

CHAPTER - III

MANPOWER PLANNING

3.1 CONCEPT OF MANPOWER PLANNING :

There is no doubt about the importance of planning for the success of any firm. But, it should be remembered that the plans made are to be executed by the men in the organisation only. So, we do not overemphasise the importance of 'Manpower Planning' when we consider it to be a very important part of the overall planning of a business firm. The factors like death, retirement, leaving the organisation by the employees etc. would cause the demand of manpower for an organisation. It is obvious that a business could not prosper if the right number of employees having required skill and qualifications is not available to it. In absence of proper manpower planning the organisation may have insufficient number of people with it, or excess manpower than necessary. In the first case, the output will be affected and in the second situation, it would mean more expenditure on the part of the firm.

3.2 NEED FOR MANPOWER PLANNING :

1. Jobs and job requirements are changing faster than in earlier periods. The place of technological change - change in the way of goods and services are prepared and made available to consumers has accelerated.
2. The occupational structure of the work force in industrialised economies has shifted to meet changes in job. Occupations requiring the least skill and educational preparation show smaller growth; those that require more preparation are growing faster.
3. Meanwhile, within existing occupations, rising job requirements make retraining a must for many current jobholders. More time must be spent in preparation for work continued retraining makes alternate periods of work and refresher education a frequent pattern. Hence lead time getting people ready for jobs become longer.
4. Less developed nations are finding that skill shortages are a major barrier to their progress towards industrialisation. They recognize the necessity for preparing citizens for the new jobs that progress will create, and they seek to import the skill they do not have. These and advanced

industrialized nations compete with each other for existing supplies of skilled workers. The "brain drain" is a matter of national concern not unlike the balance of payments in international trade.

5. National concern about levels of employment and effective utilization of manpower planning and development programmes.

6. Increased mobility of manpower resources has worked both to assist firms and nations in meeting new job requirements and to complicate manager efforts to retain qualified employees. Within the industrialized economies, human resources have achieved greater geographic mobility. Workers go to the places where jobs appear most attractive. Movement from one employer to another industrial or interfirm mobility has been increased by public programmes that provide more timely and reliable information about job openings. As a result individual employers face greater difficulties in holding preferred employees.

At the same time, occupational mobility may have been reduced by the higher or radically different skills required by many new jobs. The former semi skilled packing house worker may find few openings that can utilize his skills. The operative skilled in

running a newly developed machine may find such equipment in only a few localities. Such changes create problems both employers and potential employees.

7. Rising interest and activity in the total process of management planning has stimulated attention to the need for manpower planning consultants on planning have found the field attractive; with their assistance, small firms have undertaken formal planning.

8. Change in both within the organisation and in its environment are exerting pressures that necessitate more and better manpower planning. Managers face a responsibility for innovation in adapting their policy and practice to tomorrow's environment. At the same, they must be concerned about planning that can help in shaping that environment.

3.3 DEFINITIONS :

Manpower Planning is done on two levels. First, on national level (i.e. macro-level), and second at the level of an undertaking (i.e. micro level). Here we would look at manpower planning at micro level.

Let us see that the definitions given by different authors, of Manpower Planning ! -

1. According to E.B. Geisler - *1

"Manpower Planning is the process including forecasting, developing and controlling by which a firm ensures that it has the right number of people and the right kind of people at the right places at the right time doing work for which they are economically most useful."

2. According to James J. Lynch -

"Manpower Planning is the integration of manpower policies practices and procedures so as to achieve the right numbers of the right jobs at the right time."

3. According to Vetter, Manpower Planning is "The process by which management determines how the organisation should move from its current manpower position to its desired manpower position. Through planning management strives to have right number of

*1 Edwin B. Geisler " Manpower Planning
An Emerging Staff Function "
Management Bulletin No. 101 Page 10. 1972.

and the right kinds of people, at the right place at right time, doing things which result in both the organisation and the individual receiving maximum long run benefits."

