



# Human Resource Planning

## Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Discuss the objectives of human resource planning
- ✓ Explain the importance of human resource planning
- ✓ Explain HR planning process
- ✓ Examine the five phases of HR planning.

# Human Resource Planning

## Introduction

Planning for the staff and how they work is not new. Originally, though, the focus was on the production workers who were paid on an hourly basis. In order to improve productivity and create a fairer system, a more efficient way of working had to be introduced. During World War II and the years after, HRM focused on employee productivity and on the availability of competent managers. It was because of the shortage of available people with the right skills within the civilian population that these needs arose, as well as an increased demand for goods and services. New technologies and an interest in behavioural aspects of work have made the manpower planning task more complicated. The term 'manpower' refers to the number of people working or available to work. High potential personnel were in high demand in the 1960s because of the rapid increase of new technology and changes in business. In response, human resource planning practices had to balance supply and demand, particularly for managers and technical personnel.

Human resource planning means different things to different organisations. To some, it means management development. This involves helping executives make better decisions, communicate more effectively and know more about the company. The purpose is to make men and women better managers.

## What Is Human Resources Planning?

Human resource planning is designed to figure out how an organisation should move from its present manpower position to its desired manpower position. Through planning, management attempts to have the right number and the right kinds of people, in the right place, at the right time, and doing things which achieve good results for the organisation and the individual employees. This also achieves long-term benefits.

This works in four phases. The first phase involves gathering and analysing the data of accounts and forecasts. The second phase is about establishing manpower goals and policies and getting the approval of top management. The third phase involves designing and implementing plans and promotions to enable the organisation to achieve its manpower goals - in other words, recruitment. The fourth phase is about control and evaluation of manpower programs to allow the progress to benefit the organisation and the individual. This means that some advances may be sacrificed in the short term for long-term future achievements. The planning process enables organisations to identify what manpower needs they have and what manpower problems may need attention. This leads to more effective and efficient performances.

## Objectives of Human Resources Planning

There are three main objectives of human resource planning. They are:

1. To use the HRP current employees as best it can
2. To carefully judge what future skill requirements might be needed
3. To make sure that necessary resources are available when they are required.

Manpower planning and forecasting is important for many reasons. Below are the most important ones.

- To understand the relationship between manpower planning and organisational planning.
- To determine recruitment levels.
- To predict redundancies (where employees may be let go from the company).
- To determine the best training levels.
- To provide efficient management development programs.
- To find the cost of the manpower.
- To raise the productivity bargaining level.
- To assess any future accommodation requirements.
- To carefully assess the cost of overheads and value of service functions.
- To ascertain whether a certain activity may be subcontracted, or given to another organisation (or individual) to do.

The HR forecast is responsible for estimating how many people are needed and what job positions are needed by an organisation to achieve its business goals. This way plans can be finished on time in the most efficient and effective way possible. It is a way to acquire, use, improve, and preserve the human resources of a company.

The aim is to provide the right people in the right jobs and to use the existing human resources to their highest potential. HRP is used to assist in business planning. The aim is to co-ordinate requirements for the availability of different types of employees. Their main functions are forecasting (future needs), inventorying (present strength), forecasting (comparing present and future needs), and planning (necessary programs to meet those needs).

The aims of human resource planning are summarized below:

- **Forecasting Human Resources Requirements:** HRP is vital in determining the future needs of HR in any organisation. Without this planning, companies won't be able to provide the right kind of people at the right time.
- **Effective Change Management:** In order to effectively cope with any changes that affect the organisation, careful planning is needed. These changes need to be allocated or reallocated in HR and used in the most effective way. This is a good use of HR in an organisation.

- **Achieving Organisational Goals:** HR planning is essential in any organisation in case of any expansion plans or other company goals.
- **Promoting Employees:** Employee data and other information collected by HR is useful in deciding which employees can receive promotions within the organisation.
- **Effective Use of HR:** Data collected by HR is useful in identifying any surplus or deficiency in the human resource area.

