

Unit 1. MANAGERIAL FUNCTION

Topic 1.2 HR Planning

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Content

Theoretical materials:

1. Labour Supply and Demand
2. HR planning
3. HR forecasting techniques

Practical exercises:

- Case 1.2
- Ethical Question 1.2

Check yourself:

- Kahoot 1.2

1. Labor Supply and Demand

1. Labor Supply and Demand

HR Supply and Demand

labor supply / labor demand

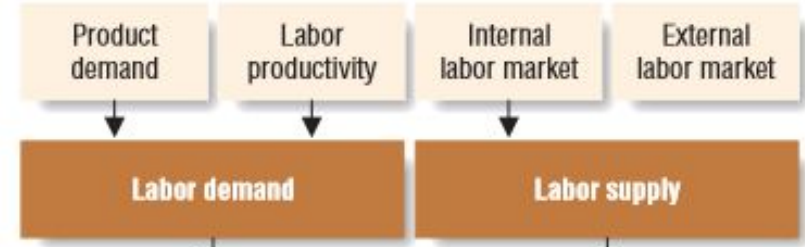
labor shortage

supply < demand

labor surplus

supply > demand

Which situation is favourable for the company? And which one for the employees?



How do you understand Internal labor market? And, External labour market?

How product demand and labor productivity are related with labor demand? If increase/decrease what happens with the labour demand?

1. Labor Supply and Demand

- **Unemployment**

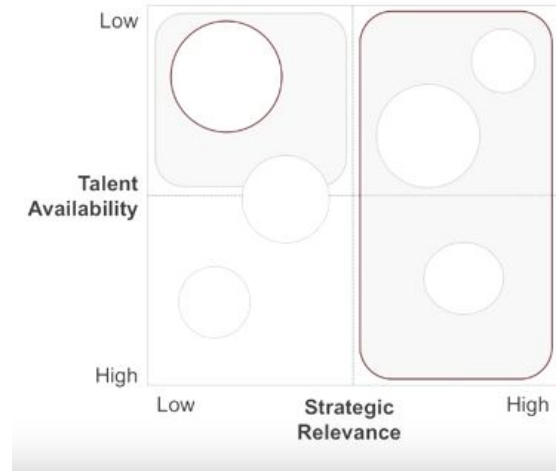
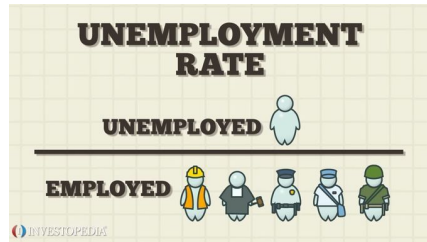
How is unemployment related with the labour supply?

often used as a measure of the health of the economy

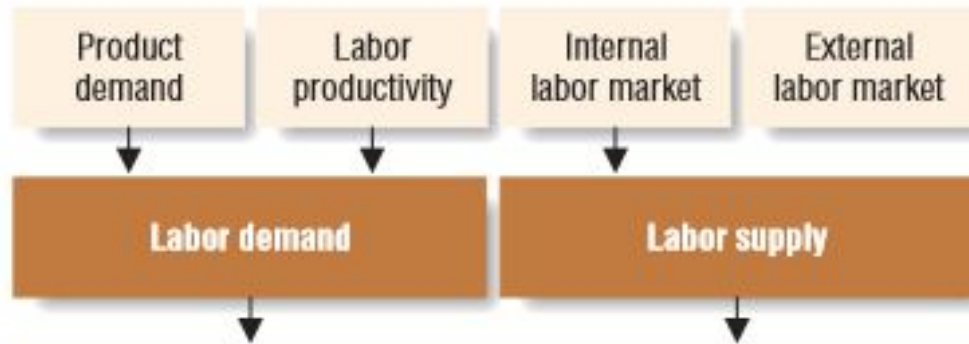
The most frequent measure of unemployment is the **unemployment rate** = the number of unemployed people divided by the number of people in the labor force

Unemployment: **Voluntary** / **Involuntary**

- **Frictional**
- **Cyclical**
- **Structural**



Will high unemployment rate mean that it is easy to fill the position in the company?



Company's actions in case of...

