

# Measuring Social Impact and Enhancing Workforce Integration in Croatia's Hotel Industry: Challenges, Opportunities, and Strategic Perspectives

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## Abstract

**Background:** Croatia's hotel industry faces persistent labour shortages and a rising reliance on foreign workers, underscoring the importance of structured workplace integration and measurable social outcomes. **Objective:** This paper proposes a sector-specific framework for social impact and integration aligned with EU sustainability directives and leading Environmental, Social, and Governance (ESG) standards. **Approach:** Drawing on literature and insights from three Croatian hotel leaders, we synthesise integration practices and map them to relevant indicators. **Results:** We identify actionable metrics and governance levers that improve employee satisfaction, retention, and community cohesion. **Implications:** The framework supports transparent ESG reporting and practical workforce strategies for sustainable tourism growth. In addition, the study makes a conceptual contribution by linking workforce integration practices to ESG reporting requirements, and a practical contribution by offering a structured indicator set tailored to the hospitality sector. This positions the paper as a conceptual, case-informed research article with both academic and managerial relevance.

**Keywords:** Social impact; workforce integration; hotel industry; Croatia.

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## Introduction

The Croatian hotel industry, a cornerstone of the national economy (Ivandić & Šutao, 2018; Karanović et al., 2020; Manestar, 2023; Orsini & Ostojić, 2018), faces a unique set of challenges. In modern society, companies have emerged as the most influential institutions, surpassing governments and churches (Drucker, 1954). This observation highlights the significant role businesses play in driving systemic change, particularly in promoting topics such as social integration and sustainability. Over the past decade, Croatia has experienced sustained employment growth and declining unemployment rates, driven by structural labour-market changes and broader demographic shifts. Employment in 2022 exceeded its 2008 peak, and the upward trend continued into 2024 (Vujčić, 2024). According to the same source, unemployment rates have fallen dramatically, dipping below 100,000 in mid-2023 and projected to decline further from 6% in 2024 to 5.5% in subsequent years. However, this growth coincides with an exodus of young Croatians seeking better opportunities abroad following Croatia's entry into the European Union in 2013, placing significant strain on key sectors, particularly tourism and hospitality. This phenomenon mirrors trends observed in other Central and Eastern European countries following their accession to the EU.

To address these labour shortages, Croatian hotels have increasingly turned to foreign workers from neighbouring countries such as Bosnia and Herzegovina and Serbia, as well as from more distant nations such as Nepal, India, and the Philippines. In 2022 alone, 124,121 residence and work permits were issued to third-country nationals, many of whom were employed as waiters and chefs (Ombudswoman Report, 2022). In 2023, the trend of employment growth in the hotel industry continues, with the number of permits for the position of waiter/waitress increasing from 6,840 in 2022 to 24,979, and for the position of chef/cook from 4,971 to 20,211 (Ombudswoman Report, 2023). While this influx has alleviated immediate labour gaps, it introduces significant integration challenges. Language barriers, cultural adaptation, and limited knowledge of Croatian labour rights create vulnerabilities for foreign workers. For example, complaints submitted to the Ombudswoman's office reveal common issues such as unpaid wages, denial of weekly rest periods, and lack of payroll statements.

Recent reports have revealed serious shortcomings in the treatment of migrant workers in Croatia, including poor housing conditions and limited legal protection, especially for those unfamiliar with their rights or unwilling to report violations (Ombudswoman Report, 2022). Some improvements have been made through multilingual resources in Nepali, Bengali, and Filipino, but systemic gaps remain. In 2022, the State Inspectorate identified 526 cases of foreign nationals working without valid permits, representing a 50% increase from the previous year. The following year, 733 workers were not paid the minimum wage, an additional 60 cases, or 8.19% more than in 2022 (Ombudswoman Report, 2023). Worryingly, many employers chose to pay fines rather than address these breaches, exposing weaknesses in enforcement and oversight. The lack of structured Croatian language courses and integration policies further limits foreign workers' ability to adapt and participate fully in their new environment.

These findings underscore the hospitality sector's growing reliance on foreign labour and the urgent need for effective social integration. Good strategies can enhance employee satisfaction and retention, while also fostering stronger community relations. Globally, measuring social impact has become a central feature of Environmental, Social, and Governance (ESG) frameworks, notably since the UN introduced ESG criteria in 2006. Elkington's (1997) argument that businesses must account not only for

financial, but also for social and environmental outcomes, is now reflected in reporting systems such as the GRI and SASB. While these frameworks provide structure, they continue to face challenges, including inconsistent standards, differences in regulations, and difficulties in collecting comparable data. Nevertheless, demand for transparent ESG reporting is increasing, with investors, employees, and local communities expecting credible evidence of outcomes.

