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Board Gender Structure and Employee Welfare Policies: An Empirical Study of Micro and Small Enterprises (SMEs)

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ABSTRACT

Taking micro and small enterprises as the research object, this paper explores the impact of board gender structure on employee welfare policy. By analysing the current situation of employee welfare policies in China's micro and small enterprises, this paper finds that there are currently problems such as low actual employee satisfaction, poorly targeted welfare programs, and a single model of welfare programs. In order to explore these problems in depth, this paper adopts an empirical research method to explore the relationship between the gender structure of the board of directors and the enterprise's employee welfare policy. It also puts forward targeted conclusions and recommendations, with a view to providing reference for small and micro enterprises to optimize their employee welfare policies. The results of the study show that increasing the gender diversity of the board of directors can help to improve employee welfare policies and increase employee satisfaction and enterprise competitiveness.

KEYWORDS

board gender structure; employee welfare policy; small and micro enterprises

1 INTRODUCTION

With the rapid development of social economy, Small And Micro Enterprises (SMEs) have become an important part of China's national economy, and their development and growth are of great significance in promoting employment and stimulating market vitality. However, the competitive pressure and survival environment faced by small and micro enterprises are also increasingly severe. In this context, human resource management within the enterprise is particularly important, among which the employee welfare policy, as an important means of attracting and retaining talents, has attracted much attention. In recent years, the impact of board gender structure on corporate decision-making has gradually become a research hotspot.

2 THE CURRENT SITUATION OF EMPLOYEE WELFARE POLICY OF SMALL AND MICRO ENTERPRISES

2.1 Employee Welfare Policies

2.1.1 Statutory benefits

In terms of statutory benefits, as an important force in China's economic development, the welfare policy of small and micro enterprises plays an important role in attracting and retaining employees. According to China's relevant policies, the statutory benefits provided by micro and small enterprises for employees mainly include "five insurance and one gold" and the enjoyment of national legal holidays.

The "five insurance and one pension" provided by micro and small enterprises for their employees in terms of statutory benefits refer to pension insurance, unemployment insurance, medical insurance, maternity insurance, work injury insurance and housing fund. The following are the contribution ratios and details of each insurance:

Pension insurance: the unit contribution rate is 20%, and the employee's personal contribution rate is 8%. Pension insurance is an important part of China's social security system, aiming to protect the basic life of employees after retirement.

Unemployment insurance: the unit contribution rate is 2% and the individual contribution rate is 1%. Unemployment insurance aims to provide a certain degree of livelihood protection for the unemployed to help them get through the period of unemployment.

Medical insurance and maternity insurance: Employers pay a uniform rate of 9.9% for basic medical insurance for urban workers, and individual employees do not pay maternity insurance premiums. Medical insurance and maternity insurance are designed to protect the basic medical needs of employees during sickness or childbirth.

Worker's Compensation Insurance: The unit contribution rate is 0.5%-2%. The purpose of work injury insurance is to ensure that employees can receive timely treatment and financial compensation when they are injured at work or suffer from occupational diseases.

Housing Provident Fund: The company and individuals each contribute 12%. Housing Provident Fund aims to help employees solve their housing problems and improve their quality of life.

In addition, small and micro enterprises also provide employees with the enjoyment of national legal holidays. Legal holidays in China include New Year's Day, Spring Festival, Qingming Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival and National Day. These holidays are set to protect employees' rights to rest and recreation and to improve their sense of well-being and belonging.

2.1.2 Autonomous benefits for small and micro enterprises

(1) Enterprise annuity is a kind of system that, according to China's policy, enterprises provide supplementary pension insurance according to the actual working years of employees. Its amount depends on the employee's salary level and can be adjusted according to the actual situation of the enterprise. The unique nature of enterprise annuity makes it an important channel for enterprises to incentivize their employees, and it can play its role in many cases.

(2) Through the implementation of the subsidy system, companies can obtain more benefits, the most important of which are medical insurance, hospitalization allowance and special care allowance. All of these benefits are provided by the company in accordance with local laws and regulations and governmental support, and by paying the company's basic salary, to ensure that the company's employees can enjoy higher health protection. By taking advantage of medical benefits, companies can significantly reduce their employees' health costs and help improve their quality of life.