Conditions and Selected Responses

1. Labor Demand Exceeds Labor Supply

- Training or retraining
- Succession planning
- Promotion from within
- Recruitment from outside
- Subcontracting
- Use of part-timers or temporary workers
- Use of overtime

2. Labor Supply Exceeds Labor Demand

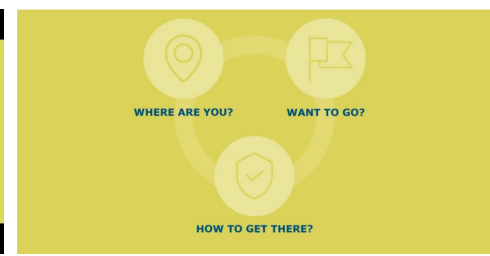
- Pay cuts
- Reduced hours
- Work sharing
- Voluntary early retirements
- Inducements to quit (for example, severance pay)
- Layoffs

3. Labor Demand Equals Labor Supply

- Replacement of quits from inside or outside
- Internal transfers and redeployment

2. HR planning

HR planning



Human resource planning (HRP) is the continuous process of systematic planning ahead to achieve optimum use of an organization's most valuable asset—quality employees. Human resources planning ensures the best fit between employees and jobs while avoiding manpower shortages or surpluses.

HR planning strategic levels:

Where we are now? - Strategic Position

- Current situation:
- Demand, Internal and external availability.

Want to go? - Tactics

Decisions on the demand current and future

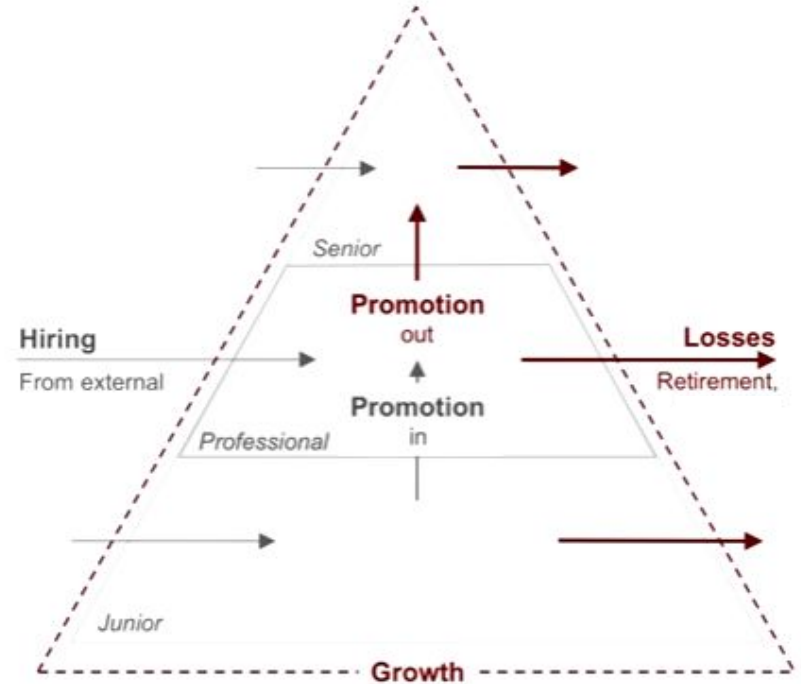
How to get there? - Operations/Actions

Workflow analysis and Job design

	2013	2014	2015	2016
Employees	120	128	132	140
Demand	18	23	28	29
Internal Availability	15	12	8	7
External Demand	3	11	20	22
Risk				

Factors affecting HR planning

1. Growth
2. External Hiring
3. Losses / Retirement
4. Internal Promotion
5. HR related costs

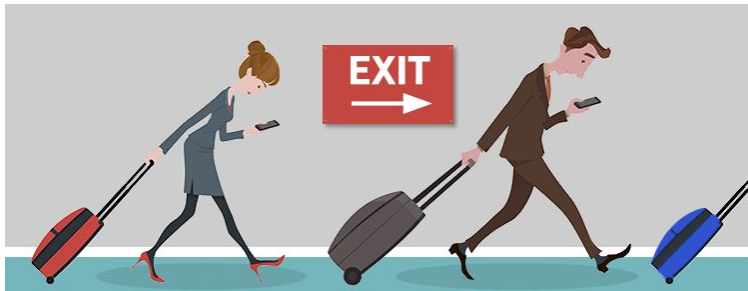


Turnover Process

Example, Turnover to predict demand

Turnover is the process of employees leaving the JOB.

