

## EMPLOYEE WELFARE AND EMPLOYEE PERFORMANCE: THE MEDIATING ROLE OF WORK LOYALTY

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### Abstract

This study aims to examine the effect of employee welfare on employee performance, as well as the role of work loyalty as a mediating variable in companies engaged in rattan woven crafts in West Java province. To achieve the objectives of this study, companies need to pay attention to one of which is the amount of production where furniture production does not reach the target set by the company, this is due to the lack of welfare given to employees which has an impact on employee work loyalty and employee performance. The study was conducted at PT Rotan in West Java province using quantitative methods. Data collection was carried out by distributing questionnaires to employees of PT Rotan in West Java province and analyzed using partial squares structural equality modeling (SEM-PLS) version 4 with a total of 150 employees as respondents. Data processing used includes validity test, reliability test, Sobel test, t test and f test. The results of the study indicate that employee welfare has a positive and significant effect on employee work loyalty and performance. In addition, work loyalty also has a significant effect on employee performance. Mediation testing with the Sobel test shows that work loyalty is able to mediate the relationship between employee welfare and performance significantly. Thus, improving employee welfare not only has a direct impact on performance, but also strengthens loyalty which ultimately improves performance indirectly. This finding provides important implications for company management in designing performance improvement strategies through employee welfare and loyalty policies.

**Keywords:** Employee Welfare, Employee Performance, Work Loyalty

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### INTRODUCTION

Employee welfare is increasingly recognized not merely as a form of monetary compensation but as a strategic mechanism through which organizations achieve social legitimacy amid evolving institutional demands. Drawing on institutional theory, employee welfare practices are shaped by prevailing norms, regulatory frameworks, and societal expectations that compel organizations to align with principles of social responsibility and sustainability (Semwal et al., 2021). Pratiwi (2018) emphasizes that organizations developing sustainable welfare systems in response to social imperatives tend to cultivate a favorable public image and reinforce their legitimacy within the community. In contrast, the universalistic approach, which assumes that welfare policies can be uniformly applied across organizations irrespective of contextual factors, is increasingly viewed as inadequate in addressing the complexity of external environments. Worsteling et al. (2025) argue that many firms adopt welfare practices under mimetic or normative pressures, often emulating peer organizations or industry standards perceived as legitimate, rather than designing policies solely based on internal strategic needs. Furthermore, Feng et al. (2025) highlight a critical divergence: while institutional pressures influence the design of welfare programs, employees' perceptions of these benefits remain inherently subjective. Individual assessments are shaped by personal preferences, cultural values, and socio-economic positioning, which may lead to discrepancies between intended organizational legitimacy and perceived relevance at the employee level.

Consequently, effective welfare strategies must balance conformity to external institutional expectations with responsiveness to the diverse and individualized needs of the workforce.

The execution of welfare initiatives in the labor-intensive rattan manufacturing sector continues to encounter intricate structural and cultural obstacles. Bandara et al. (2020) demonstrate that effectively managed employee welfare significantly improves job satisfaction and decreases the turnover rate of skilled labor, a crucial insight given that the rattan craft industry is heavily dependent on manual skills that are challenging to substitute with technology. Ampong (2024) underscores the disparity in practices within labor-intensive industries, where well-being is frequently limited to the provision of minimum salaries, without essential productivity-enhancing amenities such as health insurance, workplace safety, or ongoing training. Ashour et al. (2025) enhance this debate framework by highlighting the susceptibility of flexible workers, such as home-based rattan artisans, who must reconcile productive responsibilities with domestic duties. In this setting, non-material welfare elements such as flexible work hours, job stability, and informal social protection emerge as critical aspects frequently neglected in official corporate policy.

