UNIT 2 : HUMAN RESOURCE PLANNING

UNIT STRUCTURE

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2.1 LEARNING OBJECTIVES

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

- explain the concept of human resource planning (HRP)
- describe the importance of HR planning
- discuss the process of HR planning
- discuss the factors influencing HR planning
- explain the steps in organising and implementing HR planning
- explain the essentials for successful HR planning
- describe the barriers to HR planning
- explain the techniques of HR planning
- describe the relationship between HR planning and corporate objectives

2.2 INTRODUCTION

Most of us are familiar with the term 'planning'. A student, a teacher, a professional, an employee, a businessman all of them make some advance decisions about the things to be done in future. Thus, planning has become an integral part in our walks of life.

The quality and success of an organisation, to a large extent, depend upon the quality of people hired for the jobs. Therefore, before actually selecting the people required in an organisation, proper planning of human resources is considered as utmost important. Human Resource Planning (HRP) not only helps in picking up right people for right job at right time, but also saves an organisation from becoming the victim of excessive manpower or deficient manpower supply.

In view of its importance, the present unit focuses on the concept, importance and process of human resource planning. It also includes discussion on the various factors that effect the HR planning. The barriers and techniques of preparation of HR planning are also covered up in the discussion. Finally a relationship between HR planning and corporate objectives is also shown for making the concepts clear for the learners.

2.3 CONCEPT OF HUMAN RESOURCE PLANNING

Human Resource Planning or manpower planning may be viewed as foreseeing the human resource requirement of an organisation and the future supply of human resource. In the absence of HR planning an organisation may become the victim of excessive manpower or deficient supply of manpower.

According to Eric W. Vetter, 'Manpower planning is the process by which management determines how the organisation should move from its current manpower position to its desired manpower.'

Coleman has defined human resource or manpower planning as, 'the process of determination of manpower reqirements and means of meeting the requirements in order to carry out the integrated plan of the organisation.'

Thus, HR planning is a strategy for acquisition, utilisation, improvement and reservation of company's manpower resources. It has the following characteristics :

i) It is a continuous and never ending process.

ii) It ensures proper utilisation of manpower.

iii) It is a comprehensive process which involves various aspects of manpower management.

2.4 IMPORTANCE OF HUMAN RESOURCE PLANNING

HR planning is considered to be as important as production, finance and marketing planning. If used properly, it leads to the maximum utilisation of human resources, reduces excessive labour turnover and high absenteeism, improves productivity and aids in achieving the objectives of an organisation. The importance of HRP in present day organisations can be explained under the following heads :

- **Obtaining the best employees :** HRP helps in getting the best employees and assigning them the right work so that efficiency and productivity can be maximised. A good HRP helps in identifying organisational needs, developing people and providing them growth opportunities.
- **Defining future manpower need :** HRP enables to anticipate the changed requirements of manpower. It identifies future manpower need which becomes the basis of recruiting and developing personnel.
- **Coping with changes :** In Indian and international business, fast changes are taking place. Every organisation is trying to compete on the basis of technology and managerial talents. In this war, only those companies will survive which adopt a proper human resource planning.
- **Smooth conduct of work :** To carry on its work, each organisation needs personnel with the necessary qualifications and skills. These are provided through effective manpower planning.
- **Replacement of personnel :** Since a large number of persons have to be replaced who have grown old or who retire, die or become

incapacitated because of physical or mental illness, there is a constant need for replacing such personnel.

- **Meeting the need of expansion programmes :** In order to meet the needs of expansion programmes due to growing population, change in standard of living, change in technology, competitive position of the firm etc., human resource planning is unavoidable.
- **Strike a balance between surplus and shortage of personnel :** Manpower planning is also needed in order to identify areas of surplus personnel or areas in which there is shortage of personnel. If there is surplus, it may be corrected.
- **Meeting the challenges of changing technology :** To meet the challenge of a new and changing technology and new techniques of production, new labour force is to be recruited and existing employees need to be trained. Hence, manpower planning can solve this problem.



CHECK YOUR PROGRESS

Q 1: Mention two points on importance of human resource planning.

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Q 2: Write two factors that affect the human resource planning.

