

# HUMAN RESOURCE PLANNING

PGDHR-202

**BLOCK 1:  
INTRODUCTION TO  
HUMAN RESOURCE**

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# HUMAN RESOURCE PLANNING



Knowledge Management and  
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Pune



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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



# HUMAN RESOURCE PLANNING

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# **HUMAN RESOURCE PLANNING**

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## **BLOCK 1: INTRODUCTION TO HUMAN RESOURCE**

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# **BLOCK 1: INTRODUCTION TO HUMAN RESOURCE**

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## **Block Introduction**

Human resource applies to the workforce managed by any employer. As an important asset for any business leader, employees need to be properly managed, in order for optimal efficacy to be achieved. HRP is a deliberate strategy for acquisition, improvement and preservation of enterprise's human resources. It is a managerial function aimed at coordinating the requirements, for and availability of different types of employees.

The block will explain all the concepts related to the Human Resource Development along with theories such as Academic theory and Critical Academic Theory. The usage of HRM in the Business Practice and the careers related to it will also be explained. The block also comprises the changing role of HR and the job tasks for the HR managers. Further the block explains the various concepts of Human Resources in small businesses like the recruitment and selection, training and performance appraisal etc. The role of HR in a Company's growth and the benefits of HR planning are also included in this block.

Unit 1 provides an introduction to human resource development. The modern concepts of human resources and definitions for human resources are discussed in this unit. What is Human resource management and what is academic theory and critical academic theory have been described in this unit. Business practices, careers and professional organizations related to the Human resource management is included in this unit. The concept of outsourcing of human resources, the changing HR role and new HR roles such as business and strategic partner, employee advocate and change champion are discussed in detail. The unit ends up with the description of the job tasks for human resources managers. Unit 2 provides the information about the Human Resources in Small Business. The literature review and hypotheses development is also included in this unit. The unit also provides the knowledge about the recruitment and selection, training and performance appraisal. The importance of HR agenda in a company's growth is also discussed in detail. The concept of growth gap and the four roles of HR are also enclosed in this unit.

## **Block Objective**

**After learning this block, you will be able to understand:**

- Human Resource Development
- The Definitions for Human Resources.
- The Changing HR Role.
- The role of HR as a Business and Strategic Partner, Employee Advocate, and change Champion.
- The role of Human Resource in Small Business.
- The concept of Recruitment, Selection, Training and Performance appraisal.
- The role HR Agenda in Company's Growth.
- What is the Growth Gap?

## **Block Structure**

**Unit 1: Human Resources: An Introduction**

**Unit 2: Human Resources and Business Growth**

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# **UNIT 1: HUMAN RESOURCES: AN INTRODUCTION**

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## **Unit Structure**

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# 1.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- Modern Concept of Human Resources.
- Academic Theory and Critical Academic Theory.
- Business Practice and Careers.
- Outsourcing of Human Resource Management.
- Major aspects of HR role.

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## 1.1 Introduction

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Human Resource Management is the study of activities about the workforce in an organization. It involves an administrative function that attempts to go with the organizational wants and the skills and abilities of its employees. Let us see what is meant by the three key terms: Human, resource and management.

- The word ‘Human’ means Homo-sapiens or Social Animal
- Resources mean assets such as Human, Physical, Financial, and Technical, Informational etc.
- Management is related to the function of Planning organizing, leading and controlling of organizational resources to accomplish goals efficiently and effectively

To put it simply, human resource management is responsible for how people are managed in the organizations. It is responsible for bringing people in an organization and helps them perform their work, compensating them for their work and solving problems that arise.

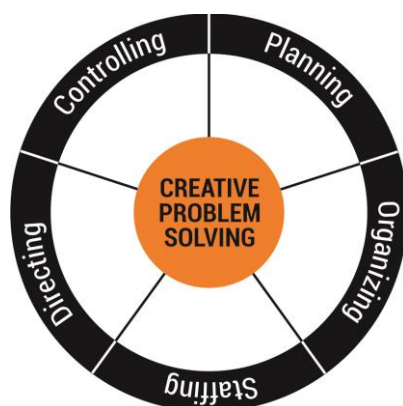
Human resource applies to the workforce managed by any employer. A business of any size needs employees in order for it to run. As an important – the most important – asset for any business leader, employees need to be properly managed, in order for optimal efficacy to be achieved.

That’s why the application of human resources management focuses largely on a more sensitive and human analysis to determine what really works with

employees. One of the major aspects of HR maintenance involves employee recruitment, training and development as a function of human capital management. Making sure that employees' abilities are optimally nurtured is essential to seeing a worthwhile return on investment come from their contribution to the company, once their training period is over. Along with employee training, human resources departments also delve into the area of applicant tracking. How to find the best talent available on the global market place is often a problem that the human resources department strives to tackle.

In addition, human resources departments take care of a variety of concerns such as crucial and highly sensitive negotiations between employees and management and job descriptions. They also monitor the interplay between employees in order to design a more efficient employee management system, the compilation of benefits packages as well as a variety of other vital functions that relate directly to the employee workforce of the company.

Basic functions that all managers perform are planning, organizing, staffing, leading and controlling. HR management involves policies and practices needed to carry out the staffing (or people) function of management.



**Fig 1.1 Business management**

Human resources are an increasingly prominent field that is taking shape throughout industries and workplaces worldwide. Recognizing the fact that people are a company's greatest asset, business leaders across the globe are coming to rely more and more upon an effective management policy that applies specifically to the area of human resources.

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## 1.2 Human Resource Development

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Human Resource Development or HRD is defined as "organised learning activities arranged within an organisation in order to improve performance and/or personal growth for the purpose of improving the job, the individual and/or the organisation".

Human Resources Development is the composition that facilitates individual development, prospectively fulfilling the organisational or country goals. It's obvious that the personal development adds value to the person, and ultimately benefits the organisation and the country as a whole. In the context of business, the Human Resources Development consider workforce as an asset, whose worth is improved by development.

Human Resource Development (HRD) provides the basic foundation for helping the employees in developing their personal and organisational skills and knowledge. Human Resource Development includes such opportunities as

- Employee training
- Career development
- Performance management and development
- Coaching
- Mentoring
- Succession planning
- Key employee identification
- Organization development

Human Resource Development lays emphasis on developing a superior workforce so that the organisation and individual employees can work on achieving their work goals. There are many opportunities in an organisation for human resources or employee development, both within and outside of the workplace. Human Resource Development can have both formal and informal aspects. It can be formal such as in classroom training, a college course or an organisational planned effort or it can be informal as in employee coaching by a manager. Human Resource Development covers all these activities to excel as a healthy organisation.

HRD includes the areas of training and development, career development and organisation development. This is related to Human Resource Management -



a field that includes HR research and information systems, employee-employer relations, employee assistance, compensation/benefits, selection and staffing, performance management systems, and HR planning and organisation/job design.

### **Check your progress 1**

1. HRD includes the areas of training and development, career development and organization development.
  - a. true
  - b. false
2. Human Resource Development (HRD) employees in developing their personal and organizational skills
  - a. Employee training
  - b. Career development
  - c. Performance management and development
  - d. All the above
3. Personal development adds value to the person, but does not benefit the organisation
  - a. true
  - b. false

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## **1.3 Modern Concept of Human Resources**

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Modern conception of human resources maintain the view that the human beings are social beings and not 'commodities' or 'resources'. It essentially emphasises and incorporates those expectations, which are not fulfilled through the traditional personnel management. It integrates the various sub-systems like performance appraisal, potentiality appraisal and development, career planning, training and organisation development, research and systems development, rewards, employee welfare and quality of work life, industrial relations and human resource information in a meaningful way.

Under the modern HRM approach, some basic assumptions about human resources are also different from the traditional approach. The important assumptions of modern concept of HRM are as follows:

- The members of an organization are reservoirs of untapped resources.
- There is scope for unlimited development of these resources.
- It is more in the nature of self-development than development thrust from outside.
- The organization also undergoes development with the overall benefits along with the development of its members.

In its essence, modern concept of HRM is the qualitative improvement of human beings who are considered the most valuable assets of an organisation-the sources, resources and end-users of all products and services. Modern HRM is, no doubt, an outgrowth of the older process and approach.

### **Check your progress 2**

1. Modern concept of human resources emphasizes that human beings are 'commodities'
  - a. True
  - b. false
2. The important assumption of modern concept of HRM is that the members of an organisation have a nature of self-development than development thrust from outside.
  - a. true
  - b. false

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## **1.4 Some Definitions for Human Resources**

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Business Dictionary defines Human Resources as, "A human resource is a person or employee who staffs and operates a function within your organisation".

According to Investopedia, Human Resources can be defined as, "As companies reorganize to gain competitive edge, human resources plays a key role

in helping companies deal with a fast-changing competitive environment and the greater demand for quality employees”.

Wikipedia says, “Human resources are a term used to describe the individuals who comprise the workforce of an organisation”.

### **Check your progress 3**

1. Which book states that “A human resource is a person or employee who staffs and operates a function within your organisation”
  - a. Business Dictionary
  - b. Investopedia
  - c. Wikipedia

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## **1.5 Human Resource Management (HRM)**

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Human Resource Management (HRM) mainly focuses on recruitment and management of employees. It also takes care of the people who work in the organisation, by efficiently guiding them in various disciplines. It deals with issues related to people such as compensation, hiring, performance management, organisation development, safety, wellness, benefits, employee motivation, communication, administration and training.

HRM is a progressive function, which works by bringing people and organisations together so that the business goals of each of them are met. It is that part of the management process, which is concerned, with the management of human resources in an organisation. It tries to secure the best from people by winning their wholehearted cooperation. Alternatively, it may be defined as the art of organising, developing and maintaining efficient resources to achieve the goals of an organisation in the best possible manner.

HRM ease the workplace management with techniques that facilitates the managers of an enterprise to express their goals with specificity and thus enabling the workforce to understand it easily. It also helps to the managers to provide the resources needed for the work force to successfully accomplish their assignments. As such, HRM techniques, when properly practiced, are expressive of the goals and operating practices of the enterprise overall. HRM is also seen by many to have a key role in risk reduction within organisations.



**Fig 1.2 Human Resource Management**

Torrington and Hall (1987) define personnel management as being, “a series of activities which: first enable working people and their employing organisations to agree about the objectives and nature of their working relationship and, secondly, ensures that the agreement is fulfilled”.

While Miller (1987) suggests that HRM relates to, "those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage".

Human resource management is the business oriented, logical and consistent approach to the management of an organisation's most valued assets, and which are the people working there. It guides them to contribute individually and collectively to the achievement of objectives of the business. The terms ‘human resource management’ and ‘human resources’ (HR) have largely replaced the term ‘personnel management’ as a description of the processes involved in managing people in organisations. Human resource management is evolving rapidly. It is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce.

### **1.5.1 Features**

HRM aims at bringing together expertise and skills in a scientific way. It helps in creating attitudes that motivate a group to achieve organisational goals effectively and economically. Analysis of definitions of human resource management reveals the following features of HRM:

- 1. People Oriented:** Human resource management is concerned with employees both as individuals and as a group and how these employees achieve goals. It is also concerned with behavioural, emotional and social aspects of personnel. It is the process of bringing people and organisations together so that the goals of each are met.

2. **Individual Oriented:** Under human resource management, every employee is considered an individual to provide services and programmes, to facilitate employee satisfaction and growth. In other words, it is concerned with the development of human resources, i.e., knowledge, capability, skill, potentialities and attaining and achieving employee goals.
3. **Continuous Function:** Human resource management is a continuous process. George R Terry says: "It cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day each week. Personnel management requires a constant alertness and awareness of human relations and their importance in everyday operations".
4. **Staff Function:** Human resource management is a responsibility of all line managers and it is a function of staff managers in an organisation. Human resource managers do not manufacture or sell goods but they do contribute to the success and growth of an organisation by advising the operating departments on personnel matters.
5. **Pervasive Function:** HRM pervades the organisation. Every person in an organisation is involved with personnel decisions. We can say that whether or not individuals plan to go into HR work, they become involved with human resource management decisions. It is the central sub-function of an organisation and it permeates through all types of functional management viz. production management, marketing management and financial management. Every manager is involved with human resource function. It is the responsibility of all line managers and a function of staff managers in an organisation.
6. **Challenging Function:** Managing human resources is a challenging job due to the dynamic nature-of people. Human resource management aims at securing unreserved co-operation from all employees in order to attain pre-determined goals.
7. **Development Oriented:** Individual employee-goals consist of job satisfaction, job-security, high salary, attractive fringe benefits, challenging work, pride, status, recognition, opportunity for development etc. Human resource management is concerned with developing the potential of employees, so that they derive maximum satisfactions from their work and give their best efforts to the organisation.

### Check your progress 4

1. HRM is a progressive function, which works by bringing people and organisations together so that the business goals of each of them are met.
  - a. true
  - b. false
2. Who related HRM to "those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage".
  - a. While Miller
  - b. Henry Fayol
  - c. Torrington and Hall
3. Human resource management is people oriented as it's concerned with employees both as individuals and as a group and how these employees achieve goals.
  - a. true
  - b. false

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## 1.6 Academic Theory

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Academic theory focuses on HRM. It emphasizes on the thought that humans are not machines and there should be an interdisciplinary examination of people in the workplace. Psychology, industrial engineering, industrial and organisational psychology, industrial relations, and sociology along with critical theories such as postmodernism and post-structuralism play a major role in developing the academic theory.

Dave Ulrich defines 4 fields for the HRM function which are widely used for describing the role of HRM in business. They are:

- Strategic business partner
- Change agent
- Employee champion
- Administration

All these HR schemes have a specific role to play in the organisations. However, many HR functions are limited to the roles of administration and employee champion. They are seen more as a reactive partner than a strategically proactive partner for the top management. In addition, HR organisations also have difficulty in proving how their activities and processes add value to the company. In modern times, HR practitioners and HR professionals have shifted their focus on developing models that can measure whether HR adds value.

### Check your progress 5

1. The theory that emphasizes on the thought that humans are not machines and there should be an interdisciplinary examination of people in the workplace.
  - a. Academic theory
  - b. Critical Academic Theory
  - c. None of these
2. Who defined the four fields for the HRM function as strategic business partner, change agent ,employee champion and administration
  - a. Dave Ulrich
  - b. William R. Tracey
  - c. Torrington and Hall

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## 1.7 Critical Academic Theory

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In 1937, Max Horkheimer of the Frankfurt School of sociology defined Critical theory in his essay “Traditional and Critical Theory”. Critical theory is a social theory oriented toward critiquing and changing society as a whole, in contrast to traditional theory oriented only to understanding or explaining it. Horkheimer wanted to distinguish critical theory as a radical and liberating form of Marxist theory. He critically appraised both the model of science put forward by logical positivism and studied the covert positivism and authoritarianism of orthodox Marxism and Communism.

Core concepts of Horkheimer’s Critical Academic Theory are:

1. The theory should be aimed at acting at the totality of society in its historical perspective (i.e. how it came to be configured at a specific point in time)
2. That critical theory should act in a way to improve the understanding of society by integrating all the major units of social sciences, which includes bit of geography, economics, sociology, history, political science etc. to strengthen its premise.

A criticism of the Critical theory reveals that HRM itself is an attempt to move away from the modernist traditions of personnel (man as machine) towards a postmodernist view of HRM (man as individuals). Many HR scholars debate this argument. Critiques include the notion that because 'human beings' are the subject, we should recognise that people are complex and that it is only through various discourses that we understand the world. Critical Theory questions whether HRM is in the pursuit of 'attitudinal shaping' (Wilkinson 1998), particularly when considering empowerment or perhaps more precisely pseudo-empowerment- as the critical perspective notes. It must be noted down here that the move away from Man as Machine is more of a Linguistic (discursive) move away, than a real effort to recognise the Human in Human Resource Management.

Critical Theory, in particular acknowledges that because the subject deals with the people in the workplace, it is a very complex one. Therefore, a simplistic approach of 'the best way' or unitary perspectives on the subject doesn't bring out a good result.

### **Check your progress 6**

1. Critical theory is a social theory oriented toward critiquing and changing society as a whole, in contrast to traditional theory oriented only to understanding or explaining it.
  - a. true
  - b. false
2. Who wanted to distinguish critical theory as a radical and liberating form of Marxist theory?
  - a. William R. Tracey
  - b. While Miller
  - c. Max Horkheimer



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## 1.8 Business Practice

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Business practices can be defined as, methods, processes, procedures and rules employed or followed by a firm in the pursuit of its objectives. Human resources management comprises of these processes that can be performed in an HR department, outsourced or performed by line-managers or other departments.

- Workforce planning
- Recruitment
- Induction and Orientation
- Skills management
- Training and development
- Personnel administration
- Wage or salary Administration
- Time management
- Travel management (sometimes assigned to accounting rather than HRM)
- Payroll (sometimes assigned to accounting rather than HRM)
- Administration of Employee's benefits
- Personnel cost planning
- Performance appraisal

Business practices in India are undergoing major changes. The common man today is expecting something more from huge business houses and he is not willing to compromise on quality and promptness of services. For example, let us talk about how real estate business is practiced in India. Changing aspirations and higher disposable incomes have caused a sea change in the kind of homes available in India.

The property market in India has undergone a tremendous change in recent times because of considerable growth in this sector. With the growth extending not just to real estate, but into the cities and towns itself, these areas have come alive. They offer lifestyles opportunities that the average homebuyer could not have even dreamed of some years ago. There has been exponential growth in the areas of cityscape and its corresponding infrastructure. The need for better infrastructure began to be felt and is gradually beginning to take shape. For

example, many flyovers that have already been made have certainly improved travel within cities.

The newest upmarket addresses are those places that were once considered underdeveloped areas of the city. Today builders provide complex's with gardens, pool and a gym. Everyone these days it seems is looking for a lifestyle home and every builder today is promising and providing exactly this. Estate developers have kept their focus on providing better facilities, which keeps on improving with the new projects. Many factors play a key role in this demand for lifestyle homes. Some of them may be the fact that people are buying homes at younger ages than ever before; their exposure to international trends; and higher spending power of buyers.

Luxury has gained prominence along with comfortable living. Builders and developers have grabbed these opportunities and are cashing on this idea. In the Indian market, where the basic product is similar; it is ultimately the ability to understand the customers need completely, which helps in business growth. It is with this thought in mind that developers try to innovate constantly, based on constant interaction with the customer. In order to succeed in business, the developers offer not only the best possible service available but also provide value-added features and benefits.

### **Check your progress 7**

1. \_\_\_\_\_ can be defined as, methods, processes, and procedures and rules employed or followed by a firm in the pursuit of its objectives.
  - a. Business development
  - b. HR development
  - c. Business practice

## 1.9 Careers

In the globalised era, organisations have realized that the need of the hour is to have skilled, well- trained and highly motivated staff to help the growth of the company. Organizations invest time and money in the welfare and benefit of the employees because they see merit in such activities. All this and more has led this part of an organisation's activity to be called 'Human Resource Management'. However, there is more to HRM than just being the internal function of a corporate. Some options open for professionals interested in career in Human Resource are given below.

- **Corporate HRM**

Corporate HR has a rich array of roles in the organisation. The role of an HR manager in the corporate sector is not only to search, select and recruit suitable and qualified staff for his organisation, but is also concerned with the development, motivation and training of this staff. This is required in order to maximise satisfaction and minimize turnover.

- **Training and development**

Some companies specialise in training and development as a business. Their job is broadly to 'Train the Trainer'. In the other words, they train HR managers so that they in turn, train employees of their organisation and equip them with certain skill sets.



**Fig 1.3 Train the trainer**

- **Recruitment consulting**

Recruitment as a career is the job of helping people find jobs of their own and find employees for companies. Recruitment consultants work with companies to help them find the right people for their positions. They also work for candidates to find a role that is suitable for them. The key skill of a recruitment consultant is to meet the needs of both the client and the candidate to ensure the best mutual fit; this is not simply a case of skills matching but of truly

understanding the business and its culture, as well as the aspirations of the candidate.

- **HR Consulting**

Human resources consulting involve advising organizations on how to make the most out of their human capital. Most companies seek the services of a human resources consulting firm in order to help them realize competitive advantages by enhancing their human capital and by making their human resource processes more effective. In addition, organisations employ services of HR consultants to either find solutions or help them tide over issues relating to people in the organisation.

- **Career Counselling**

Career counselling advisors assess people's interests, personality, values and skills, and also help them explore career options and research options. Career counselling provides one-on-one or group professional assistance in exploration and decision making tasks related to choosing a major/occupation, transitioning into the world of work or further professional training. The field is vast and includes career placement, career planning, learning strategies and student development.

HR is a fast developing field, which was considered the domain of women until a few decades ago.

Since a variety of roles are available today, more people are pursuing HR as a viable career option.

### **Check your progress 8**

1. \_\_\_\_\_ as a career is the job of helping people find jobs of their own and find employees for companies.
  - a. Human resources consulting
  - b. Recruitment
  - c. Career counseling
2. \_\_\_\_\_ involves advising organizations on how to make the most out of their human capital.
  - a. Recruitment
  - b. Career counseling
  - c. Human resources consulting

3. \_\_\_\_\_advisors assess people's interests, personality, values and skills, and also help them explore career options and research options.
- a. Career counseling
  - b. Human resources consulting
  - c. Recruitment

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## 1.10 Professional Organizations

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Professional organisations in HRM include the -

- One of the leading organisations of the HR related professionals is the Society for Human Resource Management (SHRM).
- The Australian Human Resources Institute (AHRI) - The Australian Human Resources Institute (AHRI) is the national association representing human resource and people management professionals and currently has in excess of 14,000 members.
- The Chartered Institute of Personnel and Development (CIPD)
- The International Public Management Association for HR (IPMA-HR),
- Management Association of Nepal (MAN)
- The International Personnel Management Association of Canada (IPMA-Canada).
- The American Council on International Personnel (ACIP) - It is a leading voice and resource for employers working worldwide to advance employment-based immigration of highly educated professionals.

In India, National Institute of Personnel Management is the premier all-India Institute of professionals engaged in personnel management, industrial relations, labour welfare and human resources development. NIPM is a professional, non-profit-making society registered under Societies Registration Act, 1960. It has a nation-wide membership of over 11,500 Individual Members and over 300 institutional members, spread over 52 chapters.

### **Check your progress 9**

1. Full form of the abbreviation SHRM , one of the leading organisation of the HR related professionals is
  - a. Society for Human Resource Management
  - b. Society for Human resource Manager
  - c. Social Human resource management
2. Full form of the abbreviation AHRI is
  - a. Associate of Human Resource Institute
  - b. All India Human Resources Institute
  - c. Australian Human Resources Institute

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## **1.11 Outsource Human Resource Management**

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Outsourcing of human resource operations has become a very common practice today. Some of the services on offer are payroll operations, benefits administration, employee data records and management, asset management services.

### **Why outsource HR operations?**

HR operations become a streamlined process when they are outsourced. It makes them more transparent to employees too. Technology is usually a key enabler in achieving this transparency. It also helps preserve the sanctity of information between employee and employer.

IT enabled service companies (software and web developers) are considered a viable outsourcing option. They offer strategic initiative to cut costs and provide access to intellectual capital to the organisations that is not available in-house.

Customer response activities and other such initiatives in the West have made Indian outsourcing service providers emphasise on reinventing themselves and extend their web development activities to high-end outsourcing solutions.

### **Comprehensive HR outsourcing services**

- Maintenance of HR personnel's records
- Annual review and revision of employee handbook
- Audit of HR strategies, policies and procedures

- Employment/termination procedures implementation
- Job description process
- Exit interviews
- Employee development initiative
- Performance management process
- On-site support
- Employee retention initiatives
- Long term incentive/equity stock option programs
- Employee morale building
- Review of compensation plan

#### **Recruiting services**

- Retained search
- Job description development process
- Ad placement
- Applicant screening
- Reference and background check of applicants
- Candidate interviews and recommendations
- Development and coordination of offer
- Induction of new hire

#### **HR management services**

- Review and analysis of compensation plan
- Culture development
- Acquisition planning
- Incentive and retention programs
- Succession planning

#### **Benefits administration**

- Services, which ensure commission
- Custom benefit, plan strategies and design

- Analysis of benefit, cost control and reduction recommendations
- Development of employee communications
- Eligibility and enrolment services
- On-line access to benefits information to the employees

### **Payroll services**

- Employee self-service features
- Processing of payroll
- Payroll tax reporting
- Time off tracking

### **Measures of Successful Outsourcing**

Traditionally, the HR department has been a cost-consuming function, but it has slowly shifted towards contributing significantly to a company's bottom line. This has led to outsourcing tasks like payroll, benefits, education and training, recruiting, HR administration, organizational development and resource management.

For effective outsourcing of HR, it is imperative that senior management is involved right from the beginning of the process and it drives the initiative. Technology compatibility, confidentiality and cost are other challenges that both sides must work on. Mutual trust is critical, as it is a long haul commitment. For building a strong relationship, a clear understanding of requirements and expectations from both sides is an important platform. Compatibility in culture and values, along with an open and flexible approach go a long way in ensuring that the organisation's decision on outsourcing its HR is a successful one.

A few measures that would help the outsourcing relationship remain contemporary and relevant are:

- Improved processes
- Levels of satisfaction
- Regular updates on mandatory practices
- Effective implementation of workflow and policy changes
- Continuous feedback mechanisms from both the parties



### Check your progress 10

1. Payroll operations, benefits administration, employee data records and management, asset management services are some of the outsourced human resource operations.
  - a. true
  - b. false
2. Compatibility in culture and values, along with an open and flexible approach go a long way in ensuring that the organisation's decision on outsourcing its HR is a successful one.
  - a. true
  - b. false
3. The measure that would help the outsourcing relationship remain contemporary and relevant are -
  - a. Improved processes
  - b. Levels of satisfaction
  - c. Regular updates on mandatory practices
  - d. All the above

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## 1.12 The Changing HR Role

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The challenge of HR managers today is to recognise talent, nurture the same carefully and achieve significant productivity gains, over a period of time. The enterprise is nothing but people. Some will be intelligent, others not so intelligent; some are committed to jobs, others are not; some will be outgoing, others reserved and so on. The point is that these differences demand attention, so that each person can maximise his effectiveness and society as a whole can make the wisest use of its human resources.

Technological advances, globalised competition, demographic changes, the information revolution and trends toward a service society have changed the rules of the game significantly. In such a scenario, organisations with similar set of resources, gain competitive advantage only through effective and efficient management of human resources.

The role of HR manager is shifting from a protector and screener to the planner and change agent. In the present day competitive world, highly trained and committed employees are often a firm's best bet. HR professionals can help an organisation select and train employees for emerging roles. Only people who are involved and thinking can make a difference. In the past, HR managers were often viewed as the systematizing, policing arm of executive management. Their role was more closely aligned with personnel and administration functions that were viewed by the organisation as paperwork.

Charles Creer, has pointed out, "In a growing number of organisations human resources are now viewed as a source of competitive advantage. Increasingly it is being recognised that competitive advantage can be obtained with a high quality workforce that enables organisations to compete on the lines of market responsiveness, product and service quality, differentiated products and technological innovations". HR professionals play a key role in planning and implementing downsizing, restructuring and other cost-cutting activities. They enable a firm to be more responsive to product innovations and technological changes.

Organisations will need to be concerned with extending their recruiting efforts, developing careful screening procedures, training employees to help them adapt to change, providing appropriate and sufficient educational programmes and accounting for their investment in recruiting, selecting and training employees considering the changing times of business.

### **Check your progress 11**

1. The role of HR manager is shifting from a protector and screener to the planner and change agent.
  - a. true
  - b. false
2. "In a growing number of organisations human resources are now viewed as a source of competitive advantage. Increasingly it is being recognized that competitive advantage can be obtained with a high quality workforce that enables organizations to compete on the lines of market responsiveness, product and service quality, differentiated products and technological innovations" who stated this?
  - a. Charles Creer
  - b. William R. Tracey
  - c. Torrington and Hall

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## 1.13 New HR Role

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There are an incredible number of pressures on today's organizations. To name a few: environmental pressures such as increasing globalization, rapid technological change, and tougher competition; organizational changes such as new organizational alliances, new structures and hierarchies, new ways of assigning work, and a very high rate of change; changes in the workforce, including employees' priorities, capabilities, and demographic characteristics. Within these pressured organizations, there is a need for (and opportunity for) the human resource function to play a critical role in helping organizations to navigate through these transitions. In order to play this role, however, HR will have to increase its real and perceived value.

Making the move to a new HR role will elevate exceptional issues for every HR who tries it, but there are some universal steps and behaviours that will add to the possibility of achievement.

Some of these steps and actions are:

**Strong HR leadership:** As with any most important change attempt, a strong leader can build up an apparent vision, encourage others to contribute to that vision, and help them make effort together toward attaining it. For the change of the role of HR in a business, the HR manager will need to work together within the HR department and with the organizational leaders to redesign the prospects of that HR can and will finally convey. The achievement of the change will depend upon HR's capability to gather the actual desires of the business and the reliability it develops.

**Sharp prospective orientation:** One of the methods that HR can offer value is to recognize how varying environmental, managerial, and labour force factors will likely manipulate the business, foresee the related HR requirements, and be ready to convey suitable answer to get together those needs. By preserving a focus on workplace development, HR can organize to assess the impact that demanding modifications are probable on an organization's people and processes, and be ready to toil with the business.

**Flexibility and Inspiration:** An HR which will be unbeaten in the future will likely be one that is receptive to the varying requirements of its clients business. Receptiveness in the varying world of labour will necessitate being flexible as the business alters, so will their wants and precedence. Growing globalization will generate a call for both flexibility and inspiration as businesses will attempt to thrive in new places, with new workers, and with new consumers.

**Delivering value:** Though this is not an innovative confront for HR, it remains as a vital one. HR is still alleged by many inside the present business as merely non-revenue creating function. It is vital to make clear the worth provided by functioning with the executive team to employ the exact people, administer them well, compensate them suitably, and put up an effective environment that give confidence to success.

**The three new HR roles are:**

**a) Strategic Partner**

In the modern organizations, to assure their capability and aptitude to contribute, HR managers have to consider of themselves as strategic partners. In this role, the HR person adds to the progress and achievement of the organization according to its business plan and objectives.

The HR business goals are customary to maintain the achievement of the entire strategic business plan and objectives. The deliberate HR delegate is extremely conversant regarding the plan of work structure in which individuals achieve.

This intentional partnership reshape the HR services such as the plan of work positions, recruitment, compensation, performance, career and succession plan and employee development. When HR professionals are associated with the business, the workforce element of the business is considered as a strategic provider to business accomplishment.

To be victorious business partner, every HR staff associate have to act like business people, identify economics and book-keeping, and be responsible and in charge for cost diminution and the dimension of all HR programs and methods. The HR persons will have to establish that they encompass the business know-how and that's the reason that they are in the position.

**b) Employee Advocate**

As an employee advocate, the HR manager plays an important role in managerial accomplishment by using his knowledge concerning and support to the work force. This advocacy comprise know-how in how to generate a employ favourable work environment in which individuals will decide to be encouraged, and tend to contribute for the development of the organisation.

Promoting efficient techniques of target setting, communication and authority through delegation, creates an outcome of employee ownership of the business. The HR experts help to set up the organizational ethnicity and atmosphere in which individuals have the ability, apprehension and obligation to serve customers.

In this responsibility, the HR manager generally offer capacity management plans, worker development prospects, worker support programs , gain sharing and income sharing schemes, business expansion intervention, owing course of action towards employee grievances and crisis resolving, and frequently planned communication prospects.

**c) Change Champion**

The invariable assessment of the efficiency of the business results in the call for the HR proficient to frequently champion change. Both acquaintance about and the aptitude to carry out successful alteration strategies formulate the HR professional unusually esteemed. Perceptive how to connect modification to the strategic desires of the organization will reduce employee discontent and conflict to change.

Organization development, the authority for change administration strategies, gives the HR professional supplementary defy. The HR professional add to the organization by continually considering the efficiency of the HR function. To endorse the overall success of the organization, it champions the classification of the organizational mission, vision, principles, objectives and action plans.

**Check your progress 12**

1. The new HR role will add to the possibility of achievement by strong hr leadership, sharp prospective orientation, flexibility and inspiration, and delivering value.
  - a. true
  - b. false
2. HR manager as an \_\_\_\_\_ plays an important role in managerial accomplishment by using his knowledge concerning and support to the work force
  - a. Strategic Partner
  - b. Employee Advocate
  - c. Change champion
3. Growing globalization will generate a call for both flexibility and inspiration as businesses will attempt to thrive in new places, with new workers, and with new consumers.
  - a. true
  - b. false

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## **1.14 HR Role: Business and Strategic Partner**

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The Strategic Business Partner model is a way to make sure the human system suggestions and needed change policies as a part of business management decisions. The growth of the strategic business partnership role appears from a combination of having proficiency and information in the regions of human resources, organization development, business insight, and individual partnership. A well-designed Strategic Business Partnership role coupled with excellent delivery of operational HR functions can help in performing the HR functions.

Human resources, with its varied internal and external customer base, the ability to touch all levels of the organisation and the legendary understanding of the organisation's environment could not be more suited for the critical role of a strategic business partner.

To take on the responsibility of a strategic business partner, it's essential for the HR managers to know the organization's business. And for this they should be aware of the environment in which the business functions along with the competition and the conditions that might persuade the development of the organization.

The HR in a business can no longer focus on its own domestic errands. It must be accountable to guarantee that HR's plans, objectives and precedence are obsessed by and associated with the general business requirements. Hence it's necessary to set up key business joint ventures with higher level management, as well as important posts in other functions inside the organization. Though the functional part of HR, the everyday responsibilities needed to run an organization are not intended in character, the responsibilities must reflect the objectives of the organization.

Organisations that consider their employees to be the most valuable asset prefer to have its human resources functioning in a true strategic business partner role. Human Resource professionals are equipped with the knowledge, skills and the talent to collaborate with senior leadership. These qualities help them to not only be involved in the strategic management of the organisation but drive its implementation too.

HR leaders must understand the organisation's business to fulfil a strategic business partner role. In addition to fully understanding the business, HR must understand the environment in which it operates the competition and the circumstances that could influence the progress of the organisation. It can no longer focus on its own internal tasks. HR must be responsible for ensuring that

the strategies, goals and priorities put forth are driven by and aligned with overall business needs. It must establish key business partnerships with senior management and key figures of management in other functions within the organisation.

To be successful business partners, the thought-process of HR team members have to be like business people. They should know finance and accounting, be accountable and responsible for cost reductions and the measurement of all HR programs and processes.

### **Check your progress 13**

1. The Strategic Business Partner model is a way to make sure the human system suggestions and needed change policies as a part of business management decisions.
  - a. true
  - b. false
2. Organisations that consider their employees to be the most valuable asset prefer to have its human resources functioning in a true strategic business partner role.
  - a. true
  - b. false
3. To take on the responsibility of a strategic business partner, it's not essential for the HR managers to know about the organization's business.
  - a. true
  - b. false

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## **1.15 HR Role: Employee Advocate**

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Being the HR Employee Advocate is the hardest of HR Roles. The HR Employee Advocate's role is to know the employees of the organisation and their main interests. HR manager as employee advocate is best placed to mediate between senior management and the workforce when relations break down.

This responsibility concentrates fundamentally on maintaining the rights and requests of the workforce and can be confirmed by inventive policies and programs in the region of work-related health and security, complaints, work-life

equilibrium, multiplicity, and employee support. To be an efficient employee advocate, HR must be familiar with the workers and find out time to meet with and listen to employees. HR should encourage communication; including employee assessments; employee submission programs, all-employee summit, progress of communication of the business eminence, and any program that can make employees experience themselves as a part of the team. This role also comprises the assurance of the employees with troubles to obtain a just consideration.

To be a proper employee advocate, a HR professional can relate conclusions to external customs that evidently do well to the workforce in other organizations. An employee advocate must keep up equilibrium between the desires of management and the wants of workforce. The role of the HR Employee Advocate needs a clear knowledge about the preferences and interests of the employees to make employees satisfied and motivated. The role of the HR Employee advocate for the employees in the organisation is to make a clear alignment between the interest of the organisation and the business goals and objectives.

The employee advocate helps to get better conditions for employees at an affordable price for the company. When the organisation plans to reduce headcount, the employee advocate represents the employees and knows what the employer can afford to pay. The employee advocate proposes the plan, which is socially responsible and the employees can trust the employer that the offer for them will be fair enough. In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organisation development interventions, due process approaches to problem solving and regularly scheduled communication opportunities.

### **Check your progress 14**

1. The HR Employee Advocate's role is to know the employees of the organization and their main interests
  - a. true
  - b. false
2. HR professional cannot relate conclusions to external customs that evidently do well to the workforce in other organizations
  - a. true
  - b. false



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## 1.16 HR Role: Change Champion

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The constant evaluation of the effectiveness of the organisation, demands the need to frequently champion changes in the business. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued.

HR has knowledge of employees and it can help provide many useful tips, when the management is trying to usher in changes. These tips are of great value to the project and its implementation. Human Resources can include several actions that influence project charter and project plan to help the employees understand the impact of the project on their lives in the organisation. The HR professional contributes to the organisation by constantly assessing the effectiveness of the HR function. He/she sponsors change in other departments and in work practices. HR is able to align different projects together and imagine their impact on employees. Employees are not able to absorb many changes at one time and the change agent can prepare a proper communication plan. To promote the overall success of his organisation, he champions identification of the organisational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organisation, how well it is succeeding in all of this

### Check your progress 15

1. The constant evaluation of the effectiveness of the organisation, demands the need to frequently champion changes in the business.
  - a. true
  - b. false
2. Though HR professional contributes to the organisation by constantly assessing the effectiveness of the HR function they do not sponsor change in other departments.
  - a. true
  - b. false

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## **1.17 Job Tasks for Human Resources Managers**

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Following are the tasks of Human Resource Managers:-

- Administration of compensation, benefits and performance management systems.
- Implementation of safety and recreation programs.
- Identification of staff vacancies and recruitment and taking care of interview and selection of applicants.
- Allocation of human resources and ensuring appropriate matches between personnel.
- Providing current and prospective employees with information about policies, job duties, working conditions, wages and opportunities for promotion and employee benefits.
- Performing difficult staffing duties, which include dealing with understaffing and refereeing disputes, firing employees and administering disciplinary procedures.
- Advising managers on organizational policy matters such as equal employment opportunity and sexual harassment and making recommendations of needed changes.
- Analyzing and modifying compensation and benefits policies to establish competitive programs and ensuring compliance with legal requirements.
- Planning and conducting new employee orientation to foster positive attitude toward organizational objectives.
- Serving as a link between management and employees by handling questions, interpreting and implementing contracts and helping resolve work-related problems.
- Analyzing training needs to design employee development, language training and health and safety programs.
- Maintaining records and compiling statistical reports concerning personnel-related data, which includes information on hires, transfers, performance appraisals and absenteeism rates.
- Analyzing statistical data and reports to identify and determine causes of personnel problems.

- Recommending improvement of organization's personnel policies and practices.
- Conducting exit interviews to identify reasons for employee termination.
- Investigating and reporting on industrial accidents for insurance carriers.
- Representing the concerned organisation at personnel-related hearings and investigations.
- Negotiating bargaining agreements and helping to interpret labor contracts.
- Preparation of personnel forecast to project employment needs of future.
- Preparation and execution of budget related activities for personnel operations.
- Development, administration and evaluation of applicant tests.
- Overseeing the evaluation, classification and rating of occupations and job positions.
- Studying about the legislation, arbitration decisions and collective bargaining contracts to have information about industry trends.
- Development of special projects in areas such as pay equity, savings bond programs, child-care and employee awards.
- Providing terminated employees with outplacement or relocation assistance
- Holding contract with vendors to provide important services, such as food service, transportation or relocation service etc.

### **Check your progress 16**

1. Preparation and execution of budget related activities for personnel operations can be considered as job tasks for Human Resources
  - a. true
  - b. false
2. Investigating and reporting on industrial accidents for insurance carriers is not the job of Human Resources.
  - a. true
  - b. false

3. Providing terminated employees with outplacement or relocation assistance is not the job of Human Resources.
- a. true
  - b. false

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## 1.18 Let Us Sum Up

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To conclude, Human Resource Management can be considered as the study of actions and behaviors of the workforce in an organization. Hence, it is responsible for how people are managed in the organizations. Moreover, it is accountable to bring people in a business and help them to do their work, reimburse them for their work and solving problems that arise. That's the reason why human resources management is considered as more and more exceptional field that is forming all through the industries and workplaces internationally.

Human Resources Development is the structure that enables individual development, eventually satisfying the organisations or the country goals. Modern perception of human resources is that human beings are creative social beings. It basically fulfils those prospects, which are not fulfilled through the traditional personnel management. So the modern concept of HRM gives priority to the qualitative improvement of human beings. It is apparent that human resource management is changing rapidly. It is both an academic theory and a business practice that addresses the theoretical and practical techniques of managing a workforce.

Outsourced HR operations become a more efficient process and make them more apparent to employees with the help of technology. The involvement of the senior management is very important for the effective outsourcing of HR. Roles are often talked about as an body, which act as a strategic and business partner, an advocate of employees or an agent that brings about transformations in the HR. An elegant Strategic Business Partnership role together with excellent delivery of operational HR functions can help in performing the HR functions. The HR manager plays an important role as an employee advocate with his knowledge of HR processes and advocacy of people creating a work environment which helps to motivate the employees. The HR manager with his knowledge and ability to execute successful change strategies in organisation performs the role of the change champion. The Human Resource Department's main objective is to bring out the best in their employees and thus contribute to the success of the Company.

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## 1.19      **Answers for Check Your Progress**

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**Check your progress 1**

**Answers:** (1-a), (2-a), (3-b)

**Check your progress 2**

**Answers:** (1-b), (2-a)

**Check your progress 3**

**Answers:** (1-a)

**Check your progress 4**

**Answers:** (1-a), (2-a), (3-a)

**Check your progress 5**

**Answers:** (1-a), (2-a)

**Check your progress 6**

**Answers:** (1-a), (2-c)

**Check your progress 7**

**Answers:** (1-c)

**Check your progress 8**

**Answers:** (1-b), (2-c), (3-a)

**Check your progress 9**

**Answers:** (1-a), (2-c)

**Check your progress 10**

**Answers:** (1-a), (2-a), (3-d)

**Check your progress 11**

**Answers:** (1-a), (2-a)

**Check your progress 12**

**Answers:** (1-a), (2-b), (3-a)

**Check your progress 13**

**Answers:** (1-a), (2-a), (3-b)

**Check your progress 14**

**Answers:** (1-a), (2-b)

**Check your progress 15**

**Answers:** (1-a), (2-b)

**Check your progress 16**

**Answers:** (1-a), (2-b), (3-b)

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## **1.20 Glossary**

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1. **Nurture** - Look after
2. **Delve** - look into
3. **Assumption** - statement
4. **Proactive** - practical
5. **Pursuit** - search
6. **Compromise** - negotiation
7. **Prominence** - importance
8. **Sanctity** - holiness
9. **Elevate** - raise
10. **Receptiveness** - openness
11. **Obsessed** - passionate
12. **Multiplicity** - wealth
13. **Foster** - promote

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## **1.21 Assignment**

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Describe the concept of HRD and its need in the present industrial scenario.

