

## Human Resource Planning

### Chapter 1: LEARNING ORGANIZATION AND LEADERSHIP, BASICS OF HUMAN RESOURCE PLANNING

#### 1.1 Learning Organization and Leadership

A **Learning Organization (LO)** is an organization that facilitates the learning of its members and continuously transforms itself. Its five key disciplines (as per Peter Senge) are: systems thinking, personal mastery, mental models, shared vision, and team learning.

##### **Role of Leadership in a Learning Organization:**

- **Designer:** Creating the governing ideas (purpose, vision, values) and policies that align the organization.
- **Steward:** Being responsible for the long-term vision and well-being of the organization.
- **Teacher:** Coaching employees to gain insight into the current reality and foster systems thinking. Effective leadership promotes a culture where continuous learning and knowledge sharing are valued and rewarded.

#### 1.2 BASICS OF HUMAN RESOURCE PLANNING

**Human Resource Planning (HRP)** is the process of ensuring that the organization has the right number and right kind of people, at the right place, at the right time, doing the things for which they are economically most suitable.

##### *Macro Level Scenarios of Human Resource Planning*

HRP does not exist in a vacuum; it is influenced by macro-environmental factors:

1. **Economic Factors:** Global and national economic cycles (recessions, booms) influence staffing levels and budget allocations.
2. **Technological Factors:** Automation, AI, and digitalization require planning for new skill sets (upskilling/reskilling) and lead to redundancy in old roles.
3. **Political/Legal Factors:** Government policies on employment, minimum wages, reservations, and labor laws dictate recruitment and employee management practices.
4. **Social/Cultural Factors:** Changing demographics, shifting work-life balance expectations, and global mobility affect the supply pool and retention strategies.
5. **Competition:** The intensity of industry competition influences the demand for high-caliber talent and affects compensation strategies.

**Key Concepts:**

- **Strategic HRP:** Linking HRP activities directly to the organization's strategic business goals.
- **Environmental Scanning:** Monitoring external forces (macro factors) to anticipate their impact on HR needs.

**The HRP Process:**

1. **Analyzing Organizational Objectives:** Determining the firm's long-term and short-term goals (e.g., expansion, consolidation, product launch).
2. **Inventorying Current HR:** Assessing the current workforce (skills, qualifications, age, experience).
3. **Demand Forecasting:** Estimating future HR requirements (Chapter 1.3).
4. **Supply Forecasting:** Estimating the availability of internal and external candidates (Chapter 1.4).
5. **Gap Analysis (Manpower Gap):** Comparing demand and supply to identify surplus or shortage.
6. **Action Planning:** Developing strategies to bridge the gap (e.g., recruitment, training, layoffs, voluntary retirement schemes).
7. **Monitoring and Control:** Evaluating the effectiveness of the HRP process.

*Methods and Techniques – Demand Forecasting*

**Demand Forecasting** is the process of estimating the future quantity and quality of people required.

**1. Expert Opinion/Judgment:**

- o **Managerial Judgment:** Line managers estimate their department's future needs.
- o **Delphi Technique:** A group of experts makes independent forecasts, which are summarized and recirculated until a consensus is reached, minimizing group bias.

**2. Mathematical Techniques:**

- o **Trend Analysis:** Using past employment levels to predict future needs, often linked to a business variable like sales volume.
- o **Ratio Analysis:** Establishing a ratio between a business factor (e.g., sales) and the number of employees required (e.g., Sales/HR ratio).

o **Regression Analysis:** A more sophisticated statistical method to find relationships between employment level and other variables (e.g., production output, machine hours).

#### *Methods and Techniques – Supply Forecasting*

**Supply Forecasting** estimates the future availability of human resources, both within the organization (internal) and outside (external).

#### **1. Internal Supply Forecasting:**

o **Skills Inventory:** A detailed record of employees' current skills, education, experience, and training, used to quickly identify internal candidates.

o **Replacement Charts/Summaries:** Charts showing current job holders, potential successors, and the readiness of those successors, primarily for key managerial roles.

o **Markov Analysis (Transition Matrix):** A statistical method tracking employee movement (promotion, transfer, exit) between jobs over time to predict future staffing levels in different roles.