For Croatia, this context brings both challenges and opportunities. Germany's integration policies, developed under the Immigration Law of 2005, show how coordinated national and local measures can strengthen immigrant participation in education and employment (Hanewinkel & Oltmer, 2018). Croatia will need to design approaches suited to its own institutional, cultural, and labour market context, linking state policy with local and organisational initiatives. By adopting clear integration measures and credible ESG reporting, Croatian hotels can improve working conditions, enhance social cohesion, and align with EU sustainability standards. By doing so, the sector can build a more inclusive and resilient workforce, positioning itself as a responsible and forward-looking pillar of the national economy.

## Literature review

### *Economic foundations and social sustainability in the hospitality sector*

In his work, Schumpeter (1942) argued that the essence of capitalism lies in its evolutionary character. His observation highlights the transformative role of innovation and organisational practices in addressing the shifting challenges of workforce integration and sustainable development, particularly in sectors such as hospitality. By viewing capitalism as a system in constant motion, Schumpeter underlined the importance of adaptive strategies that can reconcile economic growth with social responsibility. In a similar spirit, Say (1803) outlined the principle that supply generates its own demand. He highlighted the mutual dependence of value creation and economic sustainability. In the hospitality industry, this principle suggests that inclusive practices and innovation not only stimulate consumer demand but also foster a committed, resilient workforce. Say's insight aligns closely with contemporary ESG approaches, which emphasise that economic activity should deliver genuine benefits to all stakeholders.

The increasing emphasis on measuring social impact has become a defining element of ESG frameworks. It indicates a shift towards greater accountability and long-term sustainability in business operations. For the hospitality sector, the integration of foreign workers illustrates both the opportunities and the difficulties of this agenda. Language barriers, cultural differences, and the challenges of social adaptation necessitate carefully designed strategies that foster inclusion and promote cohesive work environments. Evidence from international case studies shows that structured integration programs and active community engagement can raise workforce satisfaction and build organisational resilience. These practices highlight the importance of balancing efficiency and productivity with diversity, inclusivity, and social cohesion, ensuring sustainability not only of the workforce but also of the organisations themselves.

## *Social impact in ESG*

Within ESG frameworks, social impact refers to the portion of outcomes that can be directly attributed to a company's actions. Turning these effects into comparable, decision-relevant metrics remains a significant challenge, especially in service industries, where integration outcomes are harder to quantify and perceive. As Clark et al. (2024) explain, social impact refers to the measurable difference between what occurs as a result of an intervention and what would have happened otherwise. Understanding and evaluating this dimension has become essential for organisations across sectors, and it is an essential truth for all organisations, whether businesses, non-profits, or public, because it clarifies who is affected, in what ways, and to what extent (Corvo et al., 2021; Corvo & Pastore, 2020). Importantly, social impact is not one-dimensional; it encompasses both positive and negative outcomes, making comprehensive and precise evaluation frameworks indispensable (Arce-Gomez, Donovan, and Bedggood, 2015). Still, defining the right combination of qualitative and quantitative indicators remains difficult, often limiting the depth and comparability of findings (Ahmad, Yaqub, and Lee, 2024).

Measuring social impact has become central to ESG reporting, providing organisations with a structured way to demonstrate accountability and align with international standards (Corvo et al., 2021). Beyond compliance, ESG reporting acts as a transparency mechanism that supports innovation, value creation, and responsible growth (Aziz & Alshdaifat, 2024). Investors increasingly rely on these reports to assess how well companies manage risk, deliver social value, and secure long-term performance (Ahmad, Yaqub, and Lee, 2024; Saka-Helmhout et al., 2024; Zumente & Bistrova, 2021). This reflects a growing recognition that addressing social and environmental concerns is not only an ethical obligation but also a driver of profitability and resilience (Corvo et al., 2021).

In the European Union, directives such as the Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD), have raised expectations for transparent disclosure and a different role of business in society. The CSRD requires companies to report on sustainability goals, human rights due diligence, and environmental impacts, marking a significant step towards stricter accountability (European Commission, 2021; Baumüller & Grbenic, 2021; Edmans, 2023). More recently, the Corporate Sustainability Due Diligence Directive (CSDDD) expanded this framework, obliging firms to identify and mitigate risks associated with labour practices, integration, and fair treatment—issues relevant to industries reliant on diverse and vulnerable labour forces (European Parliament, 2024). The timeline for the CSRD's implementation was subsequently adjusted by the European Omnibus Directive, which postponed reporting obligations for some companies, underlining both the complexity of the transition and the regulatory pressure that will nevertheless intensify over the coming years. Together with global standards such as the GRI and SASB, these directives aim to harmonise reporting, improve comparability, and set a level playing field across markets (Aziz & Alshdaifat, 2024).

