

Impact of Wage on Human Resource Management in Period of Crisis: The Case of Viet Nam Firm

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ABSTRACT

Human resource also known as an employee is the most important factor in the development of the organization. Therefore, the role of human resource management (HRM) in each organization also need excite employees realize their important position in the organization. Thus encourage their dedication in order to enhance operational performance of the organization. Besides that, the operation of HRM is also to create the balance between employee interest and organization's interest. One of the important factors which the employees concern is wage. So, HRM and wage is related. The purpose of this research is to evaluate the relationship between the HRM and working efficiency based on the wage in a period of crisis in Viet Nam. Therefore, we selected Huong Giang's travel company (HG Co) as objects to research on that relationship.

Keywords: *Human resources management, wage, crisis, working efficiency, Viet Nam*

1. INTRODUCTION

Nowadays, the fiercer competition between firms, changing market economics and working environment more and more difficult is a one of key reasons created instability of firms. Human resources and (HRM) are considered one of the most important factors of firm (A. Aslan Şendoğdu et al, 2013), both of which have a duty created stability and increase competitive advantage of firm (Jay Barney, 1991 and Patrick M. Wright et al, 1992). Developing the human resources helps firms face challenge better (Wang Dan et al, 2011) and improve effective business for firm, regardless the type of operation either production or service industry. Lado et al (1994) definition a human resource is a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources. According to Storey (1995) and Susan Marlow (2006), HRM is a distinctive approach to employment management which achieved a competitive advantage, a highly committed and working efficiency of a firm's workforce. Therefore, HRM responsible for the attraction, selection, training, developing, estimation and reward of employees to fit the strategy and adapting them to the competitive environment are the main tasks of the HRM in the companies (Harun Demirkaya et al, 2011).

Several studies in the income literature investigated the impact of income on working efficiency. A positive relationship between salary and working efficiency is considered the norm for most occupations (Vazzana and Bachmann, 1995). According Thomas J. Carter (2005), Edward P. Lazear (1986) and Alex Bryson et al, (2011) wages is influence worker productivity. Indeed, Oriana Bandiera et al, (2005) show productivity of fruit pickers rises dramatically when change calculation method of wage. Oriana Bandiera et al, (2005) emphasis that rewards are also a factor can play in improving worker productivity. In turn, Schuler (1995) conclusion that HRM is to ensure using effective human resources and development by a series of management activities in order to get the target of organization. Moreover, the a lot of studies about HRM concentrate investigate on employee selection, performance appraisal, and turnover, by contrast the topic HRM with wage is very sparse. For instance, in 2013 more than 1200 sessions of the Society for Industrial and Organizational Psychology only three topics relate to (SIOP) compensation, rewards, or benefits (Nina Gupta et al, 2014).

As mentioned above, our paper explores the focus on the relationship between HRM and working efficiency base on the wage in a period of crisis in Viet Nam. The present study carried out in a firm sample Huong Giang Travel Company, Ho Chi Minh City (HCMC), Viet Nam. The data obtained was analyzed to assess the efficiency using human resources in a period of crisis when consider wage element.

This paper is structured as follows. First, author summarizes previous and recent research on HRM, the influence of income on working efficiency. Then author collect and analysis data. Finally, the results obtained are shown and conclusions.

2. EFFICIENT OF WAGE IN HRM

The modern management theory formation makes terminology used to describe the role and function of workforces also appearance. That terminology has evolved with difference names such as: personnel, industrial relations, employee relation and human resources. According contemporary management theory, human resources were considered as valuable resources as other valuable resources and human resources are the most accurate represent for role and value of workforces.

All organizations always rely on three major resources: physical resources, financial resources, human resources and HRM management human activities in organization. HRM try to using maximum the human resources to provide maximum benefits to organization. Toward this end, HRM make employees feel comfortable in their job and promote their work dynamics. Frederick Winslow Taylor put forward the idea that workers are motivated mainly by pay. His Theory of Scientific Management argued the following: Workers do not naturally enjoy work and so need close supervision and control. Therefore managers should break down production into a series of small tasks Workers should then be given appropriate training and tools so they can work as efficiently as possible on one set task. Workers are then paid according to the number of items they produce in a set period of time- piece-rate pay. As a result workers are encouraged to work hard and maximum their productivity (Taylor, 1911).

