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Reexamining ESG from a Genealogical Perspective: The Similar Logic of Sustainability Across Different Periods

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Abstract: As a current research hotspot, ESG (Environmental, Social, and Governance) has been widely applied in fields such as investment and management. However, defining its connotation and exploring sustainability on a social level remain under-researched, leading to numerous issues and controversies. This paper analyzes the social sustainability of ESG from three aspects to redefine ESG, enabling it to serve practical needs more effectively. The first section outlines the prevailing concepts of ESG, reviews its development trajectory, and redefines its connotations. The second section revisits the evolution of workers' welfare in Britain from the Industrial Revolution to the present, focusing on the intrinsic logic of sustainability to explore the historical roots of ESG's sustainability. The third section provides a brief analysis of the historical inevitability of ESG within the context of modern development trends. This paper aims to contribute to future ESG research.

Keywords: Genealogy, ESG, Sustainability.

1. Introduction

Since ESG was formally introduced in 2004, it has remained a focal point of research and discussion. However, there has also been substantial skepticism and opposition to ESG in society, with criticisms such as "greenwashing," "carbon washing," and "politicization." Due to the broad and ambiguous definition of ESG, reaching a consensus has proven difficult, leaving these controversies unresolved. Diverse definitions of its connotations abound, giving the impression that the "Social" component merely serves as a bridge between "Environmental" and "Governance" elements, with limited understanding of its content and necessity. Furthermore, there is minimal research on social sustainability, leaving us potentially without clear scientific definitions, standards, or measurement tools on this topic[1]. Most standards and regulations for the social aspect may only address surface-level elements without capturing its core essence, leading to unsatisfactory or misinterpreted results as mere "image projects" and inviting criticism. Some organizations even consider social sustainability insignificant, prioritizing development and neglecting this aspect, which subsequently results in various development issues. Thus, clarifying the different definitions of ESG to determine its essential connotations, exploring the historical roots of sustainability, and understanding the historical inevitability of ESG today are the key questions this paper seeks to address.

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2. The Connotation and Current Status of ESG

ESG stands for Environmental, Social, and Governance. Generally, there are four perspectives on its interpretation: as factors in investment analysis, as indicators of risk management, as an extension of corporate social responsibility or sustainability, and as an ideological preference[2]. Some scholars have summarized these perspectives, defining ESG as "the intention, behavior, and performance of an organization in effectively managing the bidirectional impacts of its decisions and activities on the environment and society to contribute maximally to sustainable development and to achieve organizational sustainability"[3]. According to Huang Shizhong, ESG is supported by three pillars: the theory of sustainable development, the theory of economic externalities, and the theory of corporate social responsibility[4], and he further describes its value creation as evolving toward diversification in orientation, extension in scope, and externalization in motivation[5]. Thus, this paper considers ESG as both the cause and result of an organization's increasingly outward-focused development, aimed at achieving sustainable development both internally and externally, through the effective management of all organizational activities. To accurately grasp ESG's internal logic, it is essential to consider the dialectical relationship of mutual influence between internal and external aspects of the organization.

Due to ESG's broad, flexible, and ambiguous definition, along with its underlying logic that aligns with contemporary trends and future potential, and years of concerted effort by various sectors, ESG is now widely discussed and applied across social, economic, and other domains. However, this lack of clear definition has also led to numerous issues, and various ESG evaluation systems have left many perplexed, while controversies like "greenwashing," "carbon-washing," and politicization persist.

3. The Origins and Development of ESG

In 1987, the United Nations released the policy report Our Common Future, completed by the World Commission on Environment and Development under the chairmanship of Gro Harlem Brundtland. This report defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987). In 1999, at the Davos World Economic Forum, Kofi Annan introduced the "Global Compact," which laid out nine (now ten) principles covering human rights, labor, the environment, and anti-corruption, establishing a foundation for subsequent ESG principles. In 2004, ESG was formally introduced in Who Cares Wins, advocating for "better integration of environmental, social, and corporate governance (ESG) factors in investment decisions."

