A study on the salaries of employees in manufacturing enterprises in Hanoi, Vietnam

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Abstracts: The main objective of this study was to identify, evaluate, and to measure the attributes of workers' wages in manufacturing enterprises in Hanoi. The study was based on a field survey using a semi-structured questionnaire on a sample of 350 employees. But, only 300 filled questionnaires were satisfactory and therefore included in the analysis. By using seceral statistical analytical tools, i.e. descriptive statistics, Cronbach's Alpha analysis, the study has identified and measured seven (7) attributes of workers' wages that have great effects on employees. Based on the findings, some recommendations are given for manufacturing enterprises in Hanoitoimprovethe salaries of employees.

I.   Introduction

Workers are one of the main sources that affect the profitability and growth of a business. Workers in all positions in the enterprise are the key to creating and promoting the benefits of enterprises. Workers play a crucial role in all activities. Therefore, enterprises are focused on investing in both workers' quality and quantity. Since salary is the employee's main source of income, the right and appropriate wage policy will promote innovative dynamism, administrative ability, senses of responsibility and commitment of employees to businesses. From that, enterprises can promote and improve their own production and business efficiency.

Wages are critical to not only workers and employers but also to the State. To employees, it is the source of life and the main motivation to participate in labor relations. To employers, it is an input cost of the production process, which accounts for a large proportion of the enterprise's production and business cost. To the State, wages are a macro tool for socio-economic management. As a result, wages are one of the most sensitive issues. If it is not handled well, unpredictable consequences will occur.

In 11 months of 2019, Vietnam's industry achieved a good growth rate of 9.3%; in which, the manufacturing industry is still a "bright spot" of the industry with a growth rate of about 10.6%. The driving force behind the entire industry growth is shown clearly in three aspects: growth rate, export turnover, and foreign investment attraction. For a country that is in the process of industrialization like Vietnam, the manufacturing industry is considered as the main driving force for economic development. Recently, this industry has changed in a positive direction. The proportion of the manufacturing industry in GDP has increased from 13% (2010) to 16% (2018). From 2015 up to now, the manufacturing industry has maintained a growth rate of over 10%/year (XuanVinh, 2019).

Manufacturing enterprises are enterprises of one of the key sectors in society. Therefore, the salaries of employees in manufacturing enterprises have different characteristics compared to those in other industries. Therefore, the current salary of workers is still inadequate, unclear. Improving and raising wages for workers in

manufacturing enterprises is necessary to promote the capacity and expertise of workers, contributing to improving labor productivity as well as the business performance of the enterprise.

Currently, many businesses face difficulties and problems in managing human resources at the company. The most common problems among them are salary, bonus as well as remuneration policies. This is one of the extremely important factors to retain employees. However, in some businesses, this assessment has not been commensurate and appropriate.

Therefore, the research on the salaries of emplyees in manufacturing enterprises in Hanoi is important. This is fundamental for managers to pay attention to and invest in employees, thereby contributing to creating work motivation and retaining employees.

The objective of this study is to identify, evaluate and measure the component attributes of workers' wages in manufacturing enterprises in Hanoi, thereby proposing several recommendations for manufacturing enterprises to improve and increase wages for workers.

II. Literature Review

Dohmen (2004) considered that salaries and wages are to be paid for the work done, which means that the amount of money the employer pays to the employee in the form of wages or salaries after the employee has performed a certain job demanded by the employer. According to this concept, salaries and wages are limited to hiring relationships (labor relations).

Zingheim and Schuster (2007) also showed that in the labor market, salaries and wages are not determined by the free interaction between labor supply and demand, but rather through wage agreements between workers (represented by trade unions) and employers.

In market economy, salaries and wages depend on the supply-demand relationship of labor. When the supply of labor is greater than the demand for labor, employers tend to lower salaries and wages. In contrast, when the demand for labor is greater than the supply of labor, salaries and wages tend to increase. Although salaries and wages depend on the labor supply-demand relationship, salaries and wages level must base on labor value and tend to be paid at the right value of labor. Following this approach, Nguyen and Le (2010) stated that wages are labor costs, which are formed based on an agreement between employees and employers, affected by the law of supply and demand in the labor market and follow the current provisions of law. According to Tran (2012), wages are interpreted as the amount of money that employers pay to employees based on the value of labor that they create on the basis of an agreement under a labor contract.