The argument is that paying workers a higher wage may lead to increased productivity from the worker. If a worker gets a relatively higher wage, he may feel more loyal and devoted to the company. With a higher wage, he may also fear being made unemployed and so will work harder to make sure he keeps his job. Therefore, although the firm pays more, they get more productivity from their workers.

In general, wage policy is one of the method encourage working performance of employee, since boots development the firm.

In this paper, we only consider wages concept is an agreement between employer and employee by an employment contract, abide in law of the labour union. Besides, wage is an amount of money as the monthly pay that employees receive for their work in firm.

The system of wage policy is also called remuneration mechanisms from different firms is difference. The employer can be pay for employee base on work property, position, abilities, seniority or stipulate in an employment contract. Hence, the employees can negotiate wage before signing employment contracts in order to achieve a high rights along with employee responsibilities.

In terms of economics, the rise of wage is one of a method to evaluate the level of labour supply. There are two ways to vision about wage gains it is from employee and employer. The employee of view wage gains as income or worthy reward for working efficiency. Contrary, the employer thinks that wage gain is a cost for using labour and must be distinction between physical and intellectual labour. However, the laws stipulate for the basic of wage system and also minimum level of wage that firms must be pay for the employees.

Every an organizations or firms all have a difference reward policy. Generally, there are two ways: direct and indirect. The empirical results show that direct reward takes effect faster and helps obtaining individuality. On the contrary, indirect reward takes effect slower, but agents tend to form a group and obtain another effective positioning (Ohta, 2002).

3. ANALYSIS OF THE WAGE DEVELOPMENTS IN VIET NAM

Following economic stagnation after reunification from 1975 to 1985, the 1986 Sixth Party Congress approved broad economic reforms (known as "Doi Moi," or "renovation") that introduced market reforms, opened up the country for foreign investment, and dramatically improved Viet Nam's business climate. Viet Nam became one of the fastest-growing economies in the world, averaging around 8% annual gross domestic product (GDP) growth from 1990 to 1997 and 6.5% from 1998-2003. GDP grew more than 8% annually from 2004 to 2007, slowed to 5.3% growth in 2009, recovered to 6.8% in 2010, and reached 5.8% over the first 9 months of 2011

Two decades after Viet Nam introduced a program of economic renovation commonly known in Doi Moi, the country today allows market competition in industry, and a new working class has been created. As of the 1st January 2013, the total working-age population of Viet Nam aged 15 years and older was 68.82 million, of which 52.79 million people were in the labour force.

The microeconomic literature on wage growth, wage inequality in Viet Nam has become increasingly rich as data accumulate. All existing studies use data from the Viet Nam Household Living Standard Survey.

Table 1: Average wage, the activities of the national economy in 2012,

	1000vnd/employee
1 Agriculture, silviculture and fisheries	2 543
2 Mine ores	5 643
3 Industrial processing and manufacturing	3 636
4 Manufacture and distribution of electricity, gas, steam	5 253
5 Water supply, sewerage, waste management	3 769
6 Constructions	3 369
7 Wholesale and retail trade, repair of automobiles, motorcycles	3 774
8 Transportation and storage	4 660
9 Hotels and restaurants	3 248
10 Information and communication	5 880
11 Insurance and financial intermediation	6 855
12 Real estate	6 973
13 Professional, scientific and technical activities	5 814
14 Administrative service activities	4 765
15 Public administration and defense, social insurance in public system	3 872
16 Education	4 260
17 Health and social assistance	4 422
18 Cultural activities	3 852
19 Other activities regarding services	2 795
20 Employed family caregivers	2 298
21 International agencies (*)	8 131
Total	3 757

Note (*): This sector's employees are small samples, so the reliability is low.

Source: Viet Nam Statistical Yearbook, 2012

The work performed during the year 2012 was rewarded according to the Table 1. Here are listed the activities of the national economy and average gross wages for each. Based on these data we conclude that the highest salary is reflected in International agencies, where we find a maximum of 8 131 000 VND per employee. Real estate are highlighted with an average gross 6 973 000 VND, and Insurance and financial intermediation are highlighted with an average gross 6 855 000 VND, while the following places have similar amounts, 5 880 000 VND per employee in the case of Information and communication, respectively 5 643 000 VND regarding activities Mine ores. Other activities vary as wage compensation, the lowest value being found in the case of Agriculture, silviculture and fishing 2 543 000 VND per employee.