The aim of HRP is to assist an organisation in reaching its goals. This is done by developing suitable plans that will help HR to achieve maximum contribution. This HR planning must involve:

- Collection, maintenance, improvement, and analysis of information regarding human resources.
- Regular reporting on human resource goals and needs, employees, and anything else associated with human resources.
- Developing methods to determine the needs of different types of human resources over a period of time. This should be done by keeping in mind the organisation's goals.
- Forecast any HR requirements along with independent validation.
- Use suitable techniques which will lead to successful allocation of work with a view to improving human resource utilisation.
- Do research to determine what might be hampering the contribution of individuals or groups within company in order to modify or remove these hindrances.
- Assess human resources to reflect their features as an income generator and cost, and accordingly improve the decisions affecting the human resources of the company.
- Evaluate how the procurement, promotion, and retention of the effective human resources are working.
- Asses the process of recruitment, promotion, and any loss to the organisation. Think about how to get the best out of individuals and groups without involving a high cost.

Top management is usually assigned to create the vision and set the goals for a company. Then a strategy is formed for the longer-range plans. These plans provide the guidelines for the HR department to plan for their needs. The HR department should carefully consider the above information and prepare an effective HR plan.

## Importance of Human Resource Planning

Below is a list of reasons that emphasise the importance of HRP:

**Employment/Unemployment Situation** The number of educated unemployed people is on the rise and despite this there is a serious shortage of certain skills. This emphasises the need for more effective recruitment and retention of high performing staff.

**Technological Changes** The changes in production technologies, marketing methods, and management techniques have been extensive and fast. They have had a strong effect on job contents and contexts.

These changes have had a negative effect on redundancies, retaining people and redeployment. This suggests the need to develop manpower needs very carefully.

**Organisational Change** The business environment has cycles that change and some that discontinue. These changes affect the organisational environment. They affect activities and structures and also, affect manpower requirements. A good strategy is needed to make sure that the company runs smoothly despite any changes.

**Demographic Change** The work force often changes in terms of age, sex, literacy, technical inputs, and social background. This all affects HRP.

**Skill Shortage** Unemployment does not mean that it will be easier to recruit new employees. Organisations today are generally quite complex and need a wide range of specialist skills that are unique and scarce. Problems arise when employees with these rare skills leave.

**Governmental Influences** Governmental control and changes in legislation have pushed organisations to become more involved in systematic HRP. There are aspects such as affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, and casual and contract labour, etc.

**Legislative Control** The law today makes it difficult to reduce the size of an organisation quickly and cheaply. It is easy to increase but difficult to decrease the numbers of employed people because of recent changes in laws relating to lay-offs and closures. Those responsible for managing manpower must look far into the future and attempt to foresee any manpower problems.

**Impact of Pressure Groups** Pressure groups include unions, politicians, and people who have been moved from their land that giant companies now use. They put pressure on business management. This means businesses must make some changes such as internal recruitment and promotion, preference to employees' children, and displaced persons, etc.

**Systems Approach** System thinking and the introduction of the macro computer has made way for a revolution in information technology. The emphasis then is on planning and newer ways of handling personnel records.

**Lead Time** Lead time is necessary in the selection, training and deployment of employees to learn to handle new knowledge and skills successfully.

## Planning For Specific Purposes

Taylor (2002) mentions a number of planning types that assist in achieving practical organisational objectives.

**Micro-Planning** is about forecasting supply – and - demand for specific jobs, such as nursing, for example. If there are some major shake-ups within an organisation, micro-planning is necessary. These shake-ups

are things like needing to make quick changes when new challenges arise or when new legislation is introduced.

**Contingency Planning** is necessary because major planning must always be done carefully and effectively. All situations must be considered and assessed carefully before any action is taken. Things like a change in the shift arrangements, employee availability and relations, payment etc. need careful consideration. If a company wishes to expand, all these things would be major considerations and would influence the decision to expand on site or elsewhere.

**Succession Planning** is about looking for the right people to fill managerial and top positions. It is important to have the right people as leaders or future leaders and in order to have them resources need to be set

aside to look for potential board members. This is a very important, even vital HR activity. For those who are new graduates or perhaps ready to be trained as managers, HR will develop plans for the promotion process every few years. Management training must be done on a regular basis.

Another type of planning focuses on *developing skills and competences*. This is not just identifying the amount and type of skills required but also about working out ways that these can be met from both within and outside organisations. Taylor (2002) uses an example of the skills needed in the computer software industry. Here the skills can be sourced from temporary or agency employees, or outsourced to independent organisations.