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## **1.22 Activities**

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Visit a company and observe the roles and responsibilities of HR. Discuss the changing role with HR and write a detailed note.

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## **1.23 Case Study**

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Due to persistent change in the business environment, the role of the Human Resource Manager is also changing rapidly. And hence, it's significant that every HR expert has to get used to the new roles such as the strategic partner, an employee sponsor or advocate, and a change champion within the organization.

If you are the HR manager, describe the functions you will perform in the above given roles.

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## **1.24 Further Readings**

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1. Competitive Advantage through People, Pfeffer, P, Harvard Business School, 1994.
2. Designing and Managing Human Resources Systems, Pareek, Udai and T.V. Rao, 3rd Edition 3. Human Resource Management, Bob Mathis and John Jackson 2004.

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## **UNIT 2: HUMAN RESOURCES AND BUSINESS GROWTH**

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### **Unit Structure**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Human Resource in Small Business**
- 2.3 Literature Review and Hypotheses Development**
- 2.4 Recruitment and Selection**
- 2.5 Training and Performance Appraisal**
- 2.6 HR Agenda in Company's Growth**
- 2.7 The Growth Gap**
  - 2.7.1 Closing the Growth Gap
- 2.8 Four Roles of HR**
- 2.9 Let Us Sum Up**
- 2.10 Answers for Check Your Progress**
- 2.11 Glossary**
- 2.12 Assignment**
- 2.13 Activities**
- 2.14 Case Study**
- 2.15 Further Readings**

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### **2.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- Role of Human Resource in Small Business.
- Recruitment and Selection.
- Training and Performance Appraisal.
- Agenda of Human Resource in Company's Growth.
- Various Roles of HR and HR Managers.



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## 2.1 Introduction

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Many small businesses operate with no employees. One person handles the whole business with perhaps occasional help from family or friends. Hiring someone to help is a big decision as one has to worry about payroll and benefits. Employers are also worried about a host of problems that can arise from personality conflicts and loss-of-control of all the processes in running the business.

A survey of personnel functions of smaller firms found that functions like finance, accounting, production, and marketing all take priority over personnel management. Personnel management is considered as a second most important management activity next to general management/organizational work. Most small business owners manage the personnel functions themselves as the work force is small. They do not develop sophisticated personnel systems. But as a small business grows, personnel practices begin to emerge in importance and more systems and process are being developed.

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## 2.2 Human Resource in Small Business

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Substantial work has been undertaken in the field of human resource management (HRM), as it applies to large organisations. However, for small businesses same thought-process cannot be frequently applied. A small business lacks adequate systems to ensure efficient management of human resources. Further, most small businesses are the product of their owners, whose personality and personal involvement dominate. From the experiences of various small business owners who have experienced growth in their business, it was found that motivating and retaining good staff was a critical bottleneck in their business growth. The point of awareness for many came from managerial training programs. However, this was tempered by their beliefs and the growth cycles of their companies. Prior to change being possible these owner-managers needed to develop skills and competencies in leadership, coaching and management before effective delegation and team building could take place. These findings are linked to the existing body of knowledge relating to HRM.

Human resource management function of a small business is not of the same size or complexity as those of a large firm. A business that has only two or three employees may face important personnel management issues. Indeed, the stakes are very high in the world of small business when it comes to employee

recruitment and management. A business cannot run with an employee who is lazy, incompetent or dishonest in nature or dealings. A small business with a work force of half a dozen people will have a worse impact on its process by such an incompetent employee as compared to a company with a work force that numbers in the hundreds (or thousands). It is rightly said that, "most small business employers have no formal training in how to make hiring decisions".

Though, SMEs (Small and Medium Enterprises) include organisations of different sizes with changing extent of intricacy in executive practices they habitually are considered as one unit. The small business owner should take into account many factors prior to the hiring of a fresh employee. Katzell (1962) argued its difficult generalise the case of one organisation and expect that it's applicable to all the other organisations. He recognized definite proportions, such as size of the firm and the degree of relations of organisational associates, which determine the difference and intricacy in organisational practice and conducts. Going after Katzell's (1962) proposal, organisational size along with the strategic inference of growing size should be taken into account while considering suitable stages of proper HRM practices appropriate to every organisation .Blau (1970, 1972) pointed out two wider tendencies as organisations enlarge in size. The first is growing allotment of labour, resulting to more horizontal and vertical separation. The second is –according to the increase in size, at first quickly and then slowly the differentiation enhances.

Talents of prospective employees should be matched with the company's needs of a small business. Efforts to manage this can be accomplished in a much more effective fashion if the small business owner devotes energy to defining the job and actively taking part in the recruitment process. However, human resource management task does not end with the creation of a detailed job description and the selection of a suitable employee. The hiring process signals the start of HRM functions for the small business owner.



**Fig 2.1 Small business owner**

Small business consultants strongly urge that even the most modest of business enterprises should implement and document policies regarding human resource issues and functioning. In order to manage their enterprise's employees, some small business owners also need to consider training and other development needs. The need for such educational supplements can range dramatically. A bakery owner, for instance, may not need to devote much of his resources to employee training, but a firm that provides electrical wiring services to commercial clients may need to implement a system of continuing education for its workers in order to remain viable.

To establish and maintain a productive working atmosphere for the employees of the company, the small business owner needs to work on developing the same. Employees only become a productive asset to the company when they feel that they are treated in a fair and professional way. The small business owner, who communicates business expectations and company goals to his employees, provides adequate compensation offers meaningful opportunities for career advancement and anticipates work force training and developmental needs have better chances to prosper in his business. These practices help in providing meaningful feedback to his or her employees too, which leads him to be more successful than that owner who is neglectful in any of these areas.

### **Check your progress 1**

1. \_\_\_\_\_recognized definite proportions, such as size of the firm and the degree of relations of organisational associates, which determine the difference and intricacy in organisational practice and conducts.
  - a. Hornsby and Kuratko
  - b. Katzell
  - c. Wilkinson
2. Human resource management function of a small business is of the same size or complexity as those of a large firm.
  - a. true
  - b. false
3. Employees only become a productive asset to the company when they feel that they are treated in a fair and professional way.
  - a. true
  - b. false

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## 2.3 Literature Review and Hypotheses Development

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Formal practices of HRM process are important for the organisational functions. Here, the word formal refers to suggested or prescribed practices where the emphasis is on those practices, which are generally approved in the literature as appropriate for the various HRM areas examined. In this regard, it can be said that this hypothesis extends beyond documentation and standardisation of procedures, roles and instructions to include legitimate sources of recruitment and the use of specialists for training. From Katzell's (1962) contention, SMEs (small and medium enterprises) of varying sizes should demonstrate various levels of formality in their HRM practices.

Hornsby and Kuratko (1990) examined HRM practices of small firms keeping their studies consistent with Katzell's (1962) propositions. They examined three size categories and reported increased sophistication in practices with firm's growth. Roberts, Sawbridge and Bamber (1992) argued that the limits of informality become apparent in firms with 20 or more employees when informal networks of recruitment dry up and when informal styles of management communication are stretched. Jennings and Beaver (1997) noted that at this size the owner becomes overextended and needs to delegate responsibility to more professional management. Wilkinson (1999) studied relations of employees in the business and argued that employment relations in SMEs are characterised by informality. They insisted that formal control systems and communication strategies are almost non-existent in this set up. He maintained that emphasis on rules and procedures is out-dated in an environment where owners have to make speedy decisions in response to market pressures.

Several similarities were found among small and large firms in many areas of HRM practices by Golhar and Deshpande (1997). These contrasting views make it difficult to understand existing HRM practices in SMEs and to prescribe appropriate practices for these firms. The result derived from these contrasting studies gives an approach, which is a "one-size-fits-all" approach to HRM training and advice for SMEs.

Following hypotheses are suggested; keeping in line with the argument that HRM, practices will become formal with firm's growth;

**H1:** As the firm grows a greater variety of formal recruitment sources are introduced.

**H2:** As the firm's size increases, multiple selection methods intensify the screening of candidates.

**H3:** The application of formal employment procedures at the managerial level lags behind those processes at the operational level for smaller firms.

### Check your progress 2

1. \_\_\_\_\_ examined HRM practices of small firms keeping their studies consistent with Katzell's propositions.
  - a. Katzell
  - b. Hornsby and Kuratko
  - c. Wilkinson
2. \_\_\_\_\_ argued that the limits of informality become apparent in firms with 20 or more employees when informal networks of recruitment dry up and when informal styles of management communication are stretched.
  - a. Wilkinson
  - b. Roberts, Sawbridge and Bamber
  - c. Hornsby and Kuratko
3. \_\_\_\_\_ studied relations of employees in the business and argued that employment relations in SMEs are characterised by informality.
  - a. Katzell
  - b. Wilkinson
  - c. Hornsby and Kuratko

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## 2.4 Recruitment and Selection

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With the changing times, the recruitment of employees has become both easier and at the same time more challenging too. The advent of the online world of job boards, recruitment websites and social media increases the likelihood of finding world-class candidates. The online world supported by our matching criterion also gives so many candidates to consider for a position that weeding through applications becomes time consuming and hectic activity.



**Fig 2.2 Online world**



**Fig 2.3 Recruitment**

Recruitment is the absolute method of making out of the potential applicants in this manner motivating and persuading them to submit an application for a specific job or jobs in the establishment. It is an encouraging act as it entails attracting individuals to apply. The idea of application calling procedure is to create an inventory of suitable candidates from whom, appropriate choice of the most apt person is done.

After identifying the sources of human resources, finding out the potential candidates and persuading them to submit an application for the vacancies in the organisation, the management has to perform the function of selecting the right employees at the right time.



**Fig 2.4 Selection**

The selection process involves judging candidates on a variety of dimensions, ranging from the concrete, measurable like years of experience to the abstract, and personal like leadership potential. To do this organisations rely on one or more of a number of selection devices, including application forms, initial interviews, reference checks, tests, physical examinations and interviews.

All selection activities, from the initial screening interview to the physical examination if required, exist for the purpose of making effective selection decisions. Each activity is a step in the process that forms a predictive exercise, which managerial decision makers seek to predict which job applicant will be successful if hired. “Successful” in this case means performing well on the criteria the organisation uses to evaluate personnel.

Finding the best possible people who can fit within the culture and contribute within the organisation is a challenge and an opportunity. Once we find, retaining the best people is easy if we do the right things right. It is important to have a good organisation structure, but it is even more important to fill the jobs with the right people. Staffing includes several sub-functions:

- a. Recruitment or getting applications for the jobs as they open up
- b. Selection of the best qualified from those who seek the jobs
- c. Transfers and promotion
- d. Training those who need further instruction to perform their work effectively or to qualify for promotions

Owner-manager of small firms prefer informal sources of recruitment and as the firms grow, the skills and abilities required for various functions and processes may not be available from the familiar and informal recruitment sources leading them to look for alternative sources. Thus, a greater variety of formal recruitment sources would be used to attract suitable candidates. Hornsby and Kuratko (1990) reported extensive use of newspaper advertisements, government and private employment agencies, employee referrals and unsolicited applications among small firm recruitment practices. Barber et al. (1999) also did the same research and found that his findings were consistent with the earlier studies where there was increased use of formal hiring procedures as firms grow.

As firms grow, multiple selection techniques were introduced along with taking interviews in order to reduce errors in selecting employees recruited from sources, which were unfamiliar to the owner-manager. Golhar and Deshpande (1997) demonstrated that one-to-one interviews are the most popular selection techniques in both small and large firms, with large firms also likely to use written tests and panel interviews in the selection process. Hornsby and Kuratko (1990) reported extensive use of application forms and reference checks in the selection process as firms increased in size. Barber et al. (1999) found from his studies that larger SMEs tend to rely on objective qualifications and they also use a greater number of different selection procedures in making hiring decisions. Rowden (2002) found that technical skills and positive work ethics received high priority in the selection processes of several of the successful small manufacturing and processing firms.

The adoption of formal employment procedures at the managerial level will lag behind that at the operational level for small firms, as owner-managers prefer to employ the few managers that are required from amongst family and friends.

As these familiar sources become no longer able to cater to the specialist skills required this difference is expected to diminish with further growth of business.

### Check your progress 3

1. \_\_\_\_\_ is the complete process of identifying the prospective applicants thereby stimulating and encouraging them to apply for a particular job or jobs in the organisation so that the requirement can be taken care of.
  - a. Recruitment
  - b. Training
  - c. Employment
2. Organisations rely on one or more of a number of selection devices, including application forms, initial interviews, reference checks, tests, physical examinations and interviews.
  - a. true
  - b. false

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## 2.5 Training and Performance Appraisal

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According to Dunn and Stephens, Training refers to the organisation's efforts to improve an individual's ability to perform a job or organisational role whereas Development refers to the organisation's efforts (and the individual's own effort) to enhance an individual's abilities to advance in his organisation to perform additional job duties. Thus, training provides knowledge & skills and development provides efforts required to perform the job.



Fig 2.5 Training

Organisations and individuals should develop and progress simultaneously for their survival and attainment of mutual goals. Employee training is a specialised function and is one of the fundamental operative functions of human



resource management too. Training improves changes and moulds the employee's knowledge, skill, behaviour, aptitude and attitude towards the requirements of the job and the organisation. It also bridges the difference between job requirements and employee's present specifications.

Management development is a systematic process of growth and development by which managers develop their abilities to manage. It is a planned effort to improve current or future managerial performance.

MacMahon and Murphy (1999) found out that SMEs rarely carry out formal training-needs analysis and have no systematic approach to training. Training often is perceived as an unaffordable luxury involving not only course fees but also the cost of unproductive labor. Owner-managers are of the view that that training results in highly specialized staff, whereas, multi-skilled workforce is required to cope with the highly flexible nature of jobs (MacMahon and Murphy 1999). In contrast, Hornsby and Kuratko (1990) reported the use of a variety of training methods in small firms with on-the-job training being the predominant method. Most of the owner-managers of small business firm perform almost all business activities by themselves or they honestly administer the performance of these actions (Timmons 1999). And hence, they encompass the responsibility of all the key business actions, like employee training, where they instruct their workers in the manner they want their work to be carried out.

People differ in their abilities and their aptitudes. There is always some difference between the quality and quantity of the same work on the same job being done by two different people. Performance appraisals of Employees are necessary to understand each employee's abilities, competencies and relative merit and worth for the organisation. Performance appraisal rates the employees in terms of their performance.

These appraisals are widely used in the society. The history of performance appraisal can be dated back to the 20th century and then to the second world war when the merit rating was used for the first time. An employer evaluating their employees is a very old concept. These are an indispensable part of performance measurement and they check the progress of employees towards the desired goals and aims.



**Fig 2.6 Appraisal**

The modern view of the organisations to compensate according to the work delivered, points out their concentration on individual performance leading to effective performance management. If the process of performance appraisals is formal and properly structured, it helps the employees to clearly understand their roles and responsibilities and give direction to the individual's performance. It helps to align the individual performances with organisational goals and also review their performance. Performance appraisal takes into account the past performance of the employees and focuses on the improvement of the future performance of the employees.

Hornsby and Kuratko (1990) identified narrative descriptions of employee performance, assessment of their ability to meet targets. They suggested use of rating scales as appraisal methods that increased in prominence with firm size and found that performance appraisal varies by firm size and industry sector. In contrast, MacMohan and Murphy (1999) argued that owner-managers usually lack the skills necessary to perform effective performance reviews and may perceive formal system of performance appraisal as time consuming.

Mintzerg, Quinn and Voyer 1995 suggested that in very small firms, performance appraisal would be informal and continuous as owner-managers directly control all activities. As the span of control increases, it is expected that appraisals would be more formal and occur at longer intervals.

As firms grow, middle managers mostly perform training and performance appraisal of their operational staff. For exercising control over performance effectively, owner-managers are supposed to shift their emphasis from operational staff to middle managers. This means they need to pay greater attention to training, development and performance appraisal of managers to levels ahead.

Human resource management (HRM) practices, support systems and personnel profiles were examined in urban and rural enterprises and it was found that urban and rural small and medium sized enterprises (SMEs) differ significantly in HRM practices, support systems and personnel profiles.

#### **Check your progress 4**

1. According to \_\_\_\_\_ training refers to the organisation's efforts to improve an individual's ability to perform a job or organisational role.
  - a. Dunn and Stephens
  - b. MacMahon and Murphy
  - c. Hornsby and Kuratko

2. Management development is a systematic process of growth and development by which managers develop their abilities to manage.
- a. true
  - b. false

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## 2.6 HR Agenda in Company's Growth

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Throughout much of the 1990s and early 2000s, CEOs were rewarded for cost reduction and cost containment. To compete in the global arena, Boards demanded dramatic improvement in efficiencies. Companies such as General Electric, Motorola etc. fuelled the trend by reporting 10 times or higher returns on investments (ROI) from their Six Sigma programs. With a clear focus on the bottom line and tantalizing ROIs, companies invested heavily to get lean, outsource nonstrategic work, improve quality and introduce better products.

HR demonstrated in the earlier period that it could be a strategic player in efficiency initiatives by sourcing work and talent for better advantage, outsourcing routine work and moving some talent engagement costs from fixed to variable. A sensible but attentive concept of connecting the HR strategy to the development strategies of the business must be carried out together by the HR groups and their department equivalents, with the intimate concern of line leaders. Improvement in business plan has produced fresh demands to relocate HR efforts, roles and precedence in order to discover new basis of development.

In minor industrial firms, it turns into the liability of the CEO or owner to draw attention, maintain and inspire brilliant juvenile and precisely able individuals. In big multinational companies, the influence of individuals on the aggressiveness of businesses has become clear and HR professionals are made to help in creating strategic clarity across the organisation.

Over the past 20 years, human resources strategy has evolved through various forms. Twenty years ago respected companies like IBM, Microsoft and Tata pioneered early efforts to create HR strategies, which aimed to link HR functional strategies with the business priorities. As companies seek new ways to define pragmatic but innovative people strategies, another transition is underway that will directly support business agendas, which work towards driving stock prices and expectations for growing shareholder value. A short list of items that receive management attention over the period of time is termed as an agenda. For an HR Agenda to be effective, business challenges demand focus on its

perception. To close the gap between the 'strategic-HR haves' and 'have-nots', practitioners need a thoughtful but practical approach to achieve the following:

1. There has to be a set of clear choices, to connect the people priorities to business priorities
2. The line ownership for HR outcomes should have a detailed clarification and a contract specifying the responsibility that HR people will have is necessary.
3. People should be guided, so that a proper allocation is done to the most important activities of the business.
4. The energy of the workforce should be driven upstream towards the things that produce more impact.
5. The organisational and systems framework should be defined for the HR function across all its business units.
6. People should be encouraged and energised with a sense of purpose.

### **Check your progress 5**

1. Improvement in business plan has produced fresh demands to relocate HR efforts, roles and precedence in order to discover new basis of development.
  - a. true
  - b. false
2. People should be guided, so that a proper allocation is done to the most important activities of the business.
  - a. true
  - b. false

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## **2.7 The Growth Gap**

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Growth can transform the market valuation of a company because it attracts talent, which creates the capital to grow faster. Yet many companies have a significant enterprise growth gap: the difference between the sum of the forecasted business units' growth goals and the overall enterprise target.

In other words, it is the difference between the actual delivery of core businesses and the expectations of the CEO and top management team about the

business growth. This is generally described as a financial shortfall, but the root cause is a gap in the enterprise's capabilities and processes to identify and exploit new opportunities beyond the reach of the core businesses. For example, in a 10Billion multi-business chemical company, its core businesses were able to generate 5 percent growth through current expertise, but the board of directors and CEO desired 10 percent growth in order to increase stock price and market capitalization. To bridge the 500Million revenue gap, the prime responsibility of the CEO and Executive Team was to create new families of products and services by generating new businesses as per the size and reach of company. Most companies believe that closing of revenue gap will be achieved by doing better at and more of the same things. However, good strategy, understanding of markets and technologies and analytical support will not ensure that the growth gap will be closed. The most significant pillars of success rest in resolving the following:

1. Existence of an enterprise growth gap.
2. Planning of the leadership team unified around growth goals and their leading path.
3. Designing of an organisation so as to achieve the growth that has been identified.
4. Keeping the source of growth clear.
5. Finding out whether the innovation process can deliver new businesses that will achieve the growth goals.

When HR is actively involved in driving the organisation to achieve a positive answer for these questions, it will be aligned closely to the CEO growth agenda too. This will require HR to adapt to the new vision by adding the development of leaders who can identify and execute new ideas in new spaces. This will also lead to the realignment of the organisation systems and structures for growth to its strategic competencies.

### **2.7.1 Closing the Growth Gap**

After studying high growth companies such as Procter & Gamble, UPS and Medtronic, Oyster International two major success factors in closing the growth gap were identified.

First, these companies identified New Growth Platforms (NGPs). From there they went on successfully creating New Growth Platforms (NGP), which

were basically the material for new families of products and services typically outside the reach of the current businesses.

Second, the companies exhibited a common set of characteristics in business innovation, leadership and organisational design to sustain the flow of NGPs. These characteristics include:

1. Efficient and credible chief growth officer who acts as the in-charge of the new unit
2. Believing and acting on the fact that the team is more important than the idea
3. NGP units are independent units but with a strong interdependency to the core businesses
4. Having a disciplined, systematic and repeatable process for screening, selecting and building NGPs

This process guides and leads HR to the forefront. The HR advances to grab the opportunity to be a player in the company's growth agenda and not just sit on the sidelines. HR can help design and build a more agile organisation capable of identifying, designing and iterating a pipeline of NGPs. We can say that, HR can really help in creating a culture and organisation that is focused, innovative and highly disciplined.

### **Check your progress 6**

1. The difference between the sum of the forecasted business units' growth goals and the overall enterprise target is called\_\_\_\_\_.  
a. generation gap  
b. growth gap  
c. innovation
2. Significant pillars of success rest in resolving is realising the existence of an enterprise growth gap.  
a. true  
b. false

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## 2.8 Four Roles of HR

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HR Role in the organisation is quickly changing. HRM has been developing them for several decades but the function is not that mature, as many people would expect. The real concept of Human Resources responsible for the human capital inside the organisation evolved in the early 70s of the 20th century.

HR Role in the organisation is changing from the industry to the industry and it also depends a lot on the country, in which the organisation operates. The dream position of every HRM Department is to become an important deciding authority. It gets more and more responsibilities and participates on strategic initiatives in the organisation.

David Ulrich's HR Model is well known for introducing mainly the aspects of human resources with the highest value added. The main contribution of the David Ulrich's HR Model was the start of the movement from the functional HR orientation to the more partnership-oriented organisation in HRM Function. Business Partnering is not possible to implement without a major shift in the HR organisation. The benefit was a more responsible and flexible organisation of Human Resources, which allowed many HR Professionals to become real respected business partners.

We may discuss the 4 Roles of HR according to David Ulrich:

Processes	Strategic Partner	Change Agent	People
	Administrative Expert	Employee Champion	

**Strategic Partner:** is about alignment of HR activities and initiatives with the global business strategy and it is the task of the HR. Sometimes, it sounds easy to implement Strategic Partnership, but it needs a lot of effort from Human Resources.

**Change Agent:** is a very important area of the Ulrich's HR Model. Change agent is about supporting the change and transition of the business in the area of the human resources in the organisation. The role of Human Resources is to support for change activities in the change effort area and ensuring the capacity for the changes.

**Administrative Expert:** changes over the period of time. In the beginning, it was just about ensuring the maximum possible quality of delivered services, but nowadays the stress is put on the possibility to provide quality service at the lowest possible costs to the organisation.

**Employee advocate:** is a very important role of Human Resources. The employee advocate knows what employees need and HRM should know it. The employee advocate is able to take care of the interest of employees and protect them during the process of the change in the organisation.

All the HR Roles defined by Ulrich are essential for the success of the whole HRM Function. The world around us is changing and the HR Roles have to change as well. In the past, the HRM was responsible only for developing the processes, which assure the top quality delivered to the organisation. Nowadays, the HRM has to deliver even more. The HR roles and responsibilities have to take the high-level recognition of the organisation and they need to be adjusted to make a full fit.

**The HR Roles have to be adjusted to:**

- Keep HRM function focused on tracking and implementing new trends in the industry.
- Keep HRM function focused on helping the line management to implement improvements.
- Keep HRM function focused on operational excellence.
- Keep HRM function responsible for developing the human capital potential in the organisation.

**Check your progress 7**

1. HR Role in the organisation has no change from the industry to the industry even though it depends a lot on the country, in which the organisation operates.
  - a. true
  - b. false
2. The main contribution of the \_\_\_\_\_ was the start of the movement from the functional HR orientation to the more partnership-oriented organisation in HRM Function.
  - a. Dunn and Stephens
  - b. Hornsby and Kuratko
  - c. David Ulrich's HR Model



3. \_\_\_\_\_ is about supporting the change and transition of the business in the area of the human resources in the organisation.
- a. Strategic Partner
  - b. Employee Champion
  - c. Change agent

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## 2.9 Let Us Sum Up

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To conclude, it's the fact that the small business often lacks sufficient systems to implement the efficient management of human resources. Moreover, most of the small businesses are under a single owner and his personality and innovative attitudes will reflect in the business. But, successful businesses were managed by those owners who became aware of the need for team building and delegation within their companies. It was found that motivating and retaining good staff was a critical bottleneck in their business growth. Human resource management function of a business varies according to its size. Evidently, the business that has only two or three employees may not face important personnel management issues. Moreover, in the initial stages the owners of the small firms will prefer easy methods of recruitment according to the growth of the firm they will be under pressure to adopt other methods. Thus, a greater variety of formal recruitment sources would be used to attract suitable candidates. For this the organisations use selection devices such as application forms, initial interviews, reference checks, tests, physical examinations and interviews. Training methods are adopted by the organisations for improving the individual's ability to perform a job or organisational role. Performance appraisals help the organisation to understand the employee ability and competency. The innovative strategy of many businesses has led to its restructuring of their HR work, roles and priorities in an attempt to find new sources of growth.

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## 2.10 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-b), (2-b), (3-a)

**Check your progress 2**

**Answers:** (1-b), (2-b), (3-b)

**Check your progress 3**

**Answers:** (1-a), (2-a)

**Check your progress 4**

**Answers:** (1-a), (2-a)

**Check your progress 5**

**Answers:** (1-a), (2-a)

**Check your progress 6**

**Answers:** (1-b), (2-a)

**Check your progress 7**

**Answers:** (1-b), (2-c), (3-c)

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## **2.11 Glossary**

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1. **Sophisticated** - complicated
2. **Adequate** - sufficient
3. **Predictive** - projecting
4. **Aptitude** - skill
5. **Perception** - awareness
6. **Unified** - combined
7. **Competency** - capability
8. **Agile** - responsive

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## **2.12 Assignment**

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As an HR manager what are the new roles that you will have to perform in an organisation?

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## 2.13 Activities

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Visit any one of the organisations in your city. Find out the HR Planning process, if any, exclusively for the growth of the organisation. Explain the same.

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## 2.14 Case Study

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The case study given below is not in the regular question–answer format, rather it persuades the readers to ponder upon the situation. The story narrated below is study of a situation where an individual’s career was at stake because of an improper HR system in the organisation. Students are advised to read the story and understand the neglected areas of HR system highlighted in the story, which affected the career-path of the individual and in turn badly affected the business too.

Amish Dubey’s story is a typical case of neglected career development by both the company and the individual. Channey Singhall, CEO of Prima, turned out to be poor at managing operations and even worse at managing high-performing individuals. Whether it was losing the Teffer India account, working out a vision for Dvi — Prima’s second agency and Amish’s domain — or chalking out a career path for high-potential executives like Amish, he prolonged decision-making till matters went out of hand.

When organisations grow big, establish a name and revenues begin to pour in, it is common for CEOs like Channey to ignore critical people issues and to leave matters unstructured and vague. Inevitably, they start losing talent. When they wake up to the need to brush up their HR management, it is too late.

Few HR issues had changed as much in the past two decades as the role of the organisation in employee’s career development. The organisation took almost complete responsibility of managing careers, to supporting individuals as they take personal responsibility for their future. Organisations regard career development as much their responsibility as that of the employee. The essence of an effective career development programme lies in support to employees to keep adding to their skills, abilities and knowledge. This can be done by communicating the organisation’s goals and strategies to employees, creating growth opportunities for high-potential candidates, offering financial assistance if they wish to undergo an academic programme and providing employees the time off to learn.

Most organisations' HR policies include periodic career counselling. This involves getting a senior executive to chat with an employee to find out his career path. It is followed by a reality check to determine if the employee is capable of playing the role he aspires. Capable managers are then helped towards achieving this goal. Note that the career counsellor need not be the employee's boss. In this case, Mark Stacey, Prima's regional head, could have acted as career counsellor to Amish and guided his career development.

This approach goes a long way in lowering attrition rates and retaining high-potential managers. In today's fast-paced business environment, managers are not ready to sit on the learning curve for longer than required. That is why they need a vision, a plan, a direction and above all, empowerment.

First, Channey did not communicate Prima's goals and strategies to its senior managers like Amish. (Prima knew it would lose the Teffer India account to its global agency). Neither did he share his vision for DVI with its CEO. He did hand out a growth opportunity to high-potential professionals by giving Amish and Tulsi (another senior employee) charge of DVI, but that came with many strings attached: a bad set of clients, hopeless employees, no financial freedom and poor infrastructure. Prima had put its bad eggs in DVI's basket. In addition, Amish were promoted to the role of a CEO, but with a leash.

In today's world of business, where globalisation, Mergers & Acquisitions and hostile takeovers are facts, career planning for executives is vital. Take an example of any large Indian corporate house that recently saw an ownership split for example Reliance Group. After the split, it methodically chalked out roles for all its senior managers. Similarly, a large FMCG multinational has career paths drawn out for its 100 high-potential managers.

Even individuals need to take charge of developing their own learning and careers for many reasons. For one, there is an ever-increasing need to keep learning and to keep abreast of the rapid growth in knowledge and the rate of change in our environments. Second, involvement in one's development fosters greater commitment to the process than through activities directed by others. In addition, three, job security has almost become out-dated. Just as the responsibility for employee retirement planning is no longer just a corporate function, companies have partially downloaded learning and career development responsibilities to employees.

This responsibility also brings increased control over one's career development and a more stimulating work life. Managers can take charge of their careers by self-assessment, identifying their goals and bridging gaps between their

current situation and the desired outcome by upgrading their skills. First, managers should assess their current skill set and identify a new one, the knowledge and experiences they would like to acquire. Then, they must assess if their professional goals are coordinated with the organisation's goals, mission and vision. Had Amish done that, his career would have surely touched new heights.

In many organisations, employees draft their development plans, individually and after consulting with the leadership. The individual development planning process is focused on personal development and career growth and is kept separate from other HR management functions like reviews for salary.

In time, Amish realised that DVI was like the dining table in his old home that was used as a dump-yard for laundry, groceries, and bills and so on. These items were attended to only when someone found the inclination to deal with them. Surely, Amish could not have let his career be treated the same way. He made the right decision by unleashing himself and walking out of Channey's clutches. He may or may not find a master who has faith in his own training. However, he has certainly realised that he needs to be the master of his own destiny.

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## **2.15 Further Readings**

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## Block Summary

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The block explained the modern concepts of human resources along with different definitions related to it. It also gave a detailed description of academic theory and critical academic theory along with the business practices, careers and professional organizations related to the Human resource management. The block also gave information about the concept of outsourcing of human resources and the changing HR role. Another important topic covered in this block is the role of Human Resources in Small Business and its function such as recruitment and selection, training and performance appraisal etc.

The Human Resource Management is responsible for how people or work force is to be managed in the organizations. It attracts the workforce to a business and employ them compensate them and solve their problems related to the employment. The function of the human resource planning is to contribute in the decision process by giving the information and outlook on each option and to support line managers dealing with the work force costs of implementing the decision. Moreover, resources must be organized and allocated to carry out organizational goals in an effectual and well-organized method. It's well known that the modern concept of HRM gives priority to the qualitative improvement of human beings and for keeping pace with this attitude the human resource management is changing rapidly. The modern concept of outsourcing HR operations has been successfully adopted by most of the companies and has become a more efficient process with the help of technology. The various HR roles act as a strategic and business partner, an advocate of employees or an agent that brings about transformations in the organisation. The Human Resource Department's key function is to bring out the best in their employees and thus contribute to the success of the organisation. The small business often lacks sufficient systems to implement the efficient management of human resources. As the small business will be owned by an individual innovative attitudes will reflect in the business. But most of the successful businesses have awareness about the need for team building and delegation. Human resource management function of a business varies according to its size. The small firms will prefer easy methods of recruitment but according to the growth of the firm they will be under pressure to adopt a greater variety of formal recruitment sources would be used to attract suitable candidates. As a part of adopting a practical approach many organisations have taken steps to link its HR strategy to the growth plans which should be practised together by HR teams and other departments of the organisation with the involvement of line leaders. HRP helps to coordinate the needs and availability of different types of employees, identify the skills and competencies and subsequently develops plans for correcting deficient skills.

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## **Block Assignment**

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### **Short Answer Questions**

1. Describe the features of HRM?
2. Explain Human Resource Development?
3. What is outsourcing of Human Resource?
5. Explain Academic Theory and Critical Theory of HRM?
6. What are the new HR Roles?
7. Explain Recruitment & Selection?
8. Explain Training and Performance Appraisal?
9. Describe the role of HR's Agenda in company's growth?
10. What is Growth gap?

### **Long Answer Questions**

1. Illustrate modern concept of human resources?
2. Discuss about Human Resource Management in detail?
3. Do you think that HR Manager's role is changing? Explain
4. Do you think that HR has to play a major role in organisational growth? If so, why?
5. Discuss in detail about HR in small business.
6. Explain four roles of HR.

**Enrolment No.**

1. How many hours did you need for studying the units?

<b>Unit No</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Nos of Hrs.</b>				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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“

*Education is something  
which ought to be  
brought within  
the reach of every one.*

”

- Dr. B. R. Ambedkar



**Dr. Babasaheb Ambedkar Open University**  
'Jyotirmay Parisar', Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,  
Ahmedabad-382 481.

# HUMAN RESOURCE PLANNING

PGDHR-202

## BLOCK 2: BASICS OF HUMAN RESOURCE PLANNING



**Dr. Babasaheb Ambedkar Open University  
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# HUMAN RESOURCE PLANNING



Knowledge Management and  
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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



# HUMAN RESOURCE PLANNING

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Dr. Babasaheb  
Ambedkar  
Open University

**PGDHR-202**

# **HUMAN RESOURCE PLANNING**

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## **BLOCK 2: BASICS OF HUMAN RESOURCE PLANNING**

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# **BLOCK 2:       BASICS OF HUMAN                   RESOURCE PLANNING**

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## **Block Introduction**

The basic purpose of conducting Human Resource Planning is to have an accurate estimate of the number of employees required with the matching skills to meet the organizational goals. So it is a database where one can easily identify the existing skills and matching positions held. A part from this it's a flow chart wherein we also try to estimate the future requirements of human resource and the existing movement of the workforce towards it. This prediction has a great importance because this quantity and cost plays an important role in the productivity of every business. It's not sure that the forecast will be always correct. Workforce planning is an organized procedure to recognize the human capital essential to convene organization's objectives and developing the policies to fulfil these requirements. Workforce planning is a medium to long term strategy and its processes are expected to align planning, risk and budgets to integrate these into both annual and longer-term planning cycles. This planning lets you strike the right balance in workforce deployment, aligning strategic objectives with cost predictability and maximizing efficiencies within budgetary constraints.

This block explains how to design the human resource management system and plan the total workforce by generating the required human resources and also assessing and sustaining the organisational competence and performance. The block also explains the different aspects of HR Planning such as its scope, purpose and goal. The need for planning recruitment in advance which is the basic process of HR planning is also discussed in this block. The HR Process analysis and the tasks and activities involved in it are also discussed in detail. The requisites of a successful HR planning are also discussed in this block. The procedures adopted in development of annual work force plan and the changes that are often made outside the annual workforce plan are also discussed in detail. The block will also have a detailed discussion on the topics such as Tom Casey model of HR planning, CEO Compensation and the process and measurement capability using Six Sigma as a Foundation.

Unit 1 provides an introduction to human resource planning. The practical benefits of HR planning and the need for human resource planning are enclosed in this unit. The concepts like determining the numbers to be employed at a new location, retaining highly skilled staff, managing an effective downsizing

program, the source of next generation managers are discussed separately in this unit. The strategic human resource planning model, designing the human resource management system and planning the total workforce is also discussed in this unit. The methods generating the required human resources and the advantages of investing in human resource development and performance, is provided in this unit. The unit gives knowledge about how to assess and sustain the organizational competence and performance. The unit ends up with discussion on the HRP process.

Unit 2 provides an introduction to the HR planning and a brief description of its Scope, Inputs, Purpose and Goals. The unit provides the information of the basic process of HR planning, its strategies, process analysis, planning process tasks and activities. This unit also helps us to find out the strategic advantages for HR planning and the key points for successful HR planning.

Unit 3 provides an introduction the workforce planning process within the annual planning and budget review process. It gives an idea about the preparation of questions for the Meeting. The unit also comprises the method of developing the annual workforce plan and the changes to the staffing profile outside the planning process. The unit have a short description on the Tom Casey Model of HR planning, CEO Compensation and the present scenario of HR planning process. The method of building human resources through strategic planning and the usage of Six Sigma as the foundation to measure the capability is also detailed in this unit. The unit ends up with a discussion on Gartner's opinion on strategic Workforce Planning Process for improving an IT organization's effectiveness.

## **Block Objective**

**After learning this block, you will be able to understand:**

- What are Human Resource Planning and its need?
- How to retain your highly skilled staff?
- How to manage an effective downsizing program?
- What is Strategic human resource planning?
- The strategic human resource planning model.
- To Assess and sustain the organizational competence and performance.
- The strategies, process tasks and activities in HR planning.
- The basics of successful HR Planning.

- What workforce planning process is?
- How the annual workforce plan is developed?
- The current circumstances of HR Planning Process.
- Tom Casey Model for HR Planning.
- The usage of Six Sigma in HR planning.

## **Block Structure**

**Unit 1: An Introduction to Human Resource Planning**

**Unit 2: Scope and Importance of Human Resource Planning**

**Unit 3: Process of Human Resource Planning**

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# **UNIT 1: AN INTRODUCTION TO HUMAN RESOURCE PLANNING**

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## **Unit Structure**

- 1.0 Learning Objectives**
- 1.1 Introduction**
- 1.2 Practical Benefits of HR Planning**
- 1.3 Why Human Resource planning?**
- 1.4 Determining the Numbers to be Employed at a New Location**
- 1.5 Retaining your Highly Skilled Staff**
- 1.6 Managing an Effective Downsizing Programme**
- 1.7 Where will the Next Generation of Managers come from?**
- 1.8 How can HRP be applied?**
- 1.9 Strategic Human Resource Planning**
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- 1.16 Assessing and Sustaining Organisational Competence and Performance**
- 1.17 The HRP Process**
- 1.18 Let Us Sum Up**
- 1.19 Answers for Check Your Progress**
- 1.20 Glossary**
- 1.21 Assignment**
- 1.22 Activities**
- 1.23 Case Study**
- 1.24 Further Readings**

---

## 1.0 Learning Objectives

---

**After learning this unit, you will be able to understand:**

- The practical benefits of HR Planning.
- Strategic human resource planning model.
- Planning of total workforce.
- Investment in human resource development and performance.
- Assessment and sustenance of organisational competence and performance.
- HRP Process.

---

## 1.1 Introduction

---

Assigning the right man for right job and developing him into an effective team member is an important function of every manager. It is because HR is an important corporate asset and performance of organizations' depends upon the way it is put in use. HRP is a deliberate strategy for acquisition, improvement and preservation of enterprise's human resources. It is a managerial function aimed at coordinating the requirements, for and availability of different types of employees. HRP is a forward-looking function and an organizational tool to identify skill and competency gaps and subsequently develop plans for development of deficient skills and competencies in human resources to remain competitive.

---

## 1.2 Practical Benefits of HR Planning

---

Most of the criticism about the HR planning arises due to its inclination towards the quantity features rather than qualitative attributes. So it's clear that the planning should not be focused on how many should be the work force but should be concentrated on the skills and capability. Moreover needed skills should be identified and proper plans should be prepared and included in the HR planning, to acquire it. But there are people who still believe that the HR planning should be based on the quantities. Human resource planning is considered as an integral part of business planning. Even though neither organizations nor employees can look into the future, making predictions can be quite helpful, even if they are not always accurate.



The basic goal of human resource planning, then, is to predict the future and based on these predictions, implement programs to avoid anticipated problems. Very briefly, human resource planning is the process of examining an organisation's or individual's future human resource needs (for instance, what types of skills will be needed for jobs of the future) compared to future human resource capabilities (such as the types of skills among employees to be recruited or you already have). It also caters to developing human resource policies and practices to address potential problems for example, implementing training program to avoid skill deficiencies.

### **Check your progress 1**

1. The basic goal of human resource planning, then, is to predict the future and based on these predictions, implement programs to avoid anticipated problems.
  - a. true
  - b. false
2. The HR planning should be focused on how many should be the work force but should not be concentrated on the skills and capability.
  - a. true
  - b. false

---

## **1.3 Why Human Resource Planning?**

---

When companies are global, an important challenge in garnering success is to respect other cultures and workforce environments and start forming a global profile or social consciousness.

There are a number of reasons for the incorporation of human resource planning in an organisation. These are as under:

- a. It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- b. It ensures greater production by putting the right man in the right job.
- c. It helps to avoid a sudden disruption of an enterprises' production run by indicating shortages of personnel, if any, in advance.

- d. It helps to prevent under-utilisation of personnel because of over-manning and the resultant high labour cost and low profit margins.
- e. It provides information to management for the internal succession of managerial personnel in the event of an unanticipated occurrence.



**Fig 1.1 HR planning**

### **Check your progress 2**

1. HR planning helps in discovering talented and competent workers and developing them to move up the corporate ladder.
  - a. true
  - b. false
2. HR planning does not prevent under-utilisation of personnel because of over-manning and the resultant high labour cost and low profit margins.
  - a. true
  - b. false

---

## **1.4 Determining the Numbers to be employed at a New Location**

---

If the size of the employees recruited is more than which is required there will be a severe loss for the management. Even after not being used, the staff will have to be paid. However, if a miscalculation is made, resulting in the shortage of workers the company will be in all sorts of problems as it will struggle to meet deadlines for both sales and production.

Hence, the issues that come into the mind of an HR manager during the formulation of an HR plan can be pointed out as follows.

- What are the methods to be adopted to improve the efficiency by introducing a unique combination production, labor administration, and technological progress?
- How can be this correlated to the number of staff to be employed?
- What methods can be adopted to ascertain labour requirements?
- Is there any scope of adding more flexibility in work schedules?
- What are the methods that can be adopted for proper acquisition of needed workers?

These standards can be useful to any effort to identify labor necessities, for a new business venture, relocation, or rejuvenation of a plant or workplace.

