



Received: 26-03-2023
Accepted: 06-05-2023

ISSN: 2583-049X

Evaluation of the Differences in Employees' Feelings About the Salary Policy at the Vietnam Bank for Agriculture and Rural Development

¹Tran Thi Minh Phuong, ²Nguyen Thi Hong, ³Do Thi Tuoi
^{1, 2, 3} University of Labour and Social Affairs, Vietnam

Corresponding Author: **Nguyen Thi Hong**

Abstract

In the market economy, the enterprise's salary policy is an effective human resource management tool while ensuring harmony in labor relations and internal relations between wage earners. This article gives a literature review of studies from the country and worldwide to evaluate the differences in employees' feelings about the salary policy at the Vietnam Bank for Agriculture and Rural Development (Agribank). The salary policy of the enterprise is explored through assessing the perceptions of employees on four aspects, including (i) the basic salary, (ii) the salary structure, (iii) the salary payment project, and (iv) financial incentives and welfare. Data were collected from questionnaires for 216

employees who are working at Agribank. The quantitative approach is employed for evaluating employees' feelings about the salary policy. The results reveal that employees' feelings about the salary policy include four components that are highly appreciated. With different experiences, the salary policy is also perceived differently, and different job positions and salary policies are also perceived differently. There is also a difference in the employees' feelings about the salary policy between men and women. Based on the findings, some recommendations are proposed to fulfill the salary policy.

Keywords: Differences, Feelings About the Salary Policy, Employees, Human Resource Management, Agribank

JEL Classifications: E64, P46, J31

1. Introduction

Salary policy in the enterprise is understood as a collection of decisions related to each other in terms of salary in order to achieve the following objectives: cost effectiveness; attracting, retaining, and motivating employees; and gaining a competitive advantage through increased labor productivity. Labor productivity and the quality of work of employees are greatly influenced by the salary policy in the enterprise, but for employees, it is the salary and the salary policy.

In the market economy, the enterprise's salary policy is an effective human resource management tool while ensuring harmony in labor relations and internal relations between wage earners. At the same time, we must try our best at work while creating good human resources to serve the development needs of the firm.

The state has implemented many reforms on salary management for state-owned enterprises and enterprises with state capital dominance and gradually empowered enterprises to take initiative in salary payment. Before, the salary policy in state-owned enterprises in general and the Vietnam Bank for Agriculture and Rural Development (Agribank) in particular was mainly the concretization of hard regulations of the state, but now the enterprises, including Agribank, have been proactive in developing their salary policy, gradually using the salary policy as an effective management tool for human resources, contributing to improving the operational efficiency of the enterprise. However, there are still many state-owned enterprises and enterprises with dominant state capital that apply salary policies where wages are not really a driving force to improve labor productivity, such as salary based on qualifications, intensive training, average, and still heavy on salary distribution policy, not suitable with the market mechanism.

2. Research Overview and Theoretical Basis

The salary policy of the enterprise is explored through assessing the perceptions of employees on four aspects, including (i) basic salary, (ii) salary structure, (iii) Salary payment project, and (iv) financial incentives and welfare.

Basic Salary

Hallock and Olso (2009) ^[6] said that the salary/remuneration fund plan of enterprises depends on the remuneration components of employees. First, it is a guaranteed base salary throughout the year; second, the bonus portion depends on individual or team performance; and third, corporate stock options are the right to buy shares at a specified price in the future.

A base salary is a certain amount of money that an employer agrees or determines to pay employees when they start performing a certain job. The basic salary is highly stable, does not change often, and does not include salary allowances, bonuses, benefits, or other additional payments; therefore, the basic salary is not the actual amount received by the employee. Employees that are the basis for calculating wages for employees (Do & Doan, 2020) ^[3].

A basic salary has the following characteristics:

1. The basic salary is determined before the employee performs the work, so the basic salary is often used to arrange the salary for the employee. When the employee has completed the job and has a good work performance result, then it is time to consider paying the employee's salary. If the enterprise pays the employee the basic salary, it is called the basic salary.
2. The amount paid to employees is highly stable; that is, it does not change every month. It may change when employees take on other jobs, have agreements to increase wages due to performance, or when there are new legal requirements to comply with.
3. Salary allowances, bonuses, and benefits, as well as other additional amounts not specified in the basic salary, that is, in addition to the basic salary, the employee also receives one or more of these amounts or all of them.
4. Basic salary is an important basis for calculating salary for employees and is the foundation of salary policy in enterprises and organizations. Based on the basic salary, enterprises and organizations calculate wages and actual payments to employees after the employees have performed the work.

