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Firm Leadership's View Point and the Role of Trade Unions for Salary Management

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Abstract

With the current growth rate, the number of laborers working in the construction industry in 2030 may reach about 12–13 million people. These figures show that the level of competition for human resources in the construction industry is not small. Therefore, in order to attract and retain workers and maintain and develop quality human resources, construction firms need to pay special attention to human resource policies, especially remuneration policies such as salary, bonus, and welfare. This research was conducted to measure the firm leadership's point of view and the role of trade unions in salary management in construction firms in

Hanoi. Data were collected through a survey with 769 employees of construction enterprises in Hanoi. With this data, we have used Cronbach's Alpha analysis to identify and measure eleven (11) attributes of the firm leadership's view point and the role of trade unions for salary management in construction firms in Hanoi. The results showed that employees' organizational commitment is highly appreciated by respondents. Based on the findings, some recommendations are given to improve the firm leadership's view and the role of trade unions in salary management in construction firms in Hanoi.

Keywords: Firm Leadership, Union Corporation, Construction Firms, Salary Management, Human Resource Management

JEL codes: F43, F63, J21, J22, E24

1. Introduction

In Vietnam, trade unions are considered an extension of the Party and State to monitor compliance with regulations on labor and employment, contributing to maintaining a harmonious labor relationship at enterprises (Grosse, 2015) ^[8].

The construction industry plays a particularly important role in the development of the country; the success of the industrialization and modernization of the construction industry is a prerequisite for the development of other economic and service sectors in the national economy. Therefore, for many years, the Party and State have always paid attention and won appropriate incentives to invest in the construction and development of the industry. The construction industry has entered the implementation of the five-year plan tasks from 2021 to 2025 in the context of a stable socio-political situation and controlled inflation. Many solutions and policies for socio-economic development, attracting investment, improving the business investment environment, promoting growth, and administrative reform have come to life and brought into play their effectiveness and efficiency. Positive. The construction sector still maintains good growth momentum. Basically, the industry has completed five groups of targets, and the average growth rate of the construction industry is 8.5%–8.7% per year. The urbanization rate will reach about 40% by the end of 2020. Total cement production by 2020 will reach 103 million tons; facing bricks will reach 560 million; sanitary ware will reach 19 million; construction glass products will reach 280 million m²; and fired and unburnt bricks will reach 30 billion bricks, meeting the domestic construction demand. The Construction Industry has focused on directing and implementing well the major, key, and fundamental issues to create strong and breakthrough changes, such as the system of policies and laws on construction. Relatively complete and synchronous with relevant laws, enough to adjust activities in practice and contribute to improving the effectiveness and efficiency of state management.

The labor demand in the construction industry is huge. Many experts in the construction industry have forecast that the labor demand in the industry will increase by about 400,000–500,000 workers per year. With the current growth rate, the number of laborers working in the construction industry in 2030 may reach about 12–13 million people. These figures show that the level of competition for human resources in the construction industry is not small. Therefore, in order to attract and retain workers and maintain and develop quality human resources, construction firms need to pay special attention to human resource policies, especially remuneration policies such as salary, bonus, and welfare.

2. Literature Review

2.1 Firm Leadership's View Point

Bol (2011) ^[1] argues that the wages of employees are influenced by the head of that organization. This is completely true in reality. If the employer's point of view is that wages are an expense, the establishment of the enterprise's wage policy will be tighter, reducing costs in order to maximize profits. If the employer considers wages to be an investment, the enterprise's wage policy will be more open and emphasize a fair and efficient distribution of wages. The views of the head of the organization will be reflected in the salary policy that the organization develops. The employer's point of view will determine how the enterprise's salary payment mechanism is built and which salary payment plan is used, thereby affecting the salary that employees receive. The way of viewing, evaluating, and perceiving salary work will show the goal of salary work in that enterprise: a trend of salary higher than market salary, a trend of salary lower than market salary, or a trend toward parity with the market wage. Each pay trend has certain advantages and limitations. The choice of any trend depends largely on the firm's leadership's point of view.