Manpower planning could be seen as a series of activities, consisting of the following - *2

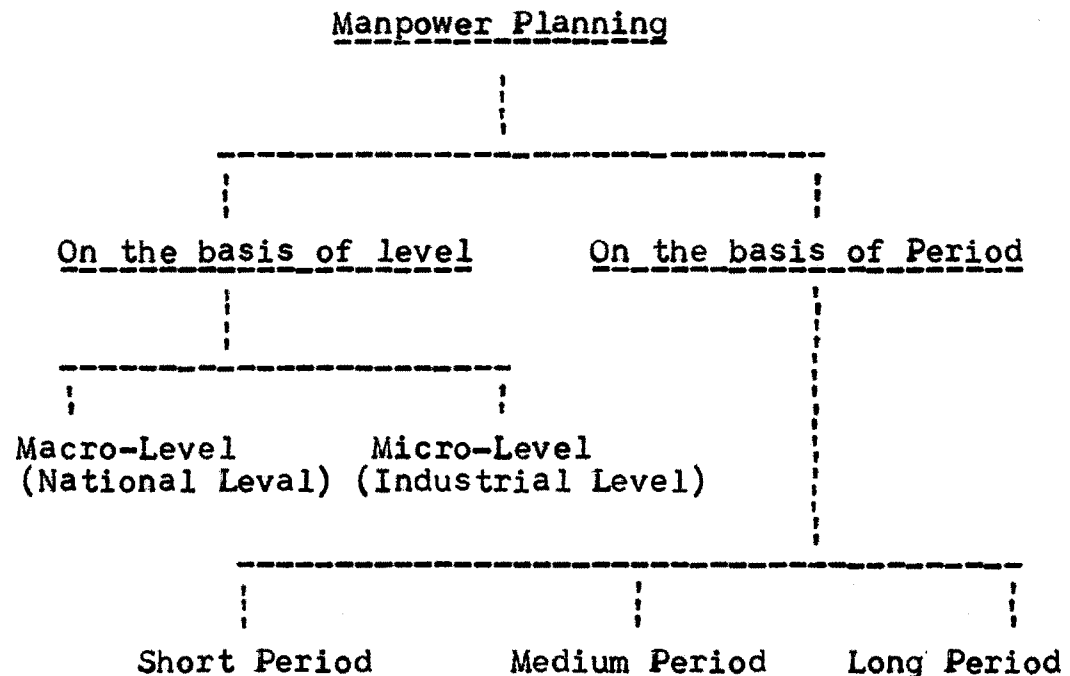
1. Forecasting future manpower requirements, either in term of mathematical projections of trends in the economy and development in the industry, or the judgemental estimates based upon specific future plans of company.
2. Inventorying manpower resources at present and analysing the degree to which these resources are employed optimally.
3. Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively.
4. Planning the necessary programmes of recruitment, selection, training, development, motivation and compensation so that future manpower requirement will be meet.

*2 W.S. Wikstrom " ,Manpower Planning ;
Evolving Systems" Conference Board
Report No. 521 P2 - 1970.

3.4 TYPES OF MANPOWER PLANNING :

Types of manpower planning can be distinguished by two criteria :-

- i) On the basis of the level at which it is done.
- ii) On the basis of the period for which it is done.



1. Manpower Planning at Macro-level (i.e. National Level)

Manpower planning is done on the national level as a part of the planning for overall economic development. The objective behind it is to provide more and more opportunities of employment, while utilising the human resources of the nation most efficiently.

It goes without saying that proper manpower planning is a high necessity in a developing country like India. In Britain, manpower research section of 'Employment and Productivity' department undertakes necessary steps for manpower planning. In India, manpower planning is a part of overall planning and so its responsibilities lie with the Planning Commission.

Manpower planning by the Planning Commission covers :- *3

- i) Population Projection.
- ii) Programme of Economic Development.
- iii) Education facilities.
- iv) Occupational distribution and growth and
- v) Industrial and geographical mobility of personnel.

2. Manpower Planning at Micro-level :

As manpower planning is important at national level for the maximum use of its manpower resources, it is also necessary at the level of a business unit. Manpower planning is important because it decides the various measures to be taken such as recruitment, selection, promotion, transfer etc. by a business unit.

*3 Planning Commission Report - Second Five years' Plan - 1967.

In order to fulfil future manpower demands, this manpower planning is possible at three levels in a unit -

- i) At the departmental level.
- ii) If there are a number of factories of company the planning can be done at the level of each individual factory taken apart.
- iii) At the top level i.e. by the board of directors, in a company.

