

## Lesson: 5

### Human resource Planning: Nature and need

**Contents:****The definition of Human Resource Planning****Features of HRP****Need/Importance of HRP**

Title: ***Getting Started: Human resources planning***

Topics to be covered:

- Definition
- Need
- Relation to corporate objectives and strategy
- Processes: demand and supply
- Measurements: qualitative and quantitative
- Assessment problems
- Recent trends: HRIS, downsizing etc.

*“ Plan ahead: it wasn’t raining when Noah built the ark. ”*

*-Richard Cushing*

Dear future managers, up till now you all must have got a sample of what is in store for you. Essentials of management, Organisational behavior and other papers must have taught you how important it is to organize, and therefore for that plan in advance to remain ahead in business. That’s the secret of success in today’s world!!

In lieu with that, we will discuss the ins and outs of human resources planning starting with:

- What it is exactly,
- Why is it so important,
- How it is related to the macro: corporate planning, strategy and objectives,
- How do you go about it i.e. HUMAN RESOURCE PLANNING PROCESS,
- What are the environmental factors to be taken care of while planning?
- Problems you might counter while doing this process, and finally

- What is the latest in HRP (HRP? yes! HRP. It is short for human resources planning! You might come across manpower planning in some books that is how it used to be referred to as earlier!!! )

## Learning Objective this Unit

By the end of this Unit, you should be able to:

Give concise definitions for HRP.

1. Clearly articulate the HRM philosophy.
2. Describe the various models of HRP.
3. Know the importance and need for HRP.

Today's lesson revolves around the concept of *planning for human resources* that the organization might need in the future for the pursuit of its objectives.



***Human resource planning*** is the process of anticipating and carrying out the movement of people into, within, and out of the organization. Human resources planning is done to achieve the optimum use of human resources and to have the correct number and types of employees needed to meet organizational goals.

Thus, it is a double-edged weapon. If used properly, it leads not only to proper utilization, but also reduces excessive labor turnover and high absenteeism, and improves productivity.

It can also be defined as the task of assessing and anticipating the skill, knowledge and labor time requirements of the organization, and initiating action to fulfill or ‘source’ those requirements. Thus, if the organization as a whole or one of its subsystem is not performing to the benchmark, in other words, it is declining, it may need to plan a reduction or redeploys its existing labor force. If you go look back in history, you will come across example of such activities (remember the dot com burst!! And how Hindustan motors had to redeploy its workforce from uttarpada in Calcutta to pithampur in M.P. to avail the strategic advantage and save itself from closing down).

On the other hand, if it is growing or diversifying, it might need to find and tap into a source of suitably skilled labor (for example: GE, the pioneers in BPO industry went for a large scale recruitment while setting up office here in India.).

*Please, I expect that you all must have learned that nothing is as easy as it seems, especially if it is anything to do with people, remember OB!! Here too, one needs to take care of lots of environmental factors- internal such as individual and team productivity, training and labor turnover through retirements, resignations, maternity leaves and so on; as well as external!!*

That is why; we need to plan in advance even for procuring human resources, which in contrast to a general myth are not abundant!! Thus, in the same line, we propose that organization can achieve its goals effective through effective contingencies of all the HR functions; for example, the structure of an organization and the design of the job within it affect an organization’s ability to achieve only through the efforts of people. It is essential therefore, those jobs within the organization be staffed with the personnel who are qualified to perform them. Meeting these staffing needs requires effective planning for human resources

Lets discuss definitions of HRP as given by different experts. **Vetter** opines that it is the process by which management determines how the organization should move from its manpower position to its desired manpower position to carry out integrated

plan of the organization. According to **Geisler**, “Manpower planning is the process – including forecasting, developing and controlling by which a firm ensures that it has-

- The right number of people,
- The right kind of people,
- At the right places,
- At the right time, doing work for which they are economically most useful”.

