Sustainable HRM: A perspective to counter the harms of efficiency focused organisational practices

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ABSTRACT

This article attempts to propose a conceptual model of harm indicators of negative externality (NE) to enable practitioners and researchers to identify early harms and costs associated with social issues or NE of organisational practices to achieve a sustainable society. Furthermore, the direct costs of harm indicators of NE of work intensification (workload) on employees and the community are examined using information from the literature. This understanding should help organisations to be proactive and introduce sustainable HRM practices. Sustainable HRM practices may facilitate organisations to minimize the harms of NE before the harms start curbing employees’ ability to make positive contributions to their families and communities.

Keywords: Sustainability in management, sustainable HRM, social issues in management, Negative externality of organisational practices, harms of negative externality, and costs of negative externality

Sustainable HRM practice is defined as “the management of human resources to meet the optimal needs of the organisation and the community of the present without compromising the ability to meet the needs of the future requirements of employees, their families, and the community” (Mariappanadar, 2003, p. 910). Recently, there is growing interest among practitioners and researchers in understanding the social issues or negative externality (NE) of organisational practices and sustainable HRM practices. This is evident from the forthcoming special issues on sustainable management practices in 2011 in the top HRM journal, Human Resource Management (Journal - USA), and Management Revue, a Europe based peer reviewed journal. A NE is a cost that an organisation’s practices impose on society for the harm done to employees and the community (Biglan, 2009).

There is very limited research on the NE of organisational practices and on the sustainable HRM practices. This article aims to theoretically explain different types of harm or social issues caused by NE of organisational practices so as to help practitioners and management researchers to introduce sustainable organisational practices to reduce the NE on employees, their families and the community. The aim of the article is to initially propose different types of harm of NE of organisational practices and the theoretical basis for the types of harm of NE. Subsequently, the harms of NE of work intensification, a strategic
organisational practice, on employees, their families and the community are analyzed. Finally, the role of sustainable HRM practices to counter the harms of NE of organisational practices is explored.

THEORETICAL BACKGROUND

Externality

Economists have defined externality using various characteristics and meanings (Papandreou, 1994). Papandreou has provided a standard characterization of externality, “as being present when the actions of one agent directly affect the environment of another agent, i.e. the effect is not transmitted through prices” (p. 5). That is, externality is something that, while it does not monetarily affect the company that produces goods, does harm the living standard of society as a whole. An organisation’s failure to assimilate the social cost of their business and organisational practices is explained as NE.

Unsustainable organisational practice

In the traditional service oriented HRM function in an organisation, employee selection, training and development, performance management, rewards and employee career progression practices focus on increasing an employee’s workload to serve the internal referenced efficiency of the organisation. The minute an employee is identified by the organisation as ‘dead wood’ due to the employee’s inability to cope with the increased workload and starts showing work related health issues or inefficiency caused by conflict in family relationship, then HRM practices are used to sack that employee to reduce payroll costs (Mariappanadar, 2001). The organization is mostly concerned about taking care of their payroll costs and not the post-organisational costs associated with social security, work related health treatment and re-training, which is paid by employees or/and the community (Mariappanadar, 2003). The sustainable HRM strategy discussed in the latter part of this article has the potential to motivate management to develop organisational practices to minimize the harm of unsustainable organisational practices and also achieve strategic success for the organisations.

NE OF ORGANISATIONAL PRACTICES

Increased employee workload will improve organisational efficiency and lower employee costs but it also negatively impacts employees, their families and the community. However, the negative impact costs
of high workloads on employees, their families and the community are not paid by the organisation, instead it is paid by the employees and the community. According to the definition of externality, this negative impact of high workload is characterised as the NE of organisational practice. Therefore, it is important to identify the harms of NE to indicate to managers, researchers and advocacy groups the impact of harms of NE on employees, their families and the community. The harm indicators can also help managers and researchers understand the role of sustainable HRM practices to minimize the harm of NE.

Harm Indicators of NE of organisational practice

The harm indicators of NE are the data or information that raises the awareness of managers and researchers to the negative consequence (harms) of organisational practices on employees, their family, and the community as well as the need for sustainable HRM practices. For example, perceived high workload triggers negative health and work/life balance harms for employees (Musich et al., 2006). Therefore, negative health outcomes and work/life balance issues are the harm indicators of a high workload.

