

Employees are satisfied with their benefits, but so what? The consequences of benefit satisfaction on employees' organizational commitment and turnover intentions

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Firms are increasing their efforts to offer benefits that satisfy their employees. However, the attitudinal and behavioral consequences of such satisfaction remain unclear. This article draws on the social exchange perspective and organizational support theory to examine the consequences of three dimensions of employees' benefit satisfaction on organizational commitment and turnover intention, by considering the mediating effect of perceived organizational support (POS). A hypothesized model is developed and tested using partial least squares analysis on a sample of 870 employees working in Spanish firms. The results show that three dimensions of benefit satisfaction contribute to the development of POS, and that POS mediates their effects on organizational commitment. However, only benefit determination and benefit administration satisfaction have an effect on turnover intention, through the mediation of POS and organizational commitment.

Keywords: benefits; benefits satisfaction; perceived organizational support; organizational commitment; turnover intention

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Introduction

Employees' satisfaction, and specifically their satisfaction with their reward, is key in influencing their affective reaction toward the firm, and consequently, in influencing their behavior (Lawler, 1981; Williams, Malos, & Palmer, 2002). For this reason, previous studies have analyzed the effect of compensation satisfaction on aspects of employees' attitude and behavior such as organizational commitment (e.g., Baran, Shanock, & Miller, 2012; Dinç, 2015; Jayasingam & Yong, 2013; Miceli & Mulvey, 2000), job satisfaction (e.g., Hofmans, De Gieter, & Pepermans, 2013; Schreurs, Guenter, Van Emmerik, Notelaers, & Schumacher, 2015; Witt & Nye, 1992), and turnover intention (e.g., Schreurs, Guenter, Schumacher, Van Emmerik, & Notelaers, 2013; Tekleab, Bartol, & Liu, 2005). However, the research on compensation satisfaction has some limitations.

First, research on compensation satisfaction has mainly been focused on satisfaction with monetary pay (De Gieter & Hofmans, 2015; Dulebohn, Molloy, Pichler, & Murray, 2009). However, previous studies have highlighted the fact that employees' attitudes and behavior are influenced not only by their monetary pay but also by other benefits that complement their salary (Milkovich & Newman, 2007; Schlechter, Thompson, & Bussin, 2015). The lack of studies focused on these other benefits is a limitation when we consider the importance of this component of employees' compensation. Indeed, a report about job satisfaction and engagement conducted by the Society for Human Resource Management (SHRM) showed that in 2015 American

employees considered benefits among the top three factors that determined their job satisfaction, and the second most important reason for staying in or leaving their current organization (SHRM, 2016). Furthermore, the importance of benefits has not been denied by practitioners, and it is considered by them to be a major area of interest (Deadrick & Gibson, 2007) because, among other reasons, benefits constitute an important part of an organization's labor cost (Hewitt Associates, 2002; US Chamber of Commerce, 2007). This paper addresses this shortcoming in the literature by paying specific attention to the consequences of employees' satisfaction with their benefits. Specifically, we analyze the effect of this satisfaction on two important employee outcomes – affective organizational commitment and turnover intention.

Secondly, most previous studies analyzing the consequences of compensation satisfaction have not considered its multidimensional nature (Dulebohn et al., 2009). This paper overcomes this limitation by focusing on three dimensions of benefit satisfaction (Williams, Brower, Ford, Williams, & Carraher, 2008): benefit level, benefit determination, and benefit administration satisfaction.

Thirdly, although previous studies have mainly analyzed the direct effect of satisfaction compensation on certain employee outcomes (e.g., Hofmans et al., 2013; Schreurs et al., 2013), it is necessary to include variables that potentially intervene between satisfaction constructs and outcomes (Williams et al., 2002). For this reason, we consider not only the direct influence of benefit satisfaction on organizational commitment and turnover intention, but also the intervening effect of the perception of organizational support (POS) on these relationships. In doing this, we contribute to research on rewards, and, specifically, on benefits, by providing a more in-depth

understanding of the consequences of being satisfied with an organization's benefits system.

Finally, previous studies are mainly focused on North American firms, with studies focused on continental Europe being scarcer (Baeten & Verwaren, 2012). The fact that in many European countries the state offers broad social coverage has meant that benefits have not traditionally been part of employees' compensation. This means that it is not as common for firms to offer benefits to their employees in European countries as it is in the US. Hence, how European employees assess their employer's benefits system and how this assessment influences their perception of the organization, can be different from the results for US employees. Similarly, the attitudes and behavior of employees can also be conditioned by the fact that the state offers some benefits to all citizens. This means that how satisfaction with the employer's benefit system influences the intention to leave the organization can differ between these European countries and the US, where the state does not offer broad social coverage. For this reason, this study is focused in Spain and analyzes whether the mechanisms through which benefits influence employees' attitudes and behavior are similar to those identified by previous studies conducted in the US, or whether employees' reactions depend on the cultural context.

Research literature

Compensation satisfaction refers to the overall positive or negative feelings that employees develop towards the reward that they receive from their firm (Miceli & Lane, 1991). Compensation satisfaction has traditionally received great attention from researchers, who have studied the extent to which it influences employees' attitude and performance (Lawler, 1981). The broad definition of compensation satisfaction

encompasses both satisfaction in respect of direct compensation (e.g., salaries and wages) and satisfaction in respect of the indirect compensation or benefits that employees receive (e.g., insurance, pension, paid leave, or other miscellaneous services; Heneman & Schwab, 1985). However, these two dimensions have received different amounts of attention in previous studies. Despite the growing importance of benefits within employee compensation systems, organizational researchers have generally paid more attention to pay satisfaction, and empirical research on benefit satisfaction is scarcer (Arnold & Spell, 2006).

