Human Resources Management In Context

Lecture Title :-
Economic and Political Influences on HRM

Lecturer: Nathalie Xuereb Saydon

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Learning Objectives

- Assess the impact of government policies and political ideologies on employment practices
- Analyse how economic systems and labour market trends impact HRM decisions
- Interpret employment legislation and its implications for HR strategy and compliance
- Discuss how HR practitioners navigate complex regulatory and market environments

Political Ideologies

A political ideology is a set of views, values, and concepts that define how society should function, notably in terms of government, the economy, and individual liberties.

Political ideologies direct political conduct, affect public policy, and influence institutional frameworks including employment and labor relations.

Key ideologies relevant to HRM

Neoliberalism: Emphasis on free markets, deregulation, reduced government spending

Social democracy: Strong state intervention, labour protections, welfare support.

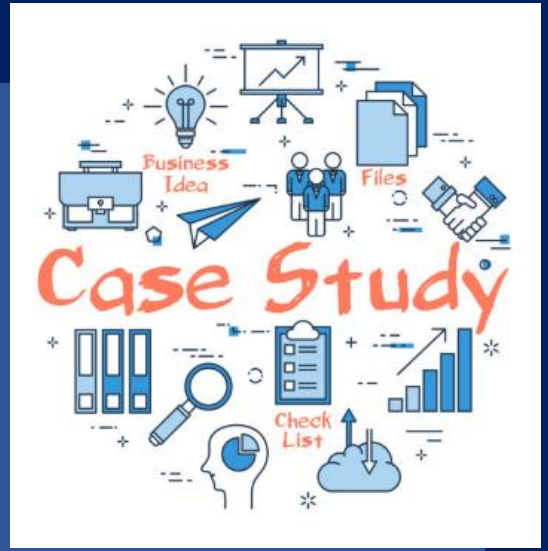
Authoritarianism: Centralized control; often weak labour protections or suppressed unions.

Key ideologies relevant to HRM

Feature	Neoliberalism	Social Democracy	Authoritarianism
Core Beliefs	Free markets, minimal state intervention, individual responsibility	Economic equality, welfare state, regulated capitalism	Centralized control, limited political freedom, state dominance
Role of Government	Small, regulatory	Active in regulation, welfare provision	Dominant, directive
Union Influence	Weak or declining	Strong and institutionalized	Controlled, banned or state-run
Employment Protections	Limited, flexible	Strong, statutory	Varies – often limited and politically constrained
HRM Style	Market-driven, flexible hiring/firing, performance-focused	Collaborative, equity- and welfare-focused	Compliance-oriented, state-aligned
Examples of HR Practices	Gig work, at-will employment, limited benefits	Collective bargaining, generous leave policies	Politically monitored HR, limited worker voice

Country	Likely Ideological Orientation	Notes
USA	Neoliberalism	Strong private sector orientation, limited federal labour protections
UK	Neoliberalism (post-1980s)	Shifted from welfare state to neoliberal model under Thatcher
India	Hybrid (Neoliberal + elements of Social Democracy)	Liberalized economy since 1991 but retains strong public sector and labour laws
Germany	Social Democracy	Co-determination, strong labour protections, works councils
Sweden	Social Democracy	High union density, universal welfare, strong worker protections
Norway	Social Democracy	Similar to Sweden with additional oil-funded welfare model
Finland	Social Democracy	Tripartite labour system, egalitarian policies
Russia	Authoritarianism	Centralized power, state-managed unions, limited worker rights
China	Authoritarianism	One-party system, state-run unions, strong economic control
Saudi Arabia	Authoritarianism	Monarchy, strict labour regulation for foreign workers, limited labour rights
Nigeria	Hybrid (Authoritarian leanings with Neoliberal tendencies)	Strong state presence, corruption issues, informal labour sector
Pakistan	Hybrid (Authoritarian-Neoliberal)	Fluctuates between military and civilian rule, weak labour enforcement
Nepal	Transitional (Democratic-Socialist orientation)	Constitutionally socialist, but with liberalized economic reforms and political instability

Understanding Political Ideology & HRM



Refer to the case study worksheet

Review each of the three policy scenarios and :-

1. Identify the political ideology represented.
2. Describe one main **challenge or opportunity** this scenario presents for HRM.
3. Suggest how HR could **adapt its strategy** in response.

