

Benefit communication and its effects on employees' benefit level satisfaction: The multiple mediating effects of POS and benefit comparison

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Abstract

Many firms offer employees a broad range of benefits as part of their compensation. However, little attention has been given to the extent to which firms communicate with their employees in relation to such benefits. This study proposes that benefit communication can have both direct and indirect positive effects on employees' benefit level satisfaction. The effects of benefit communication were examined by means of a survey among 828 employees of different Spanish firms. This study hypothesized and found that benefit communication led to increased benefit level satisfaction. Similarly, this study found that benefit communication can influence benefit level satisfaction through the multiple intermediating effects of employees' perceived organizational support and employees' comparison of their benefits with those of referent others. These results imply that academics and practitioners must pay attention to providing adequate benefit communication in order to ensure the effectiveness of benefits.

Keywords: benefits; benefit communication; benefit comparison; benefit satisfaction; perceived organizational support.

Introduction

Managers must ensure that employees are satisfied with their compensation since it has been shown to affect their performance, commitment, and intention to remain with the firm (Crone, Carey & Dowling, 2003; Currall, Towler, Judge & Kohn, 2005; Kisilevitz, Debgupta & Metz, 2006; Tekleab, Bartol & Liu, 2005; Williams, McDaniel & Nguyen, 2006). Compensation satisfaction refers to all the components of total compensation (or total rewards), including the following: tangible direct rewards (base pay or salary), tangible indirect rewards (benefits), and intangible rewards (content and context of the job). This paper focuses on benefits, which are defined as voluntary compensation that has a cost for the firm, that it is communicated by the firm as a benefit, and that is provided to employees based on a consistent policy (Lengnick-Hall & Bereman, 1994).

There are two main reasons that can justify analyzing benefit satisfaction: the strategic potential of benefits, which are due to their effects on firms' attraction and retention capacity, and the costs of such benefits, which can represent roughly one-third of the total compensation costs of firms (SHRM, 2017). Nevertheless, despite the efforts of firms to design and implement attractive benefit systems and the economic costs that benefits may entail, firms are spending little time and effort to offer information about these benefits to employees. For example, in Spain, a study on compensation conducted by the consulting firm Willis Towers Watson (2014) stated that only 32% of the respondents received adequate information about their compensation in general and benefits in particular. Hence, despite their importance, developing an effective benefit communication program is still considered the greatest benefits challenge (SHRM, 2017).

Based on organizational justice (e.g., Colquitt, Conlon, Wesson, Porter & Ng, 2001) and organizational support (Eisenberger, Huntington, Hutchison & Sowa, 1986)

theories, this study analyzes how the information that employees receive about their benefits can influence benefit level satisfaction and the mediating effects of perceived organizational support (POS) and benefit comparison. This paper contributes to the literature on indirect compensation in several ways. First, despite the importance of benefits, researchers have mainly paid attention to the monetary component of compensation (Williams, Brower, Ford, Williams & Carraher, 2008; Williams, Malos & Palmer, 2002). Furthermore, although some previous studies have analyzed the effect of benefit communication on benefit satisfaction (e.g., Davis & Ward, 1995; Day, 2007; Tremblay, Cloutier, Simard, Chenevert & Vandenberghe, 2010; Tremblay, Sire & Pelchet, 1998; Williams, 1995), these studies used different conceptualizations of benefit communication and benefit satisfaction. Therefore, the establishment of definitive conclusions has still not been achieved.

Second, we propose and analyze how benefit communication and benefit comparison are both related and how they can simultaneously mediate the relationship between benefit communication and benefit level satisfaction, which would support the arguments proposed by organizational justice and organizational support theories.

Finally, previous research on benefits has been mainly focused on North American firms where such benefits are an established and usual component of employees' compensation, and studies focused on continental Europe are scarcer (Baeten & Verwaren, 2012). Therefore, it can be interesting to analyze this issue in countries where the state offers broad social coverage, and, consequently, benefits have not traditionally been an important part of employees' compensation. Specifically, in Spain, where studies focused on benefit systems have been relegated to the background, and academic research that analyzes these compensation systems in depth is very limited (Delgado Planas, 2004).

