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## People Power: Recognizing the Missing Piece in Sustainability Indices

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### Abstract

Sustainability indices have become instrumental in evaluating the environmental and governance performance of businesses worldwide. However, these indices often overlook a critical aspect that is essential for holistic sustainability: the human factor. This article explores the significance of incorporating "People Power" into sustainability indices and advocates for a paradigm shift towards a more comprehensive approach. By considering social indicators such as fair labor practices, employee well-being, diversity and inclusion, community engagement, human rights, and supply chain transparency, sustainability indices can offer a more nuanced and accurate assessment of a company's overall sustainability performance. Recognizing the missing piece in sustainability indices not only drives a more inclusive and ethical corporate culture but also fosters trust among stakeholders, ensuring a sustainable future that uplifts both people and the planet. This article underscores the urgency of recognizing the human dimension in sustainability indices and its potential to create positive, lasting change for the global community.

### Introduction

Sustainability has emerged as a crucial global priority, guiding actions to protect the planet, conserve natural resources, and address the impacts of climate change. To assess progress and hold corporations accountable, sustainability indices have been developed to measure the environmental, social, and

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governance (ESG) performance of businesses. While these indices have played a significant role in promoting sustainable practices, they often neglect a fundamental aspect: the human factor. This article sheds light on the critical need to recognize "People Power" and incorporate the human dimension into sustainability indices.

Our research connects with efforts in the field of behavioural and cultural studies aimed to understand these complex dynamics. Indeed, we assumed a complex system where more factors or variables are involved at different levels, and all of them influence the outcome, i.e., how sustainable a given practice, company or society is. From this premise, we pressed for recognizing a greater role to human features such as beliefs and values, with their own complexity, and to consider them less as a derived or dependent variable, and more as a critical factor that can determine the success or failure of any plan to improve sustainable models, policies or programs.

Any attempt to account for the many beliefs, attitudes and values that could be gathered into a single factor, which, for convenience, we call the 'human factor' in the study of sustainable systems, will necessarily be partial. It is essential to ponder that this is a subjective dimension, difficult to test and assess. Beliefs, attitudes and behaviours are included in this 'human factor', clearly inscribed in a cultural framework where humans grow and communicate with shared languages and symbolic systems, expressing their preferences and tastes. However, this difficulty does not mean the task is impossible. Subjective variables can be assessed and scales and instruments can be built to derive useful data to understand this human factor.

It compares the level of consumption with the available amount of bioproductive land and sea area and has been designed to show a possible exceedance of this sustainability threshold. It includes factors from deforestation to eutrophication, but none that we could call human. Another very relevant indicator, the Environmental Performance Index, includes some categories that directly impact human life, such as wastewater management, but nothing related to values either. However, other more integrative indices exist. For instance, the Index of Sustainable Economic Welfare includes economic, environmental and social aspects of wellbeing.

### **The Current state of sustainability indices**

Traditional sustainability indices primarily focus on environmental metrics, such as greenhouse gas emissions, water consumption, and waste management, as well as governance-related criteria, such as board diversity and transparency. These metrics offer valuable insights into a company's commitment to



eco-friendly practices and responsible governance. However, they only provide a partial view of the overall sustainability performance.

### **The missing piece: the human factor**

Sustainability is not just about reducing carbon footprints and implementing eco-friendly technologies; it is about uplifting people and fostering equitable and inclusive societies. The human factor is a crucial dimension that cannot be ignored. It encompasses social aspects, such as labor practices, employee well-being, human rights, community engagement, and supply chain transparency. Recognizing the significance of the human element is essential for creating holistic and impactful sustainability strategies.

### **Incorporating social indicators into sustainability indices**

To address the missing piece, sustainability indices must evolve to include robust social indicators. These indicators should measure the company's commitment to fair labor practices, employee health and safety, diversity and inclusion in the workforce, community development initiatives, and adherence to ethical business practices. By factoring in these elements, sustainability indices can provide a more comprehensive assessment of a company's sustainability performance.

**Fair labor practices:** This indicator evaluates a company's approach to providing fair wages, reasonable working hours, and safe working conditions to its employees and supply chain workers.

**Employee well-being:** Measures the company's efforts to promote the physical and mental health of its employees, ensuring a supportive work environment.

**Diversity and inclusion:** Assesses the company's commitment to diversity in its workforce and leadership positions, recognizing the value of varied perspectives.

**Community engagement:** Reflects the company's involvement in community development initiatives, focusing on social upliftment and inclusive growth.

**Human rights:** Evaluates the company's efforts to respect and uphold human rights across its operations and supply chains.

**Supply chain transparency:** Measures the level of transparency in the supply chain to identify and address potential social risks and human rights violations.

### **Benefits of recognizing people power**



**Comprehensive sustainability assessment:** By considering the human factor, sustainability indices can provide a more holistic assessment of a company's impact on society and the environment.

**Stakeholder trust and reputation:** Companies that prioritize people-centric sustainability practices are likely to gain trust from stakeholders, including investors, customers, and employees.

**Risk mitigation:** Addressing social risks within the business and supply chain can help companies avoid potential controversies and legal issues.

**Competitive advantage:** Companies with strong social performance are more likely to attract and retain talent, as employees increasingly seek purpose-driven and socially responsible organizations.

## Conclusion

As the world faces complex challenges in the realm of sustainability, recognizing "People Power" becomes vital for the success of any sustainability strategy. Sustainability indices need to evolve to incorporate the human factor, enabling a more inclusive and comprehensive assessment of a company's sustainable practices. By embracing social indicators alongside environmental and governance metrics, companies can drive positive change and foster a sustainable future that benefits both the planet and its people. Recognizing the missing piece in sustainability indices will not only lead to more accurate evaluations but also inspire businesses to champion a people-centered approach to sustainability.

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