2.3 Other benefits

(1) Distribute New Year's Eve and holiday materials in accordance with regulations. Micro and small enterprises attach great importance to the celebration of traditional festivals. In order to make employees feel the care of the enterprise, the company distributes corresponding materials, such as

food and daily necessities, on festivals such as the Spring Festival and the Mid-Autumn Festival. This practice not only reflects the enterprise's care for employees, but also enhances the cohesion and sense of belonging among employees.

(2) Free physical examination. In order to pay attention to the health of employees, small and micro enterprises will regularly organize free body checkups for employees. In response to the actual needs of employees, the company organizes regular annual body checkups to effectively prevent the occurrence of various diseases.

(3) Paid leave: The policy of paid annual leave is strictly enforced.

(4) Allowances: Transportation allowances, communication allowances, and meal allowances implemented in the past are counted as part of the total salary and are not paid as separate allowances.

3 ANALYSIS OF EXISTING PROBLEMS OF EMPLOYEE WELFARE POLICY

This sample survey is for micro and small enterprises within the staff survey, within the questionnaire sent out 400, the actual retrieval of the questionnaire survey 380, the actual effective questionnaire is 95%.

3.1 The actual satisfaction of employees is not high

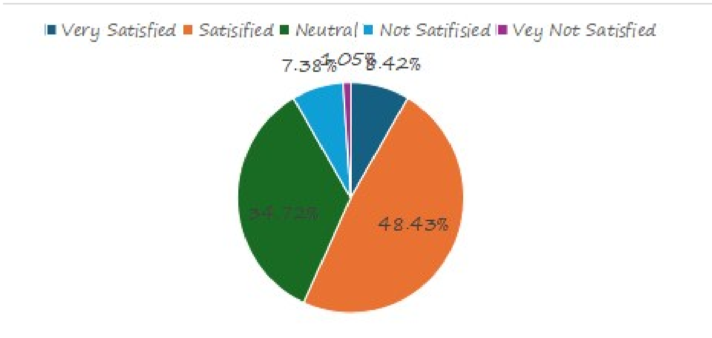

Figure 1 Small and Micro Enterprises Satisfaction Questionnaire

In the current system of micro and small enterprises welfare system for attracting talent, retention of talent is a motivating factor, but also micro and small enterprises in the competition for talent above an important bargaining chip. According to the satisfaction survey in Figure 1, satisfied with 48.43%, very satisfied with 8.42%, dissatisfied with 7.38%, very dissatisfied with 1.05. This data analysis may seem to think that the company's welfare system in the staff satisfaction is not bad, but the comprehensive data analysis of Figure 2 can be further clarified in the company's welfare program in the staff to reflect the real situation is to participate in the survey. The survey participants believe that it is in the basic satisfaction stage, which can be seen that the company's welfare system in the implementation of the process is only to achieve the health care factor of welfare, not to play an effective role in motivation. Combined with the reasons for dissatisfaction with the welfare system in Figure 2, the top three choices are not high level of welfare 35.79%, welfare does not meet the actual needs 26.32%, and not able to select the welfare program according to the actual situation 21.05%.

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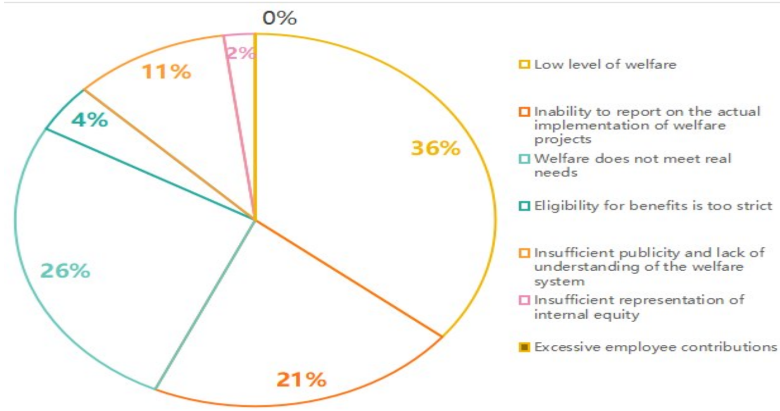

Figure 2 Explanation of dissatisfaction

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3.2 Poorly targeted welfare programs

During this questionnaire survey, according to Figure 3, it can be learned that 76.67% of the respondents were dissatisfied with the company's professional skills training, and from analyzing the employees' satisfaction with the company's existing welfare system, the lowest is the education and training program, and the other welfare programs are limited to the provision of basic health care services, which seldom satisfy the respondents. According to Figure 4, most employees between the ages of 30 and 40 place a high priority on self-improvement, and they believe that companies should focus more on developing skills to meet their job requirements and develop more effective programs for their career development. As companies continue to expand the scope of recruitment and as employees continue to improve their education, future employees will pay more attention to their own development and be more eager for new skills and knowledge to adapt to the changes and development of the company.

