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Beyond Compliance: ESG-Driven Workplace Transformation, Green HRM, and Employee Wellness as Pathways to Sustainable Public Sector Success

Dr. Neha Gaikwad[1] | Richa Titus[2*]

[1]Assistant Professor, Department of Management Studies, GGV, Bilaspur (C.G).
[2]Research Scholar, Department of Management Studies, GGV, Bilaspur (C.G).

[*]Corresponding Author: richa.titus@coalindia.in

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Abstract

Growing calls for the implementation of ESG principles within the core operations of the public sector indicate the necessity to go beyond the superficiality of formal compliance and make ESG an integral component of the organization's transformation. The purpose of this conceptual paper is to analyze the complex connection between ESG-induced changes in the workplace, Green Human Resource Management (Green HRM), and employees' well-being suggesting that the combination of those three factors is essential for sustainable performance of organizations. Using Ability-Motivation-Opportunity (AMO) framework and Job Demands-Resources (JD-R) theory, we hypothesize that Green HRM practices play the key mediating role between organizational ESG strategy and individual well-being, leading to improved environmental and social performance. We will conduct an integrative literature review along with the analysis of illustrative examples from UK's National Health Service and the City of Vancouver, showing the two-sided nature of green work transformation which can be perceived either as a job resource or a job demand. This paper disputes the common assumption that the interests of environmental programs and employee welfare are conflicting in nature, as opposed to being complementary through participatory design, green transformational leadership, and holistic governance orientation. Our paper presents practical suggestions for public sector leaders to collaboratively create a workplace environment that sustains both the Earth and its people, and also presents a crucial research agenda to test these dynamics within a sector known for bureaucratic inefficiency.

Keywords: *ESG, Green Human Resource Management, Employee Wellness, Public Sector, Organizational Sustainability, Job Demands-Resources Model.*

Introduction

Organizations in the public sector around the world are now at a crossroads, for not only are they supposed to provide public value, but they are also supposed to act on the tenets of sustainable development not as a regulatory entity of others, but as an entity that is exemplary in practice itself (United Nations, 2015). The "E" in ESG, or the environmental aspect of sustainable development, has been instrumental to many changes which include regulations in energy efficiency, waste management, and carbon footprints. However, the emphasis on environmental performance indicators may make it easier to view sustainability as something that is purely technical, without giving much importance to its impact on the workforce. The real challenge, in fact, is the balance between the environment and the "S" in ESG, or the social aspect of ESG, especially concerning the employees.

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At the same time, the discipline of Green Human Resource Management (Green HRM) has been developed as a strategic approach that links HR activities such as recruitment, training, performance appraisal, and employee participation to the environmental policies of an organization (Renwick et al., 2013). Nevertheless, the discussion about Green HRM has concentrated mostly on the role that it plays in enhancing the environmental performance of organizations without taking into account the influence of Green HRM on those employees who carry out these activities. This aspect is especially true in terms of the public sector where, in contrast to private companies which use green employer branding as one of the methods of talent acquisition, civil servants are motivated by a mission-related factor (Perry & Wise, 1990)?

The question that will be answered in this paper is as follows: "How does the use of workplace transformation driven by the principle of ESG through Green HRM practices affect employees' health and sustainable success of the organization?" In our view, the answer is not in the dichotomy between the gains for the environment and losses of employees' health. We argue that there is a more complex mechanism, wherein the use of Green HRM practices through an ESG approach that emphasizes all three principles (the social principle and governance or voice and participation, apart from the environment) will result in improving employees' well-being and sustainable success.

The paper is organized as follows. First, the three separate literatures pertaining to ESG workplace transformation, Green HRM, and employee wellness will be reviewed with regard to the gap existing between them. Second, a theoretical framework comprising the AMO framework and JD-R framework will be developed to explain how exactly these areas are related. Third, examples based on the cases in the public sector will be used to support the propositions, with distinction being made between empirically validated associations and theory-based propositions. Finally, practical recommendations will be formulated for the public sector, as well as future research directions. The purpose of this paper is to develop an evidence-based guide to building well-green public organizations.