For the firm sector with labor relations, the basic salary is the salary agreed upon by the two parties and stated in the labor contract. Or it is also the salary that has been determined by the salary scale of the enterprise.

Salary Structure

Salary structure is one of the important components in formulating the salary policy of enterprises. A reasonable salary structure means that the salaries in the enterprise have fully calculated the factors that reflect the nature of the work, thereby ensuring external and internal fairness. A well-designed salary structure allows enterprises to implement effective salary policies, bringing into full play the abilities and capacities of employees. Any change in wage structure, i.e., between components of wages, can have a large impact on workers' real wages. Therefore, understanding the salary structure will help employees manage and better understand the salary they receive.

Salary structure is the structure or details of the salary given based on the breakdown of the different components that make up the salary. Salary structure is a set of parameters that determine salary. Two people can have the same salary but still receive different monthly amounts, which happens when the salary structure is different. The salary structure

includes salaries for employees such as job title or position salary, business salary, or performance salary. In other words, the salary structure includes a hard salary and a soft salary. In addition, the salary structure also includes the proportion and distribution of the items constituting the employee's salary. In particular, the variable salary is specified specifically as being associated with the productivity and working efficiency of employees. When designed correctly, the salary structure allows for the recognition of different pay rates for wages and ensures a reasonable degree of control over payroll expenditure. The standard salary structure takes into account factors such as achievement, length of service, and salary compared to similar positions.

Salary Payment Project

Frank (1984) ^[4] explains the situation in which wages are not always paid at marginal product and why wages are narrower than productivity levels.

Yew-Kwang and He-ling Shi (1995) ^[13] research on job quality and effective wage structure shows a relationship between product pay and time pay.

Yang (2005) ^[12] studies the choice between effective pay and individual performance pay to motivate employees in the market.

A Salary payment project is understood as the plan on how to calculate salary (salary formula or salary levels) for employees under specific conditions and circumstances of the enterprise at certain times. In other words, it is an estimate of the work to be done to pay the employee's salary in accordance with certain specific conditions and circumstances. These conditions and circumstances may be assumptions made during the implementation process (Do, 2015) ^[2]. Thus, the Salary payment project is the way to distribute wages to employees according to a certain formula. That is the order of conducting salary payments to employees based on the actual situation of the unit and the characteristics of the employee's work. In particular, the Salary payment project refers to the calculation formula and specific salary calculation method for each title or employee.

Some Salary payment projects for employees currently being applied to enterprises include:

1. The payment plan for direct workers, such as individual direct product salary, collective direct product salary, package product salary, bonus product salary, package product salary, time salary payment, pay according to the job completion factor, etc.
2. The Salary payment project for indirect workers, such as simple time-based salary, time-based salary with bonus, salary according to the level of work completion,

Enterprises choice of Salary payment project depends on a number of factors, such as the employer's point of view, the goals of the salary policy, the characteristics and nature of the work, the financial ability of that enterprise, etc.

Financial Incentives and Welfare

Financial incentives are money in addition to wages that employees receive for their extra efforts in the course of work. It is the remuneration that affects the labor behavior of the employees so that they perform better than the standards set by the employer. Implement financial incentives according to salary increase programs, bonus programs, profit sharing programs, shares, and stocks. These

incentive programs can be implemented regularly at the end of the quarter or at the end of the year, or irregularly (such as regular salary increases, unexpected salary increases, productivity and quality bonuses, year-end bonuses, Tet bonuses; quarterly profit distribution, annual profit distribution; bonuses for technical improvement initiatives; rewards for finding a supplier, consuming, signing new contracts, etc.) to recognize excellence in the implementation process workers' work. Financial incentives, along with wages, contribute to satisfying the material needs of employees and are used to a certain extent by employers as effective material incentives for employees in order to affect the motivation, attitude, productivity, and work efficiency of employees. Financial benefits are indirect remuneration paid in the form of life support to employees. Welfare is usually expressed in the form of health insurance,

social insurance, pensions, maternity and sickness benefits, payments for public holidays, New Year's holidays, and statutory holidays.

