

Unit 2 Human Resource Planning

Human Resource Planning (HRP) is a process of determining and ensuring the right number of people, in right place at right time, capable of executing the assigned task in effective and efficient manner in an organization. It deals with:

- a. Demand and supply of people
- b. Cost effectiveness
- c. Development and Training
- d. Setting Standards

In other words, HRP is the process of analyzing, anticipating the HR requirement and fulfilling them in accordance with business strategy.

According to Cash and Fischer, “HRP is a method for determining future staffing requirement and developing action plan for meeting them. HRP is a part of the company’s total resource planning. It influences and influenced by business plans, interacts with organizational plans and contributes to business decisions concerning, for example the development of new products, markets, facilities and production process as well as merger and acquisitions”.

Characteristics of HR Planning:

The characteristics of HRP are as follows:

1. Based on strategic planning: HR planning is always formulated under the basis of corporate strategy. It has direct line with business strategy. E.g. when a company wants to expand the business, HRP helps by making available, the required number of concerned skilled manpower.
2. Estimate demand and supply of manpower: HRP estimates the expected demand and supply of manpower required and available in and outside the organization respectively. By the help of Human Resources Information System (HRIS), HRP continuously monitor the changes in human dimension in and outside the organization.
3. Focuses on ensuring availability of quality manpower: Business organization cannot survive until and unless there is dedicated employees. Thus, HRP not only forecast the demand and supply of workers but also, ensures the availability of trained, skilled and qualified workforce for organizational activities.
4. Mechanism for regular monitoring and evaluation: HRP does not work until and unless there is a proper mechanism for monitoring and evaluation. Thus, while formulating HRP an inbuilt mechanism with a number of indicators for monitoring and evaluation will be developed. This help to ensure that HRP is in right track.
5. Assisting in achieving cost effectiveness: Business organization always tries to minimize the cost and maximize the profit. So, HRP focuses on utilizing the HR in most effective and efficient manner, which not only reduces the cost but also helps in increase and develop the skill and abilities of work force.

Objectives of HRP

The objective so HRP are as follows:

1. To ensure optimum utilization of human resources currently in employment
2. Assess or forecast future requirement.
3. Cope up with the changing scenario.
4. Keep constantly in touch with business land of the organization.
5. Anticipate redundancies.
6. Provides basis for human resources development.
7. Assist in productivity bargaining.

According to Bramham , objectives of HRP are as follows:

1. To give an organization a broad-forward looking insight into not just the number of employees, but also the type skills and attribute of the people that will be needed in the future.
2. To reveal what training and development activities need to be undertaken to ensure that existing employees and new recruit possess the required skill at the right time.
3. To assist in cost reduction by aiming to work out in advance how organizational operation can be staffed more efficiently.
4. To anticipate future redundancies and therefore allows remedial action to be taken, such as recruitment freeze, retraining and early retirement.
5. To facilitate collective bargaining process (The information provided by the HR forecast enable calculation to be made concerning , how great an increase in pay or how great a reduction in hours might be conceded in exchange for more productive working methods and processes.)
6. To deal with the planning of accommodation, such as future need for office space, car parking, and other workplace facilities.

Importance of HR planning:

The following are the importance of HRP:-

1. Helps in implementation of Business strategy: After formulating the business strategy, it needs to be implemented to get expected result. But, implementation is only possible, when there is availability of skill and competent workforce to perform the assigned task. Thus, HRP ensures the availability of right manpower with competent skill, when and where required.
2. Minimizes future risk and uncertainty: Due to change in environmental factors, like technology y, government policies, etc organization need to change its policies and practices. This directly impacts the HR requirement of an organization. Since, HRP always monitors the changes in environment and forecasts demand and supply of employees necessary for organizational setting. It helps to reduce the risk of short coming and unavailability of HR as well as risk of excess number of unproductive employees in an organization.
3. Helps in identifying organizational strength: HRP collects all the necessary information related to employee's education, training, skills, current positions etc. It helps to know the exact human inventory available in an organization. It further helps to determine the company's strength which can be utilized fully to capitalize the opportunities in an environment.

4. Helps to determine training and development needs: HRP not only forecast the demand and supply, but also helps to determine the training and development need for employees. Employees need to be trained and developed to enhance their skill and abilities as per the organization's requirement. Thus, HRP creates the mechanism to determine and provide training and development facilities for employees.
5. Helps in cost minimization: HRP ensures the right numbers of people in right place at right time. It avoids the cost of overstaffing and understaffing, which helps to minimize the cost.

Concept of HR strategy:

- *Strategic Plan: A company's plan for how it will match its internal strength and weakness with external opportunities and threat in order to maintain a competitive advantage*
- *Strategic Management: The process of identifying and executing the organization's mission by matching its capabilities with the demand of its environment.*
- *Strategy: The Company's long-term plan for how it will balance its internal strength and weakness with its external opportunities and threats to maintain a competitive advantage.*

Human resource Strategy is defined as "A coordinated set of actions aimed at integrating an organization's culture, organization, people and system". [The need to recruit, develop, compensate and retain qualified employees will be driving strategy of HR functions.]

