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A Study on Salary Management in Construction Firms

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Abstract

Salaries are the price of labor power per unit of time (Ehrenberg & Smith, 2014) [8]. In order to improve the efficiency of the use of wages, it is necessary to manage wages so that wages can play the role of leverage and encourage employees to work enthusiastically. This study investigates salary management in construction firms in Hanoi, Vietnam. Salary management is measured through five components, including (i) creating a salary management strategy, (ii) organization for implementation, (iii) monitoring and inspection, (iv) measuring and correcting, and (v) a salary distribution policy. Data were collected from questionnaires of 769 employees who are working at construction firms in Hanoi, Vietnam. The quantitative approach is employed for evaluating salary management. The results reveal that salary management includes five components that are highly appreciated. Based on the findings, some recommendations are proposed to fulfill salary management.

1. Introduction

Salaries are the price of labor power per unit of time (Ehrenberg & Smith, 2014) [8]. The average sum of the salaries of all workers in an economy will be the average salary; the value of the average wage, excluding inflation, will give the value of the real average salary.

Salary is always a matter of concern for all employees, from employees to leaders. Salaries are not merely a source of income; they ensure the lives of workers and their families. Salaries are also a measure of employee performance and contribution. Salaries are the connecting link between employees and employers. For enterprises, salaries are an input cost; if other costs are transferred to the value of goods and services, salaries have the effect of improving labor productivity, product quality, attracting and retaining talents, and improving the competitiveness and reputation of enterprises. In order to improve the efficiency of the use of wages, it is necessary to manage wages so that wages can play the role of leverage and encourage employees to work enthusiastically.

Hanoi is the capital and the center of economic and political culture, where many construction businesses are concentrated. In recent years, construction firms have brought economic and social benefits to Hanoi City in particular and to Vietnam in general. According to statistics, in 2019, the number of construction firms in Hanoi was 14,040, with a revenue of over 400,000 billion VND and contributing over 15,000 billion VND to the state budget, so it can be said that the construction industry has made a significant contribution to the country's development.

In order for firms to thrive, they must have a team of human resources of sufficient quality and quantity. An important issue in attracting and retaining employees is that firms must have a good salary management system that motivates employees to work with high efficiency. However, construction firms in Hanoi still have a number of problems, such as the ineffective determination of the planned salary fund, which is still a formality, and the fact that the salary policy has not really motivated people to work; inspection and supervision are still lax. Enterprises are still confused, passive, and have not fully promoted the role of salary management, leading to low efficiency and failure to achieve business goals and retain employees.

For the above reasons, the assessment of salary management in construction firms in Hanoi has both scientific and practical significance. In this study, we determine that salary management is based on pay for labor.

2. Literature Review

In the world, there have been many researchers interested in the topic of salary management, typically: According to Snell & Bohlander (2010) [15], salary management includes all forms of compensation and rewards that employees receive for the

performance of their jobs. According to Dessler (2011) [5], payroll management is all forms of salary or bonus paid to employees arising from their employment, and it can be direct financial payments (paid as wages, salaries, incentives, commissions, and bonuses) or indirect financial payments. Salary management refers to all forms of financial return and tangible services and benefits that an employee receives as part of an employment relationship surrounded by the employee's salary and wages, incentives, bonuses, and commissions (Akter & Moazzam, 2016) [2].

In order to avoid employee misperception and controversy, the compensation system must be clearly communicated to the employees with a measurement of the work that will promote the required performance of the employees (Yamoah, 2013) [18]. Hsin-His (2011) [12] argues that compensation is an important tool in human resources. An effective salary management system design significantly affects the growth of the organization by revealing external competitiveness, internal fairness, and personal fairness. External competitiveness attracts talent, and internal fairness helps firms retain talent by ensuring that employees and co-workers who contribute equally receive equal remuneration. Personal equity allows employees to feel that their potential is fully rewarded; therefore, they are encouraged (Hsin-His, 2011) [12].

For organizations, salaries are an expense and an important tool for gaining a competitive advantage. In society, salaries not only affect the distribution of wealth but also symbolize social justice and equity (Hsin-His, 2011) [12].

Adewale et al. (2014) [1] studied salary packages for employees at the University of Southwestern Nigeria. In the study, the author uses the dependent variable of the employee's job performance. Independent variables: salary, bonus, incentive, allowance, and additional benefits. A research method uses simple percentages. The results show a strong relationship between compensation packages and employee performance and retention. The study shows that there is a strong correlation between the dependent and independent variables tested (salary, bonus, incentive, allowance, and side benefits). However, managers and decision-makers should try to look at compensation packages at different levels in order to be targeted.