In implementing human resource management, managers realize the need to pay attention to the health, safety, and other benefits of employees. To do that, businesses must spend money to implement programs to support employees. Those programs are called employee benefits. It is possible that employees do not receive any money directly from the business, but they do receive benefits from those programs. Employees who receive many benefits from the enterprise will feel they are important to the firm and will give their best for it. However, firms need to balance the proportion of benefits-bonuses-wages so that it is reasonable to ensure that the income for employees is balanced with other benefits.

Table 1: Scale of employees' feelings about the salary policy at the Agribank

Code	Scale	Sources
PL	Basic salary	
PL1	The salary is consistent with my job title.	Liang (2011) ^[10] , Wang (2008) ^[11]
PL2	The salary is fair according to my knowledge and education.	
PL3	The salary is very fair based on my performance at work.	
PL4	The salary is fair according to my ability to work.	
PL5	The salary is fair based on my efforts at work.	
PL6	The salary is fair compared to my colleagues.	
PL7	The actual salary is commensurate with the market salary.	
SS	Salary structure	
SS1	The bank prescribes different pay systems for different job positions.	Liang (2011) ^[10] , Zhang (2004) ^[14] .
SS2	The bank combines title salary and performance salary in accordance with job characteristics.	
SS3	The bank determines the appropriate ratio between title salary and performance salary.	
SS4	The bank's salary structure encourages employees to work more actively.	
SF	Salary payment project	
SF1	The bank calculates the salary based on the employee's performance.	Liang (2011) ^[10] ; Becher <i>et al.</i> (2005) ^[1] .
SF2	The bank emphasizes evaluating group performance.	
SF3	The bank's evaluation of all employees is completely according to standard procedures.	
SF4	The bank's salary payment project accurately reflected my contribution to the unit.	
SF5	The bank's payment project is suitable for different employees of the unit.	
FB	Financial incentives and welfare	
FB1	The bank flexibly applies financial incentive programs to employees.	Haluk <i>et al.</i> (2016) ^[7] , Lee and Lee (2005) ^[9]
FB2	The bank pays a bonus in accordance with the employee's performance.	
FB3	The basis of the bank's bonus payment is completely appropriate.	
FB4	The timing of the bank's bonus payment is appropriate.	
FB5	The bank fully implements the mandatory benefits for employees.	
FB6	The bank deploys many welfare programs flexibly.	
FB7	The bank's financial incentives and benefits programs motivate employees to improve work performance.	

3. Methodology

Research Design

A survey-based primary data set is used to examine the employees' feelings about the salary policy at the Vietnam Bank for Agriculture and Rural Development. The study will be conducted in one phase with a dependent sample. This phase constitutes the main study and consists of hypothesis testing. The instrument is designed to collect data on employees' feelings about the salary policy at Agribank. Employees' feelings about the salary policy are carefully framed in line with regulations in Vietnam.

Data Collection

It is a quantitative and hypothesis-testing type of study conducted on employees of Agribank in Vietnam. A total of 250 respondents were contacted, and 216 responses were received. The rate of response was 86.4%. The sample is

taken from Hanoi, Haiphong, Bacgiang, Hungyen, Haiduong and Quangninh cities. The inclusion criterion was based on the following: every branch at least has 10 employees, which showed size growth for the last two years.

Measurement

This study focused on employees' feelings about the salary policy at the Vietnam Bank for Agriculture and Rural Development and their perceived differences.

4. Research Results

4.1 Cronbach's Alpha

The basic salary has a total Cronbach's alpha coefficient of 0.824; all observed variables (scales) have Cronbach's alpha coefficients greater than 0.6; and observed variables PL1, PL3, PL4, PL5, PL6, and PL7 all have a total variable correlation coefficient greater than 0.4. Observable variable

PL2 has a total correlation coefficient of 0.217, which is less than 0.4. Therefore, the observed variable PL02 is excluded (Hair *et al.* 2010) [5].

The salary structure has a total Cronbach's alpha coefficient of 0.806; observed variables SS1 to SS4 all have Cronbach's alpha coefficients greater than 0.6, and all have correlation coefficients of total variables greater than 0.4.