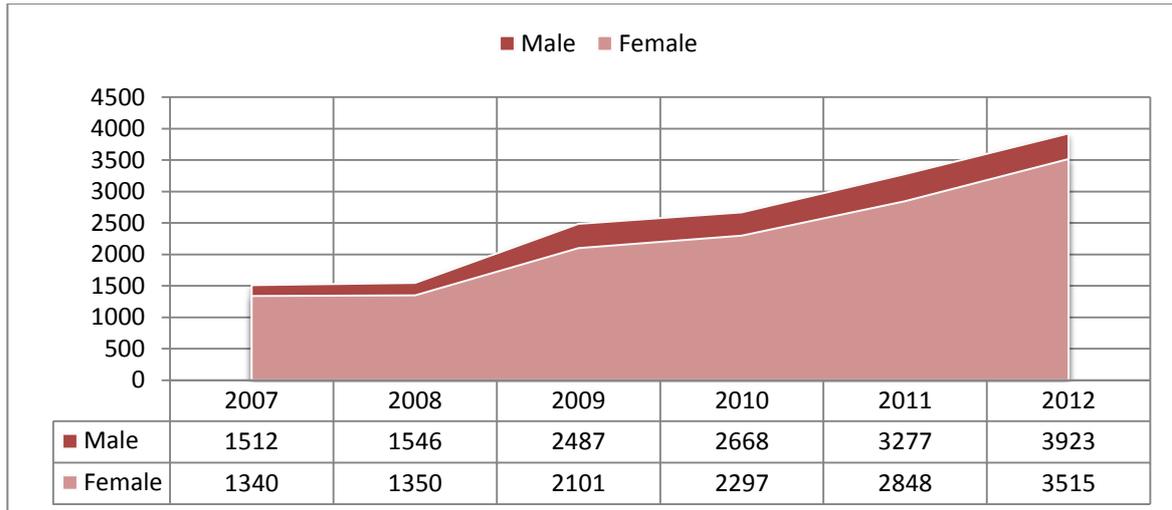


Fig.1 Value of nominal monthly wage (unit: Thousand VND/ person)

Source: National Institute of Statistics, Viet Nam Statistical Yearbook, from 2007 to 2012

Comparing the data in the Figure 1, we conclude the following:

- Throughout the period under review, values of nominal wage grew continuously;
- Throughout the whole period, it is important to note that wages analyzed according to gender criteria are higher in terms of male criterion. Women continue to receive lower wages, although the evolution of society also brought female emancipation and an opening element of thought;
- From 2009 and 2012 the growth is constant; no significant differences can be observed regarding values from one range to another;
- This positive trend has occurred after the economic crisis that began in 2008 and subjected the economy to various tests.

Table 2: Average monthly earning of wage workers aged 15 above sex, economic sector
Unit: thousand VND

Type of enterprise	Male			Female					
	2010	2011	2012	2010	2011	2012			
Total wage	2 519	3 105	3 757	2 668	3 277	3 923	2 297	2 848	3 515
State	2 945	3 669	4 520	3 125	3 882	4 793	2 729	3 415	4 200
Non state	2 232	2 701	3 273	2 385	2 897	3 478	1 935	2 317	2 876
Foreign investment economic	3 007	3 846	4 448	3 773	4 681	5 013	2 575	3 340	4 139

Source: National Institute of Statistics, Viet Nam Statistical Yearbook, from 2007 to 2012

According the Table 2, if we analyze the evolution of average monthly earnings of wage, by type of ownership, according to the years 2010- 2012, we can conclude the following:

- As regards the economic sector, we record a general trend of rising wages, both in terms of total wages and also by gender distribution, however, the salary will be in all cases higher with men.
- Data related to the type of economic sector provides us basic information, namely that the non state offer lower salaries than state, the average wage variance between male and female is high.
- The type of enterprise which different level of average wage on month between male and female highest is “Foreign investment economic”, about 17.4% or 874 000 VND. Although the area is have a good working conditions and attractive a lot of female labour but average wage on month of female still lower than male.
- From a year to another there can be observed a growth, which shows that management, in the attempt to reward the employees, resorted to the strategy of stimulation by raising salaries.