**Wickstrom** very beautifully summarizes the features of HRP, viz.,

- ***Forecasting future manpower requirements***, where we use mathematical projections you might have studied in ‘business economics’ and ‘quantitative techniques’ paper, to project trends in the economic environment and development of the industry. *Can you remember one such application???*

- ***Making an inventory of present manpower resources and assessing the extent to which these resources are employed optimally.*** Procuring competent personnel requires positive recruitment efforts and the development of a variety of recruitment sources. These sources must consider not only the nature and conditions of the external labor market, but also the presence of qualified personnel who are available to fill vacancies through internal promotions or transfers.

Keep in mind the recruitment activities is integrated with diversity and equal employment opportunity initiatives. Staffing needs must be anticipated sufficiently in advance to permit the recruitment and development of fully qualified personnel.

- ***Anticipating manpower problems by projecting present resources into the future*** and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively; and

- ***Planning the necessary programmes*** of requirement, selection, training, development, utilization, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met.

So what do you surmise (figure out) the salient features of HRP from the various definitions?????

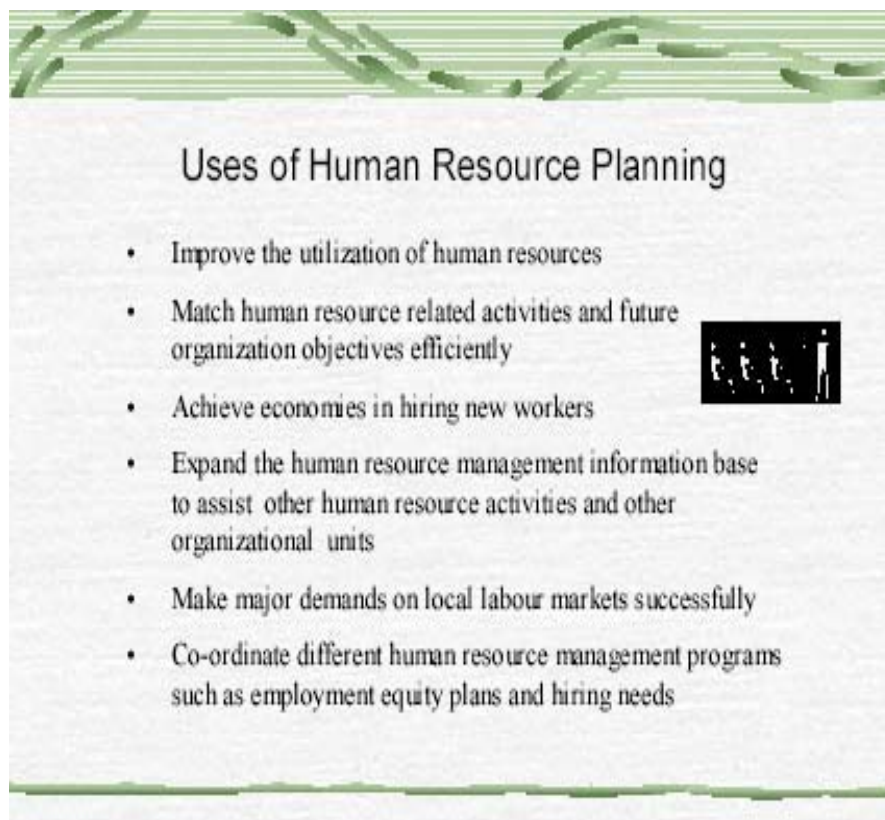
I think:

1. It’s a ***systematic*** approach. *Why???* ‘cause it ensures a continuous and proper staffing. It avoids or checks on occupational imbalances (shortage or surplus) occurring in any of the department of the organization.
2. There is a visible ***continuity*** in the process. *Very true!!* See the Wickstrom definition.

3. There is a certain degree of ***flexibility***. That is, it is subject to modifications according to needs of the organization or the changing circumstances. Manpower plans can be done at micro or the macro levels depending upon various environmental factors.

