

Master GRH English program

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CONCEPTS AND PROCESS OF HUMAN RESOURCE PLANNING

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2.1 INTRODUCTION TO HUMAN RESOURCES PLANNING (HRP)

Dear future managers, up till now you all must have got a sample of what is in store for you. Essentials of management, Organizational behavior and other papers must have taught you how important it is to organize, and therefore for that plan in advance to remain ahead in business. That's the secret of success in today's world!!

In lieu with that, we will discuss the ins and outs of human resources planning starting with:

- What it is exactly,
- Why is it so important,
- How it is related to the macro: corporate planning, strategy and objectives,
- How do you go about it i.e. HUMAN RESOURCE PLANNING PROCESS,
- What are the environmental factors to be taken care of while planning?
- Problems you might counter while doing this process, and finally
- What is the latest in HRP? yes! HRP. It is short for human resources planning! You might come across manpower planning in some books that is how it used to be referred to as earlier!!!)

To understand the Human Resource Planning First, we will see what is planning? And why is it needed?

What is planning? Plans are methods for achieving a desired result. Goals or objectives are specific results you want to achieve. Planning is thus “the process of establishing objectives and courses of action prior to taking action.”

What is planning concerned with? Planning provides a sense of purpose and direction. It is a comprehensive framework for making decisions in advance. It also facilitates the organizing, leading, and controlling functions of management. Planning: allows you to make your decisions ahead of time, it helps you to anticipate the consequences of various courses of action, it provides direction and a sense of purpose, it provides a unifying framework against which to measure decisions, and thus helps you avoid piecemeal decision making. Planning also helps identify potential opportunities and threats, and facilitates control. It is concerned with the end (what is to be done) as well as with means (how it is to be done). **Is planning really needed?** If organizations never faced changes in the environment, there would have been no need for planning. Planning is one of the functional areas of HR.

Human Resource Planning (HRP): is the process of systematically reviewing human resource requirements to ensure that the required number of employees, with the required skills, is available when they are needed. After an organization’s strategic plans have been formulated, human resource planning can be undertaken. Human resource planning has two components: requirements and availability. Forecasting human resource requirements involves determining the number and type of employees needed by skill level and location. In order to forecast availability, the human resource manager looks to both internal sources (presently employed employees) and external sources (the labor market). When employee requirements and availability have been analyzed, the firm can determine whether it will have a surplus or shortage of employees. Ways must be found to reduce the number of employees if a surplus is projected. Some of these methods include restricted hiring, reduced hours, early retirements, and layoffs. If a shortage is forecasted, the firm must obtain the proper quantity and quality of workers from outside the organization. In this case, external recruitment and selection is required. The process of anticipating an organization’s future human resource needs and then developing action plans for fulfilling identified needs. The systematic review of human resource requirements getting the right people at the right place at the right time

It can also be defined as the task of assessing and anticipating the skill, knowledge and labor time requirements of the organization, and initiating action to fulfill or ‘source’ those requirements. Thus, if the organization as a whole or one of its subsystem is not performing to the benchmark, in other words, it is declining, it may need to plan a reduction or redeploys its existing labor force. If you go look back in history, you will come across example of such activities (remember the dot com burst!! And how Hindustan motors had to redeploy its workforce from uttarpada in Calcutta to pithampur in M.P. to avail the strategic advantage and save itself from closing down). On the other hand, if it is growing or diversifying, it might need to find and tap into a source of suitably skilled labor (for example: GE, the pioneers in BPO industry went for large scale recruitment while setting up office here in India.). That is why; we need to plan in advance even for procuring human resources, which in contrast to a general myth are not abundant!! Thus, in the same line, we propose that organization can achieve its goals

effective through effective contingencies of all the HR functions; for example, the structure of an organization and the design of the job within it affect an organization's ability to achieve only through the efforts of people. It is essential therefore, those jobs within the organization be staffed with the personnel who are qualified to perform them. Meeting these staffing needs requires effective planning for human resources.

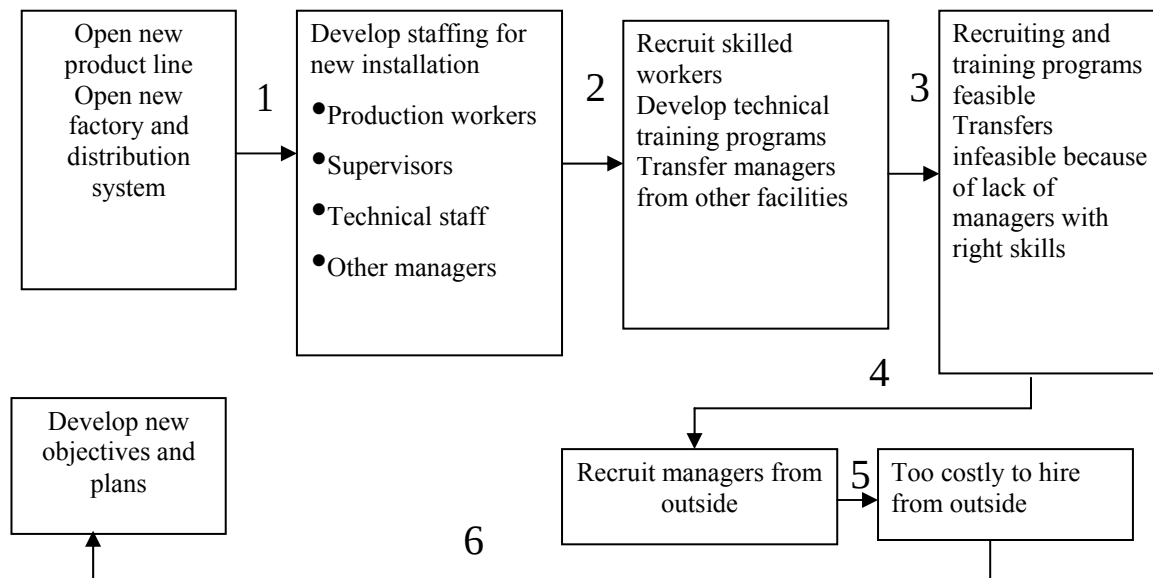


Fig 2.1 Example of the Basic Human Resource Planning Model

2.1.1 Objectives

The objectives of HRP are mainly to:

- Ensure optimum utilization of human resources currently employed;
- Assess or forecast future requirements;
- Cope up with the changing scenario;
- Attaching with business plans of organization;
- Anticipate redundancies;
- Provide basis for human resource development (HRD); and
- Assist in productivity bargaining.

