Green Human Resource Management as a Workforce Management Innovation to Support Sustainability and Poverty Reduction

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Abstract

This study analyzes the effect of Green Human Resource Management (Green HRM), defined as environmentally oriented human resource practices, on sustainability and poverty reduction among employees of coffee shops in Pontianak. The study also examines the mediating role of sustainability in this relationship. A quantitative approach was employed utilizing a survey questionnaire administered to 150 respondents. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results showed that Green HRM had a positive and significant effect on sustainability and on poverty reduction. However, sustainability did not have a significant effect on poverty reduction and therefore did not mediate the relationship between Green HRM and poverty reduction. These findings indicated that Green HRM directly contributed to employee welfare through capacity building, training, and environmentally friendly policies, while sustainability practices implemented by coffee shops were more focused on environmental aspects and had not yet produced tangible socio-economic impacts. Overall, the findings emphasized that Green HRM played a strategic role in supporting the welfare of coffee shop employees. In contrast, sustainability practices needed to be expanded to generate a more significant contribution to poverty reduction.

Keywords: green HRM, sustainability, poverty reduction, coffee shop.

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1. INTRODUCTION

Environmental degradation and persistent poverty remain two interrelated development challenges, particularly in emerging economies. While economic growth has accelerated in many urban areas, the benefits of development are often unevenly distributed, and environmental pressures continue to intensify (Adams, 2020; Tseng et al., 2020). In Indonesia, micro, small, and medium enterprises (MSMEs) constitute a major pillar of economic activity and employment generation.

However, MSMEs also face increasing demands to adopt environmentally responsible practices while simultaneously contributing to social welfare and poverty alleviation. This dual expectation creates what may be termed a “sustainability–poverty paradox”: businesses are expected to improve environmental performance without compromising economic security for workers.

Within this context, the service sector, particularly the rapidly growing coffee shop industry, represents an important but understudied setting. Coffee shops in urban areas such as Pontianak have experienced significant expansion in recent years, driven by changing lifestyles and youth-oriented consumption patterns. Beyond functioning as commercial spaces, coffee shops operate as social hubs and employment providers, absorbing young and semi-skilled labor (Fauziyah et al., 2024). As MSMEs, they contribute to local economic circulation and play a role in community-level income distribution. At the same time, coffee shops generate environmental externalities through waste production, energy consumption, and the use of single-use plastics (Hanafi et al., 2023). Consequently, this sector serves as a relevant microcosm where environmental responsibility and employee welfare intersect.

Recent studies have emphasized the importance of integrating sustainability principles into business operations within hospitality and service industries (Alreahi et al., 2023; Pham, Tučková, and Chiappetta Jabbour, 2019). However, sustainability initiatives in MSMEs often focus primarily on environmental aspects, such as waste reduction and eco-friendly materials, while overlooking the socio-economic dimensions of employee well-being and poverty reduction (Dyllick and Muff, 2016; Montiel and Delgado-Ceballos, 2014). This imbalance raises an important question: can environmentally oriented organizational practices also function as mechanisms for improving worker welfare?

Several studies have highlighted the importance of organizational practices in shaping employee outcomes within Indonesian business contexts. For instance, research has demonstrated that compensation systems and leadership styles significantly influence employee motivation and performance (Putri et al, 2024), while organizational culture and work environment play critical roles in determining employee productivity (Harini et al., 2024). Moreover, studies examining corporate social responsibility (CSR) initiatives show that organizational-level policies may affect employee trust and behavioral outcomes through mediating mechanisms (Setyaningrum and Haryono, 2018). However, limited attention has been given to environmentally oriented HR systems and their linkage to sustainability capability and poverty-related employee welfare outcomes, particularly in MSME settings such as coffee shops.

One strategic organizational mechanism that has received growing scholarly attention is Green Human Resource Management (Green HRM). Green HRM refers to the integration of environmental objectives into human resource policies and practices, including green recruitment, environmental training, performance appraisal aligned with sustainability goals, green rewards, and employee involvement in environmental initiatives (Renwick et al., 2013; Jabbour, 2013). Beyond environmental compliance, Green HRM is increasingly viewed as a strategic capability that shapes organizational culture, employee behavior, and long-term competitiveness (Cooke, 2025; Yusliza et al., 2019).

Theoretically, Green HRM can be understood through the lens of the Ability–Motivation–Opportunity (AMO) framework, which posits that HR practices enhance employees' abilities, motivation, and opportunities to contribute to organizational goals. When aligned with environmental objectives, such practices can foster sustainability-oriented capabilities within organizations (Daily and Huang, 2001; Renwick et al., 2013). From a Resource-Based View (RBV) perspective, sustainability capability embedded in human capital may constitute a valuable, rare, and inimitable resource that strengthens long-term organizational resilience (Barney, 1991; Sarstedt et al., 2021). Thus, Green HRM is not merely an environmental initiative but a strategic mechanism that potentially influences both organizational sustainability and employee-level outcomes.