“Insert Figure 1 about here”

The proposed indicators of harm of NE (Figure 1) are grouped into three clusters to represent the manifestation of harm within psychological and social aspects of an employee’s work life, and work related health harm cost to the community. For example, harms associated with negative mood swings, drug/alcohol abuse and job related suicide manifest in the psychological aspect of an employee’s work life. The harm indicators like family break down/divorce, child neglect and increased domestic violence are grouped in the social aspect of an employee’s work life. Harm indicators such as work related depression, alcohol/drug rehabilitation and neurotic and psychosomatic disorders are clustered within the work related health harm costs, which are linked to the community.

Psychological aspect of harm on employees

The harm indicators such as negative mood swings, problems with concentration, thinking clearly and taking decisions, and burnout are the symptoms of cognitive form of work stress (Albertsen et al. 2010). The rationale for clustering harm indicators such as negative mood swings, increased level of anxiety, and
job related suicide within the psychological aspect of employees is explained by the effort-recovery (E-R) model (Meijman & Mulder, 1998). The E-R model theorizes that effort expended at work has both benefits (e.g., productivity) and short-term psychological and physiological issues. These issues are thought to be reversible, as long as the individual has sufficient opportunities for recovery, both during work breaks and after work. However, if there is insufficient opportunity for recovery from work due to work intensification and work stress, then negative load effects may accumulate, resulting in prolonged fatigue, increased levels of anxiety and negative well-being (Geurts, Kompier, Roxburgh & Houtman, 2003) leading to the psychological manifestation of harm on employees.

**Social aspect of harm on employees**

The cluster of harm indicators within the social aspect of employees is explained by the spill over model of work-to-family influences. The spill over model is about how the daily tensions and satisfactions experienced at work by employees are assumed to shape an employee’s emotional state at the end of the work day, where it may lead to tension or happiness at home for that employee (Bolger, DeLongis & Kessler, 1989). Hughes and Parkes (2007) found in their study that participants working longer hours experienced greater spillover of work time and strain into their home life (viz. child neglect and domestic violence), and this interference, in turn, is negatively related to family satisfaction. The process of stress crossover (Sears & Galambos, 1992) also explains how an employee’s stress at work results in stress for his or her spouse at home and subsequent negative marital interactions leading to family breakdowns and divorce, which harms employees due to the social aspect of work life.

**Employee work related health harm on community**

The cluster of harm indicators of employees’ work related health harm is caused by the physical form of work stress (Albertsen et al. 2010). It is important to note that the cluster of indicators of the psychological aspect of harm and the work related health harm is caused by different forms of work stress. The cognitive form and the physical form of work stress are related to the psychological aspect and employee work related health harms respectively. The theoretical basis for clustering the harm indicators of work related health can be explained by two different theoretical pathways: the physiological recovery
mechanism and life style factors (van der Hulst, 2003). These two pathways are not mutually exclusive and they may operate simultaneously. The physiological recovery mechanism proposes that employees with insufficient recovery from physical form of work stress due to a high workload have disturbed physiological processes (blood pressure, hormone excretion, sympathetic nervous system activity) and this then leads to physical health complaints (Rissler, 1977). Employees who work long hours in paid jobs are more likely to lead an unhealthy life-style, which causes physiological changes (eg, high blood pressure, high cholesterol) and an increased risk for cardiovascular disease and adverse health in general (van der Hulst). These unhealthy life-style habits may include smoking, coffee and alcohol consumption, an unhealthy diet, and lack of exercise. Therefore, physiological or/and unhealthy life style factors form the basis to explain the cluster of work related health harm aspect of NE of organisational practices.

The proposed harm indicators can be measured by three methods: 1) based on employee’s perception of harm relating to the clusters of psychological and social harm; 2) published information on the causal relationships between organisational practices and harm indicators; and 3) tangible evidence of costs associated with such clusters of harm. In this article, published information from various sources are used to highlight the causal relationships between organisational practices and harm indicators of NE, and also to capture the costs of the harm indicators of NE associated with the psychological and the social aspects of harm on employees.