The introduction of ESG was not without precedent. Historically, the purpose of corporate existence can be divided into two phases: shareholder primacy and stakeholder theory. Shareholder primacy posits that a corporation's sole social responsibility is to utilize its resources to maximize profit within legal and moral bounds. Stakeholder theory, on the other hand, argues that corporate management has fiduciary duties not only to shareholders, the primary providers of capital, but also to other stakeholders such as suppliers and consumers, bearing broader social responsibilities[6]. This theory emphasizes that a company's success depends on its ability to manage its relationships with stakeholders, defining stakeholders as any groups or individuals who can influence or are affected by the achievement of organizational objectives[7]. Based on this theory, corporate social responsibility (CSR) flourished in the 20th century and gradually evolved toward sustainable development and corporate citizenship in the early 21st century. Influenced by international standards, CSR increasingly emphasized sustainable development, eventually merging into the scope of ESG[8]. This evolution—moving from shareholder primacy focused solely on profit, to CSR that considers all stakeholder interests, and ultimately to ESG which acknowledges the mutual impact between internal

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and external corporate factors—reveals the underlying logic of an organizational shift from singular, internal orientation to diversified, external orientation.

4. The Historical Development of Worker Welfare: A Case Study of the United Kingdom

4.1. Worker Welfare from the Industrial Revolution to World War I

The United Kingdom was the first to initiate the Industrial Revolution, and by the time of the Great Exhibition at the Crystal Palace in 1851, it had earned the title of "the world's factory." While the Industrial Revolution brought significant advances in productivity, it also introduced a series of issues, including a large wealth gap and poor working conditions for laborers. As other major capitalist nations launched their own industrial revolutions, Britain faced increasing pressure[9]. In the transformation of worker benefits, the working class became a powerful driving force. The growth of trade unions enabled the working class to emerge as an influential social force on the historical stage[10]. Following the second parliamentary reform, most urban workers gained the right to vote.

Guided by three major ideological currents—liberalism, collectivism, and Fabian socialism[11]—and through the struggles of the working class and trade unions, the UK introduced a series of laws to reduce the wealth gap, improve worker benefits, and support impoverished workers (see Table 1).

Table 1: Legislation on Worker Welfare in the United Kingdom from the Industrial Revolution to World War I

Year	Law/Statute	Main Provisions
1874,1876,1878	Factory Act	Restricted child labor and work hours; specific regulations on labor hours, factory conditions, labor protection, and injury compensation
1875	Employers and Workmen Act	Replaced the previous Master and Servant Act, bringing workers and employers closer to equal status
1875	Conspiracy and Protection of Property Act	Abolished conspiracy principles in labor disputes, stipulating that collective bargaining between two or more individuals could not be charged as conspiracy
1878-1900	Workmen's Compensation Act	Established a foundational worker injury compensation system in the UK
1882,1885,1890	Housing of the Working Classes Act	Prohibited unsanitary housing conditions, improved health-hazardous residential areas, demolished unsuitable homes, and built public housing to ease housing pressures
1906	Trade Disputes Act	Confirmed immunity for trade unions, providing full legal protection for union members
1906	School Meals Act	Provided free meals to impoverished children
1908	Old-Age Pensions Act	Granted pensions to those over 70 with an annual income below £26
1909	Labour Exchanges Act	Established state-funded and managed labor exchanges, marking a significant shift from market-led to government-led unemployment regulation
1909	Budget Act	Taxed the wealthy and provided pensions for low-income families
1911	National Insurance Act	Offered broad social insurance for health and unemployment

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4.2. The Two World Wars and the Establishment and Development of the Welfare State

Between the two World Wars, although economic progress was gradual, post-war improvements in living standards were evident across social classes. However, widening income inequality and rising unemployment remained persistent issues, like a thorn in the side of development. The flaws in pre-war legislation also became increasingly apparent, as exemplified by the 1911 National Insurance Act, which focused on alleviating poverty within certain occupational groups without recognizing poverty eradication as a national responsibility[12]. After the war, the decline of the British Empire became inevitable: colonies were lost, manufacturing shrank, and the coal market dwindled dramatically. Only the discovery of oil during the oil crisis prevented a complete industrial collapse[13], making further reform an urgent necessity.

During World War II, the notion that the state should assume responsibility began to take hold. The 1942 report recommended establishing a unified national social security system for everyone. Additionally, the USSR's prominent role during the war sparked a rise in leftist ideologies, and with Keynesianism becoming mainstream, the concept of a welfare state gained consensus.