Despite this theoretical promise, empirical research linking Green HRM to poverty reduction remains limited, particularly in MSMEs and service sectors in developing countries. Most prior studies have examined Green HRM in manufacturing or large corporate settings (Caliskan and Esen, 2019; Yusliza et al., 2019), with relatively little attention to small-scale service businesses such as coffee shops. Moreover, while sustainability is frequently conceptualized using the triple bottom line framework (Elkington, 1999), the mediating role of sustainability between HR practices and individual welfare outcomes remains theoretically underdeveloped.

A key conceptual issue concerns the analytical level at which sustainability is positioned. Sustainability may be interpreted as an objective organizational performance outcome, a formal policy orientation, or an employee-perceived organizational capability. Ambiguity in defining sustainability risks undermines mediation models and obscures causal interpretation. In MSME contexts, sustainability may function primarily as a perceived organizational capability—that is, employees' perception of their organization's ability to integrate environmental, social, and economic considerations into operational practices. Such perceived sustainability capability could, in principle, serve as a mechanism linking Green HRM practices to improved employee welfare.

However, the assumption that sustainability automatically translates into poverty reduction is not theoretically self-evident. While Green HRM may directly enhance employee competence, income stability, and job quality, sustainability initiatives may remain environmentally focused without producing tangible socio-economic impacts (Jamali, 2010; Montiel and Delgado-Ceballos, 2014). This gap highlights the need to empirically examine whether sustainability indeed functions as a mediating mechanism or whether Green HRM exerts a more direct influence on poverty-related outcomes.

Therefore, this study aims to examine the effect of Green Human Resource Management on poverty reduction among coffee shop employees in Pontianak, with sustainability conceptualized as a perceived organizational sustainability capability mediating this relationship. By focusing on the coffee shop sector as a representative MSME context, this study contributes in three ways. First, it extends Green HRM research to a small-scale service setting in a developing economy. Second, it clarifies the theoretical positioning of sustainability within a mediation framework. Third, it empirically tests whether sustainability capability serves as an explanatory mechanism linking environmentally oriented HR practices to poverty-related outcomes at the employee level.

In doing so, this study addresses a critical question at the intersection of environmental management and social development: can environmentally oriented workforce management innovation simultaneously strengthen organizational sustainability and contribute to poverty reduction in emerging urban economies?

2. LITERATURE REVIEW

2.1. Ability–Motivation–Opportunity (AMO) Theory

The Ability–Motivation–Opportunity (AMO) framework posits that employee performance and organizational outcomes are shaped by HR practices that enhance employees' abilities, motivate them to perform, and provide opportunities to contribute (Appelbaum et al., 2000). In the context of sustainability, Green HRM practices, such as environmental training, green performance appraisal, sustainability-based rewards, and employee involvement in environmental initiatives, can enhance employees' environmental knowledge (ability), strengthen pro-environmental motivation (motivation), and create platforms for participation in sustainability activities (opportunity) (Renwick, Redman and Maguire, 2013; Pham, Tučková and Chiappetta Jabbour, 2019).

From an AMO lens, Green HRM is a structured mechanism for developing sustainability-oriented capabilities within organizations. In MSMEs such as coffee shops, these HR practices may shape collective sustainability behavior and build organizational routines that integrate environmental and socio-economic considerations into daily operations.

2.2. Resource-Based View (RBV)

The Resource-Based View argues that sustainable competitive advantage arises from valuable, rare, inimitable, and non-substitutable resources (Barney, 1991). Human capital and organizational capabilities are central strategic resources. When Green HRM practices embed sustainability values into employee competencies and organizational processes, they may generate a sustainability capability that functions as a strategic asset (Daily and Huang, 2001; Cooke, 2025).

In MSMEs, where financial capital is often limited, human resources become a primary driver of organizational resilience. Sustainability capability, when rooted in HR practices, may stabilize business operations, improve resource efficiency, and enhance long-term viability, factors that potentially influence employee welfare and economic security.

2.3. Social Exchange Theory

Social Exchange Theory suggests that when employees perceive organizational support and commitment, they reciprocate through positive attitudes and behaviors (Blau, 2017). If employees perceive that their organization is genuinely committed to sustainability, including its social and economic dimensions, they may experience stronger organizational attachment, greater job security, and perceived improvements in their welfare.

However, if sustainability initiatives are primarily symbolic or environmentally limited, their impact on socio-economic outcomes may be weak (Jamali, 2010; Montiel and Delgado-Ceballos, 2014). This theoretical tension justifies empirical examination of sustainability's mediating role. However, if sustainability initiatives are primarily symbolic or environmentally limited, their impact on socio-economic outcomes may be weak (Jamali, 2010; Montiel and Delgado-Ceballos, 2014). This theoretical tension justifies empirical examination of sustainability's mediating role.

2.4. Green Human Resource Management

Green Human Resource Management (Green HRM) in this study is conceptualized as an integrated system of human resource practices that embed environmental objectives into core HR functions. Rather than representing a single isolated initiative, Green HRM reflects a coordinated bundle of practices including green recruitment and selection, environmental training and development, sustainability-based performance appraisal, green compensation and rewards, and employee involvement in environmental initiatives (Renwick et al., 2013; Jabbour, 2013).

