

## DEFINITION: HRP

**Human resource planning (HRP)** is the continuous process of systematic **planning** ahead to achieve optimum use of an organization's most valuable asset—quality employees.

**Human resources planning** ensures the best fit between employees and jobs while avoiding **manpower** shortages or surpluses.

According to E.W. Vetter viewed human resource planning as “a process by which an organization should move from its current manpower position to its desired manpower position.

According to Leon C. Megginson human resource planning is “an integrated approach to performing the planning aspects of the personnel function in order to have a sufficient supply of adequately developed and motivated people to perform the duties and tasks required to meet organisational objectives and satisfy the individual needs and goals of organisational members.”

### HUMAN RESOURCE PLANNING AT DIFFERENT LEVELS:

**i. National level** – Generally, government at the center plan for human resources at the national level. It forecasts the demand for and supply of human resource, for the entire nation. HRP at the national level helps to plan for educational facilities, health care facilities, agricultural and industrial development, and employment plans etc. The government of the country plans for human resources at the national level.

**ii. Sector level** – Manpower requirements for a particular sector like agricultural sector, industrial sector or tertiary sector are projected based on the government policy, projected output/operations, etc.

HRP at the sectoral level helps to plan for a particular sector like agriculture, industry etc. It helps the government to allocate its resources to the various sectors depending upon the priority accorded to the particular sector.

**iii. Industry level** – Manpower needs of a particular industry like cement, textiles, chemical are predicted taking into account the output/operational level of that particular industry. HRP at the industry level takes into account the output/operational level of that particular industry when manpower needs are considered

- iv. **Unit level** – This covers the estimation of human resource needs of an organisation or company based on its corporate/business plan.
- v. **Departmental level** – This covers the manpower needs of a particular

department in a company. HRP at the departmental level looks at the manpower needs of a particular department in an organisation.

- vi. **Job level** – Manpower needs of a particular job family within department like Mechanical Engineer is forecast at this level. This level of planning fulfils the human resource needs of a particular job family within department. For example, the requirement of number of sales executives in the marketing department.

## **BENEFITS OF HUMAN RESOURCE PLANNING**

- **A Better View to the business decision**

HR planning leads to a better overall view of the business's decisions by employees and the public. The actions taken by the organization become systematic and process-oriented, thus taking personal feelings out of the equation.

- **Retaining top talents**

When a human resource plan is thoughtfully executed, organizations can better retain top talents. As any organization knows, getting a talented individual hired in is only half the battle— incentivizing them to stay can be another matter entirely.

- **Addressing the organization's manpower needs**

Human resource planning identifies a company's needs with regards to manpower, thus allowing the organization to effectively address them.

- **Minimum Cost**

Attracting and retaining talent costs money, there's no getting around it. Human resource planning, however, allows organizations to minimize the money they spend on these areas, thus reducing costs overall and leading to more efficient operations.

- **Ensuring that the right people are hired**

A solid human resource strategy helps organizations attract the right person for the job. This is especially important for any type of specialized position, where a specific background or knowledge is required, but it can also extend to more general positions. Finding an employee with the right attitude, for example, can greatly improve the experience of customers at a convenience store.

- **Facilitating expansion programs**

If your business plans to expand, human resource planning can help your business prepare to do so with minimal growing pains. If you know there are going to be six openings coming up in the next year, you can begin to recruit for them now instead of waiting until it's too late.

- **Training employees**

Even the right employee for the job can't counteract a lack of training. Human resource planning considers training an important part of the recruitment and retention process.

- **Managing employees**

Employee management can be a challenge for any organization, big or small. A solid human resource plan ensures the right employees are placed in management roles.

- **Improved Utilization**

HR planning can improve employee utilization by connecting the right employee with the right position. This increases productivity and leads to a more knowledgeable workforce.

- **Management Development**

Hiring entry-level employees is tough— hiring management can be downright impossible. A human resource plan can direct your organization to potential employees that can be successfully groomed for management.

- **Information Base**

A human resource plan serves as an information base for an organization. It contains data on the organization's growth, hiring strategy, training plan, and retention. This can help the organization make more informed decisions in the future.

- **Coordination**

One result of a successful human resource plan is coordination amongst different departments. There must be communication between departments to ensure accurate job descriptions and staffing predictions, for example.

- **Corporate Asset**

A human resource plan can be a tremendous asset to any corporation, particularly larger ones or companies with multiple locations and moving parts.

- **Gradual Growth**

HR strategies can ultimately lead to gradual growth for an organization, which is sustainable and ideal. Unchecked growth can put unnecessary strain on an organization and actually harm it in the long run.

- **Coping with change**

Organizations must adapt to changes in the environment, both locally and abroad. A human resource plan can help a company adapt to changes, potentially even staying one step ahead.

## **DEMAND FORECASTING**

### **DEFINITION:**

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-term corporate plan, translated into activity levels for each function and department.

Human Resource Demand Forecasting is the process of estimating the future human resource requirement in right quality and right number. Demand forecasting is affected by a number of external and internal factors.

### **Demand Forecasting Techniques**

Forecasting techniques vary from simple to sophisticated ones. Before describing each technique, it may be stated that organisation generally follow more than one technique.

The techniques are:

1. Managerial judgement
2. Work study techniques
3. Delphi technique
4. Executive Judgment
5. Work Load Forecasting
6. Statistical Techniques

#### **1. Managerial Judgement**

The managerial judgement technique includes the bottom-up approach and top-down approach. In the bottom-up approach, line managers communicate human resource requirements to top management. Applying the information received directly from their line managers, top management forecasts human resource requirements. The end result of the bottom-up approach is a demand forecasting process that incorporates input from various departments.