### **Check your progress 3**

1. If the size of the employees recruited is more than which is required there will be a no loss for the management
  - a. true
  - b. false
2. By the shortage of workers the company will be in all sorts of problems as it will struggle to meet deadlines for both sales and production.
  - a. true
  - b. false

---

## **1.5 Retaining your Highly Skilled Staff**

---

Human resource planning is the process by which an organisation ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing tasks that will help the organisation achieve its overall objective. Human resource planning provides the organisation with a detailed plan of action designed to achieve the organisation's objectives and comes up with the information about the number of workers needed to meet those objectives. Without a clear cut planning, estimation of human resource need remains nothing but a guessing game on papers.



Fig 1.2 Skilled staff

Though issues about retention were not in the forefront any discussions in recently, every business were keen to learn about the progression of resignation and assist itself in retaining its highly skilled staff. Thus, every business should:

- observe the degree of resignation
- determine the motive for it
- Find out the cost that the business will have to forfeit due to resignations.
- Evaluate this cost with other resembling businesses
- Devoid of this perceptive, organization may be oblivious of the eminence of workers lost.

This expenditure will be rendered by the organisation through the invoice for separation, recruitment and induction and also by a loss of enduring competence.

By understanding the character and degree of resignation, methods can be adopted to correct the condition. Comparatively inexpensive and easy remedies can be sought out after finding out the reasons for the exit of employees.

#### **Check your progress 4**

1. Human resource planning is the process by which an organization ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing tasks that will help the organization achieve its overall objective.
  - a. true
  - b. false

2. The costs that the business will have to forfeit due to resignations have nothing to do with the future HR planning and retaining of skilled workers.
- a. true
  - b. false

---

## 1.6 Managing an Effective Downsizing Programme

---

Downsizing of labor force is a frequent matter of concern for managers. Safeguarding of enduring benefit of the business organisation and lessening the strength of the workforce without affecting the business is a responsive matter. It happens to be more complicated along with the pressure of production and sales targets on the management attached with employee apprehensions.



Fig 1.3 Downsizing

### **HRP facilitates the business by taking into account:**

- The kind of labour force predicted till the conclusion of the exertion.
- The merits and demerits of the diverse routes which enables success of the precise long-term plans of the business.
- The effectiveness of retraining, posting and reassignment.
- Pointing out the suitable recruitment levels that will be required.

The result of such an assessment can be put forward to the senior managers, so that the expenditure advantage of different means of reduction can be considered and the period taken to congregate the objectives can be recognized.

### Check your progress 5

1. Downsizing of labor force has become more complicated along with the pressure of production and sales targets on the management attached with employee apprehensions.
  - a. true
  - b. false

---

## 1.7 Where will the Next Generation of Managers come from?

---

Efficient managers can foresee the problems likely to occur and try to prevent them. As pointed by Terry, successful managers deal with foreseen problems and unsuccessful managers struggle with unforeseen problems. The difference lies in planning. Managers have to foresee to make the future favorable to the organisation in order to achieve the goals effectively. They introduce action, overcome current problems, prevent future uncertainties, adjust the goals with the unforeseen environmental conditions, and exert all their resources to achieve their goals.

According to Megginson et al, "To have an organisation that looks forward to the future and tries to stay alive and prosper in a changing world, there must be active, vigorous, continuous and creative planning".

The phenomenon of the disappearance of the conventional career paths has brought a serious concern among the senior managers. The situation leads to the import of managers from other organisations. Though the import ends up the crisis, many of them realize that this is only a short time relief and the situation will reoccur. The longer-term problem of managerial supply: what kind, how many and from which source is still a question in front of them.

In order to find the solution for the issue of the availability of next generation managers, following factors should be identified.

- The current occupational structure of the business(such as promotion criteria and retirements)
- The features of personnel who occupy the senior posts in the business.
- Prospect of developing talented and skilled workers from the existing employees. This number can be compared with the future requirements to get an accurate prediction of the workforce needed.

### Check your progress 6

1. Successful managers' deal with foreseen problems and unsuccessful managers struggle with unforeseen problems; the difference lies in \_\_\_\_\_.
  - a. recruitment
  - b. selection
  - c. planning
2. Disappearance of the conventional career paths has led to the import of managers from other organizations.
  - a. true
  - b. false

---

## 1.8 How can HRP be applied?

---

Human resource planning constitutes an integral part of corporate plan and serves the organisational purposes in many ways. For example, it helps organisations to:

- a. Capitalise on the strengths of their human resources.
- b. Determine recruitment level.
- c. Anticipate redundancies.
- d. Determine optimum training levels.
- e. Serve as a basis for management development programs.
- f. Assess cost of manpower for new projects.
- g. Assist productivity bargaining.
- h. Assess future requirements.
- i. Study the cost of overheads and value of service functions.
- j. Decide whether certain activities need to be subcontracted In order to cope with such business needs:
  - Suitable demand outline
  - Excellent supervising and remedial measures
  - Complete information about existing workforce and the external employment market.

- A perceptive about the resourcing functions in the business.

Applying a Human Resources Planning program would require sound preparatory work and comprehensive personnel records, which give accurate and objective data on all employees. We cannot make judgments on the supply of particular skills unless we have sufficient data on the skills possessed by existing employees. Building up full records requires both an effective system and determination to ensure the data is complete, up-to-date, and accurate. In addition, the information must be in a form that facilitates easy access during a review.

Plans should be set out with schedules of associated work force requirements, giving precise categories, skills, and levels for every function. These details will be necessary as a starting point when the questions of supply planning are tackled.

The decisions in an organisation can be made without considering HRP, but these decisions will be devoid of the advantage of perceptive their inference. More over quantity of workers to be recruited will be laid down in unawareness of labour demand or management progression issues will be ignored.

### **Check your progress 7**

1. Human resource planning constitutes an integral part of corporate plan and serves the organizational purposes by-
  - a. Assessing cost of manpower for new projects.
  - b. Assisting productivity bargaining.
  - c. Determining recruitment level.
  - d. all the above
2. Applying a Human Resources Planning program would require sound preparatory work and comprehensive personnel records, which give accurate and objective data on all employees.
  - a. true
  - b. false



---

## 1.9 Strategic Human Resource Planning

---

Strategic Human resource planning is a significant part of strategic human resource management. It connects Human resource management straight away to the strategic plan of the business. Most middle to big sized businesses generally has a strategic plan that directs it in the fruitful combination of its tasks. Organisations regularly fulfill the financial plans to make sure that they accomplish organizational objectives and but the labor force plans are not given predominance.

Even a tiny business with as little as 10 employees can build up a strategic plan to make judgments about the opportunities. Depending upon the strategic plan, a business can put up a strategic HR plan that will enable it to create HR management choices to maintain its bright future path. Strategic HR planning is also significant for the financial planning such as yearly budgets as the business can predetermine operational expenditures of staffing, training, etc.

A complete human resource strategy has a crucial part to play in the success of an organization's general strategic plans, clearly demonstrate that the human resources function completely appreciates, and sustain the course in which the business is advancing. It also maintains extra precise strategic aims undertaken by different departments such as marketing, financial, operational, etc.

Essentially, Strategic HR Planning give importance to intelligent use of the workforce, if a business looking forward to attain standard to long term objectives. This can be achieved by:

- Retaining the precise people in specific positions
- observance of the exact combination of skills and aptitudes
- Encouraging the employees with factual approaches and performances
- Attitudes and behaviour is developed in the right way

Strategic HR planning predicts the future HR management needs of the organisation, after analyzing the organisation's current human resources and the future HR environment of the organisation. The analysis of HR management issues external to the organisation and developing scenarios about the future are what make strategic planning a distinguished activity. The basic questions to be answered for strategic planning are:

- Where are we going?
- How will we develop HR strategies to get there successfully, given the circumstances?
- What skill sets do we need?

The overall purpose of strategic HR planning is to:

- Ensure adequate human resources to meet the strategic goals and operational plans of your organisation - the right people with the right skills at the right time
- Keep up with social, economic, legislative and technological trends that impact on human resources in your area and in the sector
- Remain flexible so that your organisation can manage change if the future is different than anticipated

The HRP strategy should demonstrate that effectual planning of workforce matters will make the business easier accomplish its wider intentional and organized goals.

### **Check your progress 8**

1. Strategic Human resource planning connects Human resource management straight away to the strategic plan of the business.
  - a. true
  - b. false
2. A tiny business with 10 employees cannot build up a strategic plan to make judgments about the opportunities.
  - a. true
  - b. false
3. Strategic HR planning predicts the future HR management needs of the organisation, after analysing the organisation's current human resources and the future HR environment of the organisation.
  - a. true
  - b. false

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## 1.10 Making the HR Strategy Integral to the Organisation

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Strategic human resource planning consists of a number of objectives, but all the objectives must be closely aligned to overall business goals in order to be effective. Human resources executives must demonstrate the employer's return on investment through strategic activities. Strategic activities are forward-thinking processes that support business growth through recognition of the value of human capital.

It's the prime objective of the HR manager to make sure that the HR Strategies in the business are incorporated with the wider organizational goals. Moreover it should be taken care that it the strategies implemented are acceptable to others also. In order to attain these objectives, HR mangers should

- Communicate with all the stakeholders and detail them about the proposed strategy.
- Promote and build up supporters of the strategy through effective communication.
- While communicating with others concentrate on the benefits that are going to be achieved by implementing the strategy and illustrate examples for the same.
- Assessment of the extent of commitment to the strategy across the business will increase the success rate.
- Customary response of the plans should be given with the help of employee newsletters, presentations, etc.
- Wherever applicable, put together the strategy proven results, as that is easy to be monitored and evaluated.
- Implement the strategy in the orientation process for the work force - in particular for the senior level.

### **Check your progress 9**

1. It's not essential that the HR mangers should communicate with all the stakeholders and detail them about the proposed HR strategy.
  - a. true
  - b. false

2. Assessment of the extent of commitment to the strategy across the business will increase the success rate.
  - a. true
  - b. false

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## 1.11 A Strategic Human Resource Planning Model

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**The strategic HR planning has to undergo the following steps:**

1. Evaluate the present HR competence
2. Predicting the future HR needs
3. Gap assessment
4. Initiating HR strategies to prop up the business objectives.

### **1. Evaluation of the present HR competence**

In accordance with the approved strategic plan of the business, the evaluation of the present HR competence of the business is the first and foremost step of the HR planning. The awareness, proficiency and aptitude of the present work force are to be determined. The method involves the preparation of an index according to the skills of each worker. The willingness of the employee to accept more duties and responsibilities according to his personal career development plans should be acknowledged and motivated.

### **2. Predicting the future HR needs**

The second step is to predict the future HR requirements according to the strategic objectives of the business. Practical prediction of human resource needs involve the assessment of the labour demand and supply. To deal with the related issues an HR manager should find out the answer following:

- The number of workers needed to meet the strategic objectives of the business?
- The specific employment vacancies that are to be filled in the recent future?
- The aptitudes that the workers should possess?
- Influence of the external environment on the HR requirements of the business?

### 3. Gap analysis

The subsequent step is to decide the gap between vision of the business about its future and the present condition. The gap analysis comprises making out the quantity of workforce, expertise and aptitude obligatory in the future in contrast to the existing condition. HR management practices must be observed strictly to recognize conducts that can be enhanced or the innovative practices that are essential to sustain the organisation's capability to progress.

To deal with the related issues an HR manager should find out the answer for the following:

- a. What are the innovative jobs that should be created?
- b. What are the innovative skills that will be compulsory?
- c. Does the present work force have these innovative skills?
- d. Are the personnel's in various positions posted according to their strengths?
- e. Does the business have the adequate managers?
- f. Are the existing HR management practices sufficient for future requirements?

### 4. Creating HR strategies to maintain organisational strategies

The HR strategies which help the gathering of the future business needs are

#### a. Restructuring strategies

These strategies include the-

- Dropping the strength of the work force by termination or attrition.
- Reorganizing the jobs to generate perfectly designed jobs.
- Reorganizing job divisions to be more competent.

Termination of employees provides instant outcomes. Usually, there will be expenses related to this approach according to the service contracts. Attrition is another method to lessen staff strength. The feasibility of this alternative relies on how much instantly the reduction of staff is essential. The jobs executed in the business are essentially restructured so that work of the leaving employee is also done.

#### b. Training and development strategies

These strategies include-

- Giving proper training for the workers to do the consigned new roles.

- Giving the existing employees the opportunity for development to set up them for upcoming jobs in the business.

Training and development wants can be conferred in different ways. One method is by the business paying the employees to improve their expertise. This may entail the sending the worker to receive training or certificates or it may be able by means of on-the-job training.

#### **c. Recruitment strategies**

These strategies include-

- Recruiting fresh personnel's with the talent and aptitude that the business shall require in the future.
- Bearing in mind all the accessible options for purpose fully supporting employment openings and encouraging appropriate aspirants to submit an application.

For strategic HR planning, every recruitment process the organisation should be looking at the needs from a strategic viewpoint. The recruitment strategy must be to discover somebody who will be capable to align with the modifications that the business will plan for the future.

#### **d. Outsourcing strategies**

This strategy includes-

- The usage of employees outside the organization to do the work.

Several organisations rely upon the external staffs by engaging them for certain skilled jobs. This is above all supportive for carrying out definite, expert responsibilities which does not require a permanent work. So a number of organisations subcontract HR conducts, assignment work or accounting. For instance, payroll could be prepared by an outside organisation rather than a organization staff, a temporary assignment may be completed by a professional or particular expertise. For example a legal guidance may be acquired from an external legal firm.

#### **e. Alliance strategies**

These strategies include

- Functioning jointly to persuade the kinds of courses presented by educational establishments.

- Functioning with other organisations to organize future managers by giving out in the growth of talented personnel's.
- Allocation of the costs of training for the team of workers.
- Permitting workers to trip to other organizations to increase proficiency and skill.

Ultimately, the strategic HR planning process could guide to indirect strategies that go ahead of the business.

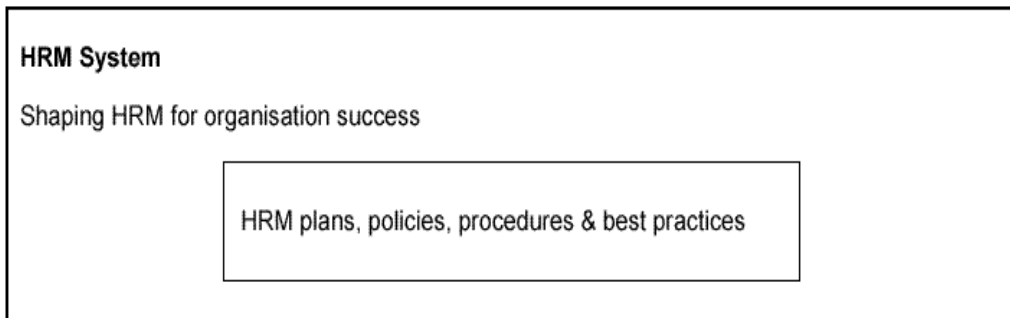
### **Check your progress 10**

1. The awareness, proficiency and aptitude of the present work force are to be determined in
  - a. Evaluation of the present HR competence
  - b. Predicting the future HR needs
  - c. Gap assessment
2. \_\_\_\_\_comprises making out the quantity of workforce, expertise and aptitude obligatory in the future in contrast to the existing condition.
  - a. Evaluation of the present HR competence
  - b. Predicting the future HR needs
  - c. Gap assessment
3. Outsourcing strategies comprise with the usage of employees outside the organisation to do the work.
  - a. true
  - b. false

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## 1.12 Designing the Human Resource Management System

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**Fig 1.4 HRM designing**

HRM is proactive rather than reactive, i.e., always looking forward to what needs to be done and then doing it, rather than waiting to be told what to do about recruiting, paying or training people or dealing with employee relations problems as they arise. The techniques for the application of HRM will include many familiar functions of personnel managers, such as manpower planning, selection, performance appraisal, salary administration, training and management development. These will be overlaid by special programmes designed to improve communication systems, involvement, commitment and productivity.

Broadly, there are three meanings attached to the concept of HRM. In the first place, persons working in an organisation are regarded as a valuable source, implying that there is a need to invest time and effort in their development. Secondly, they are human resources which means that they have their own special characteristics and therefore, cannot be treated like material resources. The approach focuses on the need to humanise organisational life and introduce human values in the organisation. And thirdly, human resources do not merely focus on employees as individuals, but also on other social realities, units and processes in the organisation. These include the role or the job a person has in the organisation, team processes, etc.

The HRM model is characterised as being employee-oriented with an emphasis on the maximisation of individual skills and motivation through consultation with the workforce so as to produce high levels of commitment to company strategic goals. It is a resource to be used to its fullest capacity. It is an asset to be invested in. HRM is concerned with both the structure of work in a firm and with all the related employment practices that are needed to carry out the work. HRM is not simply about HR or 'people practices', it is about the



management of work and people in the firm. Managing people includes both individual and collective dimensions

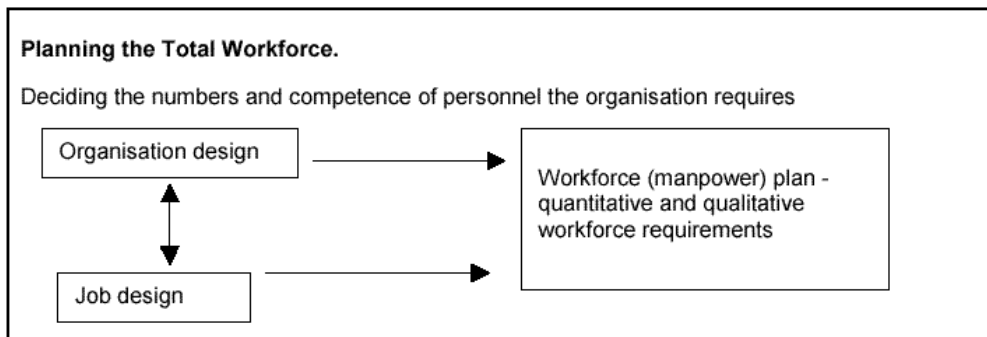
### Check your progress 11

1. The HRM model is characterised as being employee-oriented .
  - a. true
  - b. false
2. The concept of HRM is that the persons working in an organisation are regarded as a valuable source, implying that there is a need to invest time and effort in their development.
  - a. true
  - b. false

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## 1.13 Planning the Total Workforce

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**Fig 1.5 Planning of total workforce**

Planning the entire workforce is an exceptionally significant action, which finally aim to implement the HR functions of succession planning, training and development effortlessly since they turnabout the existing labor force. There are normal transformations in the existing work group as fresh applicants adhere and older ones depart.

Shaping upcoming business necessities, mainly those concerning to work force necessities, symbolize one of the most demanding responsibilities human resource managers have to face.

The sketching out of a workforce plan is an important element of every human resource strategy and one of the anticipated products of human resource manager's actions. In spite of this, manpower or labor force planning, along with succession planning, has only newly had the benefit of revival in reputation. The failure of several businesses to build up and execute labor force planning is somewhat problem-solving of the need of strategic planning itself.

Strategic goals of each business are most important for its success and labor force planning works according to it. In order to convene the company's strategic goals the procedure should be ingenious and should identify the employee's individual and expert features. This preparation is also accomplished to build up the strategies of fulfilling the business needs. It is a systematic progression that gives the manager a representation for taking human resource decisions in accordance to the business functions, strategic plan, allocated funds and a set of preferred labor force proficiencies. So the workforce planning can be stated as an organized process that is incorporated, arranged, enduring and reliable in character.

According the requirement of the businessman workforce plan shall vary from easy to intricate. It makes out the necessity of the business in terms of prospective workers to meet organizational objectives. This brings out the determination of quantity and skills needed along with the time schedule they will be required. Workforce planning might be for a division or subdivision or for the entire business to offer productive out comes to the business; the success of these plans rely upon its assimilation with much broader management strategies. The labour force planning also initializes the improvement of strategies to fulfill the business needs and it includes the taking appropriate actions to magnetize and maintain workers of mandatory skills along with upholding most favorable figures according to the organization's needs.

Besides the labor force planning, it has to be guaranteed that organizational structure along with the jobs guarantee the proficient rendering of services and administration of the organization as a whole.

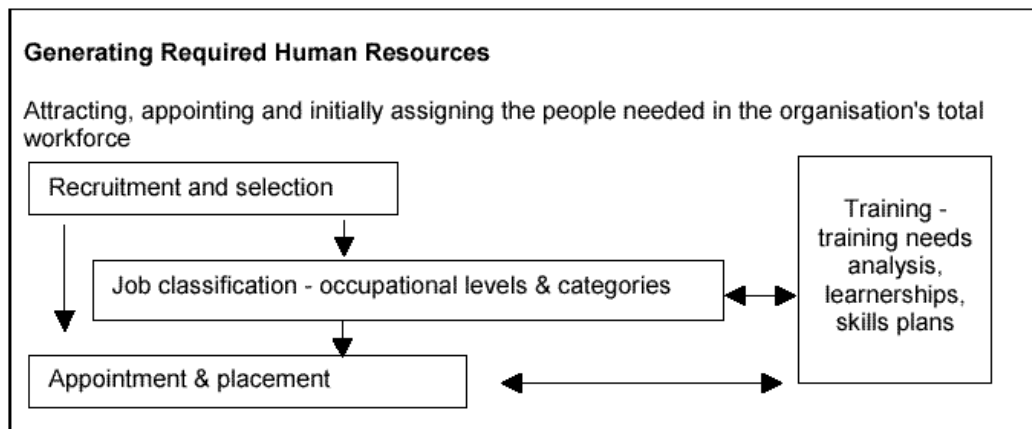
**Suggested proceedings:**

- Shaping of proper organisational structure to maintain the strategic goals.
- Arrangement of the employment according to the key activities.
- Preparing a workforce plan proposed to maintain the organisations strategic goals.
- Bring together workforce profiles, discovering the designated groups, an record of existing workers competencies, competencies needed in the future and acknowledged gaps in competencies.

### Check your progress 12

1. There are no transformations in the existing work group as fresh applicants adhere and older ones depart.
  - a. true
  - b. false
2. In order to convene the company's strategic goals the procedure should be ingenious and should identify the employee's individual and expert features.
  - a. true
  - b. false
3. Workforce planning might be for a division or subdivision or for the entire business to offer productive out comes to the business; the success of these plans rely upon its assimilation with much broader management strategies.
  - a. true
  - b. false

## 1.14 Generating the Required Human Resources



**Fig 1.6 Generating required human resource**

This method concentrates on selection, employment, arrangement, preparation, and allocation of the workers on the basis of strategic essentials of the organization's workforce plan.

An ample workplace expertise plan will recognize suitable guidance precedence in accordance with the organization's workforce requirements in the

present and the future. The new recruitment schemes might be implemented or the description of selected groups or obtaining necessary skills in the business.

### **Suggested proceeding**

- Assessment of recruitment and selection procedures with accordance to the organisation's strategic goals
- Augmentation and execution of a complete workplace skills plan.
- Acceptance or explanation of professional levels and grouping.

### **Check your progress 13**

1. An ample workplace expertise plan will recognize suitable guidance precedence in accordance with the organization's workforce requirements in the present and the future.
  - a. true
  - b. false
2. Generating required human resource needs the assessment of recruitment and selection procedures with accordance to the organisation's strategic goals.
  - a. true
  - b. false

## 1.15 Investing in Human Resource Development and Performance

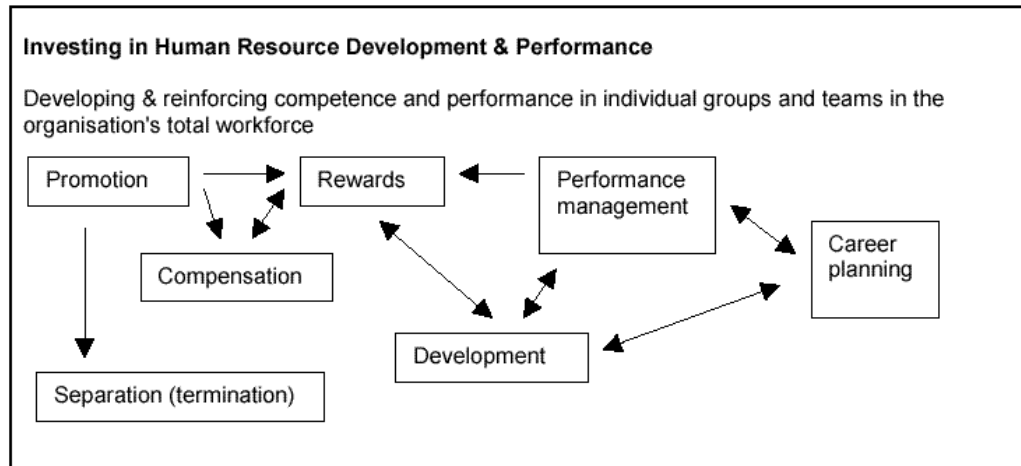


Fig 1.7 Investing in HRD and performance

Conventional concepts of career planning, performance appraisals, compensation management and workman development should be restructured according to the idea, features and assignment conclusions as in the HR plans, strategies and procedures.

Development reactions will intend to amplify business skills. The appliances of business skills and the behavioral essentials are all add to an organization for successful performance. New perception such as ultimate learning and identifying previous learning should shape an important constituent of the way of investing in employees.

Strategies for diverse organization differ according to its development pace. Workers retention strategy also follows identical procedure.

At the time of workforce planning process if there are indications of limited encouragement or career progress in an organization and the development features are also limited, organizational strategies proposing the retaining of the workers will be advisable. But in organizations which have significant growth and expansion will have an opposite strategy. Every significant proposal is taken for the person, group and organization for ensuring maximum performance levels and business development.

It is vital that at a personal level, mainly for superior staff, that they experience that their growth desires are approved and they be encouraged by providing the skills to do their works. At a group level, it characterizes the

personal capability to coordinate his work with others and support personal and group skills to facilitate the business goals.

Compensation strategies have an objective to support the functions of the organization with the method of giving compensation to its people, giving the obligatory incentives and enthusiasm to the workers. Its elements are the blend of the basic pay, bonus, revenue sharing, share preferences, and a variety of suitable benefits, generally according to the market or competitor rules and the organization's capacity to compensate.

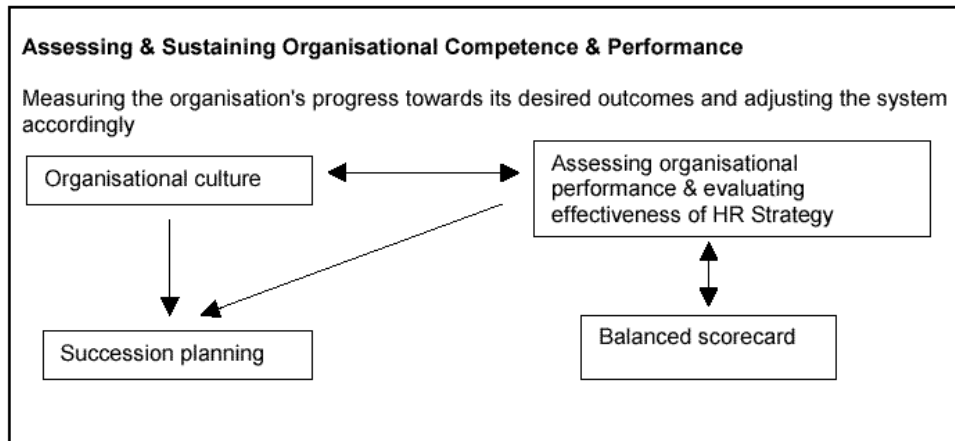
**Suggested actions:-**

Sufficient investment in HR guarantees a sturdy base for the business and contented employees. This can be achievable by accurate exposure of suitable measures, policies, and procedures according to employment development and learning, promotion and employment assignments, compensation management, retirement, etc.

**Check your progress 14**

1. New perception such as ultimate learning and identifying previous learning should shape an important constituent of the way of investing in employees.
  - a. true
  - b. false
2. At the time of workforce planning process if there are indications of limited encouragement or career progress in an organization and the development features are also limited, organizational strategies proposing the retaining of the workers will not be advisable.
  - a. true
  - b. false
3. Every significant proposal is taken for the person, group and organization for ensuring maximum performance levels and business development.
  - a. true
  - b. false

## 1.16 Assessing and Sustaining Organisational Competence and Performance



**Fig 1.8 Competence and performance assessment**

Only small number of businesses successfully quantifies how well their diverse input influence performance. Actually no methods accurately measure the contribution of the workers to make desired organisational outcomes or assess how changes in procedure and practice, schemes or practices will influence that involvement.

Applying understandable proven measures along with recognizing targets in the accomplishment of precise organisational goals, will clearly express the results of the HR Strategic Plan in quantifiable expressions. Customary assessment of the plan will also support in self-improvement of the HR strategic plan.

### **Suggested actions:-**

- Assessment of the business culture and climate
- Execution of succession planning
- Assessment of HR strategy using established measures
- Review and alteration of HR strategy

While HR strategies should be made to support the success organisation's goals, it is a two-way process. HR strategies could themselves be important inputs in assessing the strategic plans for the organization. A critical mistake, however, is to build up and execute HR strategies devoid of consideration for the aims and objectives which the organisation has clearly or completely recognized. A familiar error is the development of workplace expertise policy which is not connected to

any strategic objectives or intentions or which have no positive achievement elements. Likewise, setting up of a quantities target with no workforce and succession planning work out is in most occasions, basically insignificant.

Human resource planning (or HRP for short) is the absolute vital function that look firstly at strategy and then deploys the necessary human capital (people) where it is called for designing strategy in the organisation.

HRP therefore falls into the wider area of employee resourcing (planning for, acquiring and allocating the desired human resources for the organisation). HRP entails by knowing in advance, what the staffing needs of the organisation will be, assessing the supply of the relevant workers in the organisation and labour market and finding ways to fulfil the staffing needs of the organisation.

Organisations are greatly affected by their demand for labour and therefore by the supply of labour. Firstly, formulating a strategy can only happen after you have knowledge of the strengths and weaknesses of the workforce, which will include these issues. Imagine, for example, if you are going to attempt a growth strategy into more rural areas. You may need a marketing workforce that has far more experience and contact with the customer base.

Secondly, strategic plans can only be implemented successfully if the organisation is staffed with the right number and type of human resources to provide the necessary skills, knowledge, abilities, etc. Successfully planning for and handling labour needs can thus be a competitive advantage or disadvantage. Companies who make and implement better HRP strategies than others will adjust better to environmental changes and have the most suitable workforces.

### **Check your progress 15**

1. There are methods to measure accurately the contribution of the workers to make desired organisational outcomes.
  - a. true
  - b. false
2. HR strategies could themselves be important inputs in assessing the strategic plans for the organisation
  - a. true
  - b. false



3. Strategic plans can only be implemented successfully if the organisation is staffed with the right number and type of human resources to provide the necessary skills, knowledge, abilities, etc.
- a. true
  - b. false

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## 1.17 The HRP Process

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The three broad keys to HRP are roughly, to:

1. Know the strengths and weaknesses of the current workforce, both with regard to number and skills, etc.
2. Have a clear strategic plan for the future and an idea of how the current staff fit in (i.e. fulfil) that plan.
3. If the current staff do not fit it in any way, a plan to alter it to do so.

These keys are achieved through the HRP process. The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment.

HRP consists of the following stages.

1. Analysing organisational plans and deciding objectives.
2. Analysing factors for manpower requirements.
3. Developing employment plans.
4. Developing human resource plans.

### 1. Analysing Organisational Plans and Deciding Objectives

The business plan would be a blueprint of desired objectives. This objective stated in economic terms, would incorporate the growth rate of the company, diversification plans, market opportunities and government policies. Therefore, human resource planning should meet two requirements.

- a. It should be directly related to the essential nature of the organisation.
- b. The changes in the selected factors should be proportional to changes in the human resources required in the organisation.

In a small organisation, a human resource plan could be formulated to cover the whole organisation. However, in a large organisation, size may necessitate human resource planning by separate departments.

## 2. Analysing Factors for Manpower Requirements

The existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. The job generally should be designed and analysed reflecting the future human resources and based on future organisational plans. The factor for manpower requirements can be analysed by two ways:

- a. Demand Forecasting
  - b. Supply Forecasting
- a. **Demand Forecasting:** Demand forecast is based on the annual budget and long term corporate plan. It is the procedure to estimate the predictable number and feature of people essential for performing diverse jobs in each occupation and department.

Demand forecasting should consider numerous factors — both external and internal. The external factors are contest, monetary ambiance, laws and regulatory organizations, transformation in technology and societal factors. Internal factors include budget constraints, production levels, new products, and services organisational structure and employee separations.

- b. **Supply Forecasting:** Analysis of the manpower requirements of the company provides the manager with the means of estimating the quantity and quality of employees that will be required in future. 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. This information is provided by supply forecasting. Supply forecasting is method of assessment, which measures the number of people who may be available from within and outside an organisation, after considering sufficient gaps, which may be caused due to absenteeism, internal movements and promotions, wastage and changes in other conditions of work.

## 3. Developing Employment Plans

After determining the number of personnel for each job in the organisation, the human resource department has to determine the nature of job, i.e., job description and job specification.

- a. **Job Description:** A job description will generally describe the work performed, the responsibilities involved, the skill or training required, conditions under which the job is done, relationships with other jobs and personal requirements on the job. According to The British Institute of Management, “A job description is not intended to catalogue all duties involved with the result that an employee would feel justified in declining to perform any work not included in the description. It should be regarded as an outline of the minimum requirements of the job, thus preserving flexibility of operations”.
- b. **Job Specification:** The job specification is the result of job description. It specifies the least satisfactory credentials that the fresher must hold to execute the job acceptably and productively. Job specifications provide an imperative way in the selection process and assessment. They are formulated by the human resource department in discussion with diverse line managers. The different essentials of job specification are:
  - Minimum formal education necessary to perform the job.
  - Minimum experience required for performing the job.
  - Manual/Mental skill required for performing the job.
  - Personality factors such as personal appearance, emotional stability, maturity, initiative, drive and sociability.
  - For high-level jobs, the ability to assume responsibility is an essential prerequisite.

#### 4. Developing a Human Resource Plan

Net Human Resource requirements in terms of number and components are to be determined in relation to the overall human resource requirement. After estimating the supply and demand of human resources, the management starts adjustment. When the internal supply of employees is more than the demand, human resource surplus exists and external recruitment is stopped. Besides, existing employees are encouraged to take voluntary retirement. It gradually reduces the surplus.

If human resource deficit exists then the planners have to rely on the external sources. They then proceed for scanning of the employment market for recruitment purposes. If future supply of human resources from all the external sources is estimated to be inadequate or less than the requirements, the manpower planner has to suggest to the management to alter or modify the organisational

plan. In case of shortage of certain categories of employees, the organisation has to take care not of recruitment alone but also retention of existing employees.

### **Check your progress 16**

1. Analysis of the manpower requirements of the company provides the manager with the means of estimating the quantity and quality of employees that will be required in future.
  - a. Supply Forecasting
  - b. Demand Forecasting
  - c. Job Specification
2. The procedure to estimate the predictable number and feature of people essential for performing diverse jobs in each occupation and department.
  - a. Supply Forecasting
  - b. Demand Forecasting
  - c. Job Specification
3. Specifies the least satisfactory credentials that the fresher must hold to execute the job acceptably and productively.
  - a. Supply Forecasting
  - b. Demand Forecasting
  - c. Job Specification

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## **1.18 Let Us Sum Up**

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To conclude, HRP is a managerial function which helps to coordinate the needs and availability of different types of employees. Along with this, it also helps the identification of the skills and competencies and subsequently develops plans for correcting deficient skills. To avoid criticism without concentrating on the quantity features, HRP should be concentrated on the skills and capability. Human resource planning is considered as an integral part of business planning as it helps both organizations and employees to get ready for the future. If the size of the employees recruited is more than which is required there will be a severe loss for the management. Miscalculations about of the work force needed often lead to loss. Human resource planning is the process by which an organisation ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing tasks that will help the organisation achieve its overall objective.

Downsizing of labor force maintaining the benefits of the organization and without affecting the business is a responsible and complicated task .It increases the pressure on managers dealing with production and sale. Efficient managers can foresee the problems likely to occur and try to prevent them. The difference lies in planning to overcome current problems, prevent upcoming threats and alter the goals with the unforeseen environmental conditions. Strategic Human resource planning, the significant part of strategic human resource management connects the human resource management to the business plan. The total work force plan facilitates the succession planning, training and development as they help to rotate around the available workforce.

The HRP shapes the future work force needs and represents the most demanding responsibilities of human resource management. The HRP works in accordance with the strategic goals of the business which are most important for the success of the business. Hence, it helps the manager to take human resource decisions relating to the business functions, strategic planning, allocated funds and a set of preferred labor force proficiencies.

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## **1.19      Answers for Check Your Progress**

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**Check your progress 1**

**Answers:** (1-a), (2-b)

**Check your progress 2**

**Answers:** (1-a), (2-b)

**Check your progress 3**

**Answers:** (1-b), (2-a)

**Check your progress 4**

**Answers:** (1-a), (2-b)

**Check your progress 5**

**Answers:** (1-a)

**Check your progress 6**

**Answers:** (1-c), (2-a)

**Check your progress 7**

**Answers:** (1-d), (2-a)

**Check your progress 8**

**Answers:** (1-a), (2-b), (3-a)

**Check your progress 9**

**Answers:** (1-b), (2-a)

**Check your progress 10**

**Answers:** (1-a), (2-c), (3-a)

**Check your progress 11**

**Answers:** (1-a), (2-a)

**Check your progress 12**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 13**

**Answers:** (1-a), (2-a)

**Check your progress 14**

**Answers:** (1-a), (2-b), (3-a)

**Check your progress 15**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 16**

**Answers:** (1-a), (2-b), (3-c)

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## 1.20 Glossary

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1. **Deliberate** - intentional
2. **Anticipated** - predictable
3. **Competent** - capable
4. **Ascertain** - Learn
5. **Progression** - Development
6. **Apprehension** - worry
7. **Precise** - accurate
8. **Demonstrate** - show
9. **Effectual** - effective
10. **Augmentation** - growth
11. **Obligatory** - compulsory
12. **Quantifiable** - proven
13. **Customary** - normal
14. **Procure** - obtain

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## 1.21 Assignment

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Visit any one organisation and collect as much information as possible on retention policies of the organisation.

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## 1.22 Activities

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Assuming you are a HRD Manager in an organisation, you need to create an HR staffing plan. Briefly explain what criteria will be considered and why?

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## 1.23 Case Study

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M.B.S Books one of the biggest book companies in South India with its headquarters at Cochin (Kerala) started a branch at Kannur one of the district headquarters in Kerala. Though earlier they operated the sales from their Cochin branch starting a retail unit at Kannur increased their sales in the district. They had

a lot educational institutional sales and the whole unit was managed by a retired government officer who was appointed as the manager of the branch. There were total 15 employees all of them appointed were fresh entrant for retail sales.

Things changed after 7 months, the manager had a severe heart attack and was admitted to hospital. Though he recovered from the illness, he just resigned from the job. The management appointed one of the sales people as a caretaker to manage the book shop. Though not qualified, and he was a distant relative of the managing director. Things went worst as the employees seldom heard the manager's words. The sales declined and the management had to send a supervisor from the head office to take charge. But that too was in vain and the company had to wind up their operations.

1. What are the defects that you find in the HRP of MBS Books?
2. Do you think that the implementation of an effective Succession Plan would have helped MBS?

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## **1.24 Further Readings**

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1. A Strategic Human Resource Management System for the 21st Century, Naval Personnel Task Force, US Department of Navy, September 2000
2. Developing a Human Resources Strategy: A Good Practice Guide, South East Employers, June 1999
3. Human Resource Planning: An Introduction, Reilly P. Report 312, Institute for Employment



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## **UNIT 2: SCOPE AND IMPORTANCE OF HUMAN RESOURCE PLANNING**

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### **Unit Structure**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Why a Human Resources Diagnostic?**
- 2.3 Scope of HR Planning**
- 2.4 The Inputs in Human Resource Planning**
- 2.5 HR Planning: Purpose and Goals**
- 2.6 Planning ahead for Recruitment: The Basic Process of HR Planning**
- 2.7 Strategies in the HR Plan: Process Analysis**
- 2.8 Planning Process Tasks and Activities**
- 2.9 Why a HR Planning Process for Corporate?**
- 2.10 Strategic Advantages for HR Planning**
- 2.11 Micro/Macro Level Advantages**
- 2.12 Key Points for Successful HR Planning**
- 2.13 Let Us Sum Up**
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- 2.17 Activities**
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- 2.19 Further Readings**

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### **2.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- Requirement for Human Resources Diagnostic studies.
- Scope, Purpose and Goals of HR Planning.

- Strategies in the HR Plan: Process Analysis.
- Planning Process Tasks and Activities.
- Emphasis of HRP at Micro/macro level.
- Elements of Successful HR Planning.

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## **2.1 Introduction**

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Planning is an integral element of our everyday activities. Different writers have studied and written extensively about planning and its importance in achieving objectives. Those organizations that lack in planning for the future have fewer opportunities to survive the competition ahead. This part will discuss the importance of HR planning; the six steps of HR planning that is: forecasting; inventory, audit, HR resource plan; acting on plan; monitoring and control.

Human resource planning is the process by which the deciding and guiding members of an organisation manage and lead those people who will be responsible for implementing the strategies necessary to fulfill the company's mission and reach its vision.

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## **2.2 Why a Human Resources Diagnostic?**

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In today's marketplace, every organisation is under pressure to outperform an increasingly sophisticated group of competitors. Leaders have been diligent in learning from other's successes and failures. It is rare to find an organisation that has not been affected by the latest quality initiatives, customer service programs and administrative improvements so prevalent in the last decade.

According to expert opinion one of the final area in which an organisation can attain vital development is in Human Resources. Making use of the resources to its preeminent benefit is a method to exploit the efficiency of all of the other systems and procedures which already exist.

It's the dream of each organisation to acquire a sufficient quantity of competent work force with the expertise, awareness, know-how and wish required to fulfil its objectives. However, the effective use of the work force in an organisation is a difficult procedure. The first step is to pinpoint exactly where your strengths and weaknesses lie in this area of the business.

The key objective of the Human Resources Diagnostics is to re-examine the policy, composition and services needed for the HR Department in accordance to the requirements of the organisation. The diagnostics shall facilitate decision if the prevailing HR practices convene improved revelation brought on by HR in fields like recruitment, retention and recognition.

A methodical, complete-examination will give the base and validation for the HR Strategy. It will help to decide what is needed and the sequence of precedence, as well as the limitation of each. Major benefits are:

1. The diagnostics will point out and enumerate any risks faced by the organisation or inadequate policy protection.
2. Identifies policies/programs, which can assist with employee retention/engagement.
3. Helps to rationalise the HR staffing structure.
4. Ensures human resource strategies are integrated with business plans.
5. Establishes improvement in activities for the human resource department.
6. Monitor the effectiveness of Human Resource initiatives.

