

**MANAGEMENT  
OBJECTIVE**[Return to Table of Contents](#)

Ensure that the human resources planning process analyzes, anticipates, and meets the entity's need for sufficient and appropriate human resources and does so in a manner which supports the entity's mission, goals, and objectives.

**BACKGROUND**

Human resources planning is the process of analyzing an organization's human resources needs under changing conditions and developing the activities necessary to meet these needs. Such planning helps entities anticipate the impact of change and respond to such change in a systematic and integrated way.

Human resources planning and strategic planning are intimately related. On the one hand, strategic planning provides the basis for the development of *all* human resources functions. On the other, human resources planning plays a key role in the strategic planning process as the organization defines (Nadler and Nadler, pp. 2.13-2.15):

- What is our business, and what should our business be?
- Who are our employees, both demographically and educationally?
- What learning experiences are necessary to prepare our employees to deliver our service and to function effectively?
- What knowledge, skills, and abilities are necessary for the staff to perform successfully?
- Can we develop these knowledge, skills, and abilities internally, or will we have to seek outside help?

In fiscal years 1992-1993, human resources-related costs for the State were approximately \$9.5 billion or 27 percent of total expenditures; hence, the need for human resources planning is particularly acute.

**DEFINITIONS**

**Job analysis** is a systematic process for determining the number of jobs and the skills mix required to meet current and anticipated entity needs. Job analysis is a necessary step in determining staffing strategies (Pope, Chap. 6). Job analysis contains two elements -- demand analysis (determining what the entity needs) and supply analysis (determining what is available).

- **Demand analysis** (determining what the entity needs) specifies the knowledge, skills, and abilities required for each position within the entity.
- **Supply analysis** (determining what is available) specifies the quantity and quality of the available work force.

**Job descriptions** are summaries of the most important features of a job, including the duties and responsibilities and the level of work performed.

**OVERVIEW OF THE PROCESS**

The basic phases of a human resources planning process are:

- **Review the entity's strategic, operational, and financial plans to determine their impact on human resources planning.**
- **Determine the number and types of positions required in each functional area during the period(s) covered by entity plan(s).**
- **Develop programs, policies, and procedures which specify how employees filling each position will be recruited, selected, evaluated, trained, compensated, and retired.**
- **Specify the exact requirements for each position in a job description.**
- **Develop systems to monitor the operating environment, anticipate change, and adjust the human resources plan.**

**PROCEDURES**

Suggested procedures, organized according to the elements of a finding, are listed below. They should be expanded or tailored to fit the specific entity being reviewed.

**Review Criteria:  
General Criteria**

General criteria applicable to the human resources planning process are as follows:

Plans should provide flexible mechanisms to convert strategy to management processes (such as goal setting, appraisal, rewards).

Human resources programs, policies, and practices derived from human resources plans should provide the infrastructure needed to manage change and develop effective recruitment and retention strategies (Pope, Chap. 3).

Human resources planning should consider the preferences of individual employees and should examine the impact of human resources management decisions on employees.

Plans should be communicated clearly to all relevant parties.

**Specific Criteria**

The criteria related to the basic phases of the human resources planning process are as follows:

**Review the entity's strategic, operational, and financial plans to determine their impact on human resources planning**

Until fairly recently, human resources planning was for the short-term. As an organization develops and plans for the future, a longer-range view is needed. Thus, human resources planning should be done in conjunction with entity strategic planning so that the two are integrated with the entity's strategic objectives. Note, however, that strategic planning horizons may change across entities depending on the nature and function of the entity, the degree of change anticipated, and strategies for the implementation of entity plans.

The human resources planning process should include a periodic review of the strategic plan and should be congruent with entity culture, values, and vision.

Managers should determine both short- and long-term staffing needs in the context of the strategic plan and direction that has been set by the entity.

Human resources planning should be directly related to the percent of total entity budget allocated to human resources expenditures.

**Determine the number and types of positions required in each functional area during the period(s) covered by entity plan(s)**

Entity job analysis should include analyzing job duties, responsibilities, and tasks and determining the knowledge, skills, abilities, and tools/equipment required to perform each type of job (American Compensation Association, *Job Analysis*, pp. 2.1-2.61, 1992).

