

The Impact of Salaries on Direct Production Workers' Productivity: A Case Study of Garment Enterprises in Vietnam

Doan Thi Yen*

University of Labour and Social Affairs

Abstract: The objective of the study is to evaluate the impact of salaries (including pay level, payment method, salary increase policy, bonuses and financial welfare) on labor productivity of direct production workers in Vietnam garment enterprises. Data was collected on the basis of a survey of 512 direct production workers and processed by SPSS 22 software through correlation regression analysis techniques. The research results show that the labor productivity of direct production workers is not only affected by the pay level, bonuses, financial welfare but also by the salary increase policy and especially the payment method of the enterprise. Basically the author gives some suggestions to improve the salary policy of direct production workers in garment enterprises in order to increase labor productivity.

Keywords: Garment enterprises, direct production workers, labor productivity, salary, Vietnam.

1. INTRODUCTION

Vietnam's garment industry plays an important role in the development of the national economy, ensuring domestic consumption and export demand, expanding international trade and bringing many revenues sources to the country. 2020 is the first year that the export turnover of the garment industry has grown negative (down 9.8%) reaching only \$35 billion compared to \$39 billion in 2019. After 25 years of continuous growth, the export turnover of garment industry has dropped to third position after the group of phones, computers and electronic component products. However, with the export turnover achieved in 2020, Competing countries in the garment sector have all decreased by 15-20%, even nearly 30% due to the impact of Covid-19 is still a bright spot in export activities, especially in the context that the world's total demand for garments products has decreased by nearly 20% (from 740 billion USD to 600 billion USD). Competing countries in the garment sector have all decreased by 15-20%, even nearly 30% due to the impact of Covid-19 (General Statistics Office, 2020). Having an important position in the economic development of the country, however, salaries for direct production workers are quite low. According to General Statistics Office (2020), the average salary of direct production workers in garment enterprises is about 3.5-6 million VND/month. Meanwhile, the labor productivity of the garment industry tends to increase, although compared to other countries in the sector and the world, the labor productivity of the garment industry is quite low compared to expectations. Faced with this situation, what should leaders of garment enterprises do to increase labor productivity of direct production workers? Does changing salary policy increase labor productivity faster?

The question of whether wages are a factor affecting labor productivity or not has been a matter of great concern among human resource managers, organizational managers, labor economists, sociologists, etc., psychologists and policy makers are of particular interest. According to these researchers, salary significantly affects worker's productivity due to job satisfaction. Several studies have reported a significant positive relationship between labor productivity and salaries (Lambert et al., 2001; Frye, 2004; Tessema & Soeters, 2006). According to these researchers, high salaries help attract and retain highly skilled workers. Because salaries help workers accomplish their personal goals in life, they are motivated and give their best to the organization in the form of more effort, which leads to higher productivity (Ehrenberg & Smith, 2017; Owens & Kagel, 2010; Georgiadis, 2013). According to Metcalf (2008), workers receive salaries from their own labor power. This salary is used to meet their and their family's needs such as nourishment, food, clothing, transportation, etc. When that salaries guarantee the worker's life, it will motivates the workers achieve the goals set by the enterprises. Similarly, A. Umar (2012) also affirmed that effective payment techniques will contribute to maintaining and developing workers' ability to perform work; thereby realizing the vision, mission and goals of the enterprise by increasing labor productivity. This method is based on individual achievements, work performance will directly affect the productivity of workers, creating higher output through pay and vice versa. On that basis, the research aims to (i) Evaluate the influence of salaries (including pay level, payment method, salary increase policy, bonuses and financial welfare) on labor productivity of direct production workers; (ii) Assess the level of influence of each salary component on the labor productivity of direct production workers.

*Address correspondence to this author at University of Labour and Social Affairs; E-mail: doanyenhrm@gmail.com

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Salaries

Hibbs & Locking (2000) assert that salaries are the counterweight of the labor that the employees has provided to the employer in a certain period of time and will receive an agreed-upon salary. Osterman (2006) argues that the salaries in the enterprise are the payment (remuneration) for the labor service performed, showing the relationship between the employer and the employee. Salary is the price of labor power, distributed according to labor (such as position, capacity, performance) and paid in money. Making reasonable and scientific payment will bring many values to enterprises. Salary is also an income of workers to cover their living needs at a certain socio-economic time, that amount must be in accordance with the law. Salary is a fixed amount or a compensation paid to workers, usually measured monthly on completion of work (Idrees et al., 2015). Salary is the price of labor, formed on the basis of an agreement between the employer (or the employer's representative) and the employee, is the amount that the employer pays to the employee when the employee performs a certain job and must ensure compliance with the provisions of the law (Tuoi & Yen, 2021). Salaries of direct production workers in enterprises approached in this study is the amount that enterprises pay to direct production workers on the basis of an agreement between enterprises and direct production workers, ensure in accordance with the provisions of the law, including monthly salary calculation (expressed in the form of a salary formula), and other incomes (such as bonuses, financial welfare).