Judge *et al.* (2009) ^[12] also argue that the positive and negative qualities of leaders are two-sided and affect leadership results. This is an interesting aspect of leadership research, as researchers have shown that negative qualities also have positive aspects and vice versa. To address this issue, there are studies by Judge *et al.* (2009) ^[12] and Furnham *et al.* (2012) ^[7].

Two groups of indicators are often used to evaluate leadership performance, including financial and non-financial indicators. In particular, due to the influence of many factors, financial indicators often have little correlation with leadership results.

2.2 The Role of Trade Unions for Salary Management

A trade union is an organization set up by employees for the purpose of representing them, negotiating with business owners on the rights and obligations of employees, and protecting the legitimate interests of employees. The union is based on the views of the employees to make recommendations to help employees have the best working conditions with the most satisfactory wages. The trade union is one of the components of the Salary Council that develops regulations on salary payment, bonuses, and welfare programs and has the role of advising the council on how to implement the salary policy. Therefore, the advice of the trade union and the cooperation of the union in the promulgation and implementation of the enterprise's salary policy affect the wages of employees.

Stephan and Gerlach (2005) ^[18] argue that if trade unions perform well in their role as intermediaries, ensuring the harmony of interests between enterprises and employees in terms of salary, bonus, and welfare policies, they will create favorable conditions where it is easy to find a common voice in the payment of enterprises' salaries. On the contrary, there are many enterprises that have established trade unions that are counterproductive; trade union activities are not effective; they do not protect the interests of workers; or they operate without rationality. will have no useful contributions, nor will there be adverse effects on workers' wages.

Milkovich *et al.* (2011) ^[14] have built a research model of factors affecting the salary and income of employees based

on two groups of factors: factors from the organization and external factors. In which the trade union is one of the factors from the external environment.

Trade unions, or collective bargaining mechanisms, are one of the pillars of labor market institutions. Previous studies on the role and influence of trade unions have mainly focused on employment impact, raising incomes for union members, and narrowing the wage gap in existing firms represented by union representatives (DiNardo & Lee, 2004) ^[4].

According to Fang & Ge (2012) ^[6], the presence of trade unions in China promotes innovation and R&D investment by pressuring firms to adopt more systemic governance practices. system, instead of arbitrary practice as in the past. In Vietnam, some typical studies, such as Do (2012) ^[5] and Nguyen (2020) ^[15], also confirmed that trade unions have an influence on salary management in enterprises.

Inheriting the above studies and based on the results of expert interviews, we propose the observed variables of firm leadership's view point and the role of trade unions for salary management as follows:

Table 1: Observable variables of firm leadership's view point and the role of trade unions for salary management

Code	Scale	Sources
Firm leadership's view point (PP)		Firm leadership's view point
PP1	The firm offers a salary policy in line with the firm's development strategy.	Liang (2011) ^[13] , Chen (2006) ^[3] , Pham (2021) ^[17] , and Nguyen (2014) ^[16]
PP2	The firm's salary policy has a strong attraction for employees.	
PP3	The firm has a clear salary increase roadmap.	
PP4	The firm's salary policy is in line with the firm's sustainable development.	
PP5	The firm focuses on establishing a good salary system.	
PP6	Payroll distribution can reinforce the firm's core values	
The role of trade unions (TU)		
TU1	Advice on regimes and policies for employees	Stephan & Gerlach (2005) ^[18] ; Bryson & Freeman (2006) ^[2]
TU2	Fight to protect the rights of workers	
TU3	Cooperation with superior trade unions	
TU4	The role of legal advice for employees	
TU5	The middleman ensures harmonization of the interests of the firm.	

3. Methodology

Inheriting the results of previous studies and using a qualitative research approach, namely interviews with selected experts, to perform quantitative research, we have identified the following 8 attributes (scales) of firm leadership's view point and the role of trade unions for salary management.

