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# UNIT 1 HUMAN RESOURCE PLANNING

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## 1.0 OBJECTIVES

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After reading this Unit, you should be able to understand the:

- concept of human resources planning,
- need for public intervention in human resources planning,
- theoretical basis and conceptual issues associated with alternative approaches to human resources planning, and
- conflict between the theoretical construct and political process of human resources planning and the resultant practices in human resources planning.

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## 1 . INTRODUCTION

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The word 'resource' refers to the productive power of natural goods. Human resource is, therefore, the productive power in human beings. They are the ones who provide the resources and also reap the benefits of the products or services. A proper planning is required for developing and utilising the human resources. Human resource planning broadly forms the action plan for developing the human resources by taking stock of the infrastructure present and required in future. In this Unit, you will learn about the various approaches and practices prevalent in human resources planning and also understand the need for a proper planning of human resources.

**Human Resource planning may be defined as a strategy for the acquisition, utilisation, improvement and preservation of the human resources of an enterprise. It is the activity of the management which is aimed at co-ordinating the requirements for and the availability of different types of employees.** This involves ensuring that the firm has enough of the right kind of people at the right time and also adjusting the requirements to the available supply. The same can be applicable at a macro level say HRP for an industry like hospitality or a government planning at the national level. The major activities of manpower planning include:

- 1) **Forecasting** future manpower requirements.
- 2) **Inventorizing** present manpower resources 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.

- 4) **Planning** the necessary programmes of recruitment, selection, training, etc. for future manpower requirements.

Here it must be noted that HRP is a prelude to Human Resource Development (HRD) about which we will discuss later.

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## 1.2 OBJECTIVES OF HUMAN RESOURCE PLANNING

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The three main objectives of human resource planning are:

- i) To ensure optimum use of human resources currently employed.
- ii) To assess or forecast future **skill** requirements.
- iii) To provide control measures to ensure that necessary resources are available as and when required.

A number of specific **reasons** for attaching importance of manpower planning and forecasting exercise are to:

- link manpower planning with organisational planning,
- determine recruitment levels,
- anticipate redundancies,
- determine optimum training levels,
- **provide** a basis for management development **programmes**,
- cost the manpower in new projects,
- assess future accommodation requirements,
- study the cost of overheads and value of service functions,
- have a competitive edge over other service providers, and
- decide whether certain activities need to be subcontracted, etc.

These objectives are relevant for any hotel though as per its specific requirements the hotel may add more to it, like, meeting the increasing demands of guests, providing right service at the right moment or meet the demand of changing trends and fashions in hotel industry.

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## 1.3 CONCEPT OF HUMAN RESOURCES PLANNING

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Planning is a process of preparing a set of decisions for action in the future. Human Resources planning may then be interpreted as a process of preparing a set of decisions on human resources development for action by human resources in future. The actions required on the part of human resources planning are primarily of two types:

- Availing the employment **opportunities**, and
- Evolving new technologies to enhance economic development.

There are three types of investments which have the potential to contribute to human resources development. They are investments in:

- health and nutrition,

social and economic equity, and

- education and training.

The first two types of investment can only contribute to the accumulation of human beings in terms of health, physical capacity to work and socio-economic status. It is the third, i.e., education and training, directed towards development of skills in human beings that changes the future asset value, productivity and earning power of human beings. This is the human capital approach to human resources planning. It attaches prime importance to investment in education training and retraining as a means of human resources development.

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## 1.4 NEED FOR HUMAN RESOURCES PLANNING

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Human resources planning essentially involve making conscious decision with regard to education and training in order to facilitate future actions for participation of human resources in economic development. The natural question that arises is that should policy planners make such decisions? Can the market mechanism involving employers as users of human resources and students and their parents as suppliers of human resources, not make such decisions? These are very relevant questions, which must be answered.