The variety of these empirical results underscores that employee welfare practices in the rattan craft business are inextricably linked to institutional influences, both local and global. Institutional theory elucidates how labor legislation, social conventions, and cultural values influence community expectations concerning welfare activities. In numerous rattan centers, the principles of cooperative cooperation, patron-client dynamics, and community trust networks continue to significantly influence work loyalty. (Pratiwi, 2018; Worsteling et al., 2025). Contradictions emerge when a universalistic approach is implemented rigidly without contextual modification. Contemporary welfare policies prioritize the standardization of employment environments and formal agreements; but, in practice, labor interactions frequently depend on informal structures, like familial connections or home-based artisan networks. This generates a paradox: on one side, corporations are obligated to adhere to legal rules and international norms for institutional legitimacy; on the other hand, they must. This debate illustrates that employee well-being is shaped by the interplay between institutional constraints and internal organizational dynamics. Institutional theory elucidates how welfare practices are influenced by societal legitimacy, regulatory pressures, and organizational imitation. Conversely, the universalistic approach often neglects the differences in institutional circumstances that shape these policies. Institutional theory serves as an analytical framework elucidating how welfare policies, loyalty, and performance within the rattan craft industry are shaped by both internal policies and external institutional pressures, including labor regulations, social norms, cultural values, and community-based work relationships. Local norms, patron-client dynamics, and communal trust serve as informal structures that influence employee loyalty and bolster workforce stability (Pratiwi, 2018; Worsteling et al., 2025). Consequently, employee welfare at PT Kerajinan Rotan must correspond with community expectations to establish a balance between production efficiency and the maintenance of cultural work values.

Integrating real-world discourse with the institutional theory framework in the handcrafted rattan sector uncovers numerous significant insights. This research posits that employee welfare cannot be analyzed exclusively through a universal normative lens but must be comprehended as a social construct influenced by local institutional pressures, such as norms of mutual assistance, patron-client dynamics, and community trust networks. This research addresses a gap in the literature by emphasizing the significance of non-material aspects of well-being, including work-time flexibility, the stability of informal work relationships, and the acknowledgment of the dual roles of home-based workers, which are frequently neglected in formal welfare policies within labor-intensive sectors. This study presents a hybrid framework that amalgamates institutional theory with a contingency approach, illustrating the significance of adaptive welfare policy design in reconciling external legitimacy pressures (regulations and industry standards) with the contextual cultural values and community work practices. Fourth, our findings have practical implications for human resource management within the rattan craft industry, namely highlighting the necessity of developing a welfare model that adheres to formal requirements and strengthens local social networks as a means

of stabilizing skilled labor. This research broadens the discussion on employee welfare inside the conventional labor-intensive sector, which has frequently been neglected in the dialogue surrounding sustainable HRM and institutional-based HR policies.

## **LITERATURE REVIEW**

### **Institutional Theory**

Institutional Theory posits that organizational behavior is shaped not only by internal strategies but also significantly by institutional pressures, including formal influences like government regulations and industry policies, as well as informal factors such as social norms, cultural values, and public expectations (Bani Hani et al., 2025). This idea underscores the necessity for companies to uphold legitimacy in the external environment by modifying practices and policies to conform to existing social and legal norms. Institutional Theory in human resource management elucidates that employee welfare policies, job loyalty, and performance are inextricably linked to the prevailing regulatory and normative context (Worsteling et al., 2025). Employee welfare approaches that solely emphasize cash pay are sometimes deemed insufficient if they overlook the social norms and ethical obligations that arise within the workplace (Pratiwi, 2018). Institutional Theory elucidates that organizations may react to institutional forces by means of complete compliance (acquiescence), compromise, or selective resistance. The selected response options will affect the implementation of welfare policies, the development of employee loyalty, and the sustainability of organizational performance (Bani Hani et al., 2025). Consequently, Institutional Theory serves as a crucial framework for examining the interplay between employee well-being, job loyalty, and performance, within a context that prioritizes the equilibrium between internal tactics and external pressures.

### **Employee Welfare**

The notion of employee welfare is frequently seen as a strategic cornerstone of contemporary human resource management, as worker welfare is considered essential for sustaining organizational productivity. Chadha & Mishra (2021) assert that welfare extends beyond equitable remuneration to include health protection, occupational safety, social security, and a work environment conducive to work-life balance. This perspective emphasizes well-being as a catalyst for motivation rather than solely a tool for remuneration. Bandara et al. (2020), assert that employee well-being is crucial in fostering workplace satisfaction and the loyalty of talented individuals. Worsteling et al. (2025) elaborate on this perspective, contending that employee well-being must be interconnected with relational support and social connections inside the workplace. Positive interpersonal interactions and camaraderie among colleagues can enhance the advantages of formal welfare measures. Pratiwi (2018) asserted that the employee welfare strategy must be incorporated into sustainable human resource management to foster both loyalty and enduring performance.

