

SUSTAINABLE DEVELOPMENT AND THE CRITICAL ROLE OF HRM

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Abstract: The link between sustainable development and human resource management (HRM) has been only recently widely established in the literature. Systematic studies are available but there is a wide range of interpretations and several overlapping terms that often cause confusion to practitioners. HRM practices included in the CSR Programs of a company are often linked with sustainability, business ethics and workplace justice and are often under the terms of sustainable HRM. It is well recognized that HR can play a critical role in enhancing corporate sustainability through policies and practices that benefit its people and society in general and that all these initiatives must be documented and reported to gain visibility and credibility. Lately great emphasis has been placed on the U.N. Sustainable Development Goals (SDGs) and the dimensions of the Environment, Society and Governance (ESG) which form the criteria for documenting and reporting relevant practices implemented by business firms. HRM can play an important role in designing and implementing such practices, especially those linked to society. This paper presents the notion of Sustainable Development, its increasing importance for companies and its link with Human Resource Management. (HRM). It describes and clarifies Sustainable Development Goals (SDGs), their history and the three pillars e.g., Environment, Society and Governance (ESG) which form the basic criteria for organizations to implement and report relevant practices in order to prove their involvement in sustainability. Third, the paper presents the concept of Sustainable HRM, and Sustainable practices implemented by companies in Greece following the 2010 economic crisis and the need for reporting them mainly under the social dimension of the ESG Criteria. To stress the need for the involvement of HRM in sustainability in order to enhance its ethical profile, expand its agenda and improve its role as a strategic partner and a source of competitive advantage.

JEL classification: M54.

Keywords: sustainable development, HRM

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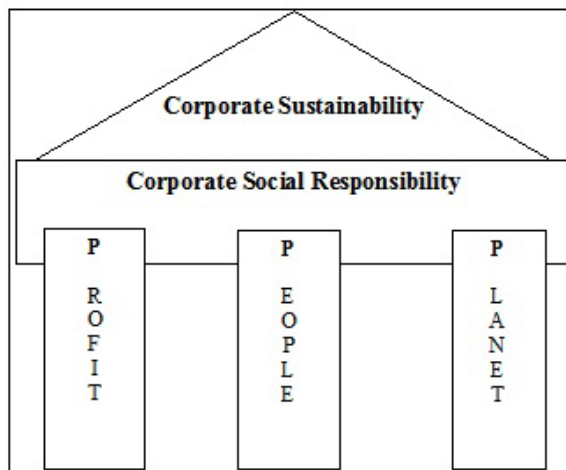
1. Sustainable Development and its link with HRM

According to the World Commission on Environment and Development (WCED 1987) "Sustainable Development is seeking to meet the needs and aspirations of the present, without compromising the ability to meet those of the future".

At the company level, the term is referred to as Corporate Sustainability (Dyllick & Hockerts, 2002), placing extra emphasis on the effects business operations have on environmental issues such as pollution, global warming, recycling, protection of eco-systems etc. In order to simplify sustainable development for business, the use of the "Triple Bottom Line was introduced" by Elkington (1997), including the 3 Ps i.e. Profit, Planet and People. This means that corporate results should be measured not only by the financial bottom line (profit) but should include environmental (planet), societal and ethical (people) performance.

At the same time, starting in the 80's a growing interest was shown by companies in Corporate Social Responsibility activities as a response to society's demand for using part of their financial profits for the general good. Corporate Social Responsibility includes a range of activities undertaken by companies on a voluntary basis going beyond their legal obligations which center around the 3P's. Therefore, CSR can be considered as the implementation of sustainable development. (See Figure 1)

Figure 1. Relationship between the balance in Profit, People, Planet, CSR and Corporate Sustainability (Rompa, 2011)



The concept of CSR is widespread in today's business world showing a transition from the importance given to shareholders in past years to the stakeholders' approach which implies that the interest of various groups interacting with a company (employees, customers, providers, local community, society etc.) should be taken into consideration. (Carroll 1991 & 1999). Corporate Social

Responsibility is closely related to HRM as in practice, CSR activities offered by companies include apart from the environment and society, their own employees and in most small and medium companies the responsibility for CSR falls in the hands of HR practitioners. Furthermore, the growing emphasis on the long-term outcome of HRM has led to the belief that HRM could help in the realization of corporate sustainability goals (Ehnert, 2009).

2.The History of Sustainable Development Goals

The 2030 Agenda for Sustainable Development adopted by U.N. Member States in 2015 (U.N. 2015) aimed at promoting peace and prosperity for people and the planet, now and into the future. It is based for its implementation on the 17 Sustainable Goals (SDGs) which invite all countries to engage in a global partnership to end poverty and deprivation while improving health, education, equality, and the environment.