Literature Review

- **ESG-Driven Workplace Transformation: From Reporting to Culture**

ESG is a multi-dimensional model for the assessment of organizational impact that goes beyond purely financial outcomes. In the public sector, the reason why ESG becomes important is not related to the need to generate shareholder value but to stakeholder legitimacy, political mandates, and the achievement of the SDGs (Adams, 2017). Work-based transformation in this sense involves the changes made to the physical environment, procedures, and culture with the goal of decreasing the environmental impact (the "E") and creating a more socially just environment (the "S") as well as good governance (the "G").

Nevertheless, a considerable number of criticisms about "greenwashing" and, rather more subtly, the development of "checklist thinking," where governmental organizations implement environmental management systems such as the ISO 14001 but fail to incorporate the concept of sustainability into the core of their organizations (Boiral, 2007), suggest that such a compliance-based approach may be threatening to the "S," because of overlooking the people factor and failing to connect organizational communication and reality experienced by employees.

An alternative perspective, consistent with the stakeholder theory, interprets the ESG as a coherent system (Donaldson & Preston, 1995). The transformation that involves ESG becomes a "virtuous circle," where effective governance allows voicing employees' opinions, environmental practices create meaningful activities, and social practices protect the well-being of employees. It is precisely such a transformation that, in our opinion, should be the antecedent of the Green HRM system.

- **Green Human Resource Management: An Instrumental or Holistic Tool?**

Green HRM is described as "the HRM elements of environmental management" (Renwick et al., 2013, p. 1) and usually measured in terms of a bundle of Green HRM practices. Based on the landmark study by Renwick et al. (2013), as well as further research in this area, the main Green HRM practices are:

  - **Green Recruitment and Selection:** Communicating the organization's environmental philosophy and selecting the candidates with compatible values.

- **Green Training and Development:** Providing people with the necessary knowledge and skills to engage in environmentally friendly actions, including energy saving and waste recycling, and developing a sustainability mindset among employees.
- **Green Performance Management and Appraisal:** Incorporating the assessment of environmental performance measures and behaviors during the performance evaluation process.
- **Green Rewards and Recognition:** Applying the financial and non-financial rewards for pro-environmental behavior.
- **Green Employee Participation and Empowerment:** Developing participation mechanisms, including green teams and suggestions schemes, that will utilize the tacit knowledge of the employees (Daily & Huang, 2001).

An instrumental logic is prevalent in many studies of Green HRM, where the unstated premise is that Green HRM's main goal is to shape employee behavior towards meeting the corporation's environmental goals. Zibarras and Coan (2015) did a survey of UK firms and concluded that although the use of green practices is widespread, they mainly concentrate on behavioral compliance (for example, switching off lights) and not on empowerment for innovation. An instrumental approach, which regards the employee as a mere means of attaining an environmental goal, fails to consider the possible psychological cost or benefit of such practices and, hence, does not pay due attention to the employee wellness connection.

However, there are signs of a paradigm shift. Some research has shown that the use of Green HRM practices involving the employee can satisfy basic psychological needs for autonomy, competence, and relatedness and, thus, increase intrinsic motivation and well-being (Deci & Ryan, 2000). When a public sector employee gets involved in designing a community greening initiative via an official participation mechanism, it can be an invaluable resource for wellness through providing a deep sense of purpose and positive emotions.

- **Employee Wellness: A Multidimensional Construct in the Public Sector**

Well-being in the workplace goes beyond the mere absence of sickness. It includes both mental and physical well-being (Grant et al., 2007). In the challenging environment of public sector services, where work is highly demanding and there are few available resources to do the job in addition to the emotional labor required of workers, well-being is crucial but also highly vulnerable. The Job Demands-Resources (JD-R) approach offers an excellent model of explaining well-being in terms of health impairment process caused by job demands (such as workload) and motivational process caused by job resources (Bakker & Demerouti, 2007).

Importantly, public sector workers are motivated by Public Service Motivation (PSM), which means a desire to promote the common good. In the case when work fits this intrinsic motivation, it can become an invaluable resource. Accordingly, transformation for sustainability, if perceived as promoting the public good, might uniquely motivate public servants. In contrast, in the case when such transformation appears to be a sham and goes against the grain of the ingrained service ethic, it might inflict moral injuries. Research on "corporate environmentalism" and employee attitudes has almost exclusively focused on the private sector and established a positive relationship between the perception of corporate social responsibility and commitment (Rupp et al., 2006). However, it does not cover the particular mechanisms in the public sector, where the "green agenda" intersects with public health and equity goals.

