

2.1 Introduction to human resource management

Internal and external factors that influence human resource planning

Just like the business as a whole, human resource management will be impacted by changes in the internal and external environments.

Concept

Change

Change is an act or process through which something becomes different. Businesses operate in a dynamic world with constant change. Understanding change involves researching and responding to signals (feedback) in the external environment and evaluating causes, processes and consequences. Businesses need to adapt their objectives, strategies and operations to respond successfully to internal and external changes.

Human resource management, like all the other business functions, needs to respond to changes in the internal and external environment. The ability of the employees of a business to adapt to change will determine how resilient the business is, and ultimately whether the business survives over the long term.

Internal factors that affect workforce planning

Structure of the organisation

The structure of the business, which you will learn about in [Subtopic 2.2 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-39548\)](https://study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-39548), will affect human resource management. An organisational chart allows the human resources department to identify positions that should be included in the business, to identify those positions that are redundant and to plan how to address gaps in the organisation.

Size of the organisation

Larger organisations need to recruit, train and appraise more workers than smaller organisations. Consequently, more complex human resource planning is required in larger organisations.

Budget

Funding for salaries and benefits affects workforce planning. In some cases, the number of employees needed depends on demand for the products or services. Increased revenue will provide the business with the money to recruit and pay the needed employees. Other positions in the business are not directly related to producing and selling a product, but are needed to ensure that the organisation runs smoothly. The business will need to find money for these positions as well. Additional funds are needed for training and professional development opportunities and employee wellbeing.

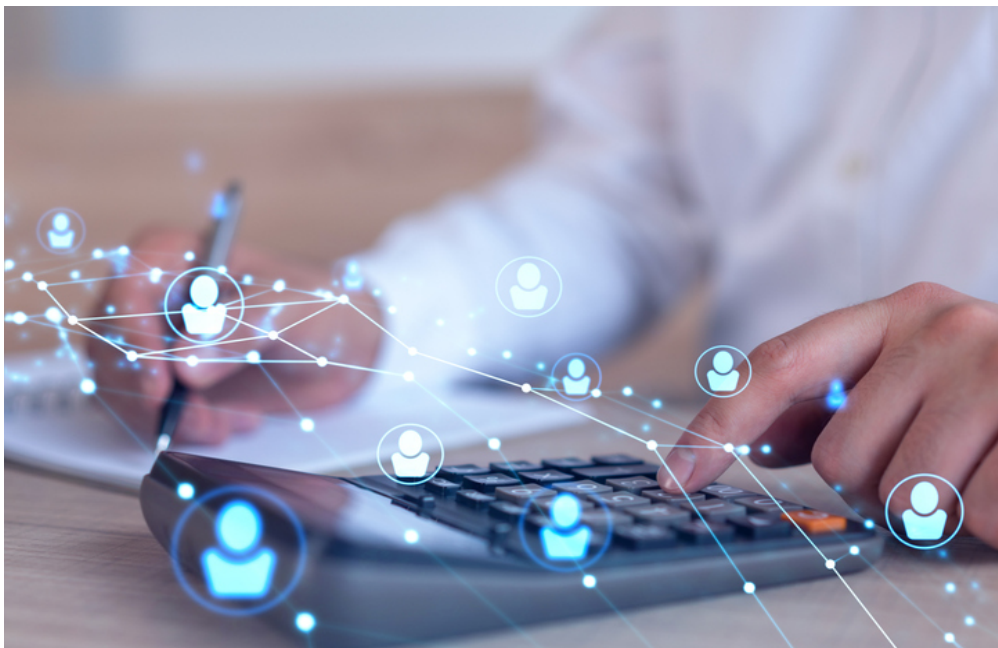


Figure 1. The budget of a business is a major factor that affects human resources management.

Credit: 2d illustrations and photos, Getty Images

Promotion

A company's policy on promoting employees internally is important in workforce planning. The human resource (HR) department needs to keep track of employees leaving and to ensure that other employees are trained so that they can be promoted to

higher positions when vacancies arise. These internal opportunities for professional growth help to retain qualified employees.