Benefits communication

"Pay communication is the organizational practice that determines if, when, how, and which pay information (such as pay ranges, pay raises, pay averages, individual pay levels, and/or the entire pay structure) is communicated to employees and possibly outsiders" (Marasi & Bennett, 2016, p.51). Since employees' perceptions of their compensation will be conditioned by the available information, previous studies argue that communication can be important in determining the effectiveness of compensation systems (Haar & Kossack, 1973; Long, 2000; Sweins & Kalmi, 2008).

With respect to benefits, the amount and quality of benefit communication have been proposed to have direct impacts on employees' knowledge of their provided benefits (Schnake, 2016) and, as a consequence, to impact employees' perceptions, attitudes, and behaviors (Lengnick-Hall & Bereman, 1994). An effective benefit communication program is considered to be important to reduce the gap between employees' expectations and perceptions regarding this issue (Daneshwar, Celuch & Lust, 1994) and to ensure that employees are aware of the existence of and understand their benefits (Huseman & Hatfield, 1978; Picherit-Duthler & Freitag, 2004). In this sense, Sinclair, Leo and Wright (2005) found that benefit communication quality, which refers to employees' perceptions of the information about the benefits that are disseminated by the organization, is positively related to employees' benefit knowledge. This finding implies that people who report that they receive better information about their benefits know more about them. Additionally, any action that promotes the employees' knowledge about benefits is expected to increase the impacts of these benefits (Lawler, 1981). For example, Dreher, Ash and Bretz (1988) found that the relationship between benefit coverage and employees' satisfaction with their benefits is stronger for employees who had an accurate assessment of their received benefits. Similarly,

Danehower and Lust (1992) proposed a model where employer communication about benefits would act as a moderator between some organizational (benefit availability, coverage level, and cost structure) and individual (employees' needs, values, expectations, and experience with benefits) factors and employees' perceived benefit costs and quality.

Regarding studies analyzing the effect of benefit communication on benefit satisfaction, a remarkable aspect of these studies is the lack of unanimity when considering benefit communication. Indeed, studies can be found that considered benefit communication to be a component of different concepts such as benefit administration (e.g., Williams, 1995), information quality (e.g., Tremblay et al., 2010), employees' satisfaction with benefit communication (e.g., Tremblay et al., 1998) and the procedural justice of the benefit system (e.g., Davis & Ward, 1995). Additionally, these studies can also be classified according to the way that benefit satisfaction is measured.

First, some studies have considered benefit satisfaction as a dimension within an overall measure of compensation satisfaction. For example, within this group of research, Day (2007) did not find a direct relationship between communicating about how pay is determined and an overall measure of pay satisfaction, that consider benefit a component of such satisfaction.

However, when studies have used specific measures of benefit satisfaction, the results were different. For example, Davis and Ward (1995), who consider benefit communication to be a dimension of the procedural justice regarding benefits, found a positive relationship between this procedural justice and overall benefit satisfaction.

Finally, more studies have considered some specific dimensions of benefit satisfaction. On the one hand, some studies have considered satisfaction with the quality

and costs of benefits. Tremblay et al. (1998) showed that employees' satisfaction with benefit information was positively related to this dimension of benefit satisfaction. Similarly, Tremblay et al. (2010) showed that the quality of the benefit communication, which is considered to be a dimension of procedural justice, had the strongest effect on employees' satisfaction with the quality and costs of benefits.

On the other hand, other studies have distinguished between benefit determination and benefit level satisfaction. De la Torre-Ruiz, Vidal-Salazar and Cerdón-Pozo (2017) found a positive relationship between benefit communication and employees' satisfaction with the way that benefits are determined. Regarding benefit level satisfaction, that is, satisfaction with the amount of received benefits, Miceli and Lane (1991) suggested that this satisfaction can be a function of environmental, personal, and administrative influences. By considering benefit communication as a component of benefit administration, they proposed that it should have an effect on benefit level satisfaction. Williams (1995) found support for this proposition by showing that benefit level satisfaction has a strong relationship with benefit administration. Similarly, Williams et al. (2002) found that help and information about benefits is positively related to benefit level satisfaction. According to these authors, the reduction of the transaction costs that are incurred by employees when they manage their benefits can explain this relation.