3.3 Single model of welfare program, no differentiated design

Despite the company's human resource management department's continuous efforts to introduce more welfare programs, the traditional welfare policy still exists due to the lack of differentiation. According to Figure 4, employees are not very satisfied with the welfare incentives implemented by the company. According to the results of the latest satisfaction survey, 63% of the employees expressed average satisfaction with the company's autonomous benefits, while 15% of the employees expressed less satisfaction, and in general, these people did not have substantial

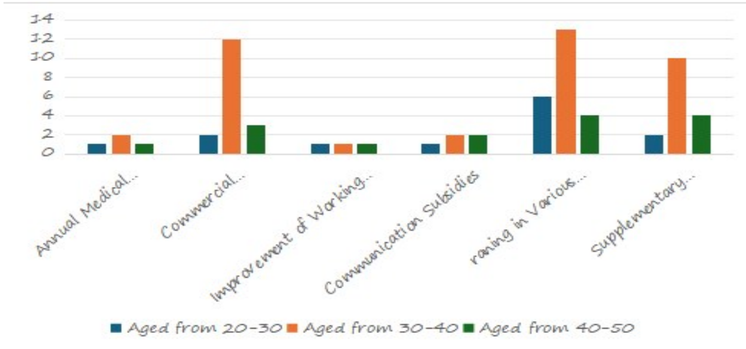

Figure 3 Table analysing the benefits that the company would most like to focus on improving by age group

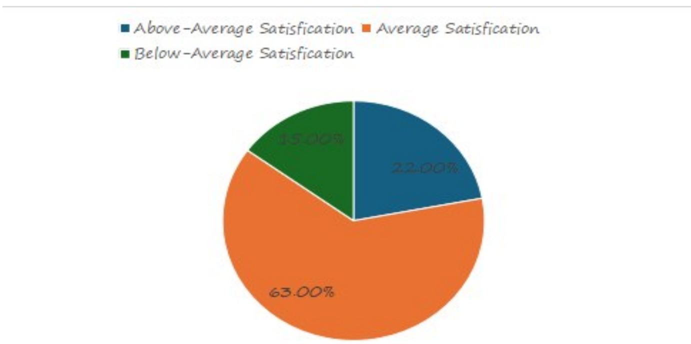

Figure 4 Employee Motivation Effect

effects on the company's welfare system. From the data in Figures 1 and 5, it is clear that most of these people are not satisfied with the company's traditional and fixed autonomous benefits because they are only concerned with guaranteeing the employees' sense of security in their lives, while ignoring more welfare improvements. Although the welfare system of state-owned enterprises still maintains the consistency of everyone, it lacks incentives, which makes it impossible for employees to gain more benefits or obtain more space for development, and this single, undifferentiated welfare model seriously inhibits employees' motivation, creativity and initiative.

3.4 Rationalizing benefits and controlling costs is a challenge

In the current economic environment, micro and small enterprises are faced with many challenges, one of which is the rationalization of benefits and cost control. This problem is particularly prominent in the development and implementation of employee welfare policies for MSMEs. On the one hand, a company's welfare expenses will have a significant long-term impact on its operations. In the company's financial management, we need to take into account changes in market conditions and the company's unique situation in order to appropriately design the company's payroll policy. Typically, a company's benefits policy will be maintained for many years. With the current changes in China's economic situation, the institutional reform of state-owned enterprises (SOEs) has become more urgent, and high benefits will put tremendous financial pressure on these companies. For small and micro enterprises, how to ensure employee benefits while avoiding overburdening them has become a thorny issue. On the other hand, companies need to take into account competitive market pressures to attract and retain talent. As a result, companies are expected to incentivize their employees and enhance their sense of trust and loyalty to the company by significantly improving their salary levels. However, this high welfare policy may adversely affect the financial position of the company in the long run. In particular, when the economic environment is unfavorable and corporate efficiency is declining, high welfare expenditure will put companies under greater pressure. The influence of the welfare system is long-lasting and their changes are hard to detect.