2.2. Labor Productivity

The economist Adam Smith (1723-1790) was the first author to introduce the term productivity when discussing the problem that productive efficiency depends on labor. Understand simply, productivity is a measure of the amount of output produced based on inputs. The relationship between output and input is productivity. Similar to this, some researchers also believe that labor productivity is the ratio of outputs divided by inputs (Pekuri et al., 2011). Productivity is one of the key factors for the community to achieve progress and ultimately all-round development (Ziapour et al., 2015). Productivity is the average measure to evaluate the efficiency of production. It can be expressed as the ratio of outputs to inputs used in the production process. It means output per input unit. When all outputs and inputs are included in a measure of productivity, it is called total productivity (Ahiabor, 2014). Productivity is usually defined as the ratio of output volume to input volume. In other words, it measures how efficiently factors of production, such as labor and capital, are being used in an economy or an organization to produce a certain output level. Productivity is considered to be the main source of national economic growth and enterprise competitiveness.

The concept of productivity is understood from two different angles. Those are personal productivity and organizational productivity. Individual labor productivity is associated with the personality characteristics of that individual expressed by the individual's attitude, spirit and efforts in the working pro-

cess. Organizational productivity considers the relationship between inputs and outputs. The measure of productivity at the individual level is not only assessed by quantitative results, but also by the change in performance, morale and work level through their (Akbari Fard et al., 2018). This study approaches labor productivity from an individual perspective.

2.3. The Impact of Salaries on Labor Productivity

Salaries are considered a tool, an economic lever to change the motivation and working spirit of workers, thereby increasing productivity and working efficiency. Salaries directly affect the standard of living of workers. Striving to raise wages is an indispensable requirement. This purpose creates motivation for workers to improve their qualifications, working ability, as well as performance. Campbell et al. (2008) argues that salaries, namely pay level, salary increase policy, bonuses and finance welfare have a direct and strong impact on the productivity of workers. Thus, according to this point of view, the author considers the salary aspect in a broad sense, not only in the pay level that workers received but also in many other qualitative factors such as: salary increase policy or payment method. Also following this approach, some studies has proven that salary components such as received salary, additional salary, bonus in salary affect the productivity of workers (Metcalf, 2008; Shields, 2007). These salaries are paid in a fair and reasonable manner, which is an incentive and motivation factor for workers, helping them to improve their productivity.

Pay Level and Productivity

Katovich & Maia (2018) argues that the pay level is a certain amount of money that the employer pays the employee when they perform a certain job (including direct production workers). The pay level does not include allowances, bonuses, welfare as well as other additional payments. In the enterprise, the pay level is determined on the basis of the basic salary agreed by the two parties in the labor contract and the payment method of the enterprise. Pay level has a direct effect on labor productivity (Pasimeni, 2018; Strain, 2007). Oyebamiji et al. (2013) found a relationship between productivity and pay level. To explain this, the authors believe that the pay level will determine the spending level and daily activities of workers. If this salary is suitable, it means that workers have better conditions to support themselves and their families. Thereby, workers feel more comfortable in the working process and improve labor productivity. It proves that there is a positive relationship between pay level and strong motivation for workers, thence promoting to increase labor productivity. On that basis, the author put forward the following research hypothesis:

Hypothesis H1. The pay level has a positive impact on the labor productivity of direct production workers.

Payment Method and Labor Productivity

Livingstone (2010) asserts that pay for performance is an effective method of payment to encourage workers to increase their productivity. Because, this payment method is associated with worker's performance of the. The more productive workers are, the higher their salary will be. Depend-

ing on the characteristics of production and business activities, enterprises build the payment method appropriately. For workers, Eneh et al. (2018) argue that production workers with the task of creating tangible products, therefore it's necessary to build payment method that measures the tangible characteristics of the products. That payment method must assess the quantity and quality of products produced by workers. At the same time, this method can encourage workers to increase productivity, change the quantity and quality of products, thereby directly changing the salaries of workers. Many researchers further argue that performance-based pay effectively motivates workers to increase productivity (Iqbal et al., 2019; Tetteh et al., 2017). Therefore, the research hypothesis is put forward is:

Hypothesis H2. The payment method has a positive impact on the productivity of direct production workers

