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Benefit flexibility and benefit satisfaction: Does employee's personality matter?

Purpose

Although previous studies have analyzed the affective reaction of employees towards benefits, results remain inconclusive. In this paper, we pay specific attention to the flexibility of benefit systems and analyze whether the effect of this flexibility on employee's benefit satisfaction is moderated by employees' personality traits.

Design/methodology/approach

The data of this study have been collected from a sample of 874 employees working in Spanish firms, through survey. The data were analyzed using partial least squares modeling.

Findings

The results of this study show how self-efficacy has a negative moderating effect on the relation between benefit flexibility and benefit level satisfaction. Similarly, we find a negative moderating effect of internal locus of control on the relationship between benefit flexibility and benefit determination satisfaction.

Research limitations/implications

Future studies should consider other personality traits that have an even stronger moderating effect.

Practical implications

This paper sheds some light on how the flexibility of benefit systems can be an effective source of satisfaction and what kind of employees can be more satisfied with them. For human resource managers, it is necessary to know how differently employees react to human

resource practices in order to be able to effectively adjust these practices to the appropriate employees.

Originality/value

This work contributes to human resource literature by analyzing some personality traits that may condition the effectiveness of benefit systems. In this sense, it responds to recent calls asking for more studies aimed at analyzing the role of the employees on the effectiveness of human resource practices.

Keywords

benefit systems, benefit flexibility, benefit satisfaction, self-efficacy, internal locus of control

Introduction

In recent years, benefits have showed to be an important determinant of employees' job satisfaction. For example, the results of the employee surveys conducted by the Society for Human Resource Management (SHRM) showed that, from 2002 to 2012, American employees considered benefits among the top six aspects that determine job satisfaction (Giancola, 2013). Despite the increasing importance of benefits, organizational researchers have paid little specific attention to employees' benefit satisfaction, compared to those studies that have analyzed this satisfaction as a part of a general construct of pay satisfaction. Although in previous years some studies, such as those of Williams et al. (2002; 2008), have tried to fill this gap, it is still necessary to analyze in depth the effect of benefit systems on employees' attitudes as well as the antecedents and dynamics of these relationships.

In this paper, we pay specific attention to the effect of the flexibility of employees' benefit system on benefit satisfaction. We consider that any benefit system that allows employees to make choices about the benefits they receive should be considered as a flexible benefit system, but also that the degree of choice may vary, thus making some benefit systems more or less flexible (Beam and McFadden, 2001). For example, firms could offer to their employees the opportunity to choose between different predefined benefit packages or firms could allow them to completely design the benefit package that they are going to receive. Thus, although both benefit systems are flexible, the latter has a higher degree of flexibility. By defining flexible benefit systems in this sense, we are different from those studies that have considered as flexible benefit systems only those that allow employees to choose their benefits by removing them from the cash they are going to receive (e.g. Barber et al., 1992; Barringer and Milkovich, 1998; Tremblay et al., 1998). For the purpose of this study, we consider that this kind of specific benefit system has the highest degree of benefit flexibility to the extent that it allows to choose the benefits as well as the percentage of cash and benefits that will compose their compensation.

A higher flexibility of the benefit system allows employees to choose those benefits that better fit with their personal necessities (Hillebrink et al., 2008) and increase the perception of equity (Cole and Flint, 2004). Thus, it is not surprising that the flexibility of benefit systems has been related to higher firm's capacity of attracting and retaining valuable employees (Lin et al., 2011). However, despite these presumed positive effects, previous studies have yielded contradictory and inconclusive results when trying to relate the flexibility of the benefit system to employees' satisfaction (Tremblay et al., 1998).

These contradictory and inconclusive results show that the relationship between the degree of benefit flexibility and employees' satisfaction with their benefits can be more complex, so it is necessary to understand in depth the nature of this relationship. In order to clarify the antecedents of benefit satisfaction, some scholars have highlighted the necessity of considering some moderating factors (Arnold and Spell, 2006). Taking into account that not all employees are similar, it could be necessary to match the type of benefit system to individuals' personality or needs (Mitchell and Mickel, 1999).

