

Module 3

Human Resource Planning

Overview

This module deals with human resource planning whereby you are exposed to various techniques of HR forecasting, creation of staffing planning, and how they are implemented. This is largely an organisation-wide planning and implementation exercise with due regard to available resources and the market supply of competent labour of the right quality and in the right quantity. It will also explain change management within the context of HR planning for the future and introduces the concept of HR audit. You will also learn about the labour market survey dealing with measurement of the labour force, trends in labour supply, labour force quality and their implications on HR activities. Succession planning and career management are also discussed in this unit.

Upon completion of this module you will be able to:

- *discuss* what HR planning is and why effective enterprises perform it.
- *name, describe* and *apply* some tools and techniques of forecasting demand for employees.



Outcomes

Terminology



Terminology

Career development:	Career development is the process through which action plans are implemented (lifelong learning series of activities).
Career management:	The process for enabling employees to better understand and develop their career skills and use the learned skills effectively.
Career planning:	The deliberate process through which a person becomes more knowledgeable, more experienced and more skilful.
Forecasting:	It is broadly considered as a method or a technique for estimating many future aspects of a business or other operation (such as



staffing of labour).

Job:	A paid individual performance that contributes to organisational goals.
Job enlargement:	Adding more responsibilities in relation to the job.
Job enrichment:	Adding higher responsibilities.
Job rotation:	Moving an employee through a pre-planned series of positions.
Labour market:	Refers to the large number of changing influences and activities involving labour demand and supply which themselves greatly depend on economic conditions.
Staffing planning/Human resource planning:	The process of deciding what positions the company has to fill and how to fill them. It is the first step before the recruiting and selection process.
Succession planning:	A process through which senior/top executive openings are planned for filling.
Trend analysis:	Study of a company's past employment needs over a period of years to predict future needs.

Introduction to HR/employment planning

Traditionally, staffing planning has attempted to reconcile an organisation's need for human resources with the available supply of labour in the local and national labour market. In essence, staffing planners initially seek to estimate their current and future employment needs. However, the task of estimating employment needs in large organisations is an extremely complicated process, which requires considerable specialisation and expertise. In many organisations, specialist units within personnel departments may be established to concentrate exclusively on staffing planning. Some of the issues that these specialist units may address include:

- How many employees does the organisation currently employ?
- What is the age profile (by department) of our employees?
- Where in the organisation are these employees to be found?
- Which are the largest departments in the organisation?
- What skills do our employees possess?
- How many employees (on average) leave the organisation every year?

- In which areas of our business do we tend to lose more employees?

These questions are fundamental to the day-to-day activities of staffing planners and are crucial for the future success of the enterprise. Human resources are considered the most valuable, yet the most volatile and potentially unpredictable resource which an organisation utilises.

Sophisticated statistical and computer technology is often used in large organisations in an attempt to plot accurately where current resources are in the organisation, where they are going and with what speed as well as the likely need and timing of stock replacement.

In the current pursuit of HRM, many organisations appear to be practising HR planning as opposed to staffing planning. How do you understand this change? Do you think it is best described as “old wine in new bottles” and hence simply a change of semantics, or is something more fundamental happening in the process, techniques, ambitions and outcomes of resource planning? Different organisations have different viewpoints. HR planning claims to abandon the “them and us” attitudes of the past, based on control systems and discipline, budgets and bureaucracy. Today, the emphasis is all on fairness and flexibility, integrity and development, creativity and commitment. The role of personnel departments, it is argued, is becoming devalued as organisations seek to vest far more flexibility and responsibility in the role of the production line managers. In summary, advocates of staffing planning and the more strategic and flexible human resource planning attempt to recruit, retain and efficiently distribute and channel employees both laterally and hierarchically through organisations. By maintaining control over the quantitative and qualitative flows and stocks of staffing, organisations should function smoothly by having the right labour in the right place, at the right time and cost.

Definition of employment planning

Employment planning is the personnel process that attempts to provide adequate human resources to achieve future organisational objectives. It includes forecasting future needs for employees of various types, comparing these needs with the present workforce and determining the numbers and types of employees to be recruited or phased out of the organisation’s employment group.

In enterprises, the top management examines the environment, analyses the strategic advantages of the enterprise and sets its objectives for the coming period. Then, it makes strategic and operating decisions to achieve the objectives of the enterprise. The personnel capabilities of the enterprise are among the factors analysed in the strategic management process. Once the strategy is set, the personnel department does its part to assure the success of the strategy and achieve the enterprise’s objectives. It does this by comparing the present supply of human resources with projected demand for them. This comparison leads to action decisions: add employees, cut employees or reallocate employees internally.



Reasons for HR planning

The importance of HR or staffing planning lies with the contribution it could make to reducing uncertainties within employment patterns of large organisations. Staffing planning is a critical managerial function because it provides management with information on resource flows that is used to calculate, amongst other things, recruitment needs as well as succession and development plans. All organisations perform HR or employment planning, informally or formally. Formal employment techniques are described here because informal methods are increasingly unsatisfactory for organisations requiring skilled labour in a fast-changing labour market. It is important to point out that most enterprises do more talking about formal employment planning than performing it.

The major reasons for formal HR planning are to achieve:

- More effective and efficient use of human resources,
- More satisfied and more developed employees,
- More effective equal employment opportunity planning and

More effective and efficient use of people at work

Employment planning should precede all other personnel activities. How can you schedule recruiting if you do not know how many people you need? How can you select effectively if you do not know the kinds of persons needed to fill job openings? How large an orientation programme should you schedule? When? How large a training programme should you schedule, when and on what topics? Careful analysis of all personnel activities shows that their effectiveness and efficiency depend on employment planning.

More effective employee development and greater employee satisfaction

Employees who work for enterprises that use good employment planning systems have a better chance to participate in planning their own careers and to share in training and development experiences. Thus, they are likely to feel their talents are important to the employer and they have a better chance to use their talents in the kinds of job that use these talents. This often leads to greater employee satisfaction and its consequences such as lower absenteeism, lower turnover, fewer accidents and higher quality of work.

More effective equal employment opportunity (EEO) planning

All governments have increased their demands for equal employment opportunity. To complete government reports and satisfactorily respond to EEO demands, enterprises must develop personnel information systems and use them to formally plan their employment distribution.

In summary, effective employment planning assures that other personnel processes will be built on a good foundation, one that averts shortages of skills by producing:

- *Recruitment plans.*
- The identification of *training needs.*
- *Management development:* in order to avoid bottlenecks of trained but disgruntled management who see no future position in the hierarchy.
- *Industrial relations plans:* often seeking to change the quantity and quality of employees that will require careful IR planning if an organisation is to avoid industrial unrest.

Organisational and individual needs for HR planning

Interestingly, discussing the contrast between personnel and human resource management seems to bring up a paradox. In relation to staffing planning, both the disciplines appear to offer a reconciliation of both the individual's employment and career needs as well as the operational needs of the organisation. John Bramham (1990) suggests that the planning of staffing should be conducted within a framework which acknowledges the potentially divergent aims and values of the employee and the employer. According to him, a good professional staffing planner should aim –

to develop with his colleagues coordinated personnel policies for the organisation which enable it to meet its economic objectives while fulfilling its social responsibilities.

There has to be a reconciliation of different interests and the role of staffing planning within the context of personnel management is therefore one which offers organisations some means by which competing demands, ambitions and values may be reconciled.

For instance, you may have experienced the following areas of employment where some conflict of interest would have arisen:

1. Demands of employees for wages over and above what employers are prepared to offer.
2. Demands of employees for promotion/increased responsibilities. For example, Bramham suggests that one of the very real problems facing staffing planners is the aspirations of some employees. He notes that: "Expectations of employees seem to change, and higher levels of education probably add to this difficulty".
3. Demands of employees for terms and conditions of employment that provide higher rewards and benefits than what employers are willing to offer. These are conditions such as:
 - Job enrichment
 - Job rotation
 - Shorter working week
 - Increased holiday allowances
 - Increased overtime rates



Very often, employers are not prepared or are not in a financial position, to be able to accede to these demands of the employees. Rather, employers may well make demands of their own upon employees such as:

- Increased productivity.
- Restructuring involving the rationalisation and redundancy of some employees.
- An increase in the use of short-term contract staff.
- The introduction of new technology which eliminates the need for high-cost and highly-skilled labour.