(20 minutes)

Government Role in Employment

Welfare State VS Laissez-Faire Models

A welfare state is one in which the government takes an active role in preserving and promoting its residents' economic and social well-being, primarily through extensive labor laws, public services, and income redistribution.

The Laissez-Faire Model is a limited government interventionist approach to the economy and employment relations that relies on market forces to decide labor conditions.

Welfare State VS Laissez Faire Model

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Category	Welfare State Model	Laissez-Faire Model
Government Role	Active regulator and provider of social protections	Minimal intervention; relies on free market dynamics
Labour Protections	Strong laws on pay, leave, dismissal, equality	Limited protections; employers have more autonomy
Social Benefits	Universal healthcare, pensions, unemployment insurance	Often private or employer-sponsored; varies by company
Union Involvement	High union density; collective bargaining is institutionalised	Low union influence; decentralised or absent bargaining
Employee Voice	Works councils, formal consultation processes	Individualised; fewer formal mechanisms for worker input
HR Compliance Needs	Complex and legally binding frameworks	Minimal statutory compliance; high managerial discretion
HR Strategy Impact	Focused on well-being, long-term planning, skill development	Focused on cost control, flexibility, and quick restructuring
Talent Retention	High job security and satisfaction reduce turnover	May face retention challenges; relies on incentives and culture
Employer Flexibility	Low to moderate; bound by legal and union frameworks	High; easy to scale workforce up/down based on business needs
Examples of Countries	Sweden, Norway, Germany, Finland	United States, Singapore, (historically the UK)

Group discussion

Which model better supports innovation vs. stability?

Can a hybrid model be more effective. Why or why not?

Can you map your home country to one of the models.

How does HR must adapt when operating in each context?

Economic Systems and HRM

System	Key Characteristics	Examples	Implications for HRM
Capitalist	Market-driven, private ownership, profit-oriented	USA, India (mixed-capitalist)	HR prioritises performance, flexibility, and cost-efficiency
Socialist	State ownership, wealth redistribution, central planning	Cuba, (formerly USSR)	HR aligns with state goals; limited autonomy in decisions
Mixed Economy	Balance of market freedom and government intervention	UK, Germany, France	HR balances compliance with performance, adapts to policy shifts

Economic Cycles

Economic cycles, also known as business cycles, are changes in economic activity that occur over time. These cycles typically comprise four major phases:

Cycle Phase	Characteristics
Expansion (Boom)	Rising GDP, low unemployment, increased investment
Peak	Economy at maximum output, potential inflation
Contraction (Recession)	Declining GDP, rising unemployment, reduced spending
Trough	Economic activity bottoms out before recovery begins

The HR Role Through the Economic Cycles

What is the HR role through the different economic cycles?

Cycle Phase	Sample HR Focus
Expansion	
Peak	
Recession	
Trough	

The HR Role Through the Economic Cycles

What is the HR role through the different economic cycles?

Cycle Phase	Sample HR Focus
Expansion	Talent acquisition, employer branding, onboarding systems, scaling culture
Peak	Managing burnout, retention strategies, reward equity, future planning
Recession	Layoffs planning, morale management, redeployment, legal compliance
Trough	Workforce rebuilding, internal development, innovation through reskilling

Labour Market Indicators and Trends

Labour market indicators are crucial statistics and measures that shed light on a country's workforce performance, trends, and health. These indicators assist governments, corporations, and human resource professionals in understanding labor market supply and demand dynamics, which in turn guide policy, strategy, and workforce planning decisions.

Labour Market Indicators

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Indicator	Definition	Relevance to HRM
Unemployment Rate	% of the labour force actively seeking work but unable to find it	Indicates job availability, talent pool size, and economic health
Employment Rate	% of working-age population currently employed	Helps assess labour market participation and workforce engagement
Labour Force Participation Rate	% of people aged 15–64 who are working or actively looking for work	Helps gauge potential workforce size and societal involvement in the economy
Underemployment Rate	% of workers employed below their skill level or in part-time roles involuntarily	Reflects skill mismatch and inefficiency in labour utilisation
Wage Growth	Average increase in wages over time	Tied to productivity, inflation, and talent attraction/retention
Vacancy Rate	% of open positions relative to total employment	Signals demand for labour and potential skills shortages
Informal Employment Rate	% of workers not covered by formal work arrangements or social protections	Common in developing economies; affects HR planning and compliance
Youth Unemployment Rate	% of the labour force aged 15–24 who are unemployed	Affects early-career talent pipelines and long-term employability
Average Hours Worked	Average number of hours worked per week	Indicates labour intensity and potential for burnout or flexibility
Labour Productivity	Output per worker or per hour worked	Links workforce effectiveness to economic performance

Labour Market Trends

Key global labour market trends reflect how technological, social, economic, and geopolitical forces are reshaping the world of work and HR's strategic role.