Scholars have highlighted the necessity of analyzing the fit between employees and human resource practices in order to ensure the effectiveness of such practices (e.g., Paawe and Boselie, 2005). Person-organization fit approach considers the degree of fitness between employees and the organization in which they work. From a needs-supplies perspective, this fit occurs when 'an organization satisfies individuals' needs, desires or preferences' (Kristof, 1996: 3). According to this view, as individuals' characteristics fit with the compensation system, the satisfaction of employees should be greater. In this sense, previous studies drawing for self-selection literature have noted that individuals select a specific compensation scheme based on his or her perceived desirability compared to other compensation options. For example, Cable and Judge (1994) found that risk aversion is a significant predictor of a preference for fixed pay, whereas Kuhn and Yockey (2003) found that variable pay tends to

attract to individuals with high self-efficacy. Similarly, pay for performance has shown to be more attractive to employees with a higher cognitive ability (Trank et al., 2002), to those having a need for achievement (Bretz et al., 1989), or to those having more risk aversion (Cadsby et al., 2007).

In this study we paid attention to the effect of self-efficacy and internal locus of control. Both are psychological constructs that represent individuals' subconscious, fundamental evaluations about their own abilities and their own control respectively, and they are more likely generalized to the workplace (Judge et al., 1997). For this reason, even some scholars have defended that this kind of psychological constructs, based on self-evaluations, such as self-efficacy and locus of control, can do a much better job when analyzing employees' satisfaction than other personality traits such as the big-five (e.g., Judge et al., 2008). Another important reason justifying the focus on self-efficacy and locus of control is that they are more susceptible of being modified by managers' interventions (Wu et al., 2015), contrary to more stable personality traits such as the big-five personality traits (Cobb-Clark and Schurer, 2012). In this paper we focus on the moderating effect of these two individuals' personality characteristics, on the relationship between benefit flexibility and two dimensions of benefit satisfaction: benefit level satisfaction and benefit determination satisfaction.

Thus, we contribute to human resource literature by analyzing some personality traits that may condition the effectiveness of benefit systems. By considering personality factors as moderating factors, we highlight the necessity of considering the individual characteristics of employees in order to completely understand whether the effect of benefit flexibility is stronger (or weaker) on some employees. In this sense, we respond to recent calls asking for more studies aimed at analyzing the role of the employees on the effectiveness of human resource practices (Paauwe et al., 2013). Although some previous studies have also contributed to these calls by analyzing how some employees' traits, such as age, can moderate the relationship

between human resource practices and their effectiveness (e.g., Innocenti et al., 2013), those studies using personality characteristics as moderators are more scarce.

Benefit satisfaction and benefit flexibility

One of the main reasons underlying firms' decisions to provide benefits to their employees is that associated with increasing employees' compensation satisfaction (Harris and Fink, 1994). Miceli and Lane (1991: 246) defined compensation satisfaction as 'the amount of overall positive or negative affect (or feelings) individuals have towards their pay'. Compensation satisfaction has shown to have a critical influence on the overall job satisfaction and can affect employees' attitudes and performance (Lawler, 1981; Williams et al., 2002). In order to make more focused-oriented analyses about the antecedents and consequences of compensation satisfaction, previous studies have usually distinguished between two compensation forms: pay versus benefits (e.g. Williams et al., 2008). In this paper, we focus our attention on benefit satisfaction.

Benefit satisfaction has drawn some research attention in recent years (Dulebohn et al., 2009). Studies analyzing antecedents of benefit satisfaction have been focused on both factors related to the individual and factors related to the design of the benefit system. Studies focusing on individual factors have considered how some demographic as well as personality traits of individuals can influence benefit satisfaction (e.g. Kim et al., 2008; Tremblay et al., 1998). Studies analyzing factors related to the design of the benefit system have been focused on aspects such as how firms supply information about benefits (e.g. Tremblay et al., 1998) or the employee participation and involvement in the design of the benefit system (e.g. Tremblay et al., 1998; Williams et al., 2002; Williams et al., 2008).

In this paper, we mainly focus on a specific antecedent of benefit satisfaction—the flexibility of the benefit system. The current changing business environment has contributed to a new

labor scenario where the flexibility of labor conditions and human resource practices has become critical. This situation requires firms being able to continuously adapt themselves to the changing demands (Paauwe et al., 2013). Firms are composed of heterogeneous employees with different attitudes and needs, which can make employees' perceptions about organizational human resource decisions really different (Webb Day et al., 2014). As a consequence, the adoption of human resource practices that are equally effective for all the employees is becoming difficult. Work relationships are changing from a traditional system based on long-term and stable labor conditions towards a more individualized system that looks after the mutual satisfaction and continuous adaptation to the demands of the implied agents (Finegan, 2000). If we additionally consider the high percentage that human resource costs can imply for firms, it seems clear that firms need to increase their efficiency by adopting human resource practices that can be adjusted to the specific conditions of each situation in order to ensure their efficacy.