Then, we made a questionnaire consisting of eleven (11) observation variables with a 5-point Likert scale, from 1 "without agreeing" to 5 strongly agreeing" (see Table 1). The collection of data was done through a survey of 769 employees of construction firms in Hanoi for the period 2021–2022, close to this study period. Therefore, their

feedback on the firm leadership's point of view and the role of trade unions in salary management is considered very appropriate.

From the 1,000 questionnaires we sent, we received feedback from 800 respondents. After checking the information on the returned questionnaires, we have only 769 questionnaires with full information for data entry and analysis (see table 2). The size of this sample is consistent with the study of Hair *et al.* (1998) [9], namely $n = 5 \times m = 5 \times 11 = 55$. Therefore, the rest of the observations for the analysis are from 769 surveys.

We then used the Cronbach Alpha analysis via SPSS 23 to measure the firm leadership's view point and the role of trade unions for salary management in construction firms in Hanoi.

Table 2: Descriptive statistics of the study sample

Descriptions		Frequency	Percent
Seniority	Less than 3 years.	27	3.5
	From 3 to 5 years	40	5.2
	From 5 to 10 years	60	7.8
	10 years or more	642	83.5
Job position	Workers	92	12.0
	Staffs	430	55.9
	Manager (Deputy or higher)	247	32.1
Total		769	100.0

Regarding seniority, the number of people with less than 3 years of seniority is 27 people, accounting for 3.5%; with a seniority of 3-5 years, there are 40 people, accounting for 5.2%; seniority from 5–10 years is 60 people, accounting for 7.8%; seniority over 10 years is 642 people, accounting for 83.5%. Among the 769 respondents, workers are 92 people, accounting for 12%; staff is 430 people, accounting for 55.9%; and managers (deputies or higher) are 247 people, accounting for 32.1%.

Table 3: Results of Cronbach’s Alpha Testing of Attributes

Cronbach's Alpha		N of Items		
.887		6		
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
PP1	17.9272	11.474	.730	.863
PP2	18.0741	12.006	.639	.877
PP3	17.9688	11.627	.594	.887
PP4	17.8843	11.300	.788	.854
PP5	17.7906	11.621	.725	.864
PP6	18.0923	11.337	.752	.859
Cronbach's Alpha		N of Items		
.853		5		
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
TU1	16.1912	5.210	.598	.840
TU2	16.0780	5.043	.738	.805
TU3	16.1118	4.985	.724	.807
TU4	16.1482	5.116	.725	.809
TU5	16.1261	5.079	.568	.852

5. Discussion and Implications

The salary administration implementation apparatus is lacking in quantity, weak in quality, and not yet able to meet the job requirements, especially for small and micro-sized construction joint-stock companies. Sometimes this department is concurrently responsible for the management of wages and salaries. Clerical, administrative, or

4. Results

Cronbach’s Alpha

According to Hair *et al.* (2014) [10], the scale with a Cronbach's alpha coefficient greater than 0.7 is the scale with good reliability, and 0.8 and above is the scale with very good reliability. The results of Table 3 show that the scales have quite good reliability when the Cronbach's alpha coefficients are all greater than 0.805. Thus, the scales are all statistically significant (Hair *et al.*, 2014; Hoang & Chu, 2008) [10, 11].

The firm leadership's point of view in construction firms has been measured by Cronbach's Alpha. The results of testing Cronbach’s alpha for attributes are presented in Table 3 below. The results also show that attributes of the dependent variables have Cronbach's Alpha coefficients that are greater than 0.6, smaller than the Cronbach's Alpha coefficient of the general variable, and that the correlation coefficients of all attributes are greater than 0.3. The scale shows a concentrated way of responding, ensuring that the reliability between variables in this group is not duplicated. So, all the attributes of the dependent variables are statistically significant (Hair *et al.*, 2014; Hoang & Chu, 2008) [10, 11].

