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## Chapter 3

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### Human Resources

Integrated, innovative human resource practices are essential in creating a corporate culture that ensures sustainability is valued and maintained at all levels of the organization. Such practices have the ability to generate a significant social, environmental, and economic impact. To achieve a competitive advantage in business, it is imperative for organizations to place high priority on their internal human capital. Chapter 3 "Human Resources" examines human resource issues in recruitment and selection, training and development, performance appraisal and feedback, pay and benefits, and labor relations.

## 3.1 Recruitment and Selection

The sustainable organization will be a community employer whenever possible. Recruitment and selection generates a social and economic impact on the community. Corporations want to find qualified workers and many times will use national recruiting agencies. Bringing in new employees from outside the community can provide a social benefit by increasing the number of residents for the community, which, in turn, increases spending in the community, housing starts, improvements in infrastructure, and growth of programs. On the other hand, hiring within the community decreases unemployment numbers and sustains the social and economic quality of life. Employment not only creates a means by which to live, but it also increases skills within the area that develops a stable labor pool for hiring. Sustainable companies should act as a community employer; they can be socially responsible to current employees by filling upward mobility positions internally and promoting from within whenever possible.

Recruiting tools such as Web sites, videos, presentations, and literature should include the company's philosophy on sustainability. In particular, recruiters need to make the company's environmental stance a priority in promoting the firm to potential applicants. In the advertisement, bring attention to any successful environmental endeavors or any awards won for environmentalism. However, it is important that recruiters not inflate environmental claims of the company, which is termed greenwashing (to be discussed further in [Chapter 6 "Marketing"](#)).

In addition to traditional recruitment outlets, choose magazines or trade journals whose audience is open to sustainability issues. There are several print and online sites focused on the recruitment of individuals seeking employment with a sustainable business (see [Note 3.1 "Sustainability Recruitment"](#)). These specialty recruitment services bring together sustainable companies with sustainability-minded potential employees.

## Sustainability Recruitment

There are a number of print and online media outlets for the recruitment of employees for the sustainable business.

- Acre
- Business for Social Responsibility
- Corporate Responsibility Officer
- CSRwire
- Ethical Corporation
- GreenBiz
- Green Dream Jobs
- Idealist
- Net Impact
- Stopdodo
- Sustainable Industries

The availability and use of online recruiting and online application submissions are increasing in firms that have sustainability as a core value in order to save on printed materials and mailings. However, if printing is necessary, brochures and other recruiting literature should use recycled stock with soy-based inks and include that fact on the document itself.

The firm's selection criteria should be aligned with sustainability criteria. A thorough needs assessment and job analysis will provide insight into the knowledge, skills, and abilities that will facilitate accomplishment of sustainability. The best candidates for employment will have a propensity toward sustainable views and will indicate an "organizational fit" for the company and its goals. Job descriptions will reflect appropriate requirements for jobs that require a more substantial knowledge of sustainability such as purchasing, marketing, and fleet management, to name a few. Interviewing can also be made more environmentally friendly. Several Web sites, such as GreenJobInterview.com, Retrieved January 30, 2009, from <http://www.GreenJobInterview.com> have been developed to assist in conducting synchronous or asynchronous virtual interviews with candidates that can reduce transportation costs and associated carbon emissions.

The sustainable firm is definitely an equal opportunity employer. The principle of fair and equal treatment is an integral part of sustainability endeavors. Selection tests and interviews will avoid unfair or discriminatory questions and

requirements. Companies are putting focus on diversity because it plays an important role in the reputation of the firm, in decision making, in relationships with suppliers and other stakeholders, and in the hiring processes. The advantage comes from the diversity of ideas and values that stimulate innovation. Women and minorities have been projected to enter the workforce in increasing quantities in the future. A company runs the risk of missing high quality employees if equal opportunities in the company are deficient.

## 3.2 Training and Development

New employees must be oriented to the company's stance on sustainability issues and what the expectations are for the employee to further sustainability efforts. The company, however, will continue to conduct **sustainability training**<sup>1</sup> for all employees at all levels, including management. Sustainability curricula have been developed by the nonprofit organization Northwest Earth Institute and are appropriate for workplace training.