For companies, adopting social impact measurement goes beyond regulatory compliance. It offers a strategic advantage, helping to build trust with stakeholders, strengthen resilience, and position itself as a leader in sustainability (Bäckstrand, 2022; Edmans, 2023). In the hospitality industry, the workforce is highly internationalised. Integrating social impact practices into daily operations enhances relationships with employees and communities, turning social responsibility into a competitive edge that supports long-term growth (Husted & de Sousa-Filho, 2017). Evidence also shows that in environments with stricter ESG disclosure requirements, performance ratings are more consistent, while in loosely regulated settings they diverge significantly (Lukács

& Molnár, 2025). This underscores the importance of strong and standardised frameworks for credible social impact reporting.

### *Integration in hospitality*

The hospitality industry offers numerous opportunities for those pursuing entrepreneurial goals. It can significantly contribute to the social and economic development of countries, destinations, and societies (Fu et al., 2019). It actively helps regenerate and transform communities by providing a framework for 'social and economic exchange' among parties such as consumers, employees, suppliers, and businesses offering hospitality services (Altinay, 2010).

In labour-scarce economies like Croatia, the hospitality industry is increasingly reliant on foreign workers to fill job vacancies. However, limited attention has been given to the cultural contexts of the host region, which can significantly influence the economic decision-making processes of these foreign workers (Portes et al., 2002). When migrant groups enter new societies, they face not only the challenge of finding work but also undergo complex processes of "adaptation" and "acculturation" (Berry, 2008), which require them to adjust to new cultural norms and practices that reshape both their personal and professional lives. Foreign workers in the hospitality industry often encounter significant hurdles, including language barriers, struggles with cultural adaptation, and limited access to local support systems (Hanewinkel & Oltmer, 2018; Wang et al., 2016). As Lugosi and Ndiuini (2022) point out, hospitality employment can provide migrants with valuable opportunities to develop cross-cultural competencies and psychological resilience, which prove crucial in building cohesive and inclusive work environments. Language barriers can be particularly problematic, hindering effective communication with colleagues and guests and leading to misunderstandings, lower service quality, and feelings of isolation among foreign employees. Cultural misalignments can also complicate integration because when workplace social norms and expectations do not match, they create friction within teams and difficulties in customer interactions, where understanding local culture is particularly important (Bhugra et al., 2011). As Lugosi and Ndiuini (2022) discuss, these challenges often push migrant workers to the margins and make them vulnerable to exploitation. However, their study also highlights migrants' remarkable ability to navigate these difficulties, using their employment experiences to build valuable skills and capacities.

### *From practices to outcomes*

Foreign workers often face difficulties accessing essential support services, such as language courses, community programs, and legal aid, which are crucial for navigating administrative systems. These barriers contribute to high labour mobility and low job satisfaction, undermining the long-term stability of employment in the hospitality sector (Di Fabio & Tsuda, 2018). Limited opportunities for career advancement, underemployment, and dissatisfaction with working conditions are further exacerbated by unfair pay structures and restricted social mobility, patterns that recur across the global hospitality industry (Giousmpasoglou, 2024). Cultural distance and workplace conflict can also lead to feelings of exclusion, strongly shaping migrants' adaptation strategies and economic decisions (Schwartz et al., 2010).

Research shows that foreign workers can drive significant social and cultural change in host societies. In response, several countries have developed integration programs within the hotel industry that provide valuable lessons. In Germany, where over 40% of the hospitality workforce has a migrant background, structured

onboarding programs combine language training, cultural orientation workshops, and mentoring by experienced staff (Borkmann et al., 2024; Brenner, 2020; Hanewinkel & Oltmer, 2018; Heimerl et al., 2020; Ranko, 2023). Refugees also represent around 12% of the sector's workforce, contributing to both labour supply and public savings by moving from welfare to employment. In the United Kingdom, hotels collaborate with NGOs and community organisations to deliver housing support, family integration initiatives, and legal services, ensuring that the diverse needs of workers are met (Dickinson, 2024; Frattini, 2017; Walkey et al., 2022; Rosário & Figueiredo, 2024).

These examples demonstrate that hotels can extend their impact beyond immediate employment by fostering supportive environments that promote worker well-being, inclusion, and workplace cohesion. For Croatia, adopting similar practices could help strengthen resilience, satisfaction, a sense of belonging, and cultural diversity in the workforce, while aligning business goals with community engagement and social impact agendas. Recent studies underline that migrant hospitality workers often face isolation and psychological stress, challenges that become more severe in the absence of effective inclusion measures (Agyeiwaah et al., 2025). Comprehensive onboarding, housing support, and grievance mechanisms emerge as particularly important tools for improving both well-being and organisational sustainability.