If the manpower planning is done at departmental level, two advantages can be derived. Firstly, the advantages of the knowledge of those who are in direct contact with the workers can be taken; secondly, if the people who are going to execute the plans take part in the planning process, the probabilities for success of the plans would be surely higher. A committee is formed at this level. The committee would make inspection of the manpower estimates put for the previous year and the actual manpower position of the previous year. The two records would be compared. Then on the basis of this comparison, estimates for the next year's manpower requirements and the sources available to fulfil

these requirements would be made known. Then, keeping in view the expected changes within next 3 to 5 years, the committee would sit with manpower planning experts and prepare a format for future manpower planning. This format would be presented before the top level and the final draft would be prepared on its approval.

At the top level, such formats as sent by different departments are considered by an administration committee. A grand plan is prepared by co-ordinating manpower plans of different departments. This grand plan is then co-ordinated with the overall planning of the business.

Here, let us see the classes of manpower planning as classified by taken into account the period for which they are formed. Three such divisions can be made, which are discussed in following paragraphs.

a) Short-term Manpower Planning :

Short term planning is that which is done for the period of one year. Annual plans are made as a part of five-years' plans at national level. These one year plans are short-term plans. Short - term plans are very useful at company level. For better results, short term plans should be integrated with each

other and should be considered as ingredients of a medium term plan.

b) Medium term Manpower Planning :

Generally any plan of period from 2 to 5 years is considered to be a medium term plan. At national level, medium term plans are essentially prepared as a part of financial planning. Medium term plans at national level, for manpower planning give special attention towards employment opportunities. Such plans at Micro-level think much of training and development of employees. Thus it is possible to visualise the requirements of personnel possessing right type of skill for coming five years.

c) Long term manpower planning :

The planning for a longer period such as 10 to 15 years is known as long term planning. This type of long term planning is generally done at national level. This is to estimate manpower needs of a nation accordingly to raise educational and training facilities keeping in view long term interests of the nation. Such long term planning is not necessary at Micro-level except a long term development scheme has been visualised by the management of a firm. But in normal practice, such

long term planning is not found at company level.

3.5 PROCESS OF MANPOWER PLANNING :

The study of manpower system at the level of undertaking calls for the study of two important things viz manpower demand and manpower supply.

However, before a meaningful planning is done it is important to understand the basic company objective.

Determination of the objectives of the firm is very important. The company's objective should be clearly defined. It will not any good to state the objectives in not-so-clear terms as they fail to provide any direction to the company.

i) Manpower Demand Forecasting :

Manpower demand forecasting at Micro-level could be done in either of the two ways i.e. by ascertaining the total manpower requirement for the entire enterprise for a given period and then estimating requirements of each unit, division or department, or alternatively first determine the manpower requirement of each department and subsequently make a total projection.

Although a large number of forecasting techniques are available to a manpower planner, all

forecasts have at least three common elements. First, all such forecasts deal with future and therefore, the futurity of forecasts must clearly spell out the time period for which such forecasts are made. Second as forecast is made for future, it involves a certain degree of uncertainty. Thus same errors in forecasting must be envisaged. Third as all forecasts draws its basic input from historical data, it is quite possible to find it difficult in separating the relevant information from the tremendous amount of data available.

Nevertheless, even when such projections are rudimentary, it is useful to have this information, simply because business decisions are going to be made even in the absence of such information or planning. Thus, even if the planning is done at a rudimentary level, it will help enhance the qualities of the decision made.

ii) Manpower Supply Forecasting :

Once the demand is estimated, the planner's next attempt should be to study the manpower supply. This would include both the internal supply (effected by promotion and transfer) and external supply (study of the labour market).

There are many activities which give significant information on which the manpower planner builds his supply plan.

a) The manpower inventory sets out what the enterprise has in the stock or can expect to have in stock in future. Comparison of this data, against the requirement gives us an immediate picture of the shortfall.

b) Appraisal of the existing performance level tells us the present level of manpower utilization.

c) Assessment of labour market situation tells us the availability of the required manpower, from which the planner may like to draw to augment its manpower resources.

iii) Manpower Inventory :

If the manpower planning is to be realistic then it must be based on a sound foundation of factual information. Thus the planner must have as clear a picture as possible of existing staff. The manpower inventory provides a clue to the planner.