Nonetheless, the efficacy of employee well-being frequently hinges on individual circumstances and beliefs. Feng et al. (2025) elucidate that consumption behavior, value preferences, and employees' psychological states affect their evaluation of well-being benefits. Uniform welfare schemes can elicit varied perceptions among individuals. Underscore this difficulty by demonstrating that non-conventional workers frequently encounter barriers to achieving optimal welfare due to dual workloads or uneven temporal flexibility.

### **Employee Performance**

Employee performance is universally acknowledged as a crucial determinant of corporate success. Pratiwi (2018) asserts that employee performance indicates the degree to which workers

fulfill work objectives with the quality, speed, and precision anticipated by the business. Performance dimensions encompass not only physical output but also behavioral contributions, including initiative, discipline, and commitment to advancing the company's objectives. Kuncorowati et al. (2022) strengthen this perspective by highlighting the strong correlation between work loyalty and performance. Employees with an emotional attachment to the organization exhibit greater commitment to task completion. assert that job happiness is a crucial link between loyalty and performance enhancement; thus, managerial strategies that overlook employee well-being frequently lead to diminished productivity.

Conversely, several theories emphasize that employee performance is not isolated but rather emerges from consistent human resource management methods. Pratiwi (2018) asserts that a sustainable HRM approach, which includes policies focused on well-being, training support, and healthy workplace relationships, may preserve motivation and ensure long-term performance sustainability. Namun, Gandolfi et al. (2025) assert that efficiency constraints, particularly in labor-intensive industries, may instigate cost-reduction strategies that diminish welfare quality and loyalty, thereby jeopardizing employee performance. Ashour et al. (2025) ) illustrate the plight of workers with multiple obligations, particularly non-conventional workers, who frequently suffer a reduction in job concentration due to external demands unrelated to their formal responsibilities. This study demonstrates that performance is not solely contingent upon targets, but is also intricately linked to the stability of well-being and the provision of responsive managerial support. Recent literature underscores that performance management necessitates a holistic approach that incorporates welfare, loyalty, and organizational justice to enable the workforce to sustain high performance.

### **Work Loyalty**

Work loyalty is defined as the degree of emotional commitment, allegiance, and the inclination of employees to persist in their contributions to the business over the long term. Ateeq et al. (2023) assert that employee loyalty is demonstrated by the readiness to exceed formal obligations, uphold the company's reputation, and preserve professional relationships despite the allure of more attractive external prospects. This perspective highlights that loyalty does not arise spontaneously but develops through mutually advantageous interactions between the firm and its employees. Worsteling et al. (2025) assert that loyalty is intricately linked to social relationships within the workplace. Professional connections defined by trust, a sense of belonging, and group solidarity enhance loyalty much beyond monetary incentives. In the organizational behavior framework, loyalty is frequently associated with social exchange theory, wherein emotional commitment emerges as employees see equitable treatment and appreciation (Pratiwi, 2018). Kuncorowati et al. (2022) assert that steadfast employee loyalty acts as a crucial conduit for fostering sustained productivity.

Nonetheless, cultivating loyalty is not invariably a straightforward endeavor. Ashour et al. (2025) demonstrate that non-conventional workers, or those with dual responsibilities beyond their employment, frequently exhibit variable loyalty stemming from insufficient security and ambiguity in their roles. Ahmed et al. (2021) emphasize the aspects of personal values and beliefs, indicating that ethical norms and spiritual ideals can enhance loyalty in specific cultural circumstances. This underscores that loyalty is significantly shaped by the prevailing norms and institutional forces associated with it. This perspective emphasizes that job loyalty stems from the reciprocal interaction between well-being, a feeling of justice, and societal ideals within the workplace. Consequently, the literature concurs that loyalty is not solely a product of incentive systems but emerges from a framework of values, norms, and organizational practices that consistently foster enduring work relationships.