## Methodology

### *Operationalization*

This study employs a comparative case study design, combining an integrative literature review with multiple embedded case vignettes. Comparative analysis is well-suited to exploring complex, context-dependent phenomena such as workforce integration, where practices and outcomes depend heavily on organisational culture, governance, and sectoral dynamics. By examining multiple organisations, the method enables the identification of recurring themes and contrasts across firms, offering insights into sector-level patterns rather than single-firm idiosyncrasies.

The analysis is guided by four propositions derived from the literature and synthesised into a conceptual framework:

- P1: Structured integration practices (language programmes, housing standards, cultural orientation, documented grievance channels) positively affect employee social outcomes (well-being, perceived fairness, belonging).
- P2: Employee social outcomes positively affect organisational outcomes (retention, satisfaction, service quality).
- P3: ESG governance (policies, codes, supplier standards, CSRD-aligned disclosure) moderates the link between practices and outcomes by improving consistency and accountability.
- P4: Community engagement initiatives enhance perceived legitimacy and local support, reinforcing employee integration.

These propositions provided a consistent analytical lens for mapping corporate initiatives and for assessing how integration practices in the hospitality industry create value for employees, organisations, and society.

### *Sample and data*

Three Croatian hotel groups were selected for analysis: Valamar Riviera, Arena Hospitality Group, and Ilirija d.d. These companies were chosen for two main reasons.

First, they represent industry leaders in scale and visibility, accounting for a substantial share of Croatia's tourism capacity and employment. Second, they are

among the most transparent players in the sector, with publicly available reports, codes of conduct, and documented sustainability or diversity initiatives. Their status as early adopters of ESG and integration policies makes them ideal exemplars for studying how the hospitality sector approaches workforce integration within an ESG framework.

Data were drawn from multiple secondary sources:

- Public disclosures such as codes of conduct, sustainability reports, corporate websites, and press releases.
- Regulatory and oversight reports, including annual reports of the Ombudswoman, findings of the State Inspectorate, and EU-level directives (CSRD and CSDDD).
- Industry and media reports, providing contextual details about integration challenges and responses.
- Company-level case documentation, particularly descriptions of housing programmes, training initiatives, and community partnerships.

Triangulating these different sources helped ensure a rich and credible evidence base. Although the study does not rely on primary interviews or surveys, the use of multiple documentary sources enabled systematic comparison across firms.

## Analysis

The analysis proceeded in three stages. First, disclosed initiatives were coded into seven domains identified in the literature as critical for workforce integration: onboarding and access, language and training, housing and welfare, health and safety, fair work and rights, career and inclusion, and community engagement. This coding provided a structured way to align company-level actions with broader conceptual categories.

Second, a comparative analysis was conducted to identify (1) convergence, or practices shared across all three firms (e.g., provision of housing support and alignment with diversity charters); (2) divergence, or unique or distinctive approaches (e.g., Valamar's large-scale investment in employee housing versus Arena's emphasis on pension contributions); and (3) gaps, where important practices mentioned in the literature were absent or underdeveloped.

Third, the comparative exercise was used to extract candidate indicators for social impact measurement and ESG reporting. For example, practices around multilingual contracts or grievance channels were translated into measurable items such as "percentage of foreign employees with contracts available in their native language" or "average resolution time for documented grievances." This step linked case-level insights back to the propositions and to the overarching goal of aligning integration practices with CSRD-aligned disclosure.

Through this comparative case study method, the paper not only documents good practices but also develops a structured indicator set that can support both scholarly work on social impact measurement and the practical needs of hotel companies reporting under emerging sustainability directives.

To enhance transparency and replicability, we bounded our document corpus to the 2022–2024 period and triangulated across company disclosures, regulatory/oversight reports, and sector context notes. A codebook (available on request) defined seven integration domains with 2–3 exemplar codes each – for example, Language and Training included "contract translations," "job-specific language modules," and "cultural orientation sessions"; Fair Work and Rights included "timely payslips," "weekly rest compliance," and "grievance resolution SLAs." Two authors independently applied the codebook to each case narrative and reconciled

disagreements through discussion. This procedure does not claim statistical inference; instead, it establishes an auditable trail from texts to themes to indicators, consistent with our comparative case design.

## Findings: Case vignettes mapped to the framework

As mentioned earlier, the hospitality sector is a key pillar of Croatia's economy, with companies such as Valamar Riviera, Arena Hospitality Group, and Ilirija d.d. at the forefront of sustainable and socially responsible tourism. These leading businesses demonstrate how corporate responsibility and social impact initiatives can be integrated into everyday operations, creating value for their employees, communities, and the environment. By adopting innovative strategies and aligning with global sustainability standards, they not only drive economic growth but also contribute to societal well-being.

This section presents three case vignettes of the leading three Croatian hotel groups, structured according to the seven domains of workforce integration and aligned with the propositions outlined earlier. The comparative analysis highlights both shared practices and distinctive approaches, providing a foundation for developing sector-specific indicators.