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2.5 PROCESS OF HR PLANNING

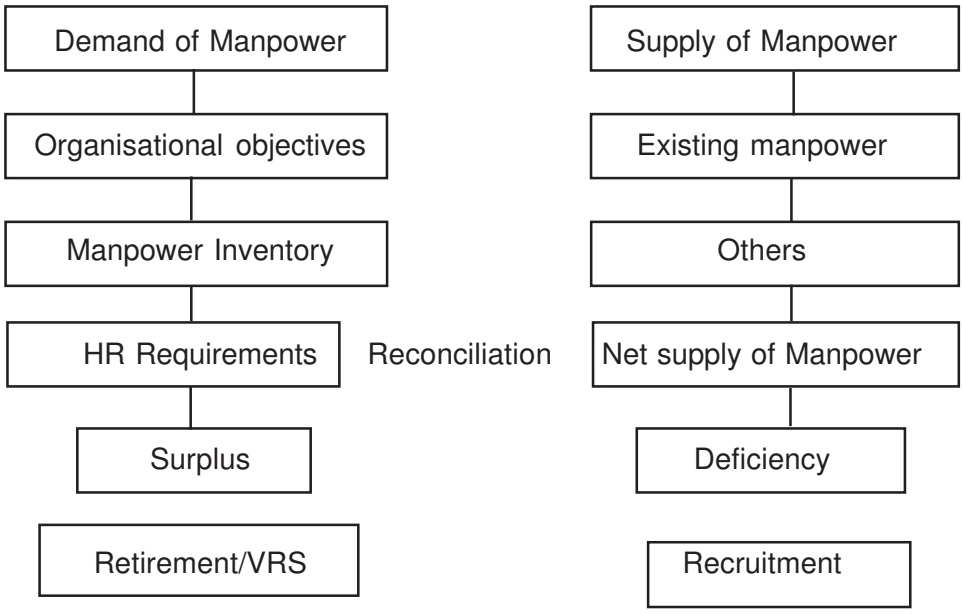
The human resource planning involves the following steps :

- **Analysing the Organisational Plan :** The process of HR plan should start with analysing the organisational plan such as production plan, sales plan, financial plan, expansion plan etc. Detailed programme should be formulated on the basis of unit-wise plan.
- **Forecasting the over all human resource requirements :** At this stage the existing job design and job analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills

of present employees. This is known as demand forecasting.

Demand forecasting must consider several factors– both external as well as internal. The external factors are economic climate, competition, laws and regulatory requirements, changes in technology, social factors, demographic factors etc. Internal factors include budget constraints, production level, new products and services, organisation structure etc.

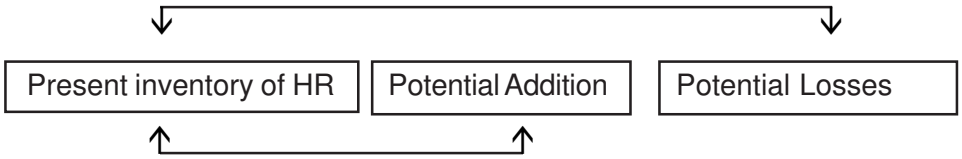
One important aspect of demand forecasting is the forecasting of quality of human resources in addition to quantity. Important demand forecasting methods are (a) Management judgement (b) Statistical techniques (c) Work study techniques.



As shown above, reconciliation has to take place between demand and supply.

- **Supply Forecasting :** The first step of forecasting the future supply of human resources is to obtain the data and information about the present human resource inventory. The data relating to present human resource inventory are to be collected department-wise, designation-wise, age-wise, sex-wise, salary, grade etc.

After analysing the present human resource inventory the potential losses and potential additions are to be adjusted.



After this, the sources of supply should be analysed so as to ensure availability. Both internal and external factors affecting manpower supply should be analysed.

The local factors like density of population, local unemployment level, educational facilities, reservation for local candidates etc. also need consideration.

- **Estimating the net human resource requirements :** Net human resource requirement in terms of number and components are to be determined in relation to the overall human resource requirements. The difference between the overall human resource requirements and future supply of human resources is to be found out.
- **Action plan for re-deployment, redundency and retrenchment :** If future surplus is estimated, the organisation has to plan for re-deployment, redundency etc. Employees can be re-deployed in other jobs where the deficit of the employees is estimated. The organisation should also plan for training before re-deployment of employees.
- **Focus future supply from all sources :** If deficit is estimated in any department, management has to forecast the future supply of human resources from various sources like competitive firms, employment exchanges, labour market, educational and training institutes, advertisement etc.
- **Action plan for recruitment and deployment :** The management may prefer internal candidates and plan for promotion, transfer, training etc. If suitable candidates are not available internally, plan should be prepared for recruitment and deployment from external sources.
- **Modify the organisational plan :** If future supply of human resources from all the external sources is estimated to be inadequate, the manpower planner has to suggest the management to alter or modify the organisational plan.