*(Dear student, at this point I implore you to keep in touch with the subjects studied earlier to understand the coming courses! Remember, we discussed the forces of change in your OB course????)*

Thus, we can summarize that: “***HRP is a kind of risk management. It involves realistically appraising the present and anticipating the future (as far as possible) in order to get the right people into right jobs at the right time***”. *(Reiterating the view of Geisler).*



***Why HR Planning???***

***You know the answer!***

You all must have understood the importance of planning in general. In designing an environment for the effective performance of individuals working together in groups, a manager's most essential task is to see that everyone understands the groups purposes and objective and its methods of attaining them. If group effort is to be effective, people must know what they are expected to accomplish. ***This is the purpose of planning!*** It is the most basic of the managerial functions (*refurbish the text on POSDCoRB!*). It bridges the gap from where we are to where we want to be. It makes it possible for things to happen which would otherwise not happen.

Thus, in the context of Human Resources, planning is a ***must*** 'cause (*here I can enumerate many! But, I expect you come up with explanatory example for each. Right??*)

- Ensures optimum use of man (woman, too nowadays?) power and capitalize on the strength of HR. The organization can have a reservoir of talent at any point of time. People skills are readily available to carry out the assigned tasks, if the information is collected and arranged beforehand.
- Forecast future requirements (this is done by keeping track of the employee turnover.) and provides control measures about availability of HR labor time. If, for example the organization wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.
- Help determine recruitment/induction levels. Let me explain this with an example: you as a manager want to determine what kind of induction the organization will require at such an such date. If you have a ready HR plan, you will have fairly good idea what kind of people are being recruited and at what position. Thus you can successfully plan your induction level.
- To anticipate redundancies/ surpluses/obsolescence. Remember Geisler and Wickstrom's definition??
- To determine training levels and works as a foundation for management development programmes
- Know the cost of manpower if there is a new project is being taken up, example: in cases of expansions or a new factory, one would naturally requires more human resources, hence a budgetary allocation can be made in advance for this upcoming corporate strategic move.

Planning facilitates preparation of an appropriate manpower budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply.



- Assist in productivity bargaining. For example, if a firm is going fully automated, it can negotiate for lesser workers as required for the same amount of the job by using the manpower predictions regarding the same. It can offer higher incentives (VRS) to smoothen the process of voluntary layoffs.
- Help assess accommodation requirements (?? - You must be wondering how that can be related to HRP? A good HRP can assist in solving many problems of the firm, from day to day ones to very strategic ones, too.) for example: an organization decides to establish its production center in a remote area, an accurate HR plan can help it to decide how many people will be required there, and thus start the process of establishing a township for them in advance. The physical facilities such as canteen, school, medical help, etc., can also be planned in advance.
- Management decisions. Now!! Lets see how this can happen. Example, suppose the question is to outsource an activity or not? An HR manager knows what is the distribution of workflow, and whether the present available staff can accomplish these. If it is realized there is no one available for the job in question, and training cost is coming out to be more or in some cases the skill is not going to be of much use, then such activities can be subcontracted or outsourced. Right?? Is it clear??

In addition, HRP (as already pointed out) prepares people for future challenges. The stars can be picked, mentored and kept ready for leading positions in future. All MNC's have such policies and programmes (Wipro InfoTech has a leadership development programmes), where a "hot list" of promising candidate are assessed and assisted continuously for future management positions. This selection is possible only through a thorough HR plan.

An organization may incur several intangible costs as a result of inadequate HRP or, for that matter, the lack of HRP. For example, inadequate HRP can cause vacancies to remain unfilled. The resulting loss in efficiency can be costly, particularly when the lead-time is required to train replacements. Situations also may occur in which employees are laid off in one department while applicants are hired for similar jobs in another department. This may cause over hiring and result in the need to lay off those employees to make effective plans for career or personal development. As a result, some of the more competent and ambitious ones may seek other employment where they feel they will have better career opportunities.

### **Reason for current interest and importance in HRP?**

You all know the challenges the business is facing due to turbulent and hostile environmental forces (e.g. technology, social, economic and political upheaval) impinging on single one of them.