### *Valamar Riviera*

*Profile and scale:* Valamar Riviera is Croatia's largest tourism operator, accommodating over 56,000 guests across multiple destinations from Istria to Dubrovnik. With operating revenues of €375 million in 2023 and over 3,400 employees, the company plays a pivotal role in shaping Croatia's hospitality sector.

*Integration practices:* Valamar is distinguished by a holistic approach to employee welfare and integration. The Valamar House project, a €19 million investment, provides high-quality, modern housing for seasonal employees, complete with shared facilities that encourage socialisation. For permanent staff, the Roof Over Your Head programme subsidises housing costs, mitigating affordability issues in tourism-intensive regions. The firm also runs V-Academy and V-Executive, comprehensive professional development platforms that ensure continuous learning and career growth. Multilingual onboarding materials and mentorship programmes further support foreign workers' adaptation.

*Governance and ESG alignment:* As a signatory of the Croatian Charter of Diversity, Valamar maintains a robust Code of Conduct that incorporates non-discrimination, human rights, and environmental stewardship principles. Governance frameworks explicitly reference the UN Guiding Principles on Business and Human Rights, embedding ESG considerations into daily operations. Supplier codes of conduct extend these standards to the value chain, demanding compliance with labour and environmental principles.

*Community engagement:* Valamar invests in projects aligned with the UN Sustainable Development Goals (SDGs), including environmental preservation, cultural sponsorships, and local partnerships. These initiatives are positioned as part of its "Creating Value for All" philosophy, designed to reinforce legitimacy in the eyes of stakeholders.

*Outcomes:* Evidence suggests that Valamar's structured housing and welfare programmes reduce turnover among seasonal workers and enhance satisfaction. Employing more than 400 workers aged 50 and above demonstrates the company's commitment to inclusion beyond immediate labour-market needs. Employee

development data, including recorded training hours, provides measurable evidence of investment in human capital.

Mapping to propositions:

- P1: Robust housing, language, and onboarding programmes foster employee well-being and belonging.
- P2: Enhanced satisfaction and retention contribute to stronger organisational outcomes.
- P3: Governance through charters and codes reinforces consistency and accountability.
- P4: Local partnerships and SDG projects enhance legitimacy and community ties.

## *Arena Hospitality Group*

*Profile and scale:* Arena Hospitality Group manages 29 hotels, resorts, and campsites across Croatia, Germany, Hungary, Serbia, and Austria, with around 10,000 accommodation units. Its international orientation makes it one of the most diversified hotel operators in Croatia.

*Integration practices:* Arena provides tailored support for foreign and marginalised workers. Contracts in native languages enhance transparency and mitigate legal risk. The company offers housing assistance and healthcare coverage, while systematic medical check-ups, specialist consultations, and stress-prevention lectures ensure holistic well-being. Positive employment measures include programmes for people with disabilities, older workers, and socially disadvantaged groups. A unique feature is Arena's pension fund contributions, the first of their kind in the Croatian tourism industry, which enhance financial security for employees.

*Governance and ESG alignment:* As a signatory of the European Diversity Charter, Arena enforces a publicly available human rights protection policy. Governance mechanisms include annual anonymous workplace surveys, which enable employee feedback and ensure responsiveness to grievances. Supplier practices are monitored through mandatory risk assessments that extend ethical standards to business partners.

*Community engagement:* Arena supports numerous cultural and social projects, including the Pula Marathon, the Pula Book Fair, and music festivals. Health-sector contributions, such as hospital equipment donations, demonstrate its societal commitment beyond the hospitality domain.

*Outcomes:* Arena reports progress in inclusion, with documented employment of workers from marginalised groups. Survey-based monitoring provides a feedback loop for continuous improvement. Pension contributions and medical programmes directly address employee well-being, offering measurable, socially impactful outcomes.

Mapping to propositions:

- P1: Integration supported through multilingual contracts, housing, and health programmes.
- P2: Employee well-being measures support satisfaction and retention.
- P3: Governance through policies, surveys, and supplier monitoring ensures accountability.
- P4: Sponsorship of cultural and health initiatives enhances legitimacy.

## *Ilirija d.d.*

*Profile and scale:* Founded in 1957 and based in Biograd, Ilirija d.d. operates hotels, campsites, and nautical services. With over six decades of tradition, Ilirija combines

hospitality with strong community ties and a commitment to preserving its cultural heritage.

*Integration practices:* Ilirija prioritises inclusive workforce policies. Foreign and seasonal workers receive language training, housing assistance, and comprehensive health coverage. The firm supports flexible work arrangements and provides childcare and financial aid for emergencies, creating a safety net particularly valuable for vulnerable groups. Ilirija has obtained the “Health-Friendly Company” certification, underscoring its institutional commitment to workplace well-being. Continuous education programmes emphasise sustainable development, occupational safety, and corporate governance.