Consequently, the UK enacted a series of laws (see Table 2), which broadly continued pre-war approaches in the legislation prior to the 1970s, although with more refined policies. However, after the mid-1970s, welfare expenditure shifted from gradual increases to stagnation or even reduction, with noticeable decreases in both welfare coverage and subsidy amounts (see Table 3)[14].

Table 2: Laws and Regulations on Worker Welfare Benefits in the UK Between the Two World Wars and Post-War Period

Year	Law Name	Main Content
1938	Paid Vacation Act	Introduced to meet the public's rising expectations with the improvement in material living standards.
1944	Disabled Persons Act	Required employers to hire a certain quota of physically rehabilitated workers.
1944	Butler Education Act	Aimed to provide free education for all.
1945	Family Allowances Act	Provided allowances for the second and subsequent children in a family.
1946	National Insurance Act	Allowed workers to pay regular contributions and receive unemployment benefits thereafter.
1948	National Assistance Act	Supplemented the National Insurance Act.
1982	Employment Act	Removed several legal protections from unions, shifting union power from industrial laborers to service industry employees.
1986	Social Security Act	Issued by the Social Fund to the most impoverished families, with a narrower scope than before.

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Table 3: Comparison of “Unemployment Relief” in 1980 and “Jobseeker’s Allowance” in 2004 in the UK

Welfare Item	1980	2004
Allowance Amount	21% of the average male wage in the UK	Reduced to 12%
Allowance Structure	Included a universal benefit plus contributions-based benefits	Only the universal benefit remained (lower rates for those under 25)
Duration of Additional Benefits	12 months for those unable to work	Removed this additional benefit
Application Approval	Easy for participants in the insurance scheme to obtain relief	Stricter approval process
Reemployment Efforts	Weak	Strong, with mandatory participation in reemployment programs

5. Changes in Worker Welfare and Treatment: A Historical Logic from the Perspective of Genealogy

5.1. Methodology of Genealogy

The methodology of genealogy was proposed by the French post-structuralist philosopher Michel Foucault. It evolved from Nietzsche’s genealogical thought, aiming to delve deeper into the mechanisms of modern social operation by examining the relationship between discourse and practice, or knowledge and practice. In other words, genealogy considers social practices from the perspective of knowledge and discourse and, conversely, analyzes discourse and knowledge from the perspective of social practices [15]. This analytical approach seeks to reveal the activities of power, modes of mutual struggle, resistance against environmental opposition, and the efforts to avoid degeneration and achieve rebirth—self-differentiation [16]. This methodology discards the traditional linear concept of historical time, thereby avoiding a supra-historical viewpoint and the interference of progressivism. Genealogy explains why an object or idea appears, that is, why a particular value or notion resonates with a specific society. It also takes into account proactive social practices/technologies, showing how new entities serve the critical functions emerging from prior discursive and non-discursive practices [17].

5.2. Improvement of Worker Treatment: The Intrinsic Requirement for Sustainability

Since the emergence of capitalism in Europe, it seemed that all social demands revolved around maximizing property value. However, as the economy continued to develop, various drawbacks became increasingly apparent. During several economic crises, even the “capitalists” realized that solely pursuing wealth was unsustainable. Some measures were necessary to balance the scales of development. Thus, from the Industrial Revolution to the early 20th century, parliaments, albeit reluctantly, enacted a series of laws and regulations to protect workers' treatment and improve their welfare, following the direction of workers' struggles and labor unions. These laws primarily addressed the protection of the elderly and children, improving the status and treatment of labor, and supporting family continuity. To some extent, they achieved their intended goals: securing workers so they could fully commit to their jobs, enhancing future worker quality through child education, and providing relief for the elderly, thereby easing the burden on middle-aged workers who might worry about both caring for their parents and their own future. These laws were aimed at supporting the present, past, and future of a family. From this perspective, these laws ensured the sustainability of family development, maintaining a positive cycle of social reproduction. This prevented large-scale collapses and stagnation in family and even social production that might result from an accidental breakdown in any one link.

