HUMAN RESOURCE PLANNING

DEFINITION OF HR PLANNING

Human resource planning is a process by which an organization ensures that it has the right number and kind of people at the right time, capable of effectively and efficiently completing those tasks that will help the organization to achieve its overall strategic objectives.

Robert L. Mathis & John H. Jackson, Human resource planning is the process of analyzing and identifying the need for and availability of Human resources so that the organization can meet its objectives.

HR Planning is the process by which management attempts to provide adequate human resources to achieve organization objectives.

Human resource planning is the process of systematically reviewing human resource requirements to ensure that the required numbers of employees with the required skills are available when and where they are needed.

WHY A COMPANY NEED SOUND HR PLANNING ?

- HR planning is the process of formulating plans to fill future openings based on an analysis of the positions that are expected to be open and whether these will be filled by inside or outside candidates. HR Planning, therefore, refers to planning to fill any or all the firm's future positions, from maintenance clerk to CEO.

- HR planning is the best thought of as an integral part of the firm's strategic & HR planning process. For example, plans to enter new businesses, to build new plants, or the reduce the level of activities; all influence the number of and types of positions to be filled.

- HR planning ultimately translates the organization's overall goals into number and types of employees needed to meet those goals.

- Like any good plans, HR plans are built on premises-basic assumptions about the future. The purpose of forecasting is to develop these basic premises.

- Planning needs the following forecast

  - One for HR Needs,
  - One for the supply of Inside Candidates; and
  - One for the supply of Outside Candidates.

HR PLANNING PROCESS

1. HR Demand Forecast

Demand forecasting is the process of estimating the future quantity and quality of people required. The basis of the forecast must be the annual budget and long-run plan, translates into activity levels for each function and department.

Managers should consider several factors when forecasting HR Needs:
- The demand for product or service
- Projected turnover (resignations or terminations)
- Decision to upgrade the quality of products or services
- Enter into new market
- Technological changes
- Organizational growth

Techniques for determining HR Requirements

- **Trend Analysis:**
  Trend analysis means study of a firm's past employment needs over a period of years to predict future needs.
- **Ratio Analysis:**
  A forecasting technique for determining future staff needs by using ratios between sales volume and a number of employees needed.
- **Regression Analysis:**
  The determination of future staff needs by projecting a firm's sales, volume of production and personnel required to maintain this volume of output, using computer and software packages.
- **Management Judgment:**
  Its rare that any historical trend, ratio or relationship will continue unchanged into the future. Judgment is thus needed to modify the forecast based on factors believe will change in the future.

2. HR Supply Forecast

The next step for the management is to determine whether it will be able to procure the required number of personnel and the sources for such procurement. Supply forecasting measures the number of people likely to be available from within and outside an organization's

after making allowance for absenteeism, internal movements and promotions, wastage and changes in hours and other conditions of work.

The supply analysis covers:

    a. Existing human resources,

    b. Internal sources of supply, and

    c. External sources of supply

a. Existing human resources

Analysis of present employees is greatly facilitated by HR Audits summarize employee's skills and abilities. The audits of non-managers are called skills inventories and those of the management are called management inventories.

Inventories of human resources are generally computerized and updated periodically. Some employers use personnel replacement chart to keep track of inside candidates for their most important positions. These show the present performance and promotability for each potential replacement for important positions.

b. Internal sources of supply

Armed with HR audits, planners can proceed with the analysis internal supply. The techniques generally used for the purposes are:

    i.   Inflows and outflows

    ii.   Turnover rate

    iii.   Conditions of work and absenteeism rate

    iv.   Productivity level

    v.   Movement among jobs

c. External sources of supply

In addition to internal supply, the organization needs to look out for prospective employees from external sources. External sources are important for specific reasons:

    i.   Organization needs to replenish lost personnel, and

    ii.   Organizational growth and diversification create the needs to use external sources to obtain additional number and type of employee.

3. HR Programming

Once an organization's human resource demand and supply are forecast, the two must be reconciled or balanced in order that vacancies can be filled by the right employees at the right time.

4. HR Plan implementation

Implementation requires converting an HR plan into action. A series of action programs are initiated as a part of HR implementation. Some such programs are

- Recruitment, selection and placement;
- Training and development;
- Retraining and redeployment;
- Retention plan;
- Redundancy plan; and
- Succession plan.

