

A Theoretical View of the Influence of Welfare Schemes on Employees' Performance

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ABSTRACT:

The present work reviews and summarizes the various theories used for research on the impact of welfare schemes on employee performance. It provides an overview of why welfare schemes are crucial and their impact on employee productivity. The results suggest a way to guide future welfare policies.

1. Introduction

Employee Welfare schemes generally include healthcare, insurance, housing benefits, retirement plans, recreational facilities, and other supportive measures to enhance employee well-being. Many previous studies have highlighted the need to explore how welfare schemes influence employee performance (Beloor et al., 2020; Bao, 2022). Today, many organizations aim to boost productivity but often overlook the impact of welfare programs (Sandfort, 2000). Organizations do not realize the importance of welfare schemes in enhancing employee productivity (Dieleman & Harnmeijer, 2006). Various Prior literature has highlighted the need to understand the relationship between employee welfare measures and employee productivity (Alam et al., 2020) and what are the various employee welfare measures that will have the most significant impact on employee performance (Beloor et al., 2020) Further it is important to understand How these schemes impact employee motivation, job satisfaction.

2. Literature Review

Theoretical View

2.1 Social Exchange Theory (SET)

Social Exchange theory postulates that social behavior derives from an exchange process intended to maximize benefits with minimal costs simultaneously incurred (Wai Chow et al., 2010). The theory of employee engagement and retention is that employees will be more engaged and committed to the organization if they perceive more benefits than costs. When an organization offers new, better, and priceless rewards in benefit policies, it is perceived to enjoy increased engagement and decreased turnover intentions (Alzubi, 2018). Many research works have, therefore, indicated that all-encompassing benefit policies foster employee retention (Nelson, 2017). Several benefit policies that can be regarded as actual resources for the firm, such as health insurance, retirement savings plans, and work-life benefits, aid employees' revaluation of perceptions about organization support- the factor governing the retention level (Foster et al., 2009). According to Allen, Shore, and Griffeth (2003), employees will stay longer with the organization, which covers their well-being, because they consider such benefits part of the exchange. These resources decrease turnover intentions since leaving the workplace incurs a higher cost of money and society.

SET asserts that whenever the workers feel they are treated well, new conditions in benefit policies have been instituted; for instance, they become more responsible to the organization. According to Eisenberger et al. (1986), perceived organizational support is translated into psychological contracts, which consolidate worker feelings toward an organization. This is a win-win situation where the provider of the benefits has his obligation met by the recipient.

2.2 Stakeholder theory

According to stakeholder theory, business strategies shouldn't only focus on the needs of shareholders and include other stakeholders, which can help understand how welfare schemes, if any, translate into

employee productivity. Within this context, welfare schemes can encompass the provision of health insurance, retirement plans, childcare, wellness programs, or education support (Jamali, 2008; Parmar et al., 2010). All of these schemes aim to increase the employees' welfare, which is justified by the stakeholder theory, as they are of the stakeholders, and their interests are concerned with the organization's outcomes.

Employees report high levels of job satisfaction due to welfare schemes because they feel appreciated and cared for (Saltzstein et al., 2001). When employees have their essential needs satisfied and wellness resources, their morale is enhanced (Vlachos et al., 2013). This also means that the general motivation and willingness to perform or dedicate themselves will be increased, and these factors can lead to productivity improvement.

With the implementation of programs that emphasize employees' health, there are likely fewer sick days, and employees are likely to be healthier and more active (Grawitch et al., 2006). Healthier employees tend to be more productive because they tend to have fewer disruptions in their workflow and can concentrate better.

Welfare schemes enhance the organization's working culture and assure the employees that their well-being is a priority for the organization. Such a situation often promotes retention and decreased turnover, which fosters productivity.

2.3 Theory of planned Behaviour

The Theory of Planned Behavior (TPB) says that welfare can increase employee productivity by shaping employee attitudes, workplace norms, and a sense of control (Suyatno, 2018). Welfare programs like health benefits, mental health support, and flexible working foster a positive attitude towards the organization as employees feel valued and supported (Kelliher & Anderson, 2010). This positive feeling can boost their motivation to work.

Plus, welfare can create a supportive social environment and set a norm where employees feel encouraged to be fully in their role (Martin, 2004). Programs that offer flexibility and wellness resources give employees control over their work and personal life, reduce stress, and remove barriers to productivity. In short, TPB says welfare can drive employee intention to work effectively by aligning personal and work values and, therefore, overall organizational success (Sayuti & Amin, 2020).

2.4 Human Relations Theory

Human Relations Theory says employee productivity is linked to relationships, employee satisfaction, and a supportive environment (Guest, 2017). In this case, welfare plays a big part in creating a positive work environment where employees feel valued and supported. Welfare schemes like health benefits, mental health support, and flexible working, show employees that the organization cares about them beyond their job (Kelliher & Anderson, 2010). Recognizing employee's needs boosts morale, job satisfaction, and trust, all of which lead to higher productivity (Boon Ooi et al., 2007).

When employees feel valued and looked after, their motivation and loyalty to the organization increases, and workplace relationships and teamwork get stronger (Gonring, 2008). Welfare schemes help build a culture of support and belonging, and as the human relations theory says, a motivated workforce is essential for that. This positive work environment reduces turnover, builds collaboration, and gets employees to put more into their work, which leads to higher productivity and organizational success.

2.5 Institutional Theory

According to Institutional Theory, organizations are shaped by the norms, values, and expectations of the broader social environment, and that is reflected in their practices, including welfare schemes (Brammer et al., 2012). When organizations implement welfare programs – health benefits, wellness support, or family leave – they often do so in response to societal pressure and expectations of responsible employee-centric practices (Farnsworth, 2005). By introducing these welfare schemes, companies align themselves with societal norms and reinforce their reputation and legitimacy within their industry and community. That legitimacy can impact employee productivity by creating a sense of pride and trust in the organization (Helm, 2011).

Employees who see the company meeting these societal standards feel more valued and motivated and, therefore, more engaged and committed. The institutionalized welfare schemes create a stable

and supportive work environment and job satisfaction, reducing turnover. Institutional Theory says that when welfare practices are embedded in organizational culture, employees will reciprocate with higher productivity and loyalty as they see these welfare schemes as part of the company's core values.

Conclusion

Thus, the various theories such as social exchange theory, stakeholder theory, human relations theory, Theory of planned behaviour, and Institutional Theory suggest that various kinds of employee welfare schemes gas impact employee morale, productivity, engagement, and satisfaction, which can further enhance employee performance. Thus, the research based on various theories highlights the importance of employee welfare measures in enhancing employee productivity.

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