In addition, the few studies that have focused specifically on benefit satisfaction have reached conflicting conclusions, mainly when trying to explain the antecedents and consequences of benefit satisfaction (e.g., Davis & Ward, 1995; Jawahar & Stone, 2011; Martin & Bennett, 1996; Tremblay, Sire, & Pelchat, 1998; Tremblay, Sire, & Balkin, 2000). One of the reasons for these contradictory results is that most of these studies have relied upon an aggregate measure of benefit satisfaction. Since the seminal work of Heneman and Schwab (1985), it has been broadly accepted that employees can develop affective feelings toward their level of pay (or outcome), as well as toward the system used to deliver their pay (Miceli & Mulvey, 2000; Williams et al., 2008). However, although Miceli and Lane (1991), drawing on the work of Heneman and Schwab (1985), started to suggest that benefit satisfaction should also be considered as a multidimensional construct, until the work of Williams et al. (2002) empirical research examining benefit satisfaction by considering its multidimensional nature was scarce.

Benefit satisfaction is composed of two constructs: benefit level satisfaction and benefit system satisfaction. Benefit level satisfaction refers to the satisfaction of employees with the amount of benefits they receive. On the other hand, Miceli and Lane

define benefit system satisfaction as 'how well the system by which the benefits are administered results in a favorable reaction by the employee' (1991, p. 298). Furthermore, according to Williams et al. (2008), benefit system satisfaction encompasses both satisfaction with the way benefits received by employees are determined (benefit determination satisfaction) and the way in which such benefits are administered (benefit administration satisfaction).

The distinction between these different dimensions is important because they have different conceptual bases (Miceli & Lane, 1991). According to Miceli and Lane's framework, benefit level satisfaction is driven by environmental factors that firms cannot easily control, such as taxes, inflation and interest rates. Similarly, taking into account the costs of benefits and the different individual needs of employees, a mere rise in benefit level may not lead to the intended organizational improvements. However, benefit system satisfaction is related to the functioning of internal administrative systems, which can be more easily controlled by the firm. For example, firms can make it easier for employees to use their benefits, or they can increase employees' knowledge about their benefits (Miceli & Lane, 1991). As a consequence, previous studies have found that these constructs can be explained by different antecedents. For example, based on distributive justice literature, employees' perception of how favorable their benefits are, in comparison to the benefits received by referent others, has been shown to be related to benefit level satisfaction (Williams, 1995; Williams et al., 2002; Williams et al., 2008). On the other hand, based on procedural justice, the degree of benefit choice offered to employees has been shown to be related to benefit determination satisfaction (Williams et al., 2008). Finally, based on transaction cost theory, the efficiency of benefit reimbursements has been shown to be related to benefit administration satisfaction

(Williams et al., 2002; Williams et al., 2008). Taking this into account, it is necessary to consider the three dimensions of benefit satisfaction when analyzing the consequences of benefit satisfaction on employees' attitudes and behavior.

Hypotheses

In this paper, we analyze the consequences of the three benefit satisfaction dimensions on employees' attitudes and behavior. Specifically, we analyze their effect on employees' organizational commitment and turnover intentions.

Benefit satisfaction and organizational commitment

Organizational commitment can be defined as 'the relative strength of an individual's identification with and involvement in a particular organization' (Mowday, Steers, & Porter, 1979, p. 226). More specifically, Meyer and Allen (1991) consider the affective components of an employee's commitment (in contrast to continuance and normative commitment) to be the employee's emotional attachment to, identification with, and involvement in the organization. Organizational commitment is an important variable that can influence how loyal employees are to their organizations, and, as a consequence, it can determine whether the employees behave in a positive or a negative way (e.g., Mathieu & Zajac, 1990; Meyer, Stanley, Herscovitch, & Topolnysky, 2002).

On the other hand, perceived organizational support (POS) refers to the extent to which employees believe that the organization values their contribution and cares about their well-being (Eisenberger, Huntington, Hutchison, & Sowa, 1986). According to organizational support theory, such perceptions determine the emotional commitment of employees to their organization (Eisenberger et al., 1986; Shore & Shore, 1995). The presumed positive relationship between POS and organizational affective commitment

has been confirmed by previous studies (Loi, Hang-Yue, & Foley, 2006; Rhoades & Eisenberger, 2002; Wayne, Shore, Bommer, & Tetrick, 2002).

Human resources practices, mainly those such as compensation that are oriented towards enhancing employee motivation (Whitener, 2001), are important for the development of individual POS (Ostroff & Bowen, 2000). Compensation satisfaction encompasses employees' perception of the justice of rewards, as well as the justice of the method and the manner of its operation (Miceli & Lane, 1991). The perception of being fairly rewarded has been shown to be an important predictor of the development of POS (Rhoades, Eisenberger, & Armeli, 2001). Consistent with this, compensation satisfaction may influence organizational affective commitment through its influence on POS (Miceli & Mulvey, 2000).