Although all these previous studies have been useful in determining the direct effect of benefit communication on benefit satisfaction, it is also necessary that models include potential intervening variables. In this sense, previous research has not presented definitive conclusions. For example, Miceli and Lane (1991) proposed that communication and employee involvement in benefit determination should influence benefit level satisfaction by increasing the perceived amount of received benefits

through increasing employees' knowledge of their benefits and their ability to obtain their desired benefits. However, Williams (1995) did not find support for this relationship since the author did not find that benefit administration was significantly related to the perceived amount of benefits received. Similarly, Williams (1995) did not find a significant relationship between benefit administration and employees' use and desirability of benefits.

Benefit communication and benefit level satisfaction

Regarding previous research, first, it is necessary to clarify what we refer to as benefit communication. In this sense, we draw on the concept of benefit administration (e.g., Williams, 1995) but only consider the dimension that is related to the information that is provided to employees but not the dimension that is related to employees' input. Hence, we consider benefit communication as the degree to which an organization provides appropriate explanations about benefits to their employees and the employees' knowledge of these benefits.

Second, we justify the positive relation between benefit communication and benefit level satisfaction by drawing on organizational justice theory, which states that the main reason for providing pay information to employees is the assumption that the information influences employees' perceptions of organizational justice (Marasi & Bennett, 2016; Marasi, Bennett & Budden, 2018). According to organizational justice theory, when a firm provides adequate, candid, thorough, and timely information that meets employees' needs, the employees can develop feelings of informational justice (Colquitt et al., 2001), which is the degree to which employees perceive that they have received appropriate explanations of procedures (Bies & Moag, 1986). Otherwise, a lack of information can mean that employees are suspicious about the processes that are

used to determine their rewards, and they could think that the firm wants to hide something from the employees (Marasi, 2014; Marasi et al., 2018).

Third, we consider that the effect of benefit communication on benefit level satisfaction can be especially strong in countries where benefits have not traditionally been an important part of employees' compensation. For example, in Spain, benefit systems had been traditionally considered to be very rigid, universal, and limited to very specific groups of workers (usually managers and salespersons). It was not until recently that Spanish managers have started to pay more attention to this type of compensation (Vidal-Salazar, Córdón-Pozo & de la Torre-Ruiz, 2015) because of the impacts of benefits on employees' job satisfaction (e.g., de la Torre-Ruiz et al., 2017), as well as the impacts on firms' recruitment and retention processes (Vidal-Salazar, Córdón-Pozo & de la Torre-Ruiz, 2016). The absence of any previous tradition for this specific kind of compensation can mean that employees are not acquainted with these systems and cannot understand the actual advantages and possibilities that they offer. For this reason, we believe that in this context, the presence of effective communications is important in order to improve satisfaction with the amount of received benefits.

Hypothesis 1: Benefit communication has a direct and positive impact on employees' benefit level satisfaction.

Benefit communication and perceptions of organizational support and the amount of benefits received by referent other

In addition to the direct influence of benefit communication on benefit level satisfaction, we analyze the intervening variables that can explain this relationship. Einseberger et al. (1986) developed the concept of POS, which refers to the degree that

"employees develop global beliefs concerning the extent to which the organization values their contributions and cares about their well-being" (1986, p.501). This concept has been broadly studied and has shown to positively influence employees' organizational behaviors, like commitment, job involvement, job satisfaction, or intention to stay (Barachenko, Xie, Lin & Lau, 2019; Kurtessis, Eisenberger, Ford, Buffardi, Stewart & Adis, 2017, Tremblay & Landreville, 2015). Previous research has determined that fairness, supervisor support, and organizational rewards and job conditions can be considered antecedents of POS (Baran, Shanock & Miller, 2012; Rhoades & Eisenberger, 2002).