The salary payment project has a total Cronbach's alpha coefficient of 0.864; all observed variables have Cronbach's alpha coefficients greater than 0.6, and all have total correlation coefficients greater than 0.6. Therefore, these are good scales and ensure high reliability.

Financial incentives and welfare have a total Cronbach's alpha coefficient of 0.822; all observed variables have Cronbach's alpha coefficients greater than 0.6; but observed variable FB7 has a Cronbach's alpha coefficient greater than the total Cronbach's alpha coefficient, and observed variables have a total variable correlation coefficient greater than 0.4. Therefore, the observed variable FB7 is excluded (Hair *et al.* 2010) [5].

Thus, after analyzing Cronbach's alpha coefficient and removing variables that do not ensure reliability, employees' feelings about the salary policy at the Agribank are measured by 21 observed variables (removing 2 observed variables).

Table 2: Results of Cronbach's Alpha

Code	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Basic salary ($\alpha = .824$)				
PL1	13.91	4.271	.682	.748
PL2	13.22	4.287	.217	.841
PL3	13.58	5.211	.622	.766
PL4	13.24	5.687	.596	.729
PL5	13.57	5.217	.578	.793
PL6	13.46	4.318	.639	.716
PL7	13.53	4.563	.626	.733
Salary structure ($\alpha = .806$)				
SS1	11.48	6.294	.721	.682
SS2	11.24	6.683	.625	.775
SS3	11.55	6.211	.691	.726
SS4	11.67	6.371	.646	.715
Salary payment project ($\alpha = .864$)				
SF1	17.58	6.382	.721	.801
SF2	17.36	6.476	.717	.728
SF3	17.46	5.286	.715	.769
SF4	17.14	5.264	.757	.725
SF5	17.34	5.276	7.82	.706
Financial incentives and welfare ($\alpha = .822$)				
FB1	16.58	6.748	.611	.765
FB2	16.26	6.264	.627	.724
FB3	16.59	6.927	.619	.716
FB4	16.33	6.988	.682	.739
FB5	16.48	6.554	.639	.753
FB6	16.37	6.616	.628	.728
FB7	16.52	6.273	.301	.836

4.2 Exploratory Factor Analysis (EFA)

We carry out the EFA exploratory factor integration using Varimax rotation, and the results are as follows:

The results of factor analysis in Table 3 shows that $0.5 < KMO = 0.848 < 1$. Bartlett's testimony shows $sig. = 0.000 < 0.05$, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et al.*, 2010) [8, 5].

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.848
Bartlett's Test of Sphericity	Approx. Chi-Square	164.583
	Df	65
	Sig.	.000

Through EFA analysis using the principal component extraction method and Varimax rotation, the results show that a factor "perceived salary policy of employees" has an Eigenvalue equal to 4.273 and the extracted variance is 68.425% (>50%), so the analysis results are satisfactory. Moreover, the factor loading of the observed variables is quite high, so all the observed variables are accepted (Hair *et al.*, 2010) [5] (see Table 4).

Table 4: Result of factor analysis

Description	Code	Factor loading	N
Employees' feelings about the salary policy at the Agribank	PL	0.852	4
	SS	0.836	
	SF	0.815	
	FB	0.837	
<i>Eigenvalues</i>			4.273
<i>Percentage of Variance Explained (%)</i>			68.425

4.3 Test the Difference According to the Respondents to the Survey

To test the difference in the perception of employees about the salary policy at Agribank according to the characteristics of the survey subjects, the authors conducted a one-way ANOVA analysis through SPSS software. The ANOVA analysis of variance method is used when studying the effect of qualitative causal variables on quantitative outcome variables; this method compares the mean of many groups.

Table 5: Anova

Control variable	Sig. Levene	Sig. Anova
Gender	0.174	0.011
Working experience	0.106	0.023
Job position	0.158	0.038

Table 5 shows that the sig Levene of the control variables is greater than 0.05, and with 95% confidence, the results of the Anova analysis are used.