Previous studies have tried to analyze to what extent the adoption of flexible benefit systems have influenced the satisfaction of employees. Williams et al. (2008) found a significant relationship between employee perceptions of the amount of benefit choice and benefit determination satisfaction, whereas Tremblay et al. (1998) did not find any relationship between the perception of involvement in decisions related to benefits and benefit satisfaction. By focusing specifically on the adoption of those benefit plans that allow employees to freely choose benefits by removing them from the cash they are going to receive, Barber et al. (1992) found that the adoption of these benefit plans increased the employees' benefit satisfaction. However, Tremblay et al. (1998) found that employees having those kinds of plans are less satisfied than employees having a fixed plan, but once these flexible plans exist, employees are more satisfied, as the flexibility of the plan is increased.

Taking into account these inconclusive results on the effect of flexibility on benefit satisfaction, studies focusing on compensation satisfaction have considered it as a multidimensional construct (Heneman and Schwab, 1985; Williams et al., 2008). The logic underlying the necessity of considering several benefit satisfaction dimensions is that employees may develop affective feelings towards their level of pay as well as to the system that is used to deliver the pay. For this reason, Miceli and Lane (1991) distinguished two benefit satisfaction constructs: satisfaction with benefit level and satisfaction with the benefit system.

Research hypotheses

Benefit flexibility and benefit level satisfaction

Benefit level satisfaction refers to the satisfaction of employees with the amount of benefits that they receive. Previous studies analyzing the factors that influence the benefit level satisfaction have been mainly focused on the quantitative nature of the benefits. In this sense, the comparison between what employees think about the benefits that they receive and what they think about the benefits that some other referent groups receive has shown to have an important influence on benefit level satisfaction (Williams et al., 2002). Although we do not deny the importance of these findings, we consider that the qualitative nature of the received benefits—the type of benefits that employees receive—can also influence the way these benefits are perceived. For this reason, we focus on the effect of benefit flexibility on benefit level satisfaction.

Drawing on expectancy theory (Vroom, 1964), it is expected that benefits induce higher satisfaction where two conditions are held. The first condition is that employees must place value on the benefits that they receive. In other words, the benefits that employees receive must possess sufficient valence that deserves the effort to obtain it. In this sense, if the benefits were decided by the organization, employees could not be especially satisfied with them because

they did not cover a real need. Imagine, for example, that an organization offer a restaurant ticket to an employee who prefers to have a meal at home. In this case, the employee may be not satisfied by the level of the benefits, not because of the quantitative nature of the benefits but because of the qualitative nature of them. However, to the extent that benefits are freely chosen by the employees, it is expected that employees will choose those benefits that really have some value for them. Thus, benefit flexibility should produce a higher benefit level satisfaction.

However, the second condition of expectancy theory is that employees must perceive that greater effort will lead to better performance, and consequently it must be awarded by a higher reward. This implies that the perceived contribution of employees may influence how they assess the benefits that they received, and consequently, this perception may influence the satisfaction that these benefits produce. For this reason, we consider that employees' self-efficacy may influence the relationship between benefit flexibility and benefit level satisfaction.

Having high self-efficacy implies that employees perceive they have enough ability and capacity to perform the job, and consequently, they perceive that they are going to have a high performance (Bandura, 1982). Previous studies analyzing the affective reaction of employees have concluded that self-efficacy increased employee commitment and job satisfaction to the extent that employees react positively when they perceive that they are able to effectively perform the assigned task (Bradley and Roberts, 2004).

However, the effect of self-efficacy on pay satisfaction is not so conclusive. Mulki et al. (2008) found a positive influence of self-efficacy on pay satisfaction. They justified this result by stating that employees with high self-efficacy view their compensation as a fair reflection of their efforts, and thus, they are satisfied with the pay they receive. However, Kim et al. (2008),

found the opposite effect, that is, a negative influence of self-efficacy on pay satisfaction. In this case, they justified that, although highly self-efficacious individuals are more prone to exhibit high performance, they are also more likely to perceive pay inequity.