Regarding rewards, Rhoades and Eisenberger (2002) consider that of the main organizational determinants of POS, rewards (and favorable job conditions), are expected to have the weakest effect because their effect is conditional. Specifically, rewards are expected to contribute to POS only if employees perceive that they represent the firm's voluntary, intentional actions (Eisenberger, Cummings, Armeli & Lynch, 1997). In this sense, we propose that the effect of benefits on POS would also be conditional on the information that is provided to employees. The mere provision of benefits could not influence POS if employees do not have knowledge about their benefits and do not have an appropriate assessment of the value of the benefits. Indeed, much of the research on compensation has highlighted the necessity of communicating the value of the total rewards package to employees since this can influence employees' perceptions and attitudes toward the organization (Sinclair et al., 2005). In addition, based on signaling theory, it has been shown that the perception of valuable and useful benefits can be important in the development of employees' POS by signaling to them that the organization is concerned about their well-being (Lambert, 2000; Muse, Harris, Giles & Feild, 2008). Similarly, based on organizational justice theory, interactional

justice, which is the degree to which an employer provides adequate explanations for human resource decisions and demonstrates concern for employees, has been shown to influence the development of POS (e.g., Naumann, Bennett, Bies & Martin., 1998).

Additionally, this effect can be even more important in countries that are less likely to provide benefits as a part of employees' compensation, as employees can be less acquainted with these systems. In these countries, this information enables employees to understand their less formal compensation and, bearing in mind that these benefits are oriented to cover some personal needs, they can feel that their firm is truly committed and concerned about their well-being. Similarly, contrary to other countries, such as the U.S. where the Employee Retirement Income Security Act (ERISA) requires firms to provide employees with a summary plan description for each benefit that is offered (in other words, the description provides information on the different coverage provided by each benefit; Danehower et al., 1994), Spain does not have any requirements that firms provide compensation information to employees; therefore, benefit communication can be perceived by employees as a firm's voluntary and intentional action. Indeed, only since March 2019 have Spanish firms been legally obligated to record their compensation data and provide the legal details to employees who required it.

Thus, we propose the following:

Hypothesis 2: Benefit communication has a positive effect on employees' perception of organizational support.

According to equity theory (Adams, 1963), individuals assess the justice of the received compensation by first comparing their received compensation with their own contribution and then by comparing this rate with the compensation and contributions of other individuals, who are known as 'referent others'. To make these comparisons,

workers use the information they have about their own contribution and compensation and the available information about referent others (Van den Bos, Wilke, Lind & Vermunt, 1998). Having complete information about these aspects allows employees to effectively evaluate the fairness of their compensation (Van de Bos et al., 1998). Based on organizational justice theories, previous studies have suggested that the use of explanations in compensation decisions should influence pay satisfaction by reducing the perceived inequity of employees or increasing their perception of distributive justice (Arnold & Spell, 2006; Hanley, 1988; Tremblay, Sire & Balkin, 2000). Despite the exception of some studies that have found a negative relationship between pay communication and the perception of equity (e.g., Day, 2007), receiving explanations about pay procedures has been shown to allow employees to perceive the firm as having greater procedural justice and that the presence of these explanations leads employees to perceive fewer pay inequities (Werner and Ones, 2000). Similarly, previous studies have found that communication about how pay is determined influences pay level satisfaction through the mediating effect of procedural and distributive justice (Day, 2011) or the mediating effect of pay equity (Day, 2012).

Regarding benefits, drawing on equity theory, Williams (1995) and Williams et al. (2002) show that benefit comparison is strongly related to benefit level satisfaction (Williams, 1995; Williams et al., 2002). Similarly, other authors, such as Davis and Ward (1995), consider equity as a part of distributive justice and have found that it has a direct effect on overall benefit satisfaction.

