

Human resources



**ASSIGN
BUSTER**

1. Define and explain the significance of the term ‘ derived demand’ as it applies to Strategic Human Resources Planning. (5 marks) Derived demand is the demand for a product/services occurs as a result of a demand for another immediate good or service. When apply this concept on labour demand, the more a company's product or service the market wants, the higher the demand for labour to involve in the production process. The essence of strategic human resources planning is to align human resources planning organization's business strategy.

This means company cannot perform their personnel forecast solely based on the product demand because there is some other factor that will affect the product demand. Thus, company need to have a thorough analysis of the external environment and examine potential factor that will affect the overall demand of product/service, then examine how these factors will affect the overall big picture. HR professionals will then be required to view how will these factors affect the business objectives in terms of operations and tried to look for different flexible interventions in order to support the corporate values.

2. Explain ‘ derived demand’ as it applies specifically to Stonewall Industries. (5 marks) The production of the gypsum wallboard is derived from the housing demand. This means if there is a lot of housing activities in the construction and property industry, it will affect the overall demand of the production of gypsum board; this will ultimately affect the overall labour demand. In 1982, the derived demand of labour was extremely low since there were lack of housing starts, which lead to stagnate of consumption of gypsum wallboard.

Subsequently, Stonewall had to terminate employees with this low demand of the gypsum board. On the contrary, housing starts increased in 1991, which led to a relatively high derived demand of the gypsum wallboard. This led to the derived demand of labour increased significantly because more workers would be required in the production plant to keep up with the gypsum board order.

3. The Senior Executive Team at Stonewall has to consider a number of environmental factors that impact on its Human Resources Planning activities. Describe these environmental factors and explain their impact. (10 marks) There are several environmental factors that the senior executive team has to considered when performing HR planning activities and they are economic, political and legislative, technological, social and cultural and demographic factors. (Belcourt and McBey, p. 64-70). (1) Economic factors Economic factors are variables that affect the macro-economy and create a huge impact to the entire society as well as factors that affect individuals and business entities. On the monetary policy standpoint, interest rates will be a key factor that affects Stonewall's HR planning activities.

Since the company's major operation is based on the production and the sales of gypsum wallboard (a construction material use in building walls and ceilings), an increase in interest rate will reduce amount of investment and projects on construction, which will reduce the overall demand for gypsum wallboard. For this reason, Stonewall has to alter the amount of workforce in the production of wallboard to minimize the lost such as relocating part of the workers to the plastic division, or invest on another profitable segment to minimize cost attribute to the fluctuation of the interest rate.

An important component of HR planning is to " forecast the number of people and skills required by the organization during a given period of time, and look for the best option to obtain these individual when they are required. " (MacKellar, 2012). When the Bank of Canada announced there will be some adjustment in the interest rate, Stonewall should already have contingency plans. For example, if interest rate has dropped, the company will have to expand its gypsum wallboard production and vice versa.

Fiscal policy also serves as an important role in affecting HR planning. Business cycle fluctuates with the economy with growth, peak, recession and trough. During the growth and peak period, business is more willing to spend money in expanding their business and consumers will have a higher purchasing power. Similarly, during recession and trough, business will be reducing their investment and cost significantly to prevent themselves out of business since consumers have a lower purchasing power and are less likely to spend.

In 1982, Stonewall experienced a difficult time due to high inflation rate in which consumers are not willing to spend on constructions. With the adoption of the contractionary fiscal policy, government attempts to increase tax, which reduce consumers likelihood in purchasing house and reduce housing demand. Stonewall subsequently decided to lay off workers due to overcapacity in order to stay with the business. Housing market experience a growth in late 1991 since the interest rate began to stabilized.

However, in 2008 the economy suffered a huge recession and the demand for gypsum wallboard dropped again. If Stonewall knows about the business cycle fluctuates and there are always " ups and downs" in the business due

to the external economic environment which beyond the company's control, it is suggested that the company can have a clear long-term planning with regards to recession and growth and try to look for other opportunities to diversify business investment.

