

Attitude Formation of Benefits Satisfaction: Knowledge and Fit of Benefits

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Abstract

Using the theoretical framework of the Theory of Reasoned Action [6], we examine benefits satisfaction as an attitude formed by the beliefs about benefits (i.e., benefits knowledge) and the perceived value of these benefits (i.e., fit of benefits to individual needs). We use questionnaires to gather data from a random sample of 591 employees in a large county agency in the South-eastern United States. The data support that knowledge of benefits is associated with enhanced benefits satisfaction and mediates the effect of explanations about benefits on satisfaction. The results provide strong evidence that benefits perceived to suit employee needs generate highest benefits satisfaction. Employees satisfied with their benefits are less likely to consider leaving the organization. The tested model is a starting point for future studies to apply the extended Theory of Reasoned Action [1] and incorporate perceived behavioural control and subjective norms (i.e., co-workers' attitudes) in forming benefits satisfaction. Understanding employees' affective and cognitive reactions to compensation, including benefits, can render better practices. Companies should use information campaigns to improve employee beliefs about benefits. Better attentiveness to individual needs and preferences can maximize the utility of a benefits plan and improve its acceptance. We replicate and extend past research in a parsimonious model of benefits satisfaction with a random sample of public sector employees.

Keywords: Benefits, Benefits Satisfaction, Turnover Intentions

1. INTRODUCTION

As unique and crucial sources of creativity and competencies, employees can determine the success or failure of organizations. Thus, organizations take steps to assure both individual well-being and favourable work attitudes. One such step is providing employees with favourable work conditions, including benefits coverage. Anticipating that benefits can have a positive impact on employees and their attitudes, employing organizations allocate ample financial resources for employee benefits (Employee Benefits, 2002). However, the intended positive effects would occur when employees appreciate their benefits [2], [3]. Past research has identified some determinants of employee satisfaction with benefits, but recent increases in benefits costs and changes in workforce demographics demand revising the issue be revisited within the contexts of these contemporary problems.

Previous models use pay satisfaction theories to conceptualize benefits satisfaction [4], [3], [5], whereas we draw on the alternative framework of the Theory of Reasoned Action [6]. The Theory of Reasoned Action explains benefits satisfaction as an attitude that is formed by the beliefs and values associated with benefits and that can influence certain behavioural intentions. In the following paragraphs, we examine the role of explanations, knowledge, and fit of benefits in forming benefits satisfaction that is in turn expected to diminish employee intent to leave the organization.

2. BENEFITS SATISFACTION

Benefits satisfaction has been conceptualized as a discrepancy between expected and offered benefits [4], [7], but it can be also studied as an attitude formation as suggested by the Theory of Reasoned Action [6]. Essentially, the Theory of Reasoned Action claims that beliefs and values concerning a certain attribute determine attitudes towards the attribute and thus is associated behavioural intentions and behaviours. In the case of benefits, employees' attitudes towards benefits are likely to be determined by their beliefs about the benefits coverage and the values they place upon those benefits. Employees who believe they are well provided for by benefits and value their coverage are likely to develop a positive attitude or a sense of satisfaction with their benefits. Positive attitudes about benefits can lead to behavioural intentions to maintain the relationship with the benefits provider (i.e., employer).

Previous research has identified factors, including beliefs and values, which can impact attitudes towards benefits [5], [7]. For example, generous benefits and increased coverage have been found associated with employee satisfaction [7] whereas increased employee contributions and costs have negatively influence on employee satisfaction [4]. Rabin [8] suggested better communication as a predictor of benefits satisfaction and Barber, Dunham, and Formizano [9] advocate flexible benefits options to improve employee acceptance. Consistent with these findings, we delineate a model describing how beliefs and values of benefits can shape benefits satisfaction. The first factor in the model – benefits knowledge – is employees' belief that the employer provides a certain level and number of benefits. The second factor – the value of benefits – is employees' perception that benefits are congruent with their needs. Finally, we propose that benefits satisfaction is associated with less intent to leave the organization [2].

3. EXPLANATIONS AND KNOWLEDGE OF BENEFITS

Despite significant resources allocated to benefits, employees may still have little appreciation for their benefits and the effort of the organization. In practice, people often lack knowledge about the worth or cost of provided benefits [3]. The desired impact on work attitudes and behaviours is more likely when individuals are aware of the coverage [10]. Communication becomes critical in benefits management [11] because it offers employees information about the available coverage, its features, and various options. It allows employees not only to create an accurate belief about the actual coverage but also to form a more positive attitude about the employing company and the care provided.