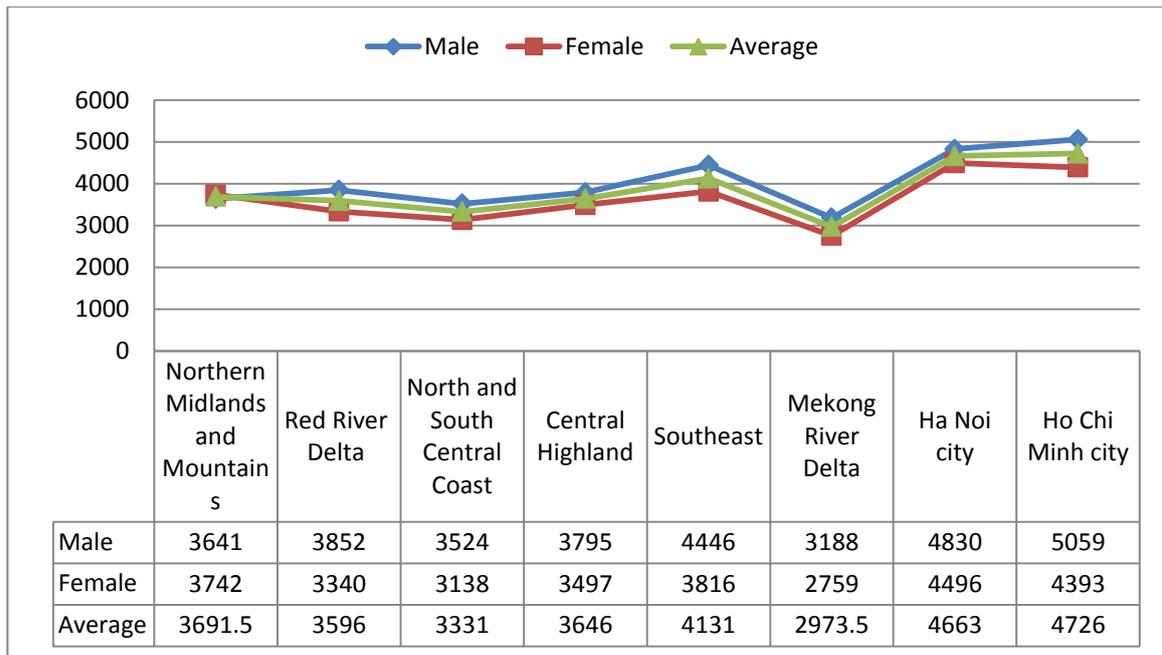


Fig. 2 Average monthly earnings of wage workers aged 15 and over by sex, socio economic region (unit: thousand VND/ person)

Source: National Institute of Statistics, Annual Statistical Yearbook, 2012

Finally, by socio-economic region (Figure 2), the highest average monthly earning were observed in two most economically developed centre of Hanoi city and HCMC. There are also considerable differences in remuneration levels within Viet Nam, According to the same data in 2012, the average monthly wage in HCMC was close to 4.726 million VND per month, while in North and south Central Coast it was about 3.3 million.

4. PERFORMANCE MANAGEMENT OF SAMPLE FIRM

HRM or human resource development entails planning, implementing, and managing recruitment, as well as selection, training, career, and organizational development initiatives within an organization. The goal of HRM is to maximize the productivity of an organization by optimizing the effectiveness of its employees while simultaneously improving the work life of employees and treating employees as valuable resources. Consequently, HRM encompasses efforts to promote personal development, employee satisfaction, and compliance with employment-related laws.

The analysis process of human resources is a method to estimate position of firm at that time, these advantages and defects of process management. Furthermore, the manager and can define and forecast risks occur in order to get the best of strategies management with the purpose to raise the working efficiency of employees in the firm. Through that process, we carry out analysis and efficiency achieved of human resources management. We conclude that the strategic management obtains effective when ability of human resources in firm is modest but working efficiency on a high level. Contrary, we conclude that strategies management is not use maximum human resources, so we need adjustment strategies.

The manager have to create a motivating employees accomplish job so that get a maximum benefit for the organization. Beside, management also training human resources adapt with new requirements and new challenges of the organization. Human resources training program create development in the human resources management field. The trend: “manager using wage and reward in order to create a dynamic of working” more and more developed. This trend not only encourages the efforts of employees but also lift up competition ability between businesses in a similar field. These are one of the key conditions for the development of the human management in the organization.

