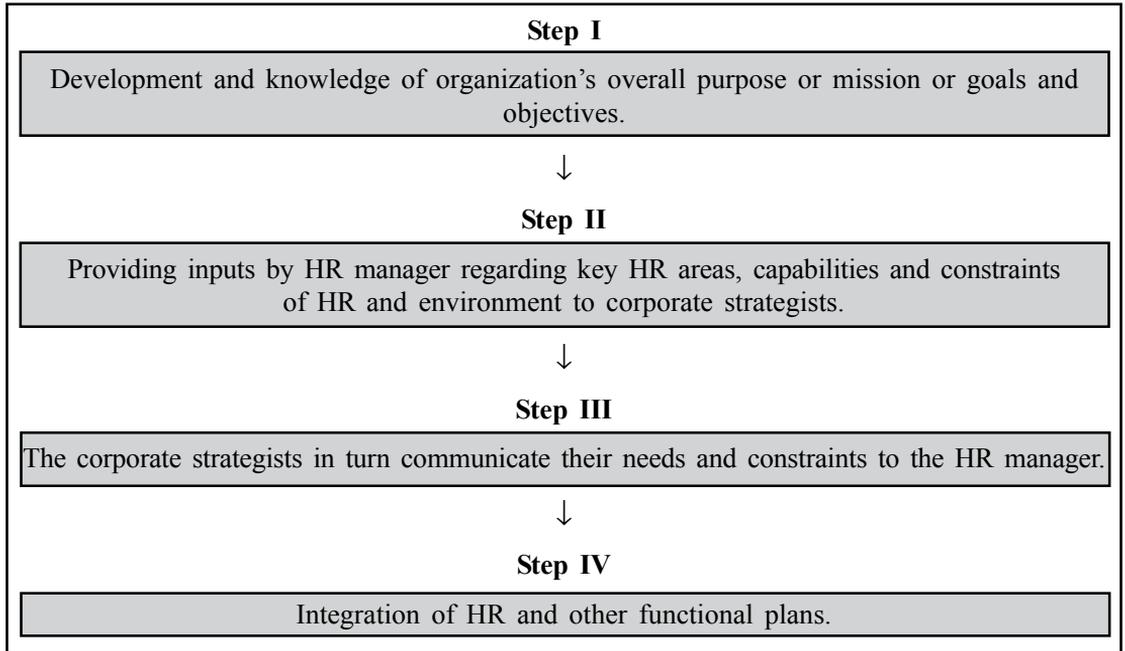


Fig. 2.1. Integrated Strategic Planning and HR.

Corporate strategic planning involves four time spans.

- (i) **Long period (5 or more years):** Strategic plans that establish company's vision, mission and major long-range objectives. The time span for strategic plans is usually considered to be five or more years.
- (ii) **Intermediate period (3 years):** Intermediate-range plans cover about a three-year period. These are more specific plans in support of strategic plan.
- (iii) **Operation period (1 year):** Operating plans cover about one year. Plans are prepared month-by-month in sufficient detail for profit, human resources, budget and cost control.
- (iv) **Short period (day-to-day or week-by-week):** Activity plans are the day-to-day and week-by-week plans. These plans may not be documented. Table 2.1. presents the link between strategic plan and human resource plan.

Hence, the strategic plan vs. HR plan can be at four levels:

- (i) **Corporate-level plan:** Top management formulates corporate-level plan based on corporate philosophy, policy, vision and mission. The HRM role is to raise the broad and policy

issues relating to human resources. The HR issues are related to employment policy, HRD policies, remuneration policies, etc. The HR department prepares HR strategies, objectives and policies consistent with company's strategy.