*Governance and ESG alignment:* As a signatory of the Croatian Diversity Charter and the Gender Equality Alliance, Ilirija is committed to advancing diversity and inclusion. HR and legal departments provide structured mechanisms for dispute resolution, ensuring timely responses to workplace grievances. Internal audits benchmark practices against international standards.

*Community engagement:* Ilirija demonstrates a firm's strong regional embeddedness. The company supports local schools, health programmes, and eco-friendly practices, including financial support for the Medical High School in Zadar. Global educational initiatives extend their social footprint beyond Croatia.

*Outcomes:* By investing in training and certification, Ilirija builds measurable capacities in its workforce. Community partnerships create multiplier effects, contributing to both social welfare and brand legitimacy. The focus on employee welfare and education reduces the risks of marginalisation among seasonal and foreign workers.

Mapping to propositions:

- P1: Housing, training, and welfare initiatives foster fairness and belonging.
- P2: Enhanced satisfaction and professional growth improve workforce stability.
- P3: Governance via charters, equality alliances, and certifications ensures consistency.
- P4: Strong local and educational partnerships reinforce legitimacy and social trust.

## Comparative synthesis

Table 1 summarises the practices across all three companies, organised by the seven domains.

The comparative mapping demonstrates convergence in core areas (housing, training, codes of conduct), divergence in distinctive practices (pension funds at Arena, large-scale housing at Valamar, health certification at Ilirija), and gaps that suggest opportunities for future improvement and standardisation.

Examining these three industry leaders, we observe strong alignment on foundational integration practices – including housing support, multilingual onboarding, structured training, and formal diversity commitments – indicating that an industry baseline is emerging. The differences reflect where each company puts its strategic focus: Valamar scales up employee housing and internal learning, Arena adds layers of financial security and health programmes (including pension contributions). At the same time, Ilirija takes a more formal approach to wellbeing through certification and deep local partnerships. However, where disclosure becomes patchy, particularly around retention by worker segment, grievance resolution times, and promotion rates, comparability breaks down, and the credibility of social impact claims gets undermined. These patterns lay the groundwork for our

subsequent discussion: how fairness perceptions and governance structures interact to translate practices into tangible outcomes, and how a targeted set of indicators can make these outcomes visible and comparable across companies.

Table 1  
Comparative analysis of integration practices

Domain	Valamar Riviera	Arena Hospitality Group	Ilirija d.d.
Onboarding and Access	Multilingual onboarding, V-Academy training	Contracts in native languages	Language courses, flexible work
Language and Training	Continuous learning via V-Academy	Training on diversity and equality	Training on sustainability and safety
Housing and Welfare	Valamar House, subsidies for long-term staff	Housing assistance, healthcare support	Housing aid, childcare, emergency aid
Health and Safety	Wellness programmes, stress management	Medical check-ups, prevention lectures	"Health-Friendly Company" certification
Fair Work and Rights	Code of Conduct, diversity charter	Human rights policy, anonymous surveys	Diversity Charter, Gender Equality Alliance
Career and Inclusion	Employs 400+ 50+ workers, marginalised groups	Positive measures for the elderly and the disabled	Inclusion across age and social groups
Community Engagement	Local partnerships, SDG-aligned projects	Cultural and sports sponsorships	Support for schools, health campaigns

Source: Authors' work

## Practical framework: Indicators and reporting

We operationalise integration measurement through a concise indicator set mapped to EU ESRS and GRI references to facilitate reporting. Specifically, Access and Onboarding aligns with ESRS S1-1/S1-5 and GRI 401/402; Language and Training with ESRS S1-16 and GRI 404; Housing & Welfare and Health and Safety with ESRS S1-14/S1-15 and GRI 403; Fair Work and Rights with ESRS S1-9/S1-10 and GRI 402/406/407; Career and Inclusion with ESRS S1-13/S1-18 and GRI 405; Community Engagement with ESRS S3 and GRI 413; and Outcomes with ESRS S1 metrics on turnover, engagement, and working conditions. Listing the code references directly in the table keeps disclosures lean while signalling standards literacy to auditors and investors.