In order to shed light to the effect of self-efficacy on compensation satisfaction, we analyze the moderating effect of this variable in the relationship between benefit flexibility and benefit level satisfaction.

According to equity and expectancy theories, high-performing individuals have higher compensation or reward expectations for their contributions (e.g., Adams, 1965; Lawler, 1981). By following this logic, employees having low self-efficacy should expect a lower reward, because their performance will be lower than the performance of more valuable coworkers. In this situation, a higher flexibility in their benefit system can be assessed by these workers with low self-efficacy as a way to improve the quality of their salaries. Although these employees expect a lower reward, they can feel that they receive those that better cover their needs. In this sense, employees may feel that the organization has a greater concern for them and makes a greater effort in rewarding them.

Thus we propose

> *Hypothesis 1*: Employees' self-efficacy moderates the relationship between the benefit flexibility and benefit level satisfaction in such a way that the effect is weaker when the employees' self-efficacy is high rather than low.

Benefit flexibility and benefit determination satisfaction

Benefit system satisfaction refers to the employees' satisfaction with the procedures and processes that are used to deliver benefits. Furthermore, Williams et al. (2008) considered that the benefit system satisfaction construct can be extended to distinguish between the benefit

administration satisfaction and the benefit determination satisfaction. On the one hand, the benefit administration satisfaction refers to the employees' feelings towards the procedures used to administer their benefits (Williams et al., 2008). For example, the employees' satisfaction with the information that they received about their benefit programs would be included within this dimension. On the other hand, benefit determination satisfaction reflects 'the individual's satisfaction with the procedures that are used to determine the benefits that are received' (Williams et al., 2008: 643). In this paper, we will focus on the latter specific dimension of the benefit satisfaction system.

Drawing on procedural justice theories, studies have showed that benefit satisfaction is influenced by the degree of fairness that employees perceive in the means and procedures the organization uses to determine the benefits (e.g. Tremblay et al., 1998; Williams et al., 2008). In this sense, Williams et al. (2008) found that the degree of employees' control to choose a specific compensation form or the degree of participation in the design of their compensation system has a positive influence on benefit determination satisfaction. The reason underlying this argument is that, as employees have more freedom to decide about their benefit system, they will perceive it as more fair, and as a consequence, it will produce a higher satisfaction. However, we consider that this assumption cannot be applied for all employees.

In this sense, we propose that the consideration of employees' locus of control might be important in order to determine the effect that the flexibility of the benefit systems may have on employees' benefit determination satisfaction. Individuals having low internal locus of control have shown to be more sensitive to the support provided by their organizations. For these employees, both the performance and the reward that they can obtain from their job are not under their control, and consequently, they can be unpredictable (Rotter, 1990). As these individuals perceive that their organizational environment determines what happens to them, they tend to have a more positive assessment about those organizational actions that are

perceived to increase their well-being (Chiu et al., 2005; Aubé et al., 2007). In this sense, we propose that to the extent that benefit flexibility allow employees to decide about their benefit systems as well as to adapt them to their own needs, employees having low locus of control can feel that the organization cares about their well-being, and consequently, they can feel a greater gratitude. Conversely, individuals with high internal locus 'believe they can control a broad array of factors in their lives' (Judge and Bono, 2001: 80). Internals, contrary to externals, consider that outcomes are under their control. In this sense, they tend to perceive that the retribution that they receive, or the way that it is determined, is consequential to their own action rather than to the benevolence of the organization (Harvey et al., 1974). Thus, as internal locus of control is higher, it reduces the feeling of gratitude and obligation towards the organization (Harris, 2005), and as a result, it may weaken the strength of the effect of benefit flexibility on benefit determination satisfaction. Therefore, we propose:

> *Hypothesis 2*: Employees' internal locus of control moderates the relationships between the benefit flexibility and benefit determination satisfaction in such a way that the effect is weaker when employees' internal locus of control is high rather than low.

Methodology

Sample

In order to test our hypotheses, data were collected through a structured questionnaire that was allocated in a website by the company Edenred. Our final sample was composed by 874 employees from 417 different Spanish firms. We limited our research to Spanish firms to remove any possible distortion arising from the biases that various labor regulations might introduce. We ensured that all the employees receive some kind of benefits as part of their pay. As a sample of the benefits that firms offer to their workers, we asked employees to indicate up to three of the most important benefits that they receive. Table 1 shows how the most

received benefit is that relating to the funding of meals, mainly by offering restaurant tickets. The second in importance is the funding of a private health insurance, followed by the funding of transportation to the workplace.