Benefits of HRP: Proper HRP results into a number of benefits. Some of them are:

- Create reservoir of talent.
- Preparation for future HR needs.
- Promote employees in a systematic manner.
- Provide basis for HRD.
- Help in career and succession planning.
- Helps in planning job assignments
- Helps cope with fluctuations in staffing
- Identifies recruiting needs
- Provides other useful information

2.1.2 Need for HRP at Macro Level

Major reasons for the emphasis on HRP at macro level include:

Employment-Unemployment Situation: Though in general the number of educated unemployed is on the rise, there is acute shortage for a variety of skills. This emphasizes the need for more effective recruitment and retaining people.

Technological Changes: The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on job contents and job contexts. These changes cause problems relating to redundancies, retraining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

Organizational Changes: In the turbulent environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

Demographic Changes: The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.

Skill Shortages: Unemployment does not mean that the labor market is a buyer's market. Organizations have generally become more complex and require a wide range of specialist skills that are rare and scarce. Problems arise when such employees leave.

Governmental Influences: Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract lab out, etc. have stimulated the organizations to become involved in systematic HRP.

Legislative Controls: The days of executive fiat and 'hire and fire' policies are gone. Now legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labor law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

Impact of Pressure Groups: Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressures on enterprise management such as internal recruitment and promotions, preference to employees' children, displace persons, sons of the soil etc.

Systems Concept: The spread of systems thinking and the advent of the macro computer as part of the on-going revolution in information technology which emphasizes planning and newer ways of handling voluminous personnel records.

Lead Time: The long lead time is necessary in the selection process and for training and deployment of the employee to handle new knowledge and skills successfully.

2.2 PROCESS OF HRP

The process of HRP is entirely based on the corporate plans and objectives. HRP is a continuous process of review, control and assessment. Figure 2.2 clearly indicates the HRP process. The following below points depicts the steps in process of HRP:-

- Determine the impact of organizational objectives on specific organizational unit.
- Define the skills required to meet objectives (demand for Human Resource)
- Determine additional human resource requirements in light of current HR (net HR requirements)
- Develop action plan to meet the anticipated HR needs

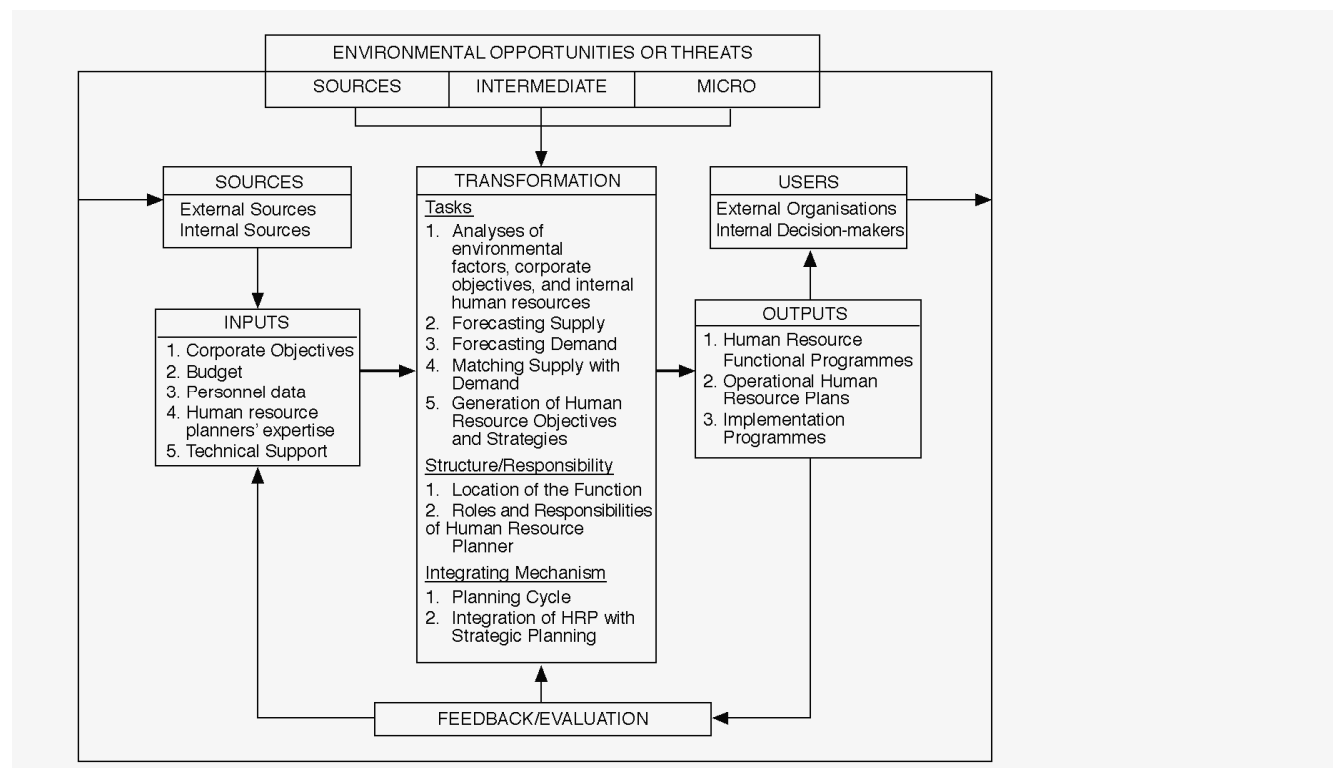


Fig 2.2 Human Resource Planning Process

The major stages of HRP are as follows:

Analyzing Operational Plans: It consists of the following sub stages:

1. Objectives and strategic plans of the company are analyzed.
2. Plans concerning technological, finance, production are analyzed and HRP is prepared keeping these in mind.
3. Future plans, goals, and objectives of the company are also taken into account.

Human Resource Demand Forecasting: HR demand forecasting mainly involves three sub functions:

1. **Demand Forecast:** Process of estimating future quantity and quality of human resources required.
2. **Manpower Gaps:** Depending upon the requirement existing surplus human resources having desired skills are matched, if not found then shortage is shown.
3. **Supply Forecast:** Basing on the existing HR inventory and the demand forecast, the supply forecast of human resources is carried out in an organization.

2.2.1 Problems in HRP Process

The main problems in the process of HRP are as follows:

1. **Inaccuracy:** HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
2. **Employee resistance:** Employees and their unions feel that by HRP, their workload increases so they resist the process.
3. **Uncertainties:** Labor absenteeism, labor turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
4. **Inefficient information system:** In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.
5. **Time and expense:** HRP is time consuming and expensive exercise, so industries avoid.