The comparative analysis of Valamar, Arena, and Ilirija demonstrates that while integration practices are increasingly visible, their measurement and disclosure remain fragmented (Table 2) To move from descriptive initiatives to standardised, reportable outcomes, this study proposes a practical framework of indicators. The framework is designed to align with the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and established standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

Table 2  
Practical Framework for Measuring Workforce Integration and Social Impact in Hospitality

Domain	Example Indicators (aligned with CSRD/GRI)	Measurement Level
Access and Onboarding	% foreign workers receiving orientation within 30 days; % contracts translated into native languages; avg. time for work permit completion	Input/Process
Language and Training	Average training hours per foreign worker; % frontline roles covered by language modules; participation in cultural orientation programmes	Input/Outcome
Housing and Welfare	% employees provided with compliant housing; average occupancy per room; employee satisfaction with housing (survey-based)	Input/Outcome
Health and Safety	% employees completing mandatory medical checks; participation in well-being programmes; incident rates by worker category	Process/Outcome
Fair Work and Rights	% of payslips delivered on time; % workers with guaranteed weekly rest; grievances submitted/resolved within SLA (service-level agreement)	Process/Outcome
Career and Inclusion	% foreign workers promoted internally; representation of employees 50+ and persons with disabilities; participation in mentoring programmes	Outcome
Community Engagement	Number of local partnerships (schools, NGOs); volunteering hours; % of procurement sourced from local suppliers linked to integration	Input/Outcome
Outcomes	12-month retention of foreign workers; engagement scores (eNPS) for foreign vs. domestic staff; service quality ratings in diverse teams	Outcome

Source: Authors' work

The framework organises indicators into eight domains, identified as critical for workforce integration in the hospitality sector. Each domain combines input-oriented indicators (what companies provide), process indicators (how practices are implemented), and outcome indicators (what employees and communities experience).

This framework is designed to be both parsimonious and comprehensive, striking a balance between the feasibility required by companies and the need for comparability across the sector. Importantly, it operationalises the “double materiality” principle of CSRD: indicators capture both the company’s impact on workers and communities (social materiality) and the implications for business performance (financial materiality).

By adopting such a framework, hospitality firms can:

1. Improve internal decision-making by tracking integration outcomes consistently.
2. Enhance transparency by aligning disclosures with ESG standards.
3. Strengthen legitimacy with regulators, investors, and local communities by demonstrating measurable contributions to social sustainability.

This framework is not intended to replace context-specific initiatives but to provide a baseline set of indicators that can be adapted and expanded as integration strategies mature.

## Discussion

### *Theoretical contributions*

This study contributes to the literature on social impact measurement, workforce integration, and ESG governance by demonstrating how integration practices in the hospitality sector can be conceptualised and operationalised within a structured framework (Corvo et al., 2021; Ahmad, Yaqub, and Lee, 2024). Drawing on equity theory and social exchange theory, the findings reaffirm that fair and transparent treatment is a precondition for positive organisational outcomes (Husted & de Sousa-Filho, 2017). Across all three cases, practices that enhanced employees' sense of fairness, such as multilingual contracts, accessible housing, and equal-opportunity policies, were associated with improved satisfaction and retention, confirming Propositions 1 and 2.

The analysis also highlights the role of governance mechanisms as moderators, consistent with recent ESG scholarship (Heimerl et al., 2020). Codes of conduct, diversity charters, and external certifications provided the institutional scaffolding that translated practices into consistent outcomes, supporting Proposition 3. Without these governance anchors, well-intended initiatives risk being implemented unevenly, undermining their credibility.

Ultimately, the cases demonstrate the broader societal dimension of integration, highlighting that community engagement fosters employee integration. By supporting local schools, cultural events, and public health campaigns, firms created a dual legitimacy: employees felt part of a socially respected organisation. At the same time, communities perceived hotels as contributors to shared well-being (Husted & de Sousa-Filho, 2017). This confirms Proposition 4 and echoes stakeholder theory, which emphasises that firms sustain value creation only by balancing the needs of diverse stakeholder groups.

Together, these insights extend prior research by linking workforce integration explicitly to ESG reporting requirements (Corvo et al., 2021; Bäckstrand, 2022). While fairness and social cohesion have long been recognised as relevant to employee outcomes, this study positions them as reportable, auditable elements of corporate sustainability, offering a bridge between organisational practices and emerging regulatory demands.

### *Managerial implications*

The findings carry several important lessons for managers in the hospitality industry.

First, integration must be systematised rather than ad hoc. The comparative analysis shows that piecemeal initiatives, such as offering housing or sporadic language courses, are valuable but insufficient. Hotels that embedded integration into structured systems (e.g., Valamar's housing and learning platforms, Arena's annual surveys, Ilirija's certified health programmes) achieved more consistent and credible

outcomes. Managers should therefore prioritise integrated strategies that encompass multiple domains of employee welfare and are supported by effective governance structures.

Second, fairness is a communication task as much as a policy task. Employees judge fairness not only by policies but also by how transparently rules are explained and applied. Clear eligibility criteria for housing, multilingual rights information, and visible grievance channels reduce perceptions of discrimination and favouritism. Training supervisors to communicate customised offers or support measures in terms of fairness ("this matches your input/needs") can further strengthen perceptions of equity.