One of the main requirements is to know how well the existing manpower is utilized. It helps

the manpower planner a great deal by providing a sound basis for improving their performance, through proper training and development.

In addition, it also enables the planner to indentify the individuals who are potentially able to take on bigger responsibility.

In order to make this exercise meaning-ful it is important that the manpower inventory is as complete and detailed as possible. A manpower inventory does not consist of just the head count but it takes into account many activities.

The head count attempts to answer the question " How many employees do we have ? " It is not surprising that it has floored more than one personnel executive. The planner must know exactly how may there are in each piece of the organisation. To make the picture complete, it must tell how many employees the organisation has -

- a) in each department.
- b) in each section.
- c) in each unit.
- d) under each payscale
- e) of either sex (i.e. male,female)
- f) of each age group and so on.

A collection of people contains an accumulation of individual skills and abilities, which enhance the total synergy effect. Hence the manpower inventory must provide a detailed analysis of these skills.

The skills inventory should provide valid information about professional and technical skills. The realisation of skills possessed by individual employee increases the opportunities for promotion and transfer. By providing a guide to individual growth it can assist in personnel growth. By gathering information on skills the planning could be made effective. A skills inventory reveals what skills are immediately required. It will also tell what skills are not available or should be developed further in order to meet a particular situation.

The planner may decide the mode of preparing its skills inventory. No matter which method is used it should give the planner the following information.

1. Education, qualification and experience.
2. Linguistic ability.
3. Work experience
4. Expertise
5. Other skills and abilities.

At the first stage, this inventory may take the form of a summary of paper qualification and show the number of undergraduates etc. A further breakdown should separate a science graduate from a management graduate and so on. The purpose of such analysis is to provide answer to the questions likely to be posed by the organisation. Hence the information which is unlikely to be used is of little value.

The other factors which should be taken into account are :-

a) Age distribution analysis :

This would show an over all age distribution. Study of such analysis can point out the areas which have age distribution problems.

b) Age structure in management :

With increasing number of younger men reaching high managerial position, the age distribution within the management group may serve as a pointer to indicate the trouble areas.

c) Age grade distribution :

Grade provides a basis for finer analysis against age gaps in the pattern may indicate succession problems likely to occur in future.

iv) Manpower Audit :

Manpower Audit, the systematic examination, will produce descriptive statements of the manpower environment. The skills Inventory calls for collection of data, while the manpower unit requires analysis or systematic examination of the data. Manpower Audit describes the collection of data together with its analysis. After this ratios and trends affecting the manpower resources situation are calculated.

The Manpower Audit seeks answers to the specific questions such as -

1. What is the picture of starts and terminations ?
2. What is the picture of absences ?
3. Which type of labour is difficult to recruit ? Easy to find ? Has this always been so ?
4. What is the picture of salary and age distribution of terminations and absences ?
5. What are the trends in the labour market for the skills we need ? Are we paying the competitive rates.

6. Why do people leave us to work elsewhere ?
Can we make our employment more attractive ?
7. What is the situation in near by regions ?
Where do our recruits come from ?
8. Is local government policy on housing
development going to increase the labour
force in the area; or, is its policy on
industrial development going to place an
increased strain on local skill resources
and so on.

v) Assessment of the Market Supply Situation :

The manpower inventory is concerned mainly with existing employees. Knowledge of the availability of various types of manpower for employment is a valuable subsidiary aid, especially if the manpower plan which follows asks for substantial additional help. Collection of data on a very wide range of employee categories under this heading would be difficult, although a large company may consider it worthwhile. More often they list those categories which have some indication of recruitment difficulty and those likely to be required in bulk.

Reports are compiled most easily by the recruitment officer as the individual inclosesttouch

with the manpower market, but many other people may add some intelligence report to the picture. For example, news of some redundancy may indicate that categories of staff normally in short supply are temporarily available.