Flexitime

The management may decide to change the working practices in the business to ensure more flexibility for employees. For example, it may change the working hours, allow working from home, or provide more opportunities for teamwork. It may also create job-sharing where two people share a single job. Human resource management will have to change policies, practices and training to ensure that employees are successful with new working arrangements.

Motivation

The more motivated the workforce, the greater the productivity and lower the labour turnover, which makes human resource management easier. You will learn more about the factors that affect motivation in [Subtopic 2.4 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-39559\)](/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-39559). Human resource managers need to pay close attention to employee motivation levels and take action if employees are demotivated.

External factors that affect workforce planning

External factors affecting a business are related to the [STEEPLE](#) factors you learned about in [Section 1.1.5 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/tool-swotsteeple-analysis-id-36834\)](/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/tool-swotsteeple-analysis-id-36834). A few of those factors that are particularly relevant for human resource management are outlined below.

Sociocultural changes

Sociocultural factors relate to the way people live and what they believe and value, including religion, cuisine, family life, demographics, health, education and leisure.

These factors will affect what people choose to buy and how they choose to spend their time. Businesses need to be aware of the current and changing sociocultural context so that they can create suitable products or solutions. These might require hiring new employees with different skills.

Additionally, certain changes may make it easier or more difficult for a business to recruit and retain employees. For example, [demographic changes](#), which are changes to the structure of the population, can impact the supply of labour. These changes might

include:

- the size and geographic distribution of populations
- changes in birth rates and death rates
- changes in the average age of the population
- the number of women entering the workforce

Demographic changes that increase the supply of labour may make it easier for human resource management to recruit the employees that the business needs. On the other hand, demographic changes that reduce labour supply may make human resource planning more difficult.

Making connections

The IBDP Geography course studies population pyramids for different countries, showing the age distribution of the population in a country. If you would like to see the age distribution in your country, or compare countries, you can do so by accessing [PopulationPyramid.net](https://www.populationpyramid.net) (<https://www.populationpyramid.net/world/2019/>).



Figure 2. An ageing population may require changes to human resource management recruitment and training practices.

Credit: Klaus Vedfelt, Getty Images

Technological changes

New technologies can affect the number and types of employees that a business needs. For example, the increased use of robots in manufacturing may mean that fewer employees are needed on an assembly line. However, it likely means that businesses will need more highly skilled technicians in other areas. Human resource management will need to respond to technological changes by recruiting and training employees with different skill sets.

Economic changes

There are a number of important economic changes that can affect human resource management.

Recession

Recession, where a country's real GDP declines for two or more quarters, may mean that businesses reduce output and may need to make workers redundant. During times of recession, human resource departments will need to determine which employees are let go. They will also need to decide how to compensate these employees and help them transition to other work. In contrast, if the economy is growing, the business may expand output and the human resources department will have to recruit more workers.

Unemployment

High rates of unemployment may mean an abundant supply of labour. This can make it easier for a business to find the employees it needs. On the other hand, low rates of unemployment will make it more difficult to recruit the needed employees. Businesses may have gaps in their workforce and find that they have to pay higher wages.

Labour mobility

Labour mobility is also an economic (and partly sociocultural) factor that affects human resource management. Geographic mobility means that workers are willing and able to move to a different location to take a job. Among other things, this can be affected by the cost of relocating, the strength of social ties, the willingness to take risks and cultural barriers. Occupational mobility means that workers are able to take on jobs with a different skill set. This is often related to the quality of the education system.

Generally, the higher the labour mobility, the larger the potential supply of labour, which makes it easier to recruit needed employees. However, this can also increase the work for human resource managers, who may need to deal with complex immigration

laws. The increase in remote working that occurred during and after the COVID-19 pandemic has increased labour mobility globally, because now workers do not necessarily have to physically move to a new location in order to work.

Despite the technological changes that have reduced the need for some people to migrate physically from one place to another, many millions of people do still migrate each year, and this movement of people can affect human resource planning. Related to geographic mobility, immigration increases the supply of labour in countries, making it easier for businesses to recruit employees. However, businesses that wish to employ immigrants may face language, legal and skills barriers.