Companies have historically provided ethics, diversity, and leadership training, but sustainability education and training must reorient the way employees view their jobs and the business. Employees should ultimately be trained to rethink every aspect of the job and workplace in terms of sustainability: relationships between systems; long-term survival and quality of life for social, economic, and environmental systems; reduced waste, pollution, and toxicity; increased efficiencies; increased harmony of the person and business with other social, economic, and environmental systems; and innovative ways to reduce, reuse, and recycle. Increasing employee awareness fosters creative solutions to business problems through a sustainability lens.

In addition to general training to help employees understand sustainability concepts, employees can be taught sustainability-related skills specific to the job function. This might include triple bottom line accounting, carbon accounting, social accounting, carbon finance, life cycle analysis, life cycle costing, benchmarking, and other sustainability-related skills relevant to job duties (each of which we discuss within the relevant chapters).

Sustainable organizations can create green training facilities and conduct green meetings. In particular, meeting rooms should be energy efficient by using energy efficient lighting, motion detectors for lighting, and ENERGY STAR computers and equipment. Companies can seek to minimize the number of handouts or papers, use only recycled paper, and reduce and recycle waste. If food is served, the organization should use vendors that supply organic food grown or raised locally. If your company will conduct meetings at hotels or other companies' facilities, make sure the supplier provides green meeting facilities and services. When hiring others to provide training, incorporate sustainability requirements as part of the standard request for proposals.

1. Employee training focused on increasing employee awareness to foster creative, sustainability-oriented solutions to business problems.

Training can be conducted either on the job or off the job. Businesses focusing on sustainability are increasingly conducting more on-the-job training and engaging in

travel reduction programs. Virtual conferences are growing in popularity due to their reduced economic and environmental impact. In addition, video conferencing is growing in popularity for the same reasons. For example, Vodafone, a telecommunications company, uses video conferencing in order to reduce company-wide travel. It is estimated that the use of video conferences eliminates 13,500 flights per year and 5,500 tons of carbon emissions for the company. Creamer Media (n.d.). Within one year, the dollars saved under this initiative provided a return on the investment. Creamer Media (n.d.). Products, such as GoToMeeting.com, Retrieved January 30, 2009, from <https://www2.gotomeeting.com> are available to facilitate Web conferencing and virtual meetings.

E-learning, virtual classrooms, and computer- or Web-based learning environments have many advantages. These options allow trainees to perform at their own pace, they offer multimedia capabilities, they save costs, and they can standardize learning across locations. These forms of training are an efficient way to deliver learning content, and the organization can track employee training performance through scores and completions. Again, these forms of training will reduce travel and associated economic and environmental costs.

Companies are increasingly using Webinars, or seminars on the Web, for training. Due to the popularity of Webinars offered by third-party trainers, there are often many from which to choose (both free and paid). In a live Webinar, there are typically a small number of participants, which allows for more interaction and involvement. In many cases, live Webinars are archived on the Internet for later viewing. Companies can also use GoToWebinar.com Retrieved March 23, 2009, from <http://www.gotowebinar.com> to host their own Webinar.

Particularly effective training tools are simulations, or situations that replicate job demands. Several industries, such as airline, health care, emergency services, and law enforcement, have frequently utilized simulations. This has resulted in cost savings associated with equipment and travel and a reduction in accident rates. Svoboda and Whalen (2005). Sustainable organizations that engage in off-the-job training should contract specifically with those that can make claims to being green service providers.

In addition to company-sponsored training and development opportunities, sustainable businesses recognize the need to allow employees to develop to their fullest potential and to flourish in their own personal development. This requires respecting the employee's need for personal growth, development, and fulfillment and allowing reasonable opportunity to pursue those needs. Some companies accept spirituality in the workplace; others allow ample time for community service

and involvement (whether paid or unpaid by the company). Other companies may encourage employees to use their job-related skills for professional service through a variety of nonprofit organizations (see [Note 3.3 "Use Your Business Skills to Make a Difference"](#)).

