

## STUDENT SUMMARY NOTES

# chapter 4 workforce planning and diversity

## Chapter overview

This chapter will look at the transition from a traditional manpower planning approach, driven by top-down planning based on numeric techniques, towards HRP as a feature of HRM. The emphasis on quantities, flows and mathematical modelling, which appeared to be the main concern of manpower planning in the 1960s and 70s, is at least complemented by and integrated with a qualitative view of people whose performance lies at the core of business strategy. We have also shown that performance lies at the core of various models of HRM composed of an arrangement of HR practices. HRP will therefore be concerned with the development and provision of a framework that allows an organization to integrate key HR practices so that it may meet the needs of employees, enhance their potential and meet the performance needs of business strategy.

### Chapter objectives:

After studying this chapter, you should be able to:

1. Explain the place of planning in human resource management
2. Explain the difference between manpower planning, human resource planning and workforce planning
3. Give details of the use of ICT in workforce planning
4. Understand the requirements for diversity management
5. Explain the various meanings of and approaches to flexible working
6. Outline key ideas in human resource accounting

## Introduction

How will Brexit impact on employment opportunities for graduates? How will Brexit impact on organizational planning? Strategic management implies planning. The HR function faces a dilemma in becoming more strategic. A 'hard' version of HRM puts stress on a plan for people that should 'fit' the plan for the business. A 'soft' version emphasizes people as assets who can be developed and through whose commitment and learning an organization might achieve competitive advantage. In the 2000s, there is growing evidence that progressive HR practices can enhance a company's sustainability and profitability if there is integration with business purpose although there is also evidence of a failure by many senior managers to recognize this.

**Study tip:**

The opening questions, *How will Brexit - 'hard', 'soft' or 'red, white and blue' versions - impact on employment opportunities for graduates? How will Brexit impact on organizational planning?* provide a useful introduction to the topic.

## People and planning

At the start of the 21st century there are increasing claims that the route to competitive advantage is achieved through people. A crucial element in this is the degree to which a link exists between HR practices and performance of the business exists, or the so-called 'bottom line'. Further, according the Resource-Based View of the firm, an organization can derive competitive advantage from its resources through the development of HRM systems and routines which are unique to that organization

## Manpower planning

Today, the term 'manpower planning' has been replaced by the more gender-neutral term, 'workforce planning'. Manpower planning owed its importance to the importance of business strategy and planning in many organizations, where a plan represents one of the outcomes of a process that seeks to find a solution to a defined problem.

Business strategy and plans find their expression in measurable financial, marketing and production targets with an implicit or explicit demand for people. The manpower plan represents a response by the personnel function to

ensure that the necessary supply of people is forthcoming to allow the targets to be met (see **Figure 4.1** p.106).

The manpower plan is expressed to fit the overall business strategy and plan, showing how the demand for people and their skills within an organization can be balanced by supply. The rationalized approach leading to a balance of demand and supply can be found in some of the definitions and explanations of manpower planning over the past 30 years.

### **Diagnosing manpower problems**

Manpower planning has been a suitable area of interest for operational research and the application of statistical techniques. An organization can be envisaged as a series of stocks and flows as part of an overall system of resource allocation.

With the growing use of computers, the techniques and models became more ambitious and probably beyond the comprehension of most managers.

Manpower planning techniques can be used to understand and deal with 'real' manpower problems. This is a diagnostic approach to manpower planning. Key manpower measures such as turnover, retention and stability and absenteeism can be calculated either monthly or quarterly and expressed graphically to reveal trends and future paths.

These measures can be used in order to identify problem areas and understand why they are occurring (see **Figure 4.2** p.108).

### **Employee turnover**

Explanations for voluntary employee turnover fall into two categories:

- Economic or labour market reasons
- Psychological reasons

**Study tip:** Workforce planning information can be obtained from various sources. The ACAS book on absence and turnover at [http://www.acas.org.uk/media/pdf/q/e/B04\\_1.pdf](http://www.acas.org.uk/media/pdf/q/e/B04_1.pdf), for example, provides examples of measurements. Note also that research on the psychological features of employee turnover are useful when examining the turnover of high-skilled workers.



By revealing complex factors of concern, manpower planning becomes integrated into the whole process of management of the employment relationship, which itself plays a proactive part in affecting organization, strategy, structure and practices.

## Human resource planning

In both the diagnostic approach and the rationalised approach, manpower plans are established with reference to a predetermined strategy. HRP seeks to make the links between strategy, structure and people more explicit.