This multidimensional conceptualization is consistent with the HR systems perspective, which argues that the combined effect of aligned HR practices produces stronger organizational outcomes than isolated practices (Appelbaum et al., 2000). Empirical scale development by Tang et al. (2018) further validates Green HRM as a higher-order construct composed of interrelated but distinct dimensions. By treating Green HRM as a second-order construct, this study recognizes that environmental workforce management innovation operates as a coherent organizational system rather than a fragmented policy.

From a theoretical standpoint, Green HRM enhances employees' environmental abilities, motivation, and opportunities (AMO framework), thereby shaping organizational routines and sustainability-oriented behavior (Renwick et al., 2013; Pham et al., 2019). Thus, Green HRM is positioned at the organizational practice level, functioning as a strategic mechanism that influences broader organizational capabilities.

2.5. Sustainability as Perceived Organizational Sustainability Capability

A central conceptual clarification in this study concerns the definition and analytical positioning of sustainability. Prior research has conceptualized sustainability in multiple ways: as environmental performance outcomes, as corporate social responsibility orientation, as long-term strategic commitment, or as triple-bottom-line performance (Elkington, 1999; Dyllick and Muff, 2016). However, ambiguity in defining sustainability may lead to theoretical inconsistency, particularly in mediation models.

To address this issue, sustainability in this study is defined as Perceived Organizational Sustainability Capability (POSC)—that is, employees' perception of their organization's capability to integrate environmental, social, and economic sustainability into daily operational practices.

This conceptualization draws from the Natural Resource-Based View (Hart, 1995), which positions environmental capabilities as strategic organizational

resources, and from the dynamic capabilities perspective, which views organizational sustainability as the firm's ability to adapt and reconfigure resources in response to environmental and social pressures (Teece, 2007). Sustainability capability, therefore, reflects an embedded organizational competence rather than a symbolic or superficial policy.

Moreover, Bansal and DesJardine (2014) argue that true business sustainability involves long-term value creation that integrates environmental stewardship with social and economic stability. In MSMEs, such capability may be perceived by employees through consistent environmental practices, fair labor policies, and economic prudence in resource management. Eccles et al. (2014) provide empirical evidence that firms with strong sustainability orientation exhibit more stable processes and long-term performance outcomes.

Importantly, measuring sustainability through employee perception ensures analytical consistency with Green HRM (organizational practice) and poverty reduction (employee-level outcome). Sustainability capability in this study, therefore, represents an organizational-level construct assessed through individual perceptions, thereby avoiding a level-of-analysis mismatch.

The construct comprises three interrelated dimensions:

1. Environmental sustainability capability (waste management, resource efficiency),
2. Social sustainability capability (employee fairness, community engagement),
3. Economic sustainability capability (financial stability and long-term viability).

This integrated definition aligns sustainability with strategic capability theory rather than treating it merely as environmental performance.

2.6. Poverty Reduction as Employee-Level Economic Empowerment

Poverty reduction in this study is conceptualized at the individual employee level and reflects improvements in economic security and empowerment within the workplace context. Rather than measuring macro-level poverty indicators, the construct captures employee-level outcomes such as employment stability, income improvement, and opportunities for economic advancement.

This conceptualization is grounded in Sen's (1999) Capability Approach, which defines poverty not merely as income deprivation but as the absence of capabilities to achieve well-being. Employment quality, skill development, and income security enhance individuals' capabilities and economic freedom. In MSME contexts, stable employment and fair compensation are critical mechanisms for poverty alleviation (Banerjee, 2011).

The International Labour Organization (ILO, 2020) further emphasizes that decent work—characterized by employment security, fair wages, and skill development—is a primary pathway to poverty reduction in developing economies. Accordingly, poverty reduction in this study is conceptualized as workplace-based economic empowerment rather than structural macroeconomic transformation.

This construct is positioned at the employee-outcome level, ensuring conceptual distinction from sustainability capability (organizational level) and Green HRM (organizational practice level).

2.7. Hypothesis

Based on the literature review and theoretical framework, the hypotheses proposed in this study are:

H1: Green Human Resource Management has a positive and significant effect on perceived organizational sustainability capability.

According to AMO theory, HR practices enhance employees' abilities, motivation, and opportunities to engage in organizational objectives. When HR practices are aligned with environmental goals, they foster sustainability-oriented behaviors and organizational routines (Renwick et al., 2013; Pham et al., 2019). From an RBV perspective, these routines constitute a sustainability capability embedded in human capital (Barney, 1991; Daily and Huang, 2001). Empirical studies consistently show that Green HRM positively influences organizational sustainability performance (Yusliza et al., 2019; Caliskan and Esen, 2019).

H2: Green Human Resource Management has a positive and significant effect on poverty reduction among coffee shop employees.