4 EMPIRICAL RESEARCH

4.1 Data and research design

4.1.1 Research sample and data

The sample of this paper is from micro and small enterprises during the period 2013-2023. In making the sample selection, the following screenings were carried out: ST companies were removed; financial companies were excluded; and companies with missing data for the required study were removed. After the above processing, the final sample containing 583 company-year observations was obtained, and the data for all variables in this paper were collected manually from the annual reports of micro and small enterprises, and the data analysis and processing were done using Excel and the econometric analysis software STATA 13.0.

4.1.2 Variable design and model construction

(1) Explained Variables

Employee welfare refers to the subsidies such as goods, services, and security plans provided by an organization to its employees. Therefore, the employee welfare policy in this paper is represented by the rate of employee welfare.

(2) Explanatory variables

Gender structure of the board of directors. By measuring the number and proportion of female members on the board of directors, we can measure the level of feminization of the organization. For female members, we use the 0 / 1 taking method, i. e., 1 in the case of at least one female member and 0 in other cases.

(3) Control Variables

In order to reflect the impact of the gender structure of the board of directors on the employee welfare policy, based on the relevant literature at home and abroad, we use corporate profitability, company size, gearing ratio, board size, the proportion of independent directors, and corporate growth opportunities as control variables. Corporate profitability is represented by return on net assets: company size is represented by the natural logarithm of total assets: gearing ratio is the ratio of total liabilities to total assets; board size is reflected by the number of board members; the independent director ratio variable is the ratio of the number of independent directors to the total number of directors; and corporate growth opportunity is represented by the growth rate of operating income.

(4) Model Construction

$$Y=a+b1X1+b2X2+b3X3+b4X4+b5X5+b6X6+b7X7+c$$

Where Y is the company's employee benefit payment rate; X1 represents the gearing ratio; X2 represents the company's size; X3 represents the size of the board of directors; X4 represents the proportion of independent directors; X5 is the board of directors' gender diversity variable; X6 represents the profitability of the company; X7 represents the growth capacity of the company; and c represents the random error.

4.2 Descriptive statistics

Table 1 Descriptive statistics for each variable

	Y	X1	X2	X3	X4	X5	X6	X7	X8
Valid	583	583	583	583	583	583	583	583	583
mean	0.0458	9.0901	20.1984	32.2983	8.6898	0.3708	24.3112	0.7249	0.1413
Median	0.0313	8.3983	20.1191	29.6026	9.0000	0.3199	20.9880	1.0000	0.1091
standard deviation	0.0539	8.6980	0.7596	19.3014	1.5117	0.0519	27.3981	0.5007	0.1211
Minimum value	0.00	-160.87	18.98	0.81	5.00	0.29	-96.49	0.00	0.00
Maximum value	0.78	39.55	25.02	130.11	14.89	0.77	269.89	1.00	0.59

According to Table 1, it can be learnt that the mean of the employee welfare payment rate is 0.0458, the median is 0.0313, and the standard deviation is 0.0539, which indicates that the overall level of employee welfare payment in micro and small enterprises is low, and there is a certain degree of fluctuation. The mean of the return on net assets is 9.0901, the median is 8.3983, and the standard deviation is 8.6980, reflecting a wide variation in the profitability of enterprises. The mean of enterprise size is 20.1984, the median is 20.1191, and the standard deviation is 0.7596, indicating that the samples of MSMEs are relatively close in size. The mean of gearing is 32.2983, the median is 29.6026, and the standard deviation is 19.3014, indicating that there is a large variation in the level of corporate indebtedness. The mean of board size is 8.6898, the median is 9.0000, and the standard deviation is 1.5117, indicating that there is a difference in the size of the boards of different firms. The mean of the proportion of independent directors is 0.3708, the median is 0.3199, and the standard deviation is 0.0519, reflecting the relatively low proportion of independent directors on corporate boards. In terms of gender structure, the percentage of enterprises with female directors in the variable of whether there are female directors is 72.49%, the average proportion of female directors is 14.13%, the median is 10.91%, and the standard deviation is 0.1211, which indicates that the proportion of female directors in the board of directors of micro and small enterprises is relatively low, but there is still a significant portion of enterprises with female directors.