Various studies show that there is benefit in adopting a 'high road' HRM strategy of high training, high involvement, high rewards and quality commitment. Further HR practices need to be introduced together in a 'bundle' so that they enhance and support each other. By contrast 'low road' HRM is characterized by low pay, low job security and work intensification.

### **HRM and globalization 4.1** Migrant workers in Qatar: the impact of regulatory failures on workforce planning

This feature (p. 111) illustrates how the legislative framework of a country can effect the options available to organizations when it comes to workforce planning. The case also suggests that the state is not a neutral actor in the labour market.

## Workforce planning

Brexit and globalization makes workforce planning a challenging exercise. Many organizations respond to economic difficulties by cutting costs and making staff redundant, e.g. Northern Rock is cited in the chapter. With a pressure to sustain or increase profits, employees are more likely to be treated as a 'number' in the quest to reduce costs.

It is also realised that losing staff could have negative consequences:

- there is the loss of skill, knowledge and wisdom which employees accumulate over years of practice at work.
- the result of downsizing may be a loss of productivity

- those employees who remain at work after a period of downsizing may experience the 'survivor syndrome'-effects of guilt, lower motivation and commitment, mistrust and insecurity where they respond sympathetically towards those made redundant
- redundancy is stressful for those made unemployed, possibly through the process of being made redundant itself and then through the experience of unemployment.

## The use of ICT in workforce planning

Information and communication technology (ICT) has been developed to support HRP activities via human resource information systems (HRISs). There are three types of ICT application in HRM:

- Transaction processing/reporting/tracking applications covering operational activities, for example payroll, record-keeping and performance monitoring
- Expert systems to improve decision-making based on an analysis of decisions concerning such issues as sources of new recruits, salaries and training needs
- Decision support systems to improve decision-making through the use of scenario modelling in areas where there are no clear answers, for example teams formation and management development programmes.

### **HRM in practice 4.1:** Does the UK produce too many graduates?

This example (p. 114) draws attention to some of the challenges of workforce planning at both individual and government level.

In the 2000s, many HR departments are using the Internet and related technologies to support their activities - a process referred to as e-HR.

One trend is to outsource many transactional services to outside HR service centres. It is claimed that the transfer of administrative work will allow HR staff to concentrate more on strategic and high value-added work.

## Diversity management



One of the most important trends in recent years has been the growing interest in the benefits to be achieved by planning for a diverse workforce. This move to diversity can be seen as an extension but also a contrast to the promotion of Equal Opportunities (EO) during the 1970's and 1980's.

For diversity to be taken seriously, senior managers need to acknowledge and act upon cultural traditions that play a part in maintaining normative value sets that will be an obstacle to advancing diversity in the workplace.

Organizations need to research and analyse their own diversity profile.

## Flexibility

Many organizations invoke the idea of flexibility, a term subject to a variety of different meanings with a variety of implications for HRP.

Drawing on the idea of labour *market segmentation*, a classification of employment based on:

- a) the degree to which workers have flexible skills which are specific to an organization
  - b) the degree to which work contains discretionary elements that provide stable earnings
- helps to explain how and why some organizations will adopt different approaches to the management and planning of the employment relationship for different groups of employees.

The model of a *flexible firm* identifies four types of flexibility:

- a) functional
- b) numerical
- c) distancing strategies
- d) financial

Within the flexible firm, the workforce can be divided into a 'core' group surrounded by 'peripheral' groups.

## Zero-hours contracts

The widespread use of zero-hours contracts in the UK labour market is a major area of research. The advantage to both employers and employees is debated in the chapter (see also HRM in Practice features).

**Study tip:**

Go to the HRM As I See It (p. 125), which features a HR professional, Karen Jochelson, talking about diversity and action planning.

## Teleworking

An important variation in working patterns has been the growth in teleworking and/or home working. There are five main types of teleworking:

1. Multi-site: alternation between working on an employer's premises and working elsewhere, usually at home but also in a telecottage or telecentre
2. Tele-home working: work based at home, usually for a single employer and involving low-skilled work performed by people who are tied to their homes
3. Freelance: work for a variety of different clients
4. Mobile: work carried out using communication technologies such as mobile phones, fax machines, PC connections via the Internet often by professional, commercial, technical and managerial staff who work 'on the road'
5. Relocated back-functions (call centres): specialist centres carrying out activities such as data entry, airline bookings, telephone banking, telephone sales and helpline services

Call or Contact Centres: A significant feature of telework and regarded as one of the 'success stories' of the UK economy over the last decade employing around 800, 000. The claim is that customers can be serviced at lower cost though the use of telephones and other ICT with the added possibility of learning about customers to enable cross-selling. There is also evidence of job intensification with high absenteeism and turnover of staff. Further cost savings are being achieved through offshoring.