This Diagnostic has been developed to assist in auditing an organisation's Human Resource practices and procedures. It consists of:

1. Interactive Diagnostic Questionnaire: A comprehensive series of questions covering best practices in all aspects of human resources management.
2. Reference Section: Literature related to the questionnaire and references to innovative solutions/best practices, which other service and manufacturing organisations have engaged in.

The development of strategies is for matching the size and skills of the workforce to organisational needs. Human resource planning assists organisations to recruit, retain and optimize the deployment of the personnel needed to meet business objectives and to respond to changes in the external environment. The process involves carrying out a skills analysis of the existing workforce, carrying out manpower forecasting and taking action to ensure that supply meets demand. This may include the development of training and retraining strategies.

### Check your progress 1

1. It's the dream of each organisation to acquire a sufficient quantity of competent work force with the expertise, awareness, know-how and wish required fulfilling its objectives.
  - a. true
  - b. false
2. The key objective of Human Resources Diagnostics is to re-examine the policies composition and services needed for the HR Department.
  - a. true
  - b. false
3. Human resource planning assists organisations to:
  - a. recruit
  - b. retain
  - c. optimize the deployment of the personnel
  - d. all the above

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## 2.3 Scope of HR Planning

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HR Planning is a process, which anticipates and maps out the consequences of business strategy on an organization's human resources. This is reflected in planning of skill and competence needs as well as total headcounts.



**Fig 2.1 HR planning**

For resourcing strategies to be implemented, they must be translated into practical action. The strategic process can be organized logically. For these decisions to be taken, information must be obtained, consequences gauged, political soundings taken and preferences assessed. It is clear that many of these

decisions are fundamental to an organisation. If the implications are major, strategic decisions are taken at the center of the business. The role and scope of the human resource planning function is two-fold:

1. To participate in the decision process by providing information and opinion on each option, including:
  - Redundancy or recruitment costs.
  - Consequences on morale.
  - Redeployment/outplacement opportunities.
  - Availability of skilled staff within the organisation.
  - Availability of suitable people in the job market.
  - Time constraints.
  - Development/training needs/schedules.
  - Management requirements.

This forms part of the information collated from the organisation as a whole.

2. To support line managers dealing with the people consequences of implementing the decision; information already gathered provides basis for a human resource plan.
  - a. **People as Numbers:** The manpower planning approach, which addresses questions such as:
    - How many staff do we have/need?
    - How are they distributed?
    - What is the age profile?
    - How many will leave in each of the next five years?
    - How many will be required in one, five, ten years?

Human Resource Information Systems are invaluable in answering these questions.

- b. **Forecasting Methods:** Human resource planners have a choice of techniques open to them, including extrapolation (of past trends); projected production/sales; employee analysis, scenario building to predict future manpower requirement.

- c. **Employee Turnover:** Turnover covers the whole input-output process from recruitment to dismissal or retirement and takes the consequences of promotion and transfer into account.
- d. **Soft Planning:** HRM implies that planning has to go beyond the numbers game into the softer areas of employee attitudes, behavior and commitment. These aspects are critical to HR development, performance assessment and the management of change.
- e. **Resourcing Strategies:** Most large organizations employ human resource or personnel specialists to conduct or at least, coordinate employee resourcing. This is a role that has long been regarded as part of the domain of personnel management. In fact, successful recruitment must be proactive.

Organizations can take one of three actions to fulfill their employee resourcing:

- Reallocate tasks between employees, so that existing staff take on more or different work. The emphasis is on flexible working practices, requiring multi-skilled workers and sophisticated assessment and development program.
- Reallocate people within the company. Traditionally organizations fill their supervisory and management posts from existing staff.
- Recruit new staff from the external job market. Countries in the free-market tradition have focused most of their resourcing activities on bringing in people from outside the organisation.

Effectual internal resourcing needs precise and complete knowledge. Policies and work force strategies should be interpreted to the real employment and individuals should be marked out and motivated to carry out these tasks.

- f. **Exploring the Job opportunity:** Job analysis is a study of specific job by offering the thorough information on the necessary and obligatory features of the existing vacancy. The methods used for the study vary from the elementary to the complicated. It necessitates high-quality ability wherever the identical prospect exists. Though it was earlier considered as a tiresome part of study, job analysis is now a day's put forward as a helpful method. Similarly, the drift of the organizations to the concept of flexible working is nowadays

preventing the organisation from strictly defining the job.

- h. Describing the Job:** The final result of the analysis of a job is called the job definition or description. Earlier the descriptions provided a specific way of performing the task and the results expected. But due to the changing status of jobs stipulations employers are unwilling to concur to a firm list of responsibilities, favoring the worker to be prepared to carry on any necessary task.
- i. Do research on individuals:** Though Job analysis give the complete knowledge of the task to done by the worker it does not provide information of his proficiency, aptitude or ability to accomplish it. Personnel specifications facilitate to explain the individual traits important to accomplish the task related to the jobs. In several modern methods of job analysis which is based on proficiency, normally create personnel specifications as part of the analysis itself.

Human Resource Planning defines project roles, responsibilities and reporting relationships. One key result of Human Resource Planning is the Staffing management plan, which depicts how and when team members are added to the team and how the team members are released from the project, the training needs of the team and several other key components.

### Check your progress 2

1. HR Planning is a process, which anticipates and maps out the consequences of business strategy on an organisation's human resources.
  - a. true
  - b. false
2. Job analysis is a study of specific job by offering the thorough information on the necessary and obligatory features of the existing vacancy.
  - a. true
  - b. false

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## 2.4 The Inputs in Human Resource Planning

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**The inputs to Human Resource Planning are:**

**Enterprise Environmental Factors:** The Enterprise Environmental Factors that comprise individuals of an organisation interacting and relating with one another, is an input into Human Resource Planning. Items to consider about enterprise environmental factors involving organisational culture and structure are:

- **Organisational:** Gather information about the organisations or departments engaged in the project and determine whether they have any existing working arrangements between them. It also tries to find out the formal and informal relationships between the departments.
- **Technical:** Gather information about the areas of expertise needed to complete the project successfully.
- **Interpersonal:** Collect information about the relationships that existed between the team members and find out whether they are formal or informal. Interpersonal inputs also try to give current job descriptions of members along with an insight into their supervisor-subordinate relationships and levels of trust and respect between them.
- **Political:** This input reveals individual goals and agendas of the stakeholders. This also gave information on the informal power base and influences on the business.

With the help of proper inputs, the results in HRP surely have a good foundation.

### Check your progress 3

1. The Enterprise Environmental Factors that comprise individuals of an organisation interacting and relating with one another, is an input into Human Resource Planning.
  - a. true
  - b. false
2. The input reveals individual goals and agendas of the stakeholders
  - a. Interpersonal
  - b. Political
  - c. Technical



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## 2.5 HR Planning: Purpose and Goals

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Human resource (HR) planning is a conglomeration of various activities of business such as selecting, choosing and appointing of fresh aspirants, administration of workers, scrutinizing existing and upcoming personnel necessities and training the employees and fresher's. Because of these features, it is possibly the most essential business practice in an organisation.

**The purposes of HR planning are:**

1. **Forecasting Human resource requirement:** HRP is indispensable to decide the potential human resource requirements in a business. In the nonexistence a plan this manner, it shall be hard to get the services of the correct sort of people at the point of necessity.
2. **Successful administration of change:** Planning is required to cope up with the changes in the demand conditions, expertise, goods and government policies in an effectual means. These changes call for continuous allocation and reallocation of skills and the lack of planning might create the under exploitation of human resources.
3. **Realizing organizational goals:** In order to meet the need of organization and its goals like expansion, effective planning is required.
4. **Promoting /repositioning employees:** The database of HRP provides comprehensive skill repertoire, which helps the organization to take decision in terms of promotion, demotion, transfer, etc. of employees.
5. **Effective utilization of human resource:** The database helps to identify the underutilized or surplus human resource.

Corporate goals that appending the importance of HR planning are:

1. To decide recruitment mode and precise action procedure related to it.
2. To expect unemployment.
3. To drop off the situations like downsize, surplus, and premature retirements.
4. To chart the most favourable training intensity.
5. To deal with organization development programs.
6. Innovative assignment prediction and planning recruitment according to it.
7. To plan the expenditure for manpower in new projects.
8. To support output bargaining.
9. To measure upcoming space requirements.

### Check your progress 4

1. HRP is indispensable to decide the potential human resource requirements in a business.
  - a. true
  - b. false
2. Planning does not help to cope up with the changes in the demand conditions, expertise, goods and government policies in an effectual means.
  - a. true
  - b. false
3. HR planning helps to decide recruitment mode and precise action procedure related to it.
  - a. true
  - b. false

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## 2.6 Planning ahead for Recruitment: The basic process of HR Planning

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HR Planning is a collection of a series of actions and procedures. As recruitment is the most important activity of the HR Planning process it needs a comprehensive action plan. This starts with:

1. Evaluation of the history of operations of the organisations and its environment.
2. Individual assessment of HR development, educational transformations, literacy rates and demographic evolution.
3. Assessment of learning, passing out rates from the schools and colleges, professional courses competence, intensity of economic liberalisation, accessibility of effortless finance for professional education, etc.
4. Assessment of the rate of relocation of people, geographic activities, natural disaster control, etc.
5. Ascertain corporate policies, targets, goals and action procedures.
6. Connecting the corporate schemes to the HR policies and operations.

7. Illustration up a demand forecast for the work force in the future.
8. Scheming of HR procedures for retention and effective career scheduling of high performers.
9. Incorporation of HR procedures with variable desires of the workers and the prospective demand.
10. Ascertain manpower goals in short, average and long term, keeping liveness on the outline.
11. Initiating of an intensive plan, endorsing the responsibility of attaining recruitment objectives on individuals and groups and revising the manpower data frequently.

### **Check you progress 5**

1. As recruitment is the most important activity of the HR Planning process it needs a comprehensive action plan.
  - a. true
  - b. false
2. Evaluation of the history of operations of the organisations and its environment is not needed for HR planning.
  - a. true
  - b. false
3. Incorporation of HR procedures with variable desires of the workers and the prospective demand is essential for recruitment planning
  - a. true
  - b. false

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## **2.7 Strategies in the HR Plan: Process Analysis**

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Effective decision-making will be usually based on sturdy planning. As a step towards the success every organisation should formulate long term and short term plans. These are called strategic and tactical plans. Moreover, resources must be organised and allocated to carry out organisational goals in an effectual and well-organized method.

Human Resources planning professionals should make use of appropriate business approaches for deliberate planning and business expansion practices. Every organisation has a promotion scheme to market the product or services. Same way every organisation must have a human resources plan that summarize their work force strategy.

### **The Business Case for HR Plans**

The plan for the implementation of Human resource functions in an organisation should be derived from the common strategic plan of the organisation. This should offer the future requirements and accessibility of human resources for the establishment.

Strategic decisions need continuing obligations. A strategic inaccuracy will lead to employee's know-how deficiency, further affecting client service and productivity. While an appropriate plan can facilitate the upholding of corporate goals and look after the company's assets.

#### Main phases in the Planning Process

Phase 1: Corporate goals / Policy Formulation and Structuring

Phase 2: Supplies and Market assessment prediction

Phase 3: Demands and Competitive prediction

Phase 4: HR Planning

### **Components of a HR Plan**

The human resource plan can be developed by using the same elements used for common strategic plan of the organisation. The primary stage comprises the conducting of a systematic study of the present environment of the organisation. The outcome of this environmental analysis shall convey appropriate data in the form of information, interactions, reviews and evaluation systems. This method will raise features that will influence the divisions of the business, both at the present and in the future. Usually HR professionals will be eager to observe these inclinations and think about their influence in the workplace.

The environmental analysis must think about a number of aspects such as government authority, financial environment, business rivalry and labour force demographics.

After the completion of the analysis HR planning can be initiated. HR planning comprises of four stages that are summarized below:

1. **Formulation:** The implemented HR culture should support organisational goals. The vision statement must correspond to the general guidelines of the HR department. It is the eventual manifestation of victory for the human resources department. The mission statement will state about the actions the human resources department proposes to practise for achieving their vision. A definite mission and vision shall maintain the human resources team indomitable and converse an organisational rationale that will inspire the group.
2. **Development:** Recognizing the course for the development of the HR Plan is very essential. Finding out the answers for the questions below is the effortless and useful method is to achieve a clear image of the present status of the HR department.
  1. Find out the strength of the department?
  2. Find out the weaknesses of the department?
  3. Find out the external opportunities that will facilitate growth of the department?
  4. Find out the external threats that will hamper the growth of the department?

There are distinct results that a business will seek to attain their fundamental operation. The principles of an organisation must be considered while initialising these strategies.

3. **Implementation:** For the successful completion of the long-term strategies, short-term objectives should be instituted. These goals which are considered as the landmarks are called short term as it can be completed in a short period of six months to a year. These objectives permit for permanent obligation and common assessment of the long-term strategy. One of the most significant elements throughout this stage is to inspire workers or clarify, what is their role in these objectives. Relating the short-term goals to the long-term plans of the organisation generate employee dedication and positive output.
4. **Evaluation:** Customary reassessment of the HR department strategies is essential to the accomplishment of the plan. Unexpected issues can be rapidly brought to decision with customary monitoring.

A human resource plan must replicate outcomes in assessable stipulations. Time and Budget are considered two common dimensions.

### Check your progress 6

1. A strategic inaccuracy will lead to employee's know-how deficiency, further affecting client service and productivity.
  - a. true
  - b. false
2. The primary stage comprises the conducting of a systematic study of the present environment of the organisation.
  - a. true
  - b. false
3. In the implementation stage of the HR planning it's not needful to inspire workers or clarify, what is their role in these objectives.
  - a. true
  - b. false

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## 2.8 Planning Process Tasks and Activities

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It is essential to categorise the existing employees into various groups. The extent to which such segmentation is done will depend on how the planners intend to utilise the data.

The responsibilities and actions concerned in the planning process are:

- The evaluation of the number employees, working in various levels of occupation that will quit the organisation and leave their present jobs throughout the forecasting affair.
- Restructuring the organisation and scheduling for wants and surpluses
- Assessing the number of people who should be trained or retrained to take the place of the personnel's who will quit the company.
- Influential overall objectives and goals for a particular time in advance
- Conversion of these goals to manpower needs of the organisation.
- Recognising forecast for recuperating manpower exploitation and its effective usage.

- Evaluate the potential of additional workforce recruitment to cover the losses due to wastage and to convene extra demands.
- Find out the point at which the crucial manpower deficiency is likely to occur.
- Choose a plan to be implemented in the organisation in advance, to overcome these scarcities.

### **Check your progress 7**

1. The evaluation of the number employees, working in various levels of occupation that will quit the organisation and leave their present jobs throughout the forecasting affair is the part of an HR planning activity.
  - a. true
  - b. false
2. Assessing the number of people who should be trained or retrained to take the place of the personnel's who will quit the company is a part of HR planning.
  - a. true
  - b. false
3. Choosing a plan to be implemented in the organisation in advance, to overcome these scarcities is not a part of HR planning.
  - a. true
  - b. false

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## **2.9 Why a HR Planning Process for Corporate?**

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The management tool used for the prediction and forecasting of the quantity and cost of the work force in an organisation is called HR planning. This prediction has a great importance because this quantity and cost plays an important role in the productivity of every business. It's not sure that the forecast will be always correct .So a scientific basis for the forecasting will create perfection in the whole process .The competency of an organisation will be effected by the scarcity of labour and labour surplus. If the key roles in an organisation are not properly occupied by efficient personnel it will negatively affect the production schedules and efficiency of an organisation.

HR planning helps to organisation to recognize the crucial points in the labour force in the early stage itself, enabling them to be corrected timely. The crucial points such as shortage of labour, improper usage of workforce, etc. can be identified. It also facilitates the organisational management in formulating precise and elaborate service policies or reassessing the active policies in order to make use of the man power effectively.

HR Planning process takes care of a number of responsibilities in business world. Some of them may be enlisted as:

- a. To ensure optimum utilization of human resources currently employed.
- b. To assess or forecast future requirements.
- c. To cope up with the changing scenario.
- d. To attach with business plans of organisation.
- e. To anticipate redundancies.
- f. To provide basis for human resource development (HRD).
- g. To assist in productivity bargaining.

### **Check your progress 8**

1. HR Planning process does not help to anticipate redundancies.
  - a. true
  - b. false
2. If the key roles in an organisation are not properly occupied by efficient personnel it will negatively affect the production schedules and efficiency of an organisation.
  - a. true
  - b. false
3. The management tool used for the prediction and forecasting of the quantity and cost of the work force in an organisation is called HR planning.
  - a. true
  - b. false



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## 2.10 Strategic Advantages for HR Planning

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A complete and precise human resource strategy plays a very important part in the success of the organisations goals and objectives. The HR planning gives information of the overall human resource activities, and also facilitates the HR to understand and support the organisation towards its objectives. A precise HR strategy implemented in an organisation will also support the other departments of the organisation.

Normally the strategic planning gives priority to the intelligent exploitation of human resources to achieve short term to long term objectives. This is achieved by:

- Retaining the exact persons in exact place.
- Maintaining the correct composition of skills.
- Keeping an eye on the employees to monitor that they are displaying. The correct approaches and performances.
- Budding the work force in a correct way

The HR policy will create a competitive advantage to the business if it:

- Evidently define the goals, that should be attained through the successful implementation of other business plans and policies and which have not been completely recognized.
- Identifies fundamental issues which have been neglected for a long time but which also require an action in order to ensure that its people are motivated, committed and operate effectively

The HR strategy will be needed to illustrate that vigilant scheduling of problems related to people will make it significantly easier for the organisation to attain its wider strategic and operational objectives. The motive for resorting HR planning exercises at the level of responsibility are

1. To ascertain the equilibrium between the tasks and manpower deployment.
2. To decide staffing, level wise and profession wise.
3. To make sure that individuals do not surrogate systems and process.
4. To expect unemployment and evade avoidable dismissals or desires.
5. To choose most favourable training levels.
6. To choose on employee training courses.

7. To offer a foundation for management development programs.

### Check your progress 9

1. A complete and precise human resource strategy plays a very important part in the success of the organisations goals and objectives.
  - a. true
  - b. false
2. Retaining the exact persons in exact place helps to achieve short term to long term objectives.
  - a. true
  - b. false
3. HR planning does make sure that individuals do not surrogate systems and process.
  - a. true
  - b false

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## 2.11 Micro/Macro Level Advantages

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Human resource planning is aligned with strategic and business planning. The first generation of integrated business and human resource plans were little more than a human resource plan attached to a corporate business plan. At the micro-level, corporate need to realise that manpower is a pricey and an extremely precious reserve to be used as efficiently as possible. At micro level, HR Planning involved process of forecasting demand for and supply of HR for future employment.

The reason for the importance on implementation of HRP at a large-scale includes:

**Employment-Unemployment conditions:** Even though there is a hike in the percentage of unemployed educated youths, it can be noted that there is a scarcity of variety of skills in the job market. The above stated fact stress upon the need for an efficient recruitment system and retaining policy.

**Technological Changes:** The various innovations in manufacturing expertise, selling methods and administration techniques have been widespread and hasty. And their influence has been reflective on all jobs. All these recommend the call for planning labour needs thoroughly and methodically.

**Organizational Changes:** The character and speed of business transformations in organisational background due to fresh conducts and formations influence labour needs and necessitate strategic considerations.

**Demographic Changes:** The varying outline of the labours according to age, gender, literacy, technological inputs and social environment has inference for HRP.

**Skill Shortages:** Joblessness is not an indication of labour market being a buyer's market.

They need an extensive variety of expertise that is exceptional and limited. And thus the exertion starts when such workers depart.

Effectual manpower forecast will guarantee that the human resources are accessible in both degree and excellence for the deliberate development of the monetary growth.

### Check your progress 10

1. Scarcity of variety of skills in the job market stress upon the need for an efficient recruitment system and retaining policy.
  - a. true
  - b. false
2. The changing outline of the labours according to age, gender, literacy, technological inputs and social environment does not have any inference for HRP.
  - a. true
  - b. false
3. Effectual manpower forecast will guarantee that the human resources are accessible in both degree and excellence for the deliberate development of the monetary growth.
  - a. true
  - b. false

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## 2.12 Key Points for Successful HR Planning

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HR planning ought to be accepted as a basic element of overall business planning. The CEO of the organisation is to guide the HR planning in an organisation and it's considered as one his prime duties. The person who prepares the plan of the work force in an organisation should be aware of the companies goals set in terms of different functions and to be performed; such as sales, marketing, etc. Top management support and participation in the workforce planning is essential and must get its equitable position hierarchically. The HR planning duty must be developed in discussion with line managers and their representatives. The prediction phase must be arranged by ability intensity rather than by number of the work force. Both the prediction system and the forecasts itself is to be regularly altered and enhanced according to the experience.

Human resource is a key financial reserve. It consequently needs the identical consideration which a business offers on planning trade, investment or returns. Keeping this in mind many organisations have started the perfection of manpower planning. From the organisations point of view the profit gained from the man power planning can be quantified in terms of high competence and output due to enhanced exploitation of its labour force and the eradication of mishandling in staffing, training and other workforce plans.

It is obvious that a business cannot expect to predict correctly regarding its future labour force needs if not connected to future production and sale quantities. The topmost result is therefore attained as soon as the business has incorporated HR planning with its general business plan to understand the estimations for production and sales and also the labour restrictions on account of the upcoming business strategy. The initial duty of a business should be to make sure that the estimate is as consistent as possible.

HR planning is uninterrupted, going on process; and business that take care of it as a five-year troublesome assignment will be totally frustrated. Even the most cautiously designed predictions are likely to be overtaken by unrespectable alterations.

For an appealing HRP, following procedures may be considered:

- **Tailor made:** HRP should be balanced with corporate objectives.
- **Appropriate time:** The period of HRP process should be appropriate to the needs and circumstances of an organisation.

- **Adequate organisation:** HRP process should be adequately/properly organized.
- **Top management support:** Before starting the HRP process, the support and commitment of top management should be ensured.
- **Participation:** HRP will be successful if all the departments in an organisation participate in the process.
- **Information system:** An adequate database should be developed for facilitating HRP.
- **Balanced focus:** The quantity and quality should be stressed in a balanced manner.

### Check your progress 11

1. A business can predict its future labour force needs without being aware of future production and sale quantities.
  - a. true
  - b. false
2. The period of HRP process should be appropriate to the needs and circumstances of an organisation.
  - a. true
  - b. false

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## 2.13 Let Us Sum Up

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To conclude, the planning is an integral element of our everyday activities. Those organisations that lack in planning for the future have fewer opportunities to survive the competition ahead. Human Resource HR planning is a strategic process that forecasts the demand for jobs in the organisation and anticipates the supply of workers. Moreover, HR planning helps the hiring managers and recruiters to obtain the ‘best’ fit among the candidates. The function of the Human Resources Diagnostics is to re-examine the policy, composition and services needed for the HR Department in according to the organisational needs.

HR Planning predicts the consequences of business strategy on an organisation's human resources and also reflects the planning skills and competence needed along with the total strengths. The process make possible easy hiring and maintaining the right profile of people at diverse jobs, positions, places and time frames according to the organisational need. Hence it's evident that effective decision-making is based on sound planning. So in order to be successful organisations must implement and develop long-range (strategic) and short-range (tactical) plans. In addition to this, resources must be managed and allocated to meet organisational objectives in an effective and efficient way. Human Resources planning professionals need to make use of suitable business approaches to strategic planning and business development processes.

We all know that most of the organisations will have a marketing plan to guide their product and service strategy and in the same way every organisation should also have a human resources plan that outlines their work force strategy. It's mandatory that the organisation's human resource plan must be in accordance with the overall strategic plan of the organisation plan. The Strategic decisions require long-term commitments and also a strategic error may result in workforce skills deficiencies, which can affect customer service and profitability. A scientific basis for the HR forecast would make substantive improvement over the current scenario. This is because a competitiveness of a firm will obviously be affected both by shortage of manpower, labour or surplus of labour.

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## 2.14 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-a), (2-d), (3-a)

**Check your progress 2**

**Answers:** (1-a), (2-a)

**Check your progress 3**

**Answers:** (1-a), (2-b)

**Check your progress 4**

**Answers:** (1-a), (2-b), (3-a)

**Check your progress 5**

**Answers:** (1-a), (2-b), (3-b)

**Check your progress 6**

**Answers:** (1-a), (2-a), (3-b)

**Check your progress 7**

**Answers:** (1-a), (2-a), (3-b)

**Check your progress 8**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 9**

**Answers:** (1-a), (2-b), (3-a)

**Check your progress 10**

**Answers:** (1-a), (2-b), (3-b)

**Check your progress 11**

**Answers:** (1-b), (2-a)

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## 2.15 Glossary

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1. **Sophisticated** - Difficult
2. **Parameter** - Limitation
3. **Gauge** - Estimate
4. **Redundancy** - Joblessness
5. **Reallocate** - Transfer
6. **Stipulation** - condition
7. **Indispensable** - essential
8. **Inaccuracy** - inexactness

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## 2.16 Assignment

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Observe and find out the various aspects of Human Resource Diagnosis in any of your nearby organisations? Write a detail report on the same.

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## 2.17 Activities

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Identify and tabulate the present position of human resources and future requirement in the organisation visited.

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## 2.18 Case Study

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First we should focus on the quantitative size of the necessary workforce essential to enhance productivity, perk up service excellence and to address wider plans in the organisation concerning the delivery of services. The review may indicate the need to build up new roles and new talents by improved targeted workforce enlargement.

The second component is to focus on the structure necessary to maintain this 'new' workforce. In particular, it points out the significance of the efficient combination of workforce planning and learning investment, with the service aspiration of the organisation.

Finally, the structure suggests a number of alterations to management processes, with a demanding focus on encouragement of an environment of worker commitment and empowering.

1. Point out the responses that outline the workforce planning process in the above case?

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## 2.19 Further Readings

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1. Human Resource Planning: An Introduction, Reilly P. Report 312, Institute for Employment Studies, 1996.
2. Human Resource Management, Biswajeet Pattanayak, Prentice Hall of India Pvt. Ltd., 2001.
3. Human Resource and Personnel Management, Aswathappa .K., 2nd Edition, Tata McGraw-Hill Publishing Company Ltd., 1999.



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## **UNIT 3:      PROCESS OF HUMAN RESOURCE                          PLANNING**

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### **Unit Structure**

- 3.0 Learning Objectives**
- 3.1 Introduction**
- 3.2 Workforce Planning Process - within the Annual Planning and Budget Review Process**
- 3.3 Preparation Questions for the Meeting**
- 3.4 Developing the Annual Workforce Plan**
- 3.5 Changes to the Staffing Profile Outside the Planning Process**
- 3.6 HR Planning: Tom Casey Model**
- 3.7 CEO Compensation**
- 3.8 Present Scenario of HR Planning Process**
- 3.9 Building Human Resources Strategic Planning**
- 3.10 Process and Measurement Capability: Using Six Sigma as a Foundation**
- 3.11 Gartner EXP Says a Strategic Workforce Planning Process is Key to Improving an IT Organization's Effectiveness**
- 3.12 Let Us Sum Up**
- 3.13 Answers for Check Your Progress**
- 3.14 Glossary**
- 3.15 Assignment**
- 3.16 Activities**
- 3.17 Case Study**
- 3.18 Further Readings**

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## 3.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- Workforce planning process.
- Developing the Annual Workforce Plan.
- Present Scenario of HR Planning Process.
- Building Human Resources Strategic Planning.

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## 3.1 Introduction

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An effective workforce plan is an essential tool to identify appropriate workload, staffing levels and justify budget allocations so that organisations can meet their objectives.

Workforce planning is an organized procedure to recognize the human capital essential to convene organisation's objectives and developing the policies to fulfil these requirements.

Workforce planning entails:

- A methodical procedure that is incorporated, systematic and continuous.
- Realising of the human assets needed to acquire the organisation's objectives that encompass the estimation of the quantity and competencies of employees and the period they will be needed.
- Initiating policies that is needed to fulfil the requirements which contains making out activities that ought to be taken to maintain the quantity and types of employees that the business requires.
- It can be said that the effectual work force planning is the going on process ensuring the exact number of people in precise jobs at the exact time.

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## 3.2 Workforce Planning Process - within the Annual Planning and Budget Review Process

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Workforce planning enables the HR manager to cope with capacity insufficiency and excess. By studying the business cycles and responding in accordance with the customary workforce, HR can act instead of just react.

Human Resources planners have different reasons for making and executing their business plans. Two major reasons can be:

- The first reason is to take care of the adverse impact of the boom-and-bust cycle on the management of organisation and operation of the HR department itself.
- The second and perhaps more important reason for future planning are to manage the talent pipeline for the organisation in a better way. It is crucial to maintain both that pipeline and the talent 'inventory' at the right levels, because an imbalance can hamper business growth.

Workforce planning is a medium to long term strategy and its processes are expected to align planning, risk and budgets to integrate these into both annual and longer-term planning cycles. This planning lets you strike the right balance in workforce deployment, aligning strategic objectives with cost predictability and maximizing efficiencies within budgetary constraints. In preparation for the planning and budget meetings held each year, the HR planner creates a workforce plan to outline the projected human resource issues that will be encountered in the next 1-3 years and describes the strategies selected to respond to these issues. Major activities, which are taken care of during this annual process are:

- Preparing for the annual meeting
- Developing the Annual Plan, according to the business goals
- Changes to HR staffing profile, as per business requirements

### Check your progress 1

1. Work force planning takes care of the adverse impact of the boom-and-bust cycle on the management of organisation and operation of the HR department itself.
  - a. true
  - b. false

2. The HR planner creates a workforce plan to outline the projected human resource issues that will be encountered in the next 1-3 years.
  - a. true
  - b. false

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### 3.3 Preparation Questions for the Meeting

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Annual planning and budget meeting are the significant activities of HR planning process. The questions below will direct the debate at the annual Planning and Budget Meeting to determine the anticipated future necessities:

- In which phase of the business the planning of HR is required?
- How will the business evaluate the development of the organisation in the last year?
- What is the additional support that the organisation needs?
- What are the differentiated plans for the coming year?
- How will the business outline of the staff pattern in the coming 3 years?
- What are the methods adopted by the HR to accomplish its goals?
- The strategies and planning in progress for developing workforce?
- The professional growth and management development strategy that the organisation is going to consign from the next year?

#### Check your progress 2

1. The question, how will the business outline the staff pattern in the coming 3 years, will direct the debate at the annual Planning and Budget Meeting?
  - a. true
  - b. false
2. The question, how will the business evaluate the development of the organisation in the last year, will direct the debate at the annual Planning and Budget Meeting.
  - a. true
  - b. false

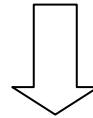
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## 3.4 Developing the Annual Workforce Plan

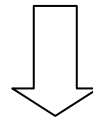
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An annual workforce plan is every business's requirement. To develop such plan, certain procedural steps need to be followed. They are:

1. **Audit of the current workforce:** Identify the number of staff, job roles, work patterns, grades, etc. as well as workforce characteristics, such as length of service and stability, gender, ethnicity and disability, linguistic profile, skills and qualification profile.



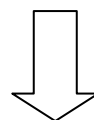
2. **Investigation:** Investigate if workforce is looking at the longer-term context of service and organisation is making strategic and business plans. The most successful organisations concentrate on a manageable number of key issues and address them in sequence rather than all at once. In addition, there can be resource implications that will constraint the choices available. For this reason, prioritisation is sometimes a difficult but necessary step.



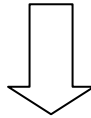
3. **Forecasting:** The forecasting process consists of two halves: forecasting the future demand for staff and forecasting the staff team that the business will inherit.

The process of forecasting future demand is about specifying the numbers of staff and the skills, knowledge or competencies needed or required within the workforce in order to deliver the services of the future. This is closely linked with the process of workforce development.

The other part is forecasting the future staff team inherited by business. HR will be required to identify total numbers and a look at staffing movements such as retirement and natural wastage such as death.



4. **Planning:** Having identified gaps and surpluses, HR comes in a position to develop a workforce plan that will help it travel from the present to the future scenario. This is a long-term plan rather than an annual plan as it is not possible to get where the business wants, in a short time. It should complement and support the long-term plans for service and put into practice corporate values and objectives of the organisation.



5. **Implementation:** The workforce plan should be incorporated into annual plans for teams or workgroups and should also be incorporated into their individual plans. When implementing staffing plans, the planner will be needed to ensure that right results are achieved. The results will be measured in terms of efficiency (doing the job right) and effectiveness (doing the right job). As the strategies, plans and actions will be implemented, following them to ensure that things take place according to the plans and that anticipated gaps and surpluses are being addressed is very important.

Workforce planning, because it provides a framework for shorter-term decisions, should precede the annual planning and budgeting process, which generally starts at the beginning of the calendar year. It is best done as part of a regular planning cycle that involves service planning and budgeting.

### Check your progress 3

1. Identifying the number of staff, job roles, work patterns, grades, etc. as well as workforce characteristics is called
  - a. Investigation
  - b. Audit of the current workforce
  - c. Forecasting
2. The most successful organisations concentrate on a manageable number of key issues and address them in sequence rather than all at once.
  - a. true
  - b. false

3. The forecasting process consists of two halves: forecasting the future demand for staff and forecasting the staff team that the business will inherit.
- true
  - false

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### **3.5 Changes to the Staffing Profile Outside the Planning Process**

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Recently many of the organisations have started to promote the project form of work in order to fulfil their objectives. So it becomes important that the usage of scarce resources and alignment of initiatives should be effectively coordinated. This coordination needs should be done over comparatively extensive stages of time to provide the chance to the business to guide itself into the opportunities. Every staffing profile illustrates two things:

- How the entire work in each project is distributed in accordance with the competency or authority
- How the sum of work distributed to an authority is distributed over time.

The staffing profile is a combination of the project team at any specified point in the project life cycle. Formation of the staffing profile involves the association and documentation of the project team. It involves planning the tasks according to the workforce availability. It evidently describes the role of every associate in the project. Several occasions come when the skills required to complete the project will not be available within the organisation and was not included in the HR planning. By allowing proper resources when and where needed, the staffing profile has to help the critical paths of the project to go on. So the tasks which are struggling without adequate and skilled human resources are changed according to the present requirement. This is done by ensuring that the manner of utilising the staff for the completion of the project abides by the conventional rules, regulations and policies.

#### **Check your progress 4**

- Formation of the staffing profile involves the association and documentation of the project team.
  - true
  - false

2. By allowing proper resources when and where needed, the staffing profile has to help the critical paths of the project to go on.
- true
  - false

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### 3.6 HR Planning: Tom Casey Model

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According to Tom Casey rather than leading to a situation of unrest in any organisation, human resource managers must be practical and should identify how significant it is to take care of all employees well and consider whether convinced employee groups are being taken for granted.

Tom Casey points out numerous precise challenges in relation to the human capital management. He further states that the company's declaration that they are the preeminent place to work does not make it a company that is most preferred.

Casey believes that top edged organisations are concentrating on generate a positive landmark in segments like recruitment, worker growth, appreciation and rewards, and talent back-up. The popular strategy is the hiring of the team, which concentrate on alliance and exposes employees from diverse generations to the hirepractice. These diverse generations are

#### **Traditionalists**

The generation Traditionalists are those born between 1928 and 1945, which lived in homogeneous family unit and neighbourhood. This generation is well-known for its increase in white collar jobs and a strong obligation to advanced learning.

#### **Boomers**

This generation are the individuals born between 1946 and 1964, in the era of the Civil Rights movement, the Vietnam War; assassinations of the leaders like John F Kennedy Robert Kennedy and Martin Luther King .Boomers are more doubtful of power and are aggressive by character, but have a strong commitment of creating a better world.

#### **Generation X**

Those born between 1964 and 1980 are called as Generation X. They witnessed the Cold War and the collapse of the Berlin Wall. The most noted



element of this generation is their experience of high divorce rates between their parents and losing of employment of their parents due to recession period.

### **Generation Y**

The individuals born after 1980 come under the Generation Y, which is characterised by challenging conventional hiring and recruiting practices. The companies are struggling to manage these generation groups and it is the largest group. Gen Y's are very family-oriented, and the way to increase their involvement is to engage their family in the recruitment process. As Tom Casey stated formerly, companies are still outlining to find out a correct method to manage Gen Y employees. He points out that the 1990s stock options were an attempt in this direction to attract these employees. Tom Casey advises that HR experts require looking at this subject openly and admitting that their organisation will need to get into the education of their employees. Hence the Companies will require filling up a greater education role by teaching skills to its employees by means of training and development.

According to Casey the workforce planning is a main concern for HR as it's very difficult to deal with multigenerational work force. The HR requirements will be ahead of the employee shortages by focusing on the workforce planning. The organisations will be on a risk if their HR departments are not taking it seriously. According to Casey, HR must be spotlighting on crucial parts such as: education and growth, appreciation and compensation, ability achievement, and workforce planning. Gen Y workers will not have the identical intensity of obligation to occupation that Traditional and Boomers have. Whereas Boomers take effort and perceive work as a wing of their existence, Gen Y workers don't have any aim of defining themselves through their jobs. Organizations have to get used to new workplace approaches regarding the role of work. Many Boomer parents are intensely conscious that their own kids have selected careers that permit an enhanced stability among the work and life. Gen X and Gen Y workers usually are not inactive; they just have a dissimilar set of precedence than their fathers with respect to the work. Gen Y shall come into occupations like consulting and investment banking that have usually insisted whole assurance and extended hours. But still the financial rewards that attracted the employees into similar fields are perhaps not sufficient to acquire Gen Y to sign over their existence. Gen Y needs to do an excellent job for their company, but employment is not the only thing they want to do.

Tom Casey states that the management of Human assets is the challenge that the HR managers are facing now. He provides three conditions that are significant constituents of upcoming workforce planning programme:

1. Distinguish all four generations of group in the workforce.
2. Admit that one-size-suits-all organization is not going to work.
3. Accept logic of importance - choose for "snow" and "elegance later".

### Check your progress 5

1. Casey believes that top edged organisations are concentrating on generate a positive landmark in segments like recruitment, worker growth, appreciation and rewards, and talent back-up.
  - a. true
  - b. false
2. The generation \_\_\_\_\_are those born between 1928 and 1945, which lived in homogeneous family unit and neighbourhood.
  - a. traditionalists
  - b. boomers
  - c. generation x
3. The generation\_\_\_\_\_ are the individuals born between 1946 and 1964, in the era of the Civil Rights movement, the Vietnam War.
  - a. traditionalists
  - b. boomers
  - c. generation x
4. The individuals born after 1980 come under the\_\_\_\_\_ which is characterised by challenging conventional hiring and recruiting practices.
  - a. traditionalists
  - b. boomers
  - c. generation x
  - d. generation y

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## 3.7 CEO Compensation

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Compensation of a CEO often depends upon the level of responsibility bestowed upon him.

Though the large companies have a fixed policy of the remuneration of the CEO, startup companies may struggle to meet the compensation of the CEO as for them it's a matter of existence. But a capable CEO will be obligatory for their organizational development. The development of the business will be depending upon the ability and management skill of the CEO to attain the organizational goals. So the compensation will be based on the individual's inherent value and capability. So the startup companies also will have to include the basic compensation that corresponds with the already established ones. The common constituents of the CEO compensation may comprise the basic salary, bonus, equity participation if any, separation arrangements and perks. Most of the startup companies offer bonus or equity participation to motivate the employees including the CEO of the company. Now days the equity awards are taking up a major part of the CEO compensation.

In smaller entrepreneurial firms, it becomes the responsibility of the CEO/founder to attract, retain and motivate bright, young and technically able people. In large multinational companies, the impact of people on the competitiveness of businesses has become increasingly clear and HR professionals are made to help in creating strategic clarity across the organisation.

The Long- and short-term compensations are often converted into stock awards, or stock options. The performance based and target based restricted shares are also prevailing in the CEO compensation packages. The company often offers CEOs the equity ownership percentages (after an IPO) to attract and retain executive talent during the development stage.

Established objectives can be biased to replicate goals that are most significant to the monetary benefits of the business and qualifiable objectives to the CEO performance .Relying upon the policies of the company, priority can be given to the bonus plans to promote accomplishment of various business policies.

While proposing the compensation scheme of the CEO, it is very important that a customized composition that exclusively suits the organisation should be selected. As the profession of CEO has developed into more and more complex, the mission of determining the structure of compensation packages of the CEO that will be aggressive has a significant role in the success of every business. This compensation package should have a significant retention feature and should help to drive the business performance.

### Check your progress 6

1. Compensation of a CEO is not fixed according to the level of responsibility bestowed upon him.
  - a. true
  - b. false
2. The development of the business will be depending upon the ability and management skill of the CEO to attain the organizational goals.
  - a. true
  - b. false
3. While proposing the compensation scheme of the CEO, it is very important that a customized composition that exclusively suits the organisation should be selected.
  - a. true
  - b. false

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## 3.8 Present Scenario of HR Planning Process

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Recently many of the start-up companies had a fate to wind up their business. The reasons pointed out were the lack of measures to ensure the effective hiring process.

It shows that the human resource professionals also must be a part of the strategic planning process of the business. This is because they help to enhance the business image and contributing their time to incorporate easy processes that can offer higher management with important data which can make prospective impacts on decisions that may be taken. Very few organisations find out time to classify qualifications for people and link these qualifications to their business objectives.

Globally the study of the work force is done to plan the decisions related to service potentials, situation of the unemployment rate, type, diversity, demographics, and recommendation related to how the human resource needs of the diverse areas can be sustained along with the quality and quantity.

The concept of HR planning is new and innovative and hence there is a scope of extensive study and research. Tremendous increase in the world population has made this study more complex as it also increased the proportion of unemployment, monetary recession and decline and labour cost. This has made the business to rethink about the HR planning to make more scientific.

Due to the rapid change in the economics there is a continuous demand for here is a huge demand for up to date employees. And thus the significance of the HR planning is not limited to the traditional recruitment, staffing and retaining of the work force. The know-how of the earlier period is neither existing nor being required by the current generation. A study even shows that even the productivity between the people is different. It's relevant that the management should be well aware of the existing staff pattern. Resources Information System will help the management to predict these phenomenons. The software used for online data entry, data tracking and which fulfils the statistical information requirements of the Human Resources, payroll management and accounting jobs in a business is called Human Resource Information System (HRIS).The modern HR rely upon the succession planning to forecast transfers and promotions further taking adequate measures to maintain and replace the existing organisational talents.

### **Check your progress 7**

1. Tremendous increase in the world population has made the study of HR planning more complex as it also increased the proportion of unemployment, monetary recession and decline and labour cost.
  - a. true
  - b. false
2. The \_\_\_\_\_ is a software or online solution for the record entry, information tracking and statistical information needs of the Human Resources, payroll administration and accounting jobs in a business.
  - a. HRMS
  - b. HRIS
  - c. HIRS

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### **3.9 Building Human Resources Strategic Planning**

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To be most effectual, the planning procedure for an HR group should be generally inclusive of domestic clients and stakeholders. An elegant comprehensive planning process can achieve quite a lot of things. Grouping is the generally understood significance of strategic planning. The plan gives an idea how the functions of HR are grouped to sustain the organization's policies and objectives. The plan also makes certain that the individuals and roles within human resources are grouped efficiently to achieve same objectives. But to improve the credibility of the organization, it's essential to invite the business into the companies work instead of keeping them out. A comprehensive planning process that involves clients will help to educate them about the company's objectives and the significance of the HR department of the company will be appreciated.

