

# **HR Demand Forecasting**

- HR demand forecasting is the process of estimating the future quantity and quality of people required.

- **Demand Forecasting Techniques**: The following are the various techniques for forecasting HR demand and it may be stated that organisations generally follow more than one technique. They are –
  1. Managerial judgement
  2. Ratio-trend analysis
  3. Regression analysis
  4. Work study techniques
  5. Delphi technique

- **1. Managerial judgement:-** This is a very simple technique. In this, managers sit together, discuss and arrive at a figure which would be the future demand for labour.

This method can be applied in two alternatives- **top- down approach** or **bottom-up approach**.

## **Top- down approach**

- In top-down approach, top management prepares human resource plan for the organization as a whole with the assistance of HR department. This plan is circulated among various departments with an advice to make necessary amendments whenever required with justification. After receiving the document from various departments, human resource needs of various departments are finalized usually in a committee meeting of department heads.

## **Bottom-up approach**

- Line managers submit their departmental proposals to top managers who arrive at the company forecasts.

- **2. Ratio-trend analysis**:- In this analysis the forecast is based on the relationship between the sales volume and employee size. Ratio-trend analysis involves studying past ratios and forecasting future ratios making some allowances for changes in the organisation or its methods.

For example, this technique involves studying past ratios, say, between the number of workers and sales in an organisation and forecasting future ratios, making some allowance for changes in the organisation or its methods.

- **3. Regression analysis:** This is similar to ratio-trend analysis but is more statistically sophisticated. In this analysis a firm first draws a diagram depicting the relationship between sales and workforce size. It then calculates regression line – a line that cuts right through the center of the points on the diagram. By observing the regression line, one can find out number of employees required at each volume of sales.

- **4. Work study techniques**: This technique can be used when it is possible to apply work measurement to calculate the length of operations and the amount of labour required.

The starting point in a manufacturing company is the production budget, prepared in terms of volumes of saleable products. The budget of productive hours then compiled using standard hours for direct labour. The standard hours per unit of output are then multiplied by the planned volume of units to be produced.

- Example:
- 1. Planned volume of units to be produced for next year units 20,000
- 2. Standard hours per unit 5
- 3. Planned hours for the year 1,00,000
- 4. Productive hours per man / year 2,000
- 5. Number of direct workers required 50



- **5.Delphi Technique:-** This technique is named after the ancient Greek Oracle at the city of Delphi where the Greeks used to pray for information about the future.

In the present World Delphi Technique is used in decision making in small groups. The problem and questions relating to HR requirement and related issues will be circulated to the expert group. Their suggestions and replies will be sent to others. This exercise is repeated until some consensus is reached.