2.3 BARRIERS TO HRP

Planners face significant barriers while formulating an HRP. The major ones are the following:

1. People question the importance of making HR practices future oriented and the role assigned to HR practitioners in formulation of organizational strategies. Their argument is simple-there are people when needed. Offer attractive package of benefits to them to quit when you find them in surplus.
2. HRP is entirely dependent on the HR forecasting and supply, which cannot be a cent per cent accurate process.
3. HR practitioners are perceived as experts in handling personnel matter, but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organizational plan, might make the overall strategic plan itself defective.
4. Employees and their unions feel that by HRP, their workload increases so they resist the process.
5. HR information often is incompatible with the information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting often to the exclusion of other types of information.
6. In Indian industries, HRIS is not much strong. In the absence of reliable data it is not possible to develop effective HRP.

7. Conflicting may exist between short-term and long-term HR needs. For example, there arises a conflict between the pressure to get work done on time and long-term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. These managers fail to recognize that by resorting to hiring or promoting depending on short-term needs alone, long-term issues are neglected.
8. Labor absenteeism, labor turnover, seasonal employment, technological changes and market fluctuations are the uncertainties which HRP process might have to face.
9. There is conflict between quantitative and qualitative approach to HRP. Some people view HRP as a number game designed to track the flow of people across the departments. These people a strictly quantitative approach to planning. Others take a qualitative approach and focus on individual employee concerns such as promotabilty and career development. Best results would accrue if there is a balance between the quantitative and qualitative approaches.
10. Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a coordinated effort on the part of operating managers and HR personnel.
11. HRP is time consuming and expensive exercise, so industries avoid.

2.4 STRATEGIC PLANNING

A strategy is an overall approach and plan. So, strategic planning is the overall planning that facilitates the good management of a process. Strategic planning takes you outside the day to-day activities of your organization or project. It provides you with the big picture of what you are doing and where you are going. Strategic planning gives you clarity about what you actually want to achieve and how to go about achieving it, rather than a plan of action for day to- day operations.

Strategic planning enables you to answer the following questions:

- Who are we?
- What capacity do we have/what can we do?
- What problems are we addressing?
- What difference do we want to make?
- Which critical issues must we respond to?
- Where should we allocate our resources? /what should our priorities be?

Some suggestions:

- You need a strategic planning process when the strategic framework within which your organization or project functions needs to be developed, clarified, or consolidated.
- Don't do a strategic planning process more than once every two years unless the external or internal context has changed dramatically. Usually once in three years is enough. This does not exclude you from doing a strategic review more often, say once a year. A strategic review is quick - a day or less where you look at the strategic framework, against what is happening internally or externally, as a sort of reality check.

- There are various times in the life cycle of a project or organization where it makes sense to do a strategic planning process. So, for example, when you are initiating a new project or new organization, then you need to do a strategic planning process. If you have just had a major evaluation of the organization or work, and this has led to challenging recommendations, then you may decide to have a strategic planning process immediately afterwards. When you reach the end of a major phase in a project, it makes sense to review progress and prepare for the next phase through a strategic planning process.
- It is not possible to do a thorough strategic planning process in fewer than three days. If you are not used to this sort of process, you will need at least four or five days.

Thus human resource is one element of the overall corporate strategy or plan, and the two are **mutually inter-dependent**. If the corporate plan envisages a cut in output, for example, or the closure of a particular plant, then the human resource plan will need to consider redeployment of staff, redundancies and so on. If the corporate plan specifies a move into a new product market, the human resource plan will have to source the required labor from outside or within the organization, through recruitment or training.

You will understand this more from a real live example take Wipro InfoTech .You see 3-4 years back when the concept of SAP and CRM had emerged strongly, Wipro too decided to implement SAP. So it formed a team of its own employees selected from each functional department, trained them from Siemen and with the help of SAP consultants, the team designed and implemented the same. So you see, the organization decided to recruit internally. This way the skill remained within the company and the same team after the initial phase of design trained all the rest of the employees (in batches) on how to use this system. After the system was implemented fully, the team was disbursed and reassigned roles. Only a few remained as a troubleshooting team. But you as student should keep in mind that the availability of labor resources in turn, can act as a constraint on, or spur to, the achievement of corporate goals. If there are skill shortages and employees cannot be recruited, plans for expansion may have to be curtailed. The availability of multi-skilled or expert teams, on the other hand, may inspire innovative strategies for growth and change. So you get the concept of organization being systemic in nature.

The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility. The role of HR in the strategic planning process depends on the organization's view of HR. There are three views detailed in the text which involve HR as an operational function, HR as a "fitting" function, and HR as an equal partner in the strategic planning process. Obviously, it is our contention that the latter is the appropriate view. In this view, HR's role would include environmental scanning, competitive intelligence, internal strengths and weaknesses analysis, and the implementation of the strategies. HR process involves following activities or steps:

HR Planning Process:

1. **Determine the organizational mission:** It states Organization's overall purpose and basic business scope and operations it provides information like, why does our organization exist? What unique contributions can it make?

2. **Scan the organizational environment:** This is also known as SWOT analysis through this process organizations identify different opportunities available in the market and the threats that can be faced by the organization, and the weaknesses and strengths possessed by organizations are also measured and identified through this process.
3. **Set strategic goals:** To achieve the overall mission or purpose of the organization it is required to set specific long-term and short term objectives and goals. The goal can be defined as desired outcomes to accomplish mission. Following are the characteristics of effective goals. (i) Specific (ii) Challenging (iii) Measurable
4. **Formulate a strategic plan:** Courses of action is designed to meet strategic goals, also specifies functional or departmental goals are selected at this step.

Strategic Planning and Strategic Trends

1. **The Basics of Strategic Planning** A strategy is the company's plan for how it will balance its internal strengths and weaknesses with its external opportunities and threats and maintain a competitive advantage. Managers engage in three levels of strategic planning: (i) Corporate-Level Strategy (ii) Business-Level Competitive Strategy, and (iii) Functional Strategies.
2. **The Strategic Planning Process** entails conducting a SWOT analysis to identify its strengths, weaknesses, opportunities, and threats.
3. **Basic Strategic Trends** Globalization refers to the tendency of firms to extend their sales, ownership, and/or manufacturing to new markets abroad. For businesses everywhere, the rate of globalization in the past decade has been enormous, and has several strategic implications for firms. Technological Advances have been forcing, and enabling, firms to become more competitive. The Nature of Work is changing due to new technological demands. The Workforce demographics are changing as well. It's becoming more diverse as women, minority-group members, and older workers enter the workforce.
4. **Managerial Consequences of the Basic Trends** Managers have to craft strategies that balance opportunities and threats (like those previously discussed) with their firm's strengths and weaknesses, such as global expansion and improved competitiveness strategies. These types of strategies are driving other organizational changes.