The 'soft' areas of HRP are the final type of planning. They deal specifically with cultural and behavioural aspects. From the 1980s onwards, this area of planning has been rapidly rising and is a vital part in improving the competitive nature of organisations.

## Human Resource Planning Process

The people or employees of an organisation are considered its most important asset. Companies need the right people with the desired skills and knowledge in the right jobs. Without this in place the success of any organisation would be compromised.

Matching skills, knowledge, and attitudes is what HR planning is about. Below is a more comprehensive list.

HR planning is:

- Understanding both the internal and external environment of an organisation and how they affect the workforce of today and in the future. Knowing the skills needed and reaching the business objectives in a changing environment.
- Ensuring human resource goals and business goals match and that the workplace plans reflect those goals. It is also necessary that managers work within guidelines when making decisions and that those decisions reflect the strategic plans and financial resources.

- Ensuring that the organisation has long-term goals which take into account anything that may affect business. Strategies must be put into place for employees' development and in order to manage the human and financial capital. HR's function is vital in ensuring high standard services.

HR planning is a process to calculate and compare the supply (current workforce) and demand. This process involves choosing the best policies and initiatives that will enhance the overall HR system. One of its vital functions is to assist in the development of personnel requirements or data elements. These are all linked to strategic planning, budgeting and all recruitment needs, training employees and planning activities.

Workforce planning can take on many different forms but the basic concepts are alike. All forms seek to analyse the current workforce and identify what future skills are needed for the delivery of better services which reflect the company's vision. It is necessary to assess supply and demand needs to highlight any shortages, surpluses or skill gaps. The next step is to figure out if these are due to internal or external issues. Any gaps identified must then become the focus of a workplace plan to build the applicable skills needed for success.

The ideal human resource plan should:

- Be approached in a holistic way, connected with strategies planning and budget processes.
- Take into consideration any service needs and skills needed to deliver quality service.
- Be able to respond to changes in the economy, politics, technology, or environment.
- Ensure continual learning and development planning.
- Allow for scenario building to tackle changing assumptions in case different desired outcomes are needed.

Human resource planning has four main drivers:

**Organisation Directions** these are organisational plans, budget forecasts, new technology, work practices, organisational culture, and reward systems.

**Internal Labour** Means looking carefully at the human resources profile. This includes gender, age, occupations, and length of services, etc. of all employees. Retention, severance, and promotion are management issues that must be identified. Any areas that may be potentially vulnerable to skills gaps must also be identified. All of these will affect recruitment and retention of the workforce.

**External Labour** The demand of services and workforce supply to fill any available vacancies can be affected by demographic changes. It is necessary to keep abreast of any and all changes.

**Business Changes** Service and/or information delivery will be affected by any technological changes. Workforce skills and the way of working will also be affected. In turn, the competencies for positions will change as will recruiting methods and how to engage the workforce.

Human resource planning must be reviewed periodically as a way of responding to changing circumstances. In this way, an organisation's HR planning will remain current and effective. Remember, it is all about making sure that the right people with the right skills are in the right place to deliver services or produce for both internal and external stakeholders.

## Five Phases of Human Resource Planning

1. Analysing: What major human resource information is needed?
2. Forecasting: Demand *versus* supply analysis.
3. Planning: Identification of strategy.
4. Implementing: Executing the new strategy.
5. Evaluating: Feedback on effectiveness of outcomes.

### 1. Analysing: What major Human Resources are Needed?

Details, accuracy, and reliability of information will decide whether and how effective the planning is. Any factors that have the potential to influence future demand for services or output must be identified. Supply of labour and competencies, both internal and external, should be checked. Information obtained through the analysing phase must be as accurate and reliable as possible. This is extremely important as it will be used to forecast and future company needs.

Key human resource information needs can be identified in four ways: organisation, direction, environmental factors (demand analysis) and internal and external labour (supply analysis). The sources are listed below as well as ways to collect the information.

Suggested checklist for information:

- Demand analysis
- Strategic plan/business priorities
- Internal or external reports that affect business outcomes
- Budget estimates (short-term and long-term)
- Plans for new technology
- Employee survey information
- External contract services
- Organisational culture
- Changing competencies.