Payment of labour is an activity manage personal, it has significant meaning to help the organization get the high performance as well as positive effect to working efficiency of employees. However, the effect of payment is dependence on ability and point of view of organization correlation with working efficiency of employees. A reasonable system wage is a basic condition to identify quantity of wage and persuade

employees. Organizations need to management efficiency system wage, due to the result system wage is significant special meaning with employees and direct, indirect effect to business efficiency of organization Therefore, lift up operation performance of organization depend on management and wage – reward systems, such as create a good working environment, employees receive benefits of finance or benefits non-finance. Management on the side wage and reward has to base on correlation between targets of business and requirements of employees, establish an associate between working performance and the regulations concerning wage – reward. In almost of organizations, the main content of reward is basic wage, working efficiency bonus, regulations, laws and outside element, etc.

In this paper we study the principles for granting rewards at an firm from HCMC of Viet Nam. The company’s name is Huong Giang Travel was established in 2006, employee is illustrated in the Figure 3:

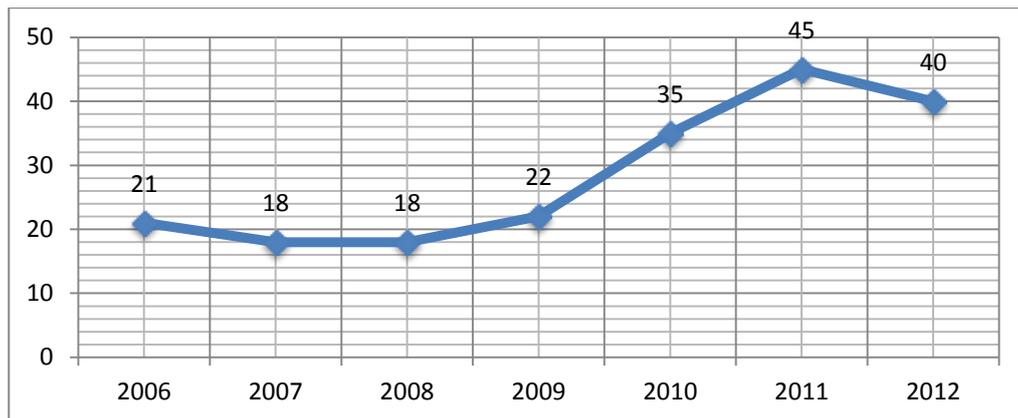


Fig. 3 Number of employees in the period 2006-2012 (unit: person)
Source: Huong Giang Travel Company

Company profitability will be illustrated according to the information below (Figure 4):

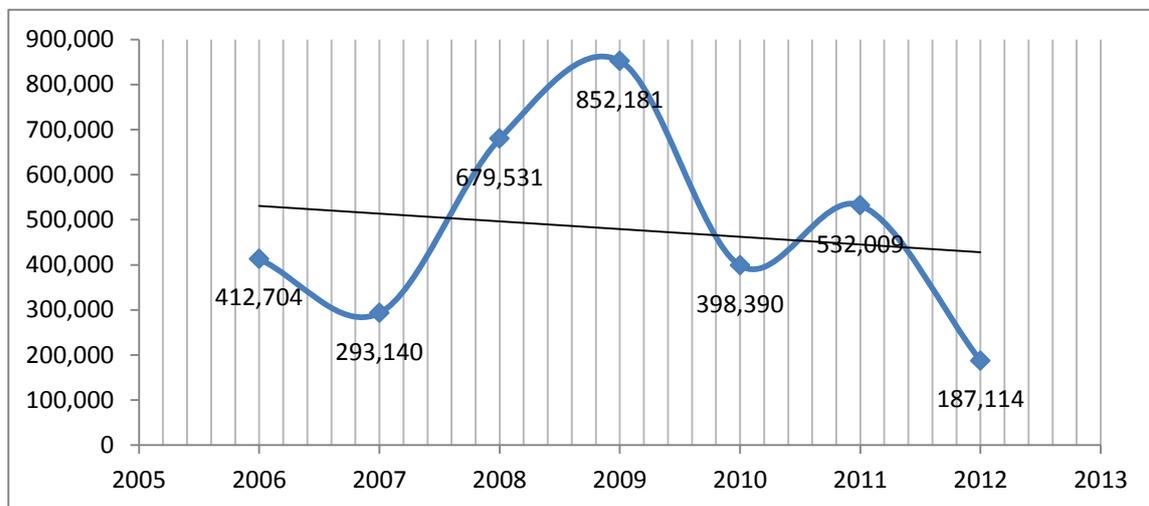


Fig. 4 Number of profit in the period 2006-2012 (unit: thousand VND)
Source: Huong Giang Travel Company

