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When perceived welfare practices leads to organizational citizenship behavior

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ABSTRACT

Due to institutional requirements, organizations in Taiwan adopt Employee Welfare Committee (EWC) to implement employee welfare planning and execution in the organization. However, little is known about how EWC practices influence employees' perceptions and behaviors in the organization in Taiwan. The current study aims to explore whether organizations can benefit from providing EWC practices, and among the first to provide a snapshot of EWC implementation and usage in Taiwanese organizations. Grounded in signaling theory and social exchange theory, we posit that EWC practices can serve as signals for showing concern and support for employees from the organization, if these practices were perceived by the employee, they may exhibit extra-role behavior in return. Questionnaire results from 216 employees in 15 organizations showed that there is a positive relationship between perceived EWC practices and organizational citizenship behavior (OCB). Results also suggest that there is a significant mediating effect for perceived organizational support (POS) between perceived EWC practices and OCB. EWC practices utilize as support from the organization, and employees reciprocate in beneficial ways in return to the organization. Implications and limitations of the current study are then discussed.

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1. Introduction

Facing competitive challenges, human resource is increasingly seen as an important asset in organizations, as it is the key for organizations to gain and sustainable competitive advantage in a knowledge-based economy (Rowley & Redding, 2012). Accordingly, human resources management (HRM) and its practices have gained considerable attention from practitioners and researchers (Choi, 2014; Mohrman, Gibson, & Mohrman, 2001; Rowley & Redding, 2012). In general, HRM practices are commonly designed to enhance organizational performance and build positive relationship with employees (Hsu, Lin, Lawler, & Wu, 2007; Sun, Aryee, & Law, 2007; Tsui, Pearce, Porter, & Tripoli, 1997). Previous research has successfully demonstrated that implementing human resources practices such as labor-friendly policies and schemes, links positively to performance (Faleye & Trahan, 2011), and employee relations (Bae, Kang, & Wang, 2011; Faleye & Trahan, 2011; Verwijmeren & Derwall, 2010). For instance,

employee welfare and benefits are recognized as means to simultaneously increase employee performance and enhance relationships with employees (Muse, Harris, Giles, & Feild, 2008).

Shen (2010) indicated that HRM practices are implemented in organizations by taking both internal and external factors into consideration. In particular, many scholars have noted that a firm's decisions on welfare and benefit practices are usually influenced not only by concern for employees but also by institutional pressures (Baeten & Verwaeren, 2012; Barringer & Milkovich, 1998). From an institutional perspective, Lee, Hsu, and Lien (2006) further indicated that the popularity of welfare and benefit practices in modern organizations is as a result of coercive and normative isomorphism. To illustrate, according to the Employee Welfare Funds Law in Taiwan by the Ministry of Labor (2013), organizations with more than 50 employees are required to establish Employee Welfare Committee (EWC), and appropriate employee welfare funds for handling welfare businesses for employees. While establishing EWC as such is a practice that facilitates in promoting employee welfare and benefits, the existence of EWC in organizations in effect is also largely due to legal compliance.

Nevertheless, a review of literature suggests that although many Western studies have researched on various aspects of employee welfare and benefit practices (Muse et al., 2008), and its links with positive work attitude and behaviors (Gunsch, 1993;

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Tremblay, Sire, & Pelchat, 1998; Williams, 1995), Asia research with regard to topics and countries covered in this area remains sparse (Wei & Rowley, 2009). Therefore, this research is conducted to take a step toward responding to Wei and Rowley's (2009) call to improve the balance of research achievement in this field in Asia. To this end, this study firstly, from an institutional perspective, provides a snapshot of EWC practices implementation and usage in Taiwanese organizations. Also, due to the institutional pressures noted above, much of the limited research mainly focused on the availability and choice of EWC practices (e.g. Huang, 2003; Wu, 1983), the relationships between these practices and important work outcomes have been relatively neglected. However, given the necessity of adopting EWC practices in organizations, we believe, instead of only for the purpose of obeying rules and regulations, understanding how EWC practices may affect employees' perceptions and behaviors would greatly help practitioners optimize these practices. Specifically, based on signaling theory, we posit that EWC practices can serve as signals for showing concern and support for employees from the organization. Employees are likely to have the perception of organizational support when they perceive EWC practices provided by organizations. Also from the perspective of social exchange theory, employees, as reciprocation, are more apt to perform extra-role work behaviors, which in turn will enhance organizational performance. Thus, grounded theories we mentioned above, we secondly present a model that explains the nature of the relationships between EWC practices and important employee perceptual and behavioral outcomes, namely employees' perception of organizational support (POS) and organizational citizenship behavior (OCB). In doing so, the critical value of EWC practices is more likely to be better recognized by practitioners and consequently will be more adequately designed and implemented. In the following sections, we will begin with providing a critical review of the EWC practices in Taiwan organizations. Then, we propose that POS is an important mechanism that links EWC practices with OCB. We test our hypotheses using a sample of employees in manufacturing, high-tech, finance and communication organizations in Taiwan. By doing so, this study is among the first to contribute to the literature on employee welfare and benefits in the Asian context, and bring significant practical implications for practitioners. We also note limitations of the study and provide suggestions for further research.