Human resources plans should include provisions for job analysis. In performing job analysis, entities should examine both demand and supply. Demand analysis should include gathering and feeding back information on changes in the operating environment which might cause increases or cuts in human resources programs or budgets. Supply analysis should address:

- Attrition: The entity should monitor impacts due to separations, including turnover rates from voluntary retirement, medical or disability retirement, death, leave without pay, or resignation.
- Adjustments: The entity should monitor impacts due to such changes as promotions, demotions, reclassifications, transfers, and changes in workers' skills.
- Current recruitment: The entity should monitor ongoing recruitment efforts, including related special policy programs.

Human resources plans should forecast the numbers and kinds of positions that need to be filled and include mechanisms for tracking and predicting tenure, turnover, and retirements. Human resources plans should map out options and impacts of retrenchment

or reprogramming.

**Specify the exact requirements for each position in a job description**

Job descriptions should be developed after appropriate job analysis. Job descriptions should specify job duties and responsibilities as well as the knowledge, skills, and abilities required for competent performance of the job.

Complete, accurate, and up-to-date job descriptions should be written and available for all positions within the entity.

The entity should periodically assess the relationship between its job descriptions and its ongoing job analysis processes.

**Develop programs, policies, and procedures which specify how employees filling each position will be recruited, selected, evaluated, trained, compensated, and retired**

Specific criteria for these areas of human resources planning are covered in the modules on recruitment/selection, performance appraisal, training and development, and compensation/rewards, respectively.

**Develop systems to monitor the operating environment, anticipate change, and adjust the human resources plan**

The entity should monitor both internal and external operating environments and assess how changes and trends in technology, the economy, methodology, and other factors affect human resources planning and management functions.

The entity should assess the impact of environmental factors on staffing plans, organizational structure, and skills mix (Pope, Chap. 6).

Plans should allow for periodic assessment of the gap between employee supply and demand so that the entity can assess current and projected shortages and/or surpluses before they become critical.

Plans should include processes for the development, requisition, and funding of new positions.

Planning processes should be periodically reviewed to identify possible improvements in human resources investment returns.

**Assess Condition:  
Determine the actual  
processes used**

Conduct interviews, observe operations, and identify and collect available documentation in order to gain an understanding of the entity's human resources planning process and controls. Included in the actual process are both official/unofficial and formal/informal processes and controls. An official process may exist even if it is not documented. Possible procedures include, but are not limited to:

- Obtain entity's overall strategic plan(s) and human resources plan(s).
- Determine the methods and processes the entity uses to plan for:
  - the numbers and kinds of positions that will need to be filled, both short-term and long-term
  - the percent of total budget spent on human resources
  - internal and external environmental assessments of human resources needs and supply
  - the exact requirements of each job or position
  - the compensation and benefits systems to be used
  - retirement planning and early retirement programs
- Determine if and how the human resources planning process is connected to all of the human resources functions.
  
- Through interviews, determine and document:
  - the organization of the Human Resources Department and to whom the Human Resources Director reports
  - the relationship of the Human Resources Director to the other department heads
  - the nature and scope of the system for job and task analysis and for new job development, including determining how new jobs are anticipated, developed, and requested

Note: the SAO Compensation Office maintains organizational information on each state entity other than those in higher education.
- Determine the percent of the entity's total budget which is spent on human resources (largest costs are compensation and benefits).
- Determine if the entity measures the cost of other human resources programs such as training, employee assistance programs, employee recognition rewards, etc.
- Obtain job notices and job descriptions.

In addition to gaining an understanding of the actual process, also try to find out:

- how the participants view their own process
- what they think is important and why

This information may help identify causes and barriers.

**Determine the strengths and weaknesses of the actual process**

- Using the tailored criteria, the understanding of the entity's process gained above, and the procedures in this section, analyze the actual process to determine if it:
- is designed to accomplish the management objective (this module, page 1)
  - has controls that provide reasonable assurance that the process will work as intended
  - is implemented and functioning as designed
  - is actually achieving the desired management objective(s)

In executing these procedures, remember to identify and analyze both strengths and weaknesses.