In this paper, we propose that the perception of POS can influence the assessment of the received reward and consequently mediate the relationship between benefit communication and benefit comparison. We based our hypotheses on previous research that has shown that POS is associated with expected rewards. Specifically, employees

feeling POS tend to perceive that higher performance will produce higher material rewards (Eisenberger, Fasolo & Davis-LaMastro, 1990; Kurtessis et al., 2017).

Although benefits are a form of compensation that is not directly associated with employee performance, we consider that the perception of support could influence the assessment of the amount of received benefits. If, based on the information provided by the firm, employees feel that the firm is concerned about their well-being, they could perceive that, because of this concern, the organization is providing more benefits than those received by referent others. Therefore, we posit the following:

Hypothesis 3: Benefit communication is positively related to benefit comparison through the mediating effect of perceived organizational support.

Finally, we propose that the effect of benefit communication on benefit level satisfaction can be explained by the multiple mediating effects of POS and benefit comparison. Thus, we hypothesize the following:

Hypothesis 4: Benefit communication is positively related to benefit level satisfaction through the multiple mediating effects of perceived organizational support and benefit comparison.

Figure 1 displays a summary of the proposed model that will be tested in this study.

INSERT FIGURE 1 ABOUT HERE

Methodology

Sample

To test the hypotheses, we collected data through a structured online questionnaire that was managed by the benefits management company Edenred, which handles a database of 8236 employees. The sampling was random, without stratification, which allowed us to eliminate systematic sampling bias (Moore & McCabe, 2006). From the total number of employees, we obtained responses from 1062 employees, which resulted in a response rate of 12.9%. Our final sample was composed of 828 employees from 417 different firms operating in Spain who stated to receive some benefits as part of their compensation and who entirely completed the questionnaire. Considering the sample size and assuming an infinite population (i.e., Spanish employees who receive some benefits), we obtain a sampling error of 3.4% (confidence level of 95% and considering $p=q=50\%$).

We limited our research to Spanish firms to remove any possible distortion arising from the biases that various labor regulations can introduce. In Spain the state offers broad social assistance which has traditionally influenced how benefits are assessed and offered. Indeed, in 2015, 43% of the surveyed firms by the consulting firm Adecco reported that they did not offer any benefits to their employees (Infoempleo & Adecco, 2016). However, the implementation of benefit systems has grown rapidly in recent years in this country due not only to the economic crisis but also to the implementation of more flexible compensation practices (Vidal-Salazar et al., 2015), which have shown to influence on firms' attraction and retention capacity (Vidal-Salazar et al., 2016). Funding for external training, private health insurance, and restaurant tokens use to be the most common benefits offered to employees (de la Torre-Ruiz, Vidal-Salazar & Córdón-Pozo, 2019).

The majority of the participants were male (59%) and Spanish (97%), had an average of 15 years of experience and had an average of 9 years of seniority. Additionally, our

respondents were 38.3 years old on average ($SD = 7.5$), and their ages ranged between 22 and 62 years. The occupational categories were broad and many of them related to management occupations, office and administrative support occupations and computer occupations.

Variables

We based our measurement variables on well-established scales. Benefit Level Satisfaction was measured using Williams et al.'s (2008) four-item scale. The scale was measured on a 5-point Likert-type scale ranging from completely unsatisfied (1) to completely satisfied (5). Example items included "My benefit package" and "The value of my benefits" ($\alpha = .95$).

Benefit Communication was measured using six items from the Williams (1995) Benefit Administration scale. Although the original scale comprises ten items, we selected only those items related to communication and omitted those related to employee input. The scale was measured on a 5-point Likert-type scale ranging from strongly disagree (1) to strongly agree (5). Example items included "My benefit coverage is explained clearly to me" and "I understand the benefits that are provided to me" ($\alpha = 0.96$).

Benefit Comparison was measured using six items from Williams et al.'s (2002) scale. The scale was measured on a 5-point Likert-type scale ranging from much less (1) to much more (5). Example items included "Compared with others working for this company, the level of benefits I currently receive is..." and "Compared with others I know with similar abilities and training" ($\alpha = 0.91$).