Suggested checklist for environmental factors information:

- Political expectations
- Demographic changes
- Technology's influence on work

- Changes in economic forecasting
- Analysis of current and future levels of accountability.

Suggested checklist for internal and external labour profile information:

## Supply Analysis

### Internal

- Age and gender distribution
- Retirement rates
- Workplace location
- Diversity characteristics
- Length of service
- Resignation rates
- Internal career paths

### External

- Labour trends
- Internal vs. external acceptance rates

## 2. Forecasting: Demand Versus Supply Analysis

It is necessary to consider the future needs of an organisation. This is where forecasting comes in and is an important factor in business. Through forecasting an organisation can identify potential problems facing the company. This information would come from the analysing stage and would help develop ways of managing the gap analysis. Any predicted changes or developments that may affect production will be identified in the demand analysis.

Proper forecasting is necessary to strengthen the future position of an organisation. The forecasting stage works in four steps: identifying key workforce assumptions, validating the assumptions, using assumptions for scenario building and performing a gap analysis.

The first step is about identifying key workforce issues from data collected during the analysing phase. It is necessary for the assumptions to clearly describe the impact on business and any risks of occurrence based on element culture.

The second step is the validation of the assumptions. This can be done with focus groups, surveys, or interviews for leaders in an organisation. Whatever the feedback shows, it will either assure that the assumptions are accurate, or not accurate based on the data. If accurate, it should provide insights for the reasoning behind the assumptions.

Step three is using the assumptions in scenario building and therefore assisting in achieving the organisation's goals. Scenarios are, more often than not, followed by qualitative or quantitative information.

After outlining the best, worst and most likely scenarios, it will be necessary to create a preferred scenario with clear details as to what the organisation's goals are. Relate this to any assumptions identified already and use the information from any warning indicators. After that, monitoring of changes consistent with preferred outcomes must be done.

It will be useful to apply SWOT or PESTLE analysis to help you with this phase. SWOT is Strength, Weakness, Opportunities, and Threats. Strengths and Weaknesses are **internal** factors. Opportunities and Threats are **external** factors. It is a simple technique and it uses four perspectives for decision-making and summarisation. For example, what are the strengths, weakness, opportunities and threats of your scenario? This would be done for each scenario suggesting the best, worst and most likely outcomes.

PESTLE is essentially the same technique but is useful for examining the external factors affecting a problem. It stands for Political, Economic, Sociological, Technological, Legal and Environmental factors.

### SWOT Analysis Model

- Strengths
- Weaknesses
- Opportunities
- Threats

### PESTLE Analysis

<b>Political Issues</b> Accountability Equal opportunities Diversity Partnership working	<b>Economic Issues</b> Skill Shortage Cost of Living
<b>Social Issues</b> Changing customer expectations and needs Changing demographics Changing employee expectations and needs <i>i.e.</i> , work-life balance issues Inequalities and deprivation Qualifications, skills and competencies	<b>Technological Issues</b> Innovation Communication New ways of working
<b>Legal Issues</b> Service obligations Employment legislation Environmental legalities	<b>Environmental Issues</b> Increased awareness and expectations

In the last phase a gap analysis must be performed. The company must look back at the current workforce and future demands in order to identify any gaps in skills and/or people needed to meet demands, after completing the preferred scenario. The gap analysis is what will show any skills gaps, any surplus, recruitment issues, and retention issues to achieve the demand. Each scenario must go through this same process, until the preferred strategy to deal with the wanted outcomes, are achieved. These must also meet organisational needs.

## Methods of Forecasting

Human resource planning is responsible for deciding, through careful analysis, how many people an organisation needs in its workforce in order to achieve the company's goals. It also decides what characteristics these people need to do their jobs. HRP is used to ensure that the right employees, in the right numbers, doing the right thing, are in the organisation. HR planning is very similar, if not the same as strategic planning. This is true in particular in companies where the human capital is essential for success. At this point in the unit it should be assumed that the company has completed the strategic planning process and set its objectives.