These goals are the product of a long period of efforts starting with the 1992 Earth Summit in Rio de Janeiro, followed by the 2000 Millenium Summit in New York during which the Global Compact was launched, the 2002 World Summit in South Africa, the 2006 U.N. Principles for Responsible Investment, the 2012 U.N. Conference again in Brazil and finally the 2015 Agenda for the 17 SDGs.

Business firms, as social partners, have taken an active role in implementing and reporting sustainability. The already mentioned Triple Bottom Line or the notion of People, Planet, Profit urged for the first-time companies to focus on the two other P's beyond profits. This concept was the starting point of what later became ESG (Environment, Society, Governance). Since the launch of Principles of Responsible Investment in 2006 the laws and standards of ESG have moved to the top of the financial services agenda. Recently in 2021 the Sustainable Finance Regulation stresses the promotion of ESG values for investment purposes and fund management and everything shows ESG will play an important role with 80% of investors intending to have an ESG plan in place by 2023 (S & P 2022). The fiduciary duties of investors require them to incorporate ESG factors into their investment decisions and encourage high standards of ESG performance in the companies in which they invest. It also appears that ESG yields financial returns as during the Covid-19 pandemic, ESG stocks performed better than traditional stocks (Squire, Patton & Boggs, 2022)

3. What is included in ESG

The three dimensions of ESG include in general the following policies and practices.

Environment: Assesses a company's impact on the planet involving energy use, waste disposal, raw material sourcing, carbon emissions, water usage and recycling processes.

Social: Assesses a company's impact on its workforce and the wider community. Issues include diversity & inclusion, gender equality, employee rights, charitable activities, assistance to the community, care about agency workers and volunteer work.

Governance: Looks at how a company is directed and controlled i.e. the composition of board members, investor and stockholders' relations, internal audit and risk management, executive pay and shareholders; rights, gender equality in Boards. Responsibility for ESG factors is now the norm in the investment community. Concerns over climate change, issues of inequality and widespread corporate scandals have led to a demand to consider not only shareholders but also the interests of the stakeholders such as employees, customers, suppliers, the local community, and wider society. (Squire, Patton & Boggs, 2022).

Data analytics, metrics and meticulous reporting are used, following various available systems and platforms which have been introduced by public and private entities. However, ESG reporting remains a complicated task and policymakers are asked to provide uniform standards and disclosure requirements in order to enable greater transparency and consistency in reporting and help companies, especially smaller ones, to adopt systems which will help them implement and report their sustainable practices.

4. The link of ESG with Sustainable Human Resource Management

The Society dimension of ESG is a natural place for HR to lead, show results and fully acquire the much-desired position as the firm's strategic partner. According to S&P Reports (2022) labor relations can prove the key to profitable operations.

The same holds true for a variety of workforce practices, some of which fall under the CSR umbrella, but which should now be documented under ESG criteria in order to form part of sustainability reports, the Global Reporting Index (GRI) and other platforms available for sustainability reporting.

Starting in the 2000s the growing interest in exploring the role of HRM in designing policies and practices adding to sustainability has led to the concept of Sustainable HRM which was gradually regarded as a value-added alternative based less on cost cutting or profit generation and more for its contribution to individual and collective well-being.

Wagner (2013) defines a sustainability oriented HRM as that which meets the current needs of a firm and society at large without compromising its ability to meet any future needs.

On a more practice-oriented level, Sustainable HR can be defined as the long-term socially and economically efficient and fair recruitment, development, retention, and treatment of people. (Ehnert 2009). A more recent definition by the same author describes Sustainable HRM as the adoption of HRM strategies and practices enabling the achievement of financial, social and ecological goals with an impact inside and outside the organization and over a long-term horizon, while controlling for unintended side effects and negative feedback (Ehnert, 2014).

According to Rompa (2011) there are three topics related to sustainable HRM:

- a. Sustainable supply of future employees through training, talent management, better work-life balance
- b. Good treatment of employees to avoid staff turnover, dissatisfaction, stress at work and loss of morale.

- c. Engagement of employees in CSR practices, since it is through their voluntary involvement in activities benefiting the environment and society and by their ethical behavior that their organization can implement sustainability in practice.

Apart from Sustainable HRM, a number of new models emphasizing individual and collective well-being have emerged such as Socially Responsible HRM (Shen and Benson, 2016), Green HRM (Renwick et al. 2016, Jackson et al. 2011) and Common Good HRM (Aust, Matthews and Muller-Camen, 2020). The International Labour Organization has also developed the notion of “human centered HRM to support achievement of SDGs (Cooke, Dickmann, and Parry, 2022).