POS was measured by eight items from a short version of the Survey of Perceived Organizational Support (Eisenberger et al., 1997). The scale was measured on a 5-point

Likert-type scale ranging from strongly disagree (1) to strongly agree (5). Example items included "My organization really cares about my well-being" and "My organization shows high concern for me" ($\alpha = 0.95$).

Finally, as employees' individual traits can influence their perceptions, we introduced two control variables, gender and age, which have also been used as control variables in previous studies (e.g., Tremblay et al., 2010).

Data analysis

The basic statistical analysis was carried out using the SPSS and R statistical software packages. To estimate the model shown in Figure 1, the structural equation modeling (SEM) technique was used, and the analyses were performed using the Mplus software (Muthén & Muthén, 2017), which allows structural equation modeling based on covariance (CB-SEM).

According to Mardia's test of multivariate skewness (845.10; $p < .001$) and an omnibus test of multivariate normality (360.55 with 48 df and $p < .001$), it could not be assumed that the data were distributed according to a multivariate normal distribution. Therefore, we used the WLSMV estimator available in Mplus (Muthén, du Toit, Spisic, 1997), which is a robust estimator that is recommended when analyzing ordered categorical data (Finney & DiStefano, 2013).

Regarding the potential risk of common method biases due to a single respondent, we followed some of the recommendations of P.M. Podsakoff, MacKenzie, Lee and N.P. Podsakoff (2003) and P.M. Podsakoff, MacKenzie, and N.P. Podsakoff (2012). First, interviewees remained anonymous. We ensured the anonymity of the participants because the questionnaire was allocated in an independent website where participants can directly access through a link. Additionally, participants were assured that there

were no good or bad answers, and were asked to be as sincere and honest as possible. This approach was adopted to reduce the respondents' fear of being evaluated and to stop them from giving socially desirable or appropriate answers. Second, the items were very carefully constructed to avoid any potential ambiguities. For this purpose, the questionnaire included simple and concise questions and definitions of terms with which interviewees might be less familiar in order to facilitate their understanding.

Further, because the same informant provided responses for all the variables in the framework and because the presence of common method bias would mean that a single factor explained most of the variance (Podsakoff et al., 2012), we conducted Harman's single-factor test to account for common method bias and included all the indicators in an exploratory factor analysis. The unrotated factor solution indicates that among the four factors, 42.3% was the most variance that could be explained by any one factor. Since the previous test has some limitations (Podsakoff et al., 2003), we followed the recommendation by Chang, Van Witteloostuijn and Eden (2010) and used a direct measure of the latent common method factor to estimate a bifactor model (Holzinger & Swineford, 1937). The results of the goodness of fit indices of this test confirmed the absence of problems related to common method variance (root mean square error of approximation, RMSEA=.238; comparative fit index, CFI=.853; Tucker-Lewis index, TLI=.839, and standardized root mean square residual, SRMR=.21).

Empirical results

Table 1 shows the correlations between the constructs involved in the analysis and the Cronbach alpha reliabilities for the scales on the diagonals.

INSERT TABLE 1 ABOUT HERE

The results for the structural model are shown in Table 2. In this table, we present the direct, indirect and total effects (sum of the direct and the indirect effects) between the variables whose relationships are tested by the hypotheses. First, of the two control variables considered in our model, only gender reaches statistical significance (coefficient=-.082, $p < .05$). In this way, our results support the notion that women are more satisfied than men with respect to the benefits that are received as part of their compensation.