INSERT TABLE 1 ABOUT HERE

Measure

The dependent variables, benefit level satisfaction, and benefit determination satisfaction were measured using four and three items, respectively, with five Likert-type response options, from the Comprehensive Compensation Satisfaction Questionnaire (CCSQ) developed by Williams et al. (2008).

With regard to explanatory variables, in order to measure benefit flexibility, employees had to indicate which of the following four kinds of benefit systems was better for describing the benefit system that they received from their firm: (1) unique and similar for all the employees, (2) employees can choose between different pre-defined benefit packages, (3) employees can choose the benefits that comprise their package, (4) employees can choose the amount of their compensation that will be paid with benefits as well as the kind of benefits that they receive.

Self-efficacy was measured using a four-item scale with five Likert-type response options adapted from the scale developed by Chen et al. (2001). Internal locus of control was measured using a three-item scale adapted from the work locus of control scale developed by Spector (1988).

Additionally, we added two control variables to the model. Firstly, we included benefit comparison, that is, the extent to what employees perceive that their benefits compare favorably with those of referent others. Previous studies have found a positive influence of this construct

on benefit level satisfaction (e.g. Williams et al., 2002; Williams et al., 2008). We measured benefit comparison using a six-item scale with five Likert-type response options used by Williams et al. (2002).

Finally, benefit determination satisfaction has shown to be related to the degree of knowledge that employees have about their benefit systems (e.g. Tremblay et al., 1998). For this reason, we included benefit communication as a control variable to our model. We measured benefit communication using a six-item scale with Likert-type response options used by Williams (1995).

All the items used in this study are summarized in Table 2.

Data analysis

We applied to the design of our study some procedural techniques to control the problem of common method biases proposed by Podsakoff et al. (2003). Specifically, we used different scale endpoints and forms for some of the predictor and criterion measures. In this sense, our explanatory variable, benefit flexibility, was measured as a scale that asked employees to choose between four different kinds of benefit systems. However, dependent variables related to benefit satisfaction were measured with five-point Likert-type scales. Otherwise, common method variance (CMV) is more likely to be a problem in models that are simple (Chang et al., 2010). Adding moderating terms to our model is presumed to reduce CMV to the extent that respondents can have more difficulties in detecting what relationship is trying to be analyzed by the survey.

Finally, we conducted a post-hoc Harman one-factor analysis to check the existence of common method bias. All self-report indicators were loaded together into a single exploratory factor analysis. A single factor emerging from the factor analysis would imply that CMV is

present. The results showed five factors with an Eigenvalue greater than one, and no single factor explained most of the variance (the variances explained ranged from 8.44% to 19.42%), which is consistent with the absence of a significant CMV.

Our hypotheses were tested using Partial Least Squares analysis (PLS) by using the statistical program SmartPLS (Ringle et al., 2005). PLS models have two components: a) a measurement model, which includes the unidirectional predictive relationships between each construct and its associated observed indicators, and b) an inner model, which shows the paths between the constructs (Hair et al., 2011). Before testing our hypotheses, we assessed the reliability of the measurement model by evaluating both convergent and discriminant validities.

INSERT TABLE 2 ABOUT HERE

First, all the items had a significant outer loading greater than 0.70, which ensured a high degree of individual item reliability (Hulland, 1999). Similarly, the Cronbach's Alpha for all constructs had values that exceeded the minimum of 0.70 (Hair et al., 2006). This information is summarized in Table 2. In addition, we evaluated convergent validity. The average variance extracted (AVE) for all constructs exceeded the minimum of 0.50. On the other hand, the discriminant validity of each construct was assessed by testing for and confirming that the square roots of the average variances extracted were greater than all corresponding correlations (Fornell and Larcker, 1981), as shown in Table 3.

INSERT TABLE 3 ABOUT HERE

Finally, an analysis of variance (ANOVA) test did not show any significant differences in both benefit level satisfaction and benefit determination satisfaction, related to some demographic

characteristics (specifically the gender of the sample) and the fact of having a managerial position.