If employees improve their awareness about the offered benefits, they are more likely to view their coverage favourably and appreciate its potential usefulness. Dreher, Ash, and Bretz [12] found a stronger relationship between improved benefits coverage and satisfaction for those employees who had more accurate information about benefits. Danehower, Celuch, and Lust [13] suggested that effective communication can also increase acceptance and satisfaction with benefits. Moreover, satisfaction is enhanced when benefit-related communication is personalized and tailored to the employee age group [14] because the average employee may understand little of the explanations about benefits provided in brochures or at workshops [15]. Therefore, we focus on individual beliefs rather than on actual information offered by employers about benefits. Offering more explanations of benefits would favour better knowledge of benefits and facilitate forming more positive attitudes towards those benefits. Thus, we hypothesize:

Hypothesis 1. Explanations and knowledge of benefits will be positively related to benefits satisfaction. Knowledge of benefits will mediate the relationship between explanations about benefits and benefits satisfaction.

4. BENEFITS FIT

Whereas organizations manifest their care for employees by providing benefits, employees look at benefits as satisfying essential needs for health care, recuperation, and comfort. Different employees, however, need or prefer different coverage. For example, individual preferences for health care were found to vary with age, gender, income level, and marital status [16]. Because of the available pension plans and child care, public agencies became an attractive workplace for elder and female office workers [17]. Individual needs and expectations are also likely to shape attitudes towards available benefits. [18]

found that financial needs were related to pay satisfaction [18]. Similarly, benefits matching employees' needs would be recognized as valuable. In other words, the value of benefits is derived from their fit with individual needs.

According to the Theory of Reasoned Actions, when an attribute is perceived as valuable, individuals form a positive attitude about it [6]. The value of benefits is the correspondence between employee needs and provided coverage and will be a factor in forming benefits satisfaction. Benefits fit is somewhat reflected in flexible benefits plans that allow employees to choose the types and levels of benefits. A field experiment by Barber and colleagues [9] demonstrates that of employees given a choice to enrol in a newly-introduced flexible benefits plan, approximately 90% chose to do so, and their benefits satisfaction significantly improved after the intervention. Thus, because employees seek and appreciate benefits that are relevant to their current needs, we hypothesize:

Hypothesis 2. Perceived benefits fit will be positively related to benefits satisfaction.

5. TURNOVER INTENTIONS

Benefits are oftentimes viewed as organizational care making the job more attractive and secure. Moreover, the Theory of Reasoned Action suggests that a positive attitude is associated with favourable behavioural intentions. In this way, employees who are satisfied with their benefits are less likely to consider leaving the organization [3]. Thus, in replication of previous research, we hypothesize:

Hypothesis 3. Benefits satisfaction will be negatively related to turnover intentions.

6. METHODS

6.1 Sample and Data Collection Procedure

A random sample of 591 employees in a large county agency in the South-eastern United States participated in the study with a net of 517 useful observations. Data were collected at the organizational site with questionnaires distributed and collected by one of the authors of the study. Of the final sample, 79.25% of respondents are Caucasian, 12.6% are African-American, and 51.0% are male. The average participant is 38.3 years old and has some college education, 3.2 years of job tenure, and 6.0 years organizational tenure.

6.2 Measures

All variables were measured on 5-point Likert-type scales. Benefits knowledge was captured with three items [19] such as "I have knowledge about my benefits package."

Benefits explanations variable was measured with two questions asking about "the amount of explanations received about benefits" and "the amount of explanations received about changes in benefits."

Benefits fit was measured by rating the agreement with the statement "My benefit package suits my needs."

Benefits satisfaction was measured with four items that form the subscale of the Pay Satisfaction Questionnaire [2] such as "I am satisfied with benefits that I receive."

Turnover intentions were measured with six items [19] that ask about respondents' intentions for the next two months to "leave the current employer for a different job" and "look for a similar job outside the current employer."

We also controlled for procedural benefits fairness, measured with four items [19], because previous research [19], [20] has found it associated with benefits satisfaction. Pay fairness, measured with 17 items [19], was also included because feelings of deprivation may foster employees to seek organizational exit [21]. Finally, we controlled for age and gender.

6.3 Analysis

Hierarchical multiple regression analyses with the standardized composite scores were used to test the hypothesized relationships and path analysis with manifested variables (SAS v.8) estimated the overall model fit. Because the variables were self-reports, principle component analysis tested for common method bias [22] and did not reveal one dominant factor.

7. Results

Table 1 shows zero-order correlations and internal consistencies of the study variables. The regression analyses results are presented in Table 2. Explanations about benefits is positively related to benefits knowledge ($\beta=.56$, $p<.001$, $R^2 =.31$) and knowledge about benefits predicts satisfaction in the expected way ($\beta =.171$, $p<.01$). Explanations about benefits and benefits satisfaction also hold the predicted positive relationship ($\beta =.15$, $p<.01$) but the relationship diminishes after including benefits knowledge in the analysis ($\beta =.07$, $p>.05$). According to [23], this is evidence that benefits knowledge mediates the effect of explanations on benefits satisfaction. Thus, hypothesis 1 is supported.