- (ii) **Intermediate-level plan:** Large-scale and diversified companies organize Strategic Business Units (SBUs) for the related activities. SBUs prepare intermediate plans and implement them. HR managers prepare specific plans for acquiring future managers, key personnel and total number of employees in support of company requirements over the next three years.
- (iii) **Operations plan:** Operations plans are prepared at the lowest business profit centre level. These plans are supported by the HR plans relating to recruitment of skilled personnel, developing compensation structure, designing new jobs, developing, leadership, improving work life, etc.
- (iv) **Short-term activities plan:** Day-to-day business plans are formulated by the lowest level strategists. Day-to-day HR plans relating to handling employee benefits, grievances, disciplinary cases, accident reports, etc. are formulated by the HR managers.

Integration of business planning and HRP is shown in Table 2.1 and Figure 2.2.

Table 2.1: Linking Business Planning and HR Planning

Planning Level and Horizon	Business Planning Process	Link	Human Resource Planning Process
Strategic planning (5 or more years)	Corporate philosophy value system, and policies. Goals and objectives. Key success factors. Product market scope competitive edge allocation of resources	Issues analysis	Analysis of issues raised by external factors Employment demand projection Manpower supply analysis and projection
Intermediate- range planning (3-5 years)	Organization evolution. Programmes required to implement strategy. Deployment of resources. Acquisitions, divestments, and internal development of product lines.	Programming requirements	Forecasting total staffing level. Forecasting number of managers and key personnel. Forecasting net changes in managers and key personnel year to year. Planning P/HR support programmes.
Operational planning (12 months)	Detailing of programmes to specify actions, responsibilities, cost- time schedule and organizational profitability	Integrated control requirements	Detailing of P/HR activities that are incorporated in the one-year business plan
Activities planning (daily and weekly)	Day-to-day and week-to-week plans and work schedule decentralized throughout the company.	Implementation actions	P/HR day-to-day and week- to-week assignment in support of the objectives and plans of the P/HR department.

Source: Klatt Murdick and Schuster.

Figure 2.2 presents strategic plan vis-à-vis human resource plan.