**Study tip:** Offshoring can be connected to the general process of outsourcing. The example of BA can be used to consider the value of outsourcing and the pitfalls. In your peer study group, see the reflective question to help you reflect on the issues.

The effect on motivation and commitment:

Attempts to create the flexible job by removing demarcations and boundaries between areas of work can often mean a loss of valued features of work such as control over the pace of work. Extending responsibilities within a job, but



removing promotion prospects, often as a result of flattened hierarchies, can easily engender feelings of job insecurity.

**HRM in practice 4.2:** Planning the headcount on the policy roller-coaster

This example (p. 126) further illustrates how workforce planning and the supply and demand of labour are inevitably affected by state policy.

## **Offshoring and outsourcing**

The chapter discusses the transfer of call centres overseas to cut costs. Offshoring has become linked to claims of increasing productivity. Organizations can also reduce costs by outsourcing, which it is argued allows organizations to focus on their core capabilities. The successful outsourcing of activities can result in the outsourcing HR functions.

## **New workers**

Four generations of workers can be found within a majority of large organizations: Baby-boomers (born after WW@ up to 1965); Generation X (born between 1966-76); Generation Y or the Millennials (born around 1977-94) and the new entrants to the workforce, those of Generation Z (born from 1995). These different generations of workers will tend to have different goals, aspirations and needs.

## **Attitudes to work**

Unsurprisingly, the growth of zero-hours, outsourcing and short-term contracts has generated research interest in the effects of different employment contracts on commitment and motivation to work. The significance of the psychological contract is discussed (see also Chapter 1).

## **Redundancy**

Redundancy or 'down-sizing' has become a feature of western economies over the last three decades. Research suggests that downsizing impacts negatively on those workers who remain at the organization. Making people redundant would appear to contradict the HRM rhetoric that "people are our greatest asset".

## **Human resource accounting (HRA)/human capital management**





Human resource accounting (HRA) is defined as the process of identifying, quantifying, accounting and forecasting the value of human resources in order to facilitate effective HRM

People in organizations differ from other assets - unlike capital items and materials they cannot be owned by an organization.

The value-added by people can increase over time through the knowledge and skills that they develop from the performance of work and specific activities such as training and development.

There have been attempts to account for the value of people in organizations and include this value in the balance-sheet.

People's knowledge and understanding has a value that is greater than the cost of their employment and forms part of an organization's intangible assets or intellectual capital.

**Study tip:** In your peer study group, reflect on the Reflective Question (p.135) and the intellectual capital of your course? How is this intellectual capital valued?

## Engaging in critical thinking

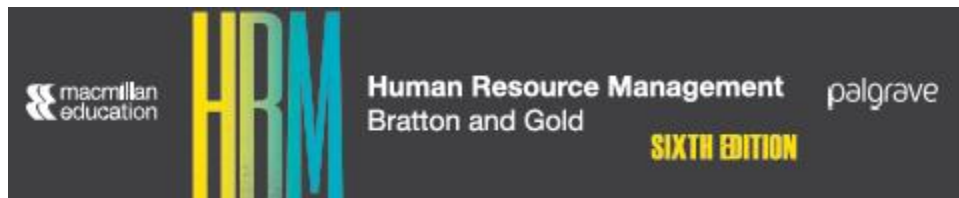
### Chapter case study: Showing the impact of adult social care in ABC City Council

This case study provides a contemporary example of the need and challenges associated with producing a workforce plan.

**Tip to students:** You should avoid the mechanistic features of workforce planning techniques and incorporate into your assignment published research that attempts to show how the idea of a 'high road' HRM strategy and a 'bundle' of HR practices can lead to positive outcomes and an impact on the organization's bottom line. Such HR practices can reduce turnover, increase employee commitment and thereby save operating costs.

### Reflective question/essay question

Can human resources be planned to improve organization performance?



**Tip to students:** This question is an invitation to you to explore some of the assumptions that underpin HRP and HRM more generally. You should avoid the mechanistic features of workforce planning techniques and instead look at more recent work that attempts to show how the idea of a 'high road' HRM strategy and a 'bundle' of HR practices can lead to positive outcomes and an impact on the organization's bottom line.