### **HYPOTHESIS**

#### **Employee Welfare on Employee Performance**

Employee welfare is thought to influence performance by satisfying fundamental needs, providing a sense of security, and ensuring consistent work motivation (Semwal et al., 2021); (Bandara et al., 2020). Prior studies highlight that remuneration, health safeguards, and a conducive work atmosphere directly enhance labor productivity in labor-intensive industries (Ampong, 2024);(Pratiwi, 2018). Gandolfi et al. (2025) discovered that cost-reduction pressures can diminish well-being and adversely affect performance, demonstrating that performance relies not solely on technical aspects but also on the stability of well-being support. Nonetheless, comprehensive research on the correlation between well-being and performance within the realm of semi-formal employment, exemplified by the rattan craft sector, is infrequently examined in a quantifiable manner.

***H1: Employee well-being has a positive impact on employee performance.***

#### **Employee Welfare on Work Loyalty**

The notion of employee wellbeing is intrinsically connected to work loyalty, as equitable treatment, sufficient remuneration, and a nurturing work environment have been demonstrated to enhance employees' emotional commitment to the firm (Ateeq et al., 2023); (Worsteling et al., 2025). This perspective is corroborated by Pratiwi (2018) who asserts that continuous welfare support cultivates a sense of belonging, prompting employees to remain even in the face of external job prospects. Ashour et al. (2025) illustrate that inadequate welfare can induce variations in loyalty, particularly among unconventional workers with precarious job connections. Nonetheless, within the labor-intensive craft sector, the relationship between well-being and loyalty has not been rigorously examined using a robust quantitative methodology.

***H2: employee welfare has a positive impact on work loyalty***

#### **Work Loyalty on Employee Performance**

Work loyalty is frequently regarded as a conduit linking job happiness to optimal performance attainment. Menurut Ateeq et al. (2023) assert that loyal employees exhibit greater accountability, a propensity to exceed norms, and proactive engagement in furthering the company's objectives. Kuncorowati et al. (2022) articulate a comparable perspective, asserting that loyalty functions as an emotional connection, driving employees to sustain productivity over time. Ashour et al. (2025) caution that tenuous allegiance may diminish job concentration, particularly among employees facing dual responsibilities or informal employment situations.

***H3: work loyalty has a positive effect on employee performance***

#### **The Mediating Role of Work Loyalty**

Numerous studies indicate that employee well-being strongly influences performance and enhances it by fostering work loyalty (Pratiwi, 2018). Worsteling et al. (2025) assert that sufficient well-being support fosters social connections and a sense of belonging, hence enhancing employee loyalty. This allegiance cultivates enduring commitment, shapes work attitudes, and amplifies incentive for optimal performance (Ateeq et al., 2023). Nonetheless, this mediating relationship is infrequently subjected to empirical examination in semi-formal, labor-intensive sectors like the rattan craft industry, characterized by a work structure founded on trust and a familial atmosphere.

***H4 : work loyalty mediates the influence of employee well-being on employee performance.***

## **RESEARCH METHODS**

This study examines four hypotheses concerning the impact of Employee Welfare on Employee Performance via Work Loyalty. This study employed a quantitative analysis utilizing the structural equation model (SEM-PLS) methodology. The study population comprises 350 employees from the Rattan Industry Company located in the West Java region. A sample of 150 respondents was obtained from the population in this study using the proportional sampling approach. The data for this study were gathered by the distribution of questionnaires to participants. The questionnaire distribution data were further evaluated employing the Structural Equation Modeling (SEM) technique utilizing SmartPLS 4. This study analyzes three variables: Employee Welfare, Employee Performance, and Work Loyalty, together with their corresponding measuring indicators:

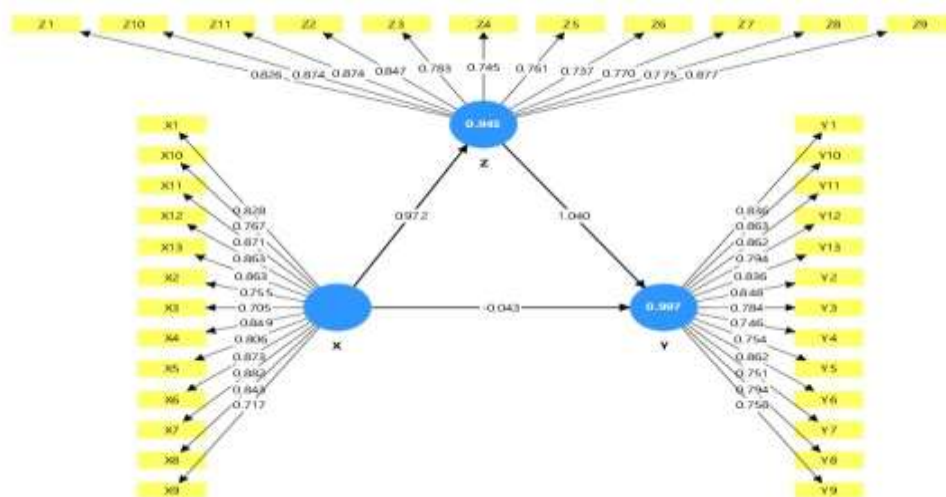
*Table 1. Measure Variables*

| Variable                                          | Measuring Indicators              | Measuring Indicators                                      |
|---------------------------------------------------|-----------------------------------|-----------------------------------------------------------|
| Employee Welfare<br>(Hasibuan,<br>2016;188)       | Salary above UMR                  | Salary higher than minimum standard                       |
|                                                   | Salary equal to UMR               | Salary equal to minimum standard                          |
|                                                   | Salary below UMR                  | Salary does not meet legal requirements                   |
|                                                   | Death Allowance                   | Assistance for families of deceased employees             |
|                                                   | Food Allowance                    | Compensation for daily consumption needs                  |
|                                                   | Transportation Allowance          | Assistance for travel costs to the workplace              |
|                                                   | Holiday Allowance                 | Financial awards before holidays                          |
|                                                   | Medical Costs                     | Health facilities when sick                               |
|                                                   | Comfortable Room                  | Healthy and productive work environment                   |
|                                                   | Rest Place                        | Space to relieve fatigue                                  |
|                                                   | Place to eat                      | Canteen facilities or decent eating areas                 |
|                                                   | Pension money                     | Routine allowances after the end of the employment period |
|                                                   | Severance pay                     | Compensation when the employment relationship ends        |
| Employee Performance<br>(Sri Indrastuti,<br>2018) | Achievment Orientation            | Drive to achieve the best results                         |
|                                                   | Self Motivation                   | Ability to be continuously productive                     |
|                                                   | Analythical Thinking              | Ability to think logically and systematically             |
|                                                   | Innovative                        | Ability to create new ideas and effective methods         |
|                                                   | Discipline                        | Compliance with rules and time commitments                |
|                                                   | Responsibility                    | Awareness of accepting tasks and their consequences       |
|                                                   | Planning Skills                   | Ability to design and organize efficient work steps       |
|                                                   | Problem Solving and taking skills | Ability to find cost-effective solutions                  |
|                                                   | Initiative                        | Tendency to act without orders from superiors             |

|                                  |                                          |                                                                |
|----------------------------------|------------------------------------------|----------------------------------------------------------------|
|                                  | Compliance                               | Attitude of compliance with regulations and policies           |
|                                  | Leadership                               | Ability to influence and guide co-workers                      |
|                                  | Teamwork                                 | Ability to work harmoniously with a team                       |
|                                  | Honesty                                  | Moral integrity in an open and non-deceptive attitude          |
| Work Loyalty<br>(Saydam 2008:84) | Obey the Rules                           | Comply with company procedures                                 |
|                                  | Willing to accept sanctions              | Ready to admit mistakes and accept the consequences of actions |
|                                  | Work Results                             | Provide the best results according to tasks                    |
|                                  | Dare to take risks                       | Face challenges with a positive attitude                       |
|                                  | Work Capability                          | Commitment to completing tasks according to responsibilities   |
|                                  | Desire to Work Until Retirement          | Long-term commitment to the company                            |
|                                  | Reject the opportunity to work elsewhere | Not interested in external offers                              |
|                                  | Work sincerely                           | Carry out tasks without coercion and with enthusiasm           |
|                                  | Prioritize the interests of work         | Prioritize work over personal during working hours             |
|                                  | Prioritize honesty                       | Transparent in interactions                                    |
|                                  | Work according to authority              | Understand the boundaries of tasks and responsibilities        |
|                                  | Report work results                      | Report results honestly and accurately                         |