In other words, HR strategy is a action plan which is concerned with establishing relationship between long-term direction and business strategy on the one hand and HRM activities on the other.

Characteristics of HR strategy:

The characteristics of HR strategy are as follows:

1. Pervasive: HR strategy covers all the levels and hierarchy of management. It prevails within and between each and every activities performed in an organization.
2. Link with Business Strategy: HR strategy has close link with business strategy. Since, without linking HR strategy with business strategy it is difficult to use people for certain purpose.
3. People as strategic resources: HR strategy always focus to make people more and more effective to achieve competitive advantages in the market.
4. Environmental adaptation: HR strategy changes with change in environment. It always focuses on building the competent HR to match the change needs in an organization due to environmental changes.

Relation between HR planning and Strategic Planning:

*Strategy is market oriented concept and it is closely related with products and competition in the market.

Strategic planning is determining the long term course of action. It is formulated by top level management after analyzing internal strength and weakness of an organization and external opportunities and threats prevailing in the environment.

HR planning is a process of identifying and determining the HR needs and manage them as per the organizational requirements.

The relation between HR planning and Strategic Planning are as follows:

1. HR plan is formulated under the activities determined in business strategy.
2. HR plan go side by side with the strategic planning. It always ensures the availability of manpower as and when required to perform the activities determined by business strategy.

Approaches to HR planning:

HRP forecast the HR needs and determine the actions to be taken to fulfill those needs. Approaches to HRP are as follows:

1. Traditional/ Quantitative/ Hard/ Top-down/Mechanistic Approach: This is a hard HRP approach which makes sure that the organization has a right number of employees in right place at the right time to satisfy organizational needs. This approach mostly uses quantitative techniques (statistical and econometric tools) to forecast the demand and supply of the workforce in an organization.

According to this approach HRP comprises of:

- a. Forecasting future demand of HR requirement for the organization.
- b. Analyzing the current HR by using HRIS of the organization.
- c. Forecasting the internal and external HR supply.
- d. Reconciliation of forecast and feedback.
- e. Make plans and decisions.

2. Strategic/ Soft/ Qualitative/ Bottom-up/ Organic Approach: According to this approach, HRP is taken to be the result of interaction among environment development, HR strategy and business strategy. It is employee oriented approach. This approach not only forecast the HR requirement but also considers soft function like employee creativity, innovative proactive and work flexibility required to meet the changing demand of the environment.

According to this approach HRP comprises of:

- a. Defining where the organization wants to be in future.
- b. Defining where the organization is at the moment
- c. Analyzing environmental influences and trends
- d. Formulation of plans to satisfy the desired changes.

Human Resources Planning process:

Following are the steps involved in HRP:-

1. Assessing current human resources: HRP begins by developing a profile of the current status human resources. Basically, this is an internal analysis that includes an inventory of the workers and skills already available within the organization and a comprehensive job analysis.
2. Assessing where the organization is going: The organization's objective and strategies for the future determine future HR needs. Business strategy defines where the organization is going and what it wants to achieve in future. Thus, analyzing and assessing the formal statement of what course the organization plans to take in future helps to identify and estimates future human resource needs.

3. Forecasting the future HR demand: After an assessment of the organization's current human resources situation, a projection of future human needs can be developed. It is necessary to perform a year by year analysis for every significant jobs levels and type before the forecasting is made.
4. Forecasting the HR supply: Once the future demand of HR is projected, identification of supply source to fulfill the demand is next steps in HRP. Thus, organization should estimate changes in internal supply and external through HRIS and rigorous analysis of external environment respectively. This ensures the supply to meet the future demand.
5. Matching demand and supply: The objective of HR planning is to bring together organization's forecast of future demand and supply. The result of this effort is to highlight the area where there may exist of overstaffing and understaffing both in number and kind.
6. Preparation of action plans: Action plans like recruitment plan, development plan, succession plan, layoff plan etc are formulated to tackle over and under staffing and to ensure the HR availability as per the organizational requirements in future.

Human Resource Inventory: Human resource inventory is concerned with telling the organization what individual employees can do. It gathers workers related information like names, education, training, prior jobs, current position, performance rating etc. through HRIS and make report. The profile of HR inventory helps to determine what skill is currently available in organization that can take advantages of opportunities to expand or change the organization strategy. It also helps in identifying current or future threats to the organization's ability to perform.

Human Resource Information System (HRIS): HRIS is a database device provides skills inventory information. It is designed to collect, analyze, store, retrieve and disseminate information about job and employees. This system is designed to fulfill the personnel information needs as quickly as possible in an organization with almost no additional expenditure of resources.