COSTS OF NE OF WORK INTENSIFICATION PRACTICES

Work intensification

Allan (1998) explains work intensification as a distinct and separate form of labour adjustment which intensifies the workloads of employees. Work intensification is a significant source of labour productivity and exerts a downward pressure on the wage bill; hence it improves a company’s economic profitability through the labour factor. Allan, Brosnan, and Walsh (1999) highlighted the benefits of work intensification by increasing employee effort levels.
Causal relationship between work intensification practices and harm indicators of NE

To provide an insight into the NE of organisational practices, an attempt is made to examine the NE of work intensification and its associated costs based on published findings on causal relationships between organisational practices and the harm indicators of NE of organisational practices (Figure-1). Work intensification facilitated by organisational practices to create comparable measures of performance, appears to be a major source of work stress (Burchell & Fagan, 2004; Ogbonna & Harris, 2004), and work stress in turn causes psychological or mental injury (Haines, Williams & Carson, 2006). Work intensification (workload) as a work context triggers stress, and that work stress subsequently leads to psychological and social aspects of harm on employees, and the work related harm costs to the community. Therefore, work stress is used as a surrogate variable of work intensification because there is limited research available to explain the NE of work intensification. However, there is evidence in the literature to support that work intensification to increase performance causes work stress (Ogbonna & Harris, 2004; Safe Work Australia, 2009).

Work stress caused by work intensification is used to explain the cause for the select few harm indicators of NE of organisational practices. These are increased levels of anxiety from the psychological aspect and family breaks/divorce from the social aspect of harm of NE on employees. Further, psychosomatic complaints and depression are used to calculate work related costs for the community. These harm indicators of NE for work intensification are chosen for discussion in this article because of the availability of information in the literature compared to other harm indicators proposed in the conceptual model of harm indicators of NE of organisational practices. It is possible in the analysis of harm of NE of work intensification that it can have multiple or spillover harms on more than one cluster of harm indicators of NE. For example, some published research suggests that work stress leads to psychosomatic disorders (Deery & Jago, 2008), and other research also suggests that work-family conflict is caused by work stress which has a spillover effect on psychosomatic problems (Hoge, 2009).
Psychological aspect of harm and the costs on employees

In the psychological aspect of harm of NE, work intensification practices trigger work stress among employees and that leads to increased levels of anxiety (Kowske & Woods, 2008), which in turn negatively affects performance. Albertsen et al. (2010) found in their study that employees with a high need to perform well at work and with high self-esteem are highly dependent on performance and success, and may run an increased risk for work overload and accordingly increase in cognitive stress symptoms. Cognitive stress symptoms are problems with concentration, thinking clearly, making decisions and remembering. Further, Dhalin, Joneborg, & Runeson (2007) found people with high performance-based self-esteem are associated with increased risk for burnout. Cognitive stress symptoms and burnout together may affect an employee’s work performance and that leads to reduced personal outcomes such as opportunity for career development and progression, and performance based rewards in the organisation.

I argue that reduced personal outcomes for the employee are not only a consequence of his/her personal inability to perform on the job due to work intensification but it is because of NE or increased cognitive work stress and burnout due to work intensification. This argument is supported by the relative deprivation theory (Crosby, 1976; Pettigrew, 2002) which focuses on the recognition or perception of disadvantages caused by organisational policies and practices. Employee’s perception of disadvantage may trigger different behavioural outcomes, for example, in his study on relative deprivation Zoogah (2010) explained that relative deprivation may arise from resentment towards policies initiated by organizations that favor some employees over others. Therefore, it is logical to argue that employees pay the costs for reduced opportunities for career development and progression, and performance based rewards in the organisation for the psychological aspect of harm of NE of work intensification.