There are numerous accurate methods to execute strategic planning and it will differ according to the organisation. In spite of the definite approach chosen by an organisation to achieve the objectives the process must comprise the subsequent factors.

- Wide-ranging participation of the individuals inside the organisation. The information can be gathered by one to one discussion or an internal survey. Depending upon the capability of the HR department of the organisation, it can also use an external consultant for the data collection.
- Response from the HR personnel on the strengths and weaknesses of the department. This also can be handled in many ways. The important factor is to make sure that the HR personnel's mainly those who work on the front lines with workers all the day has a contribution in the planning and feels that he is heard.
- Strategic data from every business unit or department/division about their upcoming plans, and the key challenges the workers expect for their company in common and regarding their individual aptitude. It's significant to utilize time on individual discussions on the circulated written strategic plans. The discussions are a different way to build an experience that the workers too are incorporated in the development and to make sure that the plan replicates the significant needs of the organisation.

- Effective communication of the plan back to those who took part in the development and other important stakeholders. In the communication, it should be repeated how the plan reveal their contributions and is intended to maintain their accomplishment.

Though the HR process is time consuming and tedious, if executed perfectly, a comprehensive strategic planning method can guide the HR team from being alleged as a secondary in the business to an up-and-coming strategic leader.

### **Check your progress 8**

1. Effective communication of the plan back to those who took part in the development is not so helpful.
  - a. true
  - b. false
2. Wide-ranging participation of the individuals inside the organisation is helpful for HR planning.
  - a. true
  - b. false
3. The HR plan gives an idea how the functions of HR are grouped to sustain the organization's policies and objectives.
  - a. true
  - b. false

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## **3.10 Process and Measurement Capability: Using Six Sigma as a Foundation**

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The need for an efficient quality management is very essential in this era of consumer responsiveness. Thus the Six Sigma and lean strategies have turn out to be implanted in both the public and private sectors. Reports connecting lean and Six Sigma hybrids to competence and output attainment are a basis of inspiration for setting up the lean revolution. The main obstacle of the success of Six Sigma is the unwillingness to encourage a nonstop development state of mind right through an organization. The senior management will have a main role in

supporting the process of combination Six Sigma strategies with the business culture. To learn to expand Six Sigma applications can aid leaders to add a broader perspective of the general functioning of an business and assist to compel enhanced business results as they achieve talent at discriminating the comparative worth of some Six Sigma dimensions.

Six Sigma is a set of system and tools for course development. Six Sigma seek out to perk up the quality production of process by recognizing and eliminating the reasons of mistakes and reducing inconsistency in the industry and business processes. The important modernism of Six Sigma entails the complete "professionalizing" of quality management tasks. Before the introduction of Six Sigma, quality management prevailing in the organisations were consigned to the production level and to statisticians in a detached quality department. The roles that the Six Sigma identifies for its successful functioning are:

- Executive Leadership comprises the CEO and other associates of top management. These people are accountable for the effective implementation of Six Sigma. They also authorize the other responsibility possessor with the independence and assets to explore new ideas to advance developments by exceeding departmental obstacles and overcoming inbuilt conflict against change.
- Supporters take accountability for Six Sigma execution across the business in an incorporated way. The managerial leadership represent them from upper management. Champions also operate as guides to Black Belts.
- Master Black Belts, accepted by Champions, execute as home tutors on Six Sigma. They give 100% of their endeavour to Six Sigma. They facilitate Champions and direct Black Belts and Green Belts. Collectively with the statistical everyday jobs, they use their time on make sure reliable function of Six Sigma across diverse tasks and departments.
- Black Belts function below Master Black Belts to pertain Six Sigma method to definite projects. They dedicate 100% of their esteemed effort to Six Sigma. They principally focus on Six Sigma project implementation and individual leadership with exceptional tasks, whereas Champions and Master Black Belts centre to decide projects or functions for Six Sigma.
- Green Belts are the workers who perform Six Sigma execution along with their other work responsibilities, functioning below the direction of Black Belts.



### **Check your progress 9**

1. The main obstacle of the success of Six Sigma is the unwillingness to encourage a continuous development state of mind right through an organization.
  - a. true
  - b. false
2. Six Sigma is a set of system and tools for course development to perk up the quality production of process by recognizing and eliminating the reasons of mistakes and reducing inconsistency in the industry and business processes
  - a. true
  - b. false

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### **3.11 Gartner EXP Says a Strategic Workforce Planning Process is Key to Improving an IT Organization's Effectiveness**

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Gartner, Inc. (NYSE: IT) is the number one, international information technology research and consultative company. The company conveys the insight which is technology oriented which enables its clients to make necessary and accurate decisions. Starting with CEOs and senior IT leaders in business and government agencies, to the business managers in telecom companies and professional services firms, to expertise investor, Gartner is a precious partner to clientele in just about 10,000 diverse enterprises internationally. Throughout the resources of Gartner Research, Gartner Events Gartner Executive Programs and Gartner Consulting, Gartner works with each client to explore, evaluate and appreciate the industry of IT inside the perspective of their individual responsibility. Gartner was founded in 1979, and has its headquarters at Stamford, Connecticut, USA, and with over 6,800 associates, who include consultants and more than 1,500 research analysts and clientele, spread in 90 countries.

Chief information officers (CIOs) are facing a lot of work pressure in order to enhance the overall efficiency and contribute to the project development and productivity. In order to achieve this, it is essential that the organisations should implement a strategic workforce planning process to support IT based human resources and execute business and IT policies, in accordance with Gartner

Executive Programs (EXP), a unit of Gartner, Inc. A strategic workforce planning procedure that coordinates the business and IT strategies make sure that the IT organizations have the accurate number of personnel with accurate skills and aptitudes in the precise responsibility at the accurate time.

According to Lily Mok, the research director of Gartner EXP's Human capital management capital content development team, the workforce supply challenge, along with the frequent change in demand of IT workforce competence give an ultimate prospect for CIOs and human resources (HR) managers to start the strategic workforce planning focusing on long-term.

Ms. Mok further stated that the Workforce planning is more and more identical to organizational strategic planning in the organizations where human capital is realised as a crucial factor for success.

An effectual strategic workforce planning process converts the organisation and IT objectives into the present and upcoming IT labour force needs and strategies to accomplish them. It facilitates business to be practical against being thoughtless in deal with business needs. The method naturally comprises of four main steps:

- **Align labour force policy with IT policy** – The workforce plan's first focus is on core competencies and ensuring that the labour force plan gives support to the strategic goals of the business. Its subsequent focal point is on organising the practical goals or the capability to assign the precise resource in the accurate place at the correct time to maintain the IT strategy. The third focal point is on forecast for the future, and the final focal point is on assuring that the labour planning done on a proper level in accordance with the organization.
- **Carry out Workforce Analysis to establish the Gap** – Workforce analysis is the procedure of studying the supply and demand of the labour force and finding out the gap or difference between the two. There are diverse methods which can be used to predict the labour force supply and demand. It is significant to recognize the advantages and disadvantages of every method before spending the time and effort on it. The different levels of managers and stakeholder related to IT finance and HR should be occupied right through this process to make sure higher level of dedication and possessions.

- **Execution of a Workforce Plan to seal the Gap**– By means of the conclusions of the workforce analysis, the first step is to prepare methods for staffing, retention, organising change, growth, outsourcing, balancing the supply and demand, taking steps to maximize the worth of employee.
- **Develop the efficiency of Workforce Planning** – The successful workforce planning is not only just having a good plan; but also the ability to regularly monitor the progress and modify the work force plans accordingly where it's essential. IT and HR managers can enhance their workforce planning capability and aptitudes by making sure that; they get management dedication from the beginning , they describe collective tasks, and they frequently measure, authenticate, account and execute the in progress developments.

### Check your progress 10

1. \_\_\_\_\_ is more and more identical to organizational strategic planning in the organizations where human capital is realised as a crucial factor for success.
  - a. Workforce planning
  - b. Recruitment planning
  - c. Succession planning
2. According to whom the workforce analysis is the procedure of studying the supply and demand of the labour force and finding out the gap or difference between the two.
  - a. Tom Casey
  - b. Lily Mok
  - c. Lily sam

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### 3.12 Let Us Sum Up

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To conclude, the workforce planning recognizes the human capital that is needed to fulfil the organisation's objectives and formulating the policies to fulfil these requirements. Workforce planning is a medium to long term strategy and its processes are expected to align planning, risk and budgets to integrate these into both annual and longer-term planning cycles. This planning helps to maintain the accurate balance in workforce deployment, aligning strategic objectives with cost predictability and maximizing efficiencies within budgetary constraints.

An annual workforce plan which is a mandatory need for every business is developed by following certain procedural steps such as the audit of the current workforce, investigation forecasting, planning and implementation. According to Tom Casey top edged organisations are now a day's concentrating on segments like recruitment, worker growth, appreciation and rewards, and talent back-up. And the most popular strategy in hiring is to concentrate on a composition of diverse generations. These diverse generations are Traditionalists born between 1928 and 1945, Boomers born between 1946 and 1964, Generation x born between 1964 and 1980; and Generation y born after 1980. Compensation of a CEO often depends upon the level of responsibility bestowed upon him. Though the large companies have a fixed policy of the remuneration of the CEO, start-up companies may struggle to meet the compensation of the CEO as for them it's a matter of existence. So many start-up companies offer bonus or equity participation to motivate the employees including the CEO of the company and recently the equity awards have become the part of the CEO compensation.

It's evident that the human resource also must be a part of the strategic planning process of the business. The concept of HR planning is new and innovative and hence there is a scope of extensive study and research. Moreover the increase in the world population has made this study more complex due to the increase in the proportion of unemployment, monetary recession and decline and labour cost.

---

### 3.13      **Answers for Check Your Progress**

---

**Check your progress 1**

**Answers:** (1-a), (2-a)

**Check your progress 2**

**Answers:** (1-a), (2-a)

**Check your progress 3**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 4**

**Answers:** (1-a), (2-a)

**Check your progress 5**

**Answers:** (1-a), (2-a), (3-b), (4-d)

**Check your progress 6**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 7**

**Answers:** (1-a), (2-b)

**Check your progress 8**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 9**

**Answers:** (1-a), (2-a)

**check your progress 10**

**Answers:** (1-a), (2-b)

**Check your progress 11**

**Answers:** (1-b), (2-a)

---

## **3.14 Glossary**

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1. **Adverse** - Unfavourable
2. **Anticipate** - Expect
3. **Ethnicity** - Traditions
4. **Conventional** - Conservative
5. **Inherent** - Natural
6. **Aggressive** - Hostile
7. **Incorporated** - Integrated
8. **Reveal** - Disclose
9. **Implanted** - Fixed

10. **Obstacle** - Barrier
11. **Clientele** - Customer
12. **Precise** - Exact

---

### **3.15 Assignment**

---

As an HR Manager, what factors would you like to consider for workforce planning?

---

### **3.16 Activities**

---

Give sample questions for annual planning meeting.

---

### **3.17 Case Study**

---

Excellent Academy for Technical Studies a newly started technical education institute at Ernakulum was successfully stepping towards its second academic year. Of the nine total faculties needed, the management appointed only four permanent faculties and there were five part time faculties. The principal and the course coordinator, Dr Hameed had an experience of 35 years in the technical education field and was a retired Deputy Director for technical education of Kerala Government.

The management had to pay one lakh per month as his remuneration and this was often a discussion in the management meetings. Many members in the management committee used to argue that any one from the permanent faculty should be appointed as the course director and save at least 75000 per month. But the majority were against it and advocated about the good- will they institution is getting from Dr Hammed is far more than his remuneration.

1. Was the decision of appointing Dr Hammed a wise one? As a start-up institution comment on the HR planning made?

---

### **3.18 Further Readings**

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1. Human Resource Planning: An Introduction, Reilly P. Report 312, Institute for Employment Studies, 1996.
2. Human Resource Management, Biswajeet Pattanayak, Prentice Hall of India Pvt. Ltd., 2001.
3. Human Resource and Personnel Management, Aswathappa. K., 2nd Edition, Tata McGraw-Hill Publishing Company Ltd., 1999.

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## **Block Summary**

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A detailed discussion on the practical benefits of the HR planning which helps to determine the strength of the work force to be employed, retaining the skilled staff pattern and formulating an effective downsizing program was included in this block. The HRP process, the strategic human resource planning model and the methods to plan the total workforce is also discussed in this unit. The block explained the strategies, process analysis, planning process along with the tasks and activities related to the HR planning. It also helped to understand the importance of the workforce planning process which is included by the organisations in their annual planning. The method for developing the annual workforce plan was also discussed in detail. Different topics such as Tom Casey Model of HR planning, CEO compensation and using Six Sigma in order to measure the capability of the work force helped to add knowledge of the subject.

Human resource planning is considered as an integral part of business planning as apt work force size often determines the efficiency of an organisation. Strategic Human resource planning helps to connect the human resource management to the business plan. The key objective of the purpose of Human Resources Diagnostics is to reconsider the plans, composition and services required of the HR Department in accordance to the needs of the organisation. The database of HRP provides comprehensive skill inventory, which facilitates the organization to take decision in terms of promotion, demotion, transfer, etc. of employees. It also helps to identify the underutilized or surplus workforce. As a step towards the success every organisation should formulate long term and short term plans. HR planning goes through four stages which are formulation, Development, Implementation and Evaluation.

HR planning helps the organisation to determine the critical areas that should be focussed in the labour force deployment in the early stage itself, enabling them to be corrected timely. Hence the HR planning gives the data of the overall human resource activities, and also facilitates the HR to understand and support the organisation towards its objectives. Top management support and participation in the workforce planning is essential and must get its equitable position hierarchically. An effective workforce plan is an essential tool to identify appropriate workload, staffing levels and justify budget allocations so that organisations can meet their objectives. According to Tom Casey many organisations concentrate on recruitment, employee development, appreciation and rewards. Moreover the diverse hired team will be a combination of the generations called Traditionalists, Boomers, Generation X, and Generation Y. It's



often seen that the start-up companies may struggle to meet the compensation of the CEO as for them it's a matter of existence.

But a capable CEO will be obligatory for their organizational development. So the CEO compensation package should have a significant retention feature and should help to drive the business performance. Tremendous increase in the world population has made the research on HR planning more complex as it also increased the proportion of unemployment, monetary recession and decline and labour cost. Six Sigma helps to improve the quality production of process by recognizing and eliminating the reasons of errors and dropping unpredictability rate in the industry and business processes.

---

## **Block Assignment**

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### **Short Answer Questions**

1. What is an HR Management System?
2. What are the Benefits of HR Planning?
3. What is Strategic HR Planning?
4. Explain the concept of Integrating HR Strategy to the organisation? Describe HRP Process?
5. Human Resource Diagnosis.
6. Micro/Macro Level Advantages of Human Resource Planning.
7. Key Points for Successful HR Planning.
8. Strategic Advantages of HR Planning.
9. Activities included in HR Planning process.
10. Annual HR Plan development.
11. Strategic Workforce planning process.
12. Question preparation for the meeting.
13. Role of Gartner, Inc. in workforce planning.

### **Long Answer Questions**

1. Explain how Annual planning and budget meeting is one of the key activities of HR Planning process.
2. Give a brief account of present scenario of HR Planning Process.
3. Do you think that planning is very much important in our everyday activities? Justify your answer in detail.
4. Explain the process and measurement capability using the Six Sigma as a foundation?
5. Explain in detail HR Planning Process for Corporate.
6. Describe about the present scenario of HR Planning process?
7. How should an organisation determine the number of employees at a new location and retain the highly skilled one?
8. How are effective downsizing programs managed?





“

*Education is something  
which ought to be  
brought within  
the reach of every one.*

”

- Dr. B. R. Ambedkar



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# HUMAN RESOURCE PLANNING

PGDHR-202

## BLOCK 3: HUMAN RESOURCE IN INDUSTRIES

**Dr. Babasaheb Ambedkar Open University  
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# HUMAN RESOURCE PLANNING



Knowledge Management and  
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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.



Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



# HUMAN RESOURCE PLANNING

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Dr. Babasaheb  
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# **HUMAN RESOURCE PLANNING**

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## **BLOCK 3: HUMAN RESOURCE IN INDUSTRIES**

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# **BLOCK 3: HUMAN RESOURCES IN INDUSTRIES**

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## **Block Introduction**

International pressure on corporates has led to the demand for a new model of work culture, further leading to rethinking, improving and reforming organizations to withstand rigid competition or risk from the business. Current business organizations are rigorously determined to create themselves and receive utmost share in the international market. Large scale businesses are giving enhanced HR practices than middle scale or small scale businesses. The cause for this verdict may be due to reasons like disparity in assets, know-how available, number of trained personnel. Human resource procedures of a business are relevant for its survival. So they should be competently thought of and firmly implemented. Whether large, medium or small businesses, all of them need to assign proportionately sufficient budget for the accomplishment of HR practices. Primarily HR was seen as a support function and used to majorly concentrate on hiring and managing the exit of an employee. HR's key performance indicators were based purely on hiring numbers. Now, with the changing business environment and more exposure to HR functions via education, the role has emerged to be a business partner.

This block will provide the awareness about the HR practices that are to be implemented in the small scale business. Role of HR planning and the methods to overcome or reduce the cost of HR practices such as outsourcing is discussed in detail in this block. The block also gives the information about the essentials of an effective HR planning. The block also will give a description about the concept of manpower forecasting. The block also comprises with the modern manpower planning methods.

Unit 1 explains about the small industry and the role of human resources in it. General interview guidelines and how to include human resource planning in a business plan is discussed in detail. The benefits of outsourcing HR functions in small businesses are also included in this block. The unit also provides knowledge about the changing Organizational Structures and work patterns in "SHAMROCK ORGANISATIONS".

Unit 2 explains the purpose of human resource planning in detail. It also provides the results and inputs of human resource planning. Purposes and Goals

in HR planning along with the process analysis, tasks and activities are discussed in detail. The topics such as HR planning for corporates, advantages for HR planning, key points for successful HR planning and the drivers for human resource planning are included in this unit. The unit ends up with a discussion on meeting the challenge of HR Planning using Clarity 6.0. Unit 3 explain about the modern manpower planning and the role and content of manpower planning. The unit also comprises of the forecasting future manpower movements and the topics such as environmental scanning and human resources environmental scan.

## **Block Objective**

**After learning this block, you will be able to understand:**

- Small scale industry.
- The need to include human resource planning in your business plan.
- Manpower forecasting.
- What is HR planning process analysis?
- The tasks and activities related to HR planning.
- The need for the HR planning for corporates.
- HR Environmental Scan

## **Block Structure**

**Unit 1: Human Resources in Small Scale Industry**

**Unit 2: Human Resources in Large Industry**

**Unit 3: Modern Methods of Human Resource Planning**



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# **UNIT 1: HUMAN RESOURCES IN SMALL SCALE INDUSTRY**

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## **Unit Structure**

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### **1.3 Human Resource in Small Business Organisation**

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#### 1.3.5 Wage and Salary Administration

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### **1.12 Assignment**

### **1.13 Activities**

### **1.14 Case Study**

### **1.15 Further Readings**

---

## **1.0 Learning Objectives**

---

**After learning this unit, you will be able to understand:**

- Training and development in small industries.
- The guidelines for interview.
- The work patterns in shamrock organizations.
- What is the benefit outsourcing of human resource in small scale industries?
- The role of human resources in small business organisations.

---

## **1.1 Introduction**

---

The small-scale business sector has been a major contributor to our country's growth. Since the time of independence, this sector has huge growth prospect in India with its wide range of products. With 40 percent share in total industrial output and 35 percent share in exports, the small-scale industrial sector in India has a bigger role to play in increasing the country's Gross Domestic Product (GDP).

---

## **1.2 Introduction to Small Industry**

---

A very basic definition of small-scale industrial classified it into two categories- first one used power with less than 50 employees and second was the other group, which did not use power and had an employee strength of more than 50 but less than 100. However, over the time, other criterions were introduced like capital resources invested on plant and machinery buildings. They became the primary criteria to differentiate the small-scale industries from the large and medium scale industries. An industrial unit can be categorized as a small- scale unit if it fulfils the capital investment limit fixed by the Government of India for the small-scale sector.

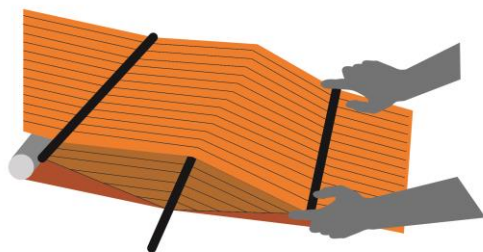
The latest definition, which is effective since December 21, 1999, describes small-scale industries as the functional unit of a business which satisfies the following conditions:

“There should be a limit of Rs. 10 million on the investment in fixed assets like plants and equipment's either held on ownership terms on lease or on hire

purchase basis". These units cannot be owned or controlled by any other industrial unit.

Some of the traditional small scale industries in India are –

- **Khadi and handloom**



**Fig 1.1 Khadi and Handloom**

- **Sericulture**



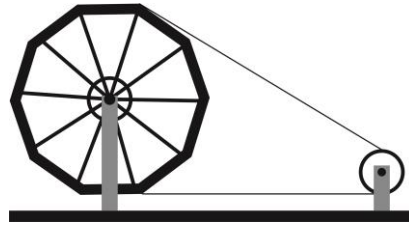
**Fig 1.2 Sericulture**

- **Handicrafts**



**Fig 1.3 Handicrafts**

- **Village Industries**



**Fig 1.4 Village industries**

- **Coir**



**Fig 1.5 Coir**







- **Bell Metal**



**Fig 1.6 Bell Metal**

These traditional small-scale industries differ from their modern counterparts in many respects such as the basic way of operations. The traditional units are highly labour consuming with their age-old machineries and conventional techniques of production. Traditional machines result in poor productivity rate whereas the modern small-scale units are much more productive and utilise lesser manpower and more sophisticated equipment's.

The modern small industries have a wider array of products to offer. Their products range from simple items like Hosiery Products Garments Leather products, etc. to more sophisticated items like television sets Electronics Control System and Various Engineering Products.

Hosiery Products	
Garments	
Electronics Control System	
television sets	
Various Engineering Products	
Leather products	

In recent times, Indian small-scale industries (SSIs) are mostly modern small-scale industries, which have a broader list of products to be offered and have bigger budgets to work. Common items manufactured in modern Small-scale industries & Business enterprises in India includes rubber products, plastic products, chemical products, glass and ceramics, mechanical engineering items, hardware, electrical items, transport equipment, electronic components and

equipment's, automobile parts, bicycle parts, instruments, sports goods, stationery items and clocks and watches, etc.

### **Check your progress 1**

1. An industrial unit can be categorized as a small- scale unit if it fulfills the capital investment limit fixed by the Government of India for the small-scale sector.
  - a. True
  - b. False

---

## **1.3 Human Resource in Small Business Organisation**

---

Many small businesses operate only with an owner. They cannot justify a dedicated HR resource. As a result, the owners manage their business obligations internally. These obligations can include anything from writing a new contract to tackling health and safety issues. To maintain a competitive business, it is vital that the owners not only understand these obligations but also know how to manage them efficiently.

The business environment today is more competitive than ever, so having a dedicated workforce is an invaluable asset to any business. Getting the right team in place starts with the recruitment process – it has to be ensured that the management really understands the role that has to be filled and the type person both the boss and the team can work with. By getting this right, the team gels so well that not only they work hard for themselves, they work for each other too.

Once the selections are made, it is good to spend time getting to know the employees and letting them to know the boss too. It has to be found out what makes them tick and learn how to work with them to get the best results. The employees should have the leadership that they require with a set of achievable goal backed up with great motivation and training; thus giving them all the tools they need to make their own contribution to the success of the business.

The boss sets the strategy for the business and works with the teams to deliver on this strategy whilst constantly keeping an eye on the bottom line. Complying with employment obligations on top of all that can sometimes just feel like an added job to do on the list.

It is not surprising when it comes to managing obligations - whether it is calculating an employee's maternity leave or providing them with a work contract - some bosses believe they need to draw in external help. They find employment obligations to be complicated and time consuming. But it can be made much simpler by taking control of the obligations personally. That would not only save time and money but also ensure much more control and confidence in running the business day-to-day.

The most critical challenges faced by today's small business owners in the management of their human resources fall within the following three categories:

1. Retention of qualified staff.
2. Prioritizing on becoming an administrative organisation instead of being a craft or a promotional organisation.
3. Taking proper care of the special needs of a diverse workforce.

Following are the factors that increase the complexity of this challenge

- First, a number of small businesses are experiencing a limited number of available local applicants.
- Second, there is frequently a lack of accessibility due to limited or non-existent transportation options to reach the workplace (mostly situated in rural or far-flung urban areas).
- Third, small businesses are often limited in terms of the wage and benefit packages they can offer, particularly as they compete with larger businesses.
- Fourth, small businesses often lack advancement possibilities for existing staff. There are either no growth opportunities or the existing staff lacks the necessary technical expertise or administrative experience to fill the positions when they become available.
- Fifth, the transient nature of applicants with limited qualifications may make it difficult to retain them.

The administration of human resources in SSI involves:

### 1.3.1 Staffing

The Human Resources Management (HRM) function includes a variety of activities and key among them are:

- Developing personnel sources
- Recruiting potential employees
- Equal Employment Opportunity
- Hiring Issues
- Interview Guidelines
- New employee orientation
- Termination



**Fig 1.7 Staffing**

Thus, HR is involved in deciding what staffing needs are and whether to use independent contractors or hire employees to fill these needs. Recruiting and training the best employees, ensuring they are high performers, dealing with hiring and new employee orientation issues and ensuring that, personnel and management practices conform to various regulations are also important objectives to be taken care of.

### 1.3.2 Training and Development

Taking staff out of work for a training course can be difficult in a small business where people usually fulfil more than one role. But in most industries training is essential if you want to keep up with your competitors.





**Fig 1.8 Training**

The best training for a small business is short sessions focused on a specific need. It usually keeps its focus upon the following,

- Initial Training.
- Training Needs Analysis.
- Preparation of training programs.
- Management and supervisory development.

### **1.3.3 Policies and Procedures**

HR is involved in managing the approach to employee benefits and compensation, employee records and personnel policies. Usually small businesses have to carry out these activities by themselves because they cannot yet afford part-time or full-time help.



**Fig 1.9 Policies and Procedures**

However, they should always ensure that their employees are aware of personnel policies, which conform to current regulations. These policies are often in the form of employee manuals, which all employees have.

- Instituting health and safety standards
- Privacy Issues
- Handling of employee grievances
- Preparing employee handbooks
- Setting employee work hours
- Union relations

### 1.3.4 Recordkeeping

For many small businesses, the biggest problem is, not knowing where to start with business records-so none are kept. An appropriate record-keeping system can determine the survival or failure of a new business.



**Fig 1.10 Recordkeeping**

For small business, good record-keeping systems can increase the chances of staying in business and the opportunity to earn larger profits. Complete records will keep in touch with business's operations and obligations and help to see problems before they occur. This includes;

- Maintaining individual employee files
- Maintaining all of the department records
- Preparing departmental reports for top management

### 1.3.5 Wage and Salary Administration



Fig 1.11 Salary

Wage and salary administration management is about a range of interconnected processes that aim through both financial and non-financial means to address what employees value in the employment relationship. It includes:

- Job analysis
- Preparation of job descriptions
- Pay surveys
- Compensation
- Employment Taxes
- Fringe benefits

#### Check your progress 2

1. In the small businesses, the boss sets the strategy for the business and works with the teams to deliver on this strategy whilst constantly keeping an eye on the bottom line.
  - a. true
  - b. false
2. Human Resources Management (HRM) function includes
  - a. Developing personnel sources
  - b. Recruiting potential employees
  - c. Equal Employment Opportunity
  - d. All the above

3. Taking staff out of work for a training course can be difficult in a small business where people usually fulfill more than one role.
  - a. true
  - b. false
4. \_\_\_\_\_ is about a range of interconnected processes that aim through both financial and non-financial means to address what employees value in the employment relationship.
  - a. Recruitment
  - b. Wage and salary administration
  - c. Training

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## 1.4 General Interview Guidelines

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Interview is a common method of probing a potential candidate. It is particularly useful for knowing a participant's experiences in detail. The interviewer can pursue in-depth information around a topic and the process can be particularly useful as in following-up certain responses in the questionnaires, e.g., like past job experiences. Interviews are effective when they have many open-ended questions.



**Fig 1.12 Interview**

Before starting to design the interview questions and process, it is important to focus on problems or needs to be addressed using the information to be gathered by the interviews. This helps in keeping clear focus on the intent of each question.

Interviewing candidates for a position within the company is one of the final steps in the hiring process. Before getting to this step, HR should make sure that it has completed all of the preceding steps, since each of these steps will have a direct impact on how effective the interview process will be. Below is a list of the steps involved in the hiring process.

1. Determining the need to hire a new employee.
2. Conducting a thorough job analysis.
3. Writing a job description and job specification for the position based on the job analysis.
4. Determining the salary for the position, based on comparison and proportion with the salaries and responsibilities of other positions inside the company as well as similar positions out in the marketplace.
5. Deciding on the recruitment techniques to be used for the process and the time frame for conducting the search.
6. Collecting and reviewing a fair amount of applications and resumes and then selecting the most qualified candidates for further consideration.
7. Interviewing the most qualified candidates for the position, based on the job's description and specification.
8. Checking references.
9. Hiring the best person for the job.

Some of the important factors to be taken care of by HR during interview are:

- Advance preparation for the interview.
- Collection of pertinent information during the interview.
- Acting professionally during the interview.
- All candidates to be treated fairly.
- Facilitation of open communication.

### Check your progress 3

1. \_\_\_\_\_ is a common method of probing a potential candidate. It is particularly useful for knowing a participant's experiences in detail.
  - a. Planning
  - b. Interview
  - c. Staffing
2. Interviewing candidates for a position within the company is one of the final steps in the hiring process.
  - a. true
  - b. false

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## 1.5 Human Resource Planning in Your Business Plan

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Human resource planning is a key activity in business. It includes workforce planning, employee development plans, building basic employee benefits and salary programs, training and development, hiring and firing of employees, etc. Even though it's a corporation of one right now and the growth may not necessarily include additional employees in the near future, there are the steps one will want to start while planning HR needs. These steps will also work for a growing business that already has employees. It has to be ensured that one spends enough time and effort to develop strong human resource planning that clearly identifies the present and future needs, policies, gaps, goals and actions.



Fig 1.13 Planning

- **Step One: Preparation of a forecast:** This is where HR anticipates how many employees it will need in the future. The longer it remains in business, the more accurate the number will be because it can look at the growth in the past and forecast based on those numbers. For example, if the business has grown by 25% in the past three years, there is a good chance that it'll need at least one employee in the very near future. However, if the experience in the industry suggests that this could be a quiet year, it may include that in its planning, too. So the business's history and industry experience can be a guide in Step One as the considerations are made for the supply and demand of the products.
- **Step Two: Develop an HR inventory:** This is fairly easy for most small businesses. However, if it's a growing business with a couple of employees already on board, then that should figure into the planning, too. As the business grows, this step becomes more important as the HR takes into account the employee turnover factor into the calculations, too.
- **Step Three: Develop a job analysis:** This could be the toughest part of the process; HR will be needed to figure out what each person will do even though they haven't been hired. It will give an idea about what the people on board will be getting to do and it can also help in training the current employees if their job description does not match the job description that they'll have when the business will have more employees. It should be kept in mind that any current employees will be managing the ones hired after them so they should be included in the job analysis.
- **Step Four: Prepare a comprehensive plan:** For hiring the employees advertising the job and interviewing the applicants is the most important thing to do. There needs to be comprehensive plan for that. This is going to be the most time consuming of the steps, but it is the most critical. This step will give the path the HR Plan will take in order to integrate new employees into the business successfully. It should include budgeting for future wages and it should also include training techniques to bring current employees up to the upgraded skill level.

These 4 steps will help in planning the small business HR to achieve success. A good human resource planning and management process results in creating good rapport and better communications levels between employees and the management. It also results in individual employee development plans and ensures that there is low employee turn-over, low absenteeism and low safety incidents. Well-designed and competitive

employee compensation programs (including basic employee benefits), results in high morale, good quality output and efficient operations by well trained employees and also ensures satisfied customers.

#### **Check your progress 4**

1. Human resource planning includes the workforce planning, employee development plans, building basic employee benefits and salary programs, training and development, hiring and firing of employees.
  - a. true
  - b. false
2. As the business grows, the step that becomes more important as the HR takes into account the employee turnover factor into the calculations, too.
  - a. Develop an HR inventory
  - b. Develop a job analysis
  - c. Prepare a comprehensive plan
3. What will give an idea about what the people onboard will be getting to do and which will also help in training the current employees if their job description does not match the job description that they'll have when the business will have more employees
  - a. Develop an HR inventory
  - b. Develop a job analysis
  - c. Prepare a comprehensive plan

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## **1.6 Outsourcing HR Reaps Benefits for Small Business**

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A study on small business organisations show that their owners spend between seven and 25 percent of their time in handling employee-related activities which mostly comprise of paperwork. This results in a lot of unproductive use of their time. But by opting for outsourcing of some or all of their employee-related functions — such as payroll, benefits, healthcare or recruitment and retention — these business owners can look forward on focusing



other important matters of business, which ultimately helps them to improve their productivity and even save some money.



**Fig 1.14 Benefits for Small Business**

One would imagine that outsourcing is something that concerns only large companies. Well there is some truth in it, but small businesses too can reap the benefits of outsourcing by understanding that the benefits that accrue are substantial. This has been well appreciated by many small-scale companies. Estimates suggest that about 47% such companies are actively considering outsourcing administration, 44% are looking at outsourcing IT services and another 23% at distribution and logistics facilities. Rising costs and vendor pricing are the primary reason for even smaller companies to be favourably disposed towards outsourcing.

There are in fact a number of advantages that accrue to a small business when it decides to outsource. For one there is a marked decrease in your capital costs as your fixed costs get converted to variable costs. At the same time it enables more efficient use of scarce capital.

Outsourcing frees up time and resources, which can be better utilized in providing value to customer. Moreover, new projects can be taken up far more easily. That enables small firms to benefit from technology and cost advantage which would otherwise be unavailable to them. Not only that, the companies that one outsources to are far more adept and managing the risks involved in their areas expertise, a great relief for harried small firm owners.

However, there is a great deal of apprehension among small firms particularly those that outsource to countries like India about quality control. The way to deal with this is to check if all-important processes are in place. An important reason why outsourcing has become the new mantra for many small firms is that the spread of internet and broadband has led to a proliferation of

small firms employing fewer than 100 people. The fact that they are strapped for time makes outsourcing almost a matter of no choice for them.

The prime mover in small companies having a serious look at outsourcing is the fact that technology has brought the price of outsourcing down and the sheer convenience and consequently economy that it offers have convinced the most tightly managed firms to wake up and act accordingly.

Outsourcing as a matter of fact is being intertwined in everybody's life. It helps them cut costs, get access to great coverage plans at competitive rates and thereby keep employees motivated, attract skilled and experienced professionals and bring about streamlined functioning of their business.

Outsourcing of HR services of small and medium-sized companies leads to long term benefits for the company. They can benefit enormously from the services of a service provider, as it helps these companies by securing competitive rates for some comprehensive and attractive coverage plans for the employees and the business itself. The expertise of the outsourcing agency in all aspects of HR management helps the client organisations to focus purely on their core responsibilities by keeping the burdens of outsourced HR functions away from their owners. The areas in which an outsourcing service provider can help with respect to employee benefits include:

- Life Insurance
- Initiating good work/life program
- Personal accident cover
- Risk coverage due to long term and short-term disability
- Designing a flexible spending account plan
- Credit Union
- Educational assistance for employee up gradation
- Appropriate retirement services

Reliable service provider review the current benefit plans to see if any improvement is necessary, thereby ensuring employee satisfaction.

### Check your progress 5

1. Vendor pricing cannot be considered as the primary reason for the decision of smaller companies to outsource their HR activities.
  - a. true
  - b. false
2. Outsourcing frees up time and resources, which can be better utilized in providing value to customer
  - a. true
  - b. false
3. The areas in which an outsourcing service provider can help
  - a. life Insurance
  - b. initiating good work/life program
  - c. personal accident cover
  - d. all the above

## 1.7 Changing Organisational Structures/Work Patterns in “SHAMROCK ORGANISATIONS”

Another development is the Changing organisational structures and work patterns. The upcoming companies, according to Charles Handy, will be a shamrock organisation (Charles Handy 1990). The shamrock organisations will have the following three elements:

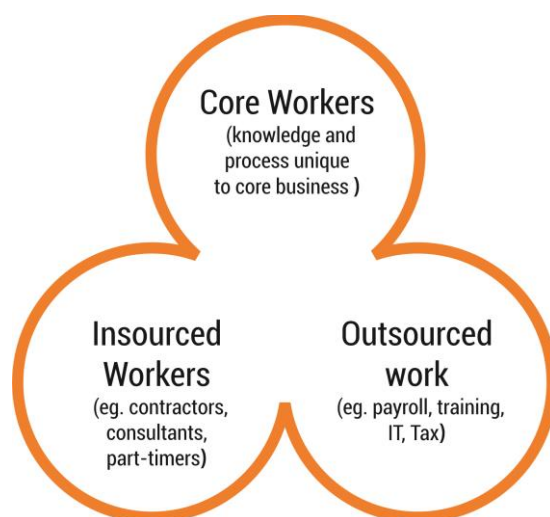


Fig 1.15 Shamrock Organisations

1. A few and important core group of experts, professionals and managers
2. A collection of sub-contractors who manufacture goods and services that the core group does not
3. An emergent group of provisional and part-time employees who are hired to give specialised services or to assist at maximum workloads.

Industries in many industrialised nations are more and more becoming shamrock organisations. Shamrock organisations will come out in budding countries in Asia and the Pacific. This is by now occurring in the NIEs. For example the Singapore National Trades Union Congress (NTUC) in a research on service structure and its effect on union membership (NTUC 1996) has proved that the shamrock organisation is by now forming in Singapore. The diminutive core of experts, professionals and managers will necessitate being the centre for human resource management. More ventures in the administration and teaching of part-time and casual labours will also be compulsory.

Technical change, particularly information technology and telecommunications and rivalry in the quick moving aggressive international market have transformed work organisations and work patterns. The manufacture of goods and services has turned into flexible and modified in spite of being bulk produced in extensive production lines. Unchanging mechanization relating recurring tasks is being substituted by flexible mechanization. On-line quality control is substituted by end-of-line checking. As an alternative of breakup of responsibilities, rising utilization is made of groups and multi-skilled employees. Managerial decisions are being decentralised to point of manufacturing and sale. The organisational ladder is restructured with centre layers of management removed. The gap linking those in management of the organisational leadership and those accountable for production and delivery of goods or services is lessened. Due to these transformations in working models; the role of employees has widened with a resulting necessitate for a wider variety of skills. For example the cellular manufacturing operators (CMOs) in Motorola in the United States are likely to carry out their own jobs along with gathering the knowledge of variety of extra assembly functions. This is to take full advantage of the flexibility of the groups. Moreover, they ought to be largely self-overseeing. CMOs toil jointly in comfortable teams and are in charge for planning their job, controlling excellence and discovering innovative conducts to get better work procedures, diminish imperfection and cut down succession time. On the other hand in the banking sector the job of customer service representative (CSR) has been extended further than a sequence of recurring errands of approving cheques, responding to usual

questions and serving customers to resolve the account balance. CSRs currently also suggest a suitable blend of products and services of the bank such as mutual funds and allowances to clients. Workers at present require a lot of broader balance of skills than in the earlier case of the conventional slower moving hierarchical establishment with apparent chains of order with the "thinkers" at the apex and "doers" at the base.

The workforce has turned out to be more mobile. The major impact on work patterns is the upcoming relationship organisations or virtual organisations. A virtual organisation is a business, which with help of information technology connects different industries, vendors, consumers and sometimes the competitors and helps them to share technology and the expenditure and entrée to each other's markets. The virtual organisation has an exceptionally minute core with a lot of resources supported from outside and having no physical set up. Virtual offices are upcoming as companies and are promoting the cyberspace and electronic expertise to reduce expenses like rentals and to enhance efficiency. In these offices the employees don't attend the offices but keep in touch through the technology by using the devices which can send and receive messages, faxes and emails. Telecommuting is a type of the virtual office in which the employees do their job at home or any place other than the office. According to Richard Nolan, a Professor of Business Administration from Harvard University forecasts that there is a possibility that the virtual office will become conventional rather than atrial within three years' time (Asia week 1995).

The growth of virtual organisations has HRD inference. Virtual organisation needs employees that are extremely consistent and skilled, talented to appreciate and acknowledge the novel types of information, flexible and can work resourcefully with others. The workers should not only need the technical aptitudes but also the aptitude to learn how deal with uninterrupted and fundamental transformation of virtual businesses. New types of training that are flexible, according to the demand and interactive should be made for the workers of virtual organisations.

The changes in work pattern are occurring in the industrial nations. The developing countries of the Asia pacific region are also being influenced by these work pattern changes. Human resource development guidelines and program will have to be altered according to these changes.

The ASTD's 1990 report listed out the seven groups of skills that the employer desires.

### **1. Knowing How to Learn:**

This can be considered as the fundamental skill. By virtue of this skill the workers can rapidly learn more skills easily. This skill comprises the ability to gather, examine, arrange and implement the information. It includes the methods, approaches and information that ease dispensation of information. It is also the skill to use suitable knowledge as well as the ability to relate it in new circumstances at work. This talent consequently facilitate the workforce to get used to fresh demands at work.

Now, the learning has become an element of working life with aggressive work pressures and varying technology. Moreover, the accessibility, quantity and density of data have amplified. Employers perceive the aptitude of acquiring the knowledge as the solution to retrain and regular learning. Above all the skills helps the effective usage of the innovative know-how and work in accordance with the organisations strategic goals and competitive challenges.

### **2. Reading, Writing and calculation:**

The conventional working styles often a routine process or continuous interaction with machines. So there are chances of Illiteracy and innumeracy in the work force as this cannot be determined easily. But in the modern workplace there is a need for high interaction with modern computerised machines that need a good reading skills and computation. Advanced numerical skills are needed with the implementation of different statistical approaches. We all know that writing is preliminary step for the communication with consumers, to document competitive dealings or effectively moving new ideas into the workplace.

It has been seen that most of the workers spent many hours during their working hours in reading different charts, graphs manuals, etc. for handling different tasks. Then also the writing stays as the fundamental method of communicating policies, procedures and concepts. Moreover different tabulations are made every day in order check upon inventories, organize report on production levels, compute machine parts or provisions, etc.