### Use Your Business Skills to Make a Difference

There are a number of nonprofit organizations that seek out business persons to donate their valuable professional skills:

- Business Council for Peace
- CEOs Without Borders
- Diplomats Without Borders
- Financial Services Volunteer Corp
- Geekcorps
- International Executive Service Corps
- MBA-Nonprofit Connection
- MBAs Without Borders
- Net Impact
- New Ventures
- Taproot Foundation
- TeamMBA
- TechnoServ
- Wall Street Without Walls

2. A nonprofit professional association for individuals committed to creating sustainable business practices through sharing best practices and engaging in professional development.
3. The modification of blue-collar jobs through incorporating environmentally related knowledge, skills, and abilities to aid in the transition to a green economy.

Lastly, beyond training employees for a specific company's needs, there exists a worldwide shortage of potential employees with the proper skills to further the development of a green economy and the ability to do business in a carbon-constrained world. LaMonica (2008); Murray (2008). Several surveys reveal that a shortage of trained workers, from technical to professional, is the primary roadblock to the development of a green economy. Job training programs, colleges, and universities are beginning to recognize this deficit and create training and education programs to help develop a green workforce. In addition, professional organizations, such as the **International Sustainability Professionals Society**<sup>2</sup>, are beginning to emerge.

**Green-collar jobs**<sup>3</sup> refer to the modification of blue-collar jobs by incorporating new environmentally related knowledge, skills, and abilities into positions that will aid in the transition to a green economy. The demand for green-collar, technical,

and professional workers is expected to continue experiencing rapid growth and increasing demand. Jones (2008); O'Carroll (2008). As proof, the renewable energy industry grew more than 3 times as fast as the U.S. economy in 2007 and renewable energy and energy efficiency are expected to generate millions of jobs for both professional and technical workers. Bezdek (2009). Extensive information on green-collar jobs can be obtained from the nonprofit organizations Green For All and Apollo Alliance.

### 3.3 Performance Appraisal and Feedback

Most companies engage in the traditional performance appraisal system where the employee's performance is measured on some prescribed criteria. The purpose of performance appraisals is generally to provide feedback to the employee on his or her performance in order to correct any deficiencies and to create increased opportunities. Employees are not always satisfied with the performance appraisal process. However, some form of assessment is needed to provide feedback for improvement. Recognition of performance levels can serve to motivate workers toward higher levels of performance or more creative solutions to problems.

Some companies have tied performance appraisals to sustainability performance. Identification of performance dimensions is an important first step in the process. Performance criteria should be directly tied to business goals and objectives. Measures should be meaningful and controllable. Since one of the sustainable organization's goals is to pursue triple bottom line performance, performance appraisal dimensions should reflect the importance of sustainability in the criteria. Management can weight the various economic, social, and environmental criteria higher than other criteria in order to indicate the importance of sustainability to the employee. Performance management should hold managers accountable for meeting sustainability goals through employees.

Trait, behavioral, and outcome appraisal instruments can be altered to include sustainability criteria. Trait appraisal instruments ask the supervisor to make judgments about characteristics of the employee. Typical traits are reliability, energy, loyalty, and decisiveness. Organizations can add traits such as efficient, honesty, or communicative to depict traits the company would like to see employees exhibit. Behavioral appraisal instruments are developed to assess workers' behaviors, such as ability to work well with others, promptness, and development of personal skills. Sustainable examples might be working toward reducing waste or consciously using techniques that reduce negative social impacts. Finally, outcome appraisal instruments assess results. In addition to total sales or number of products produced, sustainable companies can assess energy usage, amount of miles saved on transportation, or recycling levels.

In line with other areas of human resources that suggest online or Web applications, performance appraisals are no different. Organizations can use Web-based performance appraisal software, such as Halogen eAppraisal Retrieved January 28, 2009, from <http://www.halogensoftware.com> or EmpXtrack, Retrieved January 28, 2009, from <http://www.empxtrack.com/performance-management->

system to prevent excess use of paper products and to increase transparency of the process.