Bramham and others hold that good HR planning – that recognises the aspirations of employees for increased responsibility and promotion on one hand, and on the other hand, the desire by employers to keep costs under control and the organisation profitable – can overcome many of these problems. Bramham says:

In this way the purpose of planning is to ensure that policies for each activity link together so that ideally no one offends the direction of another; indeed, each should help the achievements of the others so that the business and ethical objectives of the firm can be met. (Bramham, 1990, p. 33)

As you have seen in Module 1, the HRM-strategy link ensures in HR planning that there is a more strategic planning of employees within the organisation and that the HR department should be an integral part of the business strategy-making body. Experience shows that many problems associated with staffing planning can be overcome by integrating the HR department with the corporate strategy department. It used to be that business strategy decisions were taken (for example, new product market ambitions, growth and diversification plans, restructuring and relocation design) and then the staffing planners were informed at a later date to pick up the pieces and alter employee resource patterns accordingly. By contrast, strategic human resource planning seeks to integrate the employee resource function at corporate board level.

Staffing planning has often been seen as to stand downstream from strategic planners, throwing the lifebelt to drowning employees. By contrast, human resource planning, by being integrated at strategic level, represents the employee resource implications whilst business strategy is being formulated and thus prevents many problems such as employee discontentment. Hence, HR planning has progressed in its impact on business strategy and has stopped employees from being thrown into the river, so to speak. In this structural change, many of the employee relations and staffing planning problems associated with individual-vs.-organisation conflict can be minimised through the process of planning with people in mind.

HR planning seems to be more people-friendly in that it attempts more radically to address the potential and developmental needs of employees in order to foster quality, commitment and productivity in the workforce.

You may have noticed in your organisation that far more attention is paid to individuals' needs for progression and change if good HR planning is practised. The very fact that humans are treated as a resource rather than a commodity or cost implies investment and not a burden on the organisation.

Another organisational feature is the emphasis on ceaseless change in product, production technique, sales and quality. As Peters and Waterman (1982) said in their book, *In Search of Excellence*, organisations strive to constantly "delight the customer". Human resource planning in this context must take into account the rapidity of change.

Human resource planning addresses two fundamental questions which tend to distinguish it from traditional staffing planning:

1. What should the profile of our workforce be and what characteristics should its members possess both in the immediate future and in the long term?
2. What policies and staffing planning practices should we introduce in order to attract, retain and develop such employees?

Through strategic and careful human resource planning, the culture of "one large family" should be created in which the needs and ambitions of the individual are inextricably bound with those of the organisation. What become the goals of the organisation become the goals of the individual. This needs to be bolstered by management through an emphasis on the importance of realising that everyone in the organisation is there to serve, satisfy and "delight" the customer (Peters & Waterman, 1982).

Who does HR planning?

Traditionally in large organisations, either the personnel department or a specialist planner of staffing/HR within the personnel department carries out the function of staffing/HR planning. However, this staffing process in many smaller organisations would be conducted by the manager. For instance, there is no specialised department in family-owned enterprises to handle personnel. So, the HR/staffing planner may well be also the wages clerk, the financial manager, the marketing and distribution manager.

In the days of full employment and an expanding dynamic international economy, staffing planning became crucial to profitability and the emphasis within staffing planning was one of recruitment and retention. When labour became scarce, staffing planning transformed into a useful and credible managerial practice seeking to provide and maintain sufficiently skilled resources within organisations. In the 1960s, it would have been costly for firms to recruit people because of almost full employment. Hence, many large organisations invested considerable resources into the management of staffing planning with the emphasis on promotion and upward mobility. Organisations were operating, both geographically and hierarchically, at high scale, thereby necessitating the effective planning and coordination of their human resources, identifying shortages and surpluses and assigning them to where they were most



needed. This required considerable time and effort in staffing planning and control. Staffing/HR planners operated within specialised head office departments and they could literally provide an overview of staffing flows throughout the entire organisation from their vantage point.

In the 1980s, because of international economic competition, staffing planning had to reorient its contribution to organisations, focusing more on reducing staffing levels and building in a capacity for flexibility and change. The 1987 report of the Staffing Services Commission (U.K.) emphasised “competence, commitment and the capacity to change” and drew little on the traditions of staffing planning. More realistically, the state of contemporary staffing planning will therefore have to restructure itself and reorient its own values and approach to the regulation of employment. It has been reported in a 1990 study that organisations “prefer neither to use the term ‘staffing’ nor to return to the large and elaborate planning documents produced by head offices a decade ago”.

Many organisations place the responsibility for staffing planning with production line managers while maintaining strategic hold and direction at corporate level as against the earlier practice of centralised and specialised staffing planning. This is consistent with some of the supposed moves towards human resource management in general.

Let us look at the nomenclature of HR planning. Traditional practices are giving way to flexible staffing use, novel forms and contracts of employment together with innovative approaches to career and succession planning. Does the term “HR planning” capture the essence of contemporary personnel and HR planning? Bennison and Casson (1984) do not seem to think so. According to them, staffing planning “belongs to the world of calculation, computers and big bureaucracies”. Many theorists recommend that organisations seek to develop strategies and policies that address “labour skill shortages and cultural change rather than hierarchical structures, succession plans, and mathematical modelling” (Cowling & Walters, 1990, p. 3).

HR forecasting

What is certain is the uncertainty of the future. As time passes, the working environment changes internally as well as externally. Internal changes in the organisational environment include product mix and capacity utilisation, acquisition and mergers as well as union-management relations among many other areas. Changes in the external environment include government regulations, consumerism as well as literacy and competence levels of employees.

HR plans depend heavily on forecasts, expectations and the anticipation of future events to which the requirements of staffing in terms of quality and quantity are directly linked. Uncertainty adds to the complexity of forecasting. Change does not however obviate the need for staffing planning although this is the argument raised by those who oppose the concept. Were the future certain, there would be no need to plan. Justifications for planning are three-fold:

1. Planning involves developing alternatives and contingency plans.
2. As long as survival and success are the main objectives of any enterprise, the uncertainty of the future is no excuse for not trying.
3. Science has developed a lot of knowledge for the use of mankind. Scientific management has developed operations research techniques and statistical methods to predict the future with better accuracy and reliability.

Forecasting demand for employees

The first element of a HR planning system is an effective employee forecasting system that takes into account the following factors:

- **Time horizon:** The longer the period, the greater the uncertainty. On the contrary, too short a period is not sufficient for preparation of the people to be recruited. In addition, the techniques for forecasting events in the longer period are different from those for a shorter duration. Some organisations have separate plans (short-range, medium-range and long-range plans) for different periods.
- **Economic factors:** As business is an economic activity, forecasts must consider economic aspects such as per capita income, employees' expectations of wages and salaries, cost and price of raw materials, and inflation rate. Fiscal policies and liberalisation of trade will also influence future requirements.
- **Social factors:** Here, we consider the expectations of existing and potential employees on wages, working conditions, government regulations and future trends in political influences and public opinions.
- **Demographic factors:** Decisively influential upon future requirements, these factors include the availability of youth, training facilities, women in the active labour force, gender ratio, facilities for professional education, income level, and literacy rate.
- **Competition:** Competitors' strategies include advertising, quality of product, pricing and distribution. These strategies influence future staffing in a variety of ways. For instance, we may have to employ competent R&D engineers to tackle the product design if we can only preserve our market share by improving the quality of our product.
- **Technological factors:** Technology has to be state of the art if a company is to survive the competition. Technology – both in terms of quality and the extent to which it is used – will determine the capital and labour force requirements. Given that our future staffing needs obviously depend on expected trends in technology, technology forecasting has become a specialist field in modern management.



- **Growth and expansion of business:** Future growth and expansion plans will affect future staffing requirements. Growth is possible through:
 - Product diversification
 - Increased capacity of production.
- **Expansion plans** are executed through:
 - Merger
 - Acquisition
 - Joint venture participation
 - Formation of horizontal and vertical integration
 - Establishment of national and international value chains.