The remuneration and performance management of employees in Nigerian firms were examined by Onuorah et al. (2019) [14]. Based on the investigation, it was discovered that employee performance in Nigerian firms was not adversely affected by equity-based remuneration, merit-based compensation, or performance-based compensation. According to the study's findings, compensation management significantly affects employee performance in Nigerian firms.

In Vietnam, research on salary management is also mentioned by many domestic researchers, such as: Tran (2008) [16] has generalized the basic theory of salary management in enterprises through qualitative research methods. Do (2013) [6] developed a method of paying labor according to the market mechanism based on the value of labor power and the relationship between supply and demand of labor power in the market to decide on a reasonable salary and salary calculation method to ensure the competitiveness of wages, attract and retain employees, and at the same time, enterprises control labor costs. The author approaches the payment method very scientifically

and logically, analyzes and tests the relationship between factors, and performs regression analysis with a binary logistic function applied to binary variables.

According to Do and Doan (2020) [7], salary management includes all activities aimed at bringing efficiency to the payroll of an enterprise. The goal of salary management is to build, maintain, and develop the most optimal salary system for both firms and employees. In general, salary management is a rather complicated process in which managers need to conduct many activities to meet the goals from the beginning to the end of an enterprise's business cycle.

Inheriting the above studies and based on the results of expert interviews, we propose the observed variables of salary management in construction firms in Hanoi as follows:

Table 1: Observable variables of salary management in construction firms

Code	Scale	Sources
Salary management (PE)		
PE1	Creating a salary management strategy.	Coqquit et al. (2005) [4], Whisenant & Smucker (2009) [17], Al-Zu'bi (2010) [3], Liang (2011) [13]
PE2	Organization for implementation.	
PE3	Monitoring and inspection.	
PE4	measuring and correcting.	
PE5	A salary distribution policy.	
PE6	Minimum wage regulations	
PE7	Payscale guidelines	

3. Methodology
3.1 Data Description
Employing pre-designed questionnaires in qualitative research. Interview respondents are chosen based on work position or title, and selected businesses are categorized according to firm size. The interviews are primarily human resource managers from construction firms, nevertheless, due to scarce resources.

The survey sample targets employees of construction firms in Hanoi. Construction firms are randomly selected from a list of 50. The survey was conducted through an online survey and sent in person by hard copy from September to December 2021. However, the responses mainly came from the face-to-face survey method. To reach the survey respondents, we contacted trade union officials or the heads and deputy heads of human resources departments in these firms for introductions. After acceptance of survey responses is received from the participants, the questionnaire is sent to the respondent's address or the questionnaire link is emailed to them.

A total of 800 questionnaires were sent to the participants, and we received 780 responses. After reviewing and removing the missing questionnaires, 769 valid responses remained (of which 100 were from online surveys).

The 5-point Likert scale was selected to evaluate the observed variables, with 1 being completely disagree and 5 being completely agree.

3.2 Data Analysis Methods
The study used SPSS software with multivariate analysis to analyze the data. First, the scales were evaluated through the Cronbach's alpha coefficient, the total variable correlation, and finally the exploratory factor analysis (EFA).

4. Results
4.1 Cronbach's Alpha
Salary management in construction firms in Hanoi has been measured by Cronbach's alpha. The results of testing Cronbach's alpha for attributes are presented in Table 2 below. The results show that two attributes of the dependent variables have correlation coefficients that are smaller than 0.3. So, two of the attributes of the dependent variables are not statistically significant or curtail (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [11, 9, 10]. Thus, the remaining 5 observed variables of the dependent variable were tested for the second time, and the results are presented in Table 3. Table 3 shows 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 (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [11, 9, 10].

Table 2: Results of Cronbach's alpha testing of attributes and item-total statistics

Cronbach's Alpha			N of Items	
.605			7	
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
PE1	20.1938	8.495	.384	.556
PE2	20.2653	8.200	.455	.535
PE3	20.6554	7.643	.507	.509
PE4	20.2471	8.350	.369	.556
PE5	20.5410	7.915	.418	.537
PE6	21.8492	8.076	.190	.627
PE7	21.9493	7.902	.158	.655

Table 3: Results of Cronbach's alpha testing of attributes and item-total statistics - tested for the second time

Cronbach's Alpha			N of Items	
.809			5	
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
PE1	15.4252	4.794	.654	.757
PE2	15.4967	4.591	.718	.737
PE3	15.8869	4.793	.504	.802
PE4	15.4785	4.672	.619	.765
PE5	15.7724	4.689	.520	.798

4.2 Exploratory Factor Analysis (EFA)
Next, tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance. The results of factor analysis in Table 4 show that KMO is 0.830, which is greater than 0.5 but less than 1. Bartlett's testimony shows sig. = 0.000, which is smaller than 0.05, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) [11, 9, 10]. After implementing the rotation matrix, five components of the salary management in construction firms in Hanoi with a factor load factor greater than 0.5, eigenvalues greater than 1, and a variance explained of 57.999% were identified (see tables 5 and 6). The statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified five components of salary management in construction firms in Hanoi (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*,

2014) [11, 9, 10].