Observe the Figure 3, we conclude the following:

The number employees of firm fluctuation in seven years (from the time of established until the time of investigate) roughly 21- 45 employees. Generally, the trend fluctuation of number employees is increase. Observe from 2008 – 2011, the number of employees constantly increase, special in 2010, increase 13 employee (59%) compare with 2009. The number of employees increase each year, we propose assumption that: the profit of firm increase lead to the size of firm increase so arise the employee demand increase.

Observe the Figure 4 we can see that:

In the first operation year, the firm achieved profit and profitable growth continuous in 2008. This is period economic Viet Nam affected global economic crisis (the crisis September 2008). In 2009, the firm

continuously overcome storm economic crisis with evidence is rapid profit growth. However, the profit growth is not exist long when the profit on the falling trend in later years. In 2012, the profit is lowest in six year operation. Looking back at profit in 2007 is 293,140 VDN (world gold prices in 12/28/2007 is \$833.75/ounce) compare with profit in 2012 is 187 114 VND (world gold prices in 12/28/2012 is \$1655.5/ounce), we concluded that business efficiency in the time investigate is very low than past time. In 2012, the period economic Viet Nam was so exhaustion after five year sinks in economic crisis.

Standing on the overview about analysis profit of firm, we see that profitable decrease in the recent years. However, this time is the period Viet Nam economic crisis (2008 – 2012) while a lot of firm capital losses and bankrupt. HG Co still achieved profit so it is not too bad signal for firm when the economic Viet Nam was so exhaustion. How to get that? Ignore objective factors, we only consider of management aspect. The good wage and reward policy motivated employee performance and bring positive effective for the firm. Is that right or wrong? (*). In order to answer that question, we continue deeply consideration of aspect: employee structure and wage policy.

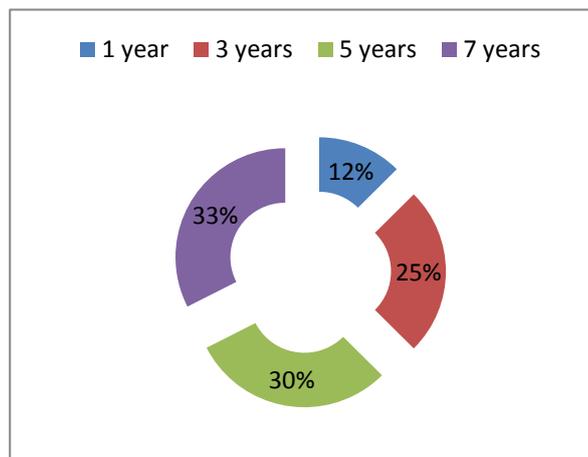
In this case, we will consider the reward system, which includes both direct components: salary and also indirect, category that can include the holiday bonus, or bonuses based on sales structure. The size of the salary was designed according to the job, position, bonuses are offered depending on performance in achieving sales target. In the latter case, we speak of an incentive group and the other individual, depending on personal achievements. Salary rewards are rounded by salary insurance premiums, contributions to unemployment assurance, health and pensions. Their levels comply with the limits imposed by law, as well as the length of holidays. The payment of wages is ensured before all other obligations, rewards are seen as a means to improve individual and team performance, leading to increased productivity.

The means used for performance evaluation include:

Assessment based on individual behaviour observation scales; Job evaluation; Evaluation by results of the work done. The evaluation is conducted by a manager, because it is a small company, and we can not speak about a specialized human resources department. The company has developed over time a modern management, where performance has been valuate according to criteria fully inline with the company vision and default principles.

In this study, wage of employee is consideration on aspect business with agreement of manager. The author using focus group method with the target is determining latent element in the efficient wages and the reasons significant influence to working performance of employee. This is a research technique that collects data through group interaction on a topic determined by the researcher (David L. Morgan, 1996). From data result, we put into when we evaluate requirements, desires of employees.