An excerpt from a statistical report will clarify my point more.

“As per the results of the National Sample Survey conducted in 1999-2000, total work force as on 1.1.2000, as per **Usual Status approach** (considering both principal and subsidiary activities) was of the order of 401 million. About 7 % of the total work force is employed in the formal or organised sector (all public sector establishments and all non-agricultural establishments in private sector with 10 or more workers) while remaining 93% work in the informal or unorganised sector. The size of the Organised Sector employment is estimated through the Employment Market Information Programme of DGE&T, Ministry of Labour. The capacity of the organised sector to absorb additional accretion to the labour force, taking into account the current accent on modernisation and automation, is limited.

In other words, an overwhelming proportion of the increase in the labour force will have to be adjusted in the unorganised sector. About 373 million workers are placed today in unorganised/informal sector in India; agriculture workers account for the majority of this work force.

Total Labour Force as on 1.1.2000	410 million
Total employed labour force as on 1.1.2000	401 million
Growth of labour force during 1994-2000	1.10 % p.a.
Growth of employment (1994-2000)	1.05 % p.a.
Fully unemployed as on 1.1.2000	9 million

About 41 million jobs seekers (all of them not necessarily unemployed) are registered with the 938 Employment Exchanges located throughout the country.

72% of the job seekers registered with the Employment Exchanges are less than 30years of age.

Educated (X standard and above) job seekers constitute about 69% of the total job seekers registered with the employment exchanges. (Contd)

Please correct the box

A few important conclusions which emerge from the above report are:-

**Limited demand for unskilled and less skilled labour.**



- Increase in demand for skilled labour on account of technological development and up gradation and changes in the organisation of work
- Problems in maintaining the continued employability of labour force *remember this!*

**Demand for multi skilling.** Some of the important strategies recommended in the World Employment Report are: -

*Timely Investment in skill development and training at enhanced level.  
(Can you link this to an organisation's or an industry's HR plans??)*

- Enhancement of education and skill level of workers
- Responsive training system.
- Need for effective partnership of all stakeholders. *Take this into account too!!*

In addition, decline in the employment growth in the organized sector and its shrinking size in absolute terms, liberalization induced restructuring exercises by the firms, in both public and private sector, and their introduction of so-called innovations, like Total Quality Management, Just-in-Time manufacturing, production flexibilities etc., resulting into casualisation of workforce, and the growth of poor quality employment in the unorganized sector, have posed unprecedented challenges to the Indian businesses. *(point to ponder: what does an organization do in this case, if it is going to need certain class of labor in near future??)*

Excerpts taken from:

Results of national survey 1990-2000 [www.labour.nic.in/annrep/files2k1/chap-2.doc](http://www.labour.nic.in/annrep/files2k1/chap-2.doc); LABOUR MOVEMENT IN INDIA: A STATUS PAPER by R.C. DATTA [www.LABOUR%20MOV.PDF.pdf](http://www.LABOUR%20MOV.PDF.pdf).

Now you see, what the industry might be facing? These dramatic shifts in the composition of the labor force will require that managers be more involved in HRP, since such change affect not only employee recruitment but methods of employee selection, training, compensation, and motivation.

Although planning has always been an essential process of management, increased emphasis on HRP becomes especially critical when organizations considers mergers, relocation of plants, downsizing, or the closing of operating facilities *(which you all keep reading, is the character of the modern times)*.

Major reasons for the present emphasis on manpower planning include:

- **Employment-Unemployment Situation:** Though from the above excerpt we can construe that in general the number of educated unemployed is on the rise,

there is acute shortage for a variety of skills. This emphasizes the need for more effective recruitment and retaining people.