All these activities require additional staffing with right qualities in the right numbers at the right times.

- **Management philosophy/leadership:** Top management ultimately decides the levels of staffing that are required. The philosophy of the top management will largely determine the policies that inform decisions on future staffing needs. In many developing countries, there are public-sector enterprises and private-sector enterprises. Public-sector enterprises owned by the government very often adopt a liberal philosophy of employing labour, leading to enterprises that are overstaffed. Managers in the private sector, whose philosophies are determined more by economic and entrepreneurial considerations than by social policy, try to employ the optimum number of employees.
- **Innovative management:** As competition increases with globalisation and liberalisation of trade, management needs to be innovative to stay afloat and sustain competitive advantage. Emotionally intelligent workplaces, continuous improvement, relationship management, customer loyalty, and economics of variety are innovations in management that need to be adopted. Future staffing needs will be influenced by these innovative practices.

Employment forecasting techniques

The techniques now available for making HR forecasts can be subdivided into exploratory surveys and operations research (OR) techniques:

- Exploratory surveys
 - Delphi technique
 - Brainstorming
 - Committee method
 - Expert opinion
 - Consultancy

- Operations research techniques
 - Trend analysis
 - Regression/Correlation analysis
 - Frequency distribution and significance analysis
 - PERT/CPM

From another perspective, there are three organisational approaches to HR forecasting:

1. The headquarters of an organisation can forecast the total demand (top-down approach).
2. The units can forecast their own demand (bottom-up approach).
3. There can be a combination of total demand and unit demand forecasting.

Usually, enterprises that are new to employment forecasting do not develop sophisticated forecasting techniques. The techniques used tend to evolve over time from less formal, simpler methods towards the more sophisticated approaches.

Here, we will discuss four techniques. Three are top-down (expert-estimate technique; trend projection; and modelling) and one is bottom-up (unit forecasting). Let us first look at the three top-down approaches.

Expert-estimate technique

This is the least-sophisticated approach to HR planning. An expert, or a group of experts, forecasts employment or HR needs based on experience and intuition. It may be that a personnel manager will do this, by examining past employment levels and questioning future needs, which is a quite informal system. This type of estimate can be made more refined and hence more effective with a decision-making aid such as the Delphi technique.

Having been developed in the late 1940s, the “Delphi technique” may be a term that you have seen before but would not be able to define. It is a set of procedures originally developed by the Rand Corporation of the U.S. for obtaining the most reliable consensus of opinion of a group of experts. Very simply put, it consists of a series of careful but in-depth rounds of questioning of each individual expert through a series of questionnaires to get the desired data. An interesting feature of this technique is that the procedures ensure that there are no direct meetings between the experts but each subsequent round of questions is formed by summaries of opinions from the preceding round. A working paper of the Industrial Relations Center of the University of Minnesota describes it as follows:

The interaction among the experts is accomplished through an intermediary who gathers the data requests of the experts and summarises them, along with the experts' answers to the primary question. This mode of controlled interaction among the experts is a



deliberate attempt to avoid the disadvantages associated with more conventional uses of experts such as in round table discussions or direct confrontation of opposing views. The developers of the Delphi argue the procedures are more conducive to independent thought and allow more gradual formulation to a considered opinion. In addition to an answer to the problem, the interrogation of the experts is designed to cull out the parameters each expert considers relevant to the problem, and the kinds of information he feels would enable him to arrive at a confident answer to the question. (Milkovich et al., 1971)

In a procedure of this nature, you would expect the experts to provide you with numbers of various categories of employees required. Therefore, the answer to the primary question is typically a numerical quantity. The developers of the technique expect that individual experts' estimates will tend to converge as the experiment continues even though they could be widely divergent at the beginning. The working paper by Milkovich et al. summarises the most crucial shortcomings of the technique as follows:

- **Role of the intermediary:** Standard feedback takes the form of answers to an expert's inquiry for data, summaries of all inquiries and inter-quartile ranges of the estimates. The summaries of all inquiries are brief and do not include the richness of interpretation each expert brings to bear on the problem. This is the price paid for not allowing the experts to directly interact.
- **Independent expert responses:** Experts are initially instructed not to discuss the experiment with others; however, in practice, it is difficult to isolate managers' discussion of these issues.
- **Number of minds:** Five rounds seemed to be the typical number used in reported experiments. However, most of the convergence and most of the data requests occurred in the early rounds, leaving the usefulness of latter rounds open to question.
- **Changes in estimates:** Five out of the seven experts changed their estimate only once, while one didn't change his initial estimate at all. From the reports of experiments in non-laboratory settings, this is a low frequency of change. It may be attributed to the short range (one year) of the forecast, and more changes in successively approximating the "true" answer would occur in a long-range problem with greater uncertainty.

Trend-projection technique

This is a top-down technique that may be more familiar to you as it involves developing a forecast based on a past relationship between a factor related to employment and employment itself. For instance, employment needs are related to sales levels in many businesses. The personnel planner can then develop a table or graph showing past relationships between these two factors and estimate required staffing levels based on sales forecasts.

Modelling and multiple-predictive techniques

The third top-down approach to prediction of demand uses the most sophisticated forecasting and modelling techniques. As you have read here, trend projections are based on relating a single factor (such as sales) to employment. By contrast, modelling techniques use many factors and hence are more advanced and refined. These techniques relate many factors to employment: sales, gross national product, discretionary income, and so on. In some approaches, they mathematically model the enterprise and simulate their behaviour using such methods as Markov models and analytical formulations. Markov models are often used by HR planners in connection with internal factors that need to be considered in the development of a HR plan. Discussion of this technique will go to greater depth later in this module. The modelling and multiple-predictive technique is used only in enterprises with corporate staff capacities.

Let us look at the bottom-up approach – the unit demand forecasting technique.

Unit demand forecasting technique

Each unit makes a forecast of its staffing needs. The head office or the corporate headquarters sums up these unit forecasts and the result becomes the HR forecast of the organisation. The manager of each unit analyses the unit's needs on a person-by-person, job-by-job basis in the present as well as the future. By analysing present and future requirements on the job as well as the skills of the incumbents, this method focuses on the quality of workers.

The usual approach is for the head of personnel or the HR planner to initiate a letter or a telephone call to managers of units. Each unit manager would start with a present census of people compiled on a list called a staffing table. Staffing tables include the jobs in an organisation by name and number and they also record the number of jobholders for each entry. Managers evaluate the resulting tables in terms of both numbers and skills of the present personnel. They also give careful consideration to the effects of expected losses through retirement, promotion or other reasons. Another aspect to be considered is projected growth. If there are any questions, the planner must find and build answers into the calculations in determining net employment needs. If you are a manager in an organisation and a few people are working under you, would you not know when they would retire and others would be promoted?

You, as a manager, would know the status of your employees. However, there are two assumptions on which this knowledge is built: that you have made the best use of the available personnel, and that demand for the product or service of your unit next year will be the same as this year. You may, with regard to the first assumption, examine the job design and workload of each employee, using such techniques as time and motion studies. You may also attempt to judge the productivity of the employees in your unit by comparing the cost per product or service produced by your unit with those of similar units in the organisation. You could also



compare past productivity rates with present ones, after adjusting for changes in the job, or you could make subjective evaluations of the productivity of certain employees compared to others. In addition, you may have to base employment needs on workforce analysis with adjustments for current data on absenteeism and turnover.

You could analyse your unit's product or service demand by extrapolating trends. Using methods similar to the trend technique for the organisation, you could determine for your unit whether it would need more employees because of a change in product or service demand. Finally, as the unit manager, you should prepare an estimate of total employment needs and plans for how the unit can fulfil these needs.

Creation of a HR/staffing plan

Now that you have been exposed to techniques employed in HR planning, let us look more closely at those factors – both internal and external – which contribute to and influence the final outcome of the staffing plan.

Internal considerations

As people are leaving the organisation, we often will have to replace them. In small organisations, a person's departure will be more evident than in a large organisation. Staffing planners will be concerned with the average number of employees who leave and therefore need replacing in order to maintain a constant number of employee resources in the organisation.