Essential to the success of performance appraisal systems on sustainable performance is the cooperation and approval of the employees. The employee must feel that the assessment process will lead to the improvement of the overall sustainability of the company. The need for employee buy-in may require the company to engage in capacity-building activities. One consulting firm suggests capacity-building activities such as providing access to various databases, libraries, or Web sites; creating publications; conducting training; providing consultation; coordinating alliances; and implementing team-building tasks. Retrieved March 25, 2009, from <http://www.jeanpaulconsult.com/>

## 3.4 Pay and Benefits

Pay and benefits policies promoted by the organization will have a great social and economic impact on employees and communities. For example, company policies and practices can transfer the burden to and add stress on local social services systems as a result of inadequate wages and benefits.

The sustainable organization would benefit from ensuring the compensation structure is fair and equitable. Fair pay can be viewed internally and externally to the organization. Internal equity exists when the employees generally perceive fairness in the pay structure across employees. External equity refers to the perceived fairness of pay relative to what other employers are paying for similar labor. The ability to ensure the fairness of compensation is a difficult task. Sustainable companies want to attract the best employees by paying above-market compensation yet remain fair to existing employees with tenure. The organization should conduct pay studies annually to ensure programs remain competitive and implement an annual review cycle for ongoing monitoring. Managers can access salary data through online compensation surveys, such as those available at HR.com, Retrieved January 28, 2009, from <http://www.hr.com> Salary.com, Retrieved January 28, 2009, from <http://salary.com> or SalarySource.com, Retrieved January 28, 2009, from <http://www.salarysource.com> which provide information by location, industry, position, and work experience.

Companies have a choice to develop compensation systems based upon an **elitist system**<sup>4</sup> (that which establishes different compensation plans for different employee groups) or an **egalitarian system**<sup>5</sup> (having most employees under the same equal compensation plan). An egalitarian system is beneficial to highly competitive environments where companies are innovative, risk-taking, and continuously investing in new technologies and projects, which is typically how sustainable companies work. This type of compensation system provides more flexibility in employment by creating fewer differences between employee grades, creating a flatter organizational chart, and minimizing status-dependent prerequisites. Fewer differences in compensation plans should result in increased task accomplishment and cooperation among employees by reducing barriers.

4. A standard type of compensation system that establishes different compensation plans for different employee groups.

5. A compensation system that is flatter than the standard system. It features fewer differences between employee grades, thereby creating a flatter organizational chart and minimizing status-dependent prerequisites.

Transparency is a cornerstone of the sustainability movement. Even though companies can be transparent in accounting and financial reporting, transparency can also be achieved by communicating openly about policies and practices related to compensation and employment practices. When compensation practices are hidden from employees, they tend to perceive more underpayment than is actually real. Employees tend to compare their pay and benefits to other employees and may

inflate any discrepancies they believe they see, thereby causing more dissatisfaction, less productivity, increased absenteeism, and turnover. Transparent compensation plans make management more fair in administering the compensation.

Sustainable organizations should also ensure they pay living wages rather than minimum wages. Minimum wage is set by legislation to be a minimum dollar amount per hour that must be paid by law. By contrast, living wage is the minimum income necessary for a person to attain a specified quality of life given the location and other economic factors where the person is employed. Living wages are generally higher than minimum legal wages. Sustainable firms will recognize the value of living wages in maintaining a productive and sustainable workforce.

In addition to providing living wages, sustainable businesses provide important benefits necessary for employee quality of life. Standard benefits packages, such as health insurance, dental insurance, and paid sick leave, are supplemented with additional benefits addressing work–family balance. Employees are considered to be more satisfied and productive with increased quality of work and home and community life. Sustainable organizations tend to establish work initiatives such as child care centers at the job, time off (leave) from work to care for sick children or elderly family members, paternity leave for male employees, flextime work, telecommuting, job sharing, tax breaks for commuting, and other employee-friendly benefits.

An example of a green employee benefit is demonstrated through HEAL Arkansas, a program started at the Addison Shoe Factory in rural Arkansas. After realizing that many employees spent up to 50% of their income on energy bills, the company implemented an energy-efficiency employee benefit that could help reduce energy bills, increase disposable income, increase quality of life for its employees, and even improve employee retention rates. HEAL Arkansas provides low-cost loans to employees for energy-efficiency home improvements. Employees receive home energy audits with recommendations on how to improve home energy efficiency. Loans are repaid through payroll deduction, which is offset by the employee’s energy bill savings.