Table 4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Salary management in construction firms in Hanoi (PE)		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.830
Bartlett's Test of Sphericity	Approx. Chi-Square	1,285.882
	Df	10
	Sig.	.000

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Salary management in construction firms in Hanoi (PE)						
1	2.900	57.999	57.999	2.900	57.999	57.999
2	.711	14.222	72.221			
3	.618	12.369	84.590			
4	.433	8.653	93.243			
5	.338	6.757	100.000			

Table 6: Component Matrix[a]

PE	Component
	1
PE1	.809
PE2	.853
PE3	.663
PE4	.784
PE5	.679

5. Discussion and Implications
5.1 Preparing for Salary Funds
Firms should plan a salary fund based on the source of the salary fund to pay employees if they haven't already. For small and medium firms, the planning of the salary fund has not been given much importance; sometimes it is just a plan for credit or a loose plan. The reason may be that the production and business plan are not stable, so they are difficult to implement. Therefore, construction firms should have strategies to exploit and use the best salary funds, especially small and medium enterprises.

In construction firms, the salary fund is mainly formed from construction and installation activities and investment activities. Therefore, construction firms need to have a strategy to maximize revenue, which is the most important basis for forming a salary fund. In production and business, construction and installation activities face many challenges, such as high values of input materials, low profit, etc. Therefore, for each project and each work item, enterprises should study and develop a reasonable salary deduction rate in order to be both in line with the state's regulations on construction while creating motivation in labor and balance. cost in business. The wage deduction rate for investment activities in construction firms is usually higher, but it also depends on the situation of the domestic and international real estate markets. Salary deduction rates are higher, but in investment activities, the safety factor is lower; it is greatly influenced by external factors such as the stock market, real estate market, and market demand. If you do not calculate a reasonable salary deduction rate, it will greatly increase the cost of the team.

On the basis of the development of production and business activities, the construction firm should determine how the

total salary fund is taken, how much to take to ensure the harmony of expenditures, and whether the salary source is an investment source for human resources. Human. Determining the optimal salary fund, helping businesses rationally use their budget, and helping promote the salary management tool. By determining the salary fund and a reasonable salary payment plan, the enterprise will maximize its labor potential. Therefore, setting up an accurate and effective salary fund depends greatly on the production and business plan.

5.2 Salary Increases are based on Work Performance
Employee pay is connected to individual, group, and corporate performance criteria through the process of performance pay. The goal of the performance pay process is to retain good employees for the company in addition to rewarding effective and productive contributions made by employees within the organization. This relationship also lends credence to the idea that, in a system where performance-based pay is the norm, raising salaries will enhance productivity and foster a positive workplace culture. Construction firms should have a link between wages and work performance. Two key elements in planning for this linkage include: first, a performance management system with key performance indicators (KPIs) and achievement of set goals; and second, the firm's salary plan and policy, that is, how performance is rewarded.

In order to link salary and work performance, the company should follow the following two methods: (i) Salary increases based on the performance evaluation that employees have achieved; the better reviews will receive higher salary increases and will be maintained for the following years; (ii) Bonuses are used to reward management positions and outstanding employees, who will receive bonuses paid only once and not repeated.

The next step in performance-based salary increases is to allocate the budget in accordance with employee performance after the construction company has settled on a budget for salary increases. Payroll expenses related to required payments must also be taken into account. As a result, the total salary increase budget that will be taken into account will comprise both the annual wage increase and the increase in required payments.

5.3 Organizational Structure of Salary Management
Construction firms in Hanoi should establish or complete a salary council. At the branches, it is advisable to arrange for a person who specializes in salary administration. In each group, the production team will have a part-time salary officer.

In addition, construction firms in Hanoi should (i) clearly define the functions and duties of the salary management teams at the company and build a title structure, determine the staffing, conduct the distribution job analysis, and develop detailed job descriptions for each job position in the human resource management board and human resource management department; (ii) complete the entire online salary management system with the function of ensuring vertical consistency in salary administration activities in terms of salary payment, welfare payment, bonus, and other non-financial values, carry out communication work on salary administration, and train staff performing salary administration.

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