5. Control and evaluation

Control and evaluation represents the fifth and the final phase in the HR Planning process. The HR Plan should include budgets, targets and standards. It also clarify responsibilities for implementation and control, and establish reporting procedures that will enable achievements to be monitored against plan. These may simply report on the numbers employed against establishment and on the numbers recruited against the recruitment targets. But they should also report employment costs against budget and trends in wastage and employment ratios.
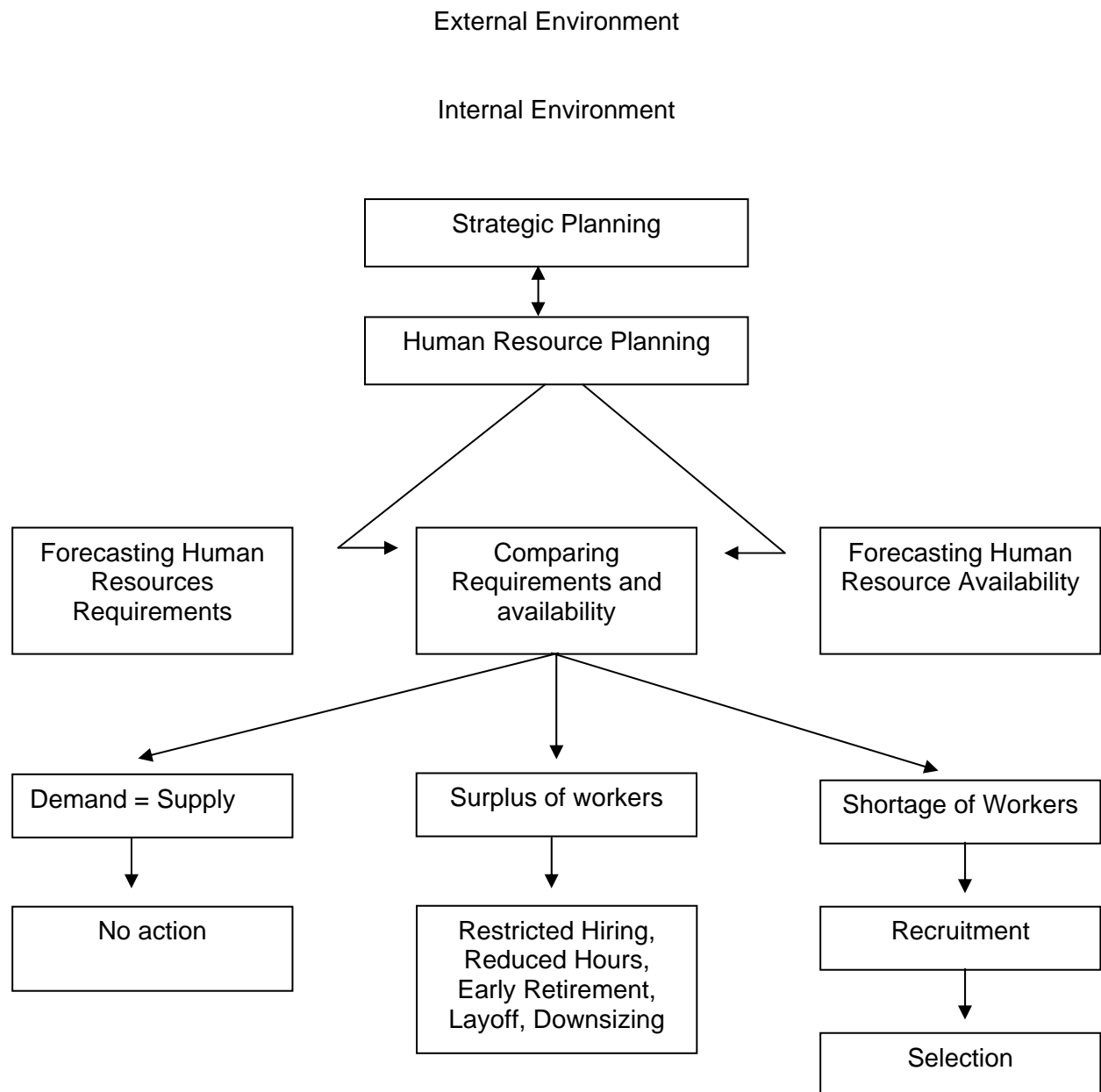
HUMAN RESOURCE PLANNING PROCESS

External Environment

Internal Environment

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                    ┌─────────────────────┐
                    │  Strategic Planning │
                    └─────────────────────┘
                              ↕
                    ┌──────────────────────────┐
                    │ Human Resource Planning  │
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| Forecasting Human Resources Requirements | → | Comparing Requirements and availability | ← | Forecasting Human Resource Availability |

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        ┌──────────────┐   ┌──────────────────┐   ┌─────────────────────┐
        │ Demand = Supply │ │ Surplus of workers │ │ Shortage of Workers │
        └──────────────┘   └──────────────────┘   └─────────────────────┘
                ↓                   ↓                       ↓
        ┌──────────────┐   ┌──────────────────┐   ┌─────────────────────┐
        │  No action   │   │ Restricted Hiring, │ │    Recruitment      │
        │              │   │  Reduced Hours,   │  └─────────────────────┘
        │              │   │  Early Retirement,│            ↓
        │              │   │ Layoff, Downsizing│  ┌─────────────────────┐
        └──────────────┘   └──────────────────┘   │     Selection       │
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Figure: Human Resource Planning Process