Gender: sig. = 0.011 is less than 0.05; thus, it can be confirmed that there is a difference in the employees' feelings of different genders on the salary policy at the Agribank. With different genders, employees' perceptions of salary policy are also different. In other words, there is a difference in the employees' feelings about the salary policy between men and women (Hoang & Chu, 2008; Hair *et al.*, 2010) [8, 5].

Working experience: sig. = 0.023 is less than 0.05; thus, there is a difference in perception about the salary policy according to the experience of the employees. This result has been proven by many previous researchers, and practice also shows that this is completely true. This result shows that, with different experiences, the salary policy is also perceived differently (Hoang & Chu, 2008; Hair *et al.*, 2010) [8, 5]. In this case, the authors divide the working experience into four groups: under 1 year, from 1 year old to under 3 years, from 3 years to under 5 years, and from 5 years or higher.

Job position: $\text{sig.} = 0.038$ is less than 0.05; it can be confirmed that there is a difference in perception of salary policy according to the employee's job position. That is, different job positions and salary policies are also perceived differently (Hoang & Chu, 2008; Hair *et al.*, 2010) [8, 5]. Job positions include two groups: (i) head or deputy department head or equivalent; and (ii) staff.

5. Discussion and Implications

Some basic objectives of the salary policy in Agribank, such as fair treatment, productivity improvement, customer satisfaction, and improvement of individual and collective achievements, have not received enough attention in the process of formulating and implementing the salary policy. A number of methods and methods of salary payment that are being applied are quite popular, such as 3P salary, job value payment, market structure salary payment, etc., which have received little attention and application from Agribank. Agribank's salary plan or salary expense plan should be based on the labor used and the corresponding salary in the market, as well as the expected result of the investment.

Agribank builds the salary level of the labor contract, which needs to be calculated correctly, and fully calculates the salary expenses to be paid to employees on the basis of the labor market salary. Factors that encourage and train human resources should also be considered and included in the labor contract to ensure that the salary under the contract fully reflects the wage-labor relationship.

Agribank needs to ensure that the salary received every month is an actual salary associated with long-term career development and not an advance salary. Employees will be more motivated to work when Agribank has a guaranteed salary and a stable development path in terms of income and career.

6. References

1. Becher DA, Campbell TL, Frye MB. Incentive Compensation for Bank Directors: The Impact of Deregulation. *The Journal of Business*. 2005; 78(5):1753-1777, Doi:10.1086/431441
2. Do TT. Method of paying labor according to the market mechanism in enterprises. Social Science Publishing House, Hanoi, 2015.
3. Do TT, Doan TY. Textbook of Salary Principles. Labor Publishing House, Hanoi, 2020.
4. Frank RH. Are Worker Paid Their Marginal Products? *American Economic Review*. 1984; 74(4):549-571.
5. Hair JF, Anderson RE, Tatham RL, Black WC. *Multivariate Data Analysis*. Prentice-Hall International, 2010.
6. Hallock KE, Olso CA. Employee's choice of method of pay, School of Industrial and labor relations-Cornell University, 2009. Site: <http://digitalcommons.ilr.cornell.edu/workingpapers/97/>
7. Haluk, Tanriverdi, Can, Cakmak, Erkut, Altindag. The relationship of organizational culture and wage policies in Turkish Family Firms. *Business Management Dynamics*. 2016; 5(7):01-16.
8. Hoang T, Chu NMN. Analyzing researched data with SPSS, 2nd Ed, Hong Duc Publishing House, Ho Chi Minh City, 2008.
9. Lee BJ, Lee MJ. Quantile Regression analysis of wage determinants in the Korean Labor Market. *The journal of the Korean economy*. 2006; 7:1-31.
10. Liang Y. Employee evaluation of compensation in China, Master in Management, ISCTE Business School, 2011.
11. Wang W. The Mechanism of Wage Differences among Firms with Different Ownership, China Economic Publishing House, Beijing, 2008.
12. Yang H. Efficiency Wages and Performance Pay, Ohio State University, Ohio, 2005.
13. Yew-Kwang Ng, He-ling S. Work quality and optimal pay structure: Piece vs. hourly rates in employee remuneration, Elsevier Science B.V. *Economics letters*. 1995; 47:409-416.
14. Zhang Q. Development of Financial Intermediaries and Urban-Rural Income Inequality in China. *China Journal of Finance*. 2004; 11:71-79.