Workforce planning then determines what employee characteristics are needed in the organisation's workforce to achieve those goals. In this scenario, workforce planning is strategic planning at the HR level and has similar processes. These include SWOT analysis. The easiest way to describe it is that the HR function decides on the number and type of employees needed. It must also be aware of internal and external people with the correct characteristics. When this is done, the proper HR programmes to achieve the correct workforce composition can be made.

Workforce planning works in three stages: forecasting workforce needs, determining internal and external supply of employees, and developing suitable ways to achieve forecasted needs in relation to projected supply. These three processes are discussed below.

### 1. Forecasting Workforce Needs

The number and type of employees needed by an organisation should be identified in the strategic and allied business plans.

The organisation's strategic plan and allied business plan provide guidance as to the number and type of employees that the organisation needs. Expansion, retrenchment, new products or services, introduction of new technology, entrance of new competitors in the market, economic conditions, employee retirements, workforce turnover, and so forth, must all be considered when forecasting workforce needs. *Forecasting* is always necessary in business planning and will use historical data and scenarios that are predicted to know what workforce will be needed.

Several forecasting methods that are often used are mentioned:

## Trend Analysis

Carefully analysing past employment levels of a company and predicting future levels based on the history is what *trend analysis* is used for. A company that has an increase in employment levels at 5% per year will likely forecast a 5% increase in the next planning period. This is logical. In order to be even more accurate the company must look at trends in each department and also sub-entities, then check the increases or decreases at the organisational level. In this way, a more specific picture will be evident of what numbers are needed and what type of employees are needed also.

When using the trend analysis, it is assumed that history will repeat itself. It also provides quite accurate data (if done correctly) so that a final forecast can be made.

## Ratio Analysis

Another forecasting technique is ratio analysis. This is a technique that supposes a set relationship between one variable and another. With this, a prediction of workforce needs can be made. If there seems to be no increase in productivity, a company might be able to accurately predict total workforce needs based on using total (or predicted) sales as a basis from which to work. An example of this is if a company needs 5 employees for 100,000 units of product. For an increase to 1,000,000 units it is logical to assume that another 50 employees will be needed.

Organisations often have standard staff tables that can be used in ratio analysis. As an example, a restaurant chain would know how many waiters, cooks, managers, etc. are needed to staff a restaurant. If the organisation expands and opens more restaurants, the workforce needs can be forecast easily.

## Turnover

This is often referred to as historical turnover and is in fact, another kind of trend analysis. It provides more information for more accurate forecasting. As mentioned further above, average turnover rates can indicate the number of new staff needed to maintain the current employment levels. Staff turnover can be affected by things such as environmental factors and unemployment rates in particular, so variables have to be considered when analysing the data for forecasting.

## Nominal Group Technique

Using the nominal group technique is a way of forecasting and making decisions as a group. Each member must make their own independent forecast before discussing anything with the rest of the group. The individual forecasts are then presented to the rest of the group and only after each member has shared his/her forecast is there to be a discussion of each one. Questions to clarify are done in this time and only then can the group decide on the final forecast.

## Delphi Technique

The Delphi Technique requires experts to develop forecasts independently and then share them with each other. The group members here don't actually meet but each person perfects their forecast and then a group consensus is reached as to which forecast to use.

## Group Think

The nominal group and Delphi techniques are used to avoid something known as group think. Group think occurs when group members, in the interest of developing group cohesiveness, reach consensus without fully considering what might be opposing forecasts.

## Managerial Judgment

Managers and executives are often asked to develop forecasts. This is done based on their experience and knowledge. Forecasts can be from the top levels of the company or a collection of departmental estimates from the bottom of the organisation up. In this way they are very much like budget forecasts. Gross indicators of needed employment levels can be provided by top-level forecasts, however, these forecasts cannot and do not identify where exactly employees should be deployed throughout the organisation. A better idea is given by bottom-up forecasts that are done by department managers and describe where employees should be working. These types also indicate what types of employees are needed throughout the company. These bottom-up forecasts need to be carefully checked because sometimes managers try to get more staff for their particular department by stating that more employees are needed in their forecasts.

## Computer Modelling

Evaluating the company's workforce needs through various scenarios can be done using sophisticated computer software. More and more organisations are purchasing and using specific types of software for this reason.