According to the criteria of age, gender, or seniority of the analyzed company, graphic structure presents as follows (see Figure 5 and 6):



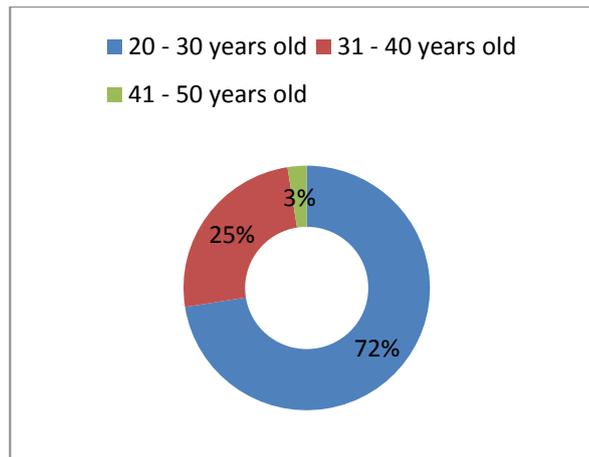


Fig. 5 Percentage according to the period spent in the enterprise
 Fig.6 Structure of the employee based on the age criteria
 Source: The data of accountant department's HG Co (2012)
 Source: The data of accountant department's HG Co (2012)

Thus we found that 33% of the company's employees have an average seniority in the company of 7 years, and they are the persons founded company; other 30% have spent a period longer than 5 years in the company, 25% of the company employees worked in 3 years, and 12% others being recruited more recently, being only 1 year. As age structure, distribution is as follows: 29 people aged between 20 and 30 years, 10 persons aged between 31 to 40, and 1 people in the range 41 to 50 years.

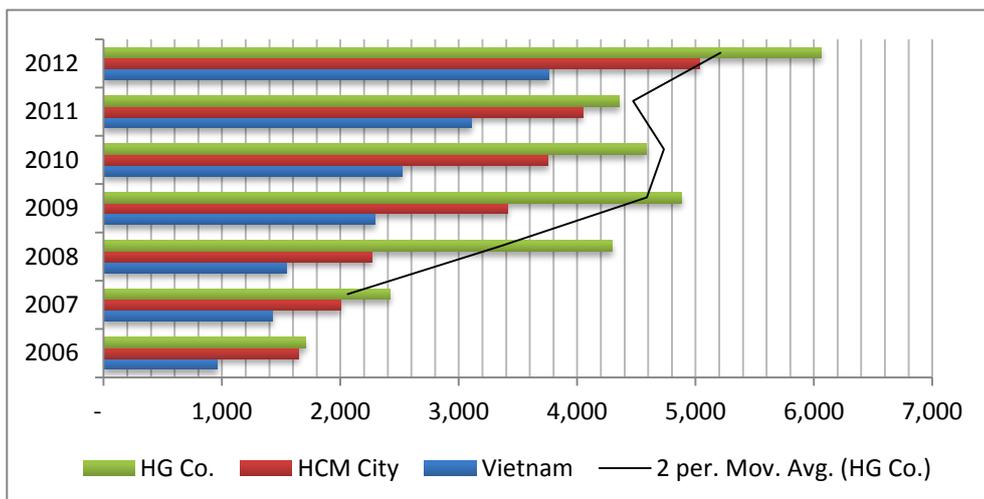


Fig.7 An average income monthly of HG Co, HCM City and Viet Nam.
 Source: The data of accountant department's HG Co and Viet Nam Statistical Yearbook (2006 – 2012)

We are carried out reference the opinion of employees in the firm about elements of motivation work, the popular of answers are: security of employment, wage and working environment. It can be seen that with the sample firm which we considering, wages is one of the elements play an important role of motivation work. Basic wage of each employees are kept secrets but generally the wage level of the firm is higher than the average wage level of general Vietnamese and in particular HCMC economics area (see Fig. 7).

Observe the chart 7, we can see that the average income each month of employee HG Co always higher than the average income of people HCMC. This is a best developing city of Viet Nam. Naturally, the average income of the firm is higher than the average income level of general Vietnamese. This disparity happens throughout in 7 years from 2006 to 2012. In period Viet Nam economic background suffer crisis and profit of firm decrease, the manager still guarantee high benefit of employees. Here, we can answer the question (*). The firm is on the way pass the crisis storm, partly the manager good used wage policy.