However, despite this general assumption, the effect of compensation satisfaction on affective commitment is not so clear when the different dimensions of compensation satisfaction are considered. First, social exchange theorists argue that, in general, a reward received from another will be judged to be better when the recipient perceives that the decision to give the reward has been voluntarily made by the giver (Shore & Shore, 1995). Drawing on this assumption, previous studies did not find a significant relationship between pay level satisfaction and organizational commitment, and they explain this result by arguing that many rewards are commonly attributed to external pressures on the organization, such as the pressure exerted by trades unions, rather than to a voluntary choice of the firm (e.g., Miceli & Mulvey, 2000). Although we recognize that this assumption can be valid for monetary pay, we consider that it cannot be applied to benefits, particularly in those countries where the state offers broad social assistance.

Benefits encompass all those incentives, apart from pay for time worked, that employers provide to employees (Milkovich & Newman, 2007). This includes work–life benefits such as support for child care, support for transport costs, and meal costs. Firms differ in the amount and type of benefits that they offer to their employees. The receipt of benefits that add value to employees (e.g., by helping them to balance work and family demands, by giving them benefits they could not afford, or by giving their children opportunities to do things they could not otherwise have done) means that employees view the organization as supportive (Baran et al., 2012; Lambert, 2000; Muse, Harris, Giles, & Feild, 2008). Despite this assumption, Williams et al. (2008) did not find there to be a significant effect of benefit level satisfaction on POS. We consider that the fact that they focused their analyses on a US sample can explain this lack of relationship between benefit level satisfaction and POS. In the US, benefits are a common component of employees' compensation, so that employees do not consider that firms offering benefits are especially concerned about their welfare. However, in those countries where the state offers broad social assistance, firms have less market pressure to offer social assistance to their employees, since the state covers a great part of what they need. The benefits offered by firms in these countries are oriented towards complementing and increasing the social coverage of the state. Hence, if employees are satisfied with the amount of benefits they receive from some firms in these countries, this implies that the value of these benefits complements the value of the benefits offered by the state. Thus, employees can feel that the organization is supportive, and, as a consequence, they may feel obligated to, or emotionally attached to, the organization in return for these benefits.

Hypothesis 1a: Benefit level satisfaction is positively related to organizational affective commitment through the mediation effect of perceived organizational support.

Previous studies have shown that the degree of fairness perceived by employees in the procedures and methods used by the organization to determine their benefits can influence benefit satisfaction (e.g., Jawahar & Stone, 2011; Tremblay et al., 2000). If employees feel benefit determination satisfaction, this implies that they consider the procedures and methods used to determine their benefits to be fair (Williams et al., 2002). The research on organizational justice has traditionally suggested that the perception that the procedures that an organization uses to make decisions affecting its employees are fair is a predictor for those outcome measures directed at the organizational level, such as organizational commitment (Behson, 2011).

This relationship can be explained by the mediating effect of POS. The reason for this is the aforementioned assumption of social exchange theory, according to which rewards are judged to be better when the recipient perceives that they are based on voluntary decisions of the provider (Shore & Shore, 1995). To the extent that most organizations have considerable control over the procedures affecting the determination of employees' compensation, the perception that such procedures are just has been shown to be an important predictor of the development of POS, since it indicates that the organization has a concern for its employees' welfare (Rhoades et al., 2001; Shore & Shore, 1995). Consequently, if employees are satisfied with the procedures used to determine their benefits, this implies that they perceive these procedures to be fair, so they perceive that they are supported by the organization, and, as a consequence, they feel emotionally attached to it (Williams et al., 2008). We propose that, taking into account

the fact that benefit determination is a voluntary decision by a firm, the aforementioned relationship occurs independently of whether or not the state offers broad social coverage.

Hypothesis 1b: Benefit determination satisfaction is positively related to organizational affective commitment through the mediation effect of perceived organizational support.

Finally, benefit administration satisfaction develops when employees are satisfied with the policies and procedures used to administer their benefits, such as the information they are given about their benefits (Williams et al., 2008). Satisfaction with information about benefits has been related to a perception of interactional justice and specifically with informational justice (Danehower & Lust, 1992). Informational justice is perceived when the explanations about an issue are adequate, correspond to employees' needs, and are thorough and timely (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Thus, if employees are satisfied with the administration of their benefits, it is assumed that they perceive there to be informational justice (Jawahar & Stone, 2011).

Drawing on the informational justice theory, the perception that a manager provides adequate information about pay is related to the development of positive feelings toward this supervisor (Colquitt et al., 2001). Following the same argument, to the extent that the information related to benefits may be attributed to the organization instead of to a specific supervisor, this information has been shown to have an influence on an organizational level, leading to satisfaction with the entire organization (Tremblay et al., 2000). Thus, it would be expected that satisfaction with the way benefits are administered should enhance the development of organizational affective commitment by increasing the perception of support from the organization. However, Williams et al. (2008) did not

find a significant relationship between benefit administration satisfaction and POS. Again, we consider that the context could explain this situation. In countries such as the US where benefits are a common component of employees' compensation, employees have more knowledge about benefit systems. Thus, although they may be satisfied with the information that is provided, they may consider that it is only natural that firms should provide such information and is nothing special. However, in those countries where there is less of a tradition for firms to provide benefits, employees may be less acquainted with these systems. The administration of these benefit systems is becoming increasingly complex, especially for those employees who have no previous experience of them. As a consequence, such employees may particularly appreciate this information because it allows them to know and understand the benefit system better. Thus employees can perceive that the firm is concerned about them not only because it offers benefits that can cover some of their personal needs, but also because it makes an effort to explain these benefits and make their administration easier.