Salary Increase Policy and Labor Productivity

Some studies also show that salary increase policy also has a significant impact on labor productivity. Idrees et al. (2015) argue that a reasonable salary increase policy creates a motivation for workers to improve labor productivity. The building of a good salary increase policy will contribute for implementing an effective salary policy, motivating individuals to work harder. Increasing salaries for workers depends on the goals of the salary system that the enterprise has built, individual achievements and changes in the cost of living. This means that on the one hand, increasing worker's salary changes their working attitude. They can make more efforts to increase labor productivity in order to serve to increase salary, and increase enterprises' revenue (Stansbury & Summers, 2017). Emanuel & Harrington (2020) give the view that workers consider salary increases as the value that employers perceive and evaluate their work process. A worker who always completes the work, does not violate the discipline needs to have a satisfactory salary increase policy. The salary increase policy needs to be with the right people, at the right time, with the right criteria set by the enterprises. In addition, the salary increase policy needs to have a clear roadmap, clear criteria and be overt throughout the enterprise. Maslow's Motivation Theory has suggested that a salary increase policy leads to better worker motivation and work harder and more conscientiously. Thus, rate of worker productivity will be higher. The relationship between higher salaries and a positive effect on worker productivity has been established. Kim et al. (2020) has determined that increasing salary leads to improve workers' productivity. Therefore, the next hypothesis to be tested in this study is:

Hypothesis H3. The salary increase policy has a positive impact on labor productivity of direct production workers.

Bonuses and Labor Productivity

In addition to salaries, bonuses also have a significant impact on labor productivity. Mesepey (2016) emphasizes that rewards are not only the best way to retain workers, but also an effective financial leverage that encourages workers to improve their productivity. Mehta, (2014) indicates that bonuses can help increase workers' work efficiency. There is a

positive relationship between bonuses and labor productivity. According to the author, if enterprises want to achieve success in a competitive environment, they should value their workers. Another study, conducted by Ponta et al. (2020) suggested that the bonuses of enterprises must be flexible, suitable for each object and the achievements that workers contribute, meeting expectations. The effect of bonuses on labor productivity is significant. Each worker has a different perception of bonuses. Therefore, enterprises need to build a reasonable and satisfactory bonuses system (Bun & Huberts, 2018). So, the research hypothesis mentioned here is:

Hypothesis H4. Bonuses have a positive impact on labor productivity of direct production workers.

Financial Welfare and Productivity

The main effect of financial welfare is to motivate and retain workers in the enterprises. Worker interests are the efforts to promote them to achieve higher levels of productivity (Agusioma et al., 2019). Adequate and timely financial welfares help improve workers morale and loyalty, helping them contribute more to the enterprises. Alam et al. (2020) has emphasized that financial welfare packages can enhance the productivity of workers. Financial welfares for workers including medical examination and treatment services, preferential credit services, etc. Worker welfares must always be the top priority in the enterprises because this will be the effort to improve effectiveness and dedication of workers in the enterprises (Bharathi & Padmaja, 2018). U. H. Umar (2020) asserts that financial welfare is a term referring to a state of desired existence in relation to a worker's physical, moral, mental and emotional conditions, all of which have directly and indirectly affects to labor productivity. In summary, based on theoretical evaluations, the following hypothesis is proposed:

Hypothesis H5. Financial welfare has a positive impact on labor productivity of direct production workers.

Thus, it can be seen that, from a theoretical or practical perspective, salaries have a great impact on labor productivity of workers, including workers who directly create products. The influence of salaries on labor productivity is shown in the following aspects: pay level, payment method, salary increase policy, bonus and financial welfare. Understanding the impact of salaries on labor productivity not only shows the impact trend, but also clearly shows the level of impact of each aspect on labor productivity, thereby serving as a basis for enterprises to complete the salary system in order to improve the labor productivity of direct production workers.

2.4. Research Model

The research model about the impact of salaries on labor productivity of direct production workers consists of 6 variables, of which 1 dependent variable is labor productivity and 5 independent variables include pay level, payment method, salary increase policy, bonuses, financial welfare. The impact of salary on labor productivity of direct production workers is modeled below:

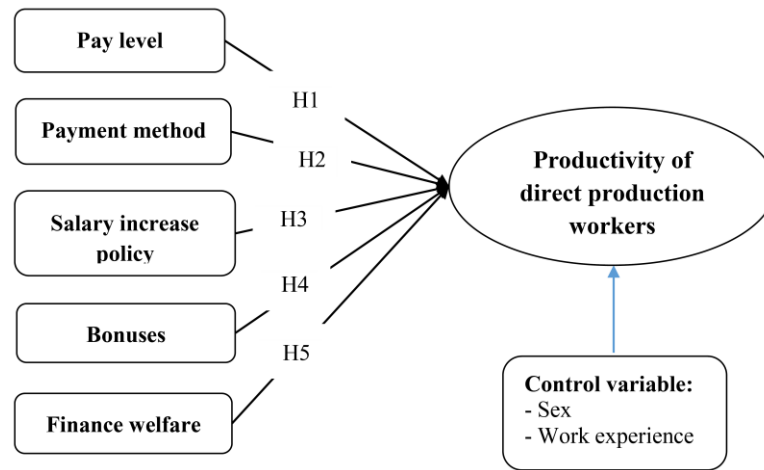


Fig. (1). The proposed research model.