## OUTER MODEL ANALYSIS

The outer model analysis in Smart-PLS aims to test the ability of indicators to represent their variables. This analysis includes convergent validity and construct validity and reliability. The first test is convergent validity, which examines the validity of the indicators in this study. The criteria used in this test are a loading factor value  $> 0.7$ . The results of the analysis are shown in the table as follows:



*Table 2. Loading Factor*

| Indicator<br>s | Loading<br>Factors | Validit<br>y |
|----------------|--------------------|--------------|
| EW1            | 0.828              | Valid        |
| EW2            | 0.755              | Valid        |
| EW3            | 0.705              | Valid        |
| EW4            | 0.849              | Valid        |
| EW5            | 0.806              | Valid        |
| EW6            | 0.873              | Valid        |
| EW7            | 0.882              | Valid        |
| EW8            | 0.843              | Valid        |
| EW9            | 0.717              | Valid        |
| EW10           | 0.767              | Valid        |
| EW11           | 0.871              | Valid        |
| EW12           | 0.863              | Valid        |
| EW13           | 0.863              | Valid        |
| EP1            | 0.836              | Valid        |
| EP2            | 0.848              | Valid        |
| EP3            | 0.784              | Valid        |
| EP4            | 0.746              | Valid        |
| EP5            | 0.754              | Valid        |
| EP6            | 0.862              | Valid        |
| EP7            | 0.751              | Valid        |
| EP8            | 0.794              | Valid        |
| EP9            | 0.758              | Valid        |
| EP10           | 0.863              | Valid        |
| EP11           | 0.862              | Valid        |
| EP12           | 0.794              | Valid        |
| EP13           | 0.836              | Valid        |
| WL1            | 0.826              | Valid        |
| WL2            | 0.847              | Valid        |
| WL3            | 0.783              | Valid        |
| WL4            | 0.745              | Valid        |
| WL5            | 0.761              | Valid        |
| WL6            | 0.737              | Valid        |
| WL7            | 0.770              | Valid        |
| WL8            | 0.775              | Valid        |
| WL9            | 0.877              | Valid        |
| WL10           | 0.874              | Valid        |
| WL11           | 0.874              | Valid        |



Table 1 shows the results of convergent validity and indicates that all indicators in this study have a loading factor value > 0.7 and can be concluded as valid. Valid indicators indicate that validity can be interpreted as the instrument being valid if there is a similarity between the collected data and the actual data occurring in the object being studied. The next outer model analysis is discriminant validity to analyze whether the indicators in this study can accurately measure the variable and not be confused with other variables. The discriminant validity test uses cross loading with the criterion that each indicator has an AVE root that groups the highest values according to its variable. The results of the analysis are shown in Table 2.

Table 2 shows that all indicators have the highest cross-loading values and cluster within their respective variables. The results indicate that all indicators have accurately measured their respective variables, thus the data in this study can be used in subsequent analyses. The next outer model analysis is construct validity and construct reliability to test the validity and reliability of the variables. This study analyzes 3 variables with the tests shown in Table 3.

*Table 3. Construct Validity And Construct Reliability*

|                      | Composite reliability (rho_c) | Average variance extracted (AVE) |
|----------------------|-------------------------------|----------------------------------|
| Employee Welfare     | 0.964                         | 0.671                            |
| Employee Performance | 0.961                         | 0.653                            |
| Work Loyalty         | 0.954                         | 0.653                            |

Table 3 shows the results of the construct validity and reliability tests. The criteria used for validity require variables to have a composite reliability value of 0.7. The analysis results show that all variables have met the criteria, making all variables valid and reliable. The results indicate that this research has met all the outer model tests and can proceed to the inner model analysis.

#### INNER MODEL ANALISYS

The inner model analysis aims to analyze the influence between variables and the goodness of fit test. The stages in the inner model analysis are the determination coefficient (R-Square) test, the goodness of fit test, and the hypothesis test or path analysis. The first analysis is the coefficient of determination to determine the magnitude of the influence of independent variables on the dependent variable. The results of the analysis are shown in Table 4.