Green HRM may directly improve employee welfare by enhancing skills, fostering career development, implementing fair reward systems, and improving job security. Training and performance-based incentives can increase employee productivity and income potential, while inclusive HR practices strengthen employment stability (Cooke, 2025; Yusliza et al., 2019). In MSMEs, where HR policies are closely tied to daily operations, Green HRM may directly shape socio-economic outcomes at the employee level

H3: Perceived organizational sustainability capability has a positive and significant effect on poverty reduction among coffee shop employees.

Organizational sustainability capability may contribute to poverty reduction by stabilizing business performance, ensuring resource efficiency, and strengthening long-term viability. Sustainable organizations may provide more stable employment and create opportunities for economic empowerment (Dyllick and Muff, 2016). However, the impact depends on whether sustainability integrates socio-economic dimensions rather than focusing solely on environmental aspects (Montiel and Delgado-Ceballos, 2014).

H4: Perceived organizational sustainability capability mediates the relationship between Green Human Resource Management and poverty reduction.

Combining AMO and RBV perspectives, Green HRM develops sustainability capability, which in turn enhances organizational stability and socio-economic outcomes. Sustainability capability thus serves as an explanatory mechanism linking workforce management innovation to employee welfare. However, prior literature suggests that sustainability may fail to translate into tangible social impact when its implementation is environmentally skewed (Jamali, 2010). Therefore, empirical testing of mediation is necessary.

This mediating logic is consistent with prior findings, which demonstrate that organizational-level practices may indirectly influence employee performance through psychological or relational mechanisms, such as trust and engagement (Setyaningrum and Haryono, 2018). Such findings support the plausibility of testing sustainability capability as an intervening variable linking HR practices and employee welfare outcomes.

Based on the research hypothesis outlined above, the following describes the research model depicted in Figure 1.

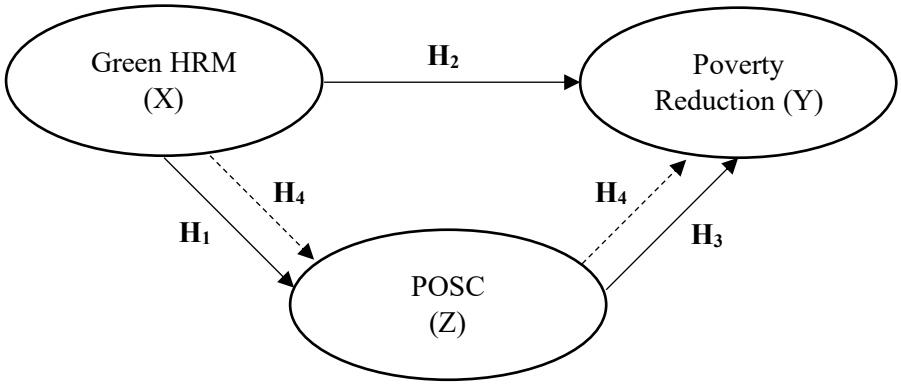

Figure 1. Research Model

Source: Author (2025).

3. METHODOLOGY

3.1. Research Design

This study adopts a quantitative explanatory research design to examine the causal relationships between Green Human Resource Management (Green HRM), Perceived Organizational Sustainability Capability (POSC), and employee-level poverty reduction. The research model tests both direct and indirect (mediated) effects using Partial Least Squares Structural Equation Modeling (PLS-SEM).

3.2. Population and Sample

The population consists of employees working in coffee shops in Pontianak City, West Kalimantan. The sector was selected due to its rapid growth among urban MSMEs and its dual exposure to environmental management demands and a labor-intensive employment structure.

Purposive sampling was applied with the following criteria:

1. Employees with a minimum tenure of six months,
2. Direct involvement in operational or service activities,
3. Exposure to HR-related practices within the organization.

Following Hair et al. (2021), the minimum sample size for SEM-PLS is 5–10 times the number of indicators. With 22 indicators, the required sample size ranged

between 110 and 220 respondents. A total of 150 valid responses were collected and analyzed.

3.3. Variables and Indicators

To ensure theoretical clarity and analytical consistency, the constructs in this study are positioned at different but logically connected levels:

1. Independent Variable (X): Green Human Resource Management (organizational HR practice system)

   Green HRM is conceptualized as a higher-order construct comprising green recruitment and selection, green training and development, green performance appraisal, green compensation and rewards, and green employee involvement. The measurement items were adapted from established Green HRM scales developed by Tang et al. (2018), Dumont et al. (2017), and Renwick et al. (2013). These instruments operationalize Green HRM as an integrated system of environmentally oriented HR practices.

2. Mediating Variable (Y1): Perceived Organizational Sustainability Capability (organizational capability perceived by employees)

   Sustainability is defined as employees' perception of their organization's capability to integrate environmental, social, and economic sustainability into operational practices. The measurement was adapted from the strategic sustainability literature (Bansal and DesJardine, 2014; Eccles et al., 2014) and from studies on triple-bottom-line integration (Tseng et al., 2020). The construct captures the dimensions of environmental, social, and economic sustainability capability. This variable functions as the mediating construct linking Green HRM and poverty reduction.