$$\text{Turnover} = \frac{\text{Number of employees leaving the job}}{\text{Average number of employees during the period}} \times \frac{12}{\text{Number of months in the period}}$$



		Source of Turnover	
		Voluntary	Involuntary
Type of Turnover	External	<div>Quits</div> <div>Quits / Retirements</div>	<div>Terminations</div> <div>Layoff / Discharge</div>
	Internal	<div>Voluntary Transfers</div>	<div>Mandatory Transfers</div>

Definitions

Types of Employee Separation

Voluntary separation. employee decides

- QUILTS (*with the reason to change place of work*)
 - RETIREMENTS (*a natural and irreversible process*)
- VOLUNTARY TRANSFERS (*moving from one to another job position wishing the same organization*)

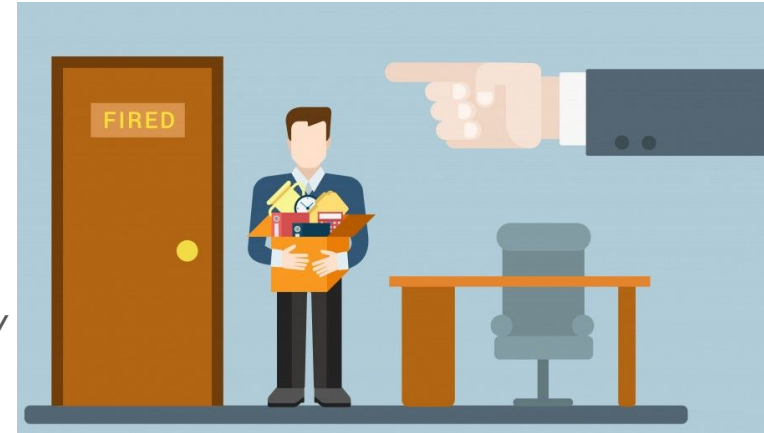


Definitions

Types of Employee Separation

Involuntary separation.employer decides

- Terminations:
 - LAYOFFS (*ex., when organization is not able to pay salaries for all employees*)
 - DISCHARGES (*ex., the level of employee performance is lower than required*)
- Mandatory Transfers



HR planning

Major Turnover Costs

Recruitment Costs	Selection Costs	Training Costs	Separation Costs
<ul style="list-style-type: none">• Advertising• Campus visits• Recruiter time• Search firm fees	<ul style="list-style-type: none">• Interviewing• Testing• Reference checks• Relocation	<ul style="list-style-type: none">• Orientation• Direct training costs• Trainer's time• Lost productivity during training	<ul style="list-style-type: none">• Separation pay• Benefits• Unemployment insurance cost• Exit interview• Outplacement• Vacant position