*Table 4. R-Square*

|                      | R-square |
|----------------------|----------|
| Employee Performance | 0.997    |
| Work Loyalty         | 0.945    |

Table 4 shows that this study has 2 dependent variables, namely Employee Performance and Work Loyalty. It is known that Employee Performance is influenced by the independent variable by 0.997 and Work Loyalty is influenced by the independent variable by 0.945. The next test is the goodness of fit to evaluate the model's feasibility in this study. The goodness of fit test is the square root of the average value and R-Square. The criteria used are medium goodness

of fit if the value is  $> 0.25$  and large goodness of fit if the value is  $> 0.36$ . The analysis results are shown in Table 5.

Table 5. Goodness of fit

|                      | Average variance extracted (AVE) | R-square |
|----------------------|----------------------------------|----------|
| Employee Welfare     | 0.671                            |          |
| Employee Performance | 0.653                            | 0.997    |
| Work Loyalty         | 0.653                            | 0,945    |
| Average              | 0,659                            | 0,971    |
| GOF                  | 0,800                            |          |

Table 5 shows a GoF value of  $0.800 > 0.36$ , so it can be concluded that this research model demonstrates a high GoF value. This result indicates that the model has good feasibility.

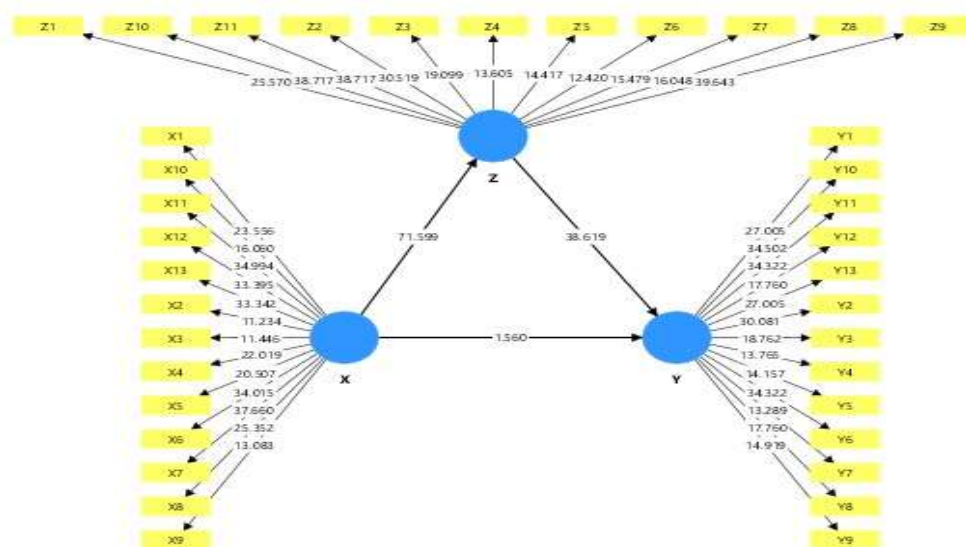


Figure 2. Bootstrapping Analysis Output

The next analysis is hypothesis testing conducted using bootstrapping analysis in Smart PLS software. The results of the analysis are shown in Table 6.

Table 6. Path Analysis

|                                          | Original sample | T statistics | P Values | Results      |
|------------------------------------------|-----------------|--------------|----------|--------------|
| Employee Welfare -> Employee Performance | 0,968           | 66,245       | 0,000    | H1 Supported |
| Employee Welfare -> Work Loyalty         | 0,972           | 71,599       | 0,000    | H2 Supported |
| Work Loyalty -> Employee Performance     | 1,040           | 38,619       | 0,000    | H3 Supported |

|                                 |       |        |       |           |
|---------------------------------|-------|--------|-------|-----------|
| Employee Welfare -> Work        |       |        |       | H4        |
| Loyalty -> Employee Performance | 1,011 | 31,658 | 0,000 | Supported |

Table 6 shows the results of the hypothesis testing in this study. Hypothesis testing uses the criterion of a positive influence value if the estimate value is positive. Furthermore, the significance value uses the criterion of significance if the t-statistic value  $> 1.96$  and the P-Value  $< 0.05$ .