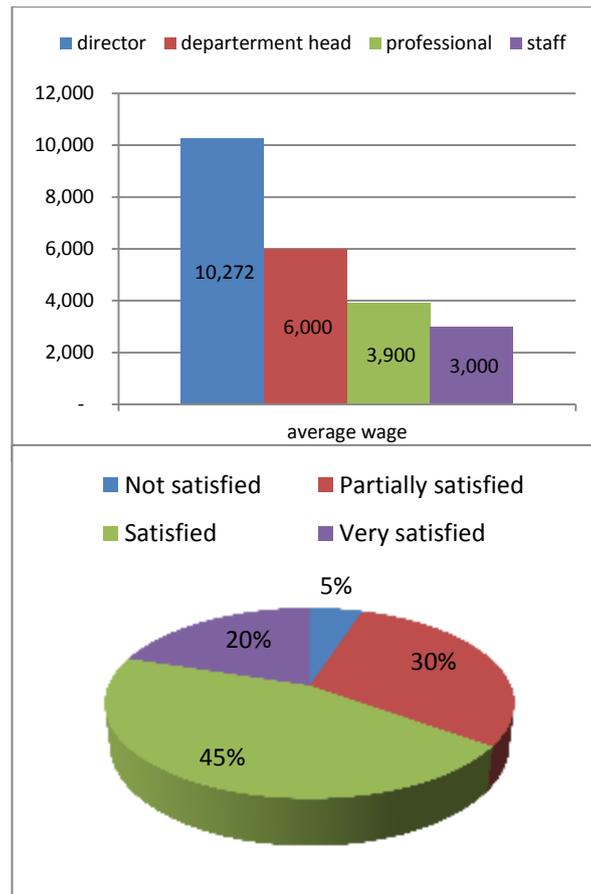


Fig. 8 Average wage of HG Co with position

Fig. 9 Level of satisfaction regarding wage

Source: The data of accountant department's HG Co (2012)

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The income of difference level of each position in the firm are visualize in Fig. 8. The working seniority is one of an element to increase in wage, however, in this study it was neglect and consider as the component in creation wage structure. Return analysis of the average wage of employees, we see the wage disparity between different positions is quite large, but based on the reference opinion of employees, majority of employees feel satisfied with their wage.

In connection with the satisfaction regarding the salary, employees answered according to the structure in Fig. 9

Thus we find a fairly high level of satisfaction regarding salaries in the firm, "very satisfied" being the answer of 30% of employees, "satisfied" is punctuated by 45% and "partially satisfied" being set to 20%. And 5% of employees considered the criteria "dissatisfied" as being a portrait of the company payroll system. The average wage of firm is not so high but still higher than HCMC area. Majority employees feel satisfied with wage at the time 2012. Although Viet Nam economic background suffer crisis from 2008 to 2012 and still not yet prosper, decrease profit of firm clearly in 2010 consecutive to 2011, 2012. The number of employees varies increase trend and a little go down in 2012 proved that the treatment policies are fairly good.

Change of human resource in the company is quite low, and we can appreciate a higher level of development and training, a more efficient system for assessing performance, highest recognition of talent, and also a fair reward system, in accordance with legislation and employment contracts alike.

5. CONCLUSIONS

One of the functions of HRM is create motivation working for individual or collective in organization whether the employees can either positive work due to reward, welfare or the natural essence of the

employees. The system wage, reward can be the way to encourage the good employees and also punish the ones who are not able. Ideology that employees more positive working, more production when get higher wage are approved in many countries. Majority of employee also conception that they have to get wage commensurate with their labour force and wage items must be distributed equality. Thus they have a strong attachment to firm, increase working effort. This is shown clearly in consideration HG Co.

In the context of Viet Nam economic crisis still not recovered from 2008 to now. HCMC is the best dynamic economic city of Viet Nam, where ten thousands of businesses have to stopped operation and bankruptcy (General Statistics Office Viet Nam). The sample firm that we consideration still maintain profitability although it's a lowest profit over seven years. Moreover, the average wage level of employees is higher than the other business where the sample firm operation and majority of employee feel satisfied with their current wage. It is prove that operation of HRM in firm base on wage is effective.

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