Wastage analysis

In large organisations, it requires a far more rigorous calculation of wastage than the rule of thumb and management-owner discretion in smaller firms. The simplest way of calculating wastage is through a turnover analysis that reviews features such as the positions being vacated, the average ages of the people leaving, the type of skills being lost, and so on. Such an analysis gives only a broad picture of the current state of employees and it is usual to consider a 25 per cent turnover rate as acceptable in modern large organisations. If the turnover analysis approaches 30-35 per cent, then the situation warrants deeper analysis.

There are features that the turnover analysis will not reveal. So, you may prefer an alternative calculation called the Labour Stability Index. This index is calculated from the following formula:

$$\frac{\text{Number of employees exceeding one year's service}}{\text{Total number of employees one year ago}} \times 100 = y\%$$

This calculation formula calculates and emphasises those who stay and is hence known as a stability index. Its importance can be demonstrated through calculation and comparison with the turnover ratio. Consider two companies:

Company X: Employed 1,000 persons in January 2000. By January 2001, 400 had “voluntarily” left. This gave a turnover of $400/1,000 \times 100 = 40\%$.

Company Y: Employed 1,000 persons in January 2000. By January 2001, only 100 had actually “voluntarily” left the company although they had been replaced four times during the year. This would again have given a turnover of 40%.

When you use the labour stability index, the picture that emerges is quite different.

Company X has a stability rate of only 60% ($600/1000 \times 100$) whereas Company Y has a far more impressive stability rate of 90% ($900/1000 \times 100$).

Today, companies use far more sophisticated techniques to be informed of and account for employee wastage more accurately. Also, modern-day companies are concerned about the length of service of employees and therefore utilise a frequency distribution of leavers by length of service.

Business objectives

To a large extent, the business objectives of an organisation will determine types and numbers of employees. If an organisation is experiencing rapid product market growth as it launches an innovative product, more staff will be required to cover the extra workload. In the short term, organisations need not recruit new employees but can ensure a supply of employees within the organisation through making short-term adjustments. Several means (such as an increased use of overtime, temporary extension of the work hours of those employed, the use of subcontract labour and the recruitment of short-term labour) can be adopted.

IF HR planning has been integrated with business strategy and planning, the launch of a new product and the projections for sales will have been taken into consideration by HR planners and they will have had more time to make resourcing adjustments. Take the case of an organisation that is contracting or restructuring into new business areas. There may be a need to temporarily reduce the numbers of staff in old business areas. Retraining and relocation packages may not be adequate to provide essential skills to the new plant or project and there will therefore be a need to downsize in one area of the business while expanding in other areas. A case in point is the replacement of clerical and book-keeping employees in the banking industry with automated technology. The use of technology requires different skills for which existing employees must be retrained or new employees with requisite skills recruited. This shows the importance of considering business objectives during the process of staffing planning and the creation of a staffing plan.



External considerations

Of all the external factors that organisations need to consider, government legislation of individual and collective labour law stands out.

State legislation

Gone are the days when employers could hire and fire employees according to their own whims and in response to market changes. The welfare of employees is being guaranteed by state legislation and initiatives of the International Labour Organisation (ILO) to the extent that many organisations and HR or staffing planners need to seek the assistance of specialist legal departments in the development and management of HR planning.

Discrimination concerning gender, race or religion is not tolerated in the labour legislation drafted by governments throughout the world in relation to recruitment, training, promotion and redundancy of employees. Since there is a worldwide outcry to grant redress to the handicapped, staffing planners may seek to maintain a fixed percentage of handicapped employees within the organisation and are quite within their rights to insist that only those deemed handicapped may apply for an advertised post.

Staffing planners also need to take into consideration the laws relating to the hours that people can be expected to work, rest periods, the provision of basic medical facilities and recently the necessity to provide facilities for pregnant employees. All these impose some restrictions on the practice of HR or staffing planning. Increasingly, organisations cannot do staffing planning in a vacuum by only considering their own operational and internal organisational needs. They are restricted within certain guidelines on what they can and cannot do in the management and employment of individuals. If you are responsible for staffing planning in your organisation, you must consider a number of legal provisions of your government as well as international conventions (particularly those of the ILO) when you develop and conduct staffing planning.

Regional development schemes

Governments in many countries have attempted to influence the directions and levels of investment through offering tax and other financial incentives for companies to establish new plants and outlets in particular regions. This is an economic and often politically motivated policy initiative to boost employment in recession hit-areas. In an attempt to boost employment in these areas, companies are offered a package of financial incentives to move to or locate new departments, factories and retail outlets in these areas.

Staffing planners need to consider the availability of labour, their skills, and cost, before planning new production facilities and so on. Imagine your organisation is going to invite a foreign investor and you are asked to prepare HR plans for the new installation. Considering the availability of skilled labour and their cost, you may recommend a particular region

of your country as a suitable location for the new plant. Also, investment promotion zones in some countries give incentives such as tax holidays.

Micro-level factors

In preparing credible staffing plans, you need to focus attention on the nature of local labour markets. In successful HR planning, information not only on the immediate local labour market needs to be considered but also the age, skill and cost profiles of each local labour market need to be compared. By doing this, you will note that the organisation plans so that it can address resource implications of organisational expansion, contraction and structural change in terms of quantity, quality and price. In other words, the planner must look at a variety of factors as well as compare different labour markets.

Different local labour markets offer different average age-skill profiles that could be important for organisations seeking to recruit young employees. To derive the benefit of cost advantage, organisations might seek to locate new plants in areas where unemployment is high. This, to a great extent, guarantees the availability of sufficient employees and, as economic theory would predict, there is a tendency for wages to fall as supply exceeds demand. This is evident when regional economies are depressed.

Analysing demand and supply

After having taken into account the external and internal considerations in the development of the staffing plan, you are now able to analyse the net demand and net supply of new and current employees.

There are two distinct stages in the planning process:

1. An analysis of the current state of play in the organisation's human resources
2. An analysis of the future plans and requirements of the business.

You would have seen that HR or staffing planning can predict and project the availability of current staff. The reason for such predictability is because staffing flows tend to follow a fairly predictable pattern. Thus, a good staffing plan is able to:

- Identify which employees are likely to leave.
- Predict where they are likely to leave from.
- Estimate the rate at which they leave.
- Assess the training implications arising from the need to keep a constant flow of suitably qualified employees to fill vacant positions.

The HR planner should be able to predict any change in this pattern since he/she should at this stage have a fairly comprehensive understanding of the variables which impact on the patterns of employment. Also, it enables the organisation to avoid surprises or shocks through careful monitoring of these variables. Further, adjustments can be made



rationally and smoothly in order to avoid difficulties in the conduct of its business.

HR/Staffing planning in practice

Only a few organisations practise theoretical and statistically sophisticated techniques for planning, forecasting and tracking of employees. The ones that do are usually large scale and bureaucratic.

In 1975, an Institute of Personnel Management (IPM) survey of staffing planning found that 8 per cent out of the 308 organisations which responded to the survey claimed to do some sort of staffing planning. The respondents to the survey were drawn from a wide variety of establishments in varying size and industry. The respondents were also senior personnel specialists and were therefore in a position to indicate whether the organisation was using staffing planning techniques and processes. There were apparently a number of problems in the consistency and application of staffing planning as further analysis of the IPM data revealed that:

- Only 59.3 per cent prepared forecasts for the organisation as a whole.
- The vast majority (91 per cent) claimed to produce staffing forecasts for managers but only 15 per cent responded that they developed forecasts for apprentices.
- More than 50 per cent of the organisations had only introduced staffing planning in the past five years and 64.9 per cent claimed staffing planning suffered from a lack of senior management involvement (This situation suggests that the actual practice of staffing planning as conceived theoretically in terms of stable and long-term coherency was far from typical).
- 83.1 per cent of the respondents strongly agreed that staffing planning suffers from a lack of understanding of what it is.
- 76.9 per cent claimed to agree that staffing planning suffers from a lack of data in forecasting employee demand and supply.
- 66.5 per cent of the respondents agreed that staffing planning also suffered from a lack of personnel qualified for planning.