Any market mechanism essentially involves interactions between profit maximising producers and utility maximising consumers. In a perfectly competitive market economy, each of the participants among the producers as well as consumers is endowed with perfect knowledge about the market forces. The interactions between producers and consumers result in a set of prices, which guarantee optimum allocation of resources, provided certain conditions, are met. Allocative efficiency of resources is considered optimum when it is not possible to improve welfare of anyone of the participants in the market without impairing the welfare of at least one of the participants in the market. Welfare of each participant is viewed here from the point of view of individual's perceptions of choices and preferences according to his or her own standards. This is the standard definition of optimality given by Pareto.

The conditions, which must be fulfilled to achieve Pareto's optimality in resource allocation, are:

- informed consumers,
- absence of internal economies of scale in production,
- absence of externalities either in production or in consumption, and
- absence of public goods.

Failure to fulfil any one or more of the above conditions leads to market failure in effecting optimum allocation of resources and justifies state intervention to effect necessary corrections through policy decisions.

It should also be remembered that the parental influence is a decisive factor in the educational achievements and choice of careers of children. Parental ignorance caused by either lack of adequate knowledge about the market for educated or perceptions based on their career experiences rather than based on the career challenges ahead of their children or both are often viewed as the basis for state **intervention** in education. State sponsored vocational guidance programmes and the stress on generating employment market information in developing nations bears evidence to state intervention. This intervention is essential to make up for consumer ignorance or lack of adequate and proper knowledge.

## 1.5 NEED FOR HUMAN RESOURCES PLANNING IN HOSPITALITY INDUSTRY

Hospitality is an industry which is very much dependent upon the human resources. Most of the services provided to a guest are, of course provided by it with the human resources. For example, a tourist **views/perceives** a destination by connecting the service received, local behaviour and the destination attractions. So the positive or negative feedback about a destination depends very much on the people interacting with the tourist. One might argue that a tourist is motivated to visit a place by the presence of a historical or present day architectural splendour, or may be by a natural or man-made attraction. Here we should not forget that the tourists may visit a place for whatever motivates them, but they will partake services at all the steps of their visit. The services start at the time of deciding upon a destination till finally visiting and departing from their destination of choice. The services would be that of a travel or tour operator, probably staff of airlines, railways or roadways, services of the staff of a hotel or any lodging place, help for sight seeing or eating or shopping etc. The attitude and behaviour of the local people also forms part of a tourists' holiday experience.

We must remember that no tourist or guest can **have a successful** trip without human element, as for most of the tourists travelling is more about interacting with new people and cultures and not just a monument or a site for fun. As stated earlier, hospitality industry requires human resources like no other industry as it provides services. The services provided cannot be pre-checked or compared like mass produced goods but can only be felt **once** they have started or have been utilised. It is a sector where the unpredictability of the human nature always affects both the service provider and the service receiver. For example, a group of tourists visiting Kerala spends an evening watching Kathakali performance. The dancer here is an entertainer providing services as the show is especially for the tourists. The show would be viewed by each of the tourists differently – **some** might find it interesting, others may not, some may be in awe of the costume and make-up while others might like it so much that they go for another show. While the dancer might not be 100 per cent fit one day and give less of a performance than expected and thus let down a viewer of a previous performance. Many such permutations and combinations are possible. It is true for any destination since some tourist might like a destination due to the human element attached to it while others may not find it so attractive.

The unpredictability of human nature and its need in every spectra of tourism industry makes it necessary to plan well in advance for any expected or unexpected need in **future**.

**Today**, every country – developing or developed – has taken up tourism planning in a big way. This is because the growth in the tourism sector has surpassed the growth in all **economies**. As a result, Human Resource Planning in tourism naturally emerges as a vital area of concern not only of the governments but also of the industry. In most of the cases the **governments** and industry have joined hands together but as far as the developing countries are concerned not much investments have been made by the tourism industry in this area and still there is a large dependence from the government's efforts and initiatives as far as Human Resource Planning and Development are concerned. However, the hotel industry is much more advanced in this regard when compared to other sectors in tourism. Various hotel chains have adopted human resource **planning**; have training institutes as well as HRD departments.