Results

Table 4 shows the PLS and bootstrapped results for the model.

INSERT TABLE 4 ABOUT HERE

By focusing on the predictors of benefit level satisfaction, we find that benefit flexibility is positively related to benefit level satisfaction, but this relationship is negatively moderated by employees' self-efficacy. However, to the extent that the coefficient of the interaction term is weakly significant ($p < 0.10$), we can only find a moderated support for Hypothesis 1. We plotted this interaction effect using the procedures outlined in Aiken and West (1993). Figure 1 represents the resulting graph. The figure shows that, although employees having high self-efficacy present a high benefit level satisfaction, the effect of flexibility on this satisfaction is greater when individuals present low levels of self-efficacy.

INSERT FIGURE 1 ABOUT HERE

On the other hand, by focusing on the predictors of benefit determination satisfaction, we find that benefit flexibility is positively related to benefit determination satisfaction, but this relationship is negatively moderated by employees' internal locus of control. This result supports our Hypothesis 2. We plotted this interaction effect, and Figure 2 represents the resulting graph. The figure shows that, although employees having high internal locus of control present a high benefit determination satisfaction, the effect of flexibility on this satisfaction is stronger when individuals present low levels of internal locus of control.

INSERT FIGURE 2 ABOUT HERE

Additionally, we calculate the f^2 statistic, following Cohen (1988), in order to determine the effect size of the interaction effects. Results show a weak effect size for the interaction effect of flexibility and self-efficacy ($f^2 = 0.003$), and for the interaction effect of flexibility and locus of control ($f^2 = 0.002$). However, according to Chin et al. (2003), a low effect size does not necessarily imply that the underlying moderator effect is negligible[1].

Finally, regarding control variables, benefit comparison is positive and significantly related to the benefit level satisfaction. Similarly, benefit communication is positive and significantly related to benefit determination satisfaction. These results are in line with previous studies that have analyzed the effect of these variables.

Discussion

The contingent perspective of strategic human resource management has highlighted the necessity of considering the context when analyzing the effectiveness of human resource management systems and practices (e.g., Arthur, 1994; Huselid, 1995). Most of these studies have focused on the fit between these practices (or systems) to some organizational or environmental factors, such as the general strategy of the firm. However, to the extent that these practices are applied to the employees, some researchers are demanding for more studies analyzing the role of the employees on the effectiveness of human resource practices (e.g., Paauwe et al., 2013). The main reason explaining this necessity is the fact that organizations

[1] In order to test the robustness of the results, we conducted two OLS regressions for our two dependent variables. Although our variables do not follow a normal distribution (which could bias the results), we find very similar results compared to PLS analysis. The moderation effect of locus of control on the relationship between benefit flexibility and benefit determination satisfaction is statistically significant ($\beta = -2.060$; $p < 0.05$). However, the moderation effect of self-efficacy on the relationship between benefit flexibility and benefit level satisfaction is not statistically significant ($p = 0.154$).

have to face with diverse employees that, as a consequence, can have different responses to the same practices.

This paper responds to this call and it focuses on a specific human resource practice and on a specific characteristic of it - the flexibility. Although the effect of the flexibility of benefits systems on compensation satisfaction had been previously considered (e.g., Barber et al., 1992; Tremblay et al., 1998; Williams et al. 2008), the results were not conclusive. Contrary to these previous studies, which only considered the direct influence of flexibility on satisfaction, this paper contributes to the literature on compensation satisfaction by adopting an interactionist approach, attributing benefit satisfaction to an interaction between situational (benefit flexibility) and dispositional factors (self-efficacy and locus of control). That is, our results show that in order to fully understand the relationship between benefit flexibility and benefit satisfaction it is necessary to consider the personalities of the employees that receive the benefits.