In adequate skills will lead to low productivity, high disaster rates and pricey production faults. All above the employer's capability to fulfil the strategic goals and the effort to become competitive will be weakened.

### **3. Communication Skills:**

Communication is the centre heart of the even functioning of any organisation. These skills are so important because they help to win the heart of customers and help to retain them. Plunging novelty, contributing to quality

circles, settle on conflicts and giving significant advice all pivot on effectual communication skills.

The communication consumes a lot of hours of the workers and their success on the job is related to their communication skills. It's evident by the recent studies that only job knowledge comes above the communication skills as an aspect for workplace accomplishment.

Most of the business heads have a perspective that a deficit in these skills will result in a cost of millions for the employers every year in the form of low productivity and errors.

#### **4. Adaptability Skills:**

Most of the business organisations are now a day's giving an extra importance for the employee who is problem solvers and an innovative thinker. Competitive advantage is commonly attached to a company's capability to innovate rapidly. This capability is according to the quantity of skills that employees have to free themselves from ordinary thoughts for a creative leap.

To be a successful problem solver one should possess aptitude to solve an individual problem along with aptitude to solve existing in a group problem. Above all he should possess the practical capability to relate these individual and group problems and solve them. Hence the Cognitive skills, group communication skills and problem handing out skills are critical to victorious problem solving.

Creative thinking is the skill to make use of variety of thoughts, ending up with something different and new in order to envisage, anticipate or shape new grouping of ideas to accomplish a requirement. Usually the creative thinking in the workplace is related to creative problem solving. This requires an effective team work and the assessment of the problems in an innovative way and the finding out of fresh solutions to active problems. The organisations capability to attain its strategic goals depends upon the capability of the work force in problem solving.

#### **5. Developmental Skills:**

Personal management skills are base for the building up of a good self-esteem, a determined work life and even organisational efficiency. Now often the workers are increasingly called upon in order to take decisions regarding the production or sales or any function related to them which increases the positive sense of self-worth. This also helps the employees to be motivated. Individual

employee's not having proper motivation or goal setting aptitudes will create recurring errors and quality issues or it can delay change.

#### **6. Group Effectiveness:**

It's seen that while doing work the employee will have to interact with people and hence will require excellent interpersonal, teamwork and negotiation skills.

The interpersonal skills is the ability to umpire and poise proper behaviour, manage with unwanted behaviour in others, soak up stress, deal with uncertainty, listen, encourage self-confidence in others, delegate the responsibility and cordial interaction. It's obvious that these aptitudes are needful for the effective conciliation of conflicts, which can be considered as the part of the work life. The negotiating capacity can be considered as the skill to detach the people from the crisis, to concentrate on benefits not positions, to work out compromise for a common achievement.

Interpersonal and arbitration skills are the foundation of a winning teamwork. Teams, which are more and more being used, are prearranged in the workplace so that suitable aptitudes and talents can be shared to achieve vital responsibilities and goals. A featured teamwork is an outcome when the team members distinguish and deal with various distinctive behaviours and when each has an idea of the customs and approaches that former group members symbolize. Above all the team members also should be aware of group dynamics that develop and transform as the team move towards its goals.

#### **7. Influencing Skills:**

At its most basic level, leadership means that an individual can persuade others to act in a definite way. Often the employees are required to persuade his work group and to give an idea of what the entire establishment or the specific task necessitates.

#### **Check your progress 6**

1. The shamrock organizations' will have a few and important core group of experts, professionals and managers.
  - a. True
  - b. False



2. \_\_\_\_\_ is a business, which with help of information technology connects different industries, vendors, consumers and sometimes the competitors and helps them to share technology and the expenditure and entrée to each other's markets.
  - a. Virtual organisation
  - b. Actual organisation
  - c. small scale organisation
3. \_\_\_\_\_ is a type of the virtual office in which the employees do their job at home or any place other than the office.
  - a. Telecommuting
  - b. Computing
  - c. Home computing

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## 1.8 Training in Small Industries

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Training provision varies considerably in small businesses with size being a significant factor. The British small business sector has a long-standing reputation for poor training levels but West head and Storey found considerable variations between the smallest (micro-enterprises) and larger SMEs. Smaller firms conducted their training internally with a focus on informal skills learning. Larger SMEs tended to obtain more external, formal training with a goal of obtaining recognised qualifications. A bakery owner, for instance, may not need to devote much of his resources to employee training, but a firm that provides electrical wiring services to commercial clients may need to implement a system of continuing education for its workers in order to remain viable.

- Small industries need to consider training and other development needs in managing their enterprise's employees. The need for such educational supplements can range dramatically.
- In a survey of 6000 randomly selected SMEs in Great Britain, Matlay (2002) found significant differences in owner/manager attitudes and approaches towards training needs of family and non-family employees in their businesses. The needs of family members were seen in terms of firm-specific HRD issues such as succession planning whereas training for non-family employees was focused on individual career needs.

- Owner/managers were mostly positive towards training but did not regard it as a critical element in overall business strategy. Matlay (2002) studied about medium sized businesses and observed that in over two-thirds (68 per cent) of the sample, their owner/managers were heavily involved in HRD issues. But, despite the increasing levels of complexity and formality found in such organisations, there was still a big number which overlooked HRD issues. HR managers took charge of training and HRD decisions in only 26 per cent of cases. All respondents claimed that they used training plans according to the decided budgets and saw a strong link between their firms' specific training needs and sustainable competitive advantage. However, in spite of taking interest in training of employees, most owner/managers did not accept the importance of this approach in their overall business strategy. Instead, they took an alternate approach perceiving the HRD needs of their workforces as an expensive affair and believed that the training of non-family members was an organisational expense which would affect the company's profit.
- On the other hand, in family businesses, HRD was found to be proactive for family members as a part of medium to long-term development and succession strategies for designing future business plans. The small business owner needs to establish and maintain a productive working atmosphere for his or her work force. Employees only become a productive asset to the company when they feel that they are treated in a fair and professional way. The small business owner, who communicates business expectations and company goals to his employees, provides adequate compensation offers meaningful opportunities for career advancement and anticipates work force training and developmental needs have better chances to prosper in his business. These practices help in providing meaningful feedback to his or her employees too, which leads him to be more successful than that owner who is neglectful in any of these areas.

### Check your progress 7

1. Smaller firms conducted their training \_\_\_\_\_.
  - a. Internally
  - b. Externally
  - c. Both a & b
  - d. None of the above

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## 1.9 Let Us Sum Up

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To conclude, small-scale industries can be classified into two categories, one which with less than 50 employees and the second group with strength of more than 50 but less than 100. Though other criteria were also introduced like the capital resources invested on plant and machinery buildings by course of time they became the main criteria to differentiate the small-scale industries from the large and medium scale industries. The Indian small-scale industries (SSIs) are considered as the most modern small-scale industries as their rejuvenation has widened the list of products offered by this industry. It's seen that many of the small businesses are being operated by a single owner with no other employee. So in order to maintain a competency in the business, it is important that these owners should not only understand the HR obligations but also know how to manage them efficiently. One of the most critical challenges faced by today's small business owners is the retention of qualified staff and the taking good heed of the special requirements of a diverse workforce.

It's often noted that an appropriate human resource planning and management often results in the formulation of a better relationship and interactions between employees and the management. Moreover the HR planning often leads to the individual employee growth plans and make sure that there is minimum employee turn-over, low rate of absenteeism and rare incidents of safety lapse. Well formulated and competitive employee reimbursement programs results in high morale, good quality output and competent operations by well trained employees and also ensures contented customers. Outsourcing helps the small scale businesses to gather the benefits and these methods are accepted by many small-scale companies. So they adopt strategies to outsource various functions such as payroll, recruitment and retention.

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## 1.10      **Answers for Check Your Progress**

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**Check your progress 1**

**Answers:** (1-a)

**Check your progress 2**

**Answers:** (1-a), (2-d), (3-a), (4-b)

**Check your progress 3**

**Answers:** (1-b), (2-a)

**Check your progress 4**

**Answers:** (1-a), (2-a), (3-b)

**Check your progress 5**

**Answers:** (1-b), (2-a), (3-d)

**Check your progress 6**

**Answers:** (1-a), (2-a), (3-a)

**Check your progress 7**

**Answers:** (1-a)

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## 1.11      **Glossary**

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1.    **Harried** - anxious
2.    **Comply** - obey
3.    **Termination** - stop
4.    **Intertwined** - tangled
5.    **Onboard** - involved
6.    **Accrue** - accumulate
7.    **Scarce** - limited

8. **Emergent** - devolving
9. **Diminutive** - little
10. **Imperfection** - defect

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## 1.12 Assignment

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Describe the practices of human resource planning of any small scale business you are acquainted with. List out the reasons, why this practice is being adopted.

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## 1.13 Activities

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Visit your nearby small organization and observe the various methods adopted to carry out the HR functions. Write a brief note on the same.

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## 1.14 Case Study

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For smaller firms, period and resource restrictions not only hamper the recruitment of the individual, but also affect the selection of the qualified persons. The small business owner is not expected to keenly follow background and reference checks. They tend to use performance tests like typing and driving, aptitude or skill, and physical performance. Smaller businesses with small training and development budgets often use informal training methods and are done on a deliberate basis by other workers within the company. On the other hand, larger businesses have additional time, space, money, and staff to instruct their workers; they may have training experts who train employees by means of on-the-job training.

Whenever an HR department is incapable to cover all its main concern, it is time to think for a help, exterior to the organization. Training and developing workforce using external consultants has been an accepted custom for years. Both large and small organizations have started to seek the outside for help functions such as training its staff, retaining and hiring, analyzing reasonable reimbursement systems, etc.

1. After reading the above text point out the advantage of outsourcing of HR functions in a small scale business unit.

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## **1.15 Further Readings**

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1. Students Find Some Courses One Degree Under The Week-End Australian, Armitage.C, 11-12 May, 1996.
2. Asia Pacific Economic Cooperation (APEC) and Institute of Developing Economies (1995), Proceedings of the International Seminar on Industrial Structural Change and Human Resource Development in the Asia and Pacific Region 7-8 Dec 1994.
3. Asian Development Outlook, Asian Development Bank, (1996 & 1997), 1995.

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## **UNIT 2: HUMAN RESOURCES IN LARGE INDUSTRY**

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### **Unit Structure**

- 2.0 Learning Objectives**
- 2.1 Introduction**
- 2.2 Purpose of Human Resource Planning**
- 2.3 The Basic Unit of Human Resource Planning**
- 2.4 Human Resource Planning Inputs**
- 2.5 Human Resource Planning Results**
- 2.6 Manpower Forecasting**
- 2.7 HR Planning: Purposes and Goals**
- 2.8 Stages in HR Planning: Process Analysis**
- 2.9 Planning Process Tasks and Activities**
- 2.10 Why a HR Planning for Corporates**
- 2.11 Strategic Advantages for HR Planning**
- 2.12 Key Points for Successful HR Planning**
- 2.13 The Drivers for Human Resource Planning**
- 2.14 Meeting the Challenge of HR Planning using Clarity 6.0**
- 2.15 Let Us Sum Up**
- 2.16 Answers for Check Your Progress**
- 2.17 Glossary**
- 2.18 Assignment**
- 2.19 Activities**
- 2.20 Case Study**
- 2.21 Further Readings**

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## 2.0 Learning Objectives

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**After learning this unit, you will be able to understand:**

- The purpose of human resource planning.
- The basic unit of human resource planning.
- The human resource planning inputs and results.
- The drivers for human resource planning.
- How to meet the challenges of HR planning?

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## 2.1 Introduction

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HR planning is a deliberately formulated business strategy on the basis of current and future business predictions related to the acquirement, operation, growth and maintenance of the human resources mostly in large organisations. The process helps in recruitment of apt people and retaining them in the right profile of varying jobs, positions and places according to the organisational needs.

HR Planning process ensures that the organisation, which implements its plans, has the right number and kinds of people, at the right places and at the right time. This planning process finds appropriate people who are capable of performing the assigned tasks effectively and efficiently. This helps the organisation to achieve its planned objectives. Prevailing business and societal trends affect the planning process in two major ways. One is through consumer markets, which affect the demand for goods and services and the other is through labor markets, which affect the supply of people needed to produce goods and services.

One of the major challenges of the HR department is to maintain a flexible workforce. HR Planning helps by handling this challenge. HRP is done at different levels – corporate, intermediate, operations levels and for short-term activities too. A good and suitable human resource planning exercise should always consider the inputs of all the departments in the organisation. HRP always has the support of the top management.

A good human resource professional must have a good understanding of the market dynamics, changes in the economy organisational processes and technological developments. That would make be better equipped for human



resource planning. The process of HRP involves three key steps – assessing and making an inventory of the current human resources, forecasting the organisation's human resource needs and matching the demand and supply of human resources.

Forecasting process involves the study and estimation of various factors that affect the business. Assessment of an overall human resource requirements involves studying the factors affecting the supply and estimating the increase or decrease in the external and internal supply of human resources. Every movement in and out of the organisation is calculated such as, new hires, transfers-in, individuals returning from leave, etc. that increases the internal supply of human resources, while retirements, dismissals, transfers-out of the unit, lay-offs, voluntary quits, sabbaticals, prolonged illness and deaths that reduces the supply.

HR Planning process identifies particular areas of the organisation where shortages and surpluses exist. When there is a need for downsizing the organisation, common strategies that are opted for retrenchment may be lay-offs, outplacements and leave of absence without pay, giving off loan, work-sharing, reduced work hours, early retirement and attrition to reduce the number of employees. An effective HRP keeps a check on the pressures on both the management and the employees, by maintaining a well-planned employment and retrenchment process, which remains phased out over a comfortable time span, avoiding unpleasant consequences.

Manpower function is one of the newer areas to be brought under the mantle of systematic planning. Human Resource Planning helps in better allocation and control of the organisation's manpower resources. A concept closely tied to HRP is that of manpower forecasting. Human Resource Planning is a process by which an organisation prepares an inventory of skills and potential available in the organisation. It involves the use of the concept of planning to visualize how the organisation can go through the allocation and control of its manpower resources in better fashion. In other words, it is a tool in the hands of higher management to equip themselves with the necessary data on human resources available immediately within the organisation and from outside.

### **HRP in Large Industry**

With the changing time, the approaches to human resources planning in work organisations also changes considerably. Human resource planning plays a central role in the core strategies of large organisations and in turn invites too much of debate, which reflects the changes in business, approaches. Human resource planners study about different aspects of human resource planning and

management and after considerable deliberation they decide upon what aspect of planning should be among the priority considering the ongoing changes in almost all aspect of life. Managing large work organisations has become more complex due to several key considerations about the supply and demand of HR practitioners and skilled personnel in the different industries.

Human Resource Planning (HRP) for large organisations differs from that in smaller organisations owing to different contexts and aspects. While the structure and size of organisations does not govern the choices about human resources, researches show that they can have a very strong influence on the way human resources are managed, regulated and planned. Important activities of Human Resource Management (HRM) like recruitment, promotion, performance appraisal, compensation, training and development, labour relations, job designs and career development have a big impact because of the major differences Caused due to the size of organisation.

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## 2.2 Purpose of Human Resource Planning

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Human resource planning is about managing the most important area of all, the effective employment of people. The changes and pressures brought about by economic, technological and social factors compel organisations of all kinds to study the costs and human aspects of labour much more seriously and carefully than ever before.

The general purpose of human resource planning has been described as:

- **Determining recruitment needs:** An important prerequisite to the process of recruitment is to avoid problems of unexpected shortages, wastage, blockages in the promotion flow and needless redundancies. Determining these needs of large businesses, help them maintain a smooth flow of activities.
- **Determining training needs:** Training programs should be properly planned. These programs not only improve quantity but also quality of employees in terms of the skills required by the organisation.
- **Management development:** For maintaining the effectiveness of an organisation, it is very essential to have a succession of trained and experienced managers. This hugely depends on having accurate information about present and future requirements of the company in all management posts. Large industries cannot risk their decision making and execution

process by lacking in management development initiatives.

- **Balancing the cost between the utilization of plant and workforce:** Cost balancing includes comparison of costs between these two resources in different combinations of HR processes and selecting the optimum. While costing projects cost balancing plays an important role thus enabling large industries to utilize the finances available in a better way.
- **Industrial relation:** All the businesses plan and make assumptions about their growth by considering the productivity of their human resource. This gives a broader picture about the business situation in large industries and also has an impact on the organisation's industrial relations strategies.

Practically, HR planning is mostly concerned with the demand and supply of labour and problems arising from the process of reconciling these factors.

### Check your progress 1

1. The process of HRP involves three key steps – assessing and making an inventory of the current human resources, forecasting the organisation's human resource needs and matching the demand and supply of human resources.
  - a. True
  - b. False
2. The key objective of human resource planning is:
  - a. Determining recruitment needs
  - b. Determining training needs
  - c. Management development
  - d. all the above

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## 2.3 The Basic unit of Human Resource Planning

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Sound human resource planning needs to be based on the principles and actions of effective human resource management. In the practical world, an external human resource consultant or employment agency plays an important role in planning the basic requirements for human resource. Basic units required to put an HR planning process in place are,

1. Human Resource Planning must be finally incorporated into the other parts of the organisation's strategy and planning.
2. There should be an emphasis on HR Planning by senior management stressing on its importance throughout the organisation.
3. Larger organisations require a central human resource-planning unit, which is responsible to senior management. The main objectives of this unit are to co-ordinate and reconcile the demands for human resources from different departments. It also works to standardize and supervise departmental assessments of requirements and to produce a comprehensive organisational plan. Practically, the Human Resource Development department plays a leading role in the assigned task in large organisations, whereas in smaller organisations these responsibilities would probably be carried out by a senior manager or even the managing director.
4. The HR Plan should have a defined time-span for execution. For example, if the system is operated as a continuous, rolling plan, the five-year period of general forecasting is maintained and each first year is used in turn for purpose of review and revision for the future.
5. An extensive text on the scope and details of the plan has to be in place. For large organisations, separate human resource plans and forecasts may be needed for various subsidiary units and functions, whereas, in smaller organisations one comprehensive plan will probably suffice for all employees. Human resource planning approves of special provisions in the cases where particular skills or occupations may pose future problems in recruitment or training of its employees.
6. Source of information for Human resource planning is very important. The process of planning is then based on the most comprehensive and accurate information that is possible. For example, sometimes personnel information becomes essential in any case for the effective management of the organisation. It then requires information on personal details of employees which include details of age, sex, qualifications and experience and of trends which are likely to affect future forecasts, such as labor wastage, charges in jobs, salaries, etc. Apart from the routine collection of data for personnel records, a special analysis of the collected data poses to be necessary in providing particular information.
- 7.

### Check your progress 2

1. External human resource consultant or employment agency plays an important role in planning the basic requirements for human resource.
  - a. true
  - b. false
2. It's not compulsory that the HR plan should have a have a defined time-span for execution.
  - a. true
  - b. false

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## 2.4 Human Resource Planning Inputs

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Three important inputs in Human Resource Planning may be identified as,

1. Sufficiently accurate information about the level of present manpower resources, such as the types of skills on the present payroll and current capabilities of the organisation.
2. Information about the manpower environment, namely labour markets, current and forecast manpower supply and demand, past and anticipated manpower trends, present training levels in the organisation, development potential of untrained employees and expenses that will be incurred in training and development of skills.

Information about overall organisational objectives in terms of sales, markets and growth in the future is necessary. This also becomes the objectives against which manpower plans and forecasts are structured. With the proper inputs, the results of HR Planning process will surely have a good foundation.

### Check your progress 3

1. The information about the level of present manpower resources, such as the types of skills on the present payroll and current capabilities of the organisation are the inputs in Human Resource Planning.
  - a. true
  - b. false

2. Information about overall organisational objectives in terms of sales, markets and growth in the future is necessary for HR planning.

- a. true
- b. false

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## 2.5 Human Resource Planning Results

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Human Resource Planning results in formulation of general long-range manpower objectives. These objectives influence current policies and programs in areas such as recruiting and hiring, manpower development and training, the transfer and relocation of employees, salary administration and labour relations.

If HR planning is carried out properly, it results in the following benefits:

- It provides a better view of the human resource dimensions of business decisions to upper management.
- It helps in lowering down the HR costs because management can anticipate imbalances because of HR planning before they become unmanageable and expensive.
- It provides sufficient time to search for talent because organisational needs are anticipated and identified before the actual staffing is required.
- Due to a good HR plan, better opportunities exist to include women and minority groups in future growth plans.
- Development of managers can be planned in a better way when a planning process exists in HR department.

The results of HR planning process form the basis for evaluating the success of projected business plans. Another approach is to measure projected levels of demand against actual levels at some point in the future. However, the most important evidence of successful HR planning is that organisation in which the human resources are consistently aligned with the needs of the business over a period of time.

### Check your progress 4

1. HR planning provides a better view of the human resource dimensions of business decisions to upper management.
  - a. true
  - b. false
2. HR planning provides sufficient time to search for talent.
  - a. true
  - b. false
3. HR planning does not help in lowering down the HR costs.
  - a. true
  - b. false

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## 2.6 Manpower Forecasting

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Manpower forecasting is one aspect or subpart of the overall Human Resource Planning activity. While Human Resource Planning attempts to identify general directions and trends anticipated for manpower resources in the future, forecasting is concerned with quantitative predictions of manpower trends for specific periods of time. Generally, quantitative predictions are attempted for one or five years in the future.

The most important thing in forecasting is to apply a basic model to certain important quantitative data in specified areas of Human Resource Planning. Such a model should be able to:

- a. Define skill categories in the organisation in terms of kind and amount.
- b. Identify areas of the organisations operations, which are relatively self-contained units in terms of manpower and areas where separate forecast of manpower resources are desired.
- c. Identity dynamic factors, which determine whether the right skills are at the right places at the right time.

Taking such elements, one has to apply to them known or estimated values to arrive at a calculated prediction of future manpower resources.

Forecasting should also take into account major input and outflow factors.

The input factors are:

- a) Skill developments resulting in upgrading and promotion into the skill-forecasting category.
- b) Lateral transfers into the job position required by a particular skill.
- c) New hires, both new college graduates and experienced personnel.

The outflow factors are:

- a) Skills development, leading to promotion and upgrading to other skill categories.
- b) Lateral transfers to other locations.
- c) Voluntary resignations.
- d) Involuntary attrition due to discharge, layoff or demotion.
- e) Retirement.
- f) Death.

A significant aspect of forecasting is that the predictions can be evaluated against the trends as they emerge in future years. In the process, any identified gaps in predictions have to be revised to conform to actual experience.

Forecasting involves two activities:

- 1) Monitoring current HR programs and personnel staffing levels
- 2) Investigating future HR needs and concerns

These processes are carried out in two basic areas, which are demand forecast of workforce for organisation and supply forecast for the organisation.

Following approaches are used to perform this function or activity:

Statistical approaches, which are based upon the fact and figures available with the HR planners to serve the purpose. Majority of demand and supply forecasting is done by:

- a. Trend analysis
- b. Ratio analysis

Judgmental methods are the forecasting approaches, which are based upon the logical and analytical capabilities of HR personnel when they arrive at forecasting decisions. It is based on the following:



**a. Managerial judgment**

Human resource planning and forecasting, thus, are of great practical application in the field of personnel management. It allows the managers to take day-to-day decisions consistent with the organisation's long run goals seen in an integrated fashion. It is based on present day managerial thinking that manpower resources have to be controlled and allocated in a way that serves the total organisational objectives in the business. In fact, proper human resource planning helps in getting the right skills and persons into the right position at the right time. It would also avoid many grievances and industrial relations problems arising from layoffs, retrenchments, technology up gradations, transfer, promotions, etc. It would allow for sufficient time to meet the repercussions of such changes in a planned way. Such planning can also ensure smooth careers for the employees of an organisation and thereby enhance their sense of security and motivation to work for the organisation.

At the international level, the study on the work force are regularly organized more to decide employment prospective, the unemployment rate, type and kind of demographics of the existing workforce. Basically, the market has transformed. HR Planning no longer can attach itself only to the conventional sources dealing with hiring and retaining. The present human acknowledge that their roles have altered from that of adore to that of a philosopher and in most situations a philosopher who achieves.

**Check your Progress 5**

1. Manpower forecasting is one aspect or subpart of the overall Human Resource Planning activity
  - a. True
  - b. False
2. The predictions cannot be evaluated against the trends as they emerge in future years with help of forecasting.
  - a. True
  - b. False
3. Majority of demand and supply forecasting is done by
  - a. Trend analysis
  - b. Ratio analysis
  - c. both

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## 2.7 HR Planning: Purposes and Goals

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Human resource planning is about the administration of the most significant area of all, the successful employment of people. The alteration and stress brought about by economic, technological and social factors oblige organisations of all kinds to learn about the costs and human aspects of labour much more critically and cautiously than ever before.

Some of the purposes of HR planning are:

- To make sure the maximum use of accessible Human Resource
- To predict the upcoming need for Human Resources.
- To offer control methods to make sure that needed Human Resource is obtainable as and when needed
- To evaluate the surplus and shortage of HR.
- To give suggestions for all HR activities and systems.
- To bring together the potential of line managers and staff.

### Objectives of HR Planning

- To predict the influence of technology on the jobs and HR.
- To find out the cost of HR.
- To find out the level of Recruitment and Training.
- To convene the requirement of growth and diversification programs.

The key objective of implementing the human resource planning is to obtain a correct number of employees needed, with corresponding skill necessities to achieve organisational goals.

According to Sikula “the final aim of human resource planning is to communicate upcoming human resources to potential enterprise requirement so as to get maximum future returns on investment in human resources”. Practically, HR planning is generally apprehensive with the demand and supply of labour and problems arising from the process of integration of these factors.

### **Check your progress 6**

1. The HR planning does not give any help in predicting the upcoming need for Human resources.
  - a. True
  - b. False
2. HR planning helps to evaluate the surplus and shortage of HR.
  - a. True
  - b. False

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## **2.8 Stages in HR Planning: Process Analysis**

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**The different stages of HR planning are:**

### **1. Assessing Human Resources**

The assessment of HR starts with the analysis of environment, under which the external (PEST) and internal (objectives, resources and structure) are evaluated in order to find out the present HR inventory level. This assessment of the internal and external forces of the organization will facilitate the HR manager to reveal the internal strengths and weakness of the organization along with the opportunities and threats. Above all, it includes a record of the workers and their skills that are existing at present in the organization and a complete job analysis.

### **2. Demand Forecasting**

HR forecasting is the procedure of measuring the demand and supply of HR in an organization. Demand forecasting is a procedure of finding out the future requirements for HR according to the required quantity and quality. It is done to congregate the upcoming staff requirements of the organization to attain the required level of output. Upcoming human resource requirements can be evaluated with the aid of the organization's present human resource condition and study of organizational strategy and measures. It will be obligatory to execute a year-by-year study for each important stage and category.

### **3. Supply Forecasting**

Supply is a different side of human resource assessment. It deals with the estimation of supply of manpower, given the estimate of the present resource and upcoming availability of human resource in the organization. It gives an idea of

the future resources of HR that are probably to be accessible from inside and outside the organization. The insides resources are promotion, job enlargement and while the outside resources are selection and recruitment of employees who have the capability of doing the prescribed tasks in the organization.

#### **4. Matching Demand and Supply**

This step of human resource planning comprises the forecast of future demand and supply of HR. The matching method refers to convey demand and supply in a symmetry situation so that scarcity and excess staffing position will be resolved. In a stage scarcity the organization has to recruit according to the required quantity of employees. On the other hand, in a stage of excess staffing the organisation has to reduce the level of present employment.

#### **5. Action Plan**

The final phase of human resource planning that deals with the surplus and scarcity of human resource. By the virtue of it, the HR plan is implemented with the help of varied HR activities. The key activities which are needed to implement the HR plan are recruitment and selection, placement, training and development, socialization, etc. In the last stage is the control and assessment of performance of HR to ensure that the HR planning coincides with the HR objectives and policies. Moreover this action plan must be updated in accordance with the change in time and conditions.

### **Check your progress 7**

1. Stages of HR planning are assessing human resources, demand forecasting, supply forecasting, matching demand and supply and action plan
  - a. true
  - b. false
2. \_\_\_\_\_ is the assessment of the internal and external forces of the organization, will facilitate the HR manager to reveal the internal strengths and weakness of the organization along with the opportunities and threats
  - a. Demand Forecasting
  - b. Assessing Human Resources
  - c. Supply Forecasting
  - d. Action Plan

3. \_\_\_\_\_ deal with the estimation of supply of manpower and upcoming availability of human resource in the organization.
  - a. Demand Forecasting
  - b. Assessing Human Resources
  - c. Supply Forecasting
  - d. Action Plan
4. \_\_\_\_\_ deal with the surplus and scarcity of human resource.
  - a. Demand Forecasting
  - b. Assessing Human Resources
  - c. Supply Forecasting
  - d. Action Plan

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## 2.9 Planning Process Tasks and Activities

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It is necessary to classify the existing employees into various groups. The degree to which such segmentation is done will depend on how the planners aim to use the data.

The responsibilities and activities concerned in the planning process are:

1. Estimating how many of the existing labours and management force in diverse occupations or grades, levels, positions will leave the company or their present job during the forecast period.
2. Restructure the organisation composition, planning for needs and surpluses.
3. Estimating how many will have to be taught or retrained to administer the HR people's eminence to replace exits.
4. Articulate in general objectives and goals for a specific period ahead.
5. Changing these objectives to manpower (man/hour or man/day) needs
6. Recognising prospects for getting better manpower consumption and its exploitation with effective usage.
7. Assessing the potential of staffing of additional workforce to make high losses from surplus and to convene additional demands.
8. Conclude where and when significant manpower deficiency is expected to arise.

9. Deciding how those shortages can best be conquered or how the company should regulate to them.

### **Check your progress 8**

1. Manpower planning should comprise the task to decide how those shortages can best be conquered or how the company should control to them.
  - a. true
  - b. false
2. Estimating the number of existing labour and management force in diverse occupations or grades, levels, positions will leave the company does not come under the scope of man power planning.
  - a. true
  - b. false

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## **2.10 Why a HR Planning for Corporates**

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Current business challenges insist an agenda of human resources, which is focused to close up the opening between the ‘strategic-HR haves’ and ‘have-nots’. To attach people priority to business priorities, the HR practitioners require a considerate, but sensible move towards to HR planning process thereby clarifying line possession for HR outcomes and document a contract for those responsibilities that HR people will have across all divisions in (large) organisations. The conflict in the planning process is to attain intensity of thinking without difficulty in a way that engages line management in the process.

HR planning makes sure that usage of man power and takes advantage of the strength of HR in that organisation. The organization often will have a pool of aptitude at any point of time. People’s capabilities are instantly available to perform the assigned tasks, if the information is composed and arranged in advance. Suppose the organization needs an increase its range of operation, it can go ahead easily. The advance planning makes sure that constant supply of people with mandatory skills who can handle tough jobs easily. It also helps to determine the recruitment and induction levels. If there is a ready HR plan, it will help to give a fairly good idea about the type of people are being employed and at what position. Thus the induction level can be successfully planned according to the

anticipated redundancies, surpluses and obsolescence. HR planning also helps to determine the training levels as the base for the management development programmes. Moreover the knowledge of the cost of manpower according to a new project is also determined and hence a budgetary allocation can be made in advance for this upcoming corporate premeditated move.

### **Check your progress 9**

1. If the organization needs an enhancement in its range of operation, it can go in advance easily with help of HR planning.
  - a. true
  - b. false
2. HR planning helps to determine the recruitment and induction levels.
  - a. true
  - b. false

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## **2.11 Strategic Advantages for HR Planning**

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Strategic HR planning is an important part of strategic HR management as it helps to link the HR management directly to the strategic plan of your organization. Most of the medium to large sized organizations have a premeditated plan that directs the organization to success. The organizations usually complete financial plans to make sure that they attain the organizational goals and while workforce plans are not as frequent, they are just as essential. It's to be noted that a small organization with as few as 10 staff can build up a strategic plan to direct decisions about the future.

On the basis of the strategic plan, an organization can build up a strategic HR plan that will permit to make HR management choice to maintain the expectations of the organization. Strategic HR planning is also vital from a budgetary point of view so that you can factor the costs of recruitment, training, etc. into the organizational budget.

### **Check your progress 10**

1. Strategic HR planning is an important part of strategic HR management
  - a. true
  - b. false
2. Strategic HR planning is also vital from a budgetary point of view so that you can factor the costs of recruitment, training, etc. into the organizational budget
  - a. true
  - b. false

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## **2.12 Key Points for Successful HR Planning**

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HR planning must be recognised as an integral part of overall business planning. HR planning should be led by the CEO as his core responsibility. The manpower planner needs to know the company's objectives in terms of sales, marketing and growth. Top management backing and involvement for manpower planning is essential and should receive its rightful place hierarchically. The HR planning responsibility should be developed in consultation with line managers and their representatives. The forecast period should be prepared by skill levels rather than by aggregates of workers. Both the forecasting techniques and the forecasts themselves need to be constantly revised and improved in the light of experience.

Human resource is a key economic resource. It therefore demands the same attention a company gives to planning sales, investment or profits. It is this fact that has led to the development of manpower planning among an increasing number of business organisations. For the company, the returns from manpower planning can be measured in term of higher efficiency and productivity as a result of better utilization of its manpower resources and the elimination of waste in recruitment, training and other personnel schemes.

It is clear that a company cannot hope to forecast accurately about its future manpower requirements unless these are related to future production and sales levels. The best result therefore is two-fold, which is achieved when a company has integrated HR planning with overall business plan to interpret the forecasts for production and sales along with labour constraints on account of company



policy for the future. The first task of a company must be to ensure that the estimate is as reliable as possible.

HR planning is continuous, on-going process; and companies that treat it as a five-year burdensome task will be deeply disappointed. In fact, it is preferable that they do start this task as it may turn into a ritual. Even the most carefully calculated forecasts are liable to be overtaken by unforeseeable changes.

For a successful HRP, following guidelines may be considered as key points,

- a. **Tailor made:** HRP should be balanced with corporate objectives.
- b. **Proper time:** The period of HRP process should be appropriate to the needs and circumstances of an organisation.
- c. **Adequate management:** HRP process should be adequately/properly organized.
- d. **Top management support:** Before starting the HRP process, the support and commitment of top management should be ensured.
- e. **Participation:** HRP will be successful if all the departments in an organisation participate in the process.
- f. **Information system:** An adequate database should be developed for facilitating HRP.
- g. **Unbiased focus:** The quantity and quality should be stressed in a balanced manner.

### Check your progress 11

1. Top management backing and involvement for manpower planning is essential for HRP.
  - a. true
  - b. false
2. It's not necessary that the company should give same priority to HR planning as it gives to planning sales, investment or profits.
  - a. true
  - b. false

3. Which of the following is essential for a successful HRP
- a. Appropriate time
  - b. Top management
  - c. support Information system
  - d. Adequate management
  - e. all the above

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## 2.13 The Drivers for Human Resource Planning

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Business oriented HR professionals can help design a HR plan that balances the needs of the organisation, its employees and other stakeholders. It can help align the efforts of the various functions in the organisation with the plan's strategic goals and it can support those functions by ensuring that they can recruit, develop and retain the necessary company team members. HR, as strategic business partners should be the drivers of the organisations values thus being the drivers of the strategic plan.

### **Realising the cost base:**

The expenses that are incurred due to the employment in an organisation extend well beyond the salary paid. Apart from this various health benefits, personal and family insurance contributions, pensions, vehicle schemes, holidays, maternity leave and training are some of the extra expenses that will be added to the cost of employment. Moreover the legislative, qualified and contractual obligations have to be added to the cost of infrastructure. An added cost known as the 'opportunity cost' of lost productivity due to unexpected inoperative time or sickness also must be added to the costing calculations.

Even though the 'people' are not accounted in the balance sheet as an asset they contribute a lot to the profit and loss account. So perceptive of the expenditure base and its compassion to changes, recruitment models, workforce composition and other factors are important for success.

### **Harmonizing supply and demand:**

Human Resource planning in a business which is service oriented concentrate on the procedure of harmonizing the accessibility of skilled and unskilled resources according to the market demands. By planning the

constitution of employees in the business, it becomes easy to adjust the number of individuals in every band of seniority or grade, which is significant for a healthy business. A proper blend of the staff pattern which comprises an equal mixture of talent, knowledge and seniority, helps to increase the profitability and also is necessary for effective customer satisfaction. A disparity in the organisation's manpower is by no means entertained.

### **Succession Planning:**

The Planning of the staff resources in a long term can be specifically demanding for the sustainability of every business. The Human Resource planning is generally a precisely tuned balancing act, where the abundance of senior personnel can influence the profitability in the short term and generate extensive term staff retention issues as the new generation staffs will feel as if their careers are stopped up, with a little room for promotion. On the other hand, if the business planning process does not concentrate on the future leadership, it will result in the scarcity of proper leaders as senior managers will retire and nobody will be trained to take up their position in succession.

Succession planning process ensures that employees are recruited and developed to fill all the important roles within the company. Through the succession, planning process, recruitment of superior employees happen and it also work towards retention of superior employees because they appreciate the time, attention and development that the company is investing in them. To carry out succession planning in the organisation effectively, it must identify with the organisation's long-term goals.

### **Performance management:**

In spite of the burden of observance, all the modern organisations should uphold a near watch on HR performance matrices. A superior performance management system of an organisation disclose the real and the future state of the accessible labour force which enables the HR system to perform usefully in planning an competent workforce.

In actuality, Human resource planning is in accordance with the theory about the rate of hiring fresh employees, attrition rates, training goals and international salary increases that are believed to be determined by its enduring plans. The planning process makes sure of the nature of the organisation is deliberately associated along with other fundamental resources such as information technology, production capacity, sales and promotion.

### **Check your progress 12**

1. The expenses that are incurred due to the employment in an organisation are only the salary paid.
  - a. true
  - b. false
2. A proper blend of the staff pattern which comprises an equal mixture of talent, knowledge and seniority, helps to increase the profitability.
  - a. true
  - b. false
3. Succession planning process ensures that employees are recruited and developed to fill all the important roles within the company.
  - a. true
  - b. false

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## **2.14 Meeting the challenge of HR Planning using Clarity 6.0**

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In the present varying business environment, the work force is considered as the most precious assets. There has been an outstanding alteration in expressions of work-force as the “Personnel” function of the 80's which was converted into “Human Resources” and further ultimately phrased as “Human Capital” thus demonstrating the factual worth of individuals in creating prosperity.

For most of the organisations, encouragement, maintaining and attracting the most excellent ‘talent’ is still a high business priority. Keeping up the accurate quantity of resources, at a right time and in the right place is always essential. For this, a thorough Human Resources planning and forecasting is also essential which should coincide with supply and demand, optimise staff composition, take advantage of employee efficiency, comprehend the expenditure base and produce appropriate profits for shareholders.

The importance of a comprehensive HR budget and forecast necessitate to be reflected in the monetary and other functioning plans of the business. Likewise, all the previous expenditure plans, capital expenses and income

forecasts required to be associated with the monetary plans, permitting the organisation to build up clearness on the intended performance across the business.

How the Clarity 6 Human Resource Planning, an integral part of the Clarity 6 CPM Suite meets these challenges is stated below.

### **The Application**

Clarity's Web/Excel interface permits the organisations to allocate common Excel style-planning templates at reasonable price on the web to an extensive array of budget holders. Several organisations are conducting their human resource planning practices with the help of a many spreadsheet templates. But, over the years these spread sheets are having a number of limitations such as the lack of process maintain, the incapability to rapidly combine and report effects, as well as the need of audit pursue and a elevated preservation burden.

One of the main advantages of Clarity 6 is that it permits the customer to unlock a budget entry template in Excel and toil offline with the data. It offers with the property of re-importing the data with complete protection and auditability of the information.

A fine HR plan has the distinctive property to occupy a larger number of budget holders from a broader selection of functional areas across the business. It ease the organisations in building up a more precise image of predict performance. In addition to this, managers related to cost centre who are not accustomed to accountancy can be lead through the conception of an HR forecast using common organisational terms and perceptions though being set aside away from the accounting complication. For instance, a division manager, can prepare for “new hires” and “leavers” by creating easy modification in the quantity of employees in each calendar period. These modifications also permit the system to estimate the inference for tax, reimbursement, infrastructure and other spending according to the business regulations customary in the basic design. But, the accountants can also sketch according to the conventional lines by using work sheets and illustrate a range of charts of accounts, preparing costs, line by line. An organisation can jointly chart and compute its planned costs with the aid of any of the concepts. By confirming the calculations as the budget data is entered, the budget holders can be protected within planning assumptions that are formulated centrally for the organisation. In the excel–worksheet setting, an observation can be added or a file may be linked to a cell. Moreover the input plan or entity facilitates the flow of information and support association while creating a HR plan.

HR Planning is not restricted to the knowledge of the cost base. Clarity 6 module allows a driver based concept towards the scheduling which remove intricacy thereby permitting non-specialist budget controller to generate a budget based on uncomplicated hypothesis about accepted consumption of capital and work type.

Clarity 6 module maintains planning process at any of the stages of organisation or a diverse approach by permitting some section to prepare in more detail than the others. A complex HR planning point towards the standardised approaches to the practice are often hard to attain. To suit the way and culture of the organisation, the fundamental regulations of the business must be modified as per the organisation's necessity. Clarity 6 is mainly appropriate for large organisations because it can take in the diverse terms and conditions laid out by diverse business units.

6 module of HR planning is designed to congregate the challenging conditions directly. As this module for the congregation of challenges is on the basis of excelling work-sheet format, they have an aptitude to administer lofty data volumes, several data sources and a huge number of budget controller. Similarly, the ability of connecting the challenges of the process data to each other and to the HR process too, throughout strongly administered workflows give confidence and enhanced quality forecasts. Clarity 6 HR planning module is also designed to get advantage from the full potential of the broader program so that the business consequences of an HR plan are firmly joined to monetary and longer-term plans. Design of the Clarity 6 module permits an organisation to build up the best practice presentation of management system. A single data model acts as a financial summary and reporting applications besides measuring, planning, budgeting and forecasting processes too.

Above all, the standardized architecture of the module permits authorised access to allocate information and business views, accessed during an easy web/excel interface or more detailed exposure methods if mandatory. By doing so, Clarity 6 permits the organisation to have long-range planned goals in its functioning plans, converse its HR strategy and observe its accomplishment.

### Check your progress 13

1. Clarity's Web/Excel interface permits the organisations to allocate common Excel style-planning templates at reasonable price on the web to a extensive array of budget holders.
  - a. true
  - b. false
2. One of the main advantages of Clarity 6 is that it permits the customer to unlock a budget entry template in Excel and work offline with the data.
  - a. true
  - b. false
3. Clarity 6 module allows a driver based concept towards the scheduling which remove intricacy thereby permitting non-specialist budget controller to generate a budget.
  - a. true
  - b. false
4. Clarity 6 HR planning module is also designed to get advantage from the full potential of the broader program so that the business consequences of an HR plan are firmly joined to monetary and longer-term plans.
  - a. true
  - b. false

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## 2.15 Let Us Sum Up

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To conclude, the HR planning is a well expressed business strategy on the basis of present and upcoming business forecast and are mostly used in large industries. The strategy articulates the need as it exists in the present and the preparation necessitates formulation of the goals and action plan for achievement of the workforce plan. Hence HRP can be denoted as the process by which an organisation make sure that it has the right number and kinds of people, at the right places, at the right time and that these people are capable of performing their tasks efficiently and competently. This helps the organisation to achieve its overall objectives.