The economic crises of the 20th century exemplified how policy development lagged behind social progress. Numerous factories went bankrupt, workers lost their jobs, and the endless expansion of factory reproduction led to overproduction, which was regarded as the root cause and irreconcilable contradiction of economic crises. The link between production, distribution, exchange, and consumption was severed in the middle, making social reproduction difficult to sustain, and the vast social machinery came to an abrupt halt. Consequently, during and after the wars, Britain continued to develop and improve its welfare system. Even in times of wartime scarcity, school meal subsidies for children were greater than in any previous period. Workers were provided with surplus wages and ample leisure time, enabling them not only to support themselves and their families but also to participate in consumption and entertainment. This significantly alleviated the issue of overproduction, helping to prevent structural economic crises and simultaneously promoting continuous social progress. Taking the gaming industry as an example, the continuous advancement in game production technology and the rising expectations of both developers and players have driven demand and created a vast market for the chip industry. Today, these chips are shining in the field of high-end AI and artificial intelligence research. History is filled with many breaks and discontinuities; the provision of money and time for employees' entertainment has objectively driven the arrival of the next era. While the elements of chance and necessity in this are challenging to discern, it is certain that ensuring the sustainability of families, society, and the global community aligns with the historical logic of capitalist development: those who align with it thrive, and those who oppose it perish. From this, it becomes clear that the historical origins of ESG's (Environmental, Social, and Governance) stipulations in the Social (S) component, concerning human rights, community, labor rights, and social responsibility, can be traced back here. These requirements reflect the concept of sustainability in today’s era. Regardless of timeframes, these indicators are highly correlated with achieving an organization’s future objectives.

6. Conclusion

In today’s wave of globalization, no economy can remain isolated. The rapid development of capitalism has led to extreme individual atomization, where the smallest production unit has gradually shifted from the family to the individual, and organizations operate within their own defined boundaries. However, the specialization brought about by the Industrial Revolution has made it impossible for these units to be self-sufficient internally. As the economy continues to grow, the connections between these units and the external world have become stronger. As Marx stated, “The essence of humanity is the sum of social relations.” Organizations, too, are moving toward a boundaryless structure—each one a link in the circular chain, influenced by and contributing to each other’s development. Supporting this trend of atomization is the advancement of governance technologies. According to Foucault, contemporary society is gradually shifting from a disciplinary mechanism to a security mechanism. Panopticism has moved from an external force to an internal one, where efficiency no longer requires an external overseer. Instead, employees self-regulate for reasons such as promotions and salary increases. “They are both employers and employees,” with an internal “whip” compelling them to work efficiently and for long hours. This rise in self-governance techniques manifests as the “awakening” of individual consciousness, the enhancement of workers' rights awareness, and the large-scale emergence of student and social movements (such as the Japanese Zenkyoto movement and the May 1968 protests in France).

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The aforementioned tendencies toward atomization and the strengthening of external connections have imposed new demands on contemporary development. Naturally, ESG—which carries the historical mission of sustainability—must align with these trends. As suggested above, ESG addresses the mutual influence within and outside companies, representing an evolution in organizational focus from singularity and internal orientation to diversity and external orientation. This trend has brought numerous benefits to businesses: the rise in individual awareness has expanded the consumer market and provided a talent foundation for technological innovation. The atomization of production units has also increased market fluidity (compared to the self-sustaining small-scale farming economy), thereby stimulating market vitality.

However, organizations with strengthened external connections are increasingly influenced by the outside world—impacts from environmental changes, social opinion, and fluctuations in the macroeconomy all present new demands on organizational development. Organizations must not only pay attention to external influences but also be mindful of their own impact on the outside world. In late-industrial capitalism and in many (former) socialist societies, development has further elevated the priority of productionism to a position of absolute supremacy. According to early neoclassical theories of economic growth, production gains require increased investment, yet increased investment, in turn, suppresses consumption. Suppressing consumption refers to the stagnation or degradation of various conditions and resources necessary for social reproduction. Social reproduction encompasses social activities that protect, nurture, educate, pacify, and support humanity [18]. This phenomenon is particularly evident in East Asian societies. Japan's "low-desire society" and South Korea’s “compressed modernity” are examples of prioritizing growth at the expense of other factors; focusing solely on internal organizational interests while ignoring external impacts. The rapid early growth in these countries did not meet ESG sustainability requirements. After Japan's period of “selling Tokyo, buying America,” the country fell into its “lost decades”—an unsustainable development path incompatible with the demands of the era, akin to a Damoclean sword hanging overhead. Thus, recognizing the bidirectional influence between the organization and its external environment is a means of promoting corporate profitability, a necessity for long-term economic development, a driver for the advancement of ESG, and a method of achieving ESG’s essential goals. This represents the historical logic of the present era.

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