FIGURE 6.2

Human Resource Replacement Costs

HR planning

Managing Layoffs

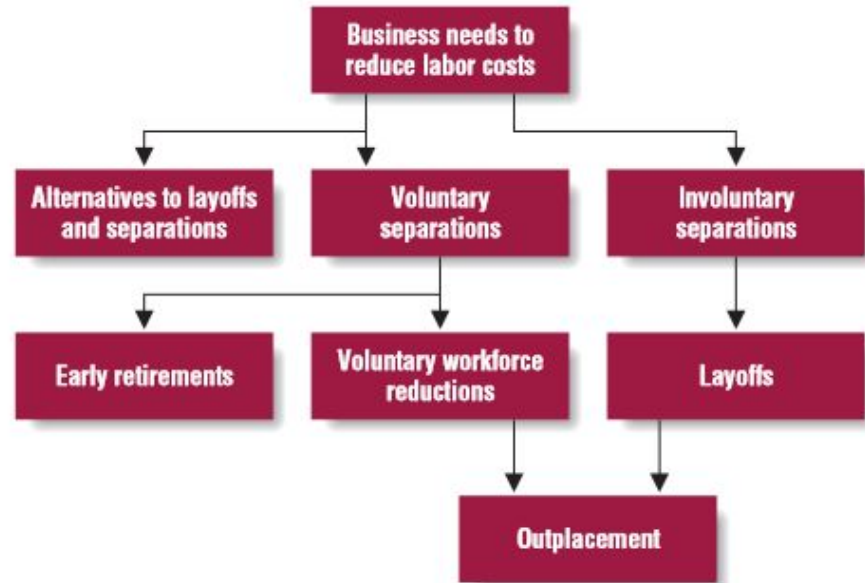
Layoffs vs. Downsizing

Outplacement

- EMOTIONAL SUPPORT
- JOB-SEARCH ASSISTANCE



*How will differ
“Defender” and
“Prospector”
companies when
managing Layoffs?*



CQ1.2

A question of ethics?

***Outplacement** creates additional costs for the company. Why some companies still are willing to pay for outplacement?*

- *What are pros and cons for both sides (company and worker)?*
- *What is the solution?*

CQ1.2 Employee Separation

Why are companies willing to pay for outplacement?

- (1) reducing the morale problems of employees who are about to be laid off so that they remain productive until they leave the firm,
- (2) minimizing the amount of litigation initiated by separated employees, and
- (3) assisting separated employees in finding comparable jobs as quickly as possible

3. HR demand forecasting techniques

HR forecasting techniques

Forecasting Techniques - Qualitative

quantitative and qualitative (below).

*Which techniques
are better?
Qualitative or
quantitative?*

Judgmental Techniques

Information is collected and subjectively weighed to forecast the demand for human resources.

- **Top-down approach** Prediction made by top management.
- **Bottom-up approach** Lower-level managers each make their own initial estimates, which are then consolidated, and the process continues up through higher levels of management. Top management makes final estimates.

Judgmental Techniques

- **Executive reviews** Top management makes judgments about who should be promoted, reassigned, or let go. The process can clarify where there may be surpluses or shortages of managers.
- **Succession planning** Identifies workers who are ready or will soon be qualified to replace current managers. Can highlight development needs and areas where there may be a shortage of management-level labor.
- **Vacancy analysis** Judgments are made about likely employee movements. Shortages or surpluses of labor can be anticipated by comparing these judgments to estimates of demand.

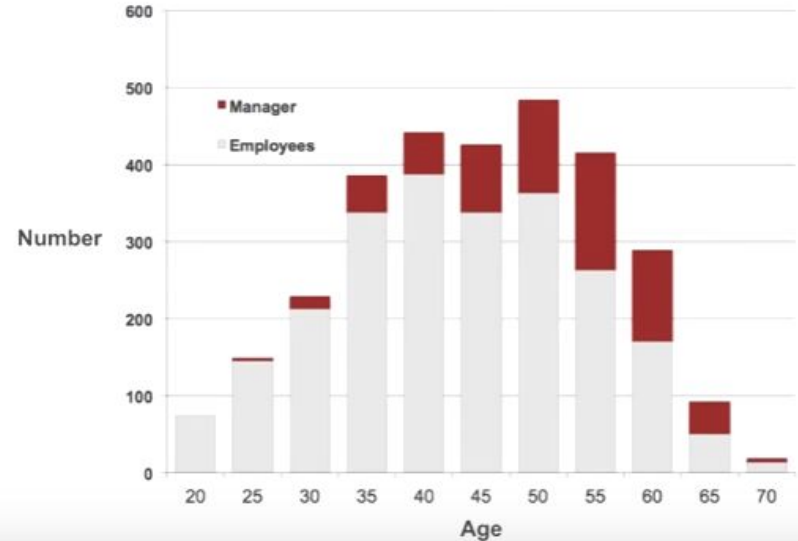
Example, Age structure analysis to predict demand

Human Resources Demand

Example

Which demand factor will be determined by employers age?

Age Structure Analysis



HR forecasting techniques

Forecasting Techniques - Quantitative

- ▶ **Leading Indicators**

Determine the ratio between Performance and required numbers of employees based on programmatic assumptions (e.g. professors/students, nurses/patients).

