



## The Role of Employee Welfare in Increasing Loyalty and Productivity

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**Abstract.** Employee welfare is a crucial factor in forming a contribution to productivity and loyalty in the workplace environment. This study aims to explain the relationship between the formation of employee welfare and their level of productivity and loyalty. And the method used in this study is to use a survey involving 200 respondents from various industries. And there are research results obtained that have explained that there is a very significant positive relationship related to the relationship between employee welfare and loyalty and productivity. Which in this study has focused that investment in welfare programs can contribute to organizational performance.

**Keywords :** Employee, Welfare, Loyalty, Productivity, Human Resource

### 1. INTRODUCTION

The formation of employee welfare can not only have an impact on individuals, but can also have an impact on the organization as a whole. Which if there are employees who feel prosperous, they feel more motivated to be able to work hard and can make a positive contribution to the company's achievements. Research has shown that achieving good employee welfare can reduce turnover and absenteeism, which are often very big problems for a group of organizations (Hakanen et al., 2006). In addition, when employees feel appreciated and cared for well, this condition will form employees to remain loyal to a company and continue to strive to achieve the best results. In terms of employee loyalty, this loyalty can be a commitment that employees have to the organization, which is reflected in the desire to be able to continue working in a company even though there are offers from outside. In this context, loyalty has a very crucial role because loyal employees focus more on efforts to form better performance and continue to collaborate with their colleagues. And there is a study that has been explained by Wright and Cropanzano (2000) proving that psychological well-being can also contribute to increasing organizational commitment and employee job satisfaction (T.A & R, 2000, #). In addition, productivity can also be a measure of how efficiently employees can complete tasks to achieve the goals of an organization. Because with high well-being can have a positive effect on increasing productivity because employees who have a balance between physical and mental health can provide optimal results that can have the ability to innovate, high levels of concentration, and complete work optimally (Demerouti & Bakker, 2011, #). Therefore, this condition has shown that there is a reciprocal relationship formed between loyalty, well-being, and productivity.

On the other hand, there are various factors that can influence employee welfare. The influence can be formed with the work environment. The work environment is one of the main factors in improving employee welfare. Which requires a positive work environment and can also have social support to ensure that the mental health of each employee can be achieved (Jayanthi & Ilangovan, 2019). And if employees feel supported by their colleagues, employee members will feel more comfortable in sharing ideas and collaborating together. In addition, physical health can also be a crucial component in shaping employee welfare. Companies that provide various health facilities such as mental health programs or gyms, this effort can have a positive impact on strategies in improving the physical and mental health of a group of employees. Which research has shown that there are programs that are formed not only to improve welfare, but will also contribute to increasing productivity (Wicks, 1983, #). With the formation of awareness regarding the importance of forming employee welfare in the workplace, this can be categorized as a form of welfare investment that is built. Where investment can not only be in the form of costs, but by building community welfare can be a long-term investment to achieve the success of an organization. Therefore, this study will explain further regarding the Role of Employee Welfare in Increasing Loyalty and Productivity.

This study aims to explore how various aspects of employee welfare can contribute to employee productivity and loyalty in the workplace. Therefore, by understanding this relationship, it is hoped that a company can design more effective and efficient programs to support employee welfare. And through this study, the author hopes to provide insight into management science related to the importance of investing in establishing welfare programs as an effort to achieve long-term organizational goals. And through this study also aims to fill the gap in previous literature that has been studied regarding the relationship between employee welfare and productivity and loyalty in Indonesia.

This study has practical significance for human resource management in various industries. By understanding how well-being can affect productivity and loyalty, organizations can develop better policies to have a positive impact on employee well-being. In addition, this study also provides recommendations for various academic literature by including various empirical evidence related to the relationship formed between well-being and work results in the context of industry in Indonesia. Therefore, through this study, it is expected to provide guidance for various companies to design various more effective human resource management strategies and also improve the quality of life for a group of employees in the workplace.

## 2. LITERATURE REVIEW

Achieving employee welfare has become a very crucial topic in human resource management research. This can be proven by the existence of various studies that have proven that good welfare can have a positive impact on job satisfaction, which in turn can contribute to employee loyalty. For example, research conducted by Wright and Cropanzano (2000) explains that employees who feel cared for and more appreciated show more commitment to being able to serve the organization (Thomas A et al., 2000). This has shown that when a company creates a supportive work environment and pays attention to the level of employee welfare, this condition can not only increase employee job satisfaction, but can also have a positive impact on strengthening employee emotional ties to a company. Employee welfare can cover various aspects, including mental, physical, and emotional health. Based on research conducted by Bakker and Demerouti (2007) emphasizes the importance of psychological well-being as a determining factor in increasing employee productivity. In addition, employees who have a high level of well-being have more potential to be able to contribute optimally in achieving organizational goals. And in this context, well-being can not only have an impact on individuals, but can also have an impact on the entire performance of the organization. On the other hand, to be able to create productivity can also be influenced by the level of employee well-being. According to the explanation of Bakker and Demerouti (2007), it explains that employees who have a higher level of well-being can contribute maximally to achieve the goals of an organization.