Theoretical Framework and Propositions

In connecting ESG, Green HRM, and well-being, we draw on the synthesis between AMO framework and JD-R theory. In our view, Green HRM constitutes a pivotal junction, turning a general ESG approach into an environment that influences an individual's ability, motivation, and opportunity to perform, at the same time changing his/her job demands and resources.

- **The Mediating Role of Green HRM in the ESG-Wellness Link**

According to the AMO framework, Performance is dependent upon the levels of ability, motivation, and opportunity. In the context of sustainability, Green HRM contributes to all three dimensions directly: ability can be developed through green training, motivation through green rewards and aligned mission (ESG "S" and "E") and the opportunity to make a contribution through green

involvement and empowerment (Paillé et al., 2014). We further expand this framework by arguing that the development of the AMO framework through authentic Green HRM is inherently wellness-supporting.

Within the JD-R framework, we can then categorize these AMO-building initiatives. Green mandate from the top that is compliance-oriented (e.g., mandatory online training module on waste separation accompanied by penalties for poor performance) would represent a job demand and would lead to increased workload and frustration. On the other hand, involvement-oriented initiative (e.g., "Green Champions" initiative with allocated time and resources) would be a valuable job resource that offers autonomy, social support, and mastery. Thus, we arrive at the main conceptual framework:

Conceptual Model: ESG-driven transformation → Green HRM practices (as resources rather than as demands) → Employee Wellness (engagement/burnout) → Sustainability of the Organization (environmental performance, SDG contribution, service excellence).

In this conceptual model, "G" in ESG, that is, the governance aspect, becomes a moderator. Under hierarchical governance without true participation from employees, green practices will tend to be regarded as demands. Under participatory governance, they will tend to be seen as resources. This way of framing things contradicts the public sector's historical "command and control" tradition.

- **Propositions**

Using the above framework, the following theoretical propositions are presented, with clear distinction between those that are empirically backed and those that are mere speculation and need to be tested.

  - **Proposition 1 (Empirically backed):** Green HRM practices focusing on involvement of employees (such as green teams, suggestion system) have a positive relationship with employee engagement and psychological well-being in the public sector organizations.
    - **Rationale:** Proposition one is based on research carried out in the private sector about the benefits of high involvement work systems and participative management in the public sector. It operates through the fulfillment of psychological needs for autonomy and relatedness.
  - **Proposition 2 (Empirically backed):** Developmental green training (which helps to develop general sustainability competence) as opposed to procedural green training (which just teaches how to follow new rules) has a positive impact on employee empowerment and job satisfaction.
  - **Proposition 3 (Speculative, needs further research):** The positive association between Green HRM and employee wellness is greater in case of authentic integration of the whole ESG strategy compared to its environmentally siloed version.
    - **Rationale:** From the theoretical point of view, when there is a signal about the concern for environment from the organization, but no signal of social equity (e.g., introduction of energy-saving temperature conditions making employees feel uncomfortable) or governance, there will be inconsistency creating cynicism and exhaustion rather than motivation. We define it as "ESG dissonance." Research is needed to examine the effect of such dissonance on wellness.
  - **Proposition 4 (Speculative, needs further research):** Employee wellness mediates the effect of Green HRM on sustainability outcomes in public organizations.
    - **Rationale:** This dual mediation (Green HRM → Wellness → Sustainability Performance) is theoretically very strong. Well engaged employees are expected to show their OCBE as well as creative green initiatives voluntarily, not being bound only to compliance (Norton et al., 2015). Otherwise, burned out employees will do the least. Longitudinal studies are needed for public sector.

Methodology

The methodology adopted in this paper is the integrative literature review approach, which brings together knowledge gained from varied disciplines like ESG, Green HRM, employee wellness, and public administration. Illustrative case studies have been employed as part of our theoretical framework to provide examples of how the process works. In the selection of cases, we adopted a purposive sampling technique to identify public organizations that are known for their sustainability practices, and at the same time, they explicitly link with their employees.

We chose two cases that have been often discussed in practitioner reports as well as initial academic reviews; namely, the Greener NHS initiative in the United Kingdom and the Greenest City Action Plan of the City of Vancouver in Canada. Information was collected from official documents related to the two cases, program evaluations, and secondary academic analysis of these cases. This approach is not meant to generalize the findings but rather use the two rich cases as the basis of testing our theoretical framework to identify areas of evidence and conceptual claims. This is because in theory-building research, it is common to use such a method (Eisenhardt & Graebner, 2007).