Most organisations claim staffing planning is an ambiguous and poorly defined area of personnel management in which there are insufficiently qualified personnel to practise it. Further, it uses inadequate data when it is being practised. Hence, it appears that the practice of staffing planning needs much improvement.

Many studies confirm that the practices and techniques associated with theoretical models of staffing planning are not used. Even basic raw data about the employed population in many organisations do not exist in a usable form for planning purposes.

At a time when many organisations and consultants are extolling the virtues of strategic HRM and the evidence which suggests that it is those companies – IBM, Rank, Xerox and British Airways – which practise so-called human resource management that will be the future market leaders (Peters & Waterman 1982), it might seem odd that strategic staffing planning is not being widely practised. However, organisations need to turn to innovative practices in staffing planning if the traditional bureaucratic conception of staffing planning does not conform to the changing times as organisations need to be flexible to survive. According to Ivancevich (1998), HR planning/staffing planning goes hand in hand with an organisation's strategic planning. Strategic planning refers to an organisation's decision about what it wants to accomplish (its mission) and how it wants to go about accomplishing it. Although HR planning is important for developing a strategic plan, it is perhaps even more critical to the implementation of that plan.

The management of change: HR planning and future direction

Is the practice of HR planning (HRP) entirely different to staffing planning?

In HRP, the manager is concerned with motivating people – a process in which costs, numbers, control and systems interact and play a part. In staffing planning, the manager is concerned with the numerical elements of forecasting, supply-demand matching and control. (Bramham, 1989)

In a survey carried out by IPM in 1988, systematic human resource planning was being surveyed to find out the extent of its use. HR planning was defined as long-term strategic planning of human resources concerned more with the development of skill, quality and cultural change than statistical numerical forecasting, succession planning and hierarchical structures. The results:

Of the 245 respondents, more than 60 per cent claimed that they were now practising human resource planning in terms of the identification of future training, retraining and development needs. The least-popular practices were those associated with the “analysis of the labour costs and productivity of competitors”, the “communication of future HR plans and intentions to employees”, and the “monitoring of HRP practices to ensure achievement of cost objectives.”

The private sector seemed to have used most of the practices associated with human resource planning. Perhaps, the large and bureaucratic nature of most public sector organisations did not permit the exercise of radical and innovative techniques designed to develop the individual as a quality resource as recommended by human resource planning.

Many management gurus, consultants and academics agree that markets, machinery and the money are available to all organisations; success goes



to those organisations most able to recruit and develop the right people and not just at the top.

During the recent past, HR planners have been confronted with two major issues: the implications of demographic changes and the need for flexibility.

Demographic changes

There is concern among HR planners about the changing composition of populations. Some countries like the U.K. have projected that the number of young people coming to the labour market is on the decline. With the decline of birth rates and death rates, age compositions of populations are changing quite significantly. In countries where there are high rates of unemployment among the youth, innovative schemes need to be thought of in terms of HR planning.

A superficial study of the recent editions of *Personnel Review*, *Personnel Management* and the *International Journal of Staffing Planning* shows the current interest in innovative labour practices such as labour contracts, part-time labour, job-sharing temporary employment contracts and the potential for mature returnees to the labour market. It is generally argued that industry and business are increasingly demanding more skilled labour and that relatively unskilled, manual labour and blue-collar jobs are in terminal decline, being replaced by more highly-skilled computer programmers, professionally technically qualified managers and other service sector functions.

Flexibility

Given the competitive nature of the business world, HR plans need to be flexible. Three forms of flexibility have been recommended when preparing staffing plans. These are: (1) numerical, (2) financial, and (3) functional.

1. **Numerical flexibility:** Organisations such as banks and retail stores that have predictable and stable patterns in the fluctuation of business activity could have a numerically flexible labour force. For instance, banks experience busy periods in the day – such as, during lunch hours. By having pools of labour resources that can be called at short notice when their services are needed, organisations can cut waste by not having idle labour. Banks call such labour pools “keytime labour”. HR or staffing planning uses its employees like a tap which can be turned on and off at will in response to demand cycles, customer arrival patterns, and servicing peaks and troughs.
2. **Financial flexibility:** Companies are seeking to pay individuals a more flexible wage in keeping with their performance and productivity. This is quite different from the practice of paying the going rate or a collectively negotiated wage. By doing this, HR planning keeps costs under control and avoids the rigidity in staffing plans that can arise because of fixed wages. You would

have experienced in your organisations that financial flexibility allows HR planners to vary employment levels and the number of employees in individual departments.

3. **Functional flexibility:** This aspect of flexibility attempts to remove rigidities and demarcations in organisations. Organisational rules, regulations and employment practices often prevent employees from performing a range of tasks and exercising multiple skills. Today, organisations increasingly seek the shifting of employees throughout the workplace, thereby encouraging employees to develop a multiple range of skills and aptitudes.

A result of flexibility and flexible staffing planning is a de-layering of managerial hierarchies and a breakdown of the typical pyramid structure of organisations. Therefore, promotions and traditional hierarchical development may not be feasible. Rigidity in hierarchies and functional structures of responsibility, seniority and status will have to give way to fluid and rapid change at the operational level. In view of the above, this form of flexibility is considered to be the most important development in staffing planning and justifies the title “HR planning”.

HR audit, Inventory and human asset accounting

Human resource accounting may be defined as the measurement and reporting of the cost and value of people as organisational resources. It involves accounting for investment in people and their replacement costs as well as accounting for the economic value of people to organisations.

If you owned a company, you would be concerned about the people who work for you and would regularly ask, “Where are we now?” You would want to check the status of the staffing from time to time to ensure that your company has the right number of people and that they possess the right skills, and so on. In a human resources inventory (HRI), you will take stock of current staffing in terms of numbers and skill levels.

An HRI can be defined as:

A list of employees currently in the roll of an establishment giving information such as trade, grade, qualification, skill, age, experience, present appointment held, etc.

Staffing table

In its simplest form, HRI consists of developing a staffing table that has a summary of how many persons currently hold and perform the duties of each job. In such a table, it is assumed that present appointments define the level of capability of each individual who is holding such an appointment. Do you think that this assumption is realistic? Have you seen such a table in your organisation? If not, have you seen it elsewhere?

It is appropriate for you to challenge the assumption that each individual’s level of capability is defined by the appointment he/she



holds. There are probably many whose capabilities are not fully utilised in the present appointments they hold and others who are “square pegs in round holes”. This issue may be addressed through the preparation of capability (skill) inventories that are described in the next module.

Capability (Skill) inventories

A realistic HR inventory (HRI) is in fact a capability inventory that takes into account availability of talents, aptitude and skills of existing employees, irrespective of whether such employees are presently appointed to their appropriate fields or posts. The preparation of a capability inventory naturally must follow different assumptions and procedures than those in the preparation of a staffing table. You may have come across many employees in your workplace who have additional capabilities which the organisation never makes use of. In a skill inventory, all those additional skills would be recorded so that these persons can be employed advantageously and more effectively when vacancies arise in the future. In SWOT analysis too, HRI is an important document to assess the organisational strengths and weaknesses in terms of knowledge and skill the organisation possesses.

Human resource information systems (HRIS)

In our organisations today, the use of technology has eased storage, classification and retrieval of information. With the availability of computers and software programs, compiling and storing data of personnel HRIS is becoming more meaningful. It makes the whole process convenient to store the voluminous information and retrieve at will. HRIS could be very useful for career plans, promotions, increments, transfer, etc. Most organisations prepare what is known as an executive resource plan (ERP), the basis of which would be an executive resource inventory (ERI). This is prepared using the same format as for the capability inventory but with minor variations to feature managerial capabilities.

Labour market survey

Labour market – a definition

The term “labour market” refers to the large number of changing influences and activities involving labour demand and supply which themselves greatly depend on economic conditions. From the organisation’s point of view, the numbers and types of employees needed during a given period reflect the relative demand for labour. From the individual’s point of view, a part-time job as a cafeteria helper or a 30-year progression from a personnel assistant position to vice-president of HR/personnel are both instances of supplying labour.