HR's Strategic Role

1. **HR's Evolving Role** It's the firm's workforce that provides the competitive advantage for the firm. HR's role is shifting from protector and screener to strategic partner and change agent.

2. **Strategic Human Resource Management** refers to improving business performance and developing an organizational culture that fosters innovation and flexibility by linking HRM with the strategic goals and objectives of the firm.
3. **HR's Role** As a Strategic Partner can be seen as either adapting individual HR practices to fit specific corporate and competitive strategies or as an equal partner in the strategic planning process.
 - **HR's Role in Executing Strategy** Execution has been HR's traditional strategic role.
 - **HR and Value Chain Analysis** Strategy execution usually involves identifying and reducing costs, and therefore value chain analysis.
 - **HR's Role in Formulating Strategy** HR management can play a role in environmental scanning by assisting in identifying and analyzing external opportunities and threats that may be crucial to the company's success.

2.5 HUMAN RESOURCE INFORMATION SYSTEM

HRIS is an integrated system designed to improve the efficiency with which HR data is compiled. It makes HR records more useful to the management by serving as a source of information. HRISs are systems used to collect, record, and store, analyze, and retrieve data concerning an organization's human resources. The collection of information on aspects of work life as diverse as salary and payroll, compensation, leave, accidents, superannuating and employee benefits has always been part of the human resource manager's function. In the early history of personnel management, administrative aspects, including data collection, took up a great deal of time. Reviews of employee salary and leave entitlements often dominated the activities of earlier personnel officers, reflecting both management priorities and their own clerical backgrounds. Such early information systems were manual, and were mainly used to notify employees of leave entitlements, to ensure accurate salary and wage payments and to process workers' compensation and superannuating claims. The data was seldom used to predict trends, identify problem areas and, or aid in the longer-term staffing process.

Nature and benefits of HRIS: Modern human resource information systems are comprehensive, accurate and accessible systems for recording employee and work data relevant to HRM, HR and organizational planning. This system is used to acquire, store, Manipulate, analyze, retrieve and distribute pertinent information regarding an organization's human resources. Its purpose is to facilitate, or support, straight, tactical and operational decision making, to avoid litigation, to evaluate programs, policies, or practice and daily operations.

Specific benefits of such systems include:

- Improved planning and program development using decision support software. Faster information processing and improved response times
- Decreased administrative and HR costs
- Accuracy of information
- Enhanced Communication at all levels.

Not all systems fulfill all these requirements, nor is such a complete system suitable for all organizations. Essentially however all HRIS contain information on:

- Employees
- Jobs and work conditions
- Positions
- HR events (e.g. recruitment, training and development, performance appraisals, and terminations).

Uses of HRIS: Comprehensive and integrated information systems can be used widely -in administrative, operational and strategic fields by HR and other managers. On the operational level HRIS data can be used to identify potential internal applicants for job vacancies, saving external recruitment costs and assuring employees of career opportunities. Strategically, such information may be used to gauge the effectiveness of current recruitment or promotional systems, their costs and/ or benefits, and enable subsequent changes of direction in line with proposed organizational strategies.

HRIS Applications: A computerized HRIS contains hardware and software applications that work together to help managers make HR decisions. HRIS software applications currently available to business include those for employee information, applicant tracking, skills inventory, payroll, and benefits administration.

Common HRIS Functions: Mainly following functions are performed by the HRIS in different organizations.

- Job analysis information can be placed in the HRIS.
- The program can write job descriptions and job specifications.
- Constant monitoring of compliance with EEO legislation.
- Maintain records of rejected applicants.
- Saves money and time in compiling reports.
- Ensure that women and minorities or not be adversely affected.
- Track minority hiring, recruitment, and advancement.
- Forecast supply and demand of labor from both the internal and external labor markets.
- Useful for internal recruiting.
- Can post job opening for employees to access.
- Can search for match between job specifications and applicant qualification.
- Applicant tracking system.
- Administering and scoring ability tests.
- Scanning resumes submitted online (web based or e-mail) or in person (or mail). Structured interviews.
- Matching qualifications with open positions (finding a good fit). Also, consider budgetary concerns.
- Help with registration, tracking training, monitor training costs, and schedule training.
- Used to deliver training.
- Career and managerial succession planning.

- Used to provide assessment tests to help employee's plan their own career.
- Predict career paths.
- Provide PA instruments and results.
- Comparisons between employees, groups, or supervisors ratings.
- Monitor attendance.
- Monitor compliance with Labor Standards.
- Individual sale data can be accessed (tracking commissions).
- Benefits can be managed and administered by computers.
- Planned raises and wage histories.
- Provides reports for Occupational Safety and Health Administration (OSHA).
- Track hazardous materials.
- Track accidents and costs of accidents.
- Record employee safety training.
- Record employee exposure to various conditions and chemicals.
- Track disciplinary actions and grievances.
- Labor contract data.
- Worker seniority list. etc.

2.6 FORECASTING DEMANDS

Effective workforce planning for specific enterprises involves determining which actions are needed to achieve business objectives, identifying the types and quantities of skills that are necessary to accomplish those actions, determining how those skills may vary from the skills that are currently available, and developing strategies for closing the gaps between today's workforce and the workforce needed to accomplish the business objectives. Demand forecasting, the process of determining how many people will actually be needed, was typically reported as the weakest link in addressing workforce requirements.

In theory or in practice, demand forecasting techniques can be grouped into six major categories: Direct Managerial Input, Best Guess, Historical Ratios, Process Analysis, Other Statistical Methods, and Scenario Analysis.

1. Direct Managerial Input is the most commonly used approach for determining future workforce. This is typically done via an edict that headcount or workforce costs will be a specific number. Today this number is most often expressed as a percentage reduction. There is little analysis of the work effort necessary to meet business objectives. The primary drivers are the desired cash flow and/or adjustments to the company's return ratios such as rate of return, return on capital employed, and discounted cash flow return on investment
2. A few companies have evolved a **Best Guess** formalized managerial judgment process. For example, a company formally collects data from each manager and rolls it together for an overall projection. In this process, each manager prepares a forecast of the demand for full-time equivalent employees for the skill groups or job families in their area. The forecast includes (a) the current headcount requirements, (b) a best-guess estimate of the impact of anticipated productivity and technology changes, and (c) the manager's best

guess of headcount changes due to anticipated business changes. Summing the current head-count and the anticipated positive and negative changes yields the future estimate.