3. METHODOLOGY

3.1. Research Sample

In the quantitative research, the author chooses to study direct production workers engaged in production at garment enterprises in Vietnam. Due to the impact of the Covid-19 pandemic, it is quite difficult to contact workers to collect information. Therefore, the author has chosen a convenient sampling technique (sampling based on convenience and the accessibility of the subject) combined with a "snowball" (finding research subjects based on other subjects' suggestions) to achieve the required guaranteed sample size. The author sent the survey online *via* gmail, zalo and sent the hard copy by post to collect information. The author issued 525 votes; then proceeded to collect and process data and obtained results of 517 votes, of which 5 were invalid. Therefore, the number of votes the author use officially is 512 votes. To ensure the reliability of the research data that is representative of the overall sample (reliability 95%) and the quality of the study expressed through the allowable error +/- 5% as well as the requirement about research sample size for techniques of exploratory factor analysis (EFA), correlation regression analysis and testing of hypotheses, the responses from 512 questionnaires met my expectations.

Table 1. Demographic Information of Direct Production workers.

No .	Type of Demographic Information	Frequency	Percentage
1	Sex	512	100
	Male	139	27.15
	Female	373	72.85
2	Work experience	512	100
	Less than 1 year	12	2.34
	From 1 year to less than 3 years	68	13.28
	From 3 years to less than 5 years	256	50
	From 5 years or more	176	34.38

3.2. Measures

Most of the scales in this study were developed based on previous studies. Each variable has a specific scale. I have inherited and developed the scale to suit the research context by reviewing the literature and interviewing some experts in the garment industry and managers of the enterprises; workers who are directly working at garment enterprises in Vietnam, specifically direct production workers for the purpose of collecting information and preliminary assessment of research issues. The observations/scales of the variables were rated on a 5-point Likert scale (from strongly disagree to strongly agree). The scale of the variables is presented in detail as follows:

Direct Production Workers' Productivity Scale

Direct production workers' productivity scale is measured by workers' perceptions of changes in work results as well as work attitudes. The labor productivity scale of direct production workers includes the willingness to create products with good quality, the highest working efficiency, creating many products in the shortest time, saving raw materials, production expense; awareness of protecting machines and equipment; consciously building the company's image and promoting forte, proposing the best working method. Direct production workers' productivity scale is approached on the scale of Akbari Fard et al. (2018).

Pay Level

Pay level is understood as the monthly salary of direct production workers (except bonuses, financial welfare). The scale of pay level is measured by workers' perception of competitive salary compared to other companies, fair salary among workers, salary commensurate with worker's performance and assurance minimum cost of workers. This scale is adjusted from the scale in study of Pasimeni (2018).

Payment Method Scale

Payment method is understood as the payment technique of the enterprise applied to pay for workers. The appropriate method of payment will create fairness, thereby creating work motivation for workers. The payment method can be

the form of payment to workers. The payment method is measured by the worker's perception of the degree of suitability with job characteristics, associated with worker's performance; reflect the level of contribution; suitable with working time and ensuring the rights of workers; implement full overtime regime... The scale of payment method is inherited and developed from the study of Eneh et al. (2018).

Scale of Salary Increase Policy

Salary increase policy is one of the management policies that make a big change to the attitude, motivation and working spirit of workers. The salary increase policy of each enterprise depends heavily on employer's perspective along with the policy of building a salary system in the enterprise. The scale of salary increase policy is the perception of the salary increase roadmap of direct production workers, ensuring full benefits for workers; fair salary increase among workers; salary increase on the basis of evaluating the performance of direct production workers. Thereby, they understand the enterprises' salary increase policy and satisfied with the salary increase policy that the company has set out to be applied. This scale is adjusted from the scale of the previous studies (Idrees et al., 2015; Emanuel & Harrington, 2020).

Bonus Scale

Bonuses are the incentive money for workers. Bonuses must be paid openly and transparently. The bonus level must be reasonable, competitive compared to other companies in the same industry and area. The bonus criteria must include exceeding the labor productivity targets; saving of raw materials, machinery maintenance. The bonus policy must be fair among direct production workers. The bonus scale is also measured by workers' perception. The bonus scale is inherited from the previous scale (Bun & Huberts, 2018; Ponta et al., 2020).