#### **2. External Supply Forecasting:**

o Monitoring external labor market conditions (unemployment rates, demographic changes, educational output).

o Analyzing competitors' hiring and compensation trends.

### Chapter 2: JOB EVALUATION

#### **2.1 Job Evaluation – Concepts, Scope and Limitations**

**Job Evaluation (JE)** is a systematic process for determining the relative worth of a job within an organization to establish fair and consistent internal pay structures. It assesses the job itself, not the performance or potential of the job holder.

#### **Key Concepts:**

· **Relative Worth:** Determining the value of one job compared to others (e.g., a manager vs. a clerk).

· **Internal Equity:** Ensuring jobs of similar value are paid similarly, promoting fairness within the organization.

#### **Scope:**

· Establishing a rational basis for a compensation structure.

· Resolving pay disputes and employee grievances related to remuneration.

- Providing a basis for organizational structure reviews and hierarchy definition.

### **Limitations:**

- **Subjectivity:** While systematic, assigning weights or scores to factors remains inherently judgmental.
- **External Market Bias:** JE focuses only on internal equity and may lead to non-competitive pay if external market rates are ignored.
- **Cost and Time:** Developing and implementing a JE system, especially complex ones like the Point Method, is costly and time-consuming.
- **Resistance:** Employees and unions may resist changes to pay structures.

## **2.2 Job Analysis and Job Description**

**Job Analysis (JA)** is the process of systematically collecting and recording information about a job, including the tasks, duties, responsibilities, and the necessary knowledge, skills, and abilities (KSAs) required to perform it successfully.

### **Outputs of Job Analysis:**

1. **Job Description (JD):** A written statement that defines the job's title, duties, working conditions, responsibilities, and the relationship of the job to others.
2. **Job Specification (JS):** A written statement detailing the minimum acceptable qualifications a person must possess to perform the job successfully (e.g., education, experience, personality traits).

**JA is the foundation for virtually all HR functions:** recruitment, selection, training, performance appraisal, and compensation.

## **2.3 Job Evaluation Methods**

Job evaluation methods can be broadly categorized as non-analytical (or non-quantitative) and analytical (or quantitative).

### *A. Non-Analytical Methods (Whole Job Ranking)*

1. **Ranking Method:** The simplest method. Jobs are ranked from the highest to the lowest in terms of their overall worth to the organization.

o *Limitation:* Difficult to apply to a large number of jobs; the magnitude of difference between ranks is unknown.

2. **Job Grading (or Classification) Method:** Jobs are grouped into a predetermined number of grades (classes), and each grade is given a description. Jobs that fit the grade description are assigned to that grade.

o *Limitation:* Grade descriptions can be vague, leading to difficulty in classifying borderline jobs.

#### B. Analytical Methods (Factor-Based)

**3. Point Factor Method (Most Common):** The job is broken down into quantifiable factors (e.g., Skill, Effort, Responsibility, Working Conditions). Points are assigned to various degrees of each factor. The total point score determines the job's relative worth.

o *Advantage:* High degree of objectivity, consistency, and detail; easy to communicate and defend.

**4. Factor Comparison Method:** A complex and less common method. Key jobs are selected, and five universal factors (Mental Requirements, Skill, Physical Requirements, Responsibility, Working Conditions) are used. Each key job is ranked factor-by-factor, and a monetary value is assigned to the ranking.

o *Advantage:* Jobs are compared against each other factor-by-factor, rather than against a standard.

### Chapter 3: ACTION AREAS – ISSUES AND EXPERIENCES

#### 3.1 Selection and Recruitment

**Recruitment:** The process of searching for prospective employees and stimulating them to apply for jobs in the organization.

· **Sources:** Internal (promotions, transfers), External (advertisements, placement agencies, campus hiring, employee referrals).