3. Historical Ratios are used by many companies. Overall headcounts can usually be strongly correlated with other business factors, such as number of items manufactured, numbers of clients served, barrels of oil refined. Some businesses use operating budgets as headcount predictors with high reliability. In terms of total worker requirements, those factors usually provide a good forecast. However, as the mixture of regular employees, temporary workers, and outsourced contractors changes, these historical ratios can change dramatically.
4. The widespread interest in reengineering activities has produced a hypothetical approach to workforce demand forecasting based on **Process Analysis**. The concept seems fundamentally sound, but the benchmarking efforts did not find a single case where this concept had been translated into an operational model. In order for the process to-work as hypothesized, the workload analysis should be incorporated within a reengineering study. It might fairly be questioned whether this extensive level of analysis should become part of an annual planning cycle or should only be done in conjunction with a major reengineering effort.

The data collection and analysis phase of a process analysis approach is similar to the traditional historical ratio approach. Process steps are substituted for work activity steps, so that the analysis is done at an organizational level rather than a work group. The benchmark analysis showed some reengineered companies have developed the traditional historical ratio analysis, and have then adjusted those ratios for their assumed productivity gains to be achieved via process improvements. In theory, the positive and negative aspects of this process would mirror those described for historical ratios.

1. Other Statistical Methods include regression, linear programming, goal programming, simulation, Markov modeling, and demand flow/renewal models. The simplest version is a linear regression model in which time is used as the independent variable and headcount is the dependent variable. These types of models are common among companies that are either growing or shrinking steadily. This technique is often found "manpower planning" but is seldom used today. The major negative associated with these models is that they typically involve a long learning curve to master the technique fully. The major positive is that a well-defined model can provide organizational insight that no other technique can provide and will usually be the most accurate way to project future requirements if the model builder fully understands the organization.
2. A new approach to workforce demand forecasting is **Scenario Analysis**. While Scenario Analysis itself is not new, there is renewed interest in workforce analysis applications. The technique involves using workforce environmental scanning data to develop alternative workforce scenarios. Scenarios are developed by having brainstorming sessions with line managers and human resource managers, developing their view of the workforce five years or more in the future, and then working backwards to identify key change points.

The most positive aspect of this approach is that it encourages out-of-the-box thinking. Scenario discussions can surface considerations of the future that are frequently missed by other approaches. People also generally enjoy taking a break from routine and enjoy participating in these wide-ranging discussions.

The most negative aspect is that the discussion groups typically conclude that the best strategy is to encourage flexibility and adaptability by providing a heavy emphasis on training and personal development, and suggest that one should not worry about specific details. While this may be true, the need for workforce flexibility is usually known before the scenario discussions starts. Facts that can be gleaned about workforce needs over the next few years should not be ignored merely because the long-range details may still be fuzzy.

2.6.1 Forecasting Supply

Once an organization has forecast its future requirements for employees, it then goes on to the next search that is from where can it fulfill its requirements. It therefore needs to determine if there are sufficient numbers and types of employees and how many are eligible for the plausible positions. Supply analysis thus, involves planning for procurement: who, from where, how and when of recruitment. It scans the internal and external environment for the best-fit candidate for the positions in question. Thus, there are two source of supply- internal and external.

Internal sources: The most popular approach to be followed by all managers is to look within the organization among its cadre first. Until and unless the opening is not related to immensely diversified field of which the existing workforce might not possess requisite skills, and the cost of training may be working out to be high, it is easier to go in for an internal source for recruitment. Because it is cost saving in many ways to utilize what is already available to the organization. A profile of employee in terms of age, sex, education, training, experience, job level, past performance and future potential is continuously maintained for use whenever required. Thus, if the requirements in terms of growth/diversification, internal movements of employees (transfer, promotions, retirement, etc.) are determined in advance then the data can be very useful. But while provisioning for the above corporate movements, one must keep an eye on the internal movement, such as, attrition, absenteeism, promotion, etc. In addition to workforce analysis, the organization needs to maintain replacement charts or succession plans. Regular manpower audits are the best option to keep track of the available talent in terms of skills, performance and potential. An internal supply analysis is done with:

1. **Staffing tables/manning charts**, which are pictorial representations of all organizational jobs, along with the numbers of employees currently occupying those jobs and future employment requirements.
2. **Markov analysis**, which shows the percentage (and actual number) of employees who remain in each job from one year to the next, thus keeping track of the pattern of employee movements through various jobs. Thus this analysis results in a composite matrix of supply.
3. **Skill inventories** that list each employee's education, past work experience, etc.
4. **Replacement chart** that helps us derive the profile of job holders, department-wise and reveals those who could be used as replacements whenever the need arises.

External sources: It is only when the cost of procuring the labor from internal sources is more and also the present staff cannot be spared for the future assignment, the company can refer to the external market. For this, they need to keep themselves updated regularly on what is available now, what will be available later. Whether the skills required in future will be easily available or certain training, for instance need to be incorporated. For example, a company in the present scenario wanting to start its BPO operations in India may not have problem which a company 10 years back would have faced, as there are ample requisite skills available in the market. Not only skilled labor but also they are motivated to join such company for fast earnings. Thus, HR planners need to keep themselves abreast of the Labor market conditions such as local employment, trends of relevant categories of employees, competition for such skills, availability of part time labor, migration trends of labor, etc.

Therefore to summarize what information should be available for a comprehensive the supply forecast and analysis:

1. The skill base, potential trainability and current and potential productivity level of the existing work force.
2. The structure of the existing workforce in terms of age distribution, skills, hours of work, rates of pay and so on.
3. The possible changes in the productivity, size and structure of the workforce due to resignations and retirements, promotions and transfers, absenteeism and other external factors (economic and cultural), which may induce such changes.
4. The availability of the relevant skills in the external labor market for present and future use. The HR planner will have to assess and monitor factors such as: market value, image/ preference of the existing labor for the company, motivation of the prospective candidates to join the company.

2.7 MAN POWER FORECASTING

According to Geisler, “Manpower planning is the process –including forecasting, developing and controlling by which a firm ensures that it has:

- The right number of people,
- The right kind of people,
- At the right places,
- At the right time, doing work for which they are economically most useful”.

Forecasting of future manpower requirement is the most important part of manpower planning. It is done on the basis of production & sales budgets, work loads analysis, work force analysis, estimated absenteeism & turnover. The future manpower requirements should be forecasted quantitatively & qualitatively. There are several factors which need to be look upon before forecasting:

Employment Trend:-The manpower planning committee should compare & analyze the trend of last five year to forecast the manpower requirements.

Productivity:- Manpower requirements are also influenced by improvement in productivity. The important three aspects are:

- Better utilization of existing manpower.
- Improvement in technology.
- Matching of skills with job requirement.