Most countries host significant numbers of immigrants, many of whom have moved in search of work. **Figure 3** shows the percentage of immigrants making up the total population of each country around the world.

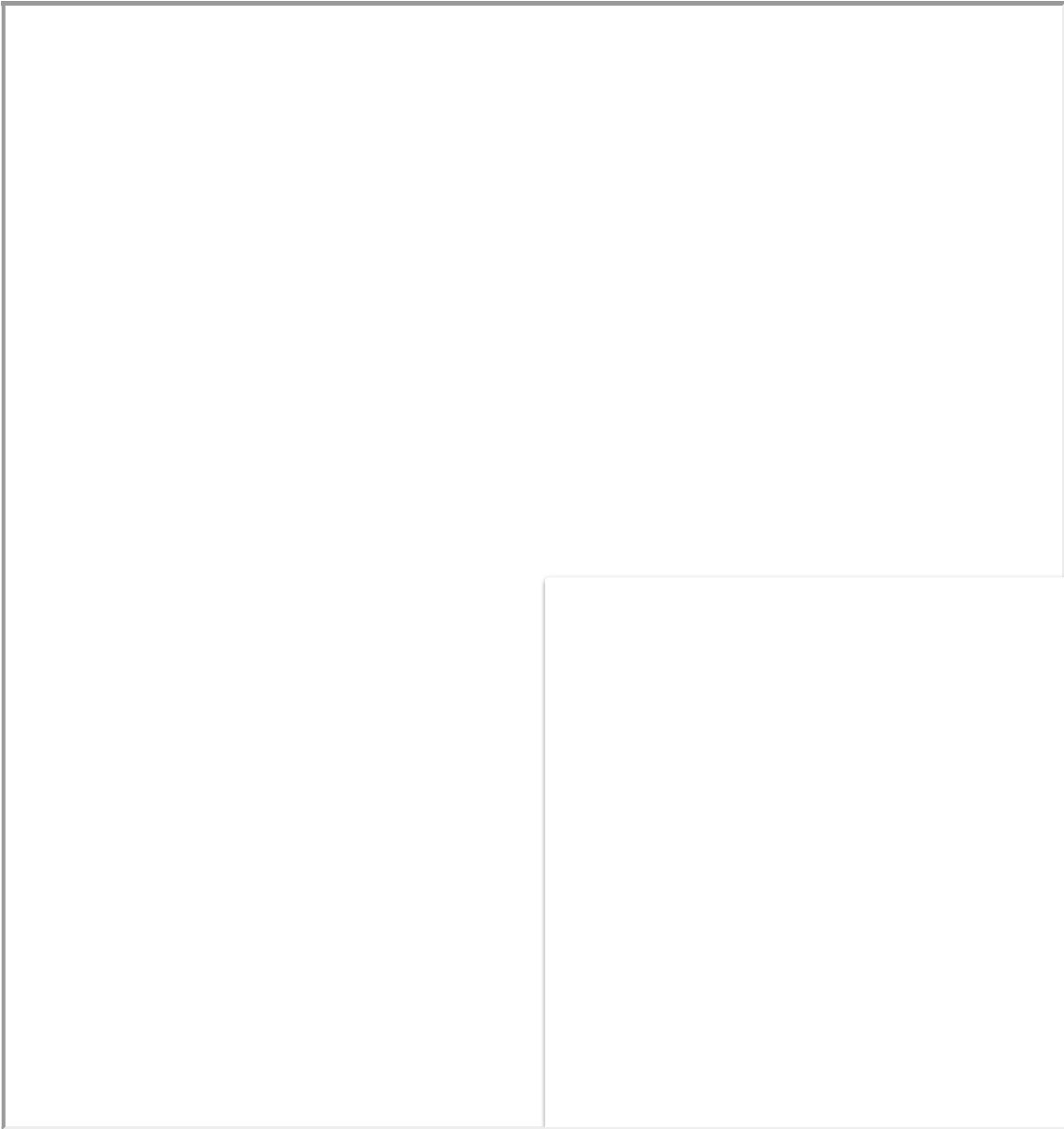


Figure 3. Immigrants as a percentage of the total population of each country.

