



CIRCULAR HUMAN RESOURCE MANAGEMENT

**A briefing for HR Professionals on
shaping the future of the
circular economy**

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LEADING THE WAY WITH THE CIRCULAR ECONOMY

The world's economy is undergoing some exciting changes. From large corporations to tiny startups, businesses are putting more emphasis than ever before on sustainability and maximising the efficient use of resources. The circular economy is a new way of doing business that offers a regenerative and waste-free alternative to the traditional linear economy, taking a more innovative and collaborative approach.

As with many other resources, the value of human capital is not always maximised in the linear economy. Workers may be paid off instead of reskilled in the face of new technologies or processes, while rigid job profiles may slow the transfer of skills from one position to the other. In the circular economy, the value of materials is preserved for as long as possible and waste is minimised and eventually designed out completely.¹ This alters the way in which goods and services are produced and consumed, and consequently, the relationship between capital and labour. Adoption of circular business models therefore presents an opportunity to rethink human resource management (HRM) to make sure that, like valuable raw materials, human capital is not wasted. Combining the social and the circular economy agendas, then, could facilitate an inclusive, just and safe labour market.²

The covid-19 pandemic is changing the way we work

From remote work to health benefits, worker morale to disaster planning, the covid-19 pandemic has elevated the importance of HR professionals within organisations as never before. It has forced HR professionals to rethink the way they communicate with workers, and provided them with an opportunity to consider new ways of working together.³

There is growing consensus that the extent of the social and economic fallout has been exacerbated by our current linear 'take-make-waste' economic model. To build back better, HR professionals will be crucial in ensuring a stronger and more resilient corporate culture that preserves the value of all resources and is necessary to move past these difficult times. There will be a gap between the skills workers have and the skills they will need.

HRM will be at the forefront of closing this gap and developing practices to support long-term skill pathways.⁴ Investments will therefore have to be made in training and developing workers.

A briefing for HR professionals

Decisions around the implementation of circular business models often focus on the use of natural capital and the optimisation of technical capital.⁵ Much less attention is given to how circular business models impact jobs and the world of work, and even less to what this means for HR practices. This briefing lays out key considerations for HR professionals interested in or working with circular business models.

What are circular jobs?

A **circular job** is any occupation that directly involves one of the elements of the circular economy or indirectly supports such activities.

More information on the definition of circular jobs and how they relate to circular strategies implemented by businesses and organisations can be found [here](#).

KEY DATA & FIGURES

The projected net employment increase is about **700,000 jobs** in Europe⁶ and between

7 and 8 million

worldwide by 2030.⁷

It is estimated that **75%** of the workforce will consist of **millennials**—people born between 1985 and 1995—by 2025.⁸

64% of millennials would not take a job if their potential employer does not have strong corporate responsibility practices.⁸

39% of employers say a skills shortage is the leading reason for entry-level vacancies.⁹