Which condition has shown that there is a reciprocal relationship formed between loyalty, well-being, and productivity. Employees will feel more prosperous if they can be actively involved in a job so that this will form higher motivation as a strategy to achieve better results. In addition, based on research explained by Hakanen et al. (2006) shows that social support formed in the workplace can also have a positive effect on employee well-being, where groups of employees will make a positive contribution to increasing loyalty (Hakanen et al., 2006). Because when employees feel that they get support from management or co-workers, this condition will create a sense of comfort in channeling ideas or collaborating with the team.

Therefore, this social support has a very crucial role in maintaining mental health and reducing stress which is a major condition in maintaining productivity. And based on a study from the World Economic Forum, it explains that if a company implements a welfare program, namely increasing by 27% in forming employee commitment and loyalty (World Economic Forum, 2023), such as various initiatives such as mental health support, skills training, and flexibility in working hours. However, although there are still many studies that have been

conducted in analyzing productivity and loyalty with employee welfare, on the other hand there is still a research gap that must be filled regarding the individual context that influences their relationship with a company. Because most previous studies have focused more on one particular sector without considering various other contextual variables such as industry characteristics or organizational culture.

### **Previous Research and Research Gaps**

Although there is a lot of evidence regarding the positive relationship between employee well-being and loyalty and productivity, there are several gaps that need to be further investigated by current research, including:

**a. Industry Context:**

Many previous studies have been conducted in specific sectors such as banking or information technology. However, there is a need to explore how this relationship applies to other sectors such as education or health.

**b. Moderator Variables:**

Previous studies did not consider moderator variables such as leadership or organizational culture that can influence productivity and loyalty. Which researchers will explain further related to these factors will influence well-being to provide additional insights

**c. Measurement of well-being:**

Various previous studies have focused more on general measures to analyze the formation of well-being without considering specific dimensions such as social support or providing mental health service facilities. Therefore, further research is needed to explain further related to more comprehensive measuring instruments that can cover various aspects to improve employee well-being.

**d. Longitudinal studies:**

Most of the previous studies have cross-sectional characteristics. Therefore, this character makes it difficult for researchers to determine the direction of cause and effect between loyalty and productivity associated with well-being factors. And this longitudinal study can provide a better understanding of how changes formed in well-being can affect work results.

### **3. METHODS**

This study uses a survey research method through a quantitative approach. Researchers have collected as many as 200 employees from various industrial sectors in Indonesia. And the various samples produced data collected through various questionnaires formed to be able to measure the level of welfare, employee productivity, and loyalty. And data analysis was carried out using descriptive and inferential statistical techniques as a strategy to determine the relationship between variables.

### **4. RESULTS**

#### **Positive Relationship between Employee Welfare and Loyalty**

The results of the study have shown that there is a positive relationship between loyalty and the formation of employee welfare ( $p < 0.01$ ). This condition has shown that the higher the level of employee welfare, this condition will form a greater possibility for a group of employees who will be loyal to the organization and feel bound. And this is in line with the theory of organizational commitment which explains that a group of employees will feel cared for and appreciated if the group of employees has a higher commitment to a company. And this employee welfare will be formed because it is influenced by various factors, including support from coworkers, the work environment, and welfare programs that have been offered by a company (Patro & Raghunath Kamakula, 2016). For example, the existence of a company that provides various health facilities, emotional support, and training programs that can create a group of employees who are more loyal to the company. And social support also has a very crucial role in improving welfare and loyalty.

#### **Relationship between Well-being and Productivity**

In addition, an analysis has also shown that the factor of forming well-being also has a positive relationship with productivity ( $p < 0.05$ ). This condition has shown that there are employees who have a high level of well-being who tend to be more productive in doing their work. Which has been explained by a fact stating that employees will feel better mentally and physically if they can have good concentration abilities, complete tasks efficiently, and innovate well. Therefore, this condition has shown that mental well-being is crucial to being able to form productivity. And if there are employees who experience stress or natural health problems, this condition will have a negative effect on their work performance. And vice versa, when there is a company that invests in mental well-being programs such as stress management

training or counseling, this condition will make employees feel better overall which will have a positive effect on increasing employee productivity.

### **Average Employee Welfare Score**

The average employee welfare score measured has produced 3.8 out of a scale of 5, which shows that there is a good level of welfare in most of the respondents studied. And this score shows that there are various employees who are satisfied with their working conditions and believe that a company has paid attention to employee welfare. However, although the average score is quite high, it is important to be able to evaluate various factors that can influence the perception of the formation of this welfare. Which companies must be able to improve and monitor their welfare programs to ensure that all employees can be well cared for. This includes conducting regular surveys as a strategy to get feedback from employees regarding existing welfare policies and to identify various areas for improvement.