A crucial question to be asked here is why do we need improvements in HRD standards and why is HRP necessary in hospitality and tourism. Well, a variety of reasons can be given as an answer to these queries.

- Job opportunities are integrated with economic development and practically all countries have adopted a national strategy for employment generation – hospitality and tourism being vital areas in this regard.

- Because of the emergence of the tourism as a tool for economic development and foreign exchange earner it also has become a highly competitive area. All countries **and destinations** have been trying hard for building the destination image in the market and influencing the destination choice of tourists. This in any case is very closely related to the facilities and the level of services available at any destination. Hence, HRD and HRP.
- Hospitality itself has become a product in tourism and hence, a certain amount of quality and standards are to be ensured in the hotels. This again is possible only through HRP and HRD.
- Emergence of special forms of tourism has led to the demand for specialised skills. Adventure guides, Island and beach guides, special wild life guides, etc. are examples in this regard. Similarly, the accommodation sector needs specialised working force.
- Tourists are becoming too demanding and want full value for the money spent. Hence, over attention to HRP and HRD in all sectors of tourism.
- In order to survive in a highly competitive market improvement in skills, training, and retraining is necessary, for it is the quality in services **which** can act towards having repeat visitors to your **hotels/ destinations**.

It is interesting to note that the need for HRP and HRD is not to be confined in relation to the skills of the service providers alone but it is very important that the planners and officials who carry out the plans should themselves be highly trained. Besides, while planning for human resources in hospitality one will have to take into account whether the approach is to be supply-driven or market-led? What are the employers' demands in terms of training needs? Should they be routine or innovative? What are the employees' needs in terms of training or retraining or how they perceive while on the job? Do employers show interest in training or retraining of the employees or they are empathetic to it, etc. are some of the questions that have to be constantly addressed upon while planning and developing human resources.

In developing countries it is necessary to consider skilled manpower as basic input to production of goods and services with in the economy, assess the skill requirements to achieve any predetermined economic growth target, and to gear the expansion of educational system to provide the needed education and training. Tourism and hospitality education, world-over falls in this category.

Accordingly, there are three approaches to educational planning:

- Social Demand Approach,
- Rate of Return Approach, and
- Manpower **Requirement** Approach.

1) The **social demand approach** relies on an assessment of society's requirement for education. In principle, it is an aggregate of demand for education in respect of all individuals within the society. In practice, social demand approach relies on projection of past trends in demographic aspects of population and the enrolment at different levels of education.

Social demand approach is thus capable of revealing the number of students with different types of **professional** preparation that may be expected by a given target data, based on past experience. Projections of social demand for education are contingent upon given levels of:

- incomes of educated people,
- tastes and preferences of households for education,

- demographic characteristics such as fertility and mortality,
  - direct costs of education,
  - student grants, and
- existing standards of admissions to various levels of education.

2) **Critics** of social demand approach argue that the decision to choose more or less of education, beyond a legal school-learning age, is made **by** an individual who attaches a positive value to the present and the **future** benefits of education. This brings us to the **rate of return approach** to education. Rate of return approach looks upon education as a contributor to productivity and in this sense, it is expected to facilitate investment decisions in education – whether or not the student should undergo more schooling, or whether or not the state should invest more and expand educational facilities.

Estimation of rate of return involves the calculation of internal rate of return which equates the present value of returns earned throughout the future active life with costs incurred soon after the investment decision is made. There are thus three parameters involved in the estimation of rate of return.

- Costs of education,
  - Returns to education, and
- Discount rate (used in discounting future returns to arrive at present value).

A variety of conceptual issues are involved in the estimation of these three parameters. These include:

- a) Direct and **indirect** costs
- b) Returns

A) **Direct costs** again have two components: private expenditure on education and public expenditure on education. Private expenditure on education is the expenditure incurred by the individuals pursuing education. Public expenditure on education is what the government spends on creating, expanding and maintaining educational facilities.