Findings and Discussion: Synergies and Tensions in Practice

We explore the interaction of the ESG transformation, Green HRM, and well-being in the light of three thematic angles stemming from the literature and from case evidence.

- **Green Involvement as a Source of Well-being: The Example of the Green Champions**

A common theme throughout all successful public sector initiatives is that of distributed leadership for sustainability through “Green Champion” networks. For example, in the context of the “Greenest City Action Plan” of the City of Vancouver, employees from different departments have been enabled to form “Green Teams” and take part in various initiatives such as reducing the usage of single-use plastics in community centres or holding an energy-saving challenge for the whole corporation. This is the exact use of Green Employee Involvement which is one of the Green HRM practices.

Regarding well-being, qualitative feedback from the employees involved in those programs (as reported in the City reports and in the evaluation reports by the consultants) shows that employees get immense personal satisfaction from this initiative, sometimes referring to it as their “passion project”. The creation of time, sponsorship, and budget (opportunity factors in AMO) turned a possible burden into a source of well-being. This corresponds to Proposition 1: green HRM based on involvement helps to generate engagement. As for the governance ("G") element, it comprised of the flat and collaborative system that allowed employees at the lowest organizational level to share their ideas, which was an active countermeasure to bureaucracy. It is still necessary to note that empirical evidence (peer-reviewed) of how well-being effects of such approach are measured (using such metrics as burnout scale and engagement over time) is very rare in this particular case.

- **When Green Initiatives Become Job Demands: The Burnout Risk**

On the other hand, the literature provides a more negative picture, suggesting that ESG transformation without a wellness perspective may harm employee well-being. In pursuing the “E,” some public hospitals under the early sustainability mandates of the NHS pursued an aggressive policy of waste-stream segregation without proper training or adjustments to the workloads of porters and nursing staff. Anecdotal evidence from staff surveys (which then triggered changes to the program) indicated that the new procedures were viewed as stressful by staff, especially since they had been announced in a “do this now” memo-style compliance approach.

This is a clear example of Proposition 3 (ESG dissonance). While the environmental (“E”) dimension was pursued, the social (“S”) one, which is the impact on workloads and well-being of staff, and the crucial governance dimension (“G”) of neglecting consultation of end-users of the policy were overlooked. This is the classic case of a compliance trap. The Green HRM approach of “green performance management” may easily amplify this problem, if non-compliance is punished without ensuring first the ability (training) and opportunity (time) to do it. This directly backs the key point of our framework: the same initiative may become a resource or a demand depending. Fortunately, the NHS has heeded this lesson and now shifted its focus towards its Greener NHS strategy, which now emphasizes the dual benefits of such strategies as well as their engagement of the NHS workforce through health and well-being programs, including active travel/cycle schemes and healing gardens within NHS hospitals (NHS England, 2020). This shift is a great illustration of how we can move away from the siloed approach to ESG and embrace an integrated ESG logic, but it requires empirical research.

- **Green Transformational Leadership: The Critical Governance Nexus**

Both the case and counter-case point to the importance of leadership as one of the “G” factors of governance. Literature on green transformational leadership is limited in terms of its applicability in the private sector (Robertson & Barling, 2013); however, it serves as a vital link here. Green transformational leadership in the public sector consists of setting out a vision of a sustainable future which is relevant for

the mission of the organization; stimulating employees intellectually to come up with solutions to ecological problems in their job; providing individual support during transition.

In our framework, it becomes clear how leadership influences whether employees see the transformation as a resource (challenge) or as a demand (hindrance). If the leader just monitors whether the light switches are turned off – he or she is enforcing compliance; if the leader helps organize a team workshop on transforming a service so as to make it low-carbon and accessible to vulnerable populations of citizens – he or she builds wellness and sustainability. This is an important insight for public sector HR – green leadership should not only entail carbon literacy but also competencies in participatory change management and emotional intelligence. Governance, as a factor, appears.

Green HR Practices Compliance-Driven Adoption (Demand) Wellness-Based Adoption (Resource) Suggested Wellness Effect

Green Training Required online course on recycling procedures. Workshop that connects role to SDGs; training for green occupations. Frustration, boredom / Competence, meaning.