2. Theories and hypothesis

2.1. Employee Welfare Committee in Taiwan

As stated by the Employee Welfare Funds Law in Taiwan by the Ministry of Labor (2013), organizations with more than 50 employees are required to appropriate employee welfare funds for handling welfare businesses for employees. The funds came from 1% to 5% of the initial paid-in capital upon establishment of the organization; .05%–.15% of the monthly revenues; and 20%–40% of proceeds from the sales of discarded materials from the employer. The employees contribute .5% from their monthly wage. And under the Employee Welfare Funds Law, the funds shall be utilized by an EWC. According to statistics, until mid-2013 there are a total of 14,631 EWC established in Taiwan (Ministry of Labor, 2013). From an institutional perspective, organizations in Taiwan set up employee welfare funds and EWC can be seen as a result of coercive pressure, as organizations in Taiwan need to comply with legal mandates, this is referred to as coercive isomorphism (DiMaggio & Powell, 1983).

The International Labor Organization at its Asian Regional Conference, defined labor welfare as “a term which is understood to include such services, facilities and amenities as may be established

in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy, congenial surroundings and to provide them with amenities conducive to good health and high morale” (Aswathappa, 2005, p.446). Welfare practices in Taiwan conform to this description. In general, EWCs in organizations in Taiwan are in charge of welfare planning and execution, such as organizing annual dinner events, employee tours, discount cards, family day, sports meeting or open house events. While currently, most of the company organize and design their welfare practices differently, Huang (2003) reviewed the general principles of EWC in Taiwan in his book, and classified EWC practices that were often adopted in Taiwan organizations into 3 categories, namely economic welfare (additional reward other than employees' base salary and mandatory benefits), recreational welfare (activities and social events that enhance interaction between employees) and facilitative welfare (some measures to better suit employees everyday needs) (see Appendix A for details). Based on institutional theory, the isomorphism of these EWC practices implemented in Taiwan organizations could be ascribed to normative or mimetic pressure. As some organizations may adopt these practices to meet accepted norms, and others might adopt to follow the best practices in the industry to fulfill requirements and expectations of stakeholders. This is referred to as normative or mimetic isomorphism (DiMaggio & Powell, 1983). In sum, although there is limited research on EWC and its practices in Taiwan, from an institutional perspective, our review of related reports and studies suggests that coercive pressure from regulations can explain the existence of EWC in Taiwan organizations. Also the common adoption of EWC practices noted above by Taiwan organizations can be as a result of the normative or mimetic pressure.

2.2. Perceived EWC practices and organizational citizenship behavior

In order to keep up with effective outcomes, Katz and Kahn (1978) pointed that organizations should elicit 3 different behavioral patterns from its members: (1) organizations must attract and hold people; (2) insure that members exhibit “dependable” levels of performance; and (3) evoke innovative and spontaneous behavior beyond role requirements for accomplishing organizational functions. The third sets of behaviors are extra-role behavior that is not directly related to one's job description (in-role behavior). This behavior is then identified as organizational citizenship behavior (OCB) (Bateman & Organ, 1983; Organ, 1997). These behaviors include, for example, helping others with their tasks (Anderson & Williams, 1996); offering extra help and support to co-workers (Dutton, Worline, Frost, & Lilius, 2006) and being cooperative with other members (Dukerich, Golden, & Shortell, 2002). According to Organ (1988), OCBs can be defined by being altruism, courtesy, sportsmanship, civic virtue, and conscientiousness, and can be beneficial to the organization and other members within. To illustrate, the Meta-analysis conducted by Podsakoff, Whiting, Podsakoff and Blume (2009) has found that OCBs are positively associated with organization effectiveness measures, such as productivity and efficiency.

Organizations implement various HRM practices in order to increase employee positive work attitudes and behaviors (Delery, 1998; Whitener, 2001). Researchers have suggested that high performance work practices enhance OCB (e.g. Becker & Huselid, 1998; Gong, Chang, & Cheung, 2010); employee perceived HRM practices are positively related to engagement of OCB (Lam, Chen, & Takeuchi, 2009). Similarly, while one important reason for implementing EWC practices is to fulfill institutional requirements, it can also generate positive work outcomes according to the following reasons.

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