1. The test results show that Employee Welfare affects Employee Performance with a t-statistics value of  $66.245 > 1.96$  and a P-Value of  $0.000 < 0.05$ , thus H1 is Supported.
2. On the other hand, the analysis found that Employee Welfare towards Work Loyalty has a positive effect with a t-statistics value of  $71.599 > 1.96$  and a P-Value of  $0.000 < 0.05$ , thus H2 is supported.
3. Furthermore, the results of the Work Loyalty test on Employee Performance have a positive effect with a t-statistics value of  $38.619 > 1.96$  and a P-Value of  $0.000 < 0.05$ , thus H3 is supported.
4. For the results of the Employee Welfare test mediated by Work Loyalty on Employee Performance, there is a positive effect with a t-statistics value of  $31.658 > 1.96$  and a P-Value of  $0.000 < 0.05$ , thus H4 is supported.

## RESULT AND DISCUSSION

This study's results empirically validate the concept that employee well-being positively influences performance and job loyalty in rattan craft enterprises in West Java. These findings align with Semwal et al. (2021) and Bandara et al. (2020), who assert that well-being, including equitable remuneration, health safeguards, and sufficient work conditions, might augment work motivation. Labor-intensive sectors such as rattan, which depend substantially on manual skills and staff stability for productivity, have demonstrated this influence to be considerable. Moreover, the findings of this study confirm that work loyalty positively influences employee performance. This discovery corroborates the findings of Ateeq et al., (2023) and Kuncorowati et al. (2022), indicating that emotional attachment and loyalty motivate employees to exceed minimum targets and uphold production quality. Loyalty is a crucial element in sustaining the continuity of skilled labor in the rattan sector, which predominantly depends on trust-based and community-oriented work relationships.

Interestingly, this study also confirms the mediating role of work loyalty in strengthening the impact of well-being on performance. This proves the argument of Pratiwi (2018) and dan Worsteling et al. (2025) that well-being not only has a direct impact but also fosters loyalty through a supportive and fair work climate, which in turn drives performance. In the rattan industry, where some workers are informal or work from home, non-material welfare such as support for work relationships, role clarity, and job security has proven to be crucial in building loyalty. These results also emphasize the importance of implementing structured and adaptive welfare policies that align with local social values, in accordance with the principles of Institutional Theory. Production cost pressures often drive excessive efficiency, but these findings indicate that investment in welfare remains crucial for maintaining loyalty and long-term performance. Therefore, rattan companies need to adjust their welfare policies to align with the characteristics of the local workforce, which are rich in values of togetherness, mutual cooperation, and long-term working relationships.

## CONCLUSION

This study shows that employee well-being significantly influences workforce performance, both directly and indirectly through job loyalty, which enhances this link. The findings demonstrate that in the rattan craft industry, which predominantly depends on manual skills and community-

oriented labor, employee welfare encompasses not only equitable compensation but also the establishment of a work environment that fosters a sense of security, appreciation, and harmonious interpersonal relationships. This research indicates that a workforce seeing its welfare is prioritized tends to cultivate a sense of belonging and loyalty, leading to increased commitment and contribution. This loyalty ultimately motivates employees to enhance the quality of their job, exhibit discipline in task completion, and uphold the company's confidence, particularly in the rattan production process, which necessitates accuracy and consistency in manual skills.

Furthermore, the notion that workplace loyalty influences the efficacy of welfare on performance indicates that welfare programs providing solely financial incentives, without addressing the workplace environment, are unlikely to be effective. Within the rattan industry, characterized by mutual cooperation and enduring work relationships, non-material welfare encompassing a supportive work environment, effective communication, and management's consideration of workers' fundamental needs emerges as a crucial element that fortifies the emotional connection between employees and the organization. The consequences of these results underscore the significance of management in rattan craft companies: to prioritize not only production cost efficiency but also the welfare of the workers to ensure stability in product quality. The execution of tailored welfare policies is anticipated to assist the corporation in retaining skilled staff over the long run in the face of global market competition.

Overall, this research is expected to serve as a reference and practical consideration for business actors in the rattan craft sector in designing employee welfare policies that are relevant to the socio-cultural work characteristics. Subsequent research can develop these findings by expanding other supporting variables, such as leadership style and internal communication patterns, thereby enriching the understanding of how to maintain loyalty and improve performance sustainably.

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