#### **2. Work Study Technique**

Commonly referred to as workload analysis, the work study technique predicts comprehensive activities and production for a specified future time period. The end result of the work study technique is an estimation of the work hours required per unit produced. When estimating future work hours needed, human resource management professionals must take into consideration-

- Resignations
- Dismissals



- Strikes
- Technical difficulties
- Absenteeism
- Turnover rate

### **3. Delphi Technique**

The Delphi technique utilizes expert feedback in order to predict the human resources requirements that are necessary in the future. Human resource management professionals gather responses and develop reports that comprehensively summarize expert opinions. The process of collecting feedback and creating reports is continued until a unified consensus is reached between the experts. For this reason, the Delphi technique can be a long-term process if experts do not agree.

### **4. Executive Judgment:**

Executive or Managerial Judgment method is the most suitable for smaller enterprises because they do not afford to have work study technique. Under this method the executives sit together and determine the future manpower requirements of the enterprise and submit the proposal to the top management for approval. This approach is known as 'bottom up' approach.

### **5. Work Load Forecasting:**

It is also known as work load analysis. Under this method the stock of workload and the continuity of operations are determined. Accordingly, the labour requirement is determined. The workload becomes the base for workforce analysis for the forthcoming years. This method is also known as work study technique.

### **6. Statistical Techniques:**

Long range demand forecasting for human resources is more responsive to statistical and mathematical techniques. With the help of computers any data is rapidly analysed.

#### **(a) Ratio Trends Analysis:**

Under this method the ratios are calculated for the past data related to number of employees of each category i.e., production, sales and marketing levels, work load levels. Future production and sales levels, work load, activity levels are estimated with an allowance of changes in organization, methods and jobs. The future ratios are estimated.

#### **(b) Econometric Models:**

Econometric models are built up on the basis of analysis of past statistical data establishing the relationship between variables in a mathematical formula. The variables are those factors such as production, sales, finance and other activities affecting human resource requirement.

#### **(c) Burkes Smith Model:**

Elmer Burkes and Robert Smith have developed a mathematical model for human resource forecasting based on some key variables that affects overall requirement for human resources of the organisation.

**(d) Regression Analysis:**

Regression analysis is used to forecast demand for human resources at some point of time in future by using factors such as sales, production services provided etc. This method is used when independent and dependent variables are functionally related to each other. Nowadays computers are used to solve regression equations for demand forecasting.

**FACTORS AFFECTING HR DEMAND FORECASTING -**

- Employment trends
- Replacement needs
- Productivity
- Absenteeism
- Expansion and growth

**HUMAN RESOURCE SUPPLY FORECASTING DEFINITION**

Supply forecasting means to make an estimation of supply of human resources taking into consideration the analysis of current human resources inventory and future availability. Human Resource supply forecasting is the process of estimating availability of human resource followed after demand for testing of human resource. ... Internal supply of human resource available by way of transfers, promotions, retired employees & recall of laid-off employees, etc.

**EXTERNAL FACTORS AFFECTING HR SUPPLY FORECASTING**

- Supply and demand of jobs.
- literacy rate of nation.
- Rate of population
- industry and expected growth rate and levels
- technological development.
- compensation system based on education, experience, skill and age.

**INTERNAL FACTORS AFFECTING HR SUPPLY FORECASTING**

- Organizational features (e.g., staffing capabilities).
- Productivity - rates of productivity, productivity changes.
- Rates of promotion, demotion, transfer and Turnover.

**SUPPLY FORECASTING METHODS:**

- Trend analysis
- Competency model
- Replacement Charts

- Staffing table
- Succession Planning
- Flow Modelling/Markov Analysis

### **1. Trend analysis**

Trend analysis involves collecting and evaluating data to identify patterns of information that might impact the future.

By examining the trends of the past, the HR department can predict the effect of the same activity on the future of the organization, because it is assumed that these patterns will remain stable.

### **2. Competency model**

Competencies are behaviours that encompass the knowledge, skills, and attitudes(ksa) required for successful performance. Competency modelling is the activity of determining the specific competencies that are characteristic of high performance and success in a given job. A future-oriented model that first reviews competencies that are aligned with an organization's mission, vision, and strategy, and then aims to identify an ideal workforce in terms of these competencies.

### **3. Replacement chart**

A chart used to estimate vacancies in higher level jobs and identify how potential HR supply can fill these vacancies via internal movements from lower levels jobs.

Replacement charts provide identification of potential replacements for vacancies within an organization. A comprehensive replacement chart will include information regarding possible replacements for vertical or horizontal movement.

### **4. Staffing table**

A clear graphical view of all organizational jobs and the current number of employees at each job. Staffing tables are graphic representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future (monthly or yearly) employment requirements, which can be derived from demand forecasts.

### **5. Succession Planning**

Determining the internal Labour supply calls for a detailed analysis of how many people are currently in various job categories or have specific skills within the organization.

The planner then modifies this analysis to reflect changes expected in the near future as a result of retirements, promotions, transfers, voluntary turnover, and terminations.

### **6. Markov analysis**



Analysis that helps to predict internal employee movement from one year to another by identifying percentages of employees who remain in their jobs, get promoted or demoted, transfer, and exit out of the organization. To help predict internal employee movement from one year to another by identifying percentages of employees who remain in their jobs, get promoted or demoted, transfer, and exit out of the organization.