FORECASTED JOB GAINS & LOSSES⁷

EMERGING JOBS

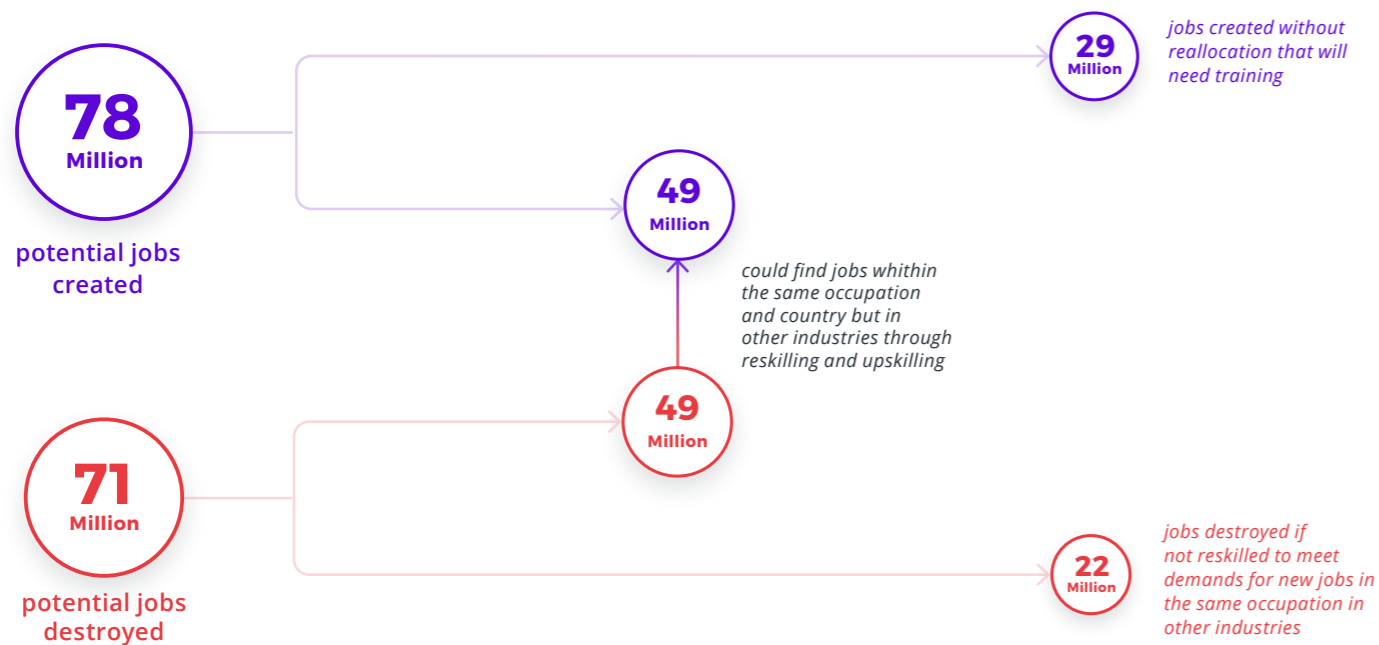
1. Sales workers
2. Metal machinery and related trades workers
3. Science and engineering professionals

DECLINING JOBS

(If not absorbing laid-off workers through reskilling)


1. Mining, construction, manufacturing and transport
2. Metal, machinery and related trade workers
3. Stationary plant and machine operations


SKILLS FOR A GREENER FUTURE⁷





THE ROLE OF HR PROFESSIONALS IN THE TRANSITION


HRM practices that are well aligned with circular business models will be an important precondition for sustainable and competitive organisations. HR can play a key role in developing, reinforcing and shifting the culture of organisations towards more sustainable, circular principles. By linking workers, managers, and business departments, HR professionals can:


 **Provide support through long-term strategy.** Circular HRM entails limiting the potential losses of talent and skills and regenerating human capital. Creating long-term strategies for talent development—and supporting people in other departments in implementing those strategies—will be crucial elements of new circular HRM practices to attract, develop and retain leadership, managerial and technical talent. In turn, this will encourage HRM to act proactively in the long-term rather than reactively responding to labour market shocks in the short-term.

 **Bridge the skills gap.** Circular activities are often cross-sectoral and interdisciplinary. HRM will have a key function in shaping new job profiles to meet the needs of new circular business models—such as the need for multi-skilled workers—through upskilling, reskilling and internal labour mobility, while also responding to technological advancements. This can help organisations to mitigate unnecessary job losses and risks by ensuring that workers can develop along with the organisation's circular ambitions.

 **Manage projects and mentor workers.** Circular economy projects often involve cross-departmental and multi-disciplinary teams. HRM can support project management through responding to public and private tenders, circular procurement, and external partnerships by weighing up the costs and benefits of the project and deploying the best mix of internal resources. At the same time, HR needs to advise and train staff members to develop new ways of working and the skills required to achieve circular projects' goals.

 **Promote circular values.** Socially and environmentally responsible companies are seen as attractive places to work, and sustainable HRM has become a key business strategy.¹⁰ Incorporating the circular economy into corporate social responsibility (CSR) is not just about adapting circular production processes, but also about adopting core circular values. HRM will be responsible for ensuring that new values are conceptualised, communicated and operationalised as a part of company ethos—for example, by including core values in employment agreements, communicating them with external and internal stakeholders, and putting them into practice in the workplace.

 **Build and contribute to a circular HRM network.** While the digital and energy transition are already on the agenda, the circular economy is a new and underexplored topic for the HR community. Practitioners and experts in various fields and industries can help address pressing issues by sharing experiences and best practices. Cooperation with other companies can help redeploy people locally. Connecting with others will also be crucial for HR professionals to raise awareness about circular jobs and the need for circular HRM, and steer company values towards seeing human capital as a lever for moving towards a more circular economy.