Another possible human resources impact would be have a work redesign and cross-training the workers in the gypsum wallboard production plants and the plastic division, so that employees will possess better skill sets and it's easier to transfer to a new position if the company significant a loss of business due to reduce of consumer demand in gypsum wallboard.

Legal factors are laws and regulations that the company has to abide with. Since all of the production employees are members of the United Gypsum and Allied Workers International Union (UGAWIU), human resources department has to plan ahead for the terms and conditions in the collective agreement. For instance, it has to comply with the Employment Standard Act for the maximum number of work hours per day, unionized workers' job classifications and wage rates, vacations and vacation pay, statutory holiday pay and working on a statutory holiday, and seniority.

If the collective agreement did not draft appropriately or the terms were unfavorable to the unions, there would be an outbreak of strike which can costs a severe loss of productivity and revenue. For the plan on closing down the Vancouver plant, the HR planning needs to be very precise and accurate calculation of the severance package and has to follow the conditions under common law precedent. If the severance package were miscalculated or did not fulfill the contract requirement, the company may face significant litigation cost.

Demographic factors are the characteristics of the employees includes the age, gender, deaths and diseases, and other variables to predict how long will the employee spend with the company, their retirement age and possible promotion and training opportunity. Employee age is an important component influence Stonewall's HR planning. In 1981, employees in the Vancouver plant have been employed over 25 years and managers have been working for more than 30 years. This implies that the company will have to pay a significantly high wages and benefit expense if the company has a 2-3% increase in salary per year.

Since most of the employees are the baby boomers, the company will expect a substantial retirement wave when all these employees reach 65 years old, the traditional retirement age. Human resources has to ensure sufficient succession management and replacement planning. Adequate leadership training and bridging program has to given to the younger employees so they can adjust to the management position when the baby boomers supervisors retire from their position. Also human resources has to make sure the company will have sufficient funding for severance package payment. In case most employees leave the company at the same time, company may have to face a decision of closing down the business or look for other business alternatives to rejuvenate the company.

Business organizational factors are the factors that affect the internal functions and development of the company. Since the company has 35-40% market share in the Canadian market, it is believed that Stonewall is a market leader in the gypsum wallboard production industry.

Even though the company has expanded its business by having a brand new division in producing vinyl siding and tried to penetrate in an existing market and to become a key player in this sector, Stonewall did not support the development with increasing the amount of employees even when this line shows improvement in later years. By using defender strategy did not support with the growth and development, thus it is important to develop these employees, analyze the workforce competencies in order to support the corporate values.

In 2008 when Stonewall merge with Canadian Wallboard Company, human resources has to ensure people with the appropriate knowledge, skills and abilities will be displaced to the right position to prevent losing the best candidates in the company. Company should also appoint a transition team to minimize culture shock employees encounter during the merger (Belcourt and McBey, p. 341). It is a systematic change to the company, so it is important to utilize the employees at the best optimal outcome in order to allow the company to achieve the best possible outcome.

4. Identify and explain the various techniques for forecasting labour supply and labour demand. What can organizations do in the short run when they recognize a gap in which supply far exceeds demand. What could Stonewall do in this situation? (20 marks) There are several techniques used to forecast labour supply: (1) Skills and Management Inventories. They are two devices used to organize the qualifications and capabilities of current employees. It helps to determine employees' promotability and their potential for further development.

It help to assess the current personnel supply within the company (Belcourt and McBey, p. 193) (2) Succession/ Replacement Analysis is a technique use to identify the number of people going to be promoted or transferred to the key position and the possible internal employees who can replace those vacant positions. Replacement charts and replacement tables are two devices used in providing a more information on these key positions. (Belcourt and McBey, p. 194-198)

Markov Model is a technique use to verify the pattern of internal mobility between jobs under a stable environment. Based on the movement, the company can determine the amount of external recruitment requires and can identify shortages and blockages for replacement candidates (Belcourt and McBey, p. 198-201). Movement Analysis is a technique use to analyze staff supply and realize the ripple effect that is created by promotion and any form of job loss which cause movement within the organization.