- ***Technological Changes:*** The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid (e.g., introduction of HRIS). Their effect has been profound on job contents and job contexts. These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.
- ***Organisational Changes:*** In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.
- ***Demographic Changes:*** The changing profile of the work force in terms of age, gender participation, literacy, technical inputs and social background have implications for manpower planning. The workforce is more diverse than ever before. And the trend shows it is going to be on the rise even more!!
- ***Skill Shortages:*** Unemployment does not mean that the labor market is a buyer's market. Organizations have in general become complex and thus, in turn require more specialist skills that are rare and scarce. The result is more dependency on the professionals. Thus, problems may arise when such people if they are employees decide to leave or switch to more lucrative employment or if they are freelancers decide to shift their business somewhere else. Please note that these are example of implications of what is most happening in the business world today.
- ***Governmental Influences:*** Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labor, etc. have stimulated the organizations to become involved in systematic manpower planning.
- ***Legislative Controls:*** The days of 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply, especially in the presence of strong politicalised trade union scenario in India. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labor law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems..
- ***Impact of Pressure Groups:*** Pressure groups such as unions, politicians and NGO's displaced, from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment

and promotions, preference to employees' children, displaced persons, sons of the soil etc. *remember the ASSAM TEA case!!!!*

- **Systems Concept:** The spread of systems thinking, the advent of the PC's and the upsurge of people management concept which all emphasize the planning and having common and transparent personnel records.
- **Lead Time:** The long lead-time is necessary in the selection process and for training and development of the employee to handle new knowledge and skills successfully.

Thus, *HRP is all the more imperative*. One needs to think strategically, to be ahead of others in acquiring human resources.

Hence we can now easily come to a conclusion on why HRP is necessary? An attempt to look beyond the present and short-term future, and to prepare for contingencies, is increasingly important. Some manifestations of this are outlined below.

- Jobs often require experience and skills that cannot easily be bought in the market place, and the more complex the organisation, the more difficult it will be to supply or replace highly specialized staff quickly. It takes time to train and develop technical or specialist personnel (say, an airline pilot or computer programmer), so there will be a lead-time to fill any vacancy. The need will have to be anticipated in time to initiate the required development programmes.
- Employment protection legislation and general expectations of 'social responsibility' in organizations make staff shedding a slow and costly process. The cost must be measured not just in financial terms (redundancy pay and so on) but in loss of reputation as a secure employer and socially responsible organization. This, in turn, may make it more difficult to recruit labor in times or skill areas where it is required - and may even alienate customers and potential customers.
- Rapid technological change is leading to a requirement for manpower which is both more highly skilled and more adaptable. Labor flexibility is a major issue, and means that the career and retraining potential of staff are at least as important as their actual qualifications and skills. They *must* be assessed in advance of requirements. (In fact, 'train ability' as a major criterion for selection is one of the most popular innovations of the HRM era of personnel management.)
- In term of international markets, the scope and variety of markets, competition and labor resources are continually increased by political and economic

moves such as the unification of Germany, the opening of Eastern Europe and continuing progress towards European union.

- Computer technology has made available techniques which facilitate the monitoring and planning of manpower over fairly long time spans: manipulation of manpower statistics, trend analysis, 'modeling' and so on.

From the above discussion we get to the following conclusion.

*'Manpower planning has maintained its imperatives for several reasons: (i) a growing awareness of the need to look into the future, (ii) a desire to exercise control over as many variables as possible which influence business success or failure, (iii) the development of techniques which make such planning possible.'*

Levy, *Corporate Personnel Management*

**Point to ponder:** now it's high time you used the above information to deduce the following:

To what extent would HRP be possible and desirable for?

- 1. A company designing, manufacturing and selling personal computers?**
- 2. A local panchayat?**
- 3. Sahara airlines/air India?**

## Human Resource Planning

Human resource planning systematically forecasts an organization's future demand for and supply of employees and matches supply with demand.



## Uses of Human Resource Planning

- Improve the utilization of human resources
- Match human resource related activities and future organization objectives efficiently
- Achieve economies in hiring new workers
- Expand the human resource management information base to assist other human resource activities and other organizational units
- Make major demands on local labour markets successfully
- Co-ordinate different human resource management programs such as employment equity plans and hiring needs