 **Promote Industry 5.0.** Industry 5.0 is human-centred and balances environmental and social needs to boost resilience, innovation and fundamental labour rights. Top HRM needs to align with this goal and proactively offer opportunities for the workforce to participate in training courses beyond their main responsibilities and tasks. HRM can therefore help to empower workers and increase their confidence to acquire more skills, guaranteeing meaningful work in the long-term.¹¹



A MODEL FOR CIRCULAR HUMAN RESOURCE MANAGEMENT

PROVIDE SUPPORT THROUGH LONG-TERM STRATEGY

Including HR as active stakeholders in the circular economy transition is the overarching objective of a recent Erasmus+ funded project. The project focuses on seven key concepts related to the circular economy and how they can be integrated into HRM, for others to adapt and/or adopt:

1. **Eco-conception**, applied to the design of 'work practices' and 'work spaces' that maximise positive impacts on workers.
2. **Recycle/Restore**, applied to optimising the redeployment of workers within the same company.
3. **Repair**, applied to the reintegration workers following a period of leave within their original or a new role.
4. **Reuse/Repurpose**, applied to the retention or the mentorship of workers that are considering leaving the company for new roles; thereby leveraging and developing their skill set.
5. **Industrial ecology**, applied to the categorisation of workers' skill sets to support the planning, design and implementation of worker-centred strategies.
6. **Functionality economy**, applied to the prioritisation of human-centred strategies rather than solely being driven by contractual obligations.
7. **Second hand and sharing economy**, applied to reskilling, upskilling, and lifelong learning development to support the transition of workers into new jobs outside of the organisation.

Read more about circular HRM and examples of existing good practice [here](#).



COMPETENCE-BASED JOB PROFILES

BRIDGE THE SKILLS GAP

Companies are increasingly using AI-driven, competency-based job profiles. ABN AMRO, the third largest bank in the Netherlands, is one of them. Thanks to a forward-looking HR colleague who took the lead on the project in 2018, the company has embraced a new competency-based job profile model. Jobs profiles focus on the specific knowledge, skills and abilities an employee must have to perform the job, as opposed to tasks and responsibilities. Having been implemented across 25% of the organisation so far, the benefits expected from this new model are:

- Increasing mobility, adaptability and agility of workforce and of the organisation as a whole;
- Gaining better insights into skills gaps and how they are distributed across areas of the company;
- Improving employee development programmes with lifelong learning paths to help rectify any job-related skill gaps, train for future job positions or improve employees' overall performance and personal development plans;
- Improving recruitment of new, diverse talent, and retaining existing talent;
- Presenting opportunities for cross-business knowledge and skill-sharing;
- Facilitating the incorporation of diversity, inclusion and sustainable principles in the new job profiles.



CIRCULAR ECONOMY STANDARDS

MANAGE PROJECTS AND MENTOR WORKERS

Many circular economy standards are being developed to create a common understanding for stakeholders. Standards may reference specific metrics to evaluate a circular project or simply provide guidance on key circular elements that should be featured in new initiatives. The first technical standard on Circular Economy Project Management (XP X30-901) was developed by the French Agency for Standardisation,

AFNOR. BSI, the UK national standards body, has also developed BS 8001, the first practical framework for organisations to implement the principles of the circular economy. International institutions, like the International Organization for Standardization (ISO), have followed suit, starting the drafting of ISO TC 323. Examples of new metrics frameworks to track performance and set targets include, among others, the World Business Council for Sustainable Development's (WBCSD) [Circular Transition Indicators \(CTI\)](#) or the Ellen MacArthur Foundation's [Circulytics](#) framework.

Read more about circular economy standards [here](#).



SECURING THE CIRCULAR ECONOMY TRANSITION IN THE ENERGY SECTOR

PROMOTE CIRCULAR VALUES

Enel, an Italian multinational energy company that produces, distributes and sells energy to customers and offers a wide range of products and services, is leading the energy sector's journey towards the circular economy. The group is applying circular economy principles in all of its business areas, from procurement to internal HRM. The company is actively working to raise awareness throughout the organisation

and develop a more circular approach to human resources. Internal webinars (the first on the social aspect of the circular economy), internal communication campaigns, 'schools' for workers—bringing together internal and external stakeholders also with the aim of developing new skills between employees, a programme dedicated to the children of employees, and an online platform where workers can exchange circular practices and trade second-hand goods, are just a few examples of how their circular principles translate into practice.