Firstly, we contribute to the previous contradictory analyses on self-efficacy and compensation satisfaction (e.g., Kim et al., 2008; Mulki et al., 2008) by showing that self-efficacy has a negative moderating effect on the relationship between benefit flexibility and benefit level satisfaction. Thus, self-efficacy reduces the positive effect of benefit flexibility on benefit level satisfaction. This result is consistent with the positive direct relationship between self-efficacy and benefit level satisfaction. These results imply that, as employees perceive that they are good enough to perform a job, they are more satisfied with the benefits that they receive, but the fact of having the opportunity of selecting them is less relevant. According to previous studies, the fact that employees perceive a high capacity is usually related to a high job satisfaction, to the extent that they feel competent in performing the job (Judge and Bono, 2001). If employees perceive that they have a high capacity, it is possible that they actually have a good job performance, which will mean that they expect to receive a level of benefits

that is enough satisfying for them. However, employees having low self-efficacy may perceive that they have had a poor performance, and consequently, they may not expect a high reward. To the extent that they will not expect a high reward, it can be worthier for them to have the opportunity of receiving a reward that fits with their personal necessities. Nevertheless, the weak support for this hypothesis makes us be cautious with this conclusion.

Secondly, we found that internal locus of control has a negative moderating influence on the relationship between benefit flexibility and benefit determination satisfaction. This implies that the satisfying effect of flexibility is strong for those employees with a feeling of low control on a broad array of factors in their lives. For these employees, it can be more positively assessed to have the opportunity of deciding about their benefit systems. This result seems to show that employees who think they have complete control over their environment, that is, employees with high internal locus of control, assess the opportunity of determining their benefit systems to a lesser degree than employees with low internal locus of control, to the extent that they consider this is not a privilege that the firms offer to them, but something that they feel they have or they should have.

Practical implications

Similarly, these results can have some implications for human resource managers. Taking into account the importance that human resource costs may imply for the total operating costs, firms need to adopt more efficient human resource practices. In this sense, this paper shows how the effectiveness of the flexibility of benefit systems depends on some psychological constructs based on employees' self-evaluations. Although we recognize that our results do not show a strong moderating effect, they highlight that the effectiveness of benefit flexibility is related to the employees' self-efficacy and locus of control.

According to our results, although individuals with high self-efficacy and internal locus of control show a higher satisfaction with benefits, the effect of the benefit flexibility on benefits satisfaction is higher for employees having low self-efficacy and external locus of control. This is important because it would allow managers to enhance the benefit satisfaction of their employees in two ways: by increasing the benefit flexibility or by influencing employees' self-efficacy and locus of control. In this sense, past research has shown that managers can influence employees' self-efficacy and locus of control through selection (Aubé et al., 2007), by intervening in job design (Wu et al., 2015), or by some efficacy interventions (Vancouver and Day, 2005). Additionally these results could allow managers to decide about adopting, or not, more flexible benefit systems. According to our study, managers must be conscious that with this kind of benefit systems they could only increase the benefit satisfaction of their employees who have low self-efficacy and external locus of control.

Limitations and future directions

Firstly, although the variation in the labor legislation among countries requires the focus of analysis on one country, future research replying the study in other context is necessary to increase the robustness of the results. Secondly, we analyze two specific personality traits of employees as moderators of the relationship between benefit system flexibility and benefit satisfaction. Although these traits have some moderating influence on the relationship between benefit flexibility and benefit satisfaction, the low effect size of such interaction effects make us conscious that future studies could consider other traits that have a stronger moderating effect. Additionally, an interesting extension to our study would be to analyze other organizational factors, such as the organizational culture or the sector of the firms as moderators of the relationship between benefit flexibility and benefit satisfaction.

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Table 1. Top Five Benefits that Are Received by the Sampled Employees[a]

Benefits type	**Number of employees that receive the benefit**
Restaurant tickets	405
Health insurance	263
Transportation	124
Funding for kindergarten	101
Life insurance	33

[a] 641 employees that indicate up to three benefits that they receive

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Table 2. Survey Scales

Self-efficacy Cronbach's alpha = 0.879	1. When facing difficult tasks, I am certain that I will accomplish them.	0.836
	2. In general, I think that I can obtain outcomes that are important to me.	0.876
	3. I believe I can succeed at most any endeavor to which I set my mind.	0.875
	4. Even when things are tough, I can perform quite well.	0.831
Internal locus of control Cronbach's alpha = 0.803	6. Promotions are given to employees who perform well on the job.	0.879
	7. People who perform their jobs well generally get rewarded for it.	0.908
	8. Most employees have more influence on their supervisors than they think they do.	0.751
Benefit level satisfaction Cronbach's alpha = 0.933	1. My benefit package	0.907
	2. Amount the organization pays toward my benefits	0.910
	3. The value of my benefits	0.926
	4. The number of benefits I receive	0.909
Benefit determination satisfaction Cronbach's alpha = 0.902	1. The say I have in the benefits I receive	0.921
	2. Employee involvement in benefit planning	0.926
	3. The choice employees have in the benefits they receive	0.896
Benefit comparison	1. Compared with others working for this company, the level of benefits I currently receive is . . .	0.704
	2. Compared with others in my job category at this company . . .	0.715