What do you perceive as a labour market? If you think about it carefully, the behaviour of the labour market directly influences the personnel function. People in large numbers may have come to your organisation seeking jobs. This happens when there are more workers than jobs and employers find recruiting costs minimal. In this situation, employees seek

job positions and apply readily and the employer may be able to choose from among a number of qualified applicants. Work attitudes tend to be work-ethic-oriented. What do you understand by this term? Let us explore.

Historically, cultures and individuals have had two fundamentally opposing attitudes to work.

1. **Instrumental attitude:** Work is a means to another end and usually an unpleasant means. We work so that we can reach the goals we seek and to pay our expenses.
2. **Work ethic attitude:** Work is a satisfying end in itself. By performing work, we can find self-fulfilment as well as finding satisfying and even pleasurable results.

Of the two identified above, what is your attitude to work? Attitudes towards work evolve from one's culture, education and work experiences and are therefore complex. Although there is some tendency among blue-collar and clerical employees to hold instrumental attitudes, professional, technical and managerial categories hold the work ethic attitude.

Naturally, you will notice that output rises and performance evaluation can be a motivating experience when the work ethic predominates in employee attitudes. Also, there will be a significant decrease in disciplinary problems, absenteeism and turnover.

Getting back to the nature of the labour market, every employer must be aware of several labour markets. Your primary concern is with the local labour market which supplies most blue-collar and white-collar employees. You are able to draw your requirements from the markets that are immediately close to you. However, in the case of managerial, professional and technical employees, you would have to draw your people from a regional or national market. It is very likely that the local labour market is different from regional or national markets. If the national and local labour markets differ significantly, there will be some exchange between them.

As in the case of local and national or international markets, labour markets will have geographic differences. There are also markets organised by skills and age cohorts. For instance, if you are seeking a computer programmer, it is not much help if the labour market as a whole has a surplus in general but programmers are scarce. Be aware that the supply of labour with a particular skill is related to many factors such as:

- The number of persons of work age.
- The attractiveness of the job in terms of pay, benefits and psychological rewards.
- The availability of training institutes and so on.

By now, you should be able to understand that the personnel function is affected fundamentally by the nature and state of the labour market in the organisation's location, in the region, the nation and the world as well as



by the kinds of employees the enterprise seeks. The labour force is so significant that it needs to be examined in sufficient depth. The next modules examine it by major subcategories such as various demographic factors.

Defining and measuring the labour force

Data sources

In many countries, there are departments of labour statistics which collect and publish labour market data. Government and local agencies, employer organisations and private research agencies also collect and publish labour market data.

The U.S. Bureau of Labour Statistics (BLS) publishes much of its labour force information from the data gathered in the Current Population Survey (CPS). It uses the definitions shown in the following table. Unemployment figures do not include discouraged workers who may have given up trying to find jobs. Nor do the figures reflect underemployment.

Term	Definition
Labour force	All non-institutionalised individuals over the age of 16 who are working or actively looking for work.
Employed	Any work for pay during the reporting week as an employee; an independent professional or a self-employed person; or a person who works 15 or more hours of work as an unpaid family worker. Persons who are temporarily sick, on strike, unable to work because of bad weather, or on vacation are considered employed.
Unemployed	Persons now not employed but looking for work (at some point within the last four weeks). This includes those waiting for recall from layoff or due to report to work in the next 30 days. Unemployed persons include job losers (layoffs), leavers (voluntary quits), re-entrants (out of the labour force for over two weeks but now looking for work) and new entrants (persons looking for a job for the first time).
Labour force participation rate	The number of persons in the labour force divided by the total number of non-institutionalised individuals over the age of 16.
Unemployment rate	The proportion of the labour force that is unemployed.
Separations	Persons leaving employment due to resignation, layoff, retirement, discharge, death or induction into military service.
Accessions	Persons added to payrolls as new hires or recalls from layoffs.

Table 3.1

Source: (Heneman et al., 1976)

Other data

In your country too, there will be government and non-government institutions that are primarily concerned with data gathering. As you have understood, a variety of data is available to help organisations and HR planners to make decisions regarding employment situations. Labour force participation rates and wage surveys are other data that are useful for HR planners. For individual counsellors and organisations involved in career planning, occupational outlook information is available to be used for projecting future employment demands and patterns.

Trends in labour supply

As you can see from the foregoing definitions, people above a certain age within the population of a country are considered to be in the labour force. Of these, a certain number are in employment with the balance being unemployed. The age at which people are considered to be active in the labour force varies from country to country. The proportion of the number of people in the labour force to the total number that are eligible to be in the labour force therefore also varies from country to country. A variety of factors influence the labour force participation of the people. Some of these are demographic factors while the others relate to economic and social conditions which fluctuate ever so often in many countries.

Changes in the composition of the population

Are you comfortable with the fact that the labour supply of a country can significantly vary with demographic changes taking place over a period of time? For instance, a decline in the birth rate of a population means that the number of young entrants into the labour market will decrease as these age cohorts reach the age of being considered part of the labour force. Therefore, the labour force participation rate depends to some extent on the demographic composition of the population at any given time. When HR planners look at these data, the past labour force data are also important as the behaviour of the labour force reveals certain trends that allow planners and policy makers to make projections. For most countries, the participation rate for men is higher than for women and people between the ages of 25 and 54 participate at higher rates than those younger and older. As mentioned above, significant changes in population policies may lead to increase or decrease in birth rates and that will have an influence on the participation rates.

Subgroup participation changes

With increased levels of literacy and policies ensuring equal employment opportunities, more women are coming into the labour market and thus signalling a marked change in the participation rates. The enhanced levels of participation of women in the labour market will be discussed in detail in the next module. There have also been changes in participation rates of various age cohorts. In many developing countries, a large number of young people seek employment and this number has been on the increase. Similarly, in many countries where there was a decline in birth rates



during the 1970s and the early 1980s in countries such as Japan and the People's Republic of China, their labour force will be ageing.

Labour force quality

Examine the labour statistics of your country. You will notice that participation rates of different age groups in the labour market have changed considerably over a span of 20 years.

Level of education

With increased educational opportunities, there have been great strides in the educational attainments of those entering the labour market. More high school and university graduates are entering the labour market. This has an impact on those holding certain jobs. As the educational attainments of those who enter the labour market increase, those having lower levels of education and already holding jobs will be vulnerable.

Women in the labour force

In recent years, there has been a substantial increase in the participation rates of women in the labour market. This will be evident if you examine your country's labour force statistics for the 1980s and the 1990s. In general, the number of married women in the labour force has also increased. Equal employment opportunities and more access to education have been two reasons for the increased participation of women in the labour force.

The older employee

In order to protect the older worker, countries like the United States have adopted age discrimination legislation that defines an older employee as one between the ages of 40 and 65. In the U.S., currently approximately 23 per cent of the labour force is in this category. This portion of the labour force is protected because some employers hold negative stereotypes about older workers. So, employers may find it difficult to accommodate older employees; first because of such negative stereotyping and also because more qualified younger persons are available. Another reason for employers' negative attitudes towards older employees is the assumption that the employee is less-qualified and less able to adapt.

Handicapped workers in the labour force

Increasing numbers of employees are coming into the labour market with various physical disabilities. Employers today are more accommodating to employing handicapped persons than they were a decade or two ago. This is partly due to the legislation mooted by the United Nations (U.N.) and affiliated agencies to afford some relief to the handicapped in the labour market. Many governments have passed legislation providing a definite percentage of employment opportunities to the disabled and handicapped. The entry of handicapped persons into the labour market has seen substantial changes in the facilities that employers have had to provide to their workforces.

Even with legislation providing for such employment, many handicapped persons have had great difficulty finding employment of any kind because employers and fellow workers believe that they could not do the job or would cause an excessive number of accidents. Employers also fear that it will be costly to employ handicapped workers because infrastructure requirements such as layout changes, special workstations, ramps to replace or be in addition to stairs, provision of special toilets and other such special facilities entail high direct costs as well as higher rates of compensation and insurance.