Read more about Enel and the circular economy [here](#).



RESKILLING REVOLUTION PLATFORM: AN INTRA- AND CROSS-INDUSTRY COLLABORATION

BUILD AND CONTRIBUTE TO A CIRCULAR HRM NETWORK

Availability of talent continues to be one of the greatest barriers faced by companies. The World Economic Forum's Reskilling Revolution Platform aims to provide one billion people with better education, skills and jobs by 2030 in order to rise to the challenge presented by covid-19 and other disruptions to the labour market, such as rising automation and digitisation. The initiative brings together 200 senior executives and experts across nine industry-specific task forces and is an opportunity for HR professionals to join a global community of leaders taking action.

Read more [here](#).

STEPS TOWARDS CIRCULAR HRM

What elements will be crucial in moving towards truly circular HRM? The following are a few additional considerations to take into account moving forward.

Understanding skill needs

Understanding what knowledge and skills are needed to deliver circular strategies will be crucial for HR to help bridge the skills gap. This will include assessing training needs and creating lifelong training and skills development programmes.

The skills required for working with circular business models will vary from one occupation to another, but there will be a few clear trends.

- Workers' reorientation will largely require a mindset and behaviour change, influenced by the culture and processes of the company or value chain they work within.
- Then, demand for transferable skills—like basic literacy and numeracy—and soft skills—like the ability to engage in critical, foresight and systems thinking, and skills for management and entrepreneurship¹²—will increase.
- Demand for transferable skills will often be coupled with the need for specific new skills, which can be taught or acquired on the job in response to more specialised product and service niches.
- Finally, the uptake of circular strategies should also be seen in the broader context of technological advances and the shift to highly-skilled jobs in certain sectors, such as increasing demand for STEM-related skills. Expertise in the digital sphere is advantageous in helping the circular economy to flow, as new technology is required to connect industries.

COMPETENCIES FOR CIRCULAR ECONOMY PROFESSIONALS

Sustainability and corporate social responsibility (CSR) teams are increasingly part of the competitive strategy of sustainability-minded companies.¹³ CSR or Sustainability Managers can help initiate and drive circular strategies in their organisation. The Sustainability University Foundation has identified key competencies of circular economy professionals based on their [frameworks](#):

- Foresight Thinking;
- Systems Thinking;
- Instrumental Understanding;
- Management & Entrepreneurship;
- Interpersonal Skills;
- CSR Support Characteristics & Attitudes;
- Value Driven Competencies & Motivation;
- Reflection Competencies.

Systems thinking and foresight thinking clearly emerge as key competencies, next to interpersonal skills and management and entrepreneurship skills. The research shows that, to achieve success, these competencies must be intertwined and cannot be seen separately. HR professionals can encourage the development of these competencies to support their company in implementing more circular, inclusive and climate-neutral practices.

Find out more about circular competencies [here](#).

Adapting recruitment methods

Recruitment is key to securing human capital for the circular economy. Understanding recruitment methods, initial qualifications sought by employers and initial training undertaken by workers entering new circular occupations will be of great importance to assess the skill levels of new workers, and how it can be adapted to new roles.¹⁴ Amidst the wave of new technologies and trends that are disrupting business models today, circularity is also set to widen the skills gap, which companies need to address in the next few years.¹⁵ In some circumstances, the recruitment method may also help identify skills gaps, indicating in which sectors the main shortages of workers concentrate. In fact, when employers invest considerable effort into finding staff, and employ more than one recruitment method, (for example, reliance on temporary staff and poaching through head-hunters), it is indicative of skill shortages.

Rethinking performance management

Rethinking performance management is at the top of many executive teams' agendas. A human-centred circular economy can drive change in the right direction. The circular transition increasingly points to the need for a change in corporate culture that can support the realisation of economic, environmental, and most of all, social benefits. Performance management can change in many ways, from using preference for work placements as a means of assessing potential employees' performance, to developing a competency-based performance-management system and different ways of capturing employee happiness, quality of work and productivity measures.