In view of the above, the main question for exploration is the changing and enriched agenda of HRM, its actual involvement in sustainable HRM policies and practices and the subsequent impact on its strategic role at a company level. We decided to explore this question among companies operating in Greece, examining relevant HRM practices during the past 10 years.

5. The case of Greece over the past decade

Having described the concept of sustainable HRM, we will present HR practices linked to sustainability which have been applied both by smaller and larger companies operating in Greece. In order to identify practices, we studied in depth websites and published reports by companies belonging to the Greek Network for Corporate Social Responsibility and the Qualitynet Foundation. We focused on practices aimed at the wellbeing of employees in the workplace or their involvement in volunteer work aiming at social and environmental issues. We also studied reports by a number of Institutes and Associations organizing award-winning contests for CSR, sustainability and HRM practices such as the Best Workplace Institute and the HR Annual Awards. We then approached a number of HR Managers for in-depth interviews.

Our general impression was that many large and a considerable number of small-medium companies felt the need to assist their people in facing social problems and encouraged them to get involved in volunteer work both within the company for the benefit of co-workers and outside the company for the benefit of society.

A careful study of reported practices showed emphasis on the following:

Health and safety programs which became very important during the COVID Pandemic.

Distance or hybrid flexible working systems adapted to job requirements with special emphasis on work/family balance needs of employees and provision of appropriate technological equipment for distance workers.

Outplacement Programs during downsizing which was very extensive during the first years of the 2010 economic crisis.

Concern for employee well-being especially at the psychological level with provision of counseling, hot lines for personal advice and Employee Assistance Program Services offered by external consultants.

Re-skilling and Up-skilling to enhance employee competencies, improve their digital skills and retain their employability in the labor market for cases of job loss.

Diversity, Equality, and Inclusion programs with an emphasis on gender balance, promoting women to leadership positions, facing gender pay gaps and sensitivity training to face hidden bias against underrepresented or diverse groups within companies. Also, inclusion programs for people with special needs, different race, religion, ethnicity, and sexual orientation.

Programs to help unemployed, older people, migrant workers and women returning to the workplace to get employment or practical experience.

Programs against workplace bullying and harassment include awareness training, appointing a responsible person for handling complaints, communicating the procedure for facing such incidents, supporting victims and penalizing violators.

Career counseling and talent management especially for young graduates and older people following downsizing of their company and need for professional re-orientation.

Employee involvement in volunteer programs for the local community offering help especially to underprivileged groups, unemployed and poverty struck individuals following the economic crisis.

Employee participation in projects to protect the environment, plant trees, clean beaches and save resources both within and outside the company through recycling, energy saving etc.

The practices described and especially those receiving distinctions at the Best Workplace, the Qualitynet Foundation and the HR Annual Awards were quite impressive. The interesting part was that not only MNCs which follow as a rule parent companies' guidelines, but also smaller family-run Greek firms had implemented especially employee-centered practices. It is true that following the 2010 economic crisis solidarity among company members became important for survival reasons. Employees' ideas and suggestions were taken into consideration, suggestions for improvement were invited and people especially in SMEs were mobilized to help navigate their companies across dangerous waters. It is interesting to note that the economic crisis led to an increase in Greek exports since the local crisis urged companies to look for solutions abroad (Papalexandris & Nikandrou, 2014).

Following identification of best HR practices, a series of eight in-depth interviews with HR managers in companies most active in employee-centered activities took place in October 2022. Respondents were asked about the degree to which they believed that their HR practices were part or contributed to corporate sustainability, their knowledge about the notion of sustainable HR and their willingness to report practices under the ESG criteria.

All respondents were very enthusiastic about their HR practices. They were also proud for receiving an award and thought that the impact on their employees' motivation and commitment was very favorable. They believed that they had a lot to gain from continuing their efforts especially with employee well-being, diversity and inclusion and anti- harassment/bullying policies. Volunteer programs and initiatives with an impact on the environment were also considered important but were more the responsibility of production departments with HR assisting mostly in employee communication. It was evidenced that companies were more ready to engage in practices for the benefit of their internal than their external stakeholders.

This coincides with the findings of a paper by Ehnert (2016) in which she examines sustainability reporting practices by the world's largest companies. Her findings show that the overall reporting of HRM performance is equally high as environmental performance and that companies tend to report more on their employees than on their external stakeholders.

Respondents were aware of the concept of corporate sustainability and had heard about SDGs which they considered more relevant to corporate governance and the environment.