6. A federal tax benefit employers can provide to employees. Employees who commute to work through transit or by carpool can set aside pre-determined pre-tax dollars for commuting and parking expenses.

One specific employee benefit of interest to the sustainable business is the **commuter-choice tax benefit**<sup>6</sup>. The federal tax code (IRS, section 132f) allows employers to provide commuter-choice tax benefits to employees. Employees who commute to work through transit or car/vanpool can set aside up to \$230 per month in pre-tax dollars for commuting expenses and up to \$230 per month in pre-tax dollars for parking expenses. The employer can then also claim a tax deduction for the expense. Because the value of the benefits paid to employees is listed as a

fringe benefit and not listed as wage or salary, the cost of the benefit is therefore considered a business expense and payroll taxes do not apply.

Another example of transportation benefits can be found at Clif Bar and Company, an organic food company in Berkeley, California. The company distributes points to employees for selecting alternate modes of transportation to work, such as walking, biking, carpooling, or mass transit. The employees are then able to redeem those points for gift cards, company merchandise, coffee shop items, public transportation passes, or carbon offsets from various organizations that spend the money on projects such as reforestation, renewable energy research, or energy-efficiency technology. Clif Bar and Google, among other companies, actually provide employees an incentive to purchase green vehicles. Clif Bar will provide up to \$5,000 to an employee for the purchase of a qualified car; the loan is provided up front and written off at \$1,000 per year. Green Car Congress (2006).

An imperative for a sustainable organization's human resource department is flexibility. One strategy would be to hire contingent workers—employees hired to deal with temporary increases in workload or to complete work that is not part of the core requirements. Contingent workers are generally the first to be dismissed when an organization experiences a downturn. On the one hand, contingent employees provide protection for the full-time employee who might otherwise have been laid off during the downturn. On the other hand, the use of contingent workers ultimately creates a negative social impact. Contingent employees experience uncertainty about their work future, which can affect work performance. An additional human resource for hire would be interns, which would provide a positive social impact for both the individual and the company.

More sustainable ways to provide human resource flexibility can be accomplished through flexible work scheduling such as flexible work hours, compressed workweeks, or telecommuting. Flexible work scheduling can be accomplished through flexible work hours (flextime) where employees can choose to organize work routines that fit with their personal activities and lifestyles as opposed to the traditional workday hours. Compressed workweeks change the number of workdays per week by increasing the length of the workday, which, in turn, reduces the number of days required in a typical workweek. Compressed workweeks have the potential to positively impact the work-life balance and reduce stress for employees by providing extra time for families and activities. When implemented effectively, compressed workweeks have the potential to lower employee absenteeism and turnover rates for organizations. To date, several city, county, and state governments as well as numerous companies have implemented 4-day workweeks for employees with the anticipation of decreased energy and transportation costs and increased employee satisfaction and retention.

**Telecommuting**<sup>7</sup> provides flexibility in both the hours and the location of work. Employees spend at least one day a month or more working from home while maintaining their connection to the office by phone, fax, and computer. Many employees, particularly highly extroverted individuals, may be more productive when they remove themselves from multiple distractions. Related to telecommuting is a practice called “office hoteling” or “hot desking.” Office hoteling is the creation of a software reservation program that reserves office space to employees on an as-needed basis rather than in the manner of the traditional, permanent office space setup. Hot desking involves providing a desk that is shared between several people at different scheduled times. These practices reduce the amount of physical space, which lowers overhead cost and prevents resource hoarding or the underutilization of resources. From an environmental perspective, these methods result in reduced traffic and pollution as well as reduced energy consumption and costs for the company.

7. A work option in which employees are given the flexibility to work from home at least one day or more per month.

## 3.5 Labor Relations

**Labor relations**<sup>8</sup> refer to the interaction between the company and the employee, particularly related to the employee's right to organize. A sustainable company will take a broader view of labor relations and interpret the term to include the protection of labor and human rights with regard to the impacts of business.