Financial Welfare Scale

Financial welfare is amount of money that affects the morale of workers. Workers feel the respect, care and closeness of the leaders through welfare programs. The financial welfare scale is inherited from the old scale (Bharathi & Padmaja, 2018; Agusoma et al., 2019). This scale is measured through the perception of direct production workers about the regimes that the enterprises provide such as social insurance, health insurance and unemployment insurance; sick-leave, paid leave compliance with the law; the annual tour and vacation regime, etc.

4. RESULTS

4.1. Reliability and Validity of Scale

The results of data processing show that most of the salary scales have the reliability coefficients greater than 0.7 and the correlation coefficients of variables - total variables are greater than 0.5. Therefore, these scales are used in the next steps of the study. However, the HT5 observation has a very weak correlation with the total variable (0.258) and when this variable is removed from the scale, the alpha coefficient of the scale is improved to reach 0.827. Therefore, the varia-

ble HT5 that does not guarantee reliability will be removed from the scale.

The Cronbach alpha coefficient of the labor productivity scale reached the value 0.861; the correlation coefficients of total variables are relatively high from 0.744 to 0.797; which shows that the observed variables have high reliability. At the same time, the scale has alpha coefficient greater than 0.8, so it can be concluded that this scale is very good.

After checking the reliability by Cronbach alpha analysis, the scale of salary aspects is measured by 27 observed variables for 5 components of the scale. Factor analysis is used to evaluate the convergent validity of the observed variables according to the components. The results of the EFA analysis showed:

For salary variable: at the value of Eigenvalue = 1 with the principal components analysis, Varimax rotation allows to extract 5 factors from 27 observed variables and Average Variance Extracted (AVE) is 75.465%. Thus, AVE meets the requirements (>50%).

For labor productivity variables: The labor productivity scale includes six 6 observations: NS1, NS2, NS3, NS4, NS5, NS6. With the hypothesis H₀ posed in this analysis, there is no correlation between 6 observations. KMO and Bartlett's test in factor analysis shows that this hypothesis is rejected (sig = 0.000), the KMO coefficient is 0.826 (>0.5). This result indicates that the observations are correlated with each other and explore factor analysis (EFA) is appropriate.

Table 2. The Results of Testing the Reliability of the Scale by Cronbach's Alpha and EFA

Scale	Corrected Item - Total Correlation	Cronbach's Alpha if Item Deleted	Factor loading
<i>Pay level (α = .878)</i>			
LCB1	.527	.512	.638
LCB2	.696	.608	.642
LCB3	.683	.617	.715
LCB4	.599	.584	.651
LCB5	.632	.605	.744
<i>Payment method (α = .827)</i>			
HT1	.725	.689	.784
HT2	.773	.644	.711
HT3	.741	.658	.765
HT4	.767	.703	.728
HT6	.843	.761	.733
HT7	.864	.724	.747
<i>salary increase policy (α = .896)</i>			

CT1	.776	.712	.656
CT2	.823	.756	.675
CT3	.762	.835	.662
CT4	.848	.763	.686
CT5	.812	.779	.701
CT6	.756	.819	.718
<i>Bonuses (α = .725)</i>			
TT1	.684	.747	.864
TT2	.639	.758	.832
TT3	.601	.653	.836
TT4	.723	.621	.927
TT5	.738	.663	.901
TT6	.711	.726	.788
<i>Finance welfare (α = .712)</i>			
PL1	.623	.723	.773
PL2	.615	.604	.757
PL3	.635	.667	.656
PL4	.587	.612	.675
<i>Labor productivity (α = .861)</i>			
NS1	.744	.820	.642
NS2	.756	.815	.754
NS3	.797	.864	.829
NS4	.785	.871	.925
NS5	.751	.834	.876
NS6	.776	.828	.921

4.2. Correlation Analysis

The correlation matrix in Table 3 presents the correlation coefficients Pearson ® between the research variables. The coefficient is considered significant if the p-value is less than or equal to 0.05. It can be seen that, all VIF < 10, so there is no multicollinearity - the phenomena between the independent variables closely correlated, thus increases the standard deviation of the regression coefficients and reduces the significance of the t. statistic. In addition, the analysis results also show that there is a correlation between the independent variables - aspects of salaries and the dependent variable - labor productivity of direct production workers. First of all, the pay level has a strong positive correlation with labor productivity (r=0.649; p<0.01); next is the pay method (r=0.571; p<0.01); and moderately positive correlations, specifically including the relationships: salary increase policy

(r=0.510; p<0.01), bonuses (r=0.421; p<0.01) and financial welfare variable (r= 0.081; p=0.005). The above results show that the respondents perceive that the positive values of salaries will positively affect labor productivity.