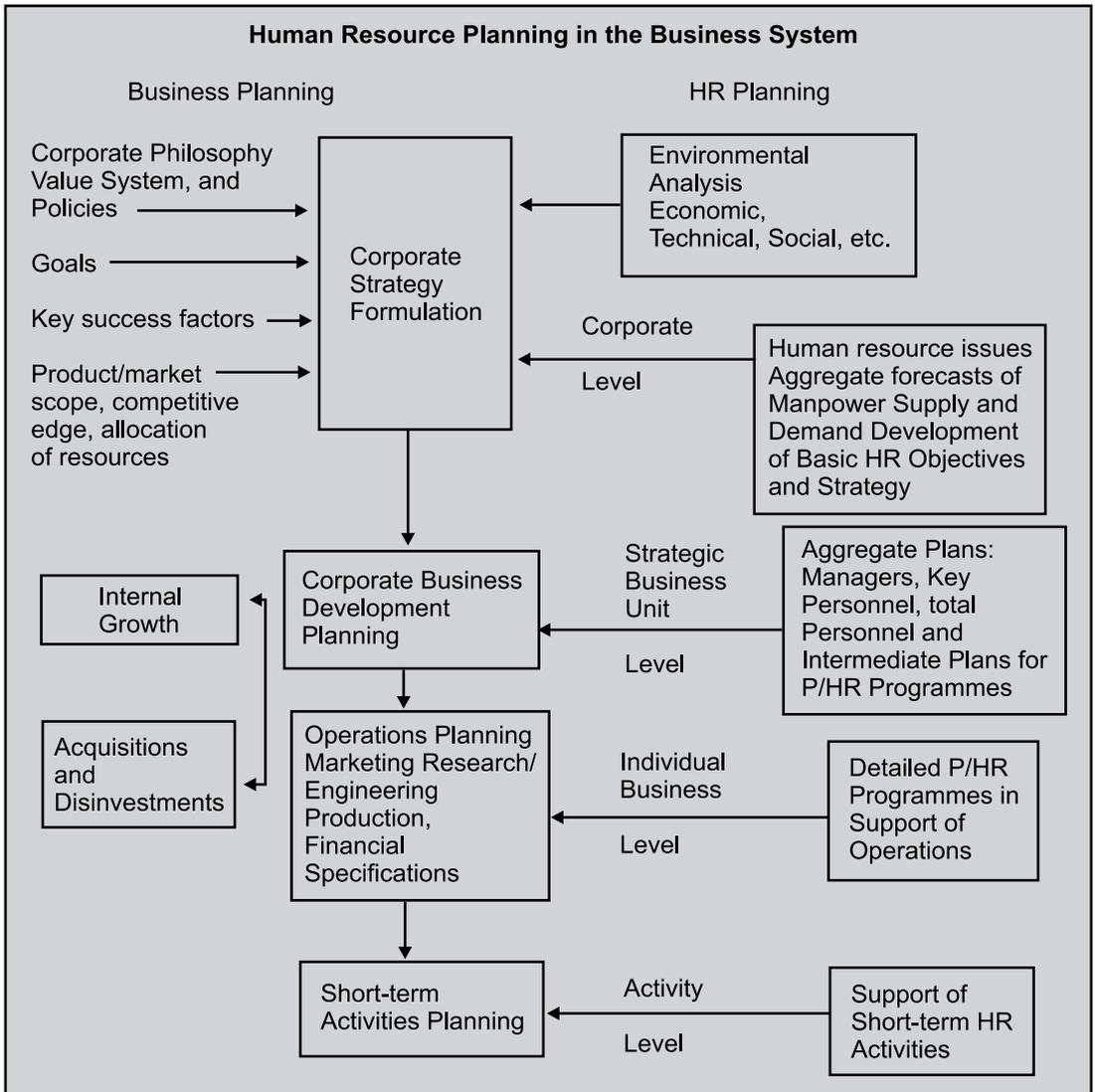


Fig. 2.2. HRP in the Business System.

Source: A. Klatt, Murdick and Schuster.

NEED FOR HUMAN RESOURCE PLANNING

Human resource planning is needed for foreseeing the human resource requirements of an organization and supply of human resources. Its need can be assessed from the following points:

- 1. Replacement of Persons:** A large number of persons are to be replaced in the organization because of retirement, old age, death, etc. There will be a need to prepare persons for taking up new position in such contingencies.

2. **Labour Turnover:** There is always labour turnover in every organization. The degree of labour turnover may vary from concern to concern but it cannot be eliminated altogether. There will be a need to recruit new persons to take up the positions of those who have left the organization. If the concern is able to forecast turnover rate precisely, then advance efforts are made to recruit and train persons so that work does not suffer for want of workers.
3. **Expansion Plans:** Whenever there is a plan to expand or diversify the concern then more persons will be required to take up new positions. Human resource planning is essential under these situations.
4. **Technological Changes:** The business is working under changing technological environment. There may be a need to give fresh training to personnel. In addition, there may also be a need to infuse fresh blood into the organization. Human resource planning will help in meeting the new demands of the organization.
5. **Assessing Needs:** Human resource planning is also required to determine whether there is any shortage or surplus of persons in the organization. If there are less persons than required, it will adversely affect the work. On the other hand, if more persons are employed than the requirement, then it will increase labour cost, etc. Human resource planning ensures the employment of proper workforce.

OBJECTIVES OF HUMAN RESOURCE PLANNING

The following are the objectives of human resource planning:

1. Assessing manpower needs for future and making plans for recruitment and selection.
2. Assessing skill requirement in future for the organization.
3. Determining training and the development needs of the organization.
4. Anticipating surplus or shortage of staff and avoiding unnecessary detentions or dismissals.
5. Controlling wage and salary costs.
6. Ensuring optimum use of human resources in the organization.
7. Helping the organization to cope with the technological development and modernization.
8. Ensuring career planning of every employee of the organization and making succession programmes.
9. Ensuring higher labour productivity.

DETERMINANTS OF HRP

There are several factors that affect HRP. These factors or determinants can be classified into external factors and internal factors.