They were informed about the emphasis placed on a series of regulations regarding corporate governance, reporting guidelines and compliance standards, which were very high on the corporate agenda but belonged mainly to the set of tasks for auditors, financial services and the legal departments. The only HR involvement in the corporate governance criteria had to do with gender balance requirements for boards of listed companies. This had to do with diversity, gender equality and inclusion which was very high on their priority list.

With reference to the environment, they also felt that their companies were quite active in improving their ecological profile and were mostly responsible for employees involved in company-sponsored efforts such as recycling, tree planting and day-to-day energy saving initiatives. Larger environmental interventions were the responsibility of technical staff with the assistance of external experts.

As far as initiatives for internal and external stakeholders were concerned, although our respondents were actively involved and with great fervor in their implementation, they did not consider them as an important part of the sustainability agenda but rather as part of CSR. It is true that the boundaries between CSR and the Social criteria of ESG are not clear yet and many companies are not yet aware of the need for documenting and reporting employee-centered practices.

With reference to sustainable HRM, the term is not so popular and the same holds true for green HR which they mostly consider a fad rather than a real movement. All respondents believe the link between HR and sustainability has become critical after the economic and the COVID crises and that what can be generally classified under sustainable HRM is becoming an important part of corporate strategy and an important tool for improving the workplace. As was mentioned by most respondents the silent resignation which took place in the US as a result of the pandemic rang a bell about the need for more anthropocentric and human oriented company initiatives to safeguard the retainment, wellbeing, motivation and commitment of the workforce.

Finally, our respondents were feeling that HRM involvement in sustainability expands the HR agenda and improves their status as strategic corporate partners. Their main reservations had to do with the lack of clear guidelines for reporting and the recent booming but sometimes confusing available platforms. They were also afraid of the extra burden imposed on HR departments with the addition of extra tasks such as handling Diversity and Inclusion, Workplace Bullying and Harassment, Health and Well-being Issues which had gained extra importance especially after the pandemic. An extra preoccupation came from the demand to adapt distance or hybrid working systems to meet employee work/life balance needs and the gap in leadership and team supervisory skills existing mostly among middle managers which they would have to cover with extra training and development.

6. Study Limitations

Future research should explore the existing situation among a representative sample of Greek companies. Although the situation might not appear so optimistic, we believe that given the comparatively small size of the country and the great emphasis and publicity given to sustainability, more and more companies will start applying sustainable practices especially under the pressure expected by banks and investors.

HRM practices will also be in demand due to the labour scarcity which although not very evident has also started to appear in the Greek labor market and the growing demand for employee wellbeing in order to enhance retention and improve performance.

7. Conclusions

The general impression about Sustainability and HR in Greek firms based both on published sources and interviews was that HRM practices adding mainly to the social dimension of Corporate Sustainability are gaining attention and that various employee and community-centered activities for and with the assistance of employees have increased during the Greek economic crisis and the pandemic which succeeded it. It is now commonly accepted both at the top management and at the Board level that better treatment of employees in the workplace is an important element of corporate sustainability, keeping employees' morale and enhancing their performance. Furthermore, the launching of the 17 SDGs by the U.N. in 2015 and the emphasis on ESG criteria for reporting their implementation has mobilized initially listed companies and gradually smaller non-listed ones to observe standards and engage in relevant policies and practices.

Lately the Qualitynet Foundation a Greek Volunteer Association received a prize for preparing the Greek Sustainability Code which was presented during the U.N. Conference on Trade and Development in Switzerland. This Code is part of the Greek Sustainability Toolbox and is based on an extended dialogue and consultation under the auspices of the Greek Ministries of Development and of the Environment in collaboration with the Association of Greek Industries (S.E.V.), 120 private companies, 44 local authorities and 17 Citizens' Associations. The Sustainability Code provides a free framework which aims at supporting Greek firms in publishing non-financial information about sustainability and ESG, according to the European CSRD Directive (Corporate Sustainability Reporting Directive) voted in EU in November 2022, the National Legislation and market requirements.

All companies participating in the Code preparation have reported their best practices thus contributing to the development of sustainability also among smaller firms who can also form suppliers' networks and gain the label of a sustainable company (Qualitynet 2022). As already mentioned, companies meeting the ESG performance criteria can receive positive evaluations from Financial Institutions from Investors and Society in general thus improving their competitiveness and their appeal to investors and customers.

All these late developments will help in improving sustainability reporting for social and employee-centered activities thus adding to the credibility and importance of HRM. An excellent opportunity is therefore presented for HRM to present its initiatives, improve its status as a strategic partner and add with its policies and practices both to the well-being and the competitiveness of business firms.

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