The role of trade unions after being evaluated by Cronbach's Alpha coefficient shows quite good results. The scale shows the answers in a concentrated way with a Cronbach's Alpha coefficient of 0.853 (greater than 0.6 level of popular acceptance).

The correlation coefficient between the variables is greater than 0.3, so the reliability between the variables in this group is not duplicated.

For the role of trade unions factor, this factor increased as the salary administration increased, and it was statistically significant at 5%. When other factors are constant, the role of the trade unions in the unit increases, and the salary management increases.

accounting responsibilities. The organization of the apparatus and the assignment of duties to the officials in charge of salary administration are also still causing problems in the implementation of salary administration. The capacity of the salary staff of many companies is still weak in terms of professional capacity and not in the right field of training. The number is weak; many people have to

work part-time.

The grassroots trade union has not yet promoted its role, its capacity is still limited, and it is dependent on the employer. Building the organizational structure of the organization in charge of salary administration, from the Corporation to its branches as well as production teams, will create favorable conditions for the construction, implementation, and evaluation of salary management. The enterprise has established a scientific and effective salary management system according to the standards of each period. A construction joint stock company in the Hanoi area needs to build a team of highly qualified and capable salary officers. In addition to the salary evaluation results, the qualitative research results show that the staff responsible for the salary of the construction enterprise holds a key position in the salary management activities at the enterprise. The capacity and qualifications of this staff are prerequisites to effective salary administration. Renovation of salary policy must be carried out through innovation in thinking, awareness, and capacity building among staff in charge of salary. Through the survey, there were many opinions that salary officers lack implementation skills. Missing skills include personnel assessment, job analysis skills, salary scale construction skills, skills in determining contract rates, norms in the construction industry, etc.

In addition, in the construction enterprise, salary officers may have to hold a lot of other business affairs as part-time jobs because of a lack of motivation to work because the enterprise's mechanism has not encouraged salary officers to make efforts toward project implementation. Some other difficulties are the lack of supporting tools, the lack of guiding documents, etc., showing that the initiative of the salary staff is not high. Unstable cash flow from investors also makes it difficult to carry out the set plans.

The influence of the role of trade unions on wages has been confirmed. On the basis of this result, it shows that the role of grassroots trade unions in salary administration is very low. The grassroots trade union is the level of the trade union that directly interacts with union members and employees and directly implements the organization of trade union tasks and activities, so it can be said that the grassroots trade union is an important and fundamental stage of the foundation of trade unions.

Evaluating the activities of trade unions, the survey workers also underestimated the role and functions of grassroots trade unions. Employees rated the role of consulting with business leaders on regimes and policies and fighting to protect workers' rights as the lowest. Most of the grassroots trade unions only focus on filial piety, visitation, allowances for union members, the organization of cultural and artistic activities, physical training and sports, and vacation visits. However, activities related to the lack of work and low income of workers and seeking to harmonize the interests of workers with the enterprise are often underestimated and receive little attention.

Implement a mechanism to negotiate wages between the subjects in labor relations. Develop and maintain a mechanism for dialogue, negotiation, and agreement on salary between the parties in the labor relationship on an annual basis when formulating production and business plans for the following year, taking into account the growth potential, labor supply-demand relationship (wage price in the market), and price index. To publicize and transparently disclose information directly related to jobs, working

conditions, wages, bonuses, etc., as a basis for negotiating salary when recruiting and signing labor contracts; to strengthen the representative capacity of employees in labor relations; to create conditions for employee representative organizations to participate in formulating policies related to employees, with a focus on salary policy, in order to build harmonious, stable, and progressive labor relations in the enterprise.

Trade union organization is an important factor in the formulation and implementation of wage policy. Therefore, whether the operation of trade unions is effective or not also greatly affects the effectiveness of the wage policy. Therefore, improving the efficiency of trade unions is essential. Trade unions will be the bridge to encourage employees to increase their productivity. Therefore, the activities of trade unions need to be promoted to the fullest extent, especially in participating in the formulation of salary policies, thus creating confidence for employees to stick with the enterprise for a long time.

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