There is limited research in the literature to understand the ‘disadvantage’ perspective of professional development (Zoogah, 2010), and hence it would be intuitive to create a tangible value for the costs of psychological harm of NE on employees without further research from this perspective. However, that should not prevent us as researchers from recognising the costs of psychological harm of NE of organisational practices on employees. Furthermore, it is common among managers to attribute to an
employee’s personal characteristics to their ability to cope with cognitive work stress and to play down the role of organisational level intervention (see Lamontagne et al., 2007), and hence the NE of organisational practices go unnoticed. However, Porter and Kramer (2006) have suggested that organisational level interventions that prevent or minimize the impact of work related stress are beneficial to all stakeholders (employer, employees, their families and the community).

Social aspect of harm and the costs on employees

Work stress caused by work intensification practices may have a negative impact on employee’s family relationships. Although studies of specific occupational experiences that affect the family are in short supply, the displacement of angry emotional reactions from chronically stressful work experiences onto family relationships appears to be prevalent in the literature (Repetti, 1987). This can be because employees experiencing chronic work stress transfer their frustrations on to family members, and also tend towards having a preoccupation with work-related problems and needs. The price of this preoccupation with work may be an increase in hours spent at work and a subsequent loss of intimacy, companionship, and shared recreational time in the family (Piotrkowski, 1979) leading to marital separation and divorce. The average direct and indirect divorce costs to an employee in the USA are $30,000, and it costs the state and federal governments approximately $125 million in direct and indirect costs per 1 million population (Schramm, 2006).

Work intensification practices decrease the quality of interaction with family members due to negative mood swings from acute work stress which lead to increased psychosomatic complaints among employees (Hoge, 2009). Psychosomatic complaints account for twenty-five percent of outpatient visits without any organ damage (Cummings, 1993), and the community is left to foot the bill for treatment.

Employee health related harm and its costs to the community

Sear and Galambos (1992) revealed that over a period of time if work stress is not managed effectively, depression among employees may occur. Further, Pflanz & Ogle (2006) found that persistent work stress is positively and significantly related to depression. Kane (2006) found among nurses that psychosomatic disorders like acidity, back pain, stiffness in neck and shoulders, forgetfulness, anger, and worry
significantly increased due to higher work stress. Further, the incidence of psychosomatic disorder increased with the level of work stress. In the literature on depression, it is suggested that in the USA employees treated for depression caused by work stress incurred an annual per capita health and disability cost of $5415, significantly more than the costs for heart disease, diabetes and back problems (Druss, Rosenheck, & Sledge, 2000).

In Australia, the costs associated with these negative work-related health outcomes are paid by the community (government) through Medicare (an Australian government agency providing universal health care). Hence, employees’ health related harm costs are treated as NE because in Australia and other countries with similar universal health insurance the associated costs are ‘not’ paid for by the organisations that have triggered the work related health issues but the community/government bears the costs.

*Role of sustainable HRM on minimizing NE of organisational practices*

In the literature, workplace flexibility (Hill et al 2008) is discussed as an organisational practice to counter the social issues or NE of work intensification. As per the definition of sustainable HRM strategy by Mariappanadar (2003) work flexibility can be identified as a sustainable strategy because it takes into consideration employee wellbeing as well as an organisation’s internal referenced efficiency. It is important to note that when organisations’ decide to use work flexibility, it is not an answer to overcome NE but it can ‘minimize’ the impact of NE of work intensification on employees and the community. The reason being that in any organisational practices used by commercially focused organisations there will be certain level of NE. Therefore, it is important to evaluate and monitor the level of NE of such sustainable HRM practices to understand if the harms on employees and the community are to a sustainable level so that employees can continue to make positive contributions to their families and the community.

An empirical study on Norwegian workers found that flexibility in the work schedule when working regular hours has no effect on sickness absence or on the work-family balance (Olsen & Dahl, 2010). In line with Olsen and Dahl findings, Hochschild (1997) suggested that when workers are given greater flexibility, they spend more time at work, making the work–family balance more difficult. This view was
supported by Hyman, Scholarios and Baldry (2005), and they found that employee flexibility had a negative spill over effect (longer working hours, stress, exhaustion etc.) from work to home. However, the effect varied in extent, nature and intensity over sectors, and created more problems for employees with caring responsibilities.