This method can eliminate " double-count" problem and find out the total number of positions expected to be filled and the total number of movement creates due to these movements (Belcourt and McBey, p. 202-203). Vacancy Model is a technique use to analyze the movement of personnel within the organization by reviewing the inputs and outputs at each hierarchical or compensation level (Belcourt and McBey, p. 206-209). Several labour demand forecast techniques :

Index/ Trend Analysis is a quantitative technique used to observe the relationship between operational index and labour demand in the organization. This technique is useful when the business environment is stable. It can predict labor demand through selecting operation index such

as amount of service distribute, production and sales and then compare it to the total direct and indirect workforce use overtime. Forecast demand will then be predicted through the ratio obtained from the historical data. (Belcourt and McBey, p. 167-168)

Staffing Table is a quantitative technique used to calculate employee compensation amount with the use of staffing trends, competitors staffing practices, industry information and Statistic Canada reports. Through forecasting the amount of activity and predicting the expecting levels of job and staffing change, it will be effective to have a better staffing budget forecast. (Belcourt and McBey, p. 175) Regression Analysis is a quantitative technique in which it inputs available data and insert into mathematical formula to predict relationship between a casual variable and future HR demand. (Belcourt and McBey, p. 178-179)

Managerial Estimates is a qualitative method by having a wide range of experts range from line managers, HR and planning staffs, business and financial analysts, union staff, and government personnel and utilize their knowledge on the organization and external environment to make rationale assumption of workforce required in the future. (Belcourt and McBey, p. 169)

(5) Delphi Method is a qualitative method used to make long-term organizational planning in a complex situation. It uses experts who are knowledgeable about the problem.

Each experts will each forecast the situation and formulate a solution anonymously. Experts do not have to meet face-to-face. Solution will then be circulated to make changes until the best optimal outcome is agreed upon on by every experts (Belcourt and McBey, p. 170-172). Nominal Group

Technique is a qualitative method used to make long-term forecast with the use of experts. After preparing their own responses to potential problems, the group of expert meet up and interact with one another to estimate the workforce demand.

The group facilitator will then allow each experts to discuss their ideas without attacking others. Final decision will be make through a secret vote (Belcourt and McBey, p. 172-174). Envelope/ Scenario Forecasting is a qualitative method develops different scenarios that could possibly happen in the organization and forecast what would happen and subsequently predict the change in personnel demand in all levels (Belcourt and McBey, p. 176-177).

If organization recognize a gap in short run in which there a HR surplus occurs, there are a number of measures organizations can do to reduce the amount of internal workforce to the anticipated demand. Companies can eliminate some positions that will not provide benefit or required skill sets for future development. Job sharing is also a solution to retain great employees by reduce their number of hours and income while sharing the same work duties on a part-time basis. A reduction of overall work hours, shifts or work days are also feasible to reduce the excess supply.

Secondments, education and training leaves can send excess employees away temporarily for development of skills and competencies. Stop all external recruitment activities and early-retirement packages can help organization decrease the surplus by paying generous severance package. (Belcourt and McBey, p. 157) Since Stonewall experienced an over-capacity

in 1982 and had to downsize its business, the company has to look for methods to reduce internal workforce supply in order to reduce the gap.

Given that there was an increase in demand in housing in 2008, terminating workers may not be a feasible option in 1982 because the HR Surplus was only a short-term problem created by the recession. It is suggested that Stonewall to prohibit all external recruitment activities since the gypsum board demand decreased during recession, there was no urge of having more external candidates enter the company. With an aging workforce, providing early-retirement package for baby boomers employees not only ceased the excess supply problem, it can also reduce the subsequent cost attribute by the retirement wave.

Stonewall should also terminate poor performers based on performance appraisal, discipline and work record. It should be the best time to lay off these employees because they were not performing up to par which created additional cost for the company. Having various plant share the workload would also help to reduce supply. For instance, I would suggest each plant will take turn to work under a low demand season so that the company will not be terminating too many workers at a time yet still allow employees to work and earn a living with a lower operating cost.