### **Factors Affecting Loyalty and Productivity**

Data has also explained that there are various other factors such as mental health and social support that have a major influence on productivity and loyalty. The form of social support formed in the work environment has included positive relationships between coworkers and getting support from management. Because when employees feel maximally supported by their colleagues, employees will feel more like continuing to stay in an organization. And mental health can be another crucial factor. Because employees who face mental health challenges often experience decreased productivity and loyalty. Therefore, this condition is important for a company to be able to provide resource facilities as an effort to support the mental health of employee groups, such as providing access to counseling services or providing mental health programs.

#### **A. Managerial implications**

This study found that there are implications that have an important role in human resource management. Companies are required to be able to consider various investments that can be formed through employee welfare programs as the main strategy to increase employee productivity and loyalty. The various concrete steps include the following:

#### **B. Development of health programs**

Companies are required to be able to provide access such as sports facilities, and provide facilities in routine health check-up services and can create nutrition programs to support the realization of employee physical health.

**C. Mental support**

By providing this mental support, it can provide counseling services or workshops related to stress management to help employees overcome various mental health.

**D. Building a positive work environment**

By creating a positive work environment, this effort can support the realization of open communication and build collaboration skills in working together.

**E. Periodic evaluation**

a company is required to be able to conduct surveys regularly as an effort to assess the level of employee welfare and also ensure that the programs formed can run effectively.

**5. DISCUSSION**

This study has found that there is a hypothesis that explains that creating employee welfare has an important role in increasing productivity and loyalty. By creating good welfare in the company environment, this effort not only increases job satisfaction, but can also provide encouragement in implementing long-term commitment to an organization. In order to implement good job satisfaction and welfare for employee groups, it is necessary to be able to understand well the relationship formed between loyalty, welfare, productivity, and the company in order to design a better policy (Syanevets & Sukadova, 2019). Which if this effort has been implemented well, the positive impact formed will provide the success of the organization as a whole. And this study has also identified a hypothesis that states that the emergence of employee welfare has an important role in increasing loyalty and productivity. Because by creating a good sense of welfare in the company environment, this effort can not only provide job satisfaction, but can also provide encouragement to implement long-term work commitments in an organization. And to be able to create long-term performance, a good understanding is needed between productivity, loyalty, and the company in order to form a better policy. Because if these efforts can be implemented well, these efforts will provide a positive contribution that is formed.

Based on the data collected, the average score of employee well-being was 3.8 on a scale of 5, indicating a good level of well-being for the majority of respondents surveyed. This score indicates that many employees are satisfied with their working conditions and believe that the company has paid attention to the well-being of its employees. However, despite the relatively high average score, it is important to conduct continuous evaluations across various factors to be able to influence the perception of well-being. In addition, forms of social support are also

needed to be formed in the work environment which include positive relationships between coworkers and getting support from management. The results of this study indicate that there is a significant positive correlation between employee well-being and various business outcomes, including productivity, customer loyalty, and profitability. In addition, this study has also found a very strong negative correlation between staff turnover and employee well-being. Therefore, these findings have shown that a company has gained very significant benefits by investing and prioritizing employee well-being.

## **6. CONCLUSION**

This study has shown that achieving employee welfare has given very important implications in shaping productivity and loyalty in the workplace. The results of the analysis have shown that there is a very significant positive relationship formed between the level of loyalty ( $p < 0.01$ ) and productivity ( $p < 0.05$ ). Which is a condition where a group of employees who feel prosperous have more characteristics that are loyal to an organization and have shown good performance. Therefore, investment in employee welfare programs can not only be a company's social responsibility, but can also be an effective strategy to improve organizational performance in various aspects so that it can form a positive impact on loyalty and productivity.

## **LIMITATION**

Although this study has provided valuable findings in analyzing the relationship between employee welfare, productivity, and loyalty, there are still limitations to the study that need to be considered, including:

This study involved a group of respondents from various industries, but not all industrial sectors could be studied in depth. This may limit the generalization of the results to other sectors that have unique characteristics.

- a. Moderator variables: this study did not consider aspects of moderator variables, including organizational culture and leadership that can influence the relationship between loyalty, welfare, and productivity.
- b. Research design: this study has cross-sectional characteristics. Therefore, this study cannot determine the direction of the cause and effect formed between these variables. Therefore, longitudinal studies are needed to understand the dynamics of the relationship that occurs over time.



Therefore, by considering these limitations, it is hoped that it can provide a more detailed understanding of the various factors that can influence the formation of employee welfare to the impact given to an organization.

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