Hypothesis 1c: Benefit administration satisfaction is positively related to organizational affective commitment through the mediation effect of perceived organizational support.

Benefit satisfaction and turnover intention

Although benefits have been shown to have some influence on employees' intentions to leave the organization (e.g., Lee, Hsu, & Lien, 2006; Lin, Kelly, & Trenberth, 2011), previous studies analyzing the direct influence of the benefit satisfaction dimensions on employees' turnover intention have not reached definitive conclusions. For example, while Lane (1993) found a negative relationship between

benefit level satisfaction and turnover intention, Williams et al. (2002) could not find any effect of either benefit level satisfaction or benefit system satisfaction on employees' intentions to leave the organization. In order to explain these contradictory results, it is necessary to understand the underlying mechanism through which benefit satisfaction can influence turnover intention.

According to the social exchange and reciprocity theories, receiving support from an organization should cause employees to feel the need to remain in the organization in order to respond to the support (e.g., Meyer & Allen, 1991). This perception of having an obligation towards the organization may be derived from positive behavior or a reward received (Kurtessis, Eisenberger, Ford, Buffardi, Stewart, & Adis, 2015). In this sense, Williams et al. (2008) found that POS fully mediated the relationship between benefit determination satisfaction and turnover intention. However, in order to understand the relationship between benefit satisfaction and turnover intention completely, it is necessary to note that previous studies based on social exchange theory have found that the relationship between POS and turnover intention or behavior is not direct but is fully mediated by organizational commitment (e.g., Allen, Shore, & Griffeth, 2003; El Akremi, Colaianni, Portoghese, Galletta, & Battistelli, 2014; Guerrero & Herrbach, 2009; Loi et al., 2006; Maertz, Griffeth, Campbell, & Allen, 2007; Rhoades et al., 2001). Thus, the perception that the organization supports its employees should strengthen the employees' sense of belonging and their identification with the organization and, consequently, should lessen their intention to withdraw.

This implies that the fact of being satisfied with the benefit system cannot be a factor that directly determines employees' intention to remain in the organization, but that the effect of this satisfaction may be based on how it influences the quality of their social

exchange relationship with the organization. Under the norm of reciprocity, as stated by social exchange theory, it is expected that if employees, as a consequence of their satisfaction with the benefit system, perceive that the organization is concerned about them, they will have a feeling of obligation towards the organization. Hence, they will be emotionally attached to the organization, and, as a consequence, they will be less likely to intend to leave it. For this reason, we propose that benefit satisfaction has an influence on turnover intention through the double-mediation effect of POS and affective commitment. Additionally, we consider that this effect can be even stronger in those countries where the state offers broad social coverage. In these countries, the provision of benefits by firms to their employees is not as common as in other countries such as the United States, so that if employees are satisfied with the benefit system they may develop a stronger sense of obligation towards the organization. These employees can consider the benefit system to be an unusual way of rewarding them and they are aware that other organizations are not necessarily going to provide such benefits.

Hypothesis 2a: Benefit level satisfaction is negatively related to turnover intention through the double-mediation effect of perceived organizational support and affective organizational commitment.

Hypothesis 2b: Benefit determination satisfaction is negatively related to turnover intention through the double-mediation effect of perceived organizational support and affective organizational commitment.

Hypothesis 2c: Benefit administration satisfaction is negatively related to turnover intention through the double-mediation effect of perceived organizational support and affective organizational commitment.

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

Figure 1 near here

Method

The data to test our hypotheses were collected through an online questionnaire that was managed by the benefits management company Edenred. Edenred is currently a world leader in prepaid corporate services, and it operates in 42 countries. In Spain, this firm is a leader in service cards and vouchers, and thus manages a broad database of current and past customers and users; this database was used in the realization of this research. Edenred and the authors' university signed a cooperation agreement for the development of joint research. Although Edenred does not specialize in survey sampling, it has previously cooperated with other universities in the development of other successful studies.

In order to reduce potential response bias, we pre-tested the questionnaire with local employees before sending out the definitive version, to ensure that individual items were easily understood and to avoid any misunderstandings. The participants did not receive direct payment for answering the questionnaire, but instead Edenred raffled several service cards and a tablet between those who filled out the survey.

Although findings based on employees' self-reports are an effective approach in many research contexts, following the recommendations of Podsakoff, MacKenzie, Lee, and Podsakoff (2003), a number of measures were adopted to reduce, as far as possible, the potential risk of common method biases resulting from using a single respondent.

First, the interviewees remained anonymous, were assured that there were no good or bad answers, and were asked to be as sincere and honest as possible. The aim of this approach was to reduce their fear of being evaluated and to stop them from giving socially desirable or appropriate answers. Secondly, the items were constructed very carefully, to avoid any potential ambiguities. For this purpose, the questionnaire contained simple and concise questions, as well as definitions of those terms with which interviewees might be less familiar, in order to facilitate their understanding.

Sample

A total of 8,236 employees on the Edenred database were emailed to ask them to participate in the study. We received answers from 1,062 employees, which is a response rate of 12.9 percent. From this total, we selected the 874 respondents who stated that they received some kind of benefit as part of their pay. We had to disregard four of these because of missing data. Consequently, our final sample was composed of 870 employees. Our respondents were 38.4 years old on average ($SD = 7.5$), and their ages ranged between 22 and 62 years. Of the respondents, 57.2% had completed higher education. Their average work experience was 15.7 years ($SD = 8.2$) and their average tenure in their firm was 8.9 years ($SD = 7.4$). They were employed in 417 different Spanish firms. By focusing our study on Spanish firms, we removed any possible distortion arising from the biases that might be introduced by differing labor regulations.

Some European firms have been faced with hard economic and financial situations that have required them to reduce costs, with the human resources budget being one of the most affected areas (McDonnell & Burgess, 2013). Specifically, the consequences of the economic crisis were particularly hard in Spain, and were exacerbated by the bursting

of the real estate bubble and the banking crisis. The Spanish labor market is still suffering the consequences of the financial crisis, with an unemployment rate that rose to 26% in 2013. The reduction of consumption and the funding problems led Spanish firms to reduce their costs drastically, which had an influence on the firms' human resources policies, and, specifically, had important consequences on reward decisions. Many Spanish firms were forced to reduce pay or to eliminate the benefits offered to their employees (Vidal-Salazar, Ferrón-Vilchez, & Córdón-Pozo, 2012). In relation to benefits, the fact that the state offers broad social assistance has traditionally influenced how benefits are assessed and offered in Spain. The reward systems offered by Spanish firms to their employees are characteristically inflexible and non-participative, and benefits have not traditionally represented an important part of Spanish employees' compensation. For example, according to the results of the last report on compensation in Spain, produced by the consulting firm Adecco, 43% of the surveyed firms did not offer any benefits to their employees. Of the benefits offered, funding for external training, private health insurance, and restaurant tokens were the most common (Infoempleo & Adecco, 2016).

However, benefits offer some advantages for Spanish firms. In Spain, as in other countries, some benefits have tax advantages. Thus, through benefits firms can leverage the pay of their employees without additional cost, which is especially important with the current aim to reduce costs. Taking this into account, it is not surprising that the number of Spanish firms offering advanced benefit systems such as flexible benefit systems has grown in recent years (Vidal-Salazar, Córdón-Pozo, & de la Torre-Ruiz, 2014) and that Spanish human resources managers recognize the importance of benefits and their ability

to increase the attraction and retention capacity for their firms (Vidal-Salazar, Córdón-Pozo, & de la Torre-Ruiz, 2016).

Measure

All the variables in our study were measured by scales with five Likert-type response options.

The three dimensions of benefit satisfaction, *benefit level*, *benefit determination*, and *benefit administration*, were measured using four, three, and six items, respectively, from the Comprehensive Compensation Satisfaction Questionnaire (CCSQ) developed by Williams et al. (2008).

POS was measured using the eight-item scale of the short form of the Survey of Perceived Organizational Support (Eisenberger, Cummings, Armeli, & Lynch, 1997; Lynch, Eisenberger, & Armeli, 1999). *Organizational commitment* was measured using the affective dimension of the six-item scale developed by Meyer and Allen (1997). *Turnover intention* was measured using a three-item scale developed by Konovsky and Cropanzano (1991).

Finally, taking into account the fact that the monetary component of an employee's compensation can have an influence on the assessment of benefits, as well as on the employee's POS, organizational commitment and turnover intention (Williams et al., 2008), we added the control variable pay satisfaction. *Pay satisfaction* was measured using a two-item scale that measured the satisfaction with the level of monetary pay and with the way that the monetary pay was determined.

All the items used in this study are summarized in Table 1.

Table 1 near here

Data analyses

In order to test the existence of common method bias, we conducted a post-hoc Harman one-factor analysis. First, we conducted a principal component factor analysis by fixing the number of factors to extract at one and then examining the un-rotated factor solution. This single factor explained 46.5% of the variance among the observed items. Secondly, all self-reported indicators were loaded together into a single exploratory factor analysis using varimax rotation. The results showed six factors with an Eigenvalue greater than one that together accounted for 77.5% of the variance (the variances explained ranged from 5.8% to 18.9%). Therefore, there was more than one factor that could be extracted and no single factor accounted for more than 50% of the variance, which is consistent with the absence of a significant common method variance (Chuang & Lin, 2013).

Our hypotheses were tested using Partial Least Squares Structural Equation Modeling (PLS-SEM), using the statistical program SmartPLS (Ringle, Wende, & Becker, 2015). PLS-SEM is similar to other SEM techniques such as the covariance-based SEM (CB-SEM), in allowing unobservable variables measured indirectly by indicator variables to be incorporated in the proposed model, and also in facilitating measurement error in the observed variables to be taken into account (Chin, 1998). However, in contrast to CB-SEM, which determines how well a proposed theoretical model can estimate the covariance matrix for a sample data set, PLS-SEM focuses on explaining the variance in the dependent variables when examining the model (Hair, Hult,

Ringle, & Sarstedt, 2016). Although the results for CB-SEM and PLS-SEM typically do not differ much, PLS is the preferred method when the data are non-normally distributed and the structural model can be considered as complex (Hair, Ringle, & Sarstedt, 2011; Ringle, Sarstedt, & Straub, 2012). Using the Stata software, we verified that the data were not normally distributed, and thus that it was appropriate to use PLS to estimate the model (we used the Doornik-Hansen test of multivariate normality). Similarly, PLS-SEM is a method with greater statistical power than CB-SEM (Hair, Hult et al., 2016); that is, it is more likely to find that a specific relationship is significant when it is in fact significant in the population. In this sense, large sample sizes, as in our case, increase the precision (i.e. consistency) of PLS estimation, and make similar the solutions offered by PLS-SEM and CB-SEM.

PLS-SEM 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, Tatham, Anderson, & Black, 2006). Before testing our hypotheses, we assessed the reliability of the measurement model by evaluating both the convergent and the discriminant validities.

First, most items had a significant outer loading greater than 0.70, which ensured a high degree of individual item reliability (Hulland, 1999). Similarly, the values for Cronbach's Alpha for all constructs were greater than 0.85, thus exceeding the minimum of 0.70 (Hair, Hult et al., 2006). This information is summarized in Table 1. Secondly, we evaluated convergent validity. The average variance extracted (AVE) for all constructs exceeded 0.80, and thus these values are greater than the minimum of 0.50 (Hair, Hult et al., 2006). 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 & Larcker, 1981), as shown in Table 2.

Table 2 near here

Additionally, we tested the presence of unobserved heterogeneity in our structural model. We followed the procedure laid down by Matthews, Sarstedt, Hair, and Ringle (2016) by using the FIMIX-PLS module in the SmartPLS software (Ringle et al., 2015). The greatest integer found from dividing the sample size (i.e., 870) by the minimum sample size (i.e., 70) (Hair, Sarstedt, Matthews, & Ringle, 2016) yielded a theoretical upper bound of $12.42 = 12$ possible segments (Matthews et al., 2016). A consideration of the fit indices as well as the relative segment sizes, from one- to twelve-segment solutions, showed that selecting more than two segments was not reasonable. However, the two-segment solution exhibited a normed entropy statistic (EN) value below 0.50 (it was 0.305), suggesting that the two segments were not well separated. Overall, the results suggested that there is no substantial level of heterogeneity in the data (Matthews et al., 2016).

Finally, we conducted some analysis of variance (ANOVA) tests to confirm that the three benefit satisfaction dimensions were not statistically different for women and men or for managers and non-managers. The fact that men and women (or non-managerial and managerial employees) show statistically different benefit satisfaction scores could have distorted the results of the model if we had not controlled for this effect. The results of these tests did not show any significant differences in the three dimensions

of benefit satisfaction in relation to certain demographic characteristics (specifically gender) or in relation to whether the employee was a manager.

Results

Although Baron and Kenny's model has traditionally been used to establish mediation effects, it has some shortcomings, such as a low power for detecting and quantifying indirect effects (Preacher & Hayes, 2008). The bootstrap test implemented by Preacher and Hayes (2004, 2008) solves some of these problems and allows an analysis to be made of the statistical significance of the indirect effect of an independent variable on a dependent variable through a mediator variable. For this reason, according to Zhao, Lynch, & Chen (2010), to establish mediation between two variables, all that matters is that the indirect effect of the independent variable on the dependent variable is significant. If this condition is supported, the next step is to classify the type of mediation by estimating the direct and total effects of the independent variable on the dependent variable.

Table 3 shows the bootstrapped results for the model, testing Hypotheses 1a-c. The results show that the indirect effects on organizational commitment of the three benefit satisfaction dimensions through the variable POS are statistically significant. Furthermore, in order to analyze the type of mediation, it is necessary to analyze the direct effect of the three dimensions of benefit satisfaction on organizational commitment. The results show that none of the three benefit satisfaction dimensions have a statistically significant direct effect on organizational commitment. This implies an indirect-only mediation effect (Zhao et al., 2010); that is, POS fully mediates the relationship between

the three dimensions of benefit satisfaction and organizational commitment. These results support our Hypotheses 1a-c.

Table 3 near here

Similarly, Table 3 shows the bootstrapped results for the model, testing Hypotheses 2a-c. The results show that the indirect effects on turnover intention of both benefit determination and benefit administration satisfaction through the variables POS and organizational commitment are statistically significant. These results support Hypotheses 2b and 2c. However, the indirect effect of benefit level satisfaction on turnover intention is not significant, and thus it is not possible to assume a mediation effect of POS and organizational commitment. According to this result, Hypothesis 2a cannot be supported with our sample. Furthermore, the direct effect of benefit level on turnover intention is also non-significant. This implies that benefit level satisfaction has no effect on turnover intention. Finally, the absence of a significant direct effect on turnover intention of either benefit determination or benefit administration satisfaction implies a full mediation of POS and organizational commitment (Zhao et al., 2010).

Finally, in a similar result to those of previous studies, pay satisfaction shows both a direct and an indirect effect on organizational commitment and turnover intention (e.g., Williams et al., 2008).

Discussion

Studies on the relationship between compensation satisfaction and employee outcomes have traditionally focused on the role of monetary pay satisfaction. Moreover,

they have not considered the multidimensional nature of benefit satisfaction, and few have considered the intervening variables influencing the relationships between benefit satisfaction and employee outcomes. Finally, and more importantly, previous studies have mainly focused on the US, a country where the offer of benefits as part of an employee's compensation is common practice. Focusing the analysis on a country where the state offers broad social coverage is necessary if we are to analyze whether the previous findings are contextually dependent. Our study contributes to this literature by overcoming these limitations.

Theoretical contribution

The results of this study show that the three dimensions of benefit satisfaction were positively and significantly related to organizational commitment by the mediating effect of POS (Hypotheses 1a-c). Therefore, our results are contrary to previous studies that, drawing on social exchange theory, found that only compensation system satisfaction was related to organizational commitment (e.g., Miceli & Mulvey, 2000). In fact, by specifically analyzing benefit satisfaction, Williams et al. (2008) found that only benefit determination satisfaction was related to POS, and, consequently, to organizational commitment. According to these studies, the amount of compensation received is not an antecedent of POS, because employees do not perceive that it is based on voluntary decisions taken by the organization. However, we found that this assumption could be valid for monetary pay but not for benefits, especially in those countries where the state offers broad social coverage and, consequently, firms are not under social pressure to offer benefits to their employees. Benefits tend to be more directly related to satisfying specific needs of the employees (e.g., support for child care). By being offered these benefits, employees of these countries can perceive that the organization is

concerned about their well-being, and consequently, they may feel greater affective commitment toward it. The support for Hypothesis 1a confirms this suggestion.

Similarly, we found that employees perceived organizational support when they were satisfied with the way that benefits are determined and administered, thus confirming our Hypotheses 1b-c. The support for Hypotheses 1b-c implies that employees perceive the procedures used by the organization in order to regulate its relationship with its employees to be fair (Colquitt et al., 2001; Rhoades et al., 2001) and, as a consequence, they perceive the organization to be supportive. The support for Hypothesis 1b is in accordance with previous studies (e.g., Williams et al., 2008). Taking into account the fact that the way in which benefits are determined is a voluntary decision of the firm, it can be seen that if employees are satisfied with the benefit determination they will perceive the organization to be supportive and they will develop organizational commitment.

However, previous studies did not find that POS mediated the relationship between benefit administration satisfaction and organizational commitment (e.g., William et al., 2008). As with the support for Hypothesis 1a, we consider that the context can explain why this relationship is supported in our sample. Since Spanish workers are not familiar with employer benefit systems, they consider that an organization is supporting them if it provides information that allows them to understand the system.

On the other hand, according to our results, benefit level satisfaction has no relationship with turnover intention, although it is related to POS and organizational commitment. This implies that the fact that an employee receives a satisfactory amount of benefits, although it is positively assessed by the employee and means that he/she

recognizes the support of the organization, is not a key factor in whether he/she decides to stay with the organization. The fact that in Spain the benefits offered by an organization usually complement the benefits offered by the state can explain this result. In Spain, employees may positively assess the effort made by a firm in offering these benefits, but this factor is not critical in the decision to remain because the state actually offers some of the same benefits. On the other hand, our results also showed that both benefit determination and benefit administration satisfaction were negatively related to turnover intention through the mediation effect of POS and organizational commitment (Hypothesis 2b and Hypothesis 2c). Thus, the fact of being satisfied with the procedures used to determine and administer the benefits can be an important factor in deciding to stay with the organization, because these procedures are based on organizational decisions that are not very common. For example, offering the possibility of choosing to take certain benefits or providing information about the benefits on offer have been shown not to be the usual practices of Spanish firms (Vidal-Salazar et al., 2014). Thus, if employees are satisfied with the way in which their benefits are determined and administered, they perceive that in another organization it would be unlikely for them to be as satisfied, and, as a consequence, they may be more reluctant to leave the organization. Hence, these results may be in line with the assumptions of social exchange theory, which states that employees positively assess those organizational decisions that are perceived as being the result of an extra effort made by the organization (Shore & Shore, 1995).

Study limitations and future research

Although this study contributes to our knowledge on the consequences of benefit satisfaction, it has some limitations. First, our study is focused on Spanish firms. Despite

the fact that this allows for control over a number of confounding variables, mainly the variations in labor legislation among countries, future research that repeats the study in other contexts is necessary in order to increase the robustness of the results.

Secondly, in this study we measured monetary pay satisfaction with a two-item scale that allowed us to control for the influence of monetary pay on the assessment of benefits. However, future studies could use more complete scales that consider the different dimensions of pay satisfaction (e.g., Williams et al., 2008).

Thirdly, recent studies have highlighted the need to consider individuals' differences in analyses of reward satisfaction (e.g., De Gieter & Hofmans, 2015). Future studies could analyze whether these relationships are stronger or weaker for specific employees. Similarly, a possible extension to our study would be to analyze which organizational factors act as moderators of the relationship between benefit satisfaction and certain employees' behavior and attitudes.

Finally, despite the measures used to reduce and test the problem of common method bias, we cannot completely ensure that this problem is absent from our study. For this reason, future studies could use different measurement options for the dependent and independent variables in order to confirm whether our results are robust or whether common method bias is a problem.

Practical implications

Our findings suggest several related considerations for practitioners. The most important consideration refers to the fact that there are three dimensions of benefit satisfaction that are related to some employee outcomes. Therefore, managers need to pay attention not only to the amount of benefits that they offer to their employees, but also to

the way in which those benefits are determined and administered. By increasing the satisfaction of employees with their benefits, managers will be able to enhance the attitude of their employees, increasing their commitment to the organization and reducing their turnover intention. This situation can be especially important for firms in countries where the state offers broad social coverage. Our study shows how firms in these countries can use benefit systems to differentiate themselves from their competitors despite the fact that the state offers some benefits to all citizens.

Conclusion

This study contributes to previous studies on the relationship between compensation satisfaction and employee outcomes by focusing on benefit satisfaction and showing that employees' reaction to a benefit system can depend on the cultural context and can be based on how societal norms shape perceptions of the benevolence of an organization. Specifically, by focusing on a country where the state offers broad social coverage and benefit systems are not as common as in other countries, this study finds that the three dimensions of benefit satisfaction (benefit level, benefit determination and benefit administration) are positively and significantly related to organizational commitment through the mediating effect of POS. Similarly, this study finds that both benefit determination and benefit administration satisfaction, but not benefit level satisfaction, are negatively related to turnover intention through the mediation effect of POS and organizational commitment.

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Table 1 *Survey scales*

<i>Variables</i>	<i>Items</i>	<i>Outer loadings</i>
Benefit level satisfaction Cronbach's alpha = 0.934	1. My benefit package	0.905
	2. Amount the organization pays toward my benefits	0.914
	3. The value of my benefits	0.927
	4. The number of benefits I receive	0.910
Benefit determination satisfaction Cronbach's alpha = 0.904	1. The say I have in the benefits I receive	0.923
	2. Employee involvement in benefit planning	0.930
	3. The choice employees have in the benefits they receive	0.899
Benefit administration Cronbach's alpha = 0.954	1. What I am told about my benefits	0.897
	2. The information I receive about my benefits	0.902
	3. How the benefits program is administered	0.898
	4. The effectiveness of the system that provides my benefits	0.900
	5. The arrangements my organization has made for the delivery of my benefits	0.918
	6. The efficiency with which benefits are provided	0.896
Perceived Organizational Support Cronbach's alpha = 0.943	1. My organization really cares about my well-being	0.889
	2. My organization strongly considers my goals and values	0.883
	3. My organization shows high concern for me	0.896
	4. My organization cares about my opinions	0.873
	5. My organization is willing to help me if I need a special favor	0.869
	6. Help is available from my organization when I have a problem	0.881
	7. My organization would forgive an honest mistake on my part	0.684
	8. If given the opportunity, my organization would not take advantage of me	0.797
Organizational Commitment Cronbach's alpha = 0.933	1. I feel a strong sense of belonging to my organization	0.918
	2. I feel personally attached to my work organization	0.926
	3. I am proud to tell others I work at my organization	0.886
	4. Working at my organization has a great deal of personal meaning to me	0.836

	5. I would be happy to work at my organization until I retire	0.822
	6. I really feel that problems faced by my organization are also my problems	0.802
Turnover intention	1. I intend to look for a job outside of my organization within the next year	0.904
Cronbach's alpha = 0.888	2. I do not intend to remain with this organization indefinitely	0.893
	3. I often think about quitting my job at this organization	0.914
Pay satisfaction	1. The level of my monetary pay	0.927
Cronbach's alpha = 0.855	2. How my monetary pay is determined	0.943

Table 2 *Correlations and square root of AVE for the measures*

	1	2	3	4	5	6	7
1. Benefit level	0.914						
2. Benefit determination	0.747	0.917					
3. Benefit administration	0.782	0.686	0.902				
4. Pay satisfaction	0.434	0.326	0.365	0.935			
5. POS	0.513	0.447	0.498	0.497	0.849		
6. Organizational commitment	0.422	0.382	0.427	0.395	0.673	0.867	
7. Turnover intention	-0.321	-0.291	-0.289	-0.326	-0.448	-0.577	0.904

Note:

n = 870

Numbers shown in boldface denote the square root of the average variance extracted. All the correlations are significant at the level 0.01.

Table 3 Results of PLS analysis

Paths	Direct effects			Indirect effects			Total effects		
	Path coefficient	t	p	Path coefficient	t	p	Path coefficient	t	p
Benefit level → Organizational commitment	-0.01	0.14	0.886	0.08	2.76	0.006	0.07	1.23	0.219
Benefit determination → Organizational commitment	0.05	1.04	0.299	0.06	2.37	0.018	0.10	2.04	0.042
Benefit administration → Organizational commitment	0.09	1.66	0.098	0.12	4.31	0.000	0.21	3.63	0.000
Pay satisfaction → Organizational commitment	0.06	2.11	0.035	0.19	9.14	0.000	0.26	8.22	0.000
Benefit level → Turnover intention	-0.06	1.09	0.274	-0.04	1.39	0.163	-0.10	1.70	0.090
Benefit determination → Turnover intention	-0.05	1.09	0.278	-0.06	2.10	0.036	-0.10	2.09	0.037
Benefit administration → Turnover intention	0.06	1.12	0.263	-0.11	3.71	0.000	-0.06	1.08	0.282
Pay satisfaction → Turnover intention	-0.09	2.34	0.019	-0.14	6.97	0.000	-0.23	6.17	0.000
Benefit level → POS	0.14	2.78	0.006						
Benefit determination → POS	0.10	2.40	0.017						
Benefit administration → POS	0.20	4.53	0.000						
Pay satisfaction → POS	0.33	11.09	0.000						
POS → Organizational commitment	0.58	18.01	0.000						
POS → Turnover intention	-0.05	1.21	0.226	-0.28	9.75	0.000	-0.34	8.54	0.000
Organizational commitment → Turnover intention	-0.49	12.47	0.000						
R2 POS =	0.38								
R2 Organizational commitment =	0.47								
R2 Turnover intention =	0.35								

Note: n = 870. Two tailed test

Figure 1 *Model and Hypotheses*