Performance Management Energy-use target and penalty for going over. Green innovation goals; related to team success. Anxiety, threat / Autonomy, mastery, engagement.

Employee Participation Suggestion box program reviewed by management. Peer-driven Green Teams with funding and an executive champion. Alienation, cynicism / Belonging, ownership, positive affect.

Reward System None; “it’s part of the job.” Non-monetary recognition (awards, public acknowledgment); connected to PSM. Extrinsic control, demotivation / Intrinsic pride, motivation.

Practical Implications for Public Sector Leaders and Policymakers

In order for the shift from mere compliance to true wellness-supporting sustainability to take place, the following evidence-based actions must be taken by public sector leaders:

- **Co-Create the Green Workplace, Do Not Just Tell Employees To Do That**

ESG ‘G’ stands for governance by participation, not merely for environmental protocols imposition. Create official “Green Labs” or innovation funds where employees will have a chance to contribute their proposals and try them. It would make employees active agents rather than passive subjects of change and develop the job resource of autonomy among them. A good example is City of Vancouver’s Green Teams program. Instead of just communicating green rules, HR departments should design these kinds of programs.

- **Add Wellness Metrics to the List of Carbon Metrics**

Break the silos by mandating that each significant green project or strategy be accompanied by “wellness impact assessment”. Would a system of desk booking to save space lead to higher level of social isolation? Would an energy-saving temperature policy cause some thermal discomfort? The NHS has reached this maturity and views staff well-being, patient well-being, and environmental sustainability as a “triple bottom line”, which is measured and managed.

- **Train for Green Transformational Leadership, Not Just Environmental Awareness**

Competency profile of public sector managers needs to be broadened. Not enough environmental technical knowledge will do. The leadership training programs should include the ability to link the activities of the organizational unit with the SDGs in such a way as to motivate, conduct the meetings which produce eco innovations, and identify and reduce stress associated with the green change process. It’s an investment directly into the governance (“G”) culture, which decides the fate of “E” and “S”.

- **Capitalize on Public Service Motivation as a Bridge**

Sell the sustainability efforts not as a cost saving measure, but as the most complete manifestation of the mission of the organization to protect the interests of the people. If a transport organization encourages cycling, then it improves the air quality (environment), public health (social), and the health of its employees (wellness). Communicating this story within the organization helps to utilize the abundant source of PSM.

Limitations and Future Research Agenda

This study is a conceptual synthesis, and as such, the proposals that it puts forward are limited by the scope of the empirical base that exists, which is predominantly in the areas of private sector, manufacturing, and profit-oriented service businesses. What is really needed is a thorough mixed-method study in the realm of public sector to verify whether the impact of compliance-based and involvement-based Green HRM on employee well-being is different.

Research questions that deserve priority attention are:

- **Longitudinal Mediation:** Is a transition from a low to a high involvement Green HRM strategy in a public agency associated with future increases in employee well-being (burnout reduction, engagement), and does it affect the environmental performance?
- **Dissonance Effect:** How do employees feel about dissonance between an organization's environmental commitment and socially responsible behavior with regard to their well-being?
- **Comparative Case Studies:** What are the important success factors that distinguish between public sector organizations where ESG transformation improved the well-being of employees from those where it negatively affected their well-being?
- **The Dark Side of Green HRM:** Could an excessive focus on "green performance metrics" in a situation with constrained resources result in unethical environmental conduct or cover-up of errors, and what would be the overall cost of poor well-being?

Conclusion

An ESG-inspired shift in the working environment of the public sector is not an engineering task – it is a human one. The contradiction between implementing environmental initiatives and taking care of the employees' welfare is an artificial dilemma that has emerged from a myopic and mechanistic understanding of sustainability. Instead of using Green HRM as a means to regulate and control behaviors of public sector employees, this approach can be transformed into a system of developing abilities, motives and opportunities for success thanks to the abundance of resources in the job. Employees' health is not the enemy of environmental excellence; it is the psychological energy that drives innovation, resilience, and citizenship regarding the environment. The road to sustainable public sector organizations – those that manage to achieve ambitious SDGs and become thriving places to work at the same time – goes through the ESG approach based on the unbreakable link between the health of the planet and the well-being of its stewards.

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