Making connections

Section 4.4.6 (</study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/tool-descriptive-statistics-id-39189>) introduces the descriptive statistics tool. You should practise interpreting data like that provided in **Figure 3**. Before you try to interpret the data, it is very important that you understand the meaning of any titles, labels, numbers, colours or symbols used in the data. In this case:

- The data is showing the proportion (percentage or share) of a population that is made up of immigrants. So any interpretation you use needs to express the numbers in percentage terms.
- The colours have meaning. The darker the colours, the higher the percentage of immigrants in a country's population. By using the 'play' button or the slider below the map, you can also see how these percentages have changed over time.
- There are patterns in the data that can add to your understanding. In this case, there are some geographic patterns. Do you see any of these patterns?
- If you find patterns, you can attempt to use other knowledge you have to explain the them. Why, for example, might the percentage of immigrants be very high in some countries and very low in other countries?

Temporary work

Modern economies are seeing an increase in temporary work. Businesses have been trying to reduce their labour costs by hiring workers that may not qualify for the same level of job protection and social security benefits as permanent workers. This trend has been called the gig economy, where a 'gig' refers to a job that is done for a specified amount of time. While this kind of temporary work has always been common in certain creative industries, it is now being used more often in other industries too. Managing a large number of temporary workers presents special challenges for human resource departments. HL students will learn more about the temporary work trends in Section 2.2.4 (:sectionlink:113386). **Video 1** explains the benefits and drawbacks of the gig economy.

Gig Economy



Video 1. The gig economy – a freelance economy in which workers take on short-term jobs.



Figure 4. An increase in remote working has increased labour mobility.
Credit: JohnnyGreig, Getty Images



Figure 5. The increased use of temporary workers changes workforce planning for human resources departments.
Credit: Tempura, Getty Images

Legal and political changes

Human resource managers have to pay close attention to labour laws in their country, which can be affected by political changes. Labour laws are changing constantly and can affect recruitment, pay, training, working hours, policies related to leave and

dismissal and many other issues.

For example, many countries now have laws that prevent discrimination on the basis of gender, age or ethnicity. As a result human resource managers have needed to adjust their recruitment processes to ensure that discrimination, even unintentional, is eliminated. This discrimination could relate to things like asking job candidates not to put a photo on their CV, ensuring that an equal number of men and women are invited for an interview, and ensuring diversity in the group of people who are making the hiring decisions.

Political changes, such as the UK leaving the European Union, can also have an impact on human resources because of impacts on labour laws and mobility.

Case study

External factors affecting human resource management in China

China is the most populated country in the world. In 2018, China's population was 1.39 billion. In 2021, the population had increased to 1.41 billion; a 1.4% increase in 3 years. However, China's population may have peaked, marking a significant demographic change.

For decades, China had a one-child policy, which reduced birth rates and slowed population growth. But at the same time, China's population aged rapidly. By 2021, nearly one-fifth of the Chinese population was over the age of 60. The government has now increased the number of children that families are allowed to have, but this has not had much impact on the birth rate.

This presents a number of problems for the economy in China. One issue is that there are too few workers to pay into a social security system to support retired workers. China has an unusually low retirement age. As the population grows older, there will be more and more retired people to support with pension payments. The Chinese government is considering raising the retirement age to reduce the pressure on social security systems.

A second problem is for businesses. Many multinational corporations set up factories in China to take advantage of its abundant workforce. Now there are more likely to be worker shortages for both domestic and multinational businesses. This means that businesses may not be able to find the labour necessary to produce their products. Businesses in China may also have to pay higher wages to workers, who will have more bargaining power. The changes to China's population present significant challenges to human resource departments.

Questions

1. Define demographic change. [2 marks]
2. Explain **two** external factors affecting human resource management for businesses operating in China. [4 marks]