- ▶ **Trend Analysis**

Applying statistical models that predict labour demand for the future, given objective statistics from the previous years

- ▶ **Task Analysis**

Tasks are identified and quantified in terms of appearance and workload

- ▶ **Conclusion by Analogy**

Determine workforce requirements according to those of similar organizational units or companies

Workforce Planning using Trend Analysis

Example, Retail store

Year	Revenue (T€)	# Sales FTE*	Revenue/ FTE (T€)	# Others (FTE)	Total # (FTE)	# Mgr (FTE)
2003	6.000	30	200	9	39	6
2004	6.480	35	185	11	46	7
2005	6.998	37	189	12	49	7
2006	7.558	37	204	12	49	7
2007	8.163	36	227	13	49	7
2008	8.816	43	205	14	57	8
2009	9.521	46	207	13	59	8
2010	10.283	55	187	15	70	10
2011	11.106	58	191	17	75	11
2012	11.994	60	200	18	78	11

2013	12.954	65		20	85	12
Demand		5		2		1

Average annual Revenue Growth 8%

Average Revenue/Sales FTE (T€) 200

Average Relation Other FTE/Sales FTE 0,31

Span of Control 7

* FTE: Full Time Equivalent

Workforce Planning using Task Analysis

Example, Pizzeria

Assumptions	#	Tasks		#	Duration/ Task (Min)	Duration (h)
		Core Tasks				28
Guests/Day	200	Prepare Table	1/Table	67	2	2
Guests/Table	3	Take order	1/Table	67	3	3
Tables/Day	67	Prepare Pizza	1/Guest	200	4	13
Hours/Day	15	Billing	1/Table	67	3	3
		Chat	1/Table	67	2	2
Drinks/Guest	2	Prepare Drinks		400	0,5	3
		Additional Tasks				10
		Breaks	5%			1
		Administration	10%			3
		Misc.	20%			6
		Total				38
Working Hours/Day	8	Workforce Demand (FTE)				4,7

Case 1.2

HR Planning

Definitions

Labour productivity - A measure of how much value individual employees add to the goods or services that the organization produces.

Span of Control - number of employees under the control of 1 manager.

Definitions

Unemployment

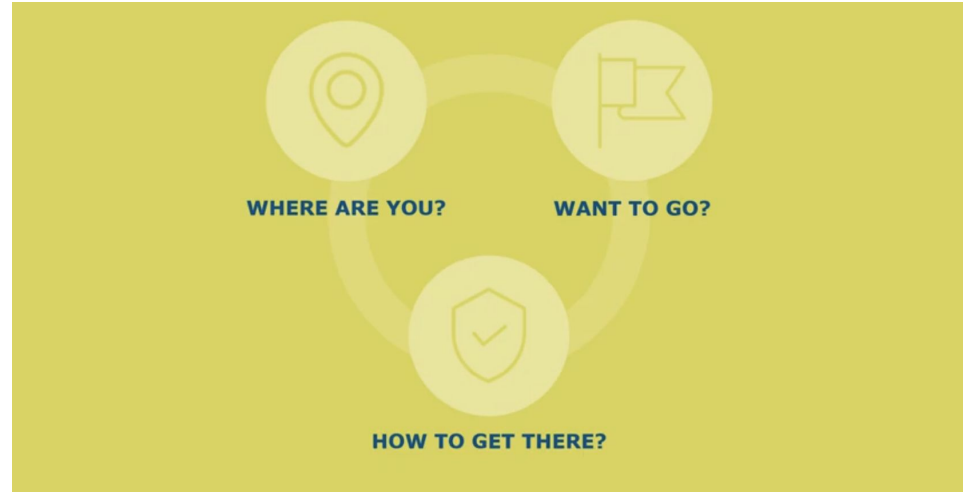
- **Frictional** - arises when a person is in between jobs.
 - *unemployment short-lived while it takes time for a person to find another job*
 - *the least problematic from an economic standpoint*
- **Cyclical** - comes around due to the business cycle itself
 - *For example, due to seasonality*
- **Structural** - through environmental changes

For example, through technological advances people lose their jobs because their skills are outdated.

Questions?

Extra materials

Strategic Workforce Planning



<https://youtu.be/BGNlcPxFptQ>