4.3 Correlation coefficient test

Table 2 Results of correlation analysis between variables

	Y	X1	X2	X3	X4	X5	X6	X7	X8
Y	1								
X1	0.139*	1							
X2	-0.069	-0.019	1						
X3	-0.517**	-0.409**	-0.061*	1					
X4	-0.019	0.021	0.027	0.179**	1				
X5	0.009	-0.024	0.021	0.014	-0.015	1			
X6	-0.028	0.041	0.251**	0.169**	0.099**	0.002	1		
X7	0.049	0.069**	0.029	0.009	-0.006	0.061*	-0.015	1	
X8	0.131**	0.119**	0.023	-0.023	-0.089**	-0.091**	0.018	0.017	1

** denotes 1 per cent significant, * denotes 5 per cent significant

According to Table 2, it can be learnt that there is a significant positive correlation between the variable of gender diversity in the board of directors (X5) and the company's rate of employee benefits (Y) with a correlation coefficient of 0.131**. This indicates that firms with higher gender diversity on the board of directors also have relatively higher rates of employee benefit delivery. In addition, there is a significant negative correlation between the size of the board of directors (X3) and the rate of employee benefit distribution (Y), with a correlation coefficient of -0.517**, which may imply that firms with a larger board of directors may have some difficulties in managing the distribution of employee benefits. Among other factors, there is a significant positive correlation between firm profitability (X6) and board size (X3) and firm growth capacity (X7) with correlation coefficients of 0.251** and 0.169** respectively. This indicates that firms with higher profitability have larger boards of directors and firms with higher growth ability also tend to have larger boards of directors, which tentatively suggests that gender diversity on the board of directors can help to promote the distribution of corporate cash dividends.

4.4 Regression analysis

Table 3 Results of regression analyses of board gender structure and employee welfare policies

	Standardised coefficient	T-Value	level of significance
Constant	-0.019	-1.389	0.162
X1	0.221	8.041	0.000
X2	0.079	2.921	0.004
X3	-0.409	-14.834	0.000
X4	0.039	1.725	0.085
X5	-0.018	-0.796	0.426
X6	0.000	-0.019	0.984
X7	0.049	2.212	0.027
X8			
		R^2=0.251 F=70.114	

According to the regression results in Table 3, gearing ratio (X1) has a significant positive effect on employee welfare payment rate (standardised coefficient of 0.221, T-value of 8.041, and significance level of 0.000), indicating that the higher the gearing ratio, the higher the employee welfare payment rate. Firm size (X2) and board size (X3) likewise have a significant positive effect on employee benefit payout rate (0.079 and -0.409 respectively, with a significance level of 0.004 and 0.000 respectively). The proportion of independent directors (X4) has a positive effect (0.049) on firm growth capacity (X7) but not significant (0.000) on firm profitability (X6). It is worth noting that the gender diversity of the board of directors variable (X5) has a negative (-0.018) but insignificant (0.426 level of significance) effect on the rate of employee benefits, indicating that gender diversity of the board of directors has a limited effect on the rate of employee benefits of the firm.

4.5 Robustness test

In order to test the reliability of our conclusions, we conducted another robustness analysis.

(1) Excluding the effect of companies without cash dividend distribution, we only analyse companies with cash dividend distribution, and the results of the analysis remain unchanged.

(2) Analyses using companies for which data are available for all three-year periods, 2013-2016, yielded results that remain unchanged.

(3) Regression analyses using cash dividends/net income as the dividend payout ratio and replacing earnings per share with net asset margin, respectively, yielded results that remain unchanged.

5 Conclusion and Recommendation

This paper examines the relationship between board gender structure and corporate employee welfare policy using small and micro enterprises in China's capital market during 2013-2023 as a research sample, and empirical research finds that: the gender structure of the board of directors has an important impact on the change of employee welfare policy, and the diversification of the board of directors' gender structure contributes to the improvement of the level of corporate employee welfare policy. The participation of female directors helps to improve the satisfaction, relevance and differentiated design of employee welfare policies, which in turn enhances employees' happiness and sense of belonging.

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