Table 3. Correlation between Salaries and Labor Productivity

		NS
LCB	Pearson Correlation	.649**
	Sig. (2-tailed)	.000
	N	512
HT	Pearson Correlation	.571**
	Sig. (2-tailed)	.000
	N	512
CT	Pearson Correlation	.510**
	Sig. (2-tailed)	.000
	N	512
TT	Pearson Correlation	.421**
	Sig. (2-tailed)	.001
	N	512
PL	Pearson Correlation	.081
	Sig. (2-tailed)	.005
	N	512
NS	Pearson Correlation	1
	Sig. (2-tailed)	.000
	N	512

** . Correlation is significant at the 0.01 level (2-tailed)

4.3. Evaluate Model Fit in Linear Regression Analysis

The ANOVA table gives us the results of the F test to evaluate the hypothesis of appropriateness of the regression model. The F-test sig value is 0.000 < 0.05, so the regression model is suitable.

Table 4. ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	103.254	6	17.209	142.169	.000 ^b
	Residual	44.287	332	.133		
	Total	147.541	338			

a. Dependent Variable: NS

b. Predictors: (Constant), LCB, HT, CS, TT, PL

The multiple linear regression analysis method with all variables included at the same time (enter) shows that the regres-

sion model is suitable for testing the theoretical model (sig, F= 0.000) and explained 64.9% of the difference in the dependent variable - labor productivity (adjusted R2 = 0.649). Durbin - watson coefficient has a value of 1.534 in the range from 1.5 to 2.5, so there is no first order series autocorrelation phenomenon. (Table 5).

Table 5. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.762 ^a	.548	.649	.39582	1.534

a. Predictors: (Constant), LCB, HT, CS, TT, PL

b. Dependent Variable: NS

The results of the regression analysis show that the factors: Pay salary, payment method, salary increase policy, bonuses and financial welfare are statistically significant with p<0.05 (reliability 95%). The VIF coefficients of the independent variables are all less than 10. Therefore, there is no multicollinearity.

The regression model after analysis includes 5 aspects: pay level, payment method, salary increase policy; bonuses; financial welfare. The results show that the fit of the model is 64.9% (adjusted R2 = 0.649) and the components in the model ensure the statistical significance of these linear relationships (sig, F = 0.000).

From the results in Table 6, the standardized regression equation is built as follows:

$$NS = 0.154 + 0.403LCB + 0.355HT + 0.247CT + 0.215TT + 0.109PC + \mathcal{E}$$

5. DISCUSSION AND CONCLUSIONS

Through the results of quantitative research, it is shown that the variables in the model have a significant and positive impact on the labor productivity of direct production workers.

The hypothesis H1 has been accepted, that is, the pay level has an effect on the labor productivity of the direct production workers with value sig. = 0.000<0.05 and the coefficient

$\beta_1 = 0.403$. This result is similar to the previous studies (Pasimen, P., 2018 (Pasimeni, 2018); Strain, M.R., 2017 (Strain, 2007) and (Oyebamiji et al., 2013). It shows that when the pay level is paid fairly, suitable for each position, and competitive compared to other enterprises in the same industry, it will have an impact on promoting labor productivity. In particular, in the specific conditions of Vietnam, many garment enterprises have difficulty in attracting workers after workers cutback because of the Covid-19 epidemic, the enterprises' leaders need to determine the pay level properly, paying salary according to job position, oriented towards people, encouraging and motivating workers to work.

Hypothesis H2 shows that the payment method has an impact on the labor productivity of direct production workers. Analysis of survey data showed that value Sig = 0.002 and coefficient $\beta_2 = 0.355$. Previous studies have also shown similar results (Iqbal et al., 2019; Tetteh et al., 2017). The key problem of this relationship comes from the payment method which will change the monthly salary of the workers. With a reasonable payment method, reflecting the quantity and quality of workers' contributions, the actual salary received by workers will be fair, creating work motivation for workers, thereby increasing the labor productivity.

Hypothesis H3 affirms that the salary increase policy has a positive impact on labor productivity of direct production workers. The results of regression analysis showed that value sig. = 0.001 < 0.05 and coefficient $\beta_3 = 0.247$. Previous studies have also shown similar results (Stansbury & Summers, 2017; Emanuel & Harrington, 2020). When workers are increased on time, it proves that the workers have successfully completed the conditions on time and the performance standards set by the enterprise. In other words, when workers get a raise before the deadline, it proves that the enterprise has recognized the efforts, dedication and contributions of workers. That stimulates production workers to do better work and try to have special achievements in the working process in order to have conditions for salary increase. One of the bases for enterprises to consider increasing salaries for workers is their own capacity. The better qualified workers are, the more chances they have of getting a salary increase if they can express themselves.