3. Dependent Variable (Y2): Poverty Reduction (employee-level welfare outcome)

   Poverty reduction is conceptualized as employee-level economic empowerment reflected in employment stability, income improvement, and opportunities for advancement. The measurement approach draws upon Sen's (1999) Capability Approach and the decent work framework (ILO, 2020), which positions stable employment and income security as core pathways to poverty alleviation.

All constructs were measured using a five-point Likert scale (1 = strongly disagree; 5 = strongly agree).

3.4. Data Collection Technique

The data collection techniques used in this study consisted primarily of data. The primary data used was a closed-ended questionnaire distributed to coffee shop employees in Pontianak.

3.5. Research Instrument Testing

Validity testing uses Confirmatory Factor Analysis (CFA) in SEM to ensure the validity of the indicators. Requirements: loading factor > 0.5 and AVE value > 0.5. Reliability testing uses Cronbach's Alpha and Composite Reliability (CR). Requirements: α > 0.7 and CR > 0.7.

To address potential multicollinearity concerns arising from high path coefficients, the Variance Inflation Factor (VIF) was examined. All VIF values were below the threshold of 5, indicating no severe multicollinearity issues (Hair et al., 2021).

3.6. Data Analysis Techniques

Data analysis was conducted using Structural Equation Modeling (SEM) based on Partial Least Squares (SEM-PLS) with the following stages:

1. Outer Model Test, consisting of convergent validity test (loading factor, AVE), discriminant validity test (Fornell-Larcker, cross loadings), and reliability test (Cronbach's Alpha, Composite Reliability);
2. Inner Model Test, consisting of the R^2 test to see the strength of the model, the Q^2 test for predictive relevance, and the path coefficient test to test the hypothesis;
3. Mediation Test using bootstrapping to see whether sustainability (Y1) mediates the effect of Green HRM (X) on poverty reduction (Y2).

Mediation was assessed based on indirect effect significance and confidence intervals following Hayes (2022).

4. RESULT AND DISCUSSION

Figure 2 reveals the characteristics of the respondent, including gender, age, education, and employment period. The demographic profile of respondents shows that the majority are male (60%), while females account for 40%. In terms of age distribution, most respondents are between 20 and 30 years old (75%), followed by those aged 31–40 years (20%) and a small proportion above 40 years (5%). Regarding education level, more than half of the respondents (55%) graduated from high school or vocational school, 25% hold a diploma, and 20% have a bachelor’s degree. Based on employment period, most respondents (60%) have worked for 1–3 years, while 20% have less than 1 year of experience, and another 20% have more than 3 years of employment. Overall, these characteristics indicate that the majority of workers are relatively young and early in their careers, with varying educational backgrounds.

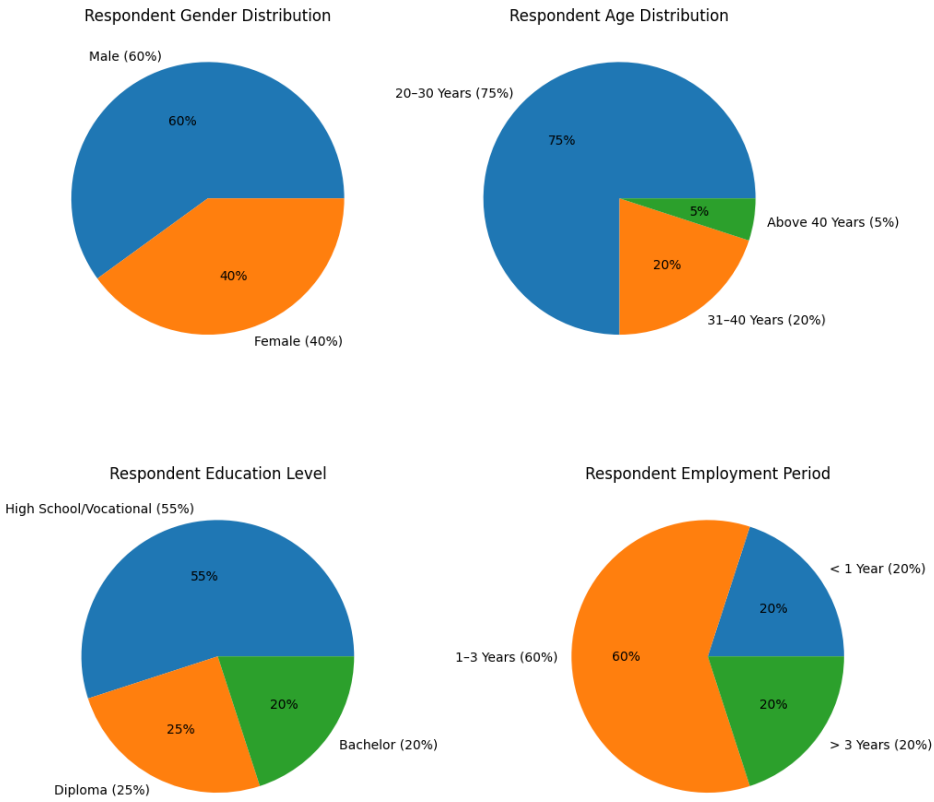

Figure 2. The Characteristics of Respondents

Source: Primary data processed (2025).