Cronbach's alpha = 0.886	3. Compared with others in my job category outside of this company . . .	0.875
	4. Compared with others I know with similar abilities and training . . .	0.870
	5. Compared with others my age . . .	0.857
	6. Compared with others with my level of seniority . . .	0.753
Benefit communication Cronbach's alpha = 0.946	1. My benefit coverage is explained clearly to me.	0.883
	2. Time is taken to explain the benfit program to employees.	0.896
	3. The benefit coverage provided by this organization is explained to employees.	0.893
	4. I have a clear knowledge of the benefits that are provided to me by this organization.	0.921
	5. I can list all the benefits provided to me by this organization.	0.863
	6. I understand the benefits that are provided to me.	0.867

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Table 3. Correlations and Square Root of AVE for the Measures[a]

	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Benefit level satisfaction	3.49	0.93	**0.913**						
(2) Benefit determination satisfaction	3.13	1.01	0.748**	**0.914**					
(3) Benefit flexibility	2.07	1.12	0.061	0.215**	**1.000**				
(4) Self-efficacy	4.21	0.61	0.101**	0.061	-0.030	**0.855**			
(5) Internal locus of control	2.93	0.86	0.352**	0.311**	-0.005	0.147**	**0.849**		
(6) Benefit comparison	3.23	0.66	0.485**	0.349**	-0.053	0.013	0.244**	**0.799**	
(7) Benefit communication	3.71	0.94	0.662**	0.585**	0.136**	0.119**	0.286**	0.296**	**0.887**

[a]Numbers shown in boldface denote the square root of the average variance extracted.

**$p < .01$, two-tailed tests. Sample size 874

Table 4. Results of PLS Analyses[a]

Variables	Benefit level satisfaction		Benefit determination satisfaction	
	Model 1	Model 2	Model 3	Model 4
Benefit flexibility	0.089***	0.089**	0.145***	0.145***
Self-efficacy	0.097***	0.097***		
Internal locus of control			0.163***	0.163***
Flexibility X Self-efficacy		-0.042†		
Flexibility X locus of control				-0.036*
Benefit comparison	0.488***	0.488***		
Benefit communication			0.518	0.519***
R^2	0.252	0.254	0.385	0.386

[a] †$p < 0.10$ *$p < 0.05$ **$p < 0.01$ ***$p < 0.001$ Two-tailed tests.

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Figure 1. Interaction of Benefit Flexibility and Self-efficacy on Employees' Benefit Level Satisfaction

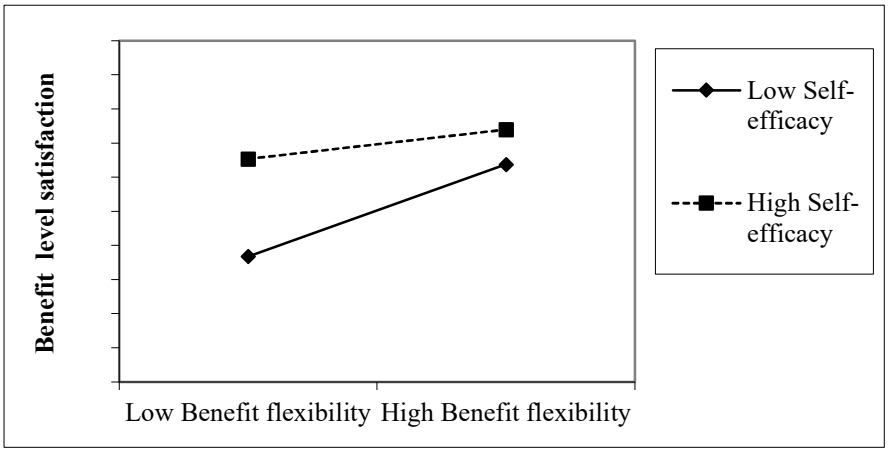

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Figure 2. Interaction of Benefit Flexibility and Internal Locus on Control on Employees' Benefit Determination Satisfaction