Although being approached in many different directions, the concept of common points of wages is still included, which is: Wage is the cost of labor or money-expression of the value of labor force that the employer pays the employees based on the correct and full calculation of labor costs; Wages depend on the supply-demand relationship of labor in the labor market; Wages are formed through an agreement mechanism between the employee and the employer, but must not be lower than the prescribed minimum wage. This is also the concept and characteristics of the salary used by the author in this article.

III. Research Subject and Methodology

Research Subject: The subject of this research is employees in the manufacturing enterprises in Hanoi.

Qualitative Research Methodology

This research used a qualitative research methodology based on some in-depth interviews with three (3) lecturers with extensive experiences in the salaries of workers inmanufacturing enterprises of the National Economics University and University of Labor and Social Affairs. These are the two leading universities in Vietnam in training human resource (HR) management. At the same time, three (3) experts were also interviewed who are HR manager in manufacturing enterprises. The contents of the interviews focused on the subject of the salaries of worker's attributes.

Based on findings from a number of studies conducted byDohmen (2004), Coqquitet al. (2005), Zingheim& Schuster (2007), Whisenant&Smucker (2009), Al-Zu'bi (2010), Nguyen & Le (2010), Liang (2011),Tran

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(2012)and findings from the interviews with those experts, this research has identified the salaries of employees (SE) in seven (7) attributes as presented in Table 1 below.

Table 1: Attributes ofthe salaries of employees

Code	Scale	Sources
Salaries of employees (SE)		
SE1	Compared to the regional average, my salary is higher	Coqquit et al. (2005), Whisenant & Smucker (2009), Al-Zu'bi (2010), Liang (2011)
SE2	Compared to the salary of a competing business, my salary is higher	
SE3	Compared to other industries, my salary is higher	
SE4	The salary I received corresponds to my work experience	
SE5	My salary is proper for the position	
SE6	My salary is fair compared to other employees in the business	
SE7	My salary is commensurate with my level of contribution and dedication to the business	

Quantitative Research Methodology

For the purpose of this research, a questionnaire was designed which consisted of seven (7) variables with a 5-point Likert scale from 1: "Strongly disagree" to 5: "Strongly agree". The method of data collection was accomplished through the survey with a number of employees in manufacturing enterprises in Hanoi. A total of 350 questionnaires were sent and received the filled questionnaires with full information for data entry and analysis from 300 respondents. The size of this sample was consistent with study of Hair et al. (1998) that the research sample must be at least 5 times the total number of indicators in the scales. The questionnaire of this study included seven (7) indicators, and therefore, the minimum sample size to be achieved is 7 * 5 = 35 observations. Then, data from these 300 questionnaires was cleaned and coded with the necessary information in the questionnaires, inputed the analyzed by using SPSS23.

The steps of data analysis were as follows:

(i)Descriptive statistics,

(ii) Cronbach's Alpha to assess the reliability of the scale.

IV. Research Results

IV.1. Descriptive Statistics

Table2: Respondents by Gender, Age

	Frequency	Percent	Cumulative Percent
Gender			
Male	136	45.3	45.3
Female	164	54.7	100
Age			
Less 30 years old	73	24.3	24.3
From30 to under 40 years old	101	33.7	58
From40to under 50 years old	92	30.7	88.7
Over 50 years old	34	11.3	100
Total	**300**	**100.0**	

Information of data collected is shown in Table 2. It shows that among the 300 respondents, about 45.3% were male while the remaining 164 (54.7%) were female. Of these, 73 of them (or 24.3%) are under 30 years old,

101 of them (or 33.7%) are from 30 to under 40 years old, 92 of them (or 30.7%) are from 40 tounder 50 years old and 11.3% of the participants were over 50 years old.

Next, Table 3 indicates that the respondents agree with the dependent variables of "Salaries of employees (SE)", where seven (7) attributes were quite high with an average of 3.2247 compared with the highest of the Likert 5-point scale. All these seven (7) attributes were rated at an average of 3.0089 or higher.