Operating within the law has benefits beyond simple legal compliance. A sustainable organization does so because it believes it is the right thing to do for the welfare of the organization and its employees. The human resources department has a large responsibility to keep records, maintain policies, and monitor actions to ensure that employee human rights are protected. Multinational companies operating in emerging economies are especially vulnerable to pressures to exploit the laws, or lack thereof, in other countries. Sustainable organizations practice good citizenship and high ethical standards because it is the right thing to do.

The **International Labour Organization**<sup>9</sup> has put forth the **International Labour Rights Standards**<sup>10</sup> by which member states are expected to abide. In addition, there are numerous nonprofit organizations tracking and reporting on working conditions and human rights issues around the world, including Global Exchange, Human Rights Watch, International Labor Rights Forum, and Sweatshop Watch.

A sustainable organization promotes diversity and nondiscrimination. Employee diversity can improve the effectiveness and efficiency of an organization by stimulating greater creativity and improving problem solving. In an organization that values a broader, fuller array of experiences, cultural viewpoints, and values, there is greater potential for more creativity in ideas and problem solving. Practices that promote increased diversity are top management commitment to valuing diversity, diversity training programs, support groups, accommodation of family needs, senior mentoring and apprentice programs, and diversity audits. Support groups can be established by an employer to provide a supportive climate for employees around basic interests or common ground. For example, American Express provides employee-sponsored networks for various groups such as the Jewish Employee Network, the Employees Over the Age of 40 Network, and the Native American Employee Network. American Express (2007). The company 3M also provides a Women's Leadership Network, Executive Mentoring Program, and the Disability Advisory Group. Companies, such as Marriott and Honeywell, encourage senior mentoring programs in which senior managers select minority employees to help with career decisions and progress. Even though the networks are employee-sponsored, companies such as Darden Restaurants Retrieved March 25, 2009, from <http://www.chainleader.com/article/CA6590430.html> motivate the networks to be

8. The interactions between an organization and its employees, particularly related to employees' rights to organize and engage in collective bargaining.
9. A branch of the United Nations that works to address global labor issues.
10. A set of standards set forth by the International Labour Organization that seeks to establish parameters for basic worker rights and job security.

involved in the goals of the business. They require each network to develop a 3-year business plan to show how the network is meeting business goals. They have in place a compensation program for the network's leaders.

A sustainable organization ensures occupational health and safety. Health and safety issues can be viewed in terms of both social and economic impacts. Employees who are protected from hazardous conditions will have a higher quality of life. Additionally, the cost to employers of workers compensation insurance is directly linked to the number of accidents. Employers pay increased premiums when safety records reflect negative results. Organizations will spend less in the long run by implementing programs to ensure good practices. Even the announcement of a penalty can have a significant negative effect on the stock price of a company. Concern for the health and safety of employees should begin with top management, and subsequent levels of management should be tasked with developing awareness and implementing training while being rewarded for health and safety initiatives.

The sustainable organization protects employees from harassment and oppressive work environments. Quid pro quo sexual harassment occurs when sexual activity is requested in return for job benefits. Hostile work environments occur when an employee perceives the behavior of another as offensive and undesirable. Policies for handling harassment charges should be developed, and managers and employees should undergo training.

The sustainable organization maintains good citizenship behaviors and consistent standards of ethics in international environments. Different cultures may have very different views and laws of what is right and wrong. Companies need to avoid exploitation of laws found in other countries, such as child labor laws, which are common in many developing nations. In the short run, companies may experience competitive disadvantages compared to local firms that are able to utilize child labor in order to lower costs or that are able to utilize excessive overtime (often uncompensated) to increase productivity. However, in the long run, maintaining ethical practices creates goodwill opportunities both domestically and abroad with investors, suppliers, and customers. For further discussion, see the information on base of the pyramid strategies in [Chapter 9 "Next Steps: Sustainability Strategy"](#).

This chapter demonstrates the importance of considering social, economic, and environmental impacts within the human resources function. Our discussion here has detailed ways in which human resources managers and companies can improve social impact, improve economic impact, and reduce environmental impacts through the activities associated with recruitment and selection, training and

development, performance appraisal and feedback, pay and benefits, and labor relations.