**Selection:** The process of choosing the most suitable candidates for the available positions from the pool of applicants.

· **Process:** Initial screening  $\rightarrow$  Application blank  $\rightarrow$  Employment tests (aptitude, personality, proficiency)  $\rightarrow$  Employment interview  $\rightarrow$  Reference checks  $\rightarrow$  Medical examination  $\rightarrow$  Final selection/Job offer.

#### 3.2 Induction and Placement

**Induction (or Orientation):** The process of introducing a new employee to the organization, its culture, rules, policies, and their job/colleagues.

· *Purpose:* To reduce new employee anxiety, clarify expectations, and foster a sense of belonging and organizational commitment (socialization).

**Placement:** Assigning the selected candidate to a specific job and department. The goal is to ensure a person-job fit, matching the employee's skills and interests with the job requirements.

### 3.3 Performance and Potential Appraisal

**Performance Appraisal (PA):** The systematic evaluation of an employee's job performance and development potential.

· *Purpose:* Administrative (compensation, promotion) and Developmental (training, feedback).

· **Methods:** Graphic Rating Scales, MBO (Management by Objectives), 360-Degree Feedback (collecting feedback from supervisors, peers, subordinates, and self).

**Potential Appraisal:** A futuristic exercise designed to identify the hidden potential of employees to perform higher-level or different roles in the future (crucial for succession planning).

### 3.4 Transfer, Promotion and Reward Policies & Training and Retraining

**Transfer:** Horizontal movement of an employee from one job/department to another at the same level of responsibility and pay.

· *Purpose:* To meet organizational needs (staffing) or employee needs (satisfaction, new experience).

**Promotion:** Vertical movement of an employee to a higher position, carrying greater responsibilities, status, and typically higher pay.

· *Basis:* Merit (performance) and/or Seniority.

**Reward Policies:** Establishing clear, consistent, and equitable systems for compensating employees (financial and non-financial rewards) based on their contributions and performance.

**Training:** A systematic process to modify employee knowledge, skills, and attitudes to meet job requirements and improve current performance.

**Retraining:** Training existing employees to perform new or entirely different jobs, often necessitated by technological change, organizational restructuring, or product line changes.

## Chapter 4: MEASUREMENTS IN HUMAN RESOURCE PLANNING

### 4.1 Human Resource Information System (HRIS)

**HRIS** is a software or online solution for data entry, data tracking, and data information needs of the HR department. It integrates various HR functions (recruitment, payroll, training, performance management) into a single system, allowing for better efficiency and data-driven decision-making in HRP.

### 4.2 Human Resource Audit

**Human Resource Audit (HRAu)** is a systematic, comprehensive review of the current human resource policies, documentation, and processes to ascertain their effectiveness, compliance with laws, and alignment with organizational goals.

· *Focus Areas:* Compliance, Staffing, Compensation, Training, and Employee Relations.

### 4.3 Human Resource Accounting (HRA)

**Human Resource Accounting (HRA)** is the measurement and reporting of the cost and value of people as organizational assets. It attempts to answer: "What is the monetary value of the human capital?"

· **Cost Approach:** Measures the costs incurred by the organization on human resources (recruitment, training, compensation).

· **Value Approach:** Attempts to measure the economic value of human resources to the organization (e.g., capitalized earnings method).

### 4.4 Career Planning

**Career Planning** is a deliberate process of becoming aware of one's own skills, interests, knowledge, motivations, and other characteristics, and establishing goals and steps to achieve them.

· **Organizational Role:** Providing career paths, development opportunities, and counseling to help employees achieve their goals while aligning them with organizational needs (succession planning).

### 4.5 Employee Counselling

**Employee Counselling** is a private, formal, or informal discussion between a manager/HR professional and an employee to address personal, emotional, or work-related problems that interfere with job performance or general well-being.

· *Types:* Problem-oriented (addressing specific issues) and Developmental (fostering growth).

### 4.6 Discipline, Suspension, Retrenchment and Dismissal

**Discipline:** Action taken to enforce organizational rules, often involving corrective action to help an employee conform to standards.