4.1. Outer Model Test

The results of the loading factor from the convergent validity test are shown in Table 1 below.

Table 1. Loading Factor Results

Indicator	Green HRM	Sustainability	Poverty Reduction	Result
GHRM1	0.850	-	-	Valid
GHRM2	0.855	-	-	Valid
GHRM3	0.719	-	-	Valid
GHRM4	0.834	-	-	Valid
ST1	-	0.767	-	Valid
ST2	-	0.859	-	Valid
ST3	-	0.889	-	Valid
PR1	-	-	0.878	Valid
PR2	-	-	0.802	Valid
PR3	-	-	0.728	Valid

Source: Primary data processed (2025).

Based on the factor loading table above, all items or indicators have factor loadings> 0.7. Therefore, based on the factor loadings, all items or indicators are deemed valid.

In addition to factor loadings, the Average Variance Extracted (AVE) can be used to assess convergent validity. The AVE results are shown in Table 2 below.

Table 2. Average Variance Extracted Results

Variable	Average Variance Extracted	Result
Green HRM	0.666	Valid
Sustainability	0.648	Valid
Poverty Reduction	0.706	Valid

Source: Primary data processed (2025).

Based on Table 2, it can be seen that all variables have met the requirements for convergent validity because the AVE value of all variables is >0.50. An AVE value of 0.5 or higher indicates that the construct explains 50% or more of the variance in its items (Wong, 2013; Hair et al., 2021b).

Then, to assess the results of the discriminant validity test, we can use the Fornell-Larcker Criterion and cross-loadings. The results of the Fornell-Larcker are presented in Table 3.

Table 3. Fornell-Larcker Criterion Results

Variable	Green HRM	Sustainability	Poverty Reduction
Green HRM	0.816	-	-
Sustainability	0.853	0.805	-
Poverty Reduction	0.945	0.826	0.840

Source: Primary data processed (2025).

Based on Table 3, all the roots of the AVE (Fornell-Larcker Criterion) of each variable are greater than their correlation with other variables. Likewise, for other latent variables, the AVE root value is greater than the correlation with other variables. Because all latent variables have an AVE root value greater than the correlation with other variables, the discriminant validity requirements in this model have been met, as listed in Table 3 above. If the AVE square root value of each construct is greater than the correlation value between constructs with other constructs in the model, then the model is said to have a good discriminant validity value (Wong, 2013).

In addition to the Fornell-Larcker Criterion, the cross-loading value can also be used to determine the discriminant validity of the test. The cross-loadings are shown in Table 4 below.

Table 4. Cross Loading Results

Indicator	Green HRM	Sustainability	Poverty Reduction	Result
GHRM1	0.850	0.731	0.813	Valid
GHRM2	0.855	0.655	0.866	Valid
GHRM3	0.719	0.671	0.705	Valid
GHRM4	0.834	0.728	0.689	Valid
ST1	0.759	0.878	0.713	Valid
ST2	0.737	0.802	0.705	Valid
ST3	0.534	0.728	0.561	Valid
PR1	0.623	0.597	0.767	Valid

Indicator	Green HRM	Sustainability	Poverty Reduction	Result
PR2	0.907	0.709	0.859	Valid
PR3	0.820	0.762	0.889	Valid

Source: Primary data processed (2025).

The cross-loadings for each construct were evaluated to ensure that the correlation of each construct with its measurement items was greater than that with the other constructs. The expected cross-loading value is greater than 0.7 (Ghozali and Latan, 2015). From Table 4 above, it can be seen that all indicator loadings on the constructs are greater than their cross-loadings. Because all indicator loading values on the constructs are greater than their cross-loadings, this model has met the requirements for discriminant validity.

Furthermore, reliability can be assessed using Cronbach's Alpha and Composite Reliability. The results of the reliability test are presented in Table 5 below.

Table 5. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	Result
Green HRM	0.831	0.835	Reliable
Sustainability	0.728	0.749	Reliable
Poverty Reduction	0.791	0.810	Reliable

Source: Primary data processed (2025).

Internal Consistency Reliability measures the extent to which an indicator measures its latent construct (Memon et al., 2017). The tools used to assess this are composite reliability and Cronbach's alpha. A composite reliability value of 0.6–0.7 is considered good (Sarstedt et al., 2021), and the desired Cronbach's alpha value is above 0.7 (Ghozali and Latan, 2015). Based on Table 5 above, it can be seen that all constructs have composite reliability values and Cronbach's Alpha > 0.7, so it can be concluded that all constructs are reliable.