2.6 FACTORS INFLUENCING HR PLANNING

HR planning is the process by which an organisation ensures that it has the right number and the right kind of people in the right places in the right time. HR planning is influenced by the following factors :

- **Skill Shortage :** Despite vast unemployment, there is a acute shortage of skilled manpower. This makes it necessary to make effective manpower plan and retain people.
- **Government Controls :** Government controls and changes in laws with regard to working conditions, hours of works, casual labour etc. make the organisations aware of the need for systematic manpower planning.
- **Technological Advancement :** Rapid changes in production process, marketing method and management techniques have excercised tremendous influence on job contents. They cause problems regarding redundancy, re-training and re-deployment. All these make it necessary to plan manpower needs systematically.
- **Demographic Change :** The changing profile of the workforce in terms of literacy, social background, male-female ratio etc. call for careful planning of manpower.
- **Impact of Pressure Groups :** In today's context, various pressure groups such as trade unions, politicians, social organisations etc. excercise considerable influence on management. These also call for systematic planning of manpower.
- **Organisational Changes :** The nature and pace of change of organisational environment, activities and structure effect manpower requirements.
- **Company Strategies :** Company's policies and strategies relating to expansion, diversification, alliances etc. determine the human resource demand in terms of quality and quantity.
- **International factors :** International factors like the demand for and supply of human resources in various countries as well as mobility of labour affect the human resource policy.

- **Job Analysis :** Fundamentally, human resource plan is based on job analysis, job description and job specification. Thus, the job analysis determines the kind of employees required.
- **Time Horizons :** Companies with a stable competitive environment can plan for human resoures for a long-term period, whereas firms with unstable competitive environment should plan for a short-term.

2.7 ESSENTIALS FOR SUCCESSFUL HR PLANNING

There are certain fundamental principles that make human resource planning effective. These are as follows :

- **Integration with organisational plans :** Human resource planning must be integrated with the organisational plans and objectives to be successful. Moreover, there should also be a good channel of communication between the organisational planners and the human resource planners for successful human resource planning.
- **Period of manpower planning :** The period of manpower planning should have a connection with the needs and cirumstances of the enterprise. The size and structure of an enterprise as well as the anticipated changes must be taken into consideration while going for manpower planning.
- **Proper organisation :** It is necessary to organise the planning function properly in order to make it successful. It is advisable to have a seperate cell or constitute a committee within the human resource department in order to provide adequate focus and to coordinate the planning work at various levels.
- **Support of top management :** The top management should give full support and co-operation to make the manpower planning effective. The support of top management facilitates the process of getting necessary reources, cooperation and other things as per requirement to make the planning successful.
- **Involvement of operating executives :** Human resource planning is not a function of manpower planners only but also of the operating executives too. An effective manpower planning highly solicits the

active participation and coordination of the operating executives. Such participation is sought to make the process of manpower planning understandable to everyone so that chances of resistance can be rooted out in time.

- **Efficient and reliable information system :** An adequate data base must be developed for the human resource of an organisation to facilitate the process of human resource planning.
- **Balanced Approach :** Both the qualitative and quantitative aspects of manpower should be given equal weightage by the human resource experts. Emphasis should be more on filling the future vacancies with right people rather than matching the existing jobs. The matters of promotions, career planning and development, skill levels, morale etc. should also be given due importance by the planners.



CHECK YOUR PROGRESS

Q 3 : State two requirements for effective HRP.

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2.8 BARRIERS TO HR PLANNING

The human resource planners face various problems while formulating human resource plans. The major problems or barriers are dissussed as follows :

- **Resistance by employers and employees :** Many of the employers in India today dont have faith in adopting manpower planning as a strategy to achieve corporate objectives. Resistance from employees and unions is, of course, of far greater intensity than that of the employers. Unions look at manpower planning as labour reduction devices.
- **Under-utilisation of manpower :** The greater obstacle in the case of manpower planning is the fact that industries in general are not making use of their manpower to the optimum degree. Once planning starts, it encounters heavy odds in stepping up the utilisation.