External Factors

- **Government Policies :** Policies of the government like labour policy, industrial relations policy, policy towards reserving certain jobs for different communities and sons-of-the-soils, etc. affect the HRP.
- **Level of Economic Development :** Level of economic development determines the level of HRD in the country and thereby the supply of human resources in future in the country.

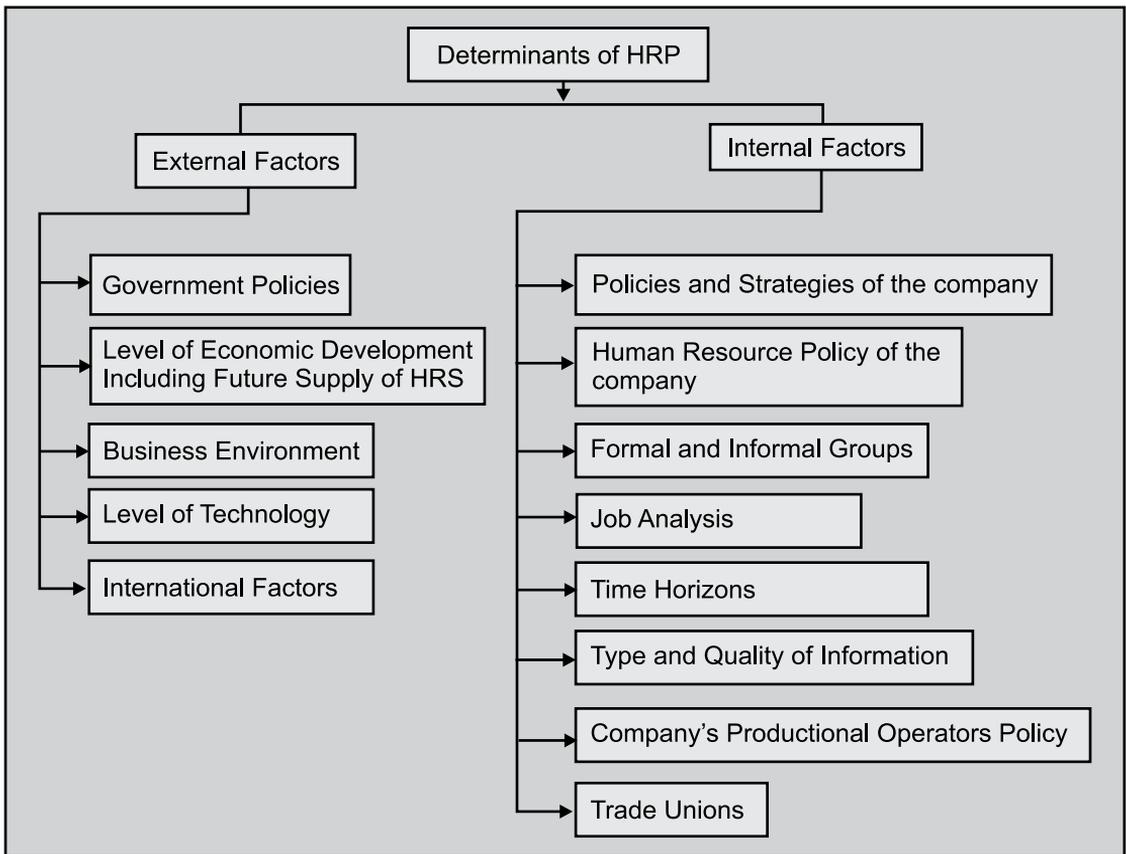


Fig. 2.3. Determinants of HRP.

- **Business Environment** : External business environmental factors influences the volume and mix of production and thereby the future demand for human resources.
- **Level of Technology** : Level of technology determines the kind of human resources required.
- **International Factors** : International factors like the demand for the resources and supply of human resources in various countries.