The report should be as specific as possible and should tell the planner when, where and at price the manpower would be available. For example, people may be available from another industry but need training before becoming effective. The type and length of training required must be known if the data are to be usable.

vi) Estimating Manpower Supply :

After determining manpower needs of a company, the manpower planner should think about the supply of manpower to fulfil the needs. There are two types of resources for manpower supply viz. internal resources and external resources.

i) Manpower supply from internal resources :

The manpower supply from internal resources depends on two factors -

They are (i) The extent to which the present employees survive in the organisation; and

(ii) The rate of internal turnover
(i.e. transfer, promotion etc.) of personnel
in the organisation.

We thought much of stability of labour in a firm. But in a business internal movements of employees also go on continuously. For example, vacancies in a department may be created by transfer of a number of employees from that department to some other department. Similarly, a vacancies would be created when a person is promoted. These vacancies are to be filled up by new recruitments. So a manpower planner should give due importance to this internal movement of labour.

ii) Manpower Supply from External Sources :

Manpower planner would have to think out the ways and means to get the number and type of personnel as determined by forecasts of manpower needs of a firm.

If internal supply is inadequate for this purpose , external sources for supply of manpower should be considered by him. Whether the required manpower would be available to the area where the

company is operating, will be thought out first. Then the manpower requirements of other companies should also be given attention. For this, the statistics made available by the Government agencies like employment exchanges, can be made use of.

Figures of educational facilities, number of students studying in colleges, their number in different branches of knowledge etc. can be most useful to manpower planner.

To plan the necessary course of Action.

Now , it becomes necessary to implement a manpower plan after estimating manpower needs, supply etc.

The two estimates seldom match with each other. It would be necessary to bridge the gap between the two estimates. In case of manpower requirements estimate exceeding the estimate of manpower supply, efforts must be done to equate the two by recruitments. The two factors controlling the supply of manpower should be appreciated at this point.

They are labour supply position in the market and company's own budget. The distribtuion of income

is made in the budget and thus it puts restriction on the numbers of persons to be employed. However, provisions are made for finance keeping in view the manpower requirements of the company. Thus it is a two way traffic. While budgeting, manpower requirements should be given consideration and at the time of manpower planning, the company's budget is to be constantly kept in mind. There should be, therefore, proper co-operation between budget and manpower plans.

Four determinants of the final manpower plan are : *1

- i) Manpower utilization.
- ii) Manpower supply.
- iii) Training.
- iv) Personnel policies.

Let us see the effect of all these four factors on manpower planning.

*1 Personnel Management and Industrial Relations

- Dale Yoder

Prentice Hall of India Pvt.Ltd

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i) Manpower Utilisation :

The present manpower should be used best for the advantage of the business. Maximum productivity should be achieved for this. This can be done if two factors are taken care of.

First, all the employees should be so placed that all the jobs are done most efficiently. For this job analysis is necessary. Equilibrium should be maintained between what a job demands of an employee and what the employee can do. This is nothing but placing the right man on a right job.

Secondly, the jobs should be assigned to employees in such a way that they derive greatest job satisfaction. For this, factors like zeal of an employee, individual behaviour, group behaviour, Leadership etc. should be studied.

Manning ratio can be used to see whether maximum productivity is being achieved. This ratio takes proportion of number of employees in the company to total productivity. Manning ratio can only show the level of productivity but cannot give reasons for low productivity. For this, tests like time-study, motion study etc. are performed and the results are implemented. Manpower plan should show

the means to increase the productivity of employees.

ii) Manpower Supply :

In manpower plan, the action necessary to equate manpower requirements and supply are given. Arrangements for internal supply are also mentioned. If there are difficulties in obtaining manpower from external sources, the steps to do away with these difficulties should also be shown.

While thinking of internal supply, promotion policy is also formulated or modified, if necessary. In accordance with future requirements, suggestions to make promotions speedier or slower can be made. The fact that dissatisfaction may arise in employees' promotions are delayed should also be considered.

For development of employees manpower planner should also think of transfers. Transfers can be suggested keeping in view manpower requirements.

If employees in a department are found to be more than future requirements and if it is not possible to absorb them by transfer or promotion, plan for dismissal of some of them should also be prepared in advance.

iii) Training :

It is found that a certain type of trained employee will be required in future, necessary training should be planned. New recruits should be imparted initial training. While development programmes should be imparted initial training. While development programme should be undertaken for betterment of current and experienced employees.

iv) Personnel Policies :

Personnel policies affect manpower supply. Personnel policies not only affect scopes for recruitment but also the survival rate of current employees salaries, perquisites, conditions of service etc. are important for this purpose.