The HRP prepares the organisation for the upcoming in provisions of development of its manpower necessity and utilizing them appropriately in order to convene the impact of quick practical and monetary changes and uphold its viable position. Moreover it permits for advance planning to fill predictable skill requirements as well as permit for desirable flexibility in day-to-day utilization of manpower. It permits the adaption to unexpected changes such as technological advances, novel markets, supporting and economic pressures and sharp competition.

Effective human resource planning needs to be based on the ideology and proceedings of effective human resource management. In the realistic world, an outside human resource consultant or service agency plays a significant role in forecast of the fundamental necessities for human resource. Basic units' compulsory to locate an HR planning process in place make sure that the organisation do extremely.

Above all the Human resource leaders must take initiative for an action related approach to essential a planned HR agenda in a method that describe apparent roles and relationships amongst the standard players. This can be easily completed by relating line leaders in realistic, healthy conversation and finalizing agreements that are attainable inside the aptitude limitation that exist today and supportive what is desirable for the future.

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## **2.16      Answers for Check Your Progress**

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**Check your progress 1**

**Answers:** (1-a), (2-d)

**Check your progress 2**

**Answers:** (1-b), (2-b)

**Check your progress 3**

**Answers:** (1-a), (2-a)

**Check your progress 4**

**Answers:** (1-a), (2-a), (3-a)



**Check your progress 5**

**Answers:** (1-a), (2-b), (3-c)

**Check your progress 6**

**Answers:** (1-b), (2-a)

**Check your progress 7**

**Answers:** (1-a), (2-b), (3-c), (4-d)

**Check your progress 8**

**Answers:** (1-a), (2-b)

**Check your progress 9**

**Answers:** (1-a), (2-a)

**Check your progress 10**

**Answers:** (1-a), (2-a)

**Check your progress 11**

**Answers:** (1-a), (2-b), (3-e)

**Check your progress 12**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 13**

**Answers:** (1-a), (2-a), (3-a), (4-a)

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## 2.17 Glossary

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1. **Assign** - allocate
2. **Voluntary** - deliberate
3. **Retrenchment** - cutback
4. **Visualize** - envisage

5. **Regulated** - in time
6. **Comprehensive** - complete
7. **Anticipated** - probable
8. **Relocation** - transfer
9. **Aligned** - associated
10. **Emerge** - come out
11. **Conventional** - predictable
12. **Obligatory** - compulsory
13. **Aggregate** - cumulative
14. **Tailor** - modify

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## **2.18 Assignment**

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Study Human Resource planning process in an organisation and discuss the inputs provided and the results achieved from the processes.

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## **2.19 Activities**

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Visit any of the organisations you know and collect the details of the methods used there in manpower forecasting.

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## **2.20 Case Study**

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Conventionally, succession planning has occasionally taken a replacement approach, habitually concentrating on the executive-level positions. One or two successors are recognized and chosen, may be on the basis of the limited input of their direct supervisor, and then positioned on into a senior position.

1. According to you, is this a correct way of succession planning? If not, what are your suggestions in this regard?

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## 2.21 Further Readings

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1. Human Resource Planning: An Introduction, Reilly P. Report 312, Institute for Employment Studies, 1996.
2. Human Resource Management, Biswajeet Pattanayak, Prentice Hall of India Pvt. Ltd., 2001.
3. Human Resource and Personnel Management, Aswathappa .K. 2nd Edition, Tata McGraw-Hill Publishing Company Ltd., 1999.

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## **UNIT 3: MODERN METHODS OF HUMAN RESOURCE PLANNING**

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### **Unit Structure**

#### **3.0 Learning Objectives**

#### **3.1 Introduction**

#### **3.2 Introduction to Modern Manpower Planning**

#### **3.3 Role and Content of Manpower Planning**

##### **3.3.1 The Present Position and the Analysis of Trends**

#### **3.4 Forecasting Future Manpower Movements**

#### **3.5 Control and Evaluation**

#### **3.6 Environmental Scanning**

#### **3.7 Human Resources Environmental Scan**

#### **3.8 Let Us Sum Up**

#### **3.9 Answers for Check Your Progress**

#### **3.10 Glossary**

#### **3.11 Assignment**

#### **3.12 Activities**

#### **3.13 Case Study**

#### **3.14 Further Readings**

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### **3.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- The importance of Modern Manpower Planning.
- Forecasting future manpower movements.
- Control and Evaluation of manpower planning.
- Environmental scanning.

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### **3.1 Introduction**

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The success of an organization mainly relies upon the capacity and excellence of Human Resources that it is able to attract and preserve. Human resources are one of the mainly imperative assets of an organization. It is the people who create other resources moving. The assignment of accurate type of people in right numbers, at the right place and right time is the basic function of Human Resources management. Human Resource Planning (HRP) is a footstep in Human Resource Management.

The progression of identifying how many people to choose, at what job and at what occasion is called Human Resource planning. Human Resource Planning is to get the right number of employees with the right skills, experience, and competencies in the right jobs at the right time and at the minimum cost. This Human Resource part of an organization makes sure that the business production requirements are met in an efficient and effective manner. Having too many employees is challenging due to the risk of high labour expenses, downsizing, or layoffs.

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### **3.2 Introduction to Modern Manpower Planning**

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In modern times, the need for companies to take a look at their future manpower requirements has become more and more evident and manpower planning is more important for management than it has ever been. There are three main arguments in favour of manpower planning. Firstly, there is considerable evidence to indicate that for some time to come there will be a shortage of quality manpower, particularly technological and scientific manpower, the demand for which is steadily increasing. Secondly, changes in manpower requirements in skill terms are likely to be much more rapid in the future, than they have been in the past. Thirdly, the ever increasing costs of manpower. Demands for higher standards of living and increased leisure are tending to push these up at an even faster rate.

While machinery depreciates and eventually becomes obsolete, properly developed manpower can continue to grow in usefulness and capacity. The view that there is likely to be a shortage of quality staff over the longer term is not universally shared. Some take the view that there is considerable under-use of talents and abilities and that there is a large, as yet untapped and potential for the exercise of higher skills if only adequate training and education can be made

available. This, in itself, is a very large subject. The objective of manpower planning is and must be, to improve manpower utilisation and to ensure that there is available manpower of the right number and the right quality to meet the present and future needs of the organisation. It must, therefore, produce a realistic recruitment policy and plan and must be very much concerned with costs and productivity.

A business is able to place most suitable number of employees, at the most apt jobs in the most appropriate time frame, only because of Manpower planning. This is an exercise that is very critical to the survival of a business.

Human resources department of an organisation prepares lists of manpower available and working across all its functional departments. This activity aims toward analyzing whether each department has the correct number of employees and to estimate the manpower required in the future. Without an efficient set of employees, no organisation can make any kind of progress. The manpower requirements need to be planned for and managed well.

### **Check your progress 1**

1. A business is able to consign most suitable number of employees, at the most apt jobs in the most appropriate time frame, only because of Manpower planning.
  - a. true
  - b. false
2. It's seen that the machinery depreciates and eventually becomes obsolete, properly developed manpower can continue to grow in usefulness and capacity.
  - c. true
  - d. false

---

### 3.3 Role and Content of Manpower Planning

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Manpower planning is essential to the company as long as it is in business. The HR department chalks out detailed and intricate plans for the same. Maintaining ideal staffing levels is the premise and rationale for this exercise. Manpower planning is a very important component of HR management. A thorough assessment of the present resources and the future estimated resources is done because staffing has to be optimum.

With understaffing, the organisation loses orders, customers, sales and profits. Overstaffing results in losses in terms of salaries and competence. Manpower planning means developing strategies to match the requirement of the staff and the available positions. The people making the plans must have a full know-how of the organisation's goals.

Manpower planning, in its broadest sense, covers all those activities traditionally associated with the management of personnel – records, recruitment, selection, training and development, appraisal, career planning, management succession and so on. However, it is important, both for analytical purposes and ultimately for executive purposes, to disentangle these activities and to think of them as a number of sequential phases. To plan staffing, the HR department makes an evaluation of the past and future. The present needs and resources are contrasted with future needs and resources. The three main phases are:

#### **Phase 1: The development of manpower objectives:**

This is concerned with the development of forecasts of the manpower necessary to fulfil the company's corporate objectives, with looking at the totality of situations rather than at individuals. It is concerned with detailed analysis in order to identify and foresee problem areas, to assess future demands and to establish how those demands may be met. It is directed towards the development of manpower strategy as an integral part of company strategy.

#### **Phase 2: The management of manpower:**

In this phase, the motive is to manage manpower resources to meet objectives and development, in more specific and individual terms, of recruitment plans, training and development plans, succession plans, appraisal systems, etc.

#### **Phase 3: Control and evaluation:**

This concerns the continual evaluation and amendment of plans in the light of achievement and changing circumstances. Planning starts from a given factual position and tries to look ahead through a range of possibilities. Evaluation in this

context means thoroughly checking forecasts, forecasting methods against what eventually happens, and making such revisions as may prove necessary. Any planning activity must have a system for this regular checking built into it. In other words, planning must be a continuing process.

It is the ultimate aim of any complete system of manpower planning that all three phases should be fully integrated with the company's plan. Without a company's plan, there can be no realistic manpower planning.

### **3.3.1 The Present Position and the Analysis of Trends**

In manpower planning there are three basic elements to be considered, the present stock of manpower, wastage and future requirements for manpower. Information will be needed in a series of permutations and combinations according to the needs of the company. The following are the basic 'building blocks' that will probably be needed in most circumstances:

1. Present total manpower.
2. Manpower resources by appropriate planning groups, for example, sex, grade, function/department, profession/skill, qualification, age group and length of service.
3. Total manpower costs.
4. Total costs by appropriate component elements, for example, salaries, wages, pension contributions, welfare, canteen, etc.
5. Costs by functions/departments.
6. Total numbers related to sales, production or such other criteria as may be appropriate, in physical and financial terms.
7. Attrition and retention rates by appropriate groups, that is, overall, by function/department, profession, sex, age group, etc.
8. Recruitment patterns by age, education, etc. for each function/department.
9. Resources of promotable staff.



### **Check your progress 2**

1. The activities traditionally associated with the management of personnel – records, recruitment, selection, training and development, appraisal, career planning and are called Manpower Planning.
  - a. true
  - b. false
2. Basic elements to be considered in manpower planning are
  - a. the present stock of manpower
  - b. wastage
  - c. future requirements for manpower.
  - d. all the above

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## **3.4 Forecasting Future Manpower Movements**

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Future manpower requirements are self-evidently governed by the company's corporate plan and they can only be considered in that context. Indeed, without a corporate plan there can be no realistic manpower plan. It follows that no forecast for the forward demand of manpower can be more precise than the formulation of the company's overall objectives. Clearly, it is also important that a company's objectives should be so stated as to be interpretable in terms of manpower involvement. The factors affecting manpower demand fall into two main groups: trading, production patterns and technological change.

Forecasts of future labour demand will be of little value unless they are related to the current and future supply position. For an optimum manpower forecasting, the manpower planner should have a complete and accurate picture of the company's existing manpower stock. He should be able to estimate in what areas and to what degree this stock will change by the end of the forecasting period. The obvious way of meeting manpower requirements is from people currently employed. With this method, the company gets a rough idea of available resources and executes an internal recruitment policy wherever possible. However, the manpower stock is never static and is constantly subject to outflow and inflows, which pose as the main problem area.

For a company to survive, long-term manpower planning remains one of the most important activities. Succession planning is a large part of this type of manpower planning. It involves judging what kinds of skills managers will need in the future and figuring out how to provide people with the chance to build these skills. In long-term manpower, planning, competitive strategy, which ensures action, planned around business competitors, play a very important role.

### **Check your progress 3**

1. Forecasts of future labour demand are related only to the future supply position and not to present supply.
  - a. true
  - b. false
2. Succession planning is a large part of manpower planning
  - a. true
  - b. false
3. Succession planning involves judging what kinds of skills managers will need in the future and figuring out how to provide people with the chance to build these skills.
  - a. true
  - b. false

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## **3.5 Control and Evaluation**

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In order to ensure effectiveness and efficiency of business process, control and evaluation of manpower planning is very essential. It is not only necessary to monitor the process constantly, but it is also equally important to provide feedback.

Budgets, targets and standards of performance should be always included in a good HR plan. It should also clarify responsibilities for implementation and control and establishment of reporting procedures, which enables monitoring the achievements against the plan. These may simply report on the numbers employed against establishment and on the numbers recruited against the

recruitment targets. They should also report employment costs against budget and trends in wastage and employment ratios.

Two broad and complementary approaches to the control and evaluation of the manpower plan focuses, one in terms of numerical trends and the other in terms of costs criteria. This normally takes the form of a package of expectations and objectives, all of which are considered mutually consistent and feasible. The strategy for achieving these objectives determines the form of organisation to be used and the amount and form of resources required, including manpower.

In this review, management watches the degree to which the various specific goals of the manpower plan were achieved. This can be shown by the use of a number of numerical controls and gauges, such as change in numbers by total/department/function, changes in wastage (turnover) rates and the reasons for wastage, changing age structures and their implications, all related to the original targets set.

Another approach, which has been found useful in giving a comparative picture of the contribution being made by personnel to the operation of the company, is the development of cost ratios.

In a world of rapidly changing technology with an ever-growing demand for more and different skills, the need to plan manpower is as great as the need to plan any other resource. The prosperity and growth of any company rests, in the end, on the quality of its manpower and the extent to which their talents are utilized to the full.

Manpower planning is concerned with safeguarding the future, with preventing the loss of opportunities to the business. It emphasizes the need for rationalization by keeping in terms with modern needs, technological capabilities and the development of organisation structures to match.

The penalties for not being correctly staffed are costly.

- Understaffing results in loss of business cost advantage and specialisation orders, customers and profits.
- Overstaffing is wasteful and expensive. Very importantly, overstaffing reduces competitive efficiency of the business.

Planning manpower numbers require an assessment of present and future needs of the organisation, which should be compared with present resources and future predicted resources to derive some conclusion. Appropriate steps then be planned to bring demand and supply into balance.

Thus, the first step is to have a superficial view of the existing workforce profile (includes numbers, skills, ages, flexibility, gender, experience, forecast capabilities, character, potential, etc. of existing employees) and then to study and project the same for 1, 3 and 10 years ahead. This activity also includes amendments for normal turnover, planned staff movements, retirements, etc. in line with the business plan for the corresponding time frames.

Major contributors to provide numbers for future staffing needs are:

- Sales and production forecasts.
- The effects of technological change on task needs.
- Variations in the efficiency, productivity, flexibility of resources because of training, work study organisational change, new motivations, other movements, etc.
- Changes in employment practices (e.g. use of subcontractors or agency staffs, substitution, etc.)
- Effect of new laws on the available resources e.g. payroll taxes or their abolition, new health and safety requirements, etc.
- Changes in Government policies (investment incentives, regional or trade grants, etc.)

Based on the data obtained by the above scenarios, a logical staffing demand schedule for varying dates in the future can then be compared with the supply schedules. The comparisons will then indicate what steps must be taken to achieve a balance. That, in turn, will involve the further planning of such recruitment, training, retraining, labour reductions (early retirement/redundancy) or changes in workforce utilisation so as to bring supply and demand into equilibrium, as a continuing workforce planning exercise.

#### **Check your progress 4**

1. The control and evaluation of the manpower plan should focus on the terms of numerical trends and costs criteria.
  - a. true
  - b. false

2. Budgets, targets and standards of performance should be always included in a good HR plan.
- a. true
  - b. false

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### **3.6 Environmental Scanning**

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A research process, in which businesses collect all types of relevant information that helps them in making decisions regarding their survival, expansion or entrance into new markets, is termed as Environmental scanning. In simple words, it can be described as keeping a close eye on external or internal happenings and analyzing this information to know how it can be detrimental or beneficial for the business. The information thus gathered must be collected, arranged and disseminated among the company directors and managers.

Mostly, businesses carry out environmental scanning which is limited to external factors; but some businesses also carry out internal scanning (factors within the business). Environmental scanning is critical for the management or decision makers, as this information helps in making well informed decisions and that too, at the right time. These decisions include expansion, innovation, entering or leaving a market at the most appropriate time.

Small businesses usually carry out environmental scanning when they start the business. This is because their resources do not allow them to perform environmental scanning on continual basis. However, big corporations are always scanning the macro environment factors to gain competitive advantage over their competitors. At the end of the day, it is all about spotting the opportunities (or threats) before our competitors do. It is important to take immediate actions according to the situation or information gathered by the scanning process, because environmental scanning is useful only when followed by appropriate responses.

A business is affected by many external factors and monitoring these factors all the time becomes very important for its growth. Business expansion (or contraction) decisions should be based on the economic growth, income level or employment rate in the market. When introducing a new product or technology, one should have to have an idea of all the legal and functional aspects of the business. Union laws, environmental protection or minimum wage laws, etc. are some of the legal factors, which have an impact on the business.

Similarly, functional aspect may include observing the demographic factors like population distribution, income or education level. They can help to identify the future trends and eventually help in opening up various new opportunities for the business. Internal scanning can include the identification of resources in terms of workforce, capital, technology, strength and weaknesses.

Alternatively, Environmental Scanning may also be put down as,

- Environmental scanning identifies factors and trends that will influence the future of an organisation.
- It identifies risks and implications associated with these trends.
- It looks at the present situation as well as future potential developments.
- It looks at the situation outside the organisation as well as within it.
- It looks at opportunities as well as threats.
- Environmental scanning is a key component of the integrated human resources and business planning process.
- Information gathered through the scan is combined with that derived from workforce analysis. Then the impact of these on business goals is analysed to determine current and future human resources needs.

#### **What it is not**

- A scan is not an action plan, a business plan or an HR plan.
- A scan does not tell what to do or how to address issues.
- A scan does not analyse issues in-depth.
- It is important to manage stakeholders' expectations about what they will be able to do with the results of the scan.

#### **What it includes**

- A review of the external environment (outside the organisation).
- Demographics, economics, society and culture, environment, government and politics, etc.
- A review of the internal environment (inside the organisation).
- Demographics, legislation and regulations, strategic goals and plans, etc.
- A review of key internal or external stakeholders.
- External stakeholders could include members of the public, non-Public

Service institutions organisations, businesses, etc.

- Internal stakeholders could include specific occupational groups or functional communities.

### Sources of information

- Best sources will vary depending on the nature and purpose of the scan, but typically include:
  - Written documents (books, news providers, strategic plans, trade publications, professional literature, government policies, etc.
  - Expert opinion obtained from interviews, focus groups, etc.

### Environmental scans are organisation-specific

Some issues are common to most organisations, but many key issues are driven by the mandate, activities and nature of the organisation.

### Check your progress 5

1. A research process, in which businesses collect all types of relevant information that helps them in making decisions regarding their survival, expansion or entrance into new markets, is termed as
  - a. Business scanning
  - b. Environmental scanning.
  - c. Market scanning
2. Environmental scanning looks only at the situation outside the organisation and not inside it.
  - a. true
  - b. false

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## 3.7 Human Resources Environmental Scan

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Human Resources Environmental Scan is designed to help an organisation and its departments with better understanding of their operating environment. It improves their human resources planning by facilitating the identification of their current and future human resources needs. Through a review of recent human-resources-related developments and trends, this report outlines the main issues

and challenges that are expected to affect human resources management over the coming years. HR Environmental scanning provides information on what is happening around a business's environment and how this could impinge upon the business. With environmental scanning, the business needs to look at trends that are shaping its industry, including:

- Social and political trends ( some political and social issues may get a lot of attention that might end up in government policy or legislation, which could influence the business)
- Market and competition trends
- Technological trends

### **Contents of the scan**

The scan of the external environment explored 6 areas:

- Population
- Economy and Labour Market
- Society and Culture
- Science and Technology
- Physical Environment
- Politics and Governance

These areas appear in many scans and are referred to as STEEP (Socio-cultural, Technological, Economic, Environmental and Political) or STEP (when Environmental is omitted).

The scan of the internal environment examined:

- Public Service workforce (demographics, employment equity, official languages, etc.)
- Goals and objectives of the organisation

### **Important aspects of HR Environmental Scan**

- HR should be aware of the impact of personal opinions on the information gathered.
- HR should not include a trend that cannot be backed up with relevant information.
- The goals of environmental scanning are to provide a useful and objective



input into the HR planning process.

- Issues addressed in the scan must be relevant to the planning exercise and the information gathered must support the work of planners and decision-makers. Scanning is about providing planners with the information they need.
- Information gathering and analysis must be as objective as possible in its search for facts, trends and impacts. Scanning is not about telling people what they want to hear.
- It is also important to facilitate the sharing and review of issues and trends identified by individual team members.
- HR should ensure that the findings and conclusions of the scan are worded in a manner that makes them accessible to the widest audience possible.
- HR should also simplify terminology whenever possible; take time to explain concepts, etc.

HR Scanning improves an organisation's abilities to deal with a rapidly changing environment in a number of ways:

- An organisation capitalizes on early opportunities rather than losing these to competitors with the help of scan.
- Impending problems can be defused if they are recognised well in advance because of scanning result.
- It sensitizes an organisation to the changing needs and wishes of its customers along with taking care of employees and their benefits.
- To have an objective qualitative information about the environment, HR scan provides a base that strategist can utilize.
- Strategists attain intellectual stimulation in their decision making by this scan.
- It improves the image of the organisation by showing that it is sensitive to its environment and responsive to it as well.
- HR scan helps the resources by continuing broad-based education for executives, especially for strategy developers.

### **Check your progress 6**

1. What helps to improve the organisations human resources planning by facilitating the identification of their current and future human resources needs
  - a. Business scanning
  - b. Environmental scanning
  - c. Human Resources Environmental Scan
2. Human Resource Environmental scan provides information on what is happening around a business's environment and how this could impinge upon the business.
  - a. true
  - b. false

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## **3.8 Let Us Sum Up**

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To conclude, every business is capable of placing the most suitable number of employees' at appropriate jobs in the proper time frame with the help of Manpower planning. Moreover this action is the most essential element in the existence of the business. Human resources department of an organisation organize the record of manpower accessible and functioning across all its departments. This action aims toward analyzing whether every department has the accurate figure of workers and to approximate the manpower essential in the future. Maintaining perfect employment levels is the basis and motivation for this exercise. Manpower planning is a very significant constituent of HR management. A methodical estimation of the current resources and the upcoming resources is done as staffing has to be most favourable. Manpower planning, in its broadest sense, covers all those actions conventionally connected with the administration of workers – records, recruitment, selection, training and development, appraisal, career planning, management succession and so on. It's often seen that the future manpower needs are self-evidently administered by the company's corporate plan. So the forecast for the upcoming demand of manpower can be more accurate if it's in accordance with the company's overall objectives. The forecasts of upcoming labour demand will be of modest worth except they are associated to the current and future supply position. For a most

favourable manpower forecasting, the manpower planner must have an absolute and precise picture of the company's active manpower supply.

The main approaches taken in order to control and evaluation of the manpower plan are numerical trends and costs criteria. Moreover the HR plan must comprise budgets, targets and standards and explain tasks for the execution, administration, and reporting procedures, which will facilitate attainment to be observed adjacent to the plan.

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### 3.9 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-a), (2-a)

**Check your progress 2**

**Answers:** (1-a), (2-d)

**Check your progress 3**

**Answers:** (1-b), (2-a), (3-a)

**Check your progress 4**

**Answers:** (1-a), (2-a)

**Check your progress 5**

**Answers:** (1-b), (2-b)

**Check your progress 6**

**Answers:** (1-c), (2-a)

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### 3.10 Glossary

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1. **Depreciate** - decline
2. **Obsolete** - outdated
3. **Sequential** - in order

4. **Static** - still
5. **Consistent** - steady
6. **Feasible** - possible
7. **Terminology** - terms

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### **3.11 Assignment**

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As a HR Manager, what factors would you like to consider for Environmental scanning? Explain how these factors contribute in the planning process.

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### **3.12 Activities**

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Express your view, whether all organizations should conduct an environmental scan or not?

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### **3.13 Case Study**

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Environmental scanning could endow with a before time caution sign for organizations, up-and-coming from environmental qualms, risks, threats and opportunities. It could help companies expand and alter business strategies to gather varying outside circumstances and therefore perk up their competitiveness and performance.

1. Read the above passage and write about the importance of the environmental scanning in formulating HR plans?

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### **3.14 Further Readings**

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1. Planning and Managing Human Resources, William J. Rothwell, H. C. Kazanas, Second Edition.
2. Strategic Staffing: Tom Bechet.

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## **Block Summary**

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The block provides the thorough knowledge about the small industry and the role human resources in it. Moreover the induction of a human resource planning in a business plan and the benefits outsourcing the HR functions in small businesses are discussed in detail. The purpose of human resource planning along with its results and inputs added knowledge about the topic. The process analysis, tasks and activities related to the HR planning were also provided in this block. The block also provided a detailed description on the challenges of HR Planning using Clarity 6.0. The modern manpower planning and environmental scanning along with human resources environmental scanning were also enclosed in this block.

To conclude, it's apparent that most of the small businesses are managed by a single owner without an employee. But if it has an employee working in it, it will be significant the owners should understand the HR obligations. The main challenge the small business owners are facing is the maintenance of competent staff. It's seen that a suitable human resource planning and management results in formulation of an enhanced rapport and communications between employees and the management. Above all the HR planning habitually direct to the individual employee growth plans and resulting a minimum employee turn-over, low rate of absenteeism and rare incidents. If the employee reimbursement programs are well prepared and competitive it will result in the increase of morale, good quality output and competent operations. It has been proven that outsourcing helps the small scale businesses to gather the benefits. And hence the small-scale companies adopt strategies in order to outsource various HR functions such as payroll, recruitment and retention. HR planning is a business strategy by which an organisation makes sure that it has the right number and kinds of people, at the right places, at the right time and that these people are capable of performing their tasks efficiently and competently. The HRP organize the business for future development of its manpower needs and utilising them suitably in order to organize the impact of rapid realistic and financial changes by upholding its feasible situation. Moreover it allows for planning ahead in order to fill expected ability necessities as well as allow for enviable suppleness in day-to-day exploitation of manpower. It allows the cope with the unexpected changes such as technological advances, new markets, sustaining monetary pressures and intelligent competition.

The significance of an inclusive HR budget and prediction demand is to be reproduced in the financial and other implementation plans of the business. A

very well HR plan has the characteristic assets to inhabit a better number of budget controllers from a wider selection of functional area along the business. Now a day the human resource consultant or service agency plays a vital role in prediction of the basic necessities for human resource in an organisation. But the manpower planner should be fully aware of the company's objectives in terms of sales, marketing and growth. So the involvement of the top management in manpower planning is essential. Moreover it should be developed in discussion with line managers and their representatives. Man power planning which the part of HR management helps to maintain the perfect employment levels A systematic assessment of the existing human resources and the forthcoming human resources is prepared as staffing has to be largely constructive. So manpower planning covers all those actions traditionally associated with the supervision of workers their selection training and development, performance appraisal, succession planning. The forecast for the upcoming demand of manpower can be more accurate if it's in accordance with the company's overall objectives.

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## **Block Assignment**

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### **Short Answer Questions**

1. Explain the process of Training and development in Small Scale industries?
2. Explain the meaning of Interview?
3. List the important factors to be taken care of by HR during Interview?
4. Define Outsourcing?
5. Write a note on Clarity 6?
6. What is the basic unit of HR planning?
7. Describe HR planning results?
8. Describe HR planning inputs?
9. What is human resources environmental scan?
10. Describe the forecasting of future man power requirements
11. Describe the control and evaluation of man power planning?

### **Long Answer Questions**

1. Discuss the challenges faced by small business organizations with regards to human resource planning?
2. Explain the steps to be followed in Human resource planning?
3. In which areas can an outsourcing service provider help with respect to employee benefits?
4. What are the major challenges faced by the HR department?
5. What does the results of human resource planning help to evaluate? Define Manpower forecasting.
6. Discuss the new age HR planning with examples?
7. Write in detail about the various aspects of HR planning in retail business?
8. Analyze the attrition rates and compensation offered in the retail business sector.
9. What do you understand from the modern manpower planning? How is it different from the old manpower planning?
10. Explain the importance of Man Power Planning?
11. Elaborate Environmental Scanning process.

**Enrolment No.**

1. How many hours did you need for studying the units?

<b>Unit No</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Nos of Hrs</b>				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3. Any Other Comments

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“

*Education is something  
which ought to be  
brought within  
the reach of every one.*

”

- Dr. B. R. Ambedkar



**Dr. Babasaheb Ambedkar Open University**  
'Jyotirmay Parisar', Opp. Shri Balaji Temple, Sarkhej-Gandhinagar Highway, Chharodi,  
Ahmedabad-382 481.

# HUMAN RESOURCE PLANNING

PGDHR-202

## BLOCK 4: COMPENSATION MANAGEMENT

**Dr. Babasaheb Ambedkar Open University  
Ahmedabad**



# HUMAN RESOURCE PLANNING



Knowledge Management and  
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Pune



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## **ROLE OF SELF INSTRUCTIONAL MATERIAL IN DISTANCE LEARNING**

The need to plan effective instruction is imperative for a successful distance teaching repertoire. This is due to the fact that the instructional designer, the tutor, the author (s) and the student are often separated by distance and may never meet in person. This is an increasingly common scenario in distance education instruction. As much as possible, teaching by distance should stimulate the student's intellectual involvement and contain all the necessary learning instructional activities that are capable of guiding the student through the course objectives. Therefore, the course / self-instructional material are completely equipped with everything that the syllabus prescribes.

To ensure effective instruction, a number of instructional design ideas are used and these help students to acquire knowledge, intellectual skills, motor skills and necessary attitudinal changes. In this respect, students' assessment and course evaluation are incorporated in the text.

The nature of instructional activities used in distance education self-instructional materials depends on the domain of learning that they reinforce in the text, that is, the cognitive, psychomotor and affective. These are further interpreted in the acquisition of knowledge, intellectual skills and motor skills. Students may be encouraged to gain, apply and communicate (orally or in writing) the knowledge acquired. Intellectual-skills objectives may be met by designing instructions that make use of students' prior knowledge and experiences in the discourse as the foundation on which newly acquired knowledge is built.

The provision of exercises in the form of assignments, projects and tutorial feedback is necessary. Instructional activities that teach motor skills need to be graphically demonstrated and the correct practices provided during tutorials. Instructional activities for inculcating change in attitude and behavior should create interest and demonstrate need and benefits gained by adopting the required change. Information on the adoption and procedures for practice of new attitudes may then be introduced.

Teaching and learning at a distance eliminates interactive communication cues, such as pauses, intonation and gestures, associated with the face-to-face method of teaching. This is particularly so with the exclusive use of print media. Instructional activities built into the instructional repertoire provide this missing interaction between the student and the teacher. Therefore, the use of instructional activities to affect better distance teaching is not optional, but mandatory.

Our team of successful writers and authors has tried to reduce this.

Divide and to bring this Self Instructional Material as the best teaching and communication tool. Instructional activities are varied in order to assess the different facets of the domains of learning.

Distance education teaching repertoire involves extensive use of self-instructional materials, be they print or otherwise. These materials are designed to achieve certain pre-determined learning outcomes, namely goals and objectives that are contained in an instructional plan. Since the teaching process is affected over a distance, there is need to ensure that students actively participate in their learning by performing specific tasks that help them to understand the relevant concepts. Therefore, a set of exercises is built into the teaching repertoire in order to link what students and tutors do in the framework of the course outline. These could be in the form of students' assignments, a research project or a science practical exercise. Examples of instructional activities in distance education are too numerous to list. Instructional activities, when used in this context, help to motivate students, guide and measure students' performance (continuous assessment)



## **PREFACE**

We have put in lots of hard work to make this book as user-friendly as possible, but we have not sacrificed quality. Experts were involved in preparing the materials. However, concepts are explained in easy language for you. We have included many tables and examples for easy understanding.

We sincerely hope this book will help you in every way you expect.

All the best for your studies from our team!



# HUMAN RESOURCE PLANNING

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Dr. Babasaheb  
Ambedkar  
Open University

**PGDHR-202**

# **HUMAN RESOURCE PLANNING**

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## **BLOCK 4: COMPENSATION MANAGEMENT**

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### **UNIT 1**

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# **BLOCK 4:    COMPENSATION                   MANAGEMENT**

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## **Block Introduction**

Compensation management is a common policy, implemented in the organisations intended to support the business to take advantage of the returns on accessible talent. The eventual goal is to compensate exact individuals or personals to the greatest degree for the most significant reasons. The ultimate compensation management policy make sure that the most excellent talent will linger with the organization whereas attracting fresh talent and reducing the employee turnover. In combination with benefits management and workforce analytics, a successful compensation management policy guides workers toward behaviours that improve individual well-being and reduce the menace of burnout. Compensation system entails the entire rewards that are offered to the workers for the exertion and services they give to the organization. Compensation comprises with the direct monetary benefits as well as indirect monetary benefits. Wages and salaries are the direct financial benefits that a worker receives from his or her organisation. In addition to the wages and salaries, bonuses and commissions are also a part of the direct monetary benefits. The indirect monetary benefits comprise paid leave and other leave benefits, retirement plans, workers health insurance, health plans, education benefits, etc. A definite and unbiased compensation system offers the organization a benefit of preserving impartiality and fairness in wages. It is a powerful method to attract the workers, motivate them to achieve the planned organizational objectives, and maintaining them in the long run.

This block explains about the compensation management and its role in the work force management in organisation. Different types of compensations and its benefits are also explained. The block also gives an information regarding issues related to the compensation and various retirement plans.

Unit 1 comprises with an introduction to the Compensation Management. The Components of Compensation System are explained in detail in this unit. The unit also provides the information regarding the different types of compensation and the compensation Process. The different techniques used in job evaluation and the relation between the motivation and fringe benefits are also detailed in this unit.

Unit 2 explains the concept of Dearness Allowance related to the compensation and its emergence and Growth in India. It also comprises a study on the role of fringe benefits in reward systems. Different retirement plans including VRS and Golden Handshake Schemes are discussed in detail in this unit.

### **Block Objective**

**After learning this block, you will be able to understand:**

- What is compensation management?
- The components of a compensation system.
- The different types of compensations.
- The issues associated to compensation.
- Emergence and growth of dearness allowance in India.

### **Block Structure**

**Unit 1: Basics of Compensation Management**

**Unit 2: Issues Related To Compensation**

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# **UNIT 1: BASICS OF COMPENSATION MANAGEMENT**

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## **Unit Structure**

### **1.0 Learning Objectives**

### **1.1 Introduction**

### **1.2 Compensation Management**

1.2.1 Importance of Compensation Management

1.2.2 Features of Compensation Management

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1.4.2 Indirect Forms of Compensation

### **1.5 Compensation Process**

### **1.6 Techniques of Job Evaluation**

### **1.7 Motivation and Fringe Benefits**

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### **1.9 Answers for Check Your Progress**

### **1.10 Glossary**

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### **1.12 Activities**

### **1.13 Case Study**

### **1.14 Further Readings**

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## **1.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- The importance of compensation management
- Direct form of compensations
- Indirect form of compensations

- Different methods of job evaluation
- The motivation and fringe benefits

---

## **1.1 Introduction**

---

Compensation may accomplish several functions helping the recruitment, job performance, and job satisfaction etc. Compensation management is also known as wage and salary administration, remuneration management, or reward management, deals with the scheming and executing the entire compensation package. The conventional perception of wage and salary management highlight on only purpose of wage and salary composition in organizational settings. However, over the course of time, many more form of compensation, come into the business field which imposed to take wage and salary administration in inclusive way with an appropriate change in its arrangement. According to Beach Wage and salary administration or compensation management is the establishment and implementation of sound policies and practices of employee compensation. It comprises the areas as job assessment, surveys of wages and salaries, analysis of appropriate organizational problems, progress and upholding of wage structure, establishing rules to manage wages.

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## **1.2 Compensation Management**

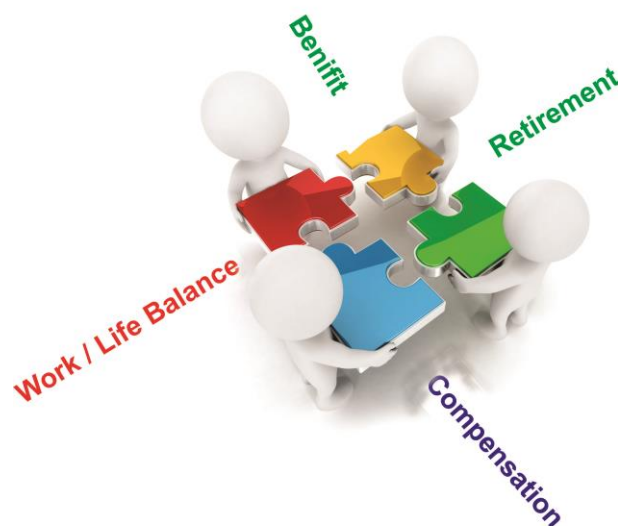
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Compensation is a device used by management for attracting and retaining the most capable employees and ensuring a competitive structure of the organisation. So compensation is usually adjusted in accordance with the business needs, goals, and available resources. The factual meaning of compensation is to counter-balance. In the context of human resource management, compensation can be denoted as the monetary and other benefits which are received by an employee in return to his services to the organisation or the employer. These may be in diverse forms – like the base compensation in money form and a variety of benefits, which might be related with employee's service to the company like provident fund, gratuity, and insurance scheme etc.

According to Cascio "Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity"

Compensation management comprises the scheming of the lowest cost pay structure that will attract, retain, and inspire the competent employees and which is supposed as a reasonable by the employee satisfaction. The key purposes of compensation management are as follows:

1. An ideal compensation system will have constructive impact on the competency and outcomes related to employees. It will support the employees to accomplish better and attain the preset standards.
2. Compensation will elevate the confidence, competence and teamwork among the workers.
3. Good compensation and rewards system fetch accord in the rapport of manager and employees, collective bargaining usually focus on compensation matters.
4. The perfect compensation system offers cheerful and satisfied personnel. This reduces the labour turnover. The organization becomes steady in marketplace.
5. The industry can develop compensation policy and progress if it has the support of expert, endowed and contented workforce.
6. The efficient compensation system is an essential feature for the organization success and wealth.
7. The achievement and faithfulness of the organization is considered with pay-package it provides to its employees.



**Fig 1.1 Compensation Management**



The modern organisations have realized that thriving compensation and benefits plans are significant to success in present highly aggressive business environment. The lack of capable aptitude and demands for more rigorous executive accountability and long-term obligation has led to the requirement for a more resourceful approach as well as new compensation practices. Compensation Management is a planned practice that helps in harmonizing the work-employee relation by offering monetary and non-monetary benefits to employees. This includes payments such as bonuses, over time pays, profit sharing, appreciation rewards and sales commission. The compensation can also comprise non-monetary benefits like company-paid car, company-paid housing and stock options. It helps to motivate the employees and improves the organizational effectiveness. Is often seen that compensation discontentment leads to absenteeism, job dissatisfaction, low performance, strikes and grievances etc.

### **1.2.1 Importance of Compensation Management**

Lots of studies have confirmed that a first-class compensation package is indispensable for each industry and it facilitates the management to give appropriate return to the employees for their offerings to the organization. It converses a constructive control on the capability of workers and support them to offer their best and achieve the precise standards. It outlines the basis of contentment and satisfaction for the employees that reduces the labour turnover and put forward a stable organization. It augments the job evaluation process which successively helps to establish more reasonable and possible standards. It is designed to observe with the diverse labour acts and consequently does not result in dissimilarity among the labour union and the management. This put together a harmonious rapport between the employer and the employees. It generates an environment of self-respect, competence and teamwork among the employees and endow with contentment to the employees. It inspires the employees to amplify competence and show their merit. It offers development and improvement opportunities to the worthy employees. Recruitment and retention of qualified employees is a universal objective shared by many employers. To some extent, the accessibility and expenditure of qualified candidates for the vacant positions is regulated by market factors which are not under the control of the employer. While an employer may fix the compensation levels for fresh recruits and advertise those wage ranges, which will be in accordance with the employers who are in search of aspirants from the same applicant pool. It's often realised that the employee morale and job satisfaction are inflated by compensation. So it's obligatory that there should be a balance between the financial value the employer

is prepared to pay and the feeling of value experienced by the employee. In an effort to reduce the expenditure, employers might decide on to congeal wages or wage levels at the cost of employee satisfaction and morale. On the other hand, an employer who desire to lessen employee turnover may try to enhance wage and wage levels. Compensation is also considered as remuneration for outstanding job performance.

### 1.2.2 Features of Compensation Management

An attractive compensation structure helps to

- Recruit and retain skilled employees.
- Increase or sustain morale and contentment.
- Reward and support peak performance.
- Attain internal and external equity.
- Reduce turnover and encourage company loyalty.
- Revise practices of unions.

#### Check your progress 1

1. The method used by management for attracting and retaining the most capable employees and ensuring a competitive structure of the organisation.
  - a. Work force planning
  - b. production planning
  - c. Compensation
2. Compensation management comprises the scheming of the lowest cost pay structure that will attract, retain, and inspire the competent employees and which is supposed as a reasonable by the employee satisfaction.
  - a. true
  - b. false
3. Good compensation and rewards system does not help to build up ancordial employee employer relation.
  - a. true
  - b. false

---

## 1.3 Components of Compensation System

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Compensation will be perceived by employees as reasonable if it's based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

The components of a compensation system include

- **Job Descriptions:** A significant component of both compensation and selection systems, job descriptions characterize in writing the responsibilities, necessities, functions, duties, position, environment, conditions, and other features of jobs. Descriptions may be developed for jobs individually or for complete job families.
- **Job analysis:** The method of scrutinizing jobs from which job descriptions are developed. Job analysis methods include the use of interviews, questionnaires, and examination.
- **Job evaluation:** A system for comparing jobs for the intention of shaping suitable compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method.
- **Pay Structures:** This component is helpful for normalizing compensation practices. Most pay structures comprise numerous grades with each grade having a minimum salary or wage and moreover step increment or grade range. Step increments are frequent with union positions where the pay for every job is preset by means of collective bargaining.
- **Salary Surveys:** This comprises the data relating to the average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may acquire results of surveys carried out by survey vendors or may conduct salary surveys. While purchasing the results of salary surveys conducted by others it should be noted that the surveys may be carried out inside a specific industry or across industries and moreover within one geographical regions.