Table 3. Descriptive Analysis of Attributes of the salaries of employees

	N	Minimum	Maximum	Mean	Std. Deviation
SE1	300	1.00	5.00	3.0201	.72101
SE2	300	1.00	5.00	3.2128	.81318
SE3	300	1.00	5.00	3.2852	.86652
SE4	300	1.00	5.00	3.7597	.80437
SE5	300	1.00	5.00	3.1322	.92563
SE6	300	1.00	5.00	3.0089	.87631
SE7	300	1.00	5.00	3.1542	.86642
Valid N (listwise)	300			**3.2247**	

The employees highly appreciated, quite evenly and the average score was all over 3.0 or higher. The highest rating is "The salary I received corresponds to my work experience (SE4)"with a score of 3.76. This proves that, compared to their work experience, the salary that employees receive is quite commensurate. Next are attributes "Compared to other industries, my salary is higher (SE3)" and "Compared to the salary of a competing business, my salary is higher (SE2)" with a score of 3.29 and 3.21 respectively. The attributes "My salary is commensurate with my level of contribution and dedication to the business (SE7) and "My salary is proper for the position (SE5)" are evaluated with an average of 3.15 and 3.13. The attributes that workers underestimate are "Compared to the regional average, my salary is higher (SE1) and "My salary is fair compared to other employees in the business (SE6) with scores of 3.02 and 3.01.

IV.2. Cronbach's Alpha

Salaries of employees has been measured by the Cronbach's Alpha. Results of testing Cronbach's alpha of attributes are presented in Table 4 below. The results also show that attributes of the dependent variables have Cronbach's Alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the dependent variables are statistically significant (Hair etl al., 2009;Hoang and Chu, 2008).

Table4: Results of Cronbach's Alpha Testing of Attributes

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Salaries of employees (SE): Cronbach's Alpha: .902				
SE1	14.8792	10.702	.710	.868
SE2	14.8523	10.924	.690	.873
SE3	14.9329	10.347	.750	.859
SE4	14.9128	9.986	.788	.850
SE5	15.0000	9.568	.721	.869
SE6	14.6057	9.532	.753	.857

SE7	15.1246	9.467	.744	.879

V. Discussionandadministrative implications

Observations and research results at manufacturing enterprises show that there is a difference in wages of workers in manufacturing enterprises in Hanoi by age, job position, and manufacturers, particularly: (i) At different age, the salary that employee receives is diverse; (ii) Each title position will correspond to different salaries received; (iii) Different manufacturers will have different wages. There are four manufacturers: food processing, garment, wood processing, and electronics manufacturing. However, there is an insufficient basis to infer the difference in wages of workers in manufacturing enterprises between men and women. This result is adequate because the payment of employees does not discriminate against gender; salaries wages are based on the amount and quality of labor value that employees contribute.

Workers' perceptions of the salary that they receive not only focus on high or low wages, but also pay attention to compare their salary with others, other jobs, and other businesses. Therefore, the salary of the business should ensure fairness both inside and outside.

Wages in an enterprise represent the reciprocal relationship between employers and employees. That is a mutually beneficial cooperation. If it is good cooperation, both sides will gain benefits, not to mention great benefits. On the other hand, if it is an unhealthy cooperation, the benefits of either party will not be achieved, even be damaged.

Nowadays, business owners are taking the initiative in paying salaries for employees in the enterprises, so the perception of business owners about salary matters is crucially important. With the view that wages are costs that businesses have to spend in the production process, business owners likely tighten wage costs. From the standpoint of a living wage, the level of accumulation is very little, even barely. But with the viewpoint of salary being an investment for human resources, business owners tend to pay equal or higher than the average wage in the labor market.

Therefore, it is necessary to propagandize and advocate for business owners to be always aware of and support the positive payment perspective in the business. Besides, it is also necessary to propagate the salary laws to business owners as well as workers so that they can protect their rights.

Business leaders need to take the importance of payroll seriously. So that they can pay attention to and direct more closely the formulation of salary policy, invest effort, money, and time for the completion of the salary regime and policy. At the same time, it is necessary to let workers know in advance so they can get the right recognition of this work to cooperate with businesses. Therefore, businesses need a centralized and democratic mechanism when making decisions related to workers' wages.

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