Absenteeism:- Absenteeism is a situation when a person fails to come for work when he is scheduled to work while estimating demand for manpower the prevailing rate of absenteeism in the organization should be considered.

Expansion & Growth:- Expansion & growth plans of the organization should be carefully analyzed to judge their impact on manpower requirement in future.

Replacement Needs:- arises due to death, retirement, resignation & termination of employees. It may relate to supervisory, skilled, clerical groups and must be anticipated in advance.

After forecasting about the right type & number of people required the next phase is to plan, how the organization can obtain these people. Programmers & strategies need to be developed for recruitment, selection, training, internal transfers, promotions & appraisal so that the future manpower requirement can be met. Development plans are designed to ensure a continuing supply of trained people to take over jobs as they fall vacant either by promotion or recruitment or through training. In this way, shortages or redundancies can be avoided in the long run.

2.7.1 Problems in Manpower Planning

1. **Accuracy of forecasts:-** If the forecast are not accurate, planning will not be accurate. Inaccuracy increases when departmental forecasts are merely prepared without critical review.
2. **Identity Crisis:-** Many human resource specialists & the managers do not understand the whole manpower planning process. Because of this there is generally an identity crisis.
3. **Support of Top Management:-** Manpower planning requires full & wholehearted support from the top management. In the absence of this support & commitment, it would not be possible to ensure the necessary resources & cooperation for the success of the manpower planning.
4. **Resistance from Employees:-** Employees & trade unions resist manpower planning. They feel that this planning increases their overall workload & regulates them through productivity bargaining. They also feel that it would lead to wide spread unemployment, especially of unskilled labor.
5. **Insufficient initial efforts:-** Successful human resource planning flourish slowly & gradually. Sometimes sophisticated technologies are forcefully introduced just because

competitors have adopted them. These may not be successful unless matched with the need & environment of the particular enterprise.

6. **Management information system:-** Effectiveness of the planning depends upon the reliability of the information system. In most of the Indian industries, human resource information system has not fully developed. In the absence of reliable data it would not be possible to have effective planning.
7. **Expensive & Time consuming:-** Manpower planning is an expensive & time consuming process. Employers may resist manpower planning feeling that it will increase the cost of manpower.
8. **Coordination with other managerial Functions:-** There is generally a tendency on the part of the manpower planners to remain aloof from others operating managers & to become totally absorbed in their own world. To be effective manpower planning must be integrated with other management functions.
9. **Unbalanced Approach:-** Many human resource person gives more importance on the quantitative aspects of manpower to ensure that there is adequate flow of people in & out of the organization. They overlook the qualitative aspects like career development & planning, skill levels, morale.

2.8 REVIEW QUESTIONS

1. What do you understand by HRP? What is its importance?
2. Explain the various steps in HRP Process
3. How are Personnel needs and Personal supplies estimated?
4. Define HRP. Bring out the factors influencing such a plan.
5. Explain the techniques of employee demand forecasting.

5 Motivation, Employee Counseling, Resignations and Retirement

5.1 Motivation

This involves providing leadership for subordinates, and also requires the ability to inspire them to put in their best efforts in achieving the organization's objectives, by creating good morale or working spirit among all employees. The objectives of an organization can be achieved only through the efforts of people. And people need to be motivated in an understanding way to put in their best. However, what motivates one person might not motivate another, and therefore for the best results any manager should be understanding and, as far as feasible, get to know something about each of his/her subordinates. Any manager must endeavour to get the best from each individual member of his/her team or work group, and that might require motivating different members in different ways, while still motivating the team or group as a whole. It requires the building of a good "work environment" based on the spirit of trust and cooperation between management and other personnel. The HR manager – along with other managers – has an important role to play in developing and maintaining a good work environment.

5.2 Style of management

In order to motivate employees it is necessary to develop and maintain a 'style of management' which is appropriate to a good work environment.

5.2.1 Task needs and relationship needs

Certain managerial and leadership styles are more appropriate and motivational than other styles. For example, a particular style might be needed to manage a large workplace of manual operators. But a very different style might be needed for a small team of multi-skilled office staff, such as in the HR department.

The needs of management fall within two main groups – task needs and relationship needs. Task needs are related to the exercise of individual technical skills. Relationship needs are concerned with "getting things done through the efforts of other people." These relationships need to be given priority in order to generate a "motivational environment."

5.3 Changes in management attitudes

5.3.1 Scientific management

In the early to mid-20th century, there was a theory of scientific management advocated by F.W. Taylor. It was based on the following principles:

- All activities should be prescribed and controlled.
- Employees should be told only what they need to know.
- Work measured job times should be set.
- Work should be simplified for semi-skilled and unskilled workers.
- Labour should be reduced through automation.
- There should be short-term rewards based on direct work output.
- There should be no encouragement for feedback from subordinates.

5.3.2 Contemporary attitudes

Contemporary attitudes were developed in the mid-1970s and are continuing till date. Most important of these attitudes is the “Human Relations Movement” attributed to Elton Mayo. These attributes are based on the following principles:

- Employees should be encouraged to organize their own work.
- There should be increased communication.
- Employees should be accountable for their own targets.
- There should be flexibility.
- Emphasis should be on team work.
- Rewards should be long-term and based on whole job performance.
- There should be participative management.
- Feedback from employees should be encouraged.

5.4 Contributors and theorists

Some theorists have significantly contributed to the development of modern-day management attitudes.

5.4.1 Mayo: The Human Relations Movement

By following the principles of scientific management, managers realized that this system did not achieve optimum efficiency. They found that people did not conform to predicted patterns of behaviour. That led to an increase in interest in the 'people' aspect of organizations. Several theorists tried to understand the workplace psychology. Among them, Professor Elton Mayo conducted experiments to ascertain and record human behaviour within organizations. The study conducted by him and his colleagues at Western Electric Hawthorne plant in the USA – also known as Hawthorne Experiment – revealed that the most significant factors in optimizing productivity were related to:

- Workers being organized in small social groups;
- Workers feeling important through participation;
- Workers having some freedom from strict supervision.

Though this study was production-based research, the findings and conclusions of this study can be related to other departments. For example, the HR manager can:

- Organize the layout of the workplace to allow social interaction among staff;
- Allow staff some sort of participation in departmental decision making;
- Allow staff to organize their own priorities and activities within the framework of overall direction.



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5.4.2 Maslow: The Hierarchy of Human Needs

Abraham Maslow proposed that there is a 'hierarchy' or scales of human needs which must be satisfied. Some of these needs are more powerful than others. Maslow argues that until these most powerful needs are satisfied, other needs have little effect on an individual's behaviour. In other words, we satisfy the most powerful needs first and then progress to the less powerful ones. As one need is satisfied, and is therefore less important to us, other needs come up and become motivators of our behaviour.