4.2. Inner Model Test

Changes in the R-Square value can be used to explain whether a particular exogenous latent variable has a significant influence on the endogenous latent variable. According to Ghozali & Latan (2015), R-square values of 0.67, 0.33, and 0.19 indicate strong, moderate, and weak models, respectively.

The Q-Square test aims to predict whether a model is good. The Q-Square test can be performed using a blindfolding procedure. The Q-Square test value is $Q^2 > 0$, indicating that the variables and data can predict the model well. Meanwhile, $Q^2 < 0$ indicates that the variables and data do not predict the model well. According to Musyaffi et al. (2021), the criteria for the Q-Square (Q^2) value, namely a Q^2 value of less than 0, mean that the exogenous latent structure as an explanatory variable can be interpreted as a prediction of the existing structure. A Q^2 value of 0.02 to ≤ 0.15 is classified as small, 0.15 to ≤ 0.35 is classified as medium, and ≥ 0.35 is classified as large.

The results of the Inner Test Model, including the R^2 and Q^2 Tests, are shown in Table 6 below.

Table 6. R^2 and Q^2 Test Results

Endogenous Variables	R^2	Interpretation	Q^2	Interpretation
Sustainability	0.893	Strong	0.892	The model has very high predictive relevance
Poverty Reduction	0.731	Strong	0.723	The model has very high predictive relevance

Source: Primary data processed (2025).

Based on Table 6, the R^2 value > 0.67 indicates that Green HRM explains endogenous variables well, and the Q^2 value > 0.35 indicates that the model has very high predictive relevance.

Meanwhile, the results of the Path Coefficient & Bootstrapping test are shown in Table 7 and Figure 3 below.

Table 7. Path Coefficient & Bootstrapping Test Results

Hypothesis	Detail	Coefficient	t-statistic	p-value	Result
H1	Green HRM → Sustainability	0.945	108.761	0.000	Accepted
H2	Green HRM → Poverty Reduction	0.676	4.788	0.000	Accepted
H3	Sustainability → Poverty Reduction	0.187	1.267	0.205	Rejected
H4	Green HRM → Sustainability → Poverty Reduction	0.176	1.266	0.206	Rejected

Source: Primary data processed (2025).

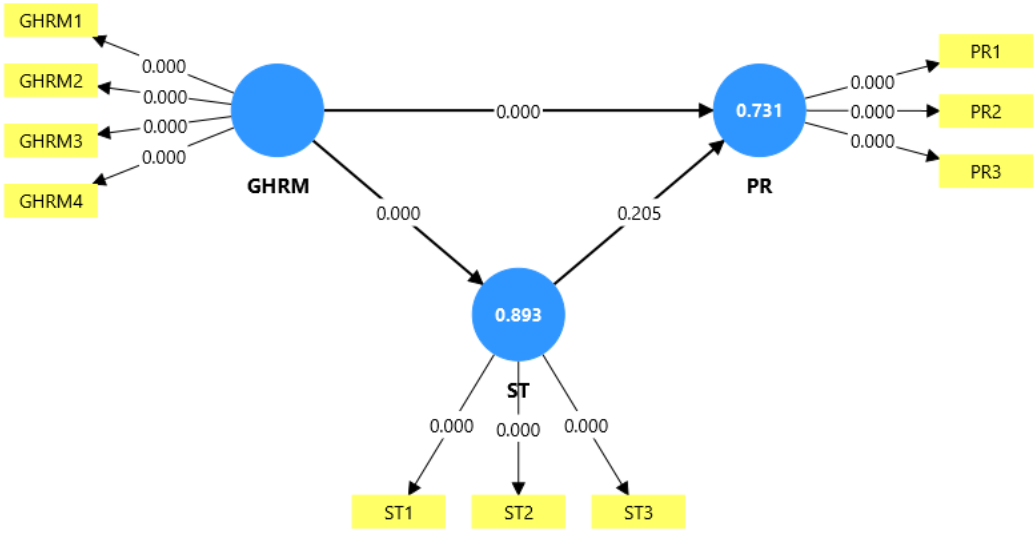

Figure 3. Path Coefficient & Bootstrapping Test Results.

Source: Data processed (2025).

Based on Table 7 and Figure 3, the relationships between Green HRM and Sustainability and between Green HRM and Poverty Reduction are significant ($p < 0.05$). Still, there is no relationship between Sustainability and Poverty Reduction, as the p-value is> 0.05. Green HRM does not have a direct effect on Sustainability and Poverty Reduction. Sustainability has not been shown to mediate the relationship between Green HRM and Poverty Reduction.

4.3. Discussion

4.3.1 Green HRM and Sustainability Capability

Coffee shops in Pontianak that implemented green recruitment practices, eco-friendly training, environmentally-based performance appraisals, and green compensation successfully improved their business sustainability. These findings align with Renwick et al. (2013) and Hanafi et al. (2023), who emphasized the role of HR in building business sustainability. Furthermore, Nguyen et al. (2024) emphasized that Green HRM practices can increase employees' environmentally friendly behavior, thereby strengthening the achievement of organizational sustainability goals.