Have you ever observed people using their faculties to do a particular job? It would have been quite evident that few people use all their faculties on a job. Many jobs can be found for those who do not possess all their faculties. In two thorny issues (absenteeism and turnover) that concern employers, employers can take consolation that these are not much of an issue when it comes to handicapped persons. This may be added to two reasons: (1) the handicapped have had their abilities matched to their jobs better; and (2) most handicapped workers seem better-adjusted to working and are thus better motivated to do a good job as they have more favourable attitudes towards work.

As you will agree, some handicapped persons are physically or psychologically unable to undertake any form of work. Some are marginally employable and they can work in light jobs without much stress and strain. However, for those able to work, it is most important that you treat them as you would treat other workers. In the case of most handicapped persons, they will respond better to fair treatment than to paternalism. All they want is an opportunity.

We must start perceiving handicapped workers as an asset rather than a liability. It is in the interest of your country's economy that you should perceive them so because you would then be able to transform them from being a nation's liabilities to being the nation's assets. In general, it is also important to the affected individuals to be able to acquire employment and thus attain economic and psychological independence.

Part-time and full-time work

Part-time work has increased during the 1980s. Usually, a part-time worker works less than the normal rate of 40 hours a week (or whatever the country's norm is). To understand the notion of part-time work well, you have to draw a distinction between voluntary and involuntary part-time employees. A person who is working part-time because he/she cannot get full-time employment is involuntarily a part-time employee for whom the position means something different than to a co-worker who wishes for a part-time assignment.

The major groups of part-time workers are:

- **Women:** Traditionally, with the responsibilities of running homes and child-rearing, more women have preferred to work part-time. Furthermore, some experts have found that more



husbands would rather have their wives work part-time than full-time.

- **Students:** In developed countries such as the U.S. and the U.K., a large number of students between the ages 18 and 24 enrolled in higher education institutions work part-time. In the U.S., students work 20 hours a week on the average.
- **Retired and older persons:** In order to keep active and to supplement any retirement income or social security payments, a number of older citizens work part-time. Most of these persons are highly skilled and could serve as training resources to new recruits.
- **Persons with a physical or mental disability:** Part-time work is often more suited for handicapped and disabled persons. In some specific disabilities, only part-time work enables individuals to work without aggravating their disabilities.

While most part-time work is in the service industry, there are also numerous opportunities in the retail and wholesale trade as well as in manufacturing.

In a great number of circumstances, there are many advantages (such as flexibility in scheduling, ability to spend more time with their families, additional compensation and stabilisation of employment) in part-time work for employees. For employers, there are however also certain disadvantages such as part-time work requiring additional training and record-keeping expenses and lack of protection from trade unions. Trade unions sometimes oppose the use of part-timers who are viewed as robbing work opportunities from additional full-timers who would become their members.

Trends in labour demand

It is the consumer that determines the demand for labour in any industry. Labour is employed to produce either goods or services. From time to time, consumers change their preferences. Hence, the volume of demand for particular products and services also changes – thereby directly affecting the demand for labour.

For you to understand this phenomenon well, take the case of robots or programmable mechanised systems in manufacturing. The cost of robots over a period of time has become affordable and some manual work in many industries is now handled by such equipment (welding, painting and other assembly operations in car manufacturing). This has had a profound effect on the demand for labour in new plants in certain industries.

Implications for HR/personnel activities

If you are engaged in HR or personnel activities in your organisation, you would realise that major trends in the supply and demand of labour do concern you. The reason should be clear to you. Let me explain it further.

When there are changes in the supply and/or demand, there are opportunities as well as potential problems. In many countries, low birth rates are causing concern among HR professionals. There will be a dearth of young people in the labour market. At the same time, higher levels of education raise the expectations of people. As a result, certain categories of labour (such as non-skilled manual workers) would be in short supply. HR personnel are called upon to find solutions to problems of this nature. As you have seen earlier in this module, many factors influence the nature of the labour market and HR personnel will have to be vigilant to address some of the emerging issues.

Succession planning

In your organisation, have you ever come across the phenomenon of succession planning? What really do you understand by this term? It is basically a plan for identifying who is currently in a post as well as who is available and qualified to take over in the event of retirement, voluntary leaving, dismissal or sickness. A typical succession chart includes details of key management job holders and brief references to their possible successors.

Succession planning is a strategic activity in an organisation. As such, it should be managed not as a year-round activity but as a year-round guide. It is unreasonable to expect that the opening of a key position will be filled by the chosen successor and things will proceed smoothly from there. Like all other plans, a succession plan is simply a plan. A plan is a set of intentions based on a set of assumptions at a given time. Given new information, both the assumptions and the intentions may change over time. In organisations today, actual succession decisions are made as the need arises based on the latest information that includes, but is not limited to, the succession plan. Therefore, as with other forms of business planning, succession planning should provide a framework in which to make everyday decisions; it should not provide the absolute decisions. With this understanding, managers should redefine their expectations of succession planning and conceive of it as a strategy.

Assessment centres

When job vacancies are anticipated, several policy decisions must be made. A basic one involves the relevant candidate pool. We could limit our discussion to those already in the organisation by discussing filling the anticipated vacancy from only among internal candidates.

Assessment centres provide a means of systematically gathering and processing information concerning the promotability (as well as the development needs) of employees. Such centres provide a more comprehensive approach to selection by incorporating a range of assessment techniques. Some of the salient features of assessment centres are:

- Those assessed are usually lower level to middle level managers.



- Multiple predictors are used – at least some of which are work samples (for instance, in-baskets and leaderless group discussions).
- The focus of the assessment centres is on behaviour.
- Exercises are used to capture and simulate the key dimensions of the job. These include one-to-one role plays and group exercises. The assumption here is that performance in these simulations predicts behaviour on the job.
- Assessments are made off-site to ensure standardised conditions.
- A number of people (raters) are used to assess or rate the candidates. They are carefully trained and their ratings are made using standardised formats. Using multiple raters increases the objectivity of assessments.
- Raters must reach consensus on those being assessed wherever possible.
- Final reports may be used to make decisions about both internal selection and employee development although assessment centre results are rarely the only input in either area.
- Assessment centres are costly to run but the benefits have the potential to outweigh these costs by a substantial margin.

Unlike other promotion predictors, considerable research has been conducted to determine the reliability, validity and fairness of the assessment centres. Most have been supportive. Inter-rater reliability is generally high as have been the validity coefficients.

Although the costs of running assessment centres are high, they can provide real benefits, indicating the extent to which candidates match the culture of organisations. Assessment centres are most appropriate when candidates are being considered for jobs with complex competence profiles. A well-operated centre can achieve a better forecast of future performance and progress than judgements made by line or personnel managers in the normal, unskilled way.

Employee replacement chart

In an employee replacement chart, the basic information provided is a hierarchical representation of the positions within an organisation and the names of their current holders. Also indicated are those who are candidates for promotion to each position. Present performance is indicated along with the age of each person and each employee's promotion potential is also indicated through a coding system.

Career management

The day you accepted a job with your first employer, your organisational career began. It may have lasted only a few hours or days (for temporary employees) or continued for 30 years or 40 years. Also, it may have involved only a single job in a single field in a single location or a series

of several, usually progressively higher level jobs in many different areas located throughout your country or several countries. Although the organisations with whom you have served may have influenced the course of your career, you yourself would have had much to say about them.

Partly through the actions you have taken to develop or create opportunities for movement and advancement and partly through your responses to the various opportunities that came your way, you have been able to advance in your career.

You would have realised over the years how systematic you had to be in planning your career and the effort required to make career moves and adjustments. Many authors have pointed out the potential advantage of a comprehensive effort towards career management.

Many argue that high quality career management is more critical now than ever before because of recent competitive pressures as well as the accompanying restructuring and downsizing which have led to many traditional career opportunities drying up. Many companies are now engaged in comprehensive career management programmes comprising the three major components: planning, development and counselling.

Career planning

This is the process you would have used to assess your opportunities as well as your strengths and your weaknesses as you developed goals and action plans to move your career in the desired direction. Although you may have done many things and assumed responsibility for your own career planning, there is much that organisations can do to help.