Table 6. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.154	.266		8.483	.000		
	LCB	.476	.154	.403	10.973	.000	.836	1.046
	HT	.412	.137	.355	10.048	.002	.819	1.576
	CT	.331	.082	.247	8.567	.001	.762	1.399
	TT	.308	.089	.215	8.206	.001	.744	1.462
	PC	.126	.078	.109	3.485	.032	.807	1.552

^a. Dependent Variable: NS

Hypothesis H4 suggests that bonuses have an impact on labor productivity of direct production workers. The results of data analysis also confirm that this hypothesis is completely accepted. Data analysis results in $\text{Sig} = 0.001 < 0.05$ and coefficient $\beta_4 = 0.215$. The previous studies also demonstrate this effect (Ponta et al., 2020; Bun & Huberts, 2018). Bonuses are always an effective tool of enterprises to change the attitude, motivation and working spirit of direct production workers. Enterprises' leaders need to build a reasonable bonus level, distribute bonuses fairly, openly and transparently; clear reward criteria, measure the level of contribution or achievement of workers; bonus time must be appropriate, timely to be able to fully promote the true role of the bonus.

Finally, financial welfare is tested to have an impact on the productivity of direct production workers. The test values from the data set result in $\text{Sig} = 0.032 < 0.05$ and the coefficient $\beta_5 = 0.109$. This result is similar to the previous studies (Bharathi & Padmaja, 2018; U. H. Umar, 2020). The good implementation of financial welfare regimes will create more engagement between direct production workers and the enterprises. Financial welfare is considered as one of the factors that worker retention, creating their loyalty to the enterprises. Enterprises need to fully implement the mandatory financial welfare regimes according to state regulations such as social insurance, health insurance, unemployment insurance. At the same time, enterprises also need to pay attention to voluntary welfare regimes such as visiting, sickness, encouraging relatives and families of workers in the enterprise; create engagement between workers by organizing sightseeing, travel, playground or movement activities... Thereby, direct production workers will feel more secure and comfortable in the working process.

In summary, in garment enterprises, direct production workers play a major role in creating garment products. Whether the business can meet the orders on time, ensure the quantity and quality of products or not depends much on this workforce. It can be said that direct production workers are the core workforce in garment enterprises. Therefore, how to make enterprises have a stable, professionally qualified and skilled workforce of direct production workers, especially working with high productivity and efficiency, is a matter of great concern to many leaders. In the context that the garment industry is gradually recovering during the Covid-19 pandemic, studying the impact of salaries on the productivity of direct production workers in garment enterprises in Vietnam, helping enterprises have a more correct view of the salary role in improving labor productivity of direct production workers in garment enterprises. Research is an important basis to help enterprises have orientations and strategies to build a competitive and fair salary system for direct production workers.

CONFLICT OF INTEREST STATEMENT

The authors declare that they have no conflict of interest.