Maslow represents hierarchy of needs in the shape of a pyramid. The most powerful needs are shown at the bottom, with powerful ones decreasing as people progress upwards.



- **Physiological needs:** These include all the basic needs such as food, clothing, shelter, rest.
- **Safety and security needs:** People want a safe and organized environment. They want physical safety and psychological security.
- **Social needs:** Generally, people prefer to live and work in groups which are often larger than their families. They want to be accepted and be part of something.
- **Esteem needs:** People want respect from others, and to achieve status in the workgroup.
- **Self-actualization needs:** At this stage, people want to reach their maximum potential, and like doing their own best thing.

An important aspect of Maslow's theory is that it provides for constant growth of the individual. There is no point at which everything has been achieved. Having satisfied the lower needs, one is always striving to do things to the best of one's ability, and best is always defined as being slightly better than before.

5.4.3 Hertzberg: Motivation Hygiene Theory

Frederick Hertzberg argued that certain factors lead to job satisfaction while others lead to dissatisfaction. He identified these as “motivator” and “hygiene” factors respectively.

- **Motivators:** According to Hertzberg, typical job motivators are:

- The degree of career achievement;
- The intellectual challenge of work;
- Recognition by others as being successful;
- The actual value of the work;
- The actual level of job responsibility;
- The opportunity for promotion.

- **Hygiene factors:** Hertzberg identified hygiene factors as:

- The restriction of management policies and procedures;
- Technical/administrative aspects of supervision;
- Salary structures;
- Job conditions;
- Relationship with management;
- Work environment.

Hertzberg’s motivation-hygiene theory is generally well-received by practising managers because of its relatively simple distinction between factors inducing positive job satisfaction or those causing reduced job satisfaction.

5.4.4 McGregor: Theory X and Theory Y

Douglas McGregor advocated that there are two extremes of management attitude towards employees in the workplace, and these have a strong influence on the level of employee motivation.

- **Theory X:** Characteristic assumptions of managers behaving in this “mode” are:

- The average person is basically lazy and dislikes work.
- People at work need to be forced, controlled, directed and threatened.
- the average person avoids responsibility and prefers to be directed.

McGregor states that this style of management is no longer suitable in the modern organizational setting.

- **Theory Y:** Characteristic assumptions of managers in this “mode” are:
 - Work is as natural as recreation and rest.
 - People will exercise “self-direction and control” to achieve objectives to which they are committed.
 - Commitment to objectives is related to the satisfaction of achievement.
 - If the conditions are right, the average person at work will seek and accept responsibility.

In a way, Theory Y is related to what we nowadays call ‘participative management.’ Theory Y principles are now generally recognized as being more likely to achieve optimal employee performance.

5.5 Motivation strategies

To a large extent, a high level of employee motivation is derived from effective management practices. To develop motivated employees, HR manager should ensure that HR personnel as well as other departmental managers must do the following:

- **Empowering employees:** Empowerment occurs when individuals in an organization are given autonomy, authority, trust, and encouragement to accomplish a task. Empowerment is designed to unshackle the worker and to make a job the worker’s responsibility.



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- **Providing an effective reward system:** To motivate behaviour, the organization needs to provide an effective reward system. Rewards demonstrate to employees that their behaviour is appropriate and should be repeated. If employees don't feel that their work is valued, their motivation will decline. Common examples are pay bonuses, promotions, time off, special assignments, office fixtures, awards, verbal praise etc.
- **Redesigning jobs:** Many people go to work and go through the same, unenthusiastic actions to perform their jobs. These individuals often refer to this condition as burnout. But smart managers can do something to improve this condition before an employee gets bored and loses motivation. Redesign attempts may include the following:
 - **Job enlargement:** It increases the variety of tasks a job includes. It may reduce some of the monotony, and as an employee's boredom decreases, his/her work performance generally increases.
 - **Job rotation:** This practice assigns different jobs or tasks to different people on a temporary basis. The idea is to add variety and to expose people to the dependence that one job has on other jobs. Job rotation can encourage higher levels of contributions and renew interest and enthusiasm. The organization benefits from a cross-trained workforce.
 - **Job enrichment:** This application includes not only an increased variety of tasks, but also provides an employee with more responsibility and authority. If the skills required to do the job are skills that match the jobholder's abilities, job enrichment may improve morale and performance.
- **Creating flexibility:** Today's employees value personal time. Because of family needs, a traditional 9 to 5 working may not work for many people. Therefore, for some categories of employees, 'flexi time' – which permits employees to set and control their own work hours – is one way that organizations are accommodating their employees' needs, e.g. marketing personnel. Here are some other options organizations are trying as well:
 - **A compressed work week** is a form of flexi time that allows a full time job to be completed in less than the standard 40-hour, 5-day work week. Its most common form is 4/40 schedule, which gives employees three days off each week. This schedule benefits the individual through more leisure time and lower commuting costs. The organization should benefit through lower absenteeism and improved performance.

- **Job sharing** occurs when one full time job is split between two or more persons. Job sharing often involves each person working one-half day, but it can also be done on weekly or monthly sharing arrangements. When jobs can be split or shared, organizations can benefit by employing talented people who would otherwise be unable to work full time. The qualified employee, who is also a parent of a small child, may not want to be in the office for a full day but may be willing to work half day. Although adjustment problems sometimes occur, the arrangement can be good for all concerned.
- **Telecommuting**, sometimes called 'flexi place,' is a work arrangement that allows at least a portion of scheduled work hours to be completed outside of the office, with work-at-home as one of the options. Home workers often demonstrate increased productivity, report fewer distractions, enjoy the freedom to be their own boss, and appreciate the benefit of having more time for themselves. Examples of such jobs are: computer software development and tele-marketing.

5.6 Managerial styles in HR management

An "open" management style is likely to be successful in the HR department. Team working would enhance performance levels. The HR manager needs to involve the staff in the departmental decision-making process.

The concept of 'responsibility sharing' would involve consultation, involvement, and participation. In a team-oriented HR department, responsibility can be shared in the following areas:

- Interpreting organizational policies;
- Developing organizational procedures;
- Winning the consent of subordinates;
- Organizing meetings;
- Maintaining communication networks;
- Understanding and motivating others.

5.7 Disciplinary action

Managers and supervisors of various departments always try to motivate, guide, advise, and control their subordinates. In spite of this, occasions will arise when there is no alternative but to take disciplinary action. Before committing to any proposed disciplinary action, a manager/supervisor might consult the HR manager and brief him/her fully on the situation that has arisen and seek guidance. After having the full backing of the HR manager he/she must act firmly and confidently.