Whether present employees would continue for a long time in the organisation depends upon personnel policies. The manpower planner should study present situation of personnel policies and suggest modifications, if necessary.

3.6 ADVANTAGES OF MANPOWER PLANNING :

The importance of manpower planning has been recognised by Western countries. In India, much attention is not being given towards this section

of planning. If manpower planning is practised in its true perspective, following gains can be achieved.

1. Arrangements for recruiting new employees or training current employees can be made, keeping future manpower needs in mind. As a result, the company's production or any work for that matter, does not stop for lack of employees.
2. When present employees are trained for some higher positions, their spirits soar higher. Such psychological effects are much desired in a firm to keep up the worker's morale.
3. While carrying on the process of manpower planning deficiencies of the personnel of the organisation can be noticed. Training programmes can be undertaken to cover up these deficiencies. In this way, present manpower can be made more efficient.
4. Though the ~~ma~~ unemployment is a burning problem of India, scarcity of skilled and efficient persons to occupy top management positions is always felt. In such a situation, manpower needs can be fulfilled by training intelligent and efficient people in the organisation. ^{*1}

*1 Indian Planning Commission's Report on Second Plan - 1967.

5. In some manufacturing concerns, labour charges constitute 25 to 40 percent of total cost of production. In certain units engaged in providing services, salaries from 50 to 60 percent of total expenditure. To control these costs effectively, manpower planning is a must.

6. Manpower planning can guarantee the availability of persons with required skills for long term plans.

7. Manpower planning tries to see that there is no excess or lack of manpower in future.

If there is excess manpower it would mean additional costs for the company. Also, the company may not be in a position to retrench workers because of powerful trade unions.

On the other hand, lack of manpower would mean a fall in output and consequently fall in profitability of the firm.

3.7 LIMITATIONS OF MANPOWER PLANNING :

There is no dispute over usefulness of manpower planning, but a few limitations of manpower planning should also be enlisted -

1. Further is uncertain. Changes in technology, social values, political ideologies, economic conditions etc, can not be forecast with certainty. We can only say that probability of happening a particular thing is more. The manpower planning based on this uncertain assumptions may prove dangerous at times. However, those who favour of manpower planning argue that it is better to try our best and plan, rather than leaving all our actions to luck.
2. We can forecast how many vacancies would be created at a future time. But we cannot show where particularly the vacancies would arise. So no certain steps can be taken as far as new recruitments are concerned.
3. Many a time, top management does not extend their co-operation when manpower planning is thought about. Conservative administrators think that there is no need for manpower planning in India because of high rate of unemployment and abundance of labour in this country. The lack of interest on part of top managers is also a vital limitation to success of manpower planning.

We see that there are no intrinsic drawbacks of manpower planning. Its limitations arise from uncertainty of predictions, methods used and behaviour of management. As there continuous to be more and more research in this field, manpower planning is due to become more accurate.

3.8 A PROCEDURE FOR PREDICTING MANPOWER SHORTAGE
OR SURPLUS :

START WITH

:

<p><u>CURRENT LENSUS</u></p> <p>The number of people in the group being studied.</p>
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:

:

FROM THIS NUMBER SUBSTRACT

:

:

<p><u>EXPECTED LOSSES</u></p> <p>The number of people expected to leave the group between now and a selected time in the future.</p>
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:

:

TO THE RESULTING NOM ADD

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<p><u>EXPECTED PROMOTION</u></p> <p>The no.of people now in the organisation but not in the group who are expected to be promoted to the group by the selected future time.</p>

<p><u>REPLACEMENT NEEDS</u></p> <p>The no.of people expected to leave the group between now & selected future time who are expected to be replaced.</p>

:

:

THE RESULTING NO. IS
PREDICTED INTERNAL
SUPPLY.

:

:

TO THE RESULTING NO.
ADD
GROWTH NEEDS IF ANY
THE RESULTING NO. IS
PREDICTED DEMAND.

SURPLUS / SHORTAGE

TO BE MET BY EXTERNAL SUPPLY