### Check your progress 2

1. A significant component of both compensation and selection systems, job descriptions characterize in writing the responsibilities, necessities, functions, duties, position, environment, conditions, and other features of jobs.
  - a. Job Descriptions
  - b. Job analysis
  - c. Job evaluation
  - d. Pay Structures
2. The method of scrutinizing jobs from which job descriptions are developed.
  - a. Job Descriptions
  - b. Job analysis
  - c. Job evaluation
  - d. Pay Structures
3. A system for comparing jobs for the intention of shaping suitable compensation levels for individual jobs or job elements.
  - a. Job Descriptions
  - b. Job analysis
  - c. Job evaluation
  - d. Pay Structures

---

## 1.4 Types of Compensation

---

An employee's total compensation includes four components. The comparative proportion of every constituent in the total compensation differs from firm to firm. The major components are:-

- The base compensation which is the fixed pay an employee obtain on a usual basis, either in the form of a salary or as wages.
- The payments such as house rent allowance (HRA), dearness allowances (DA) etc.

- The incentive pay intended to reward employees for excellent performance, such as performance-linked bonus, share in profit, etc.
- The benefits or indirect compensation or benefits such as company accommodation, paid holiday, club membership, company car, stock preferences etc.

Compensation is consistently significant for the employee as it determines life standard and position in society. In other words, compensation has great impact on employees economically, socially and psychologically. There are major types of compensation offered to employees are direct and indirect. The Direct compensation has a large number of types or methods, from salaries to bonuses. Indirect compensation is mainly the diverse types of benefits and long term incentives.

### 1.4.1 Direct Forms of Compensation

Direct compensation refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements, special allowances, bonus, PF or Gratuity, etc. They are given at a regular interval at a definite time.

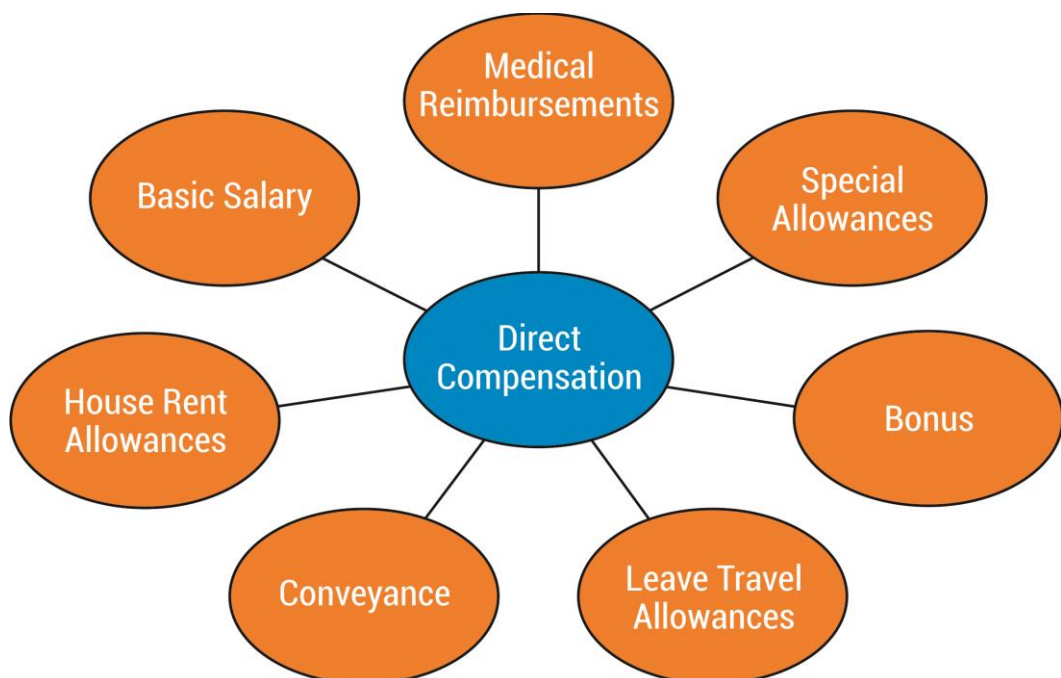


Fig 1.2 Direct compensation

**a) Basic Salary**

This type of wage is usually a set amount of remuneration for a definite period of time. The most customary form is a cash amount over a period of one year. The regularity of payment is a different part of the compensation and is according to the organisational standards. Mostly, it's monthly or twice in a month.

**b) Conveyance Allowance**

Organizations provide for cab facilities to their employees. Few organizations also provide vehicles and petrol allowances to their employees to motivate them.

**c) Commission**

When compensation is according to the volume or is based on the performance, it's known as commission based remuneration. The other terms used include piecework or piecemeal. Several industries use this kind of remuneration to get a minimum standard of production in exchange for compensation. It is used to shift risk from the employer to the employee. There are two methods to calculate commission. One is based on volume of services and the other is based on sales.

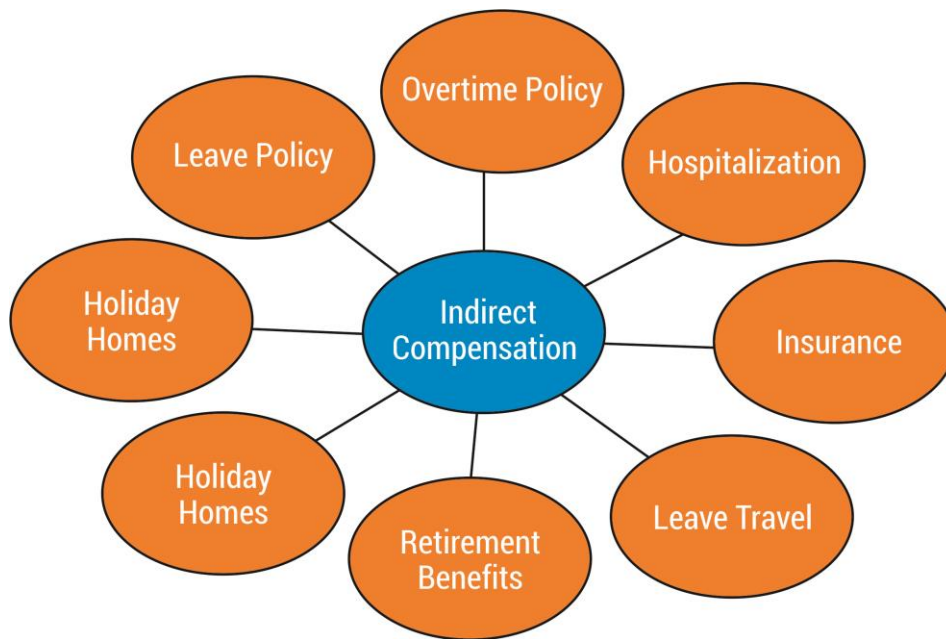
**d) Bonuses**

Bonuses are used to augment the performance of the employee. This is a variable type of remuneration and is more generally found with salaried staff as an incentive for a particular objective related to time or volume. Other purposes of bonuses are the enhancement, maintenance and retention of certain skills or the group of skillsets needed in the organisation. At times when the organisation attains some financial standards or goals over a period of time, the bonuses are paid. Bonuses are not commonly used with hourly or commission based employees due to the nature of the type of compensation already established. However, in small businesses it is used as a tool to incentivize these two types of remuneration to meet certain goals. The other form of compensation is indirect in value. This includes benefits and equity based programs.

**f) Special Allowance**

Special allowance such as overtime, mobile recharges, meal coupons, travel reduced interest loans are given to employees in order to provide them social security and inspire them which will help to perk up the organizational productivity.

## 1.4.2 Indirect Forms of Compensation



**Fig 1.3 Indirect Compensation**

### a) Benefits

This particular group of non-monetary benefits and this type of compensation is conventionally thought of in the form of health, dental, life, disability and vision insurances and at the time of retirement. It's often noted that only a few number small businesses offer these benefits to their employees as a high cost is involved. When small businesses commence providing benefits, they usually begin out with retirement because of simplicity and small cost. As they develop the business, they attach the health insurance and carry on to develop the benefit package according to the work force strength and the risk of business performance. Some of the benefits are-

- **Leave Policy:** It is the right of employee to get adequate number of leave while working with the organization. The organizations provide for paid leaves such as, casual leaves, medical leaves and maternity leaves, statutory pay, etc.
- **Overtime Policy:** Employees should be provided with the sufficient allowances and amenities during their overtime, such as transport facilities, overtime pay, etc.
- **Hospitalization:** The workers ought to be provided allowances to get their usual check-ups in a fixed interval. Even their dependents should

be suitable for the medi-claims that offer them emotional and social security.

- **Insurance:** Organizations also endow with for accidental insurance and life insurance for employees. This gives them an expressive security and they experience themselves valued in the organization.
- **Leave Travel:** The employees are offered with leave and travel allowances to go for holiday with their families.
- **Retirement Benefits:** organizations endow with for pension plans and further benefits for their employees which help them after they retire from the organization at the prescribed age.
- **Holiday Homes:** Organizations offer for holiday homes and guest house for their employees at diverse locations. These holiday homes will generally be in a hill station or a most desired holiday spots.
- **Flexible Timings:** Organizations give for flexible timings to the employees who cannot come to work during usual shifts due to their individual problems and legitimate reasons.

#### b) **Equity Based Programs**

The Equity based programs mostly prevail in modern organisation and are rarely found in the small business world. These types of indirect compensation attach the worker to the organisation via ownership. Due to the complication and the legal issues implicated, very small number of organisations uses this method.

### **Check your progress 3**

1. Compensation is consistently significant for the employee as it determines life standard and position in society.
  - a. true
  - b. false
2. Which one below is an Direct compensation
  - a. Insurance
  - b. Holiday Homes
  - c. basic salary



3. Which one below is an indirect compensation

- a. Insurance
- b. bonus
- c. basic salary

---

## 1.5 Compensation Process

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### **The Employee's Compensation process -**

The key purpose of set up employee compensation system is the assessment and evaluation each and every job. The ways to be pursued for the establishment of compensation are as follows:

#### **1. Job Analysis**

Job analysis is known as a procedure of gathering essential information describing to the job and its specifications. The essential information can be gathered by means of various techniques such as surveys, examination, consultations, and so on. The information is gathered for the groundwork of job description and job specification statements.

#### **2. Job Evaluation**

Job evaluation is a methodical approach of assessing or ranking or rating the job in provisions of its merit. It place jobs in a hierarchy and allocate a comparative value of every job so that a pay structure can be unwavering. It means a methodical comparison of job is prepared in order to establish the value of one job comparatively to another. Job evaluation offers a purposeful ranking of jobs so that a reasonable and suitable rate of compensation can be determined for every job. This provides a fundamental ground for the purpose of a competent pay structure through the recognition of compensation factors.

#### **3. Compensation surveys**

Compensation surveys help in gathering the information on existing market rates through diverse channels. The data can be gathered by means of formal or informal surveys. Generally employers in comparatively small organisation use informal telephone calls to bring together data on a comparatively small number of basically identified jobs. This informal telephone call is also an excellent technique for examining divergence in the wage rate. Under this method, the data and information describing to other organisations pay structure are attained so that

the composed data can provide a criterion or benchmark for devising compensation plans and policies. The essential data and information are composed through diverse resources such as published surveys, consultants and agencies, advertisements, informal communication etc.

#### 4. Pricing Jobs

Under-pricing jobs technique, diverse pay levels are found out based on the status of each job. Initially the jobs are set into pay grades, and then, the pay rates are allocated to every individual pay grade, rather than conveying rate to every individual job. A pay grade include of jobs of just about equal difficulty or significance. That is, the jobs having identical nature can be assembled under a job grade as determined by job evaluation.

#### Check your progress 4

1. The steps involved in the compensation process are job analysis, job evaluation, compensation surveys and pricing of the jobs.
  - a. true
  - b. false
2. Compensation surveys help in gathering the information on existing market rates through diverse channels.
  - a. true
  - b. false
3. Under\_\_\_\_\_ the technique, diverse pay levels are found out based on the status of each job.
  - a. Job analysis
  - b. Job evaluation
  - c. pricing jobs

---

## 1.6 Techniques of Job Evaluation

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The issue of comparable worth has important implications for an employer's job evaluation procedures. In virtually every comparable worth case that reached a court, the claim revolved around the use of the point method of job evaluation. Here each job is evaluated in terms of several factors (like effort, skill, and responsibility) and then assigned points based on the degree of each factor present

in the job. Inflation and how to cope with it has been another important issue in compensation management. For example, salary compression means that longer-term employees' salaries are lower than those for workers entering the firm today, and it is a result of inflation.

**a) Ranking Method**

The jobs are arranged in rank order of their comparative duties, responsibilities, qualification requirements, that is, in accordance to their "significance" to the organization. The method is best used for smaller organizations with fewer jobs and it may be uncomfortable and unmanageable for big companies with a large number of different jobs.

Features of this technique are

- Jobs are set from the highest to lowest, according to their values or merit to the organization
- They can also be prearranged according to the comparative complexity in performing them.
- The job uppermost in the list will have the highest value and job at the lowest has the lowest value.
- Jobs are arranged in each section or department and then this section ranking are joined to build up an organization ranking

**Ranking method**

Rank	Job position	Monthly salary
1	ACCOUNTANT	6000
2	ACCOUNT CLERK	3600
3	PURCHASE ASSISTANT	3400
4	MACHINE OPERATOR	2800
5	TYPIST	1800
6	OFFICE BOY	1200

**b) Classification Method**

The classification method is a different non-quantifiable technique which can generate job grades with “generic” point descriptions. The original positions are fitted into the “best” fit position, based on duty. The features of this method are

- Job classification method generates and sustains pay grades for similar work across your organization.
- It uses job classes or job groups to offer more customization in the assessment.
- This method also makes use of scales to measure performance rather than comparing and ranking employees.

**Classification Method**

<b>Class 1</b> (Executives)	<b>Class II</b> (Skilled workers)	<b>Class III</b> (Semi-skilled)	<b>Class IV</b> (Less-skilled)
Office manager, Deputy Office manager, Office Superintendent, etc.	Purchasing Assistant, Cashier, Receipts Clerk, etc.	workers Steno typists, Machineoperators, etc.	workers File Clerks, Office boys, etc.

**c) Factor Comparison Method**

In this method similar ranks are given to jobs that have similar responsibilities and tasks. The evaluators examine jobs in the external labour market. The jobs prevailing in the organization are then compared to the benchmark jobs in accordance to the market rate of every job’s compensable feature to decide job salaries. Some of the features are given below.

- Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors.
- These factors comprise mental effort, physical effort, expertise needed, liability, working conditions, etc.
- Pay will be allocated in this method by evaluating the weights of factors required for each job.
- Pay is allocated to the job in association to its ranking on each job factor.

**d) Point Method**

The point method is a proven approach that is extensively used in the private sector. It's easy to use once implemented, but it is time-consuming and therefore costly to develop. After developing the compensable job factors, job positions are evaluated to the factors and the suitable number of points is assigned. The total points slot the position to a grade.

In this method of job evaluation, the organization recognizes the compensable factors and split them down into degrees. The organization must also weight the factors, determine the number of complexity levels or degrees for each factor, and assign points. The result is that the evaluator allocates a numeric score to a job for each factor based on how much of that factor appears in the job. The job's entire value is then determined by totalling up the numeric scores across all factors. This process, when carried out across all jobs, will result in a comparative list of jobs according to the number of points that every job earns.

**Check your progress 5**

1. In\_\_\_\_\_ jobs are arranged in rank order of their comparative duties, responsibilities, and qualification requirements.
  - a. Classification Method
  - b. Ranking Method
  - c. Factor Comparison Method
  - d. Point Method
2. \_\_\_\_\_is a different non-quantifiable technique which can generate job grades with “generic” point descriptions.
  - a. Classification Method
  - b. Ranking Method
  - c. Factor Comparison Method
  - d. Point Method
3. In\_\_\_\_\_ similar ranks are given to jobs that have similar responsibilities and tasks.
  - a. Classification Method
  - b. Ranking Method
  - c. Factor Comparison Method
  - d. Point Method
4. In the\_\_\_\_\_ after developing the compensable job factors, job positions are evaluated to the factors and the suitable number of points is assigned.
  - a. Classification Method
  - b. Ranking Method
  - c. Factor Comparison Method
  - d. Point Method

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## 1.7 Motivation and Fringe Benefits

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Fringe benefits are types of compensation that are provided to workers in addition to the prescribed wage or salary. Familiar examples of fringe benefits comprise medical and dental insurance, use of a company car, housing allowance, educational assistance, vacation pay, sick pay, meals and employee discounts.

It's often seen that the fringe benefits are considered as foremost by employees while evaluating the total compensation package. Salaries are vital, but employees often agree to or disagree to take up a job based on the eminence of fringe benefits. Health insurance costs have turn out to be very expensive and employees that may have formerly left a job more likely stay for these benefits. Some employers offer exclusive fringe benefits as a way to build an employee-friendly atmosphere and to attract definite category of employees.

People work for various reasons. Many people work as they require being paid in order to survive, while others work willingly for other reasons. Motivation is the basis why people work, and it compel them to perform better. Therefore, most of the present managers try to find out what motivate workers and implement them in their organisation to encourage workers to work more efficiently. This result is elevated in efficiency, augmented output and finally higher profits. It's seen that High-tech companies may offer employees with i-Pads, cell phones and other equipment are normally used for work. Some offer coffee bars and complimentary snacks to make a more homelike office feel. Usually, the more aggressive the industry, the more fringe benefits you have to put forward to attract top talent. If the employee pool is big, there is more suppleness in offer that is considered as motivating benefits. Fringe benefits are methods used by human resources to hire and retain top talent and to help form a motivated workforce.

### Check your progress 6

1. \_\_\_\_\_types of compensation that is provided to workers in addition to the prescribed wage or salary.
  - a. Basic salary
  - b. Bonus
  - c. Fringe benefit

2. The fringe benefits may comprise of use of a company car, housing allowance, educational assistance, vacation pay, sick pay, meals and employee discounts.
- true
  - false

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## 1.8 Let Us Sum Up

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To conclude, the compensation and benefits processes go with the most significant HR Processes, which are also significant for the organization and modern HR practices. The compensation management is about management the workforce expenses budget, putting the performance standards, setting the apparent compensation policies and initiating the competitive benefits for employees. The organization with a successful compensation and remuneration oblige its personnel costs, administers the performance of employees and rewards the unexpected performances.

The compensation management is a planned practice that aids the HR department to facilitate and improve the employee relations by giving monetary and non-monetary benefits to employees. The compensation given are in diverse forms from the base compensation in the form of money to a diverse benefits, that is related with employee's service to the organisation such as provident fund, gratuity, and insurance scheme etc. The direct compensation is the monetary benefits provided to workers for their services. The indirect compensation is the non-monetary benefit which is given to the workers in the form of health, dental, life, disability and vision insurances and at the time of retirement.

The Employee's Compensation process involves the job analysis, job evaluation, compensation surveys and pricing of the jobs. The main methods of Job Evaluation are Ranking Method, Classification method, Factor Comparison Method and Point Method. In the Ranking method the jobs are arranged in rank order of their relative duties, tasks, condition and requirements. The classification method is a dissimilar non-quantifiable method which can create job grades with “generic” point descriptions. In Factor Comparison Method alike ranks are given to jobs that have a like responsibilities and tasks. And in Point Method, after developing the compensable job factors, job positions are evaluated to the factors and the appropriate number of points is allocated. It's evident that individuals work due to motivation and it induce them to achieve better. Hence, most of the

modern organisations try to find out the reasons for the motivation of workers and apply them in their organisation to persuade workers to work more professionally.

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## 1.9 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-c), (2-a), (3-b)

**Check your progress 2**

**Answers:** (1-a), (2-b), (3-c)

**Check your progress 3**

**Answers:** (1-a), (2-c), (3-a)

**Check your progress 4**

**Answers:** (1-a), (2-a), (3-c)

**Check your progress 5**

**Answers:** (1-b), (2-c), (3-d)

**Check your progress 6**

**Answers:** (1-c), (2-a)

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## 1.10 Glossary

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1. **Inspire** - Motivate
2. **Factual** - truthful
3. **Impartiality**- fairness
4. **Rapport** - relationship
5. **Groundwork** - Base
6. **Unwavering** - Steady
7. **Benchmark** - Standard



8. **Inflation - Rise**

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**1.11 Assignment**

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Describe the four job evaluation methods with examples?

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**1.12 Activities**

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Develop a compensation chart for a business consisting of 8 employees including a manager and two assistant managers.

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**1.13 Case Study**

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The HR Manager of Keletron components Ltd a public sector company located in a village of Kannur district in Kerala, got a memorandum on behalf of the trade unions to arrange a company vehicle to the nearest town taliparamba, 10 Km away. Though situated on National highway the location was a lonely area and the employees of Keltron were suffering from the lack of conveyance. The majority of the employees who did not have their own vehicles had to rely on local buses from taliparamba, and the long distance buses seldom stopped in front of the company. More over during night shifts the travel was more miserable. But some of the employees mostly men thought it was good not to have a company conveyance as they monthly got an amount of Rs 500 as conveyance from the company. Those who had their own vehicle also were against the company vehicle.

1. Evaluate the demand of the workers and provide the justification for execution or non-execution this demand?

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**1.14 Further Readings**

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1. Paying for Performance: A Guide to Compensation Management by Peter T.Chingos

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## **UNIT 2: ISSUES RELATED TO COMPENSATION**

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### **Unit Structure**

#### **2.0 Learning Objectives**

#### **2.1 Introduction**

#### **2.2 Dearness Allowance Concept**

#### **2.3 Emergence and Growth in India**

#### **2.4 The Role of Fringe Benefits in Reward Systems**

2.4.1 Need for Extending Benefits to Employees

#### **2.5 Retirement Plans Including VRS/Golden Handshake Schemes**

2.5.1 Qualified and Non-qualified Retirement Plan

2.5.2 National Pension System in India

2.5.3 Retirement Plans and Insurance Companies

#### **2.6 Let Us Sum Up**

#### **2.7 Answers for Check Your Progress**

#### **2.8 Glossary**

#### **2.9 Assignment**

#### **2.10 Activities**

#### **2.11 Case study**

#### **2.12 Further Readings**

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### **2.0 Learning Objectives**

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**After learning this unit, you will be able to understand:**

- The concept of Dearness Allowance.
- The Fringe benefits and its importance.
- The retirement plans.
- VRS or Golden shake hand schemes.

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## **2.1 Introduction**

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As the employees play a significant role in your business's achievement, it is important that the human resource practices should be carefully planned. It should match up with your business plan.

The employees are to be motivated to develop with the company by considering the adding up of profit-sharing, customary performance reviews and employee awards programs. Even if the businesses have few people scheduled in their payroll they still need to be considerate how to motivate satisfy and content their employees. The theories abound how to raise workforce productivity and job satisfaction. But still various small business owners may be unenthusiastic with the thoughts that they do not have sufficient funds or capital to satisfactorily convene the desires of their employees. On the contrary, a lot of employee motivation and appreciation schemes necessitate small to no monetary investment, and might be merely a subject of changing the management practices. Others need a few investments, but that is often paid back by enhancing the company's output.

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## **2.2 Dearness Allowance Concept**

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Dearness allowance (D.A.) is part of a person's salary. It is offered according to the basic salary. A percentage of basic salary is taken and this amount is then added to the basic salary along with house rent allowance to get the total salary. In other words the Dearness Allowance is a component of the total compensation a person gets for having performed his or her job.

Rate for Dearness allowance (D.A.) can differ in rural and urban areas. In the case of pensioners the Dearness Allowance is calculated on the original pension without commutation. It is compensation according to the rise in cost of living, which is calculated based on 'Cost of Living Index'. Dearness Allowance is a non-statutory payment that is paid to the employee on a monthly basis. The payment of this allowance is in accordance with the changes in the cost of living in a particular location. So the Dearness Allowance is related to the Consumer Price Index (CPI) for a given location, and the state authorities generally revise the CPI on a quarterly basis. A change in employee status, such as a transfer or a promotion, may affect Dearness Allowance. The allowance consists of a fixed and a variable portion.

### Check your progress 1

1. Dearness allowance has no relation with the basic salary.
  - a. true
  - b. false
2. Dearness Allowance is a non-statutory payment that is paid to the employee on a
  - a. yearly basis
  - b. monthly basis
  - c. weekly basis
3. In the case of pensioners the Dearness Allowance is calculated on the basis of original pension without commutation.
  - a. true
  - b. false
4. The Dearness Allowance is related to the Consumer Price Index (CPI) for a given location
  - a. true
  - b. false

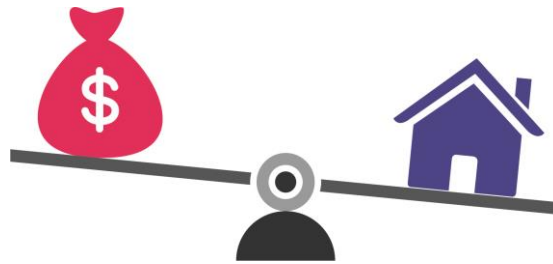
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## 2.3 Emergence and Growth in India

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Dearness Allowance is compensatory part of wages. In India, the payment of DA was started since the Second World War. During the War, different cities had different cost of living costs and to cope with this difference the DA was introduced in India. The first one to introduce DA in India was the textile industry in Bombay, which introduced DA scheme by the means of a bipartite settlement. Later on they took the shape of arbitration, adjudication and finally through the industrial courts, got into award. Globally DA is paid according to the rise in the cost of consumer goods prices. Within duration of 5-10 years, the method of DA became a familiar system internationally but the fundamental principles remained identical. The Supreme Court of India had laid down general principles for fixation of DA grant and the linked it with cost of living index. Bombay is the most high-priced city in the country. The DA in India is based on the city price

indexes such as Bombay Price Index, Delhi Price Index, Kolkata Price Index, Ahmedabad Price Index etc.



**Fig 2.1 Dearness allowance**

Government of India have constituted six pay commissions at normal intervals to reconsider and propose wage structure for all civil and military divisions including Railways. These Pay commissions inspect various topics such as pay and allowances, retirement benefits, conditions of service promotion policies etc and submit recommendations. The first pay commission was constituted in 1946 with Srinivasa Varadacharia as Chairman. The commission recommendations were in accordance with the idea of “living wages” to the workers. The Commission has set Rs. 55/- as minimum wage (Rs. 30 + Rs. 25 as Dearness Allowance). The second pay commission was constituted in August 1957 with Justice Jagannadha Das as Chairman. The Commission modified the pay scales by merging 50% of the Dearness Allowance with basic Pay and it recommended Rs. 80 as the minimum remuneration (Basic Pay Rs. 70 + DA Rs.10/-) owed to a Government employee. Constituted in June 1983, chairman of fourth pay commission was P N Singhal, which recommended that there must be a permanent machinery to take on periodical reassessment of pay and allowances of Central Government employees.

Each pay commissions appointed by the Government of India have increased dearness allowance of the Central Government. The state governments also have compensated their employees in accordance with the price rise in the form of dearness allowance, which is offered by them more or less in the similar pattern as followed by the central government. It's seen that the pay scales of state government employees are linked to different index levels related to each state and by this reason the dearness allowance paid by the state is different from those paid to the central government employees. Above all the Government of India also takes into consideration the level of inflation for the purpose of giving the

dearness allowance to Central Government Employees on the basis of the All India Consumer Price index Number for the Industrial Workers.

Issues Related  
To  
Compensation

### **Check your progress 2**

1. Dearness Allowance is compensatory part of wages. In India, the payment of DA was started since the\_\_\_\_\_.
  - a. India China war
  - b. Second World War
  - c. First world war
2. The Chairman of the Pay Commission which modified the pay scales by merging 50% of the Dearness Allowance with basic Pay.
  - a. Srinivasa Varadacharia
  - b. Justice Jagannadha Das
  - c. P N Singhal
3. Government of India have constituted six pay commissions at normal intervals to reconsider and propose wage structure.
  - a. true
  - b. false

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## **2.4 The Role of Fringe Benefits in Reward Systems**

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Fringe benefits are the indirect form of compensations given to the employees in addition to a variety of forms of pay. They come under the indirect form of pay because they are not related to the performance and are granted to the employee for just being the member of the business. According to most of the employers the fringe benefits constitute an important element of employee incentives to attain their trustworthiness and help in retaining them. The significant objectives of fringe benefits are:

1. To generate and perk up sound industrial relations
2. To enhance employee self-esteem.
3. To motivate the employees by making out and fulfilling their unconvinced needs.

4. To offer qualitative job environment and work life.
5. To safeguard the employees from the social risks.
6. To look after the health of the employees and to offer safety to the employees against accidents.
7. To support worker welfare by giving the welfare measures like recreation facilities.
8. To create a sense of belongingness amongst employees and to maintain them. That's why the fringe benefits are called golden hand-cuffs.
9. To convene needs of various legislations relating to fringe benefits.



**Fig 2.2 Fringe Benefits**

### **2.4.1 Need for Extending Benefits to Employees**

1. Increasing prices and cost of living has brought about never-ending demand for condition of additional benefit to the employees.
2. Employers too have realised that fringe benefits put forward striking areas of conciliation when large wage and salary increases are not practicable.
3. As organizations have developed complex fringe benefits programs for their workers, greater demands has been positioned upon challenging organizations to go with these benefits for attracting and retaining employees.
4. Recognition of the fact that fringe benefits are non-taxable rewards has been key motivation to their growth.
5. Speedy industrialization, more and more intense urbanization and the development of a capitalistic economy have made it complex for the majority of the employees to defend themselves from the unfavourable impact of these developments.

6. The rising number of labour legislation, mainly social security legislation, made it very important for employers to share uniformly with their employees the expenditure of old age, survivor and disability benefits.
7. The development and power of trade unions has significantly inclined the intensification of company benefits and services.
8. Labour shortage and rivalry for competent human resources has led to the commencement, progression and execution of a number of compensation plans.
9. The management has more and more recognized its duty towards its employees and has arrived to the winding up that the benefits of increase in efficiency resulting from growing industrialization should go, at least partially, to the employees who are accountable for it, so that they might be protected from the uncertainty happening from redundancy, illness, injury and old age. The organisational benefits and services programs are among some of the methods which managers use to provide this security to the employees.

### **Check your progress 3**

1. Fringe benefits related to the performance of the employees.
  - a. true
  - b. false
2. Fringe benefits safe guard the employees from the social risks
  - a. true
  - b. false
3. Recognition of the fact that fringe benefits are non-taxable rewards has been key motivation to their growth.
  - a. true
  - b. false



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## 2.5 Retirement Plans including VRS/Golden Handshake Schemes

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Pension plans offer financial security and permanence throughout the old age once individuals don't have any regular income source. Retirement plan make sure that individuals live with arrogance and without compromising on their standard of living throughout advancing years. Retirement pension scheme gives a chance to put in and amass savings and get lump sum amount as customary income through pension plan on retirement.

According to United Nations Population Division World's life expectancy is likely to reach 75 years by 2050 from current level of 65 years. The enhanced wellbeing and sanitation conditions in India have augmented the life span. As an outcome of these facts the number of post-retirement years has also raised. Thus, going up cost of living, inflation and life expectancy put together the retirement planning indispensable part of today's life.



**Fig 2.3 Retirement plans**

The four main types of retirement plans are:

1. **Government-sponsored Plans:** The main government-sponsored retirement plan is the Social Security plan.
2. **Personal Plans:** The most accepted example is the Individual Retirement Agreement or IRA, which can come in diverse types according to their tax behaviour.
3. **Annuities:** These are bonds set up with an insurance company; there are fixed and variable annuities.
4. **Employer-sponsored Plans:** The two types of employer-sponsored retirement plans are qualified and non-qualified retirement plans.

## **2.5.1 Qualified and Non-qualified Retirement Plan**

### **a. Qualified retirement plan**

This retirement plan is established by an employer for the advantage of the employees. Qualified retirement plans offer employers a tax break for the contributions they make for their employees. Qualified plans that permit employees to put back a fraction of their salaries into the plan also lessen employees' current income-tax burden by reducing taxable income. Qualified retirement plans facilitate employers attract and retain high-quality employees. Qualified plans simply allow assured types of investments, which vary by plan but usually comprise public securities, mutual funds and money market funds etc. They also denote when distributions can be furnished, normally when the employee reaches the plan's definite retirement age, when the employee turn out to be disabled, when the plan is concluded and not replaced by a new competent plan, or when the employee expires.

### **b. Non-qualified retirement plans**

Non-qualified plans are those that are not qualified for tax-exemption benefits. Therefore, remitted contributions for non-qualified plans will be taxed when income is acknowledged. This usually refers to when employees ought to pay income taxes on benefits related with their employment.

Examples for retirement plans are:

- 1) Defined benefit plans are company retirement plans, like pension plans, in which a retired employee gets an exact amount based on wage history and years of service, and in which the employer accepts the investment risk. The worker, the employer, or both may make the contributions. These plans are advisable for people who have 20 years for retirement or less, as the annual contributions will be bigger.
- 2) Defined-contribution plan: A retirement plan in which a definite sum or percentage of money is put aside each year by a company for the advantage of the employee. There are limitations as to when and how you can take out these funds without fines. Defined contribution plans permit the employer and employee to make deposits, so that the ultimate reimbursement depend on how much was in the account and the rate earned by the account's investments.

Different types of defined contribution plans are:

- **Profit sharing:** An employer alone put together contributions according to the employee's current-year compensation. Employers can choose what sum and whether to contribute to the plan each year. Employees are qualified to contribute in the plan directly or after one or two years of employment and the vesting plan are up to six years.
- **Stock bonus plan:** A type of profit sharing plan, where contributions are made in the form of company stock.
- **Money purchase pension plan:** A retirement plan with fixed-percentage compensations by the employers. Unlike profit sharing plans, these contributions are mandatory every year, regardless of profits.
- **Combination plans:** The profit sharing and money purchase plans are regularly pooled by companies that have diverse earnings from one year to the next.
- **Employee stock ownership plan (ESOP):** The employer offers shares of the company's stock to employees in exchange for exceptional tax benefits.

3) Advanced funded pension plan

A pension plan that is funded concurrently with the employee's accrued benefits; such that the funds are set aside well before the employee's retirement. Advanced funded pension plans are generally defined contribution plans, and are fully funded. They can be funded by the employer alone, or by some combination of the employer and the employee.

4) 401(k) plan

By definition, a 401(k) plan is an arrangement that permits an employee to decide between captivating compensation in cash or put back a percentage of it to an account in the plan. The amount put back is generally not taxable to the employee till it is withdrawn from the plan.

5) VRS or the Golden Handshake

VRS or Golden Handshake is a plan by which the employee is offered to willingly retire from his services before his retirement date, subject to certain conditions. It's a compassionate technique to retrench the employees in the company. As the name denotes the VRS is exactly intentional and

one can neither induce the workers to neither admit it nor apply it selectively to any definite individuals.



**Fig 2.4 Golden Handshake**

The only choice of the employer is the levels, division and age groups among whom the company wants to offer VRS. The company has the right to accept or reject the application for the VRS. The Voluntary Retirement Scheme is a lawful way to down size the work force of an organisation. The VRS candidates must be employed in the organization for minimum of 10 years and also the age of the worker must be minimum of 40. Those not complying with these conditions still can apply VRS but will not get the benefit of tax exemption. The employees opting for the VRS will get a tax exemption for the amount of Rs. 5 lacks lump sum.

## **2.5.2 National Pension System in India**

Government of India established Pension Fund Regulatory and Development Authority (PFRDA) to build up and control pension sector in the country. The National Pension System (NPS) was commenced on 1st January, 2004 with the purpose of giving retirement income to all the citizens. NPS aspire to institute pension restructuring and to introduce the habit of saving for retirement between the citizens.

## **2.5.3 Retirement Plans and Insurance Companies**

Retirement plans offered by life insurance companies are package products, presenting the payback of both insurance and investment. A characteristic retirement plan has two phases. The first is the accumulation phase, during which

the premiums are paid by the individuals and the money mount up through the term of the plan. The accumulated funds are then invested in securities accepted by the Insurance Regulatory and Development Authority (IRDA), the insurance regulator. These products are intended to look after the worth of the principal and also to give steady returns. The accumulation period is followed by the vesting age; payouts from the fund will be started. The vesting age is mostly between 40 to 70 years. The time when an individual gets pension is also called the annuity phase. In the instant annuity option, an individual can disburse in lump-sum, as an alternative of years of payment and start off getting income instantly.

#### **Check you progress 4**

1. \_\_\_\_\_ are company retirement plans, like pension plans, in which a retired employee gets an exact amount based on wage history and years of service, and in which the employer accepts the investment risk.
  - a. Defined benefit plans
  - b. Defined-contribution plan
  - c. Combination plans
2. Qualified retirement plans offer employers a tax break for the contributions they make for their employees.
  - a. true
  - b. false
3. A retirement plan in which a definite sum or percentage of money is put aside each year by a company for the advantage of the employee.
  - a. Defined benefit plans
  - b. Defined-contribution plan
  - c. Combination plans
4. A type of profit sharing plan, where contributions are made in the form of company stock.
  - a. Stock bonus plan
  - b. Profit sharing
  - c. Money purchase pension plan

5. VRS or Golden Handshake is a plan by which the employee is offered to willingly retire from his services before his retirement date, subject to certain conditions
- a. true
  - b. false

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## 2.6 Let Us Sum Up

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To conclude, Dearness allowance (D.A.) is component of individual's salary. It is calculated as a percent of the basic salary. This sum is then added to the basic salary along with house rent allowance to get the total salary. Rates vary as per rural and urban regions. Pensioners and family pensioners are also offered D.A. against the price rise. In India also Dearness Allowance is calculated as a percentage of an Indian citizen's basic salary to ease the impact of inflation on public. A retirement plan is an arrangement by an employer to offer their employees with earnings when they longer have a regular income from working. Retirement plans may be set up by in a range of means but normally will have a form of a definite payment. Frequently retirement plans necessitate both the employer and employee to donate money into a fund while employed so that they will receive benefits upon retirement. Pension plans are judged as a form of deferred income. The defined benefit plan guarantees an expected monthly payment at retirement, planned by using a customary formula with some permutation of the employee salary, years of service and age. A defined contribution plan will give compensation at retirement that will be determined by the sum of funds contributed during the time period of the plan and the performance of the stock or investments used.

Voluntary retirement scheme is a system used by companies to decrease excess staff. This method has been implemented in India as labour laws do not allow straight retrenchment of unionized employees. VRS is relevant to an employee who has finished 10 years of service or is above 40 years of age. The VRS results in overall reduction of the existing strength of employees. The vacancy caused by voluntary retirement is not to be filled up.

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## 2.7 Answers for Check Your Progress

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**Check your progress 1**

**Answers:** (1-b), (2-b) (3-a), (4-a)

**Check your progress 2**

**Answers:** (1-b), (2-b) (1-a)

**Check your progress 3**

**Answers:** (1-b), (2-a) (1-a)

**Check your progress 4**

**Answers:** (1-a), (2-a) (1-b), (2-a) (1-a)

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## 2.8 Glossary

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1. **Contrary** - different
2. **Unenthusiastic** - indifferent
3. **Adjudication** - mediation
4. **Redundancy** - joblessness
5. **Arrogance** - pride
6. **Amass** - collect
7. **Annuity** - pension
8. **Induce** - persuade
9. **Aspire** - seek

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## 2.9 Assignment

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Visit an organisation a find out the pension plan implemented in there?

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## **2.10 Activities**

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Choose 5 employees from the organisation you have visited and Calculate the current DA according to their basic salary?

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## **2.11 Case study**

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For years, the employees have a perception that a good job accompany with a good pension plan, promising them regular monthly payments from their retired company until their death. Due to the increase in the pressure of two other factors, the pension plans have often been abandoned by most of the companies. First one is the increase in the life expectancy, which adds to the length of time the companies have to pay the pension. Second are the interest rates that have fallen to historic lows, rising the funding that companies must keep apart due to the lower yield on the assets already in place. So the final option is to "de-risk" their pension plan. It's the demand put forward by the millions of new retirees.

1. Comment on the above passage and give a suggestion of your own to implement a risk free pension plan?

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## **2.12 Further Readings**

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1. Committees and Commissions in India: 1947 - 73; a Concept's Project. 1979;Part A, Volume 17.
2. An Estate Planner's Guide to Qualified Retirement Plan Benefits, Louis A. Mezzullo.



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## Block Summary

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The block gave introductory information to the topic of Compensation Management. Components of compensation system and different types of compensation along with the compensation process were discussed in detail. The methods adopted by the organisation in the process of job evaluation were also discussed. A detailed study on the relation between the motivation and fringe benefits was also included in this block. The Dearness Allowance its emergence and Growth in India was explained. The block also comprised a study on the role of fringe benefits in reward systems. A detailed study on the retirement plans including VRS Schemes helped to add knowledge in this topic.

Compensation and Rewards are methods used by employers to successfully attract, retain and motivate employees. The plan ends up in the fair payment for performance of a service, in exchange for the work of an employee. While determining what the organization will disburse as the wages and salaries, it is significant to know the economic conditions of the region in which the organisation functions, the quantity of prospective employees and the legislative needs in place. When determining what should be paid, first consideration is assignment of the role organizationally which can be determined in the course of job evaluation and classification. The second consideration is the job significant talent and skill the aspirant possesses which may impact their appointment in the salary range upon hire. The compensation management is the management of the workforce costs, putting the performance standards, setting the clear compensation strategies and commencing the reasonable benefits for employees. The compensation given are in varied forms from the base compensation in the type of money to different benefits, that is associated with workers service to the organisation such as provident fund, gratuity, and insurance scheme etc. The direct compensation is the financial benefits given to the employees for their services. The indirect compensation is the non-financial benefit which is provided to the workers in the form of health, dental, life, disability and vision insurances and at the time of retirement. The Dearness Allowance is calculated as a percentage of an individual's basic salary to relieve the impact of inflation on common people. A retirement plan is an agreement by an employer to give their employees with an income when they longer have regular earnings from working mainly in the old age. Retirement plans may be choose by the organisation in a variety of methods but usually will have a form of a specific payment. VRS or Golden Handshake is a scheme by which the employee is offered to retire on his will, from his services before his retirement date, subject to certain conditions. It's a compassionate method to retrench the employees in the business.

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## **Block Assignment**

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### **Short Answer Questions**

1. Describe Job Descriptions.
2. Describe Job analysis.
3. Describe Job evaluation.
4. Direct Forms of Compensation.
5. Basic Salary.
6. Bonuses.
7. Ranking Method.
8. Classification Method.
9. Dearness allowance (D.A.).
10. Fringe benefits.

### **Long Answer Questions**

1. Describe Compensation management.
2. Write a note on an ideal compensation system.
3. What is the importance of Compensation Management in an organisation?
4. What are the Components of Compensation System?
5. Explain different types of Compensation.
6. Describe the process of compensation?
7. Explain what are Retirement Plans?
8. Describe the VRS or Golden Handshake scheme of retirement?

**Enrolment No.**

1. How many hours did you need for studying the units?

Unit No	1	2	3	4
<b>Nos of Hrs</b>				

2. Please give your reactions to the following items based on your reading of the block:

Items	Excellent	Very Good	Good	Poor	Give specific example if any
Presentation Quality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Language and Style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Illustration used (Diagram, tables etc)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Conceptual Clarity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Check your progress Quest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____
Feed back to CYP Question	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____ _____

3. Any Other Comments

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*Education is something  
which ought to be  
brought within  
the reach of every one.*

”

- Dr. B. R. Ambedkar



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