In contrary, Grzywacz, Carlson and Shulkin (2008) found in their study that workers engaged in a type of formal flexible work arrangement reported less stress and burnout than employees who are not involved in flexible arrangements. They further suggested that more research is needed to delineate whether the feeling of discretion or perceived flexibility has any impact in reducing work-family conflict. The analysis of work flexibility as a sustainable HRM practice has mixed findings as a minimization strategy on the NE of work intensification on employees and their families, and work related health harm costs. Therefore, it is important to explore the impact of work flexibility from the perspective of harm indicators of NE to understand if it is a sustainable HRM practice to be used in organisations.

**Practical implications**

The purpose of an analysis of NE of work intensification helps practitioners and researchers in the field of management and HRM to identify the costs associated with all harms of NE from the psychological and social aspects and work related health harm costs to community. This tangible evidence of NE of work intensification practices may prompt practitioners and researchers to develop sustainable HRM strategies to achieve outcomes for a sustainable society. This article attempts to indicate to organisations that they have to be proactive before labour advocacy groups and public policy makers start influencing organisations to minimize the impact of NE of organisational practices on employees, their families, and the community.

**Empirical implications**

There are numerous opportunities for both theoretical and empirical research in the future because the area of NE of organisational practices is new, and an attempt is made here to indicate a few opportunities but they are not an exhaustive list. Future research can focus on validating the harm indicators of NE of organisational practices and the relationship between the two. There are many research studies that
indicate costs associated with work stress for organisations but future studies need to explore the costs for handling the psychological and social aspects of harm on employees, and the employee work related health treatment costs to the community.

**Conclusion**

There are many studies available in the literature highlighting the role of organisational practices in improving the internal efficiency of an organisation. This article has made an attempt to indicate to HR practitioners and researchers that the never ending ‘increased’ employee efficiency expectations to achieve internal referenced efficiency for an organisation is important but not at the cost of NE of management practices on employees, their families, and the community. If capitalism is to survive it is important to have a sustainable society, and hence an over utilization of human resources by using work intensification for company’s internal efficiency is unsustainable for employees, their families, and the community.

There are clear indications from the analysis of harms of NE of work intensification using the harm indicators that there are tangible direct costs to employees and the community for the NE caused by an organisation’s practices. The limitation of using published information from studies, which are not originally designed for NE analysis, should not be used as a limitation to undermine the NE of organisational practices on employees and their families. However, the secondary data used in this analysis is used only to underline the point to the practitioners and the researchers that there exist some kind of NE of organisational practices on employees, their families and the community. Hence future research can collect primary data to test hypotheses on the relationship between NE of organisational practices and harm indicators. Although there are limitations of using published information to fix the associated costs of NE of organisational practices, it is critical for managers and researchers in organisational to understand that the over working of such valued employees for a company’s benefit based on internal referenced efficiency at the cost of employees’ and their family wellbeing is an unsustainable organisational practice leading to voluntary employee turnover or redundancy.
This article attempts to indicate to practitioners as well as researchers how using the harm indicators of NE of organisational practices makes it possible to understand if an organisation has gone too far with ‘increased’ expectations of employee efficiency due to organisational practices, such as work intensification. It is important for that purpose an early identification of harms and costs associated with NE of organisational practices so that organisations can be proactive and introduce sustainable HRM strategies to minimize the harms of NE before the harms start curbing employees’ ability to make positive contributions to their families, community based voluntary activities and be a productive resource for other prospective employers. The conceptual model of harm indicators of NE of organisational practices sets a new agenda for HRM researchers to conduct more empirical and theoretical research to understand organisational practices from NE or social issues perspective other than the current dominant internal referenced efficiency focus of organisations.
REFERENCES


Figure 1 Conceptual Model of Harm Indicators of NE of Organisational Practices

Clusters of Harm indicators of negative externality (NE)

Psychological aspect of harm on employees
- Negative mood swings
- Lack of concentration
- Problems with clear thinking and decision making
- Burnout

Social aspect of harm on employees
- Family breaks/divorce
- Work/life imbalance
- Domestic violence
- Child neglect

Employee work related health harm on the community
- Stress related Depression
- Alcohol/drug rehabilitation
- Psychosomatic disorder

Introduction of sustainable HRM Practices

Negative externality of organisational practices
- Work intensification
- Retrenchment
- Organisational change and development