- **Lack of education and skilled labour :** The extent of illiteracy and the slow pace of development of skilled categories account for low productivity in the labour force. Low productivity has implications for manpower planning.
- **Uncertainties :** Uncertainties are quite prominent in human resource practices in India due to absenteeism, seasonal employment, labour turnover etc. Further, the uncertainties in the industrial scene like technological change and marketing conditions also cause imperfections in human resource planning. The uncertainties make HRP less reliable.
- **Inadequacies of Information System :** Information system regarding human resources has not yet fully developed in Indian industries due to low status given to the personnel department and less importance attached to HRP. Further, reliable data and information about economy, labour market etc. are not available.
- **High rate of executive turnover :** In many companies executive turnover is growing at a faster rate that their sales turnover. Today, a young MBA from any prestigious institution is in a hurry to become Managing Director in the shortest possible time. There are several other reasons for the increase in executive turnover.
- **Conflict between long-term and short-term HRP :** Another source from where ineffectiveness in HRP emerges is the conflict between long-term and short-term HRP. In long-term HRP, the organisation has flexibility by matching its human resources and jobs. But in short-term HRP, some adhoc arrangement is required. This affects the entire human resource management process.
- **Inappropriate HR information system :** The effectiveness of HRP depends on the timely availability of relevant information regarding various factors to be considered in formulating human resource plans. If the HR information system has not been well developed in an organisation, the projections for future may not be accurate. Sometimes, these projections become more frustrating than the non-existence of such projections.

2.9 TECHNIQUES OF FORECASTING HUMAN RESOURCES

Human resource forecasting is the determination of the demand for different categories of employees with appropriate skills for specified time periods in the future. The forecast also requires the preparation of an estimate of the availability of employees during the selected time periods.

Generally, human resource planners make use of a variety of techniques to project future personnel needs. However, major forecasting techniques include :

A. Demand Forecasting : Demand forecasting is concerned with forecasting of the quality of human resources in addition to quantity of human resources. A number of techniques are available for forecasting human resources. The most commonly used techniques are described below :

- **Bottom up Technique :** This method of forecasting starts at the lowest level and progress upwards through various levels in the organisation. Department managers periodically project their workforce requirements. This excercise is done periodically. Hence, the HR managers get sufficient time to identify available human resources.
- **Delphi Technique :** The Delphi technique was developed during the late 1940's at the Rand Corporation's 'think tank' in California. It is a structured approach for reaching a consensus judgement among the experts regarding the number of employees. The experts may be both from within or outside the organisation. The Delphi techniques has been found to be good for short duration (1 year) forecast.
- **Nominal Group Techniques :** Somewhat related to the Delphi technique is the Nominal approach to make forecasts. The procedure consists of each expert making an independent forecast. The forecasts are then transferred to a large sheet and displayed to all the experts. Individual forecasts can accordingly be revised. This technique depends on the expert judgement of individuals.
- **Ratio Analysis :** This method invloves comparing the number of

employees to a workload index. Simply stated, if it takes 3 people to do a job, when the work is doubled, 6 people would be required to do it. Similarly, to produce 100 units of a product, if 10 workers are required, the department would need 15 workers to produce 150 units. The proportion of employees needed depends on the changes taking place in the activity. It does not take into account the technological development, local conditions or other variables.

- **Simple Linear Regression Analysis :**This is one of the simplest statistical techniques used to forecast the demand of human resource. Here, the projection of of future demand is based on the past-relationship between the workforce level. In arriving at the projection, a single variable is used. We can take the example of demand for doctors for a health programme in India. The regression equation would be :

$$D = 5 + 0.1E$$

Here, D is demand for doctors in thousands and E is the expenditure for health. The regression equation suggests that an increase of 1 crore in medical expenditure would generate a demand of about 100 additional doctors.

- **Multiple Linear Regression Analysis :** Unlike simple linear regression, the multiple linear regression method deals with a number of factors on which the demand is based. Such a model can be used to estimate various characteristics of the workforce such as educational level, professional qualifications, previous experience, wage rate and so on.
- **Stochastic Method :** The stochastic method is a significant statistical method used in projecting human resource needs. The method suggests that the future cannot be predicted with certainty. We can only attach probabilities. For example, in projecting workforce requirements the variables initiated by the organisations are almost certain. But variables initiated by individuals are unpredictable. This method would be able to deal with both certain and unpredictable variables.

B. Supply Forecasting : Supply forecasting measures the number of people likely to be available from within and outside the organisation after making allowance for absenteeism, internal movement, promotion, changes in hours and other conditions of work. Supply analysis covers :

a) Existing human resource supply.

b) Internal source of supply.

c) External source of supply.

Forecasting of human resources begins with the current human resource inventory, also called human resource audit. Human resource inventory contains information about present human resources in the organisation. It reveals what is available in the stock of manpower and what can be expected in future. Thus, it can indicate whether the supply of human resources is less than its demand or more than its demand.