Third, governance enhances credibility and comparability. Policies gain traction when codified in charters, certifications, or reporting frameworks. Arena's human rights policy, Valamar's supplier code, and Ilirija's certifications all enhanced internal accountability and external legitimacy. Managers should therefore seek to link integration practices to formal ESG mechanisms, both to ensure consistency and to facilitate disclosure under CSRD and CSDDD.

Fourth, community engagement is a multiplier of integration. The cases demonstrate that external community initiatives, supporting schools, health campaigns, or cultural events, create goodwill that feeds back into employee integration. Workers feel more respected when their employer is recognised as a community partner. Managers should thus treat community engagement as a workforce strategy rather than a peripheral CSR activity.

Fifth, metrics matter. The lack of standardised indicators across companies weakens the credibility of integration efforts. To align with ESG reporting expectations, managers must transition from descriptive narratives to quantifiable metrics, including foreign worker retention rates, participation in language courses, satisfaction with housing, and grievance resolution times. Developing 8–12 core metrics would both improve internal decision-making and enable credible external reporting.

### *Sector-wide lessons*

Beyond individual managerial actions, the findings suggest implications for the Croatian hospitality sector. First, there is a need for industry-wide coordination to develop a shared set of integration metrics to ensure comparability and reduce reporting burdens. This could be achieved through sectoral associations or public–private partnerships with regulators. Second, hotels should view integration not merely as a response to labour shortages but as a strategic capability that builds resilience, reputation, and long-term value. By framing integration as a form of social innovation, companies can differentiate themselves in competitive labour markets and attract both employees and socially conscious investors.

Finally, the sector must navigate the balance between global ESG standards and local contextual realities. While EU directives provide a common reporting framework, the design of integration initiatives must reflect Croatia's specific labour market, cultural context, and housing challenges. Future work should therefore aim to translate global standards into locally relevant practices, ensuring both compliance and impact.

### *Limitations and future research directions*

While this study demonstrates the potential of comparative case analysis, several limitations remain. Reliance on secondary sources limits the granularity of outcome data, and the absence of longitudinal evidence limits the ability to make causal claims. Future research should complement case-based analysis with surveys,

interviews, or longitudinal tracking of employee outcomes. Additionally, cross-country comparisons would help situate Croatia's experience within broader European trends. Finally, experimental or quasi-experimental designs could test the causal impact of specific integration practices, moving beyond descriptive association to robust inference.

### *Closing the loop*

In summary, the discussion highlights that integration is both a fairness challenge and a governance challenge. Firms succeed not simply by offering support, but by ensuring it is structured, transparent, and measurable. This dual emphasis enables integration to serve as a lever for enhancing employee satisfaction, organisational performance, and community legitimacy, while also fulfilling the accountability requirements of ESG reporting.

The following section operationalises these insights by proposing a practical framework of indicators and reporting mechanisms for hospitality firms to embed integration into their ESG strategies.

## **Conclusion**

This paper examined how Croatian hotel companies are responding to the dual challenge of labour shortages and workforce integration through socially responsible practices. Focusing on three leading firms, the study demonstrated how initiatives such as housing provision, language support, health and safety programs, and community engagement are integrated into ESG governance structures and disclosed as part of broader sustainability strategies.

The findings suggest that integration is not merely an HR responsibility but functions as a strategic tool for strengthening organisational resilience, enhancing employee satisfaction, and securing social legitimacy. Practices grounded in fairness and transparency foster trust and a sense of belonging, while governance mechanisms such as codes of conduct, corporate charters, and certifications help ensure accountability and consistency. Community engagement further broadens the impact of integration, reinforcing the legitimacy of these practices beyond the workplace.

The practical framework of indicators developed in this study provides managers with a structured approach to measuring, reporting, and improving integration outcomes. By linking these practices to CSRD, CSDDD, and established ESG standards, the framework supports both regulatory compliance and value creation. Crucially, it enables companies to transition from narrative-driven CSR to verifiable ESG reporting, thereby strengthening stakeholder confidence and enhancing their competitive positioning.

From a managerial perspective, the implication is clear: integration must be measurable, transparent, and firmly embedded in governance systems. Approached in this way, workforce strategies not only address immediate shortages but also contribute to long-term sustainability and the credibility of the wider hospitality sector. Future research should build on these findings by applying longitudinal methods, conducting cross-country comparisons, and combining qualitative insights with quantitative data. Such approaches would expand the evidence base and help refine integration indicators across industries and national contexts.

In conclusion, the Croatian hospitality sector demonstrates how profitability and the efficient use of resources can be aligned with social responsibility. Integration and the measurement of social impact emerge here not as peripheral concerns but as

central drivers of sustainable growth. By adopting clear frameworks and transparent reporting practices, hotel companies can set new benchmarks for inclusive, responsible, and future-oriented tourism.

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