Internal Factors

- **Company Policies and Strategies**: Company's policies and strategies relating to expansion diversification, alliances, etc. determines the human resource demand in terms of quality and quantity.
- **Human Resource Policies**: Human resources policies of the company regarding quality of human resource, compensation level, quality of worklife, etc. influences human resource plan.
- **Job Analysis**: Fundamentally, human resource plan is based on job analysis. Job description and job specification determines the kind of employees required.
- **Time Horizons**: Companies with stable competitive environment can plan for the long run whereas the firms with unstable competitive environment can plan for only short-term range.

2. Analyzing Factors for Manpower Requirements on Demand Side (Demand Forecasting)

The existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. The job generally should be designed and analyzed reflecting the future human resources and based on future organizational plans. The factors for manpower requirements on demand side can be analyzed by making demand forecasting.

Demand forecasting is the process of estimating the future requirements of manpower, by function and by level of skills. It has been observed that demand assessment for operative personnel is not a problem but projections regarding supervisory and managerial levels is difficult. Two kinds of forecasting techniques are commonly used to determine the organization's projected demand for human resources. These are: (i) Judgemental forecasts, and (ii) Statistical projections.

(i) Judgemental Forecasts: Judgemental forecasts are also known as the conventional method.

The forecasts are based on the judgement of those managers and executives who have intensive and extensive knowledge of human resource requirement. Judgemental forecasts could be of two types:

- (a) **Managerial Estimate** : Under this method, the managers or supervisors who are well-acquainted with the workload, efficiency and ability of employees, think about their future workload, future capabilities of employees and decide on the number and type of human resources to be required. An estimate of staffing needs is done by the lower level managers who make estimates and pass them up for further revision.
 - (b) **Delphi Method** : A survey approach can be adopted with the Delphi technique. The Delphi process requires a large number of experts who take turns to present their forecast statement and underlying assumptions to the others, who then make revisions in their forecasts. Face-to-face contact among the experts is avoided.
- (ii) Statistical Projection:** Some forecasting techniques are based on statistical methods. Some of them are given below:
- (a) **Ratio-Trend Analysis** : The ratio-trend analysis is carried out by studying the past ratios and the forecasting ratios for the future. The components of internal environmental changes are considered while forecasting the future ratios. Activity level forecasts are used to determine the direct human resource requirements. This method depends on the availability of past records and the internal environmental changes likely to occur in future.
 - (b) **Econometric Model** : Under the econometric model, the previous data is analyzed and the relationship between different variables in a mathematical formula is developed. The different variables affecting the human resource requirements are identified. The mathematical formula so developed is then applied to the forecasts of movements in the identified variables to produce human resource requirements.
 - (c) **Work-Study Techniques** : Work-study techniques are generally used to study work measurement. Under the workload analysis, the volume of workload in the coming years is analyzed. These techniques are more suitable where the volume of work is easily measurable. If the planners forecast expansion in the operations, additional operational workers may be required. If the organization decides to reduce its operations in a particular area, there may be decreased demand for the workers. If

there is likely to be no change, present demand for workers will continue. The work-study method also takes into account the productivity pattern for the present and future, internal mobility of the workers like promotion, transfer, external mobility of the workers like retirement, deaths, voluntary retirements, etc.

3. Analyzing Factors for HR Requirements on Supply Side (Supply Forecasting)

Supply forecasting is concerned with human resources requirements from within and outside the organization. The first step of forecasting the future supply of human resource is to obtain the data and information about the present human resource inventory. The supply forecasting includes human resource audits; employee wastage; changes due to internal promotions; and changes due to working conditions.

Some of the steps are discussed below:

- (i) **Human Resource Audits** : These are analysis of each employee's skills and abilities. This analysis facilitates the human resource planners with an understanding of the skills and capabilities available in the organization and helps them identify manpower supply problems arising in the near future. These inventories should be updated periodically otherwise it can lead to present employees being ignored for job openings within the organization.
- (ii) **Employee Wastage** : The second step of supply forecasting is estimation of future losses of human resources of each department and of the entire organization. This is done to identify the employees who leave the organization and to forecast future losses likely to occur due to various reasons. Employees may leave the organization for reasons like retirements, layoffs, dismissals, disablement, ill health, death, etc. Reasons for high labour turnover and absenteeism should be analyzed and remedial measures taken. Management has to calculate the rate of labour turnover, conduct exit interview, etc. This helps to forecast the rate of potential loss, reasons for loss and helps in reducing the loss.
- (iii) **Internal Promotions** : Analysis is undertaken regarding the vacancies likely due to retirements and transfer and the employees of particular groups and categories who are likely to be promoted. The multiple effect of promotions and transfers on the total number of moves should be analyzed and taken into consideration in forecasting changes in human resource supply of various departments. For example, if the personnel officer is promoted as personnel manager, 2 more employees will also get promotion. The senior clerk in the personnel department will become personnel officer and the junior clerk will become senior clerk. Thus, there are 3 moves for one promotion.

4. Estimating the Net HR Requirements

Net human resource requirements in terms of number and components are to be determined in relation to the overall human resource requirements (demand forecast) for a future date and supply forecast for that date. The difference between overall human requirements and future supply of human resource is to be found out.

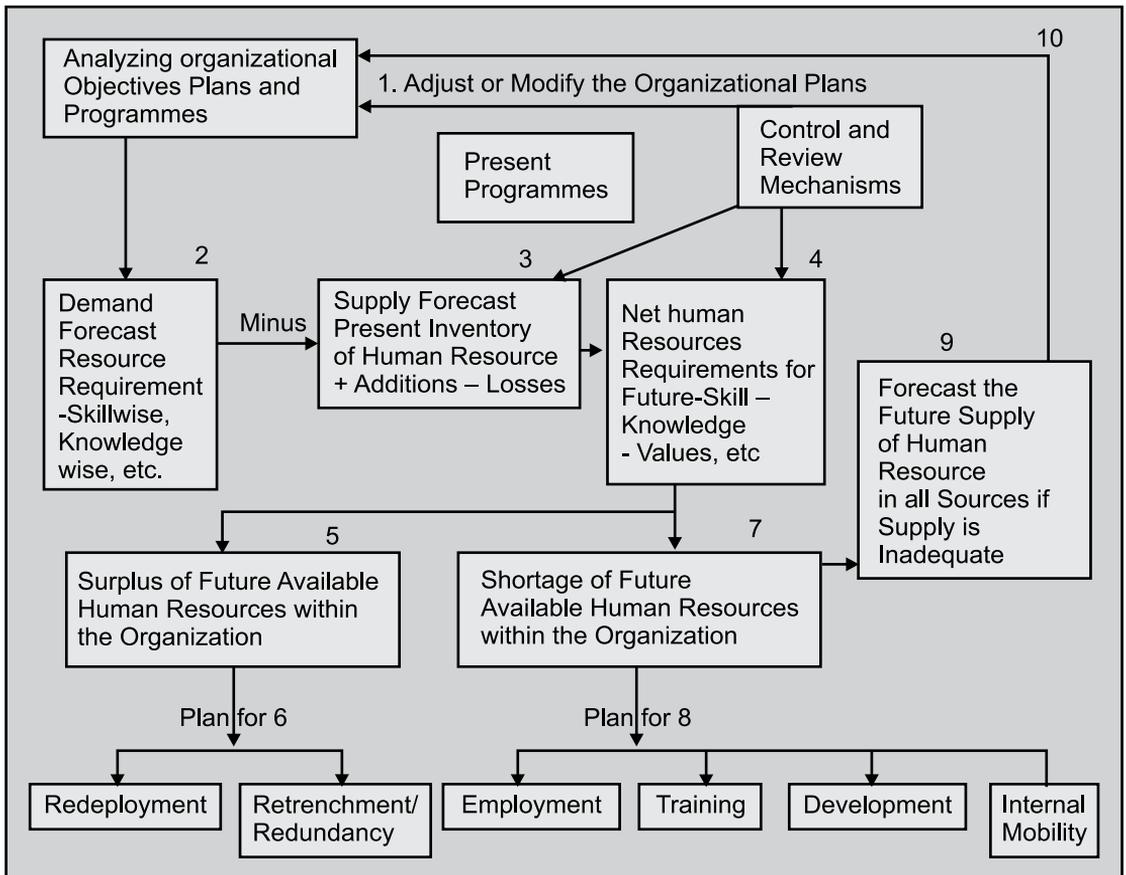


Fig. 2.4. Human Resource Planning Model.