· *Progressive Discipline:* A system of increasingly severe penalties for repeated offenses (e.g., verbal warning, written warning, suspension, dismissal).

**Suspension:** A temporary removal of an employee from duty, usually without pay, as a form of disciplinary action or pending investigation.

**Retrenchment (Layoff):** Termination of an employee by the employer for reasons not related to the employee's fault, often due to economic conditions or surplus manpower.

**Dismissal (Termination):** The involuntary termination of employment due to gross misconduct or failure to perform the job satisfactorily.

## 4.7 Employee Grievance Handling

**Grievance:** Any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company that an employee feels is unfair.

· **Handling Process:** The organization must establish a formal, step-by-step procedure (e.g., immediate supervisor  $\rightarrow$  departmental manager  $\rightarrow$  HR  $\rightarrow$  external arbitration) to resolve grievances fairly and promptly.

## 4.8 Compensation & Salary Administration

**Compensation:** Total rewards (pay, benefits, incentives) provided to employees in exchange for their labor.

· **Salary Administration:** The management of the wage and salary structure to ensure it is equitable, competitive, and legally compliant.

## 4.9 Laws & Rules Governing Employee Benefit and Welfare

This involves complying with national and local labor legislation, which typically covers:

· **Statutory Benefits:** Provident Fund (PF), Employee State Insurance (ESI), Gratuity, and Pensions.

· **Welfare Facilities:** Working hours, leaves, safety standards, crèches, canteens, and clean working environments.

## Chapter 5: CORPORATE SOCIAL RESPONSIBILITIES, COMPETENCY MAPPING & CONCEPT OF ASSESSMENT CENTERS

### 5.1 Corporate Social Responsibilities (CSR)

**CSR** is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. It encompasses economic, legal, ethical, and philanthropic responsibilities.

#### **HR's Role in CSR:**

- Ensuring ethical labor practices (no child labor, fair wages).
- Promoting diversity and inclusion (Social aspect).
- Managing employee well-being and health/safety standards.
- Implementing environmentally friendly HR policies (paperless HR, promoting remote work).

## 5.2 Competency Mapping

**Competency:** A combination of observable and measurable knowledge, skills, abilities, and other characteristics (KSAOs) that are required to perform a job successfully.

**Competency Mapping:** The process of identifying the key competencies required for a particular job or organization, and then assessing the current level of competence possessed by employees.

· **Types of Competencies:**

- o **Core:** Required by all employees (e.g., communication, teamwork).
- o **Functional/Technical:** Specific to a job role (e.g., coding, financial modeling).
- o **Behavioral:** Underlying personal characteristics (e.g., leadership, decision-making).

## 5.3 Concept of Assessment Centers

**Assessment Center (AC):** A comprehensive method, not a physical location, that uses a variety of techniques (simulations, role-plays, in-basket exercises, group discussions, psychometric tests) to evaluate an individual's skills and competencies.

· **Purpose:** Primarily used for selection, promotion, and identifying high-potential employees (potential appraisal).

· **Key Feature:** Multiple assessors (observers) evaluate candidates in a controlled environment over a defined period, leading to a more objective and holistic assessment.

# Important Questions for full Subject:

**Chapter 1:** Define a Learning Organization. Explain the six steps in the Human Resource Planning process. Differentiate between Trend Analysis and the Delphi Technique in demand forecasting.

**Chapter 2:** Explain the difference between Job Analysis and Job Evaluation. Describe the advantages and disadvantages of the Point Factor Method of Job Evaluation.

**Chapter 3:** Outline the typical steps in the employee selection process. Discuss the administrative and developmental purposes of Performance Appraisal.

**Chapter 4:** Why is Human Resource Accounting considered a challenging but important measurement? Describe the steps an organization should take to effectively handle an employee grievance.

**Chapter 5:** How do Corporate Social Responsibility (CSR) goals influence the HR function? Explain the core features and uses of an Assessment Center.