4.3.2 Green HRM and Poverty Reduction

The implementation of Green HRM can create decent employment opportunities, increase income, and empower surrounding communities. This supports the research by Yusliza et al. (2019), which found that green HRM practices not only improve company performance but also have positive social impacts. Furthermore, Nurhayati et al. (2021), Susanti et al. (2023), and Wei et al. (2024) show that the implementation of sustainability practices in MSMEs significantly contributes to poverty reduction through job creation and improved welfare for local communities.

4.3.3 Sustainability Capability and Poverty Reduction

The study's results indicate that sustainability does not significantly affect poverty reduction. This finding differs from initial assumptions that the sustainability of coffee shop businesses in Pontianak would directly improve employee welfare. A possible reason is that coffee shops tend to adopt environmentally friendly practices, such as reducing single-use plastics or using environmentally friendly materials but have not integrated socio-economic dimensions that directly improve the standard of living of the workforce. This aligns with the findings of Jamali (2010), who stated that many organizations in developing countries implement corporate sustainability more as a legitimacy strategy than a means of social empowerment. Furthermore, employee welfare is more influenced by HR management practices (Green HRM) than by the company's sustainability strategy. Dyllick & Muff (2016) emphasized that sustainability often fails to make a real contribution to society if consistent pro-social policies do not accompany it. Thus, this research indicates that sustainability does not automatically guarantee poverty reduction. A balanced integration of environmental, economic, and social dimensions is needed for sustainability to have a tangible impact on the well-being of coffee shop workers in Pontianak.

4.3.4 The Mediating Role of Sustainability Capability

The results of the study indicate that sustainability does not mediate the relationship between Green Human Resource Management (Green HRM) and poverty reduction. This finding indicates that although coffee shops in Pontianak have implemented Green HRM practices, their impact on poverty reduction is not through sustainability but rather through direct measures. Green HRM practices such as environmentally friendly training, green-oriented workforce recruitment, and reward systems related to environmental performance have been shown to directly improve

employee competence and well-being. This aligns with Renwick et al.'s (2013) research, which confirms that Green HRM contributes to employee pro-environmental behavior but is not always integrated into the organization's sustainability strategy. Furthermore, coffee shops in Pontianak may only adopt a small portion of sustainability practices, such as reducing plastic waste or using organic materials, without integrating social programs that have a direct impact on poverty reduction. Montiel & Delgado-Ceballos (2014) explain that unbalanced sustainability (overly focused on environmental aspects) often fails to provide significant social impacts. In the context of this study, poverty reduction is more influenced by economic factors related to employment than by sustainability. Thus, the results of this study confirm that sustainability's mediating role is insignificant. The relationship between Green HRM and poverty reduction occurs directly, without necessarily going through sustainability. This provides a theoretical contribution, suggesting that sustainability does not always function as a mediating mechanism in the context of MSMEs, particularly in the coffee shop industry.

5. CONCLUSION

This study demonstrates that Green Human Resource Management (Green HRM) plays a strategic role in enhancing employee welfare in the coffee shop industry in Pontianak. Green HRM has been shown to have a positive and significant impact on sustainability and poverty reduction, through practices such as local workforce recruitment, environmentally based training, and the provision of incentives and rewards. These findings confirm that the implementation of environmentally and socially oriented HRM can be an effective instrument for directly improving worker welfare. However, the analysis results indicate that sustainability does not have a significant impact on poverty reduction and does not act as a mediating variable, because the ongoing sustainability program still emphasizes environmental aspects and has not optimally addressed the social dimension.

The findings also complement prior evidence from Indonesian organizational contexts, which emphasizes the role of structured management practices in shaping employee performance (Putri et al., 2024; Harini et al., 2024). This study extends that discourse by demonstrating that environmentally oriented HR systems may further influence employee-level welfare outcomes in MSMEs.

This study strengthens the literature on Green HRM by demonstrating that its impact on employee well-being can occur without the mediation of sustainability (Renwick et al., 2013). These results also support the research of Montiel and Delgado-Ceballos (2014) that sustainability often fails to have a significant social impact if it focuses solely on environmental aspects.

This study has several limitations. First, the research is limited to coffee shop MSMEs in a single city, which may restrict generalizability to other sectors or regions. Second, the use of self-reported measures may introduce perceptual bias, although statistical remedies were applied to mitigate common method bias. Third, the cross-sectional design limits causal inference and does not capture the longitudinal development of sustainability capability.

Suggestion for coffee shops/MSMEs, it is recommended to expand sustainability practices into socio-economic areas so that they can have a greater impact on employee welfare, not just on environmental aspects. Then, for academics/researchers, it is hoped that further research can expand the object of study to other sectors (for example, manufacturing or tourism) and compare them with coffee shops, to obtain a more comprehensive picture. And for the government and policymakers, it is hoped that there is a need for regulations or incentives for MSMEs that consistently implement Green HRM, while ensuring that sustainability practices have a social component that supports poverty reduction.

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