## Multiple Methods

It is a good idea for companies to use more than one method of forecasting because it will be more accurate than using only a single one. This is why most companies will use multiple forecasting methods. It is usually a higher level manager who will make the final decision about what is the most likely forecast. He/she will have the necessary experience and knowledge to do so.

### 2. Determining Internal and External Supplies of Employees

Potential supply of employees must be discovered and this can be done from either inside the company (internally) or outside (externally). A company knows already (using forecast methods) how many employees will be needed and workforce planning will show potential supply. Below is a discussion of forecasting internal and external supplies.

## Internal Supply

Determining the internal supply of employees can be done using succession plans, charts, HRM information, and departmental estimates.

### 1. Replacement Charts

Replacement charts may come in the form of manuals or automated records. They display information regarding which employees are ready to be promoted to specific positions. Whenever needs are forecasted for particular jobs it is the replacement charts that assist in identifying the supply of candidates (from inside the organisation) to fill the positions.

### 2. Human Resource Management Information Systems

The qualifications and skills of a company's employees are contained in HR management information systems. This information will be viewed to check for potential candidates with the desired skills after workforce demand is forecast.

### 3. Departmental Estimates

Every organisation and its departments go through continual flows of employees in and out. Analysing this movement is valuable in forecasting internal supply of employees.

## Estimated Internal Labour Supply for a Department

**Current Staffing Level – Outflows + Inflows = Internal Supply**

Inflows	Outflows
Transfers from other departments	Retirements
Hires from the external labour market	Resignations
Recalls from lay-offs	Death
Employees returning from leave	Promotions to other departments
	Transfers to other departments
	Terminations/dismissals

## External Supply

When it comes to forecasting external supplies of potential employees there is quite a lot of information available from many different sources. Agencies which are state and local economic organisations have available data on labour supply. The Bureau of Labour Statistics has a lot of labour force information online. The Department of Labour also has information for almost any location and publishes forecasts yearly for

most job types. A wide range of labour force data is also available online that companies can use, including data from professional organisations.

External candidates' availability can be affected by:

- Economic conditions
- Unemployment rates
- College and high school graduation rates in the relevant labour market
- Migration in or out of the area
- Skill levels of potential candidates in the labour market
- Competition for labour in the labour market
- Changes in the skill requirements of the potential job openings in the company.

It is necessary to understand the various ways of forecasting demand for and supply of potential candidates and employees.

### 3. Determination of Appropriate Strategies

The senior HR personnel are required to develop strategies to realise the planned levels of employment. They are the ones who are knowledgeable about the demand and supply for labour leads. Three conditions may result from the analysis:

- **Equality:** This is where the strategy becomes one of keeping current employees.
- **Insufficient number of employees:** In this case the strategy becomes recruitment.
- **Too many employees:** This is where the strategy must be to decrease the employee numbers.

#### 1. Planning: (Identification of Strategy)

The planning phase will begin after the surplus/demand analysis, the gap analysis, SWOT, and the scenario building exercise. Strategies and programmes must be developed to focus on the identified gaps from the analysing phase. It is then that the company can recruit, train and retain vital employees that are necessary for an effective workplace plan.

HR planning must include strategies to deal with recruitment, staff development, promotional planning, technology upgrading and any changes in work practices. This planning should be realistic and also flexible.

#### 2. Implementing: Executing the New Strategies

When the analysis and forecast planning is complete, another plan must be devised to get the activities in the HR plan done. Using all the information from the other phases, a plan for new strategies can be created. Organisational support, allocation of required resources, and clarification of roles and responsibilities must all be done before implementing the plan. Co-ordination between different

departments of the organisation and with different agencies must also be done along with communicating the plans, establishing timelines and determining performance measures.

### 3. Evaluating: Feedback on Effectiveness of Outcomes

It is necessary to evaluate the HR plan in order to establish if the strategies deal with the identified gaps. Feedback is necessary and will help determine the effectiveness of outcomes. Obtaining feedback can be done using surveys, focus groups and organised meetings.

#### Further Reading:

- ✓ *Michael Armstrong, (2006), A Handbook of Human Resource Management Practice*
- ✓ *D K Bhattacharyya, (2006), Human Resource Planning*