REFERENCES

- Agusioma, N. L., Nyakwara, S., & Mwititi, E. (2019). The Influence of Staff Welfare on Employee Performance at Public Service Commission in Kenya. *Asian Journal of Business and Management*, 7(5), 77–82. <https://doi.org/10.24203/ajbm.v7i5.5967>
- Ahiabor, G. (2014). The Impact of Corporate Culture on Productivity of Firms in Ghana: a Case of Vodafone Ghana. *Problems of Management in the 21st Century*, 9(3), 173–182. <https://doi.org/10.33225/pmc/14.09.173>
- Akbari Fard, H., Jalae, S. A., & Fazayel Ardakani, S. B. (2018). A study on the effect of productivity on the wage level, with emphasis on the productivity of skilled and unskilled labor. *Accounting*, 4, 93–100. <https://doi.org/10.5267/j.ac.2018.1.001>
- Alam, M. N., Hassan, M. M., Bowyer, D., & Reaz, M. (2020). The effects of wages and welfare facilities on employee productivity: Mediating role of employee work motivation. *Australasian Accounting, Business and Finance Journal*, 14(4), 38–60. <https://doi.org/10.14453/aabfj.v14i4.4>
- Bharathi, D. S. B., & Padmaja, R. (2018). The Role of Employee Welfare Facilities In Engaging Employees. *IOSR Journal of Business and Management (IOSR-JBM)*, 20(2), 9–14. <https://doi.org/10.9790/487X-2002100914>
- Bun, M. J. G., & Huberts, L. C. E. (2018). The Impact of Higher Fixed Pay and Lower Bonuses on Productivity. *Journal of Labor Research*, 39(1), 1–21. <https://doi.org/10.1007/s12122-017-9260-9>
- Campbell, S. M., McDonald, R., & Lester, H. (2008). The experience of pay for performance in english family practice: A qualitative study. *Annals of Family Medicine*, 6(3), 228–234. <https://doi.org/10.1370/afm.844>
- Ehrenberg, R. G., & Smith, R. S. (2017). Modern Labor Economics: Theory and Public Policy. In *Modern Labor Economics: Theory and Public Policy*. <https://doi.org/10.4324/9781315101798>
- Emanuel, N., & Harrington, E. (2020). The Payoffs of higher pay: Elasticities of Productivity and Labor Supply with Respect to wages. *Job Market Paper*, 1(2), 91–110.
- Eneh, S. I., Chukwuma, N. K., & Gabriel, U. (2018). Salary Increase And Employee Productivity In Cement Manufacturing Companies In South-South, Nigeria. *IOSR Journal of Business and Management (IOSR-JBM)*, 20(10), 01–08. <https://doi.org/10.9790/487X-2010010108>
- Frye, M. B. (2004). Equity - based compensation for employees: Firm performance and determinants. *The Journal of Financial Research*, XXVII(1), 31–54.
- General Statistics Office. (2020). *Statistical Yearbook of Vietnam*; Statistic Publisher, Hanoi, Vietnam.
- Georgiadis, A. (2013). Efficiency wages and the economic effects of the minimum wage: Evidence from a low-wage labor market. *Oxford Bulletin of Economics and Statistics*, 75(6), 962–979. <https://doi.org/10.1111/j.1468-0084.2012.00713.x>
- Hibbs, D. A., & Locking, H. (2000). Wage dispersion and productive efficiency: Evidence for Sweden. *Journal of Labor Economics*, 18(4), 755–782. <https://doi.org/10.1086/209976>
- Idrees, Z., Xinpeng, X., Shafi, K., Hua, L., & Nazeer, A. (2015). Effect of salary, training and motivation on job performance of employees. *American Journal of Business, Economics and Management*, 3(2), 55–58. <http://www.openscienceonline.com/journal/ajbem>
- Iqbal, S., Hong Yun, T., Akhtar, S., & Muhammad Sohu, J. (2019). Impacts of Performance-based Pay on Employee Productivity; Mediated by Employee Training. *International Journal of Research & Review (www.ijrrjournal.com) Vol.* 6(10), 235–241. www.ijrrjournal.com
- Katovich, E. S., & Maia, A. G. (2018). The relation between labor productivity and wages in Brazil: A sectoral analysis. *Nova Economia*, 28(1), 7–38. <https://doi.org/10.1590/0103-6351/3943>
- Kim, H. B., Kim, S., & Kim, T. T. (2020). The role of career and wage incentives in labor productivity: Evidence from a two-stage field experiment in Malawi. *Review of Economics and Statistics*, 102(5), 839–851. https://doi.org/10.1162/rest_a_00854
- Lambert, E. G., Lynne Hogan, N., & Barton, S. M. (2001). The impact of job satisfaction on turnover intent: A test of a structural measurement model using a national sample of workers. *Social Science Journal*, 38(2), 233–250. [https://doi.org/10.1016/S0362-3319\(01\)00110-0](https://doi.org/10.1016/S0362-3319(01)00110-0)
- Livingstone, D. W. (2010). *Education & Jobs: Exploring the Gaps* (Book Review).
- Mehta, A. M. (2014). Impact of Monetary Rewards on Employee Performance and Job Satisfaction (An Empirical Study of the Insurance Sector of Pakistan). *Interdisciplinary Journal of Contemporary Research in Business, VOL 5*, 276–283.

- Mesepy, S. S. (2016). The impact of reward and recognition on employee engagement at PT. Bank Sulutgo, Manado. *Jurnal Berkala Ilmiah Efisiensi*, 16(01), 289–301.
- Metcalf, D. (2008). Why has the British National Minimum Wage had little or no impact on employment? *Journal of Industrial Relations*, 50(3), 489–512. <https://doi.org/10.1177/0022185608090003>
- Osterman, P. (2006). The Wage Effects of Higher Performance Work Organization in Manufacturing. *Industrial and Labor Relations Review*, 59(2), 187–204.
- Owens, M. F., & Kagel, J. H. (2010). Minimum wage restrictions and employee effort in incomplete labor markets: An experimental investigation. *Journal of Economic Behavior and Organization*, 73(3), 317–326. <https://doi.org/10.1016/j.jebo.2009.12.002>
- Oyebamiji, F. F., Kareem, T. S., & Ayeni, G. O. (2013). Impact of job satisfaction dimensions on job performance in small and medium enterprise in Ibadan, south western, Nigeria. *Interdisciplinary Journal of Contemporary Research in Business*, 4(11), 509–521.
- Pasimeni, P. (2018). The Relation between Productivity and Compensation in Europe. In *European Commission Discussion Paper* (Vol. 79, Issue March). <https://doi.org/10.2765/749614>
- Pekuri, A., Haapasalo