EXAMPLE SET OF KEY MEASURES TO TRACK


In order to create the conditions to ensure a just transition to circularity, the circular economy can benefit from integrating social aspects into the agenda.¹⁶ A few examples of measures to monitor progress in this direction are:


- the representation of workers by age group, gender, ethnic and racial category and other markers of diversity;
- the pay equity between those different groups;
- the wage levels paid within the organisation as a ratio to local minimum wage and the ratio of CEO pay to median employee pay;
- hours of training undertaken by workers;
- and average training investment by company.


Read more [here](#).


TALENT MANAGEMENT IN THE AUTOMOTIVE INDUSTRY


The automotive industry is facing unprecedented disruptions through changes in technology, business models, competitors and purchasing behaviors. Talent management is becoming the key priority in facing these disruptions. McKinsey's latest report identifies six best practices for HR professionals to effectively identify, attract, develop and retain talent:


 **Create a group of three** bringing together CEO, CFO, and chief human resources officer (CHRO) to ensure the strategic, business and talent plans are tightly linked to create a competitive advantage.

 **Reinvent and elevate HR functions** and value those functions as strategic leaders in the business.

 **Leverage new digital and analytical tools** across all elements of workforce planning, talent identification, selection, onboarding, learning, performance management, succession planning and retention.

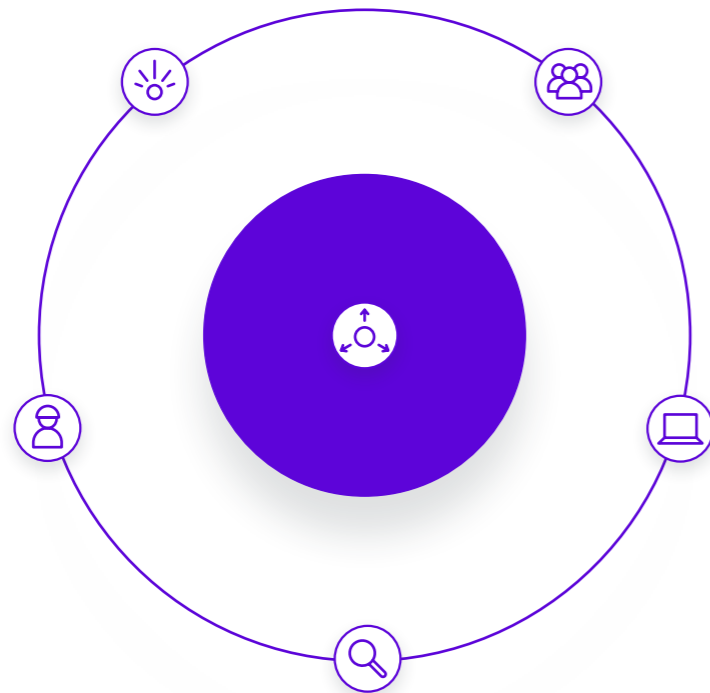
 **Build the workforce of the future** informed by a deep understanding of the skills the organisation will need to execute its strategy.

 **Identify the critical 2%** of roles that create outsized value, regardless of their level in the organisation, and focus on developing the talent that fills these roles.

 **Transition to an agile organisation** to rapidly assemble small, cross-functional teams with the right mix of capabilities and the ability to quickly learn and respond to shifting priorities.

Although these practices are not specifically targeted to address challenges for circular businesses, they will help HR professionals adapt to constantly changing environments during the circular transition.

Read more [here](#).



TAKE ACTION

The covid-19 pandemic has revealed our current economic system's vulnerability to risk, and challenged us to rethink the way we work. The circular economy can boost resilience, but it's not a silver bullet. It will require systems thinking. Every actor in the economy, including HR professionals, needs to act proactively and leverage new ways of working to build more circular and sustainable human capital.

Circle Economy is actively strengthening evidence on the shift in and demand for jobs and skills in a circular economy. Our Circular Jobs Initiative works to ensure a safe and just transition to circularity for work and workers. To learn more about the relationship between employment and the circular economy and to stay up-to-date with Circle Economy's activities and resources, [sign up for our newsletter](#) or get in touch with our team.



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