CONTROL AND REVIEW MECHANISM

Human resource planning requires considerable amount of financial resources besides time and staff. Small firms may not go for it but large organizations prefer human resource planning as a means of achieving greater effectiveness and long-term objectives. J.W. Walker is of the opinion that, "In making a projection of manpower requirements, selecting the predictor — the business factor to which manpower needs will be related — is the critical first step. Selecting the right predictor in relation to the business is a difficult process. To be useful, the predictor should meet two requirements; first, it should be directly related to the essential nature of the business so that business planning is done in terms of the factor. The second requirement is that changes in the selected factor be proportional to changes in the manpower required in the business." Thus, the human resources structure and system should be controlled and reviewed with a view to keep them in accordance with the plan.

N.K. Singh in his book “*Dimensions of Personnel Management*” has identified 9 steps followed by Indian industries regarding control and review of human resource structure and system. These are:

1. Considering the decisions regarding additions at the highest level.
2. Sending periodic reports to the top management stating the existing manpower system and changes therein due to internal and external mobility.
3. Using the personnel budgets as a basis for control as they are formulated on the basis of manpower plans.
4. Auditing the human resources and studying manpower utilization can be measured by relating net man-hours actually utilized in work to the standard man-hours planned to be utilized in work.
5. Measuring the efficiency of labour periodically in the form of labour productivity, employee-sales ratio, employee-investment ratio, employee-turnover ratio, employee-profit ratio, etc. and compare them with standards of the organization and actuals of other comparable organizations.
6. Conducting surveys and research studies with a view to find out the level of job satisfaction, morale, employee attitudes, interpersonal relations, etc. and review and correct the situation with the help of the findings of the surveys and studies.
7. Conducting studies with a view to find out the efficiency and validity of recruitment, selection, training, etc.
8. Sending reports regarding absenteeism, irregularities, overtime, etc. to the management.
9. Conducting exit interviews; spotting out the area responsible, finding out the causes and correcting the situation.

STRATEGIES FOR HUMAN RESOURCE PLANNERS

The objective of manpower planning is to help the organization to achieve its goal. For this purpose, the manpower planners have to develop some strategies. Stainer has suggested nine strategies for the benefit of manpower planners:

1. They should collect, maintain and interpret relevant information regarding human resources.
2. They should periodically report manpower objectives, requirements and existing employment and allied features of manpower.
3. They should develop procedures and techniques to determine the requirements of different types of manpower over a period of time from the standpoint of organization's goals.
4. They should develop measures of manpower utilization as component of forecasts of manpower requirement along with independent validation.
5. They should employ suitable techniques leading to effective allocation of work with a view to improving manpower utilization.
6. They should conduct research to determine factors hampering the contribution of individuals and groups to the organization with a view to modifying or removing these handicaps.
7. They should develop and employ methods of economic assessment of human resources reflecting its features as income generator and cost and accordingly improving the quality of decisions affecting the manpower.

These people are known for job hopping, thereby creating frequent shortages in the organization. Manpower planning helps prevent such shortages. Furthermore, technology changes will often upgrade some jobs and degrade others. Indian Telephone Industries (ITI) had a stronger technology to start with, which later developed into crossbar telephone system. This was later changed to electronic technology. Jobs created and people hired when old technologies were in use became extinct, obsolete and redundant. ITI being a public sector undertaking, could not retrench its workers, and were subsequently retrained and redeployed to supervise the electronic system now in use. Jobs became highly technical necessitating hiring of engineers who had majored in electronics. So, ITI had no use of engineers with civil or mechanical engineering as major. Thus, ITI is in a tight spot so far as shop-floor workers are concerned, whose number is more than the demand for them. Even with regard to electronics engineers, the company is not in a comfortable position. With its existing compensation scheme, ITI is not in a position to attract talented people. This situation could have been avoided if ITI had done HRP.