**Indirect cost** can be viewed from both private and social perspectives.

- From the **private** angle it is the earning foregone by individual students while attending school.
- From social viewpoint of indirect costs involves estimation of opportunity cost of public expenditure on education.

B) **Returns to Education** can be categorised into direct monetary benefits, indirect monetary benefits and non-monetary benefits.

- i) **Direct monetary benefits:** These are **the** extra lifetime earnings received that can be attributed to schooling or initial education.
- ii) **Indirect monetary benefits:** Education definitely influences earnings from the first job. Earnings from subsequent jobs are not all dependent on initial education. Rather, they are dependent on the skills and experience acquired through on-the-job-training and other in-service training. Additional earnings attributable to such training are thus indirect to initial education. Such training, however, is dependent on initial level of education, although the nature of **on-the-job/in-service** training received need not necessarily be the same for all individuals with identical initial education.

iii) Non-monetary benefits: There are some non-monetary benefits, which accrue to the individual pursuing education. Education may, for instance, alter and modify tastes, preferences and outlook leading to cultural upgradation. Likewise, education may facilitate individuals to take up more satisfying job with higher prestige and greater independence, and less of stress and strain.

Many other non-monetary benefits of education benefit the society. These benefits are categorised as "externalities". The educated mind is trained to inquire and question, and not to accept authority by default. This aspect of education is expected to strengthen democratic principles, and reduce the chances of losing collective and individual freedom of the society. Likewise, education causes better understanding and appreciation of the importance of health and hygiene thus leading to improved health standards of the society at large. Proponents of education even argue that schooling reduces crime and improves social order.

Education causes quality improvement in labour. Given other factors of production, including the physical capital endowments, growth of the economy can come about only through improvements in the quality of labour. Education thus contributes to economic growth.

3) The fundamental axiom of manpower requirements approach is that there is a definite link between education and economic growth, and that lack of skilled manpower in required numbers impedes growth. In this approach an attempt is made to forecast future requirements of educated manpower to fulfil a **future** target of Gross National Product (GNP) or specific targets of industrial production. Based on the forecasts of educated manpower requirements over a specified period, the planners would then indicate the directions of development of the educational sector over the same specified period.

The basic steps involved in this exercise are as under:

- Anticipating the directions and magnitude of development of each sector of the economy,
- Evolving **norms** for employing manpower in each sector keeping in view the technological options – present as well as future,
- Translating the physical targets for the development of each sector into manpower requirements,
- Estimating the educational equivalents of the manpower requirements, and
- **Analysing** the implications of estimates of educated manpower requirements for educational development.

Given the endowment of capital and other material resources, human resources could accelerate the production process and hence economic growth. At the same time, **unprecedented** growth in human resources, disproportionate to the pattern of accumulation of capital and other material resources – could hinder development.

Rate of growth in human resources, in **turn**, is determined by the two dimensions of human resources: Quantity and Quality. Quantity of human resources is **determined** by variables such as:

- population policy,
- population structure,
- migration, and
- labour force participation.

Quality of human resources, on the other hand, is influenced by the status of **variables** like:

- education and training
- health and nutrition, and
- equality of opportunity.

In the case of international or domestic tourism it is not just the labour force that participates in the production of goods and services but the entire host population of the destination has a role to play. This is because besides the economic activity, attitudes of the host population matter a lot in creating an environment which is tourist and tourism friendly. There are destinations where the population plays host to tourists numbering four times more than its own numbers and each and every member of the population has some role in this regard – a friendly smile too has a role. Many countries and destinations have earned a brand image in hospitality. Hence, human resource planners lay stress on creating tourism awareness including do's and don'ts vis-a-vis tourists for the entire host population. Moreover, there are destinations where, quantitatively speaking, the whole population is involved in tourism both, directly as well as through indirect employment. But beyond a point, **it is the qualitative dimension that matters and converting quantity into quality is the real challenge in HRD** for the tourism and hospitality industry.