Succession Planning: Succession planning is the ongoing process of systematically identifying, assessing and developing organizational leadership to enhance performance. It includes three steps:

1. Identifying and analyzing key jobs: It is based on company's strategic goal. Top management and HR experts identify what the company's future key position need will be, and formulate job description and specification for them.
2. Creating and assessing candidates: Creating means identifying potential internal and external candidates for future key position and then providing them with the developmental experiences they require to be viable candidates when it's times to fill the position.
3. Selecting those who will fill the key positions: Finally succession planning requires assessing these candidates and selecting those who will actually fill the key position.

Human Resource Planning in Nepalese Organization:

1. Traditional Approach of HRP: There is use of traditional approach of HRP in most of Nepalese organizations. HR strategy is not linked with business strategy. HR is only considers as an input not as an assets of the organizational system. However, some joint venture banks, MNC's are using the strategic approach of HRP.

2. Lack of assessment of HR: Most of the Nepalese organizations do not analyze and assess their current HR. There is lack of effective HRIS. Similarly, effective job analysis is lacking, which leads to inappropriate match between job description and job specification.
3. Poor demand and Supply forecast: Nepalese organizations do not exercise demand and supply forecasting procedure, because they are short term focused and even don't have reliable revenue forecast. Similarly, promotion and transfer are rarely planned.
4. Over staffing in government and public organization: Due to heavily political interference and appointment, government and public organization are suffering from overstaffing.
5. Poor HRP in private organization: Most of the private organizations are unaware of HRP. They appoint employees under the recommendation of dear and near, which leads to nepotism and favoritism.

HR demand forecasting techniques:

The projection of future manpower needs depends upon the strategic plan. There are several techniques for forecasting HR demand to satisfy the future requirement as per the strategic plan. They are as follows:

1. Statistical Techniques: Under statistical technique following are the methods that can be used for demand forecasting.
 - a. Trend Analysis: It is the study of an organization's past employment needs over a period of years to predict future needs. In other words trend analysis means studying variation in company's employment level over the last few years. Under this technique, organization computes how many numbers of employees were required at the end of each of last few years or in certain departments (sales, production, and administration). This results will be used to project the HR requirement in future. (*seasonal trends, cyclic trends)
 - b. Ratio Analysis: A forecasting technique for determining future staff needs by using the ratio between some causal factor (like sales volume) and the number of employees required (number of sales person). E.g. a single sales person can generate Rs. 20000 in sales. If the sales revenue to sales person remain the same, company requires 8 people next year to generate expected Rs. 160000 in sales.
 - c. Regression Analysis: Under this technique, estimation of future human resources is obtained by establishing relation with either single or multiple variables like past production, sales, productivity, technical equipments etc. Once, the relation is established between past level sales and employment, prediction of future sales can be used to make prediction about future manpower.
 - d. Markov analysis: Under this technique, the changes occurred due to promotion, transfer, demotion, quits termination etc in past are carefully analyzed. Based on this analysis future demand is estimated.
 - e. Work Study Techniques: Under this technique, time required to accomplish the task by an individual is determined and standard is set. Thus, under this standard the requirement of manpower is estimated.
2. Judgmental Techniques:
 - a. Managerial Estimate Technique: Under this technique, managers estimate the demand of workforce by using their knowledge and experiences. There are two approaches to make the managerial estimates.

- i. **Top down Approach:** When estimation of demand is made by top management and is sent to middle and lower level managers, then it is called top down approach.
- ii. **Bottom-up Approach:** When lower managers sent the demand estimation for further revisions, then it is called bottom up approach.
- b. **Delphi Techniques:** Under this technique, experts are used who work independently and avoid any sort of face to face discussion between them. An intermediary establishes contacts with these experts and collects the information. These informations are summarize and send to other experts by intermediary within the panel and get the feedback. The cycle is repeated until all the experts reach on certain consensus. And through which, final demand forecasting is made.
- c. **Nominal Group techniques:** Under this technique, team is assigned where member independently write down ideas, related to the organizational problems, which are used for HR demand forecasting. The team members sit together around conference table and independently list their ideas about future demand. They discuss each individual idea and give their opinions. Finally, voting is done and the best idea is selected for future estimation of HR demand.

HR Supply forecasting Techniques:

Supply forecasting can be made by the judgmental and statistical methods.

1. **Judgmental Technique:**
 - a. **Replacement Chart:** A replacement chart is used to predict the internal supply of manpower for a year. This chart helps to identify the potential vacancy and position that needs to be filled urgently. This chart shows present performance and promotability of inside candidates for most important position.
 - b. **Succession Planning:**
 - c. **Qualification inventories:** Manual or computerized records, listing employees' education , career and development , interest, language, special skills and so on is used in selecting the inside candidates for promotion.
2. **Statistical Techniques:**
 - a. **Trend Analysis**
 - b. **Markov Analysis**
 - c. **Renewal Analysis:** Under this technique the future supply is forecasted on the basis of the vacancies created by the organization's growth and expansion, internal movements of manpower and personnel losses and the result of decision rules governing the filing of vacancies.