INSERT TABLE 2 ABOUT HERE

Regarding the main variables of the model, benefit communication has statistically positive effects on benefit level satisfaction (coefficient=.636, $p < .001$) and POS (coefficient=.507, $p < .001$), thereby supporting Hypotheses 1 and 2, respectively. Furthermore, the indirect effect of benefit communication on benefit comparison mediated by perceived POS is statistically significant (coefficient = .163; $p < .001$). Thus, our finding provides empirical support for the mediating role of POS in the model (Hypothesis 3). Finally, the multiple mediators that are proposed by Hypothesis 4 are confirmed since the indirect effect of benefit communication on benefit level satisfaction through POS and benefit comparison is significant (coefficient = 0.099; $p < 0.01$). Additionally we tested whether the indirect links adds a statistically significant explanation to the variance of benefit satisfaction by comparing the TLI indicator of the complete model with the TLI indicator of a model which only considers the direct relationship between benefit communication and benefit level satisfaction. The greater

value of the TLI indicator of the more complex model (.991 vs. 988) implies a better fit of this model (Kenny, 2015).

Regarding the goodness of fit of the model, the values obtained for the various indicators are as follows: CFI=.992, TLI=.991, RMSEA=.054 (90% confidence interval: .051 to .058), and SRMR=.05. All fit indices exceed the required minimum values recommended by literature (Hair, Black, Babin & Anderson, 2014; Wang & Wang, 2012). Although the value obtained from the chi-square test (χ^2) is not adequate because it is significant ($\chi^2=998.499$, $df=291$, $p<.000$), given the characteristics of the model, this result is not surprising if we follow the indications in Hair et al. (2014). In this sense, in a model with between 12 and 30 indicators and with a sample size that is greater than 250, the chi-square test can be expected to show significant values (Hair et al., 2014). Moreover, the χ^2 test is subject to various limitations including its sensitivity to sample size. Therefore, the significance of the χ^2 test should not be a reason by itself to reject a model (Hair et al., 2014; Wang & Wang, 2012). Taking this information as a whole, we conclude that the model fits the data appropriately.

Conclusions

Theoretical contribution

This study contributes to the previous literature on compensation by specifically focusing on the effect that benefit communication can have on employees' benefit level satisfaction. Although some previous studies have addressed the effect of providing benefit information to employees, they considered benefit communication as a dimension of a more general construct, such as benefit administration (e.g., William, 1995) or procedural justice (e.g., Tremblay et al., 2010), thus making it more difficult to isolate the specific effect of this type of communication. According to the results of this study, providing appropriate explanations about benefits to employees and increasing

employees' knowledge about such benefits has a positive influence on benefit level satisfaction. Additionally, this study fills the gap in the previous literature, which has not considered the specific context of countries with less tradition of providing benefits to employees.

Nevertheless, the most noteworthy theoretical contribution of this study lies in the explanation of the processes through which benefit communication influences benefit level satisfaction. Although previous studies have analyzed the direct effect of providing employees with adequate explanations for human resources decisions on the development of POS (e.g., Naumann et al., 1998), as well as the strong relation between benefit comparison and benefit level satisfaction (e.g., Williams, 1995; Williams et al., 2002), studies analyzing how both variables can simultaneously mediate the relationship between benefit communication and benefit level satisfaction are scant. Drawing on organizational support and organizational justice theories, this study shows how the relationship between benefit communication and benefit level satisfaction is complex to the extent that benefit communication can directly influence how employees perceive their relation with the organization and indirectly influence how employees assess their received benefits. Hence, these results contribute to equity theory by showing how employees' POS, developed through the provision of benefit communication, influences how employees compare their benefits with referent others and, as a consequence, influences their benefit level satisfaction.

Managerial Implications

The results of this study may also have important implications for practitioners. Despite the effort of firms to provide employees with benefits aiming to improve their well-being, firms are devoting little time and limited resources to effectively

communicating the characteristics and advantages of the benefits that are offered. Indeed, although firms do not provide employees with compensation-related information, employees will use other signals in order to assess their rewards (Van den Bos et al., 1998). Hence, even without appropriate communication, this available but unfiltered information can lead to erroneous comparisons, misunderstanding, mistrust and resentment among employees (Colella, Paetzold, Zardkoohi & Wesson, 2007; Lawler, 1965a, 1965b, 1967, 1973; Mahoney & Weitzel, 1978; Milkovich & Anderson, 1972).