2.10 HR PLANNING AND CORPORATE OBJECTIVES

Human resource planning is a sub-system in the total organisational planning. It constitutes an integral part of corporate plan and serves the organisational purposes in more ways than one. Planning for human resource is more important than planning for any other resource and in fact it is the basis for most of the other functions of the organisation.

The primary purpose of human resource planning, as with any other aspect of planning, is to prepare for future by reducing its uncertainty. It has a basic goal related to the acquisition, placement and development of employees for future needs.

Perhaps the most striking change in the role of Human Resource Planning today is its growing involvement in developing and implementing corporate objectives. Corporate objectives basically involve the company's plan for how it will balance its internal strengths and weaknesses with external opportunities and threats in order to maintain a competitive advantage. The CEO and his/her staff in a corporate enterprise might decide to enter new markets, drop product lines, introduce new technology, adopt a cost-cutting device etc. Then, he/she must see the implications of such

decisions on manpower requirements. The HR manager has to plan for hiring new workers or firing the existing workers. Thus, the change in corporate objectives and goals lead to both positive and negative impacts on HR plan and firm's employees.

Today, things have changed. Objectives, goals, strategies etc of a corporation depend on strengthening organisational competitiveness and building committed work teams. We have seen a globally competitive and quality-oriented industrial environment. It is often the firm's human resources who provide the competitive key. It is thus now increasingly common to involve HR in the earliest stages of developing and implementing the firm's over all plan and objectives, rather than to let HR react to it.

Finally, HR planning can help to create better, faster and more competitive organisations through its influence on employee's behaviour. Research findings show that effective HR planning leads to higher productivity and market value of a corporate enterprise through setting of new goal and objectives.



CHECK YOUR PROGRESS

Q 4: Mention two methods of forecasting human resources.

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Q 5: State two barriers to HR planning.

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2.11 LET US SUM UP

In this unit we have discussed on the following concepts and areas of human resource planning :

- Human Resource Planning (HRP) or manpower planning may be viewed as foreseeing the human resource requirement of an organisation and the future supply of human resource.
- The formulation of HR planning is influenced by many internal as well as external factors such as Government control, technological advancement, skill of labour, demographic change, company's strategies, international factors etc.
- HR planning is considered to be as important as production, finance and marketing planning.
- Many steps are involved in the process of preparing HR plan including forecasting the demand and supply of manpower, action plan and modification of the existing organisational plan.
- There are certain basic principles or essentials for successful HR planning and the planners have to take them into consideration.
- Human resource planners face various problems while formulating human resource plan as resistance by employers and employees, lack of education of workers, uncertainties, inappropriate HR information system etc.
- Human resource planners make use of variety of techniques to project future personnel needs.
- The HR planning has inter-relationship with the corporate objectives and one affects the other in the long-run.



2.12 FURTHER READINGS

1) Chabbra, T. N : Human Resource Management, Dhanpat Rai and Sons, New Delhi, (2010)
2) Khanka, SS : Human Resource Management, S. Chand and Company, New Delhi (2009).
3) Dessler, Gary : Human Resource Management, Pearson Education, Asia, Delhi (2003).

4) Pathak, RK and Kalwar, MC : Human Resource Planning and Development, Ashok Book Stall, Panbazar Guwahati- (2016).

5) Roy, Mithu : Human Resource Planning and Development, KK Publication, Guwahati (2012).



2.13 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. No. 1: a) It helps in obtaining the best employees; and

b) helps in defining future manpower need.

Ans. to Q. No 2: a) Government's control and changes in laws.

b) Rapid changes in technology.

Ans. to Q. No 3:

a) HR planning must be integrated with the organisational plans and objectives.

b) The top management must give full support to make HRP effective.

Ans. to Q. No. 4: a) Delphi Technique; and

b) Ratio analysis

Ans. to Q.No. 5:

a) Resistance by employers and employees.

b) High rate of executive turnover.



2.14 MODEL QUESTIONS

Q 1: Explain the concept of Human Resource Planning.

Q 2: What are the factors that affect the HR planning?

Q 3: Discuss the importance of HR planning.

Q 4: Explain in brief the various steps involved in HR planning process.

Q 5: Describe the essentials for successful HR planning.

Q 6: Discuss the barriers to HR planning.

Q 7: Explain different demand forecasting techniques of human resources.

Q 8: Show the relationship between HR planning and corporate objectives.

Q 9: Write short notes on :

(i) Delphi Method (ii) Stochastic Method

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