Another facet of the high-talent personnel is management succession planning. Who will replace the retiring chief executive? From what pool of people will top executives be selected and how will these individuals be groomed for their increased responsibilities? HRP is an answer to these and other related questions.

6. **Identification of Gaps in Existing Manpower.** Human resource planning identifies gaps in existing manpower in terms of their quantity and quality with the help of suitable training and/or any other steps, these gaps can be filled in time. Existing manpower can also be developed to fill future vacancies.
7. **Career Succession Planning.** Manpower planning facilitates career succession planning in the organization. It provides enough lead time for internal succession of employees to higher position through promotions. Thus, manpower planning contributes to management succession as well as development.
8. **Improvement in Overall Business Planning.** Manpower planning is an integral part of overall business planning. Effective manpower planning will lead to improvement in overall planning also. No management can be successful in the long run without having the right type and right number of people doing the right jobs at the right time.
9. **Growth of the Organization.** Manpower planning facilitates the expansion and diversification of an organization. In the absence of human resource plans, the required human resources will not be available to execute expansion and diversification plans at the right time.
10. **Creates Awareness in the Organization.** Manpower planning leads to a great awareness about the effectiveness of sound manpower management throughout the organization. It also helps in judging the effectiveness of human resource policies and programmes of management.
11. **Beneficial to the Country.** At the national level manpower planning facilitates educational reforms, geographical mobility of talent and employment generation.

LIMITATIONS OF HR PLANNING

Manpower planning is not always successful, the main problems are described below:

1. **Accuracy of Forecasts.** Manpower planning involves forecasting the demand and supply of human resources. Thus, the effectiveness of planning depends upon the accuracy of

GUIDELINES FOR MAKING HRP EFFECTIVE

Some of the suggestions for making HR planning effective are as given below:

- 1. Integration with Organizational Plans.** Human resource planning must be balanced with organizational plans. It must be based on the organizational objectives and plans. This requires development of good communication channels between organization planners and the human resource planners.
- 2. Period of HR Planning.** Period of the planning should be appropriate to the needs and circumstances of the enterprise in question. The size and structure of the enterprise as well as the anticipated changes must be taken into consideration.
- 3. Proper Organization.** To be effective, the planning function should be properly organized. If possible, within the human resource department. A separate cell or committee should be constituted to provide adequate focus and to coordinate planning work at various levels.
- 4. Support of Top Management.** To be effective in the long run, manpower planning must have the full support of the top management. The support from top management is essential to ensure the necessary resources, cooperation and support for the success of the planning.
- 5. Involvement of Operating Executives.** Human resource planning is not a function of manpower planners only. To be effective, it requires active participation and coordinated efforts on the part of operating executives. Such participation will help to improve understanding of the process and thereby reduce resistance.
- 6. Efficient and Reliable Information System.** To facilitate human resource planning, an adequate database must be developed for human resources.
- 7. Balanced Approach.** The human resource experts should give equal importance to both quantitative and qualitative aspects of manpower. Instead of matching existing people with existing job, stress should be laid on filling future vacancies with right people. Promotion should also be considered carefully. Career planning and development, skill levels, morale, etc. should be given due importance by the planners.

REVIEW QUESTIONS

1. What do you understand by human resource planning? Describe its characteristics.
2. Discuss the objectives of human resource planning. How is the planning carried at various levels in the organization?
3. Briefly discuss the steps involved in manpower planning in an industry.
4. Define HRP or manpower planning. Review its benefits and limitations. What steps can be taken by an organization to make manpower planning more effective?
5. What is manpower or HR planning? Why is it necessary? Discuss the various steps involved in integrated strategic planning and HR.
6. What are the basis of HR planning?
7. Describe the various steps in conducting HRP.

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