Identify and review the steps in the actual process. Possible procedures include, but are not limited to:

- Determine if all major steps in the criteria are included in the actual process.
- Determine if all the steps in the process appear to add value. If there are steps that do not appear to add value, try to get additional information on why they are included in the process.
- Review the order of the steps in the process to determine if it promotes productivity.
- Review the level of technology used in the process to determine if it is up-to-date and appropriate to the task.

Identify the controls over the process and determine if the controls are appropriate, placed at the right point(s) in the process, timely, and cost effective. Possible procedures include, but are not limited to:

- Draw a picture of the process, the controls, and the control objectives (see the graphic of the procurement process in the [Introduction](#) for an example). Determine if the control objectives are in alignment with the overall management objective(s).
- Identify and analyze the controls used by the entity to ensure scanning and assessment of the operating environment and the use of such assessment to help the entity plan for the future.
- Assess the degree to which human resources planning starts from and links with the entity's strategic plan.
- Identify and analyze the controls used to ensure that the entity specifies its human resources needs based upon review of its mission and goals.
- Determine how the entity conducts and documents job analysis (including both demand analysis and supply analysis) and how the entity measures alignment between job descriptions and job needs analyses.

Review observations, interviews, documentation and other evidence and design specific audit procedures as needed to determine if the process and/or the controls are functioning as designed. Depending upon the objectives of the project, these procedures may include both tests of controls and substantive tests. Possible procedures include, but are not limited to:

- Review evidence to determine the nature, scope, and effect of any undocumented processes for environmental scanning and/or related human

resources planning processes.

- Determine the degree of alignment between the design and the implementation of the human resources planning process.

Analyze process reports over time for trends. Determine whether the information gained from the monitoring process is fed back AND is used to modify the system.

Possible procedures include, but are not limited to:

- Review process reports and other evidence and interview relevant staff to determine how the entity feeds human resources process review information back into the strategic planning process and how the entity uses such information.
- Review process reports and other evidence to determine how the entity seeks to improve its return on investment in human resources.

**Determine causes**

Determine what circumstances, if any, caused the identified weaknesses in the human resources planning process. Possible procedures include, but are not limited to:

- Determine if the participants in the human relations planning process understand its relationship to the entity's mission, goals, and values.
- Determine if the participants understand their role in the human resources planning process.
- If the process occurs at multiple locations, determine the nature and scope of the communication and coordination among them.
- Determine if the relationship between the human resources planning process and other entity processes is clear.
- Determine if the human resources planning process has adequate human, dollar, time, and asset resources.
- If there are negative trends in the monitoring reports, determine if the reports are communicated to and used by the appropriate parties.

Determine what internal or external constraints or barriers, if any, must be removed in order to successfully overcome these weaknesses. Possible procedures include, but are not limited to:

- Determine if any key employees are unwilling to change the process and why they are unwilling.
- Review the applicable entity, state, or federal laws or regulations to determine if any of them prevent the necessary changes from being made in the process.

**Determine effect**

Determine the effect of each of the identified weaknesses in terms of dollars, impact on services (either quantity or quality), impact on citizens, impact on the economy, etc. Possible procedures include, but are not limited to:

- Identify benchmarks for the process in question and compare to actual performance. Quantify the difference, if possible.
- Estimate the cost before and after the proposed change and compare.
- Estimate the quantity and/or quality of services before and after the proposed change and compare.
- Identify the risks associated with not making the proposed change and quantify.

**Develop recommendations**

Use the tailored criteria, references in the resources section, the identified weaknesses, and the identified causes and barriers to develop specific recommendations to address the cause and correct the weaknesses. Possible procedures include, but are not limited to:

- Identify alternative solutions used by other entities.
- Identify solutions for removing barriers.
- Provide general guidelines as to the objectives the solution should meet. Then the entity can tailor the solution to its specific situation.
- Provide specific information, if available, on how each recommendation can be implemented.

**RESOURCES**

See the document titled "[Resources](#)" behind the last human resources module.