Organisational component

Think of the organisations you served over a period of time. They would have provided you with information about potential career opportunities and organisational perceptions of their readiness or long-term potential to assist you. Potential career opportunities were identified by delineating possible career paths, job requirements and estimates of future job openings. Career paths are typically aimed at focal jobs to which many people aspire. These include positions such as production manager, personnel manager, marketing manager, and so on.

Career path information can come through historical data or job progressions based on knowledge, skill and ability requirements. Information about jobs and their requirements is obtained through job analysis which is the subject of previous module.

Were you not keen to know your chances of progressing to a particular job at some time or the other in your career? No doubt you were. Employees need to know their chances of progressing. Data is gathered through a variety of sources to make available such information to employees. Processes such as supervisor assessments, assessment centres, managerial reviews and succession planning make a pooled knowledge



base through which high potentials are identified and ensure that planned career moves and development activities are carried out.

Individual component

Smart employees also engage in their own career planning as you will probably have done. It is necessary that you take a critical look at your strengths and weaknesses and use the findings to orient your career in the direction you want. You could also work with your supervisors on a career plan for yourself.

A typical career planning process involves four major steps:

1. A self-assessment of one's values, long-term concerns, interests, strengths and weaknesses. Also included may be ratings of one's current performance and longer-term career potential as assessed by the organisation.
2. Information gathering about career opportunities both inside and outside the organisation.
3. Establishing career goals at least for the foreseeable future. It is at this point that one must genuinely face the facts generated in the preceding steps.
4. Developing action plans to achieve career goals within established timeframes.

Career development

Career development is the process through which action plans are implemented. Developmental activities include all of the off- and on-the-job training techniques. Have you at any time taken specific steps towards developing your career? List them. You might have engaged in classroom training (in-house or at universities) or opted for special job or task force assignments or perhaps job rotation, especially early in your career. You may have realised that lateral moves and promotions are more difficult to use for developmental purposes.

Career development is where individual career plans encounter organisational realities. Individual development interacts with the organisation and its development through the individual's career. Career development is therefore of significance for both an individual and an organisation as well as for human resource development.

Think back to your career. Were there not times when your career plans were not in congruence with organisational objectives? Where there is no congruence, the individual has three alternatives:

- Stay on and attempt to show those making the assessments and developmental assignments that they are wrong.
- Reassess career plans.
- Seek opportunities elsewhere.

Concept of career

Most of us understand the meaning of the term “career” as it is used in everyday language. Technically, the concept is complex with several levels of meaning. In order to make it clear, here are two much-quoted definitions:

... a succession of related jobs, arranged in a hierarchy of prestige, through which persons move in an ordered, predictable sequence. (Wilensky, 1960, p. 554)

... a career consists, objectively, of a series of status and clearly defined offices . . . subjectively, a career is the moving perspective in which the person sees his life as a whole and interprets the meaning of his various attributes, actions and the things which happen to him. (Hughes, 1937, pp. 409-10)

Like Hughes, the literature often makes the distinction between the objective and the subjective career; human resource development is clearly concerned with both. Take your career for the purpose of further discussion. As you become more skilled and flexible, you tend to gain more opportunities for promotion or other intra- or inter-organisational moves: your learning and development affect your objective career. Would you agree that this learning and development also influences the way you view yourself, the rewards you gain from your work, your relationship with your employer and the role of work in your life: your subjective career?

Theories of career development

Traditional theories can be classified into several families as follows:

- Theories concerned with external influences upon the individual’s career:
 - Economic and labour market theories
 - Social structure and social mobility
 - Organisational and occupational structure and mobility.
- Theories concerned with factors internal to the individual:
 - Factors such as age and gender
 - Psychoanalytical explanations
 - Lifespan development
 - Implementation of self-concept
 - Matching personality and occupation.
- Theories concerned with the interaction of internal and external factors:
 - Decision making
 - Social learning.



- Theories concerned with the interpretation of the individual's subjective experiences.

Characteristics of traditional theories of career

There are certain characteristics in the traditional theories of career, and these are:

- They are more frequently formulated from a positivist rather than a phenomenological or constructionist approach.
- They focus upon objective experience rather than subjective experience.
- They emphasise intra-individual factors rather than contextual factors.
- They disregard the significance of gender, race and social class.

You should bear in mind that these traditional theories are now starting to be somewhat irrelevant as the kinds of organisations, their environments and individual needs, expectations and values to which they once referred are disappearing. However, they will not disappear altogether but will be around for some time. So, you should be aware of them and their limitations.

Module Summary



Summary

In a traditional sense, staffing planning attempted to reconcile an organisation's need for human resources with the available supply of labour in the local and national labour market. In many organisations, specialist units within personnel departments may be established to concentrate exclusively on staffing planning. In the current pursuit of HRM, many organisations appear to be replacing staffing planning with employment planning, the personnel process that attempts to provide adequate human resources to achieve future organisational objectives.

All organisations perform HR or employment planning, informally or formally. The major reasons for formal HR planning are to achieve more satisfied and more developed employees as well as more effective equal employment opportunity planning.

HRM theory recognises that the HR department should be an integral part and a member of the business strategy-making body. As time passes, working environments change internally as well as externally. HR plans depend heavily on forecasts, expectations and anticipation of future events. Planning involves developing alternatives and contingency plans.

A number of factors will influence what is required of forecasting to assure satisfactory future staffing. Planners have a choice of employment forecasting techniques of different levels of sophistication to focus on both the internal considerations and the external factors that influence the final outcome of the staffing plan. However, only a few organisations practise the most theoretical and statistically sophisticated techniques for planning, forecasting and tracking of employees.

In staffing planning, the manager is concerned with the numerical elements of forecasting, supply-demand matching and control. HR planning is defined as a long-term, strategic planning of human resources concerned more with the development of skill, quality and cultural change than statistical numerical forecasting, succession planning and hierarchical structures.

The term "labour market" refers to the large number of changing influences and activities involving labour demand and supply which themselves greatly depend on economic conditions. From the organisation's point of view, the numbers and types of employees needed during a given period reflect the relative demand for labour. The age at which people are considered to be active in the labour force varies from country to country. A variety of factors influence the labour force participation of the people.

Part-time work has increased for decades. To understand the notion of part-time work, we have to draw a distinction between voluntary and involuntary part-time employees. If you are engaged in personnel or HR



activities in your organisation, you would realise that major trends in the supply and demand of labour concern you. Succession planning is a strategic activity in an organisation. As with all other plans a succession plan can change as its determinants change.

Many companies now engage in comprehensive career management programmes comprising the three major components: planning, development and counselling. A typical career planning process involves four major steps. Career development is the process through which action plans are implemented. Career development is therefore of significance for both individual and organisation as well as for human resource development.

Assignment



Assignment

1. Prepare a staffing table for your unit in your organisation. Indicate in it the movements of your employees, giving details of retirement dates, probable dates of promotion, and so on.
2. Consider your workplace and prepare a HRI. If the organisation is large, select a department and prepare a HRI for that department. Use your skill and creativity to design a form to extract information. Remember to provide for collecting information on additional skills of employees.
3. Consider your workplace and identify a department or a division where there are a significant number of both non-managerial and managerial personnel. How many are instrumental-oriented and how many are work-ethic-oriented? Devise appropriate criteria to identify people into one category or the other.
4. Compile a list of types of labour market data available for manpower planners, decision makers, employment counsellors and those who do career and vocational counselling. You can obtain specific reports from various sources such as the Statistics Department, the Labour Department and the Manpower Planning Unit.

Assessment



Assessment

1. Can you record the HR planning practices in your organisation or any other organisation? Discuss as to how those practices differ from established practices of well-run organisations. Do you feel that HR planning practice is characteristic of one or the other in your organisation or the organisation you have selected? Provide supporting reasons. (You may have to talk to the HR personnel of the organisation you have selected to obtain further information)
2. What are the current practices in HR planning in your organisation? How often does your organisation engage itself in HR planning? Discuss with your HR department the modalities of preparing HR plans. List the factors they consider to be most important in preparing HR plans.

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