Labour Market Trends

Trend	Description	Implications for HRM
Unemployment & Underemployment	High rates in some regions; underutilisation of skills in others	Reassess job design, focus on skills matching, rethink recruitment and development
Skills Shortages	Mismatch between available jobs and worker qualifications	Increase investment in training, partnerships with education providers, internal mobility
Gig Economy Growth	Rise of freelance, contract, and platform-based work	Adapt HR policies for non-traditional workers, manage compliance, rethink benefits
Youth Unemployment	Higher unemployment among young people globally	Develop early-career programs, apprenticeships, and inclusive hiring practices
Aging Workforce	Workers staying employed longer in developed economies	Implement age-inclusive practices, flexible retirement, and knowledge transfer strategies
Informal Employment	High rates in developing economies without formal protections	Explore strategies for formalisation and provide flexible benefits for informal workers
Remote & Hybrid Work	Permanent shift in many sectors post-pandemic	Reconfigure workforce planning, remote policy, digital HR tools, and team engagement
Wage Stagnation vs. Wage Inflation	Varies by region and sector	Re-evaluate pay structures, compensation benchmarking, and reward systems
Labour Migration & Mobility	Increased regional/international worker movement	Manage legal compliance, diversity, and global talent integration
Automation & Technological Disruption	Changing job roles due to AI and robotics	Reskill workforce, conduct future-of-work planning, focus on change management

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Employment Legislation and HR Strategy

Employment Legislation and HR Strategy

Group discussion:-

Why is Employment law important for HRM?

Employment Legislation and HR Strategy

Employment Law:-

- Sets boundaries for what HR can and cannot do
- Prevents legal liability and reputational damage
- Promotes fair, ethical, and equitable treatment of employees
- Empowers HR to support the business while protecting workers

Key Areas of Employment Law & HRM Implications

Area of Law	HR Responsibilities
Equality & Non-Discrimination	Equal pay, inclusive recruitment, reasonable accommodations
Contracts of Employment	Issuing compliant contracts, clauses (probation, notice, confidentiality)
Health & Safety	Workplace risk assessments, mental health provisions, ergonomic policies
Termination & Redundancy	Lawful procedures, notice periods, severance pay, grievance handling
Working Time & Leave	Complying with working hours laws, parental leave, sick leave entitlements
Work-Life Balance	Flexible work arrangements, right to disconnect, carers' leave (e.g., EU Directive)

Legal Frameworks Affecting HRM

- EU Directives: Shape national laws on working time, equality, leave entitlements (e.g., Work-Life Balance Directive 2019/1158).
- National Laws: Country-specific regulations, e.g., Malta's Employment and Industrial Relations Act.
- ILO Standards: Set global principles (e.g., ILO Convention 87 – Freedom of Association).
- Other Influences: GDPR (data handling), whistleblowing laws, trade union rules.

Strategic HRM Implications of Compliance

HR Area	How Law Affects Strategy
Recruitment	Avoiding bias, using structured interviews, lawful right-to-work checks
Performance Management	Managing poor performance fairly, avoiding constructive dismissal claims
Learning & Development	Ensuring mandatory compliance training (e.g. anti-harassment, H&S)
Workforce Planning	Aligning employment types (perm/contract/freelance) with legal and risk profiles
Diversity & Inclusion	Building inclusive policies aligned with legal expectations

Penalties And HR's Role In Compliance

Group Discussion:-

What are the consequences of not complying with Employment Law?

Penalties And HR's Role In Compliance

Consequences of Non-Compliance:

- Fines, legal settlements, criminal liability in extreme cases
- Reputation loss and talent attraction damage
- HR professionals may be **personally liable** in some jurisdictions

HR's Preventive Role:

- Conducting **internal audits**
- Drafting & updating **HR policies**
- Training line managers
- Acting as a **strategic partner** with legal advisors

Group Discussion

Can you refer to a particular Employment Law within your country and discuss how this affects the HRM function?

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