Managers have to realize that benefit communication is important in order to determine benefit effectiveness, that it can influence how employees perceive their relationship with the firm, and that it indirectly influences how employees compare their received benefits. Otherwise, firms can spend important resources on offering valuable benefits to their employees, benefits that are even better than those of their competitors, and employees may not be satisfied with the benefits because employees do not have enough information about them. Hence, firms should pay detailed attention to the benefit information that they provide, and they should ensure that such information is correctly received by the employees. The necessity of the proper management of benefit communication can be even more important in countries, such as Spain, where indirect compensation has traditionally been less relevant because the state provides broad social coverage. In these countries, appropriate benefit communication can be critical for increasing the understanding of the benefit system.

Limitations and future research

Finally, despite its contributions, this study has some limitations that can be overcome by future research. First, the data in this study are cross-sectional; thus, the

causality of the relationships cannot be completely proven. Future studies using longitudinal data are necessary to confirm the results.

Second, although one of the aims of this study is analyzing the effect of benefit communication in a context where the state offers broad social coverage, the study is focused on only one country. Thus, future research replicating this study in other countries with the same institutional characteristics is necessary in order to increase the robustness of the results.

Third, future studies should study the internal communication of firms in depth because this study considers only how employees assess the information that they receive about benefits. For example, the different communication channels used to provide benefit communication could be analyzed to evaluate the effectiveness of each one. In this sense, Driver (1980) found that the level and retention of knowledge of benefits was greater when the means of communication allowed interpersonal communication. Similarly, Harris and Fink (1994) stated the necessity of considering how information is processed and whether recipients use either central or peripheral cues. In this sense, employees could consider some peripheral cues, such as the frequency with which employees receive information and the channels that are used to provide the information. Rabin (1994) found that those who utilize more benefit materials are the most satisfied with a flexible plan's variety relative to a previous nonflexible or traditional plan.

Fourth, this study relies on the perceptions of employees in order to determine benefit communication. Future research should use other sources of information about benefit communication, such as by surveying managers. In this way, it can be assessed whether the perceptions of employees are consistent with the intentions of managers,

thereby showing whether benefit communication is truly effective or if there are some problems with applying the information elsewhere.

Finally, future studies should also analyze whether these relationships can be influenced or moderated by other variables such as employees' individual characteristics. For example, Luna-Arocas and Tang (2015) found that pay comparison satisfaction depends on individuals' love of money.

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Table 1. Cronbach's Alpha and Correlations between Latent Variables*

	1	2	3	4
1. POS	.948			
2. COMP	.447	.910		
3. COMMU	.507	.226	.960	
4. SATISF	.513	.570	.732	.949

* Diagonal shows Cronbach's Alpha of constructs. Out diagonal are correlations between constructs. Correlations are statistically significant (at least 5%).

Table 2. Direct, indirect and total effects using WLSMV estimation method*

	Estimate	S.E.	t	P Values
Direct Effects				
Benefit communication → POS	.507	.026	19.196	.000
Benefit communication → Benefit level satisfaction	.636	.018	35.205	.000
Benefit comparison → Benefit level satisfaction	.426	.023	18.439	.000
POS → Benefit comparison	.447	.030	14.814	.000
Indirect Effects				
Benefit communication → Benefit comparison	.163	.017	9.681	.000
Benefit communication → Benefit level satisfaction	.099	.010	9.585	.000
POS → Benefit level satisfaction	.191	.018	10.573	.000
Total Effects				
Benefit communication → Benefit comparison	.226	.020	11.236	.000
Benefit communication → POS	.507	.026	19.196	.000
Benefit communication → Benefit level satisfaction	.749	.017	44.547	.000
Benefit comparison → Benefit level satisfaction	.426	.023	18.439	.000
POS → Benefit comparison	.447	.030	14.814	.000
POS → Benefit level satisfaction	.191	.018	10.573	.000
Control variables				
Gender → Benefit level satisfaction	-.082	.037	-2.247	.025
Age → Benefit level satisfaction	-.062	.036	-1.696	.090

* STDXY solution in Mplus (Standardized solution)

Figure 1. Proposed model