Depending on the severity of the offence, disciplinary action takes different forms. The following procedure may be adopted:

- If it is a first offence, the person should be spoken to and advised. For example, if a subordinate arrives at work late without a satisfactory explanation, a counseling session might be beneficial.
- If the same person continues behaving in the same way, for, say, a week, a formal written warning is needed.
- If he/she still continues committing this offence, a final written warning needs to be given by the HR department, specifying the penalty if the employee does not improve his/her behaviour within a stated time limit.
- If the employee still does not improve, he/she has to be penalized. The penalty may be transfer to another section or location, suspension without pay, or dismissal from job.

5.8 Employee counseling

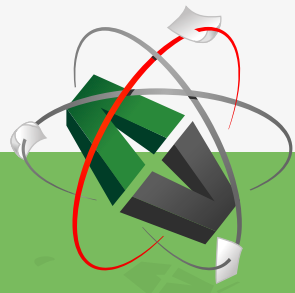
Situations which can lead to disciplinary action may be avoided by taking certain steps. This involves having a talk with the employee concerned, trying to find a solution to the problem which is creating such a situation. This process of settling problems without resorting to disciplinary action is referred to as employee counseling.

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5.8.1 Nature of problems

Some problems are related to work while others are of personal nature. Generally a manager or supervisor is concerned with the employee's work-related problems, but sometimes he may have to deal with an employee's personal problem also because that may have been the cause of starting a work-related problem.

5.8.2 Solving the problems

- Solution to a problem can be found only through a joint discussion between the manager and his subordinate. This needs to be a two-way process. Sometimes a manager or supervisor arranges a counseling session, but sometimes it is initiated by the employee when he/she needs to share some problem.
- It is important that the manager or supervisor keeps the information related to an employee's counseling session confidential from other employees.
- Every problem that needs to be addressed through counseling is individual in nature. Hence for each problem the manager or supervisor has to adopt a flexible approach and not try to fix every problem with the same solution.

5.8.3 Process of successful counseling

A counseling session is likely to be successful if the following points are considered:

- The subject for discussion should be introduced in a discrete manner and not done openly.
- The reasons for the discussion should be explained to the employee in a sympathetic manner so that he/she has confidence to discuss the matter further.
- Questions should be asked in a gentle manner so that the subordinate is able to appreciate how the manager or supervisor is trying to help him/her.
- Quite often all the questions related to the problem may not be addressed in one session. A few more sessions may be necessary in order to get all the facts right. Hence a lot of patience is to be exercised.

After the problem has been ascertained, an effort has to be made by both the parties to find a solution acceptable to both. When this happens, it is possible to have a high level of employee motivation. This is also very effective in controlling employee behaviour.

5.9 Equal Opportunity Policy

Equality in the workplace means that there is fair treatment for each individual. Everyone is supposed to have equal access to job opportunities, promotion and other benefits. It also means that there should be a system of equal pay for similar work in the organization.

There should be no discrimination on the basis of gender, race, religion or physical disability. Today a large number of organizations have a policy referring to discrimination on the above-mentioned grounds. A good equal opportunity policy includes age, marital status, gender, HIV and AIDS. The policy should state clearly a commitment to equality in the areas of recruitment, promotion, training, performance appraisal and pay, transfers, terms and conditions, disciplinary procedures and dismissal, rules against harassment etc.

Policies alone are not enough. There must be a commitment to put them into practice by specific measures, and this should be the responsibility of HR management. The policy should be publicized to all staff and job applicants.

An important part of implementing equal opportunity policy is monitoring its effectiveness. In the case of gender, race or disability, there are usually arrangements to collect statistics to ensure that these people are represented in the workforce.

5.10 Resignations

Resignation occurs when an employee decides to terminate his/her employment with an organization. Whatever a manager may do to retain experienced staff, resignations will occur. When this happens, it is useful if the HR manager conducts an 'exit interview' with the employee concerned, to try to ascertain the real reason why he/she is leaving.

5.10.1 Unavoidable resignations

In many cases resignation is unavoidable on account of certain circumstances, for example, illness, accident, marriage, pregnancy, death in the family, or intention of self or spouse to move to another city, etc.

In such circumstances the HR manager has no option but to accept the resignation. However, the loss of a good employee is cause for concern to the HR department.

On the other hand, there might be a situation when an employee has committed a serious offence. In such a case, the employee may be given the option of resigning 'voluntarily' in order to avoid possible serious consequences.

5.10.2 Avoidable resignations

Sometimes resignations may occur on account of lack of motivation, terms and conditions of employment, difficult relationships with co-workers or manager/supervisor, denial of promotion or salary increase etc.

In such situations it is the HR manager's responsibility to find out the real reason for resignation through an 'exit interview.' He/she might not be able to do anything for a particular employee, but he/she can definitely analyse the situation and make a report to the higher management and give his/her recommendations for future.

Some resignations are given in the "heat of the moment." In such a situation, the HR manager can arrange a counseling session with the employee concerned, and prevail upon him/her to continue in the job.

5.11 Retirement

An employee 'retires' from the job when he/she has reached a certain age, and not because of any other reason.

5.11.1 Retirement ages

Ages at which people retire vary from country to country and from one organization to another. There might also be age differences for retirement between men and women in certain jobs e.g. air hostesses.

5.11.2 Retirement benefits

At the time of retirement, employees are generally eligible for certain retirement benefits. These differ as per the laws of the country, and rules of different organizations. They are usually of the following type:

- **Provident Fund:** Throughout the period of his/her employment, the employee contributes a certain percentage of his/her salary, which is deposited in the bank or relevant government fund, with matching amount from the employer. At the time of retirement the employee has access to this fund.
- **Gratuity:** In some countries and organizations, when an employee retires, he/she is given gratuity. It is calculated on the basis of the number of years of employment multiplied by the last monthly basic pay drawn. The total amount is given to the retiring employee.
- **Pension:** In most countries, as well as some organizations, the retiring employee is eligible for monthly pension for life. Sometimes it is linked to group life insurance, and the employee's pension is credited every month to his bank account by the insurance company concerned.

5.11.3 Planning and counseling for retirement

It can be a great shock for an employee who has worked for an organization for many years to suddenly realize that his/her services are no longer required because he/she has reached a certain age.

It is desirable for HR department to arrange for counseling related to retirement well before an employee is to retire. This way the employee can be gradually prepared to accept psychologically the fact of the forthcoming retirement, and plan accordingly.