Insert Table 1 and 2 about here

As expected, fit of benefits to individual needs is a strong positive predictor of benefits satisfaction ($\beta=.57$, $p<.01$) and the largest factor in forming benefits satisfaction within this model ($\Delta R^2=.196$, $p<.00$). Furthermore, we find that individuals satisfied with their benefits package are less likely to report intentions to leave the organization ($\beta=.143$, $p<.01$). Thus, hypotheses 2 and 3 are supported. Finally, the overall path model with manifested variables has a moderate but acceptable fit to the theoretical model ($\chi^2 = 37.16$, d.f. = 8, GFI=.98, AGFI = .90, RMR = .03, NFI = .97). Thus, our theoretical model of benefits satisfaction has a satisfactory fit with the data.

8. DISCUSSION

Using the Theory of Reasoned Action, we examine benefits satisfaction as an attitude formed by beliefs about benefits (such as benefits knowledge and explanations) and the perceived value of those benefits (such as fit of benefits to individual needs). In particular, the data support that employees have higher benefits satisfaction when they perceive to have focused more explanations and more knowledge about their benefits. The results also provide strong evidence that benefits satisfaction is strongest when benefits are perceived to suit employee needs. Our study replicates previous findings that employee satisfied with provided benefits coverage are less likely to consider leaving the organization. Thus, it replicates and extends previous research in a parsimonious model of benefits satisfaction.

The findings should be interpreted within the study limitations. Self-reported data is susceptible to common method bias that may have inflated the effect sizes. The model tested here is a promising start, but future studies should apply the extended theory [1] by perceived behavioural control and subjective norms (i.e., co-workers' attitudes) in forming benefits satisfaction.

Previous research has related satisfaction with benefits to employee expectations or benefits amount. We extended the conceptualization of previous research to include knowledge of benefits and explanations about benefits as determinants of benefits satisfaction. We also explicitly tested the perceived fit between employee need and benefits provided by the organization and demonstrated a very strong relationship. Finally, a strong point of the paper is the use of sound theory that encompasses all of the new concepts that are linked to benefits satisfaction and turnover intentions.

Understanding employees' affective and cognitive reactions to compensation, including benefits, can render better practices as suggested by the findings here. First, benefits information campaigns should focus on modelling employee beliefs about benefits rather than offering abundant details about benefits. Second, attentiveness to individual needs and preferences can maximize the usefulness of a benefits

plan and improve its acceptance. By offering employees with choices, flexible benefits plans demonstrate the significance of benefits congruence to employee needs. Furthermore, for benefits plans to satisfy essential individual needs, employees and benefits managers should work together to adequately identify and address these needs. Finally, the results provide some evidence that success of benefits plans is determined not only by the financial cost but also by employees' beliefs about the available coverage and the value placed on it.

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Table 1.

Correlations of the Study Variables a

Variables	1	2	3	4	5	6	7	8	9
1. Age	-								
2. Gender	-.12*	-							
3. Procedural benefits fairness	.13*	.05	(.86) b						
4. Benefits explanations	.08	.12*	.44**	(.84)					
5. Benefits knowledge	.04	-.03	.42**	.56**	(.73)				
6. Benefits fit	.09	.02	.57**	.38**	.40**	-			
7. Benefits satisfaction	.22**	.08	.59**	.39**	.40**	.73**	(.85)		
8. Pay fairness	.14**	.04	.45**	.31**	.13*	.26**	.30**	(.91)	
9. Turnover intentions	-.17**	-.12*	-.27**	-.12*	-.07	-.15**	-.21**	-.33**	(.86)

^a N = 517; b Reliabilities are shown on the diagonal; ** p < .01 * p < .05

Table 2.

Results of Regression Analysis with Dependent Variables of Benefits Knowledge, Benefits Satisfaction, and Turnover Intentions a

Variables	Benefits knowledge Model 1	Benefits satisfaction Model 2		Model 3	Turnover Intentions Model 4	
Model 1.						
Explanations about benefits	.555**	.15**	.07	-.01		
Age		.14**	.14**	.14**		
Gender		.05	.06	.07*		
Procedural justice of benefits		.50**	.46**	.21**		
Model 2.						
Benefits knowledge			.17**	.10*		
Model 3.						
Fit of benefits to individual needs				.57**		
Model 4.						
Pay fairness						-.29**
Benefits satisfaction					-.33**	-.14**
F	179.28**	59.75**	48.86**	89.22**	48.91**	28.35**
R2	.31	.38	.39	.59	.11	.13
Adjusted R2	.31	.38	.38	.58	.11	.13

^a N = 517; Standardized regression coefficients are shown; ** p < .01, * p < .05