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## 1.6 QUALITATIVE DIMENSIONS OF HUMAN RESOURCES PLANNING

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While the quantitative dimensions assist in the analysis of human resources in terms of numbers, qualitative dimensions facilitate assessment and analysis of the productive power in human resources. For example, four hundred drivers may be available to a tourist transport operator but he may find only 20 out of these which meet the quality standards in relation to driving skills required for handling tourist coaches.

### i) Education and Training

Education and training are the most dominant dimensions affecting quality of human resources in terms of knowledge and skills. Education and training serve both individual and social ends. To an individual, it has both vocational and cultural significance in achieving economic emancipation and social upgradation. To the society, education and training are means which make possible to take advantage of technological changes as well as furthering technological progress.

Depending on the methods of imparting knowledge and skills, education and training may be classified into two types: Formal and Informal. Formal education and training, which is imparted through schools and colleges, emphasises transfer of knowledge. Informal education and training such as on-the-job training and hereditary training lays stress on transfer of skills, *i.e.*, practical application of knowledge.

### ii) Health and Nutrition

Health and nutrition status constitutes one of the most important indicators of quality of human resource, as they contribute significantly to building and maintaining a productive human resource as well as improving average expectation of life and quality of life.

There are three determinants of health status:

- Purchasing power of people.
- Public sanitation, climate and availability of medical facilities.
- People's knowledge and understanding of health hygiene and nutrition.

Education, health and nutrition are inter-linked and they complement each other in the process of human resources development.

Tourism has long been recognised as a tool for economic growth and development. However, it can be beneficial to the host economies when it creates jobs for the locals. Here qualitative dimensions of HRD become an important factor for education and training of local population as per the requirements of responsible tourism development.

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## 1.7 MICRO AND MACRO LEVEL SCENARIO OF HUMAN RESOURCE PLANNING IN HOSPITALITY INDUSTRY

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Micro level generally refers to the planning done on a smaller, i.e., micro scale as in the case of an organisation. Macro level planning refers to the planning done keeping in view a wider and larger scale as in the case of the planning done for a country.

Micro level planning revolves around the manpower needs and requirements of an organisation. First the need and requirement is assessed and then the process of procuring the human resources is set in motion. An ideal procedure will be to try to assess the manpower need at each level of work, recruiting the manpower needed according to the skills required and also providing training where updating of skills is wanted. Planning should take in consideration the supervision and other matters regarding staff discipline, monitoring and **co-ordination**. Human resource planning must be followed by human resource development to achieve the pre-requisite set up by the planning. For example, citing the case of tourism in the hospitality sector, E. Brogan in his paper on Human Resource Development in Tourism: The Scottish Perspective (1992) has made an observation which is relevant for all countries:

"There is a need to establish within individual tourism businesses a "training culture" whereby an ongoing commitment to the development of the human resources of the business is seen as an essential and integral part of the business as a whole. If such a commitment on the part of individual businesses to human resource development and training is to be achieved, it is essential that these objectives are seen as bringing benefits to the businesses in terms of enhanced profitability. The operators of tourism businesses need to have a clear idea of who their customers are, and of the overall developmental needs of the businesses so that the skills of the managers and staff can be seen in their proper place as central to the successful operation of the business. This is essential if the training which is done by the businesses is to be relevant and properly targeted at improving business performance."

Macro level planning is usually done on a large scale keeping in view the need of a wider sector. An example is given to understand the Macro level planning better.

The example is based on Indian Governments plans to handle an increased inflow of tourists, as plans were afloat to increase tourist arrivals by 1.5 percentage. The plan broadly centred around two major points:

- 1) Human Resource available at time of the planning period; and
- 2) Human Resource requirements in future.

The first aspect was based on the people – both skilled and unskilled – working in the tourism and its allied industry. An estimate was approximately decided upon to find a number understandable.

The second aspect dealt with quest of the planning commission to increase the tourist traffic by 1.5 percentage in seven years. This led to an approximate projection of human resource, i.e., manpower needed to handle the extra tourist traffic expected. This was necessarily decided upon comparing present tourist traffic and personnel involved in

handling them and the **future** needs. The projection of manpower requirements in all capacities were assessed and plans were put forward to develop the required manpower for managerial and entrepreneurial, engineering, technical, kitchen and restaurant, drivers, pilots, entertainers, guides and other job allied to tourism.

The planning dealt **not** only with projecting the needs and plans to develop human resources but also put forward the proposals of opening institutes and courses to train and develop the required manpower. An important aspect was that the planning and implementation of plans for human resource development must be **left** with the professionals.

In tourism and hospitality as its allied industry, human resource planning is the first step towards the human resource development. As it is a service industry it becomes more important to assess and plan for human resources as services can't be provided without human resources. Providing excellent services is possible with proper **planning** and anticipation of future needs.

**Check Your Progress**

1) Discuss various objectives of human resource planning.

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2) Explain the need for human resource planning in hospitality.

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3) Why do we need improvement in HRD standards?

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4) Highlight the differences between Social Demand Approach and Rule of Return Approach with regard to educational planning.

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5) Discuss important dimensions of qualitative Human Resource Planning.

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6) Justify whether quality human resource planning at micro level or macro level would be suitable for hospitality industry.

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## 1.8 LET US SUM UP

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Human Resource Planning as a process of human resources development involves investment decisions by hospitality industry on three complimentary aspects, *i.e.*, education, health, and social and economic equity. Of these, education has undoubtedly been the dominant aspect. Human resources planning has therefore, been treated by our planners as synonymous with educational planning.

Educational planning involves both private and public investments. Yet, in almost all the countries public investment decisions have dominated educational planning exercises. This is largely because of labour market imperfections and failure of the market mechanisms to facilitate optimal investment decisions in education.

On the theoretical plane, there are three different approaches to human resources planning: Social demand approach, rate of return approach and manpower requirements approach. In practice, however, political process of planning – often at variance with the rationale based on a well thought out dicta of planning – has been dominating. This has resulted in the distortion of physical priorities within education sector in many cases.

In view of the predominance of qualitative aspects, there is a growing **realisation** that – educational planning at micro level will be more meaningful than at the macro level because preferences of visitors and guests have been changing frequently due to increased global exposure. For example, we design a culinary curriculum for continental menu and we do not train our manpower according to changing needs of guests then we cannot survive in the **industry** for long. Thus, we need to adopt human resource planning at **micro** level and not at macro level.

The dimensions, attributes and distribution of population the product of whose labour adds to national wealth constitute human resources. They are thus, the participants and beneficiaries of economic development. The demographic profile, migration and mobility and participation patterns in economic activity determine the quantitative aspects of actual and **potential** human resources. Investments in education and training, health and nutrition, and social welfare and quality promote quality of human resources through enhanced labour productivity.

While quantitative and qualitative dimensions only regulate supply of human resources, the other aspect of human resources planning namely the demand for human resources crucially depends on the functioning and flexibility of labour markets. Labour market analysis is a principal instrument of human resources planning, as it helps identify skill shortages and also enables a diagnosis of market failure to match labour supply with demand. To facilitate labour market analysis, there is a need for a comprehensive and regularly updated labour market information system.

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## 1.9 CLUES TO ANSWERS

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### Check Your Progress

- 1) Refer **Sec. 1.2**.
- 2) Read **Sec. 1.4**.
- 3) Base your answer on **Sec. 1.5**.
- 4) Base your answer on **Sec. 1.5**.
- 5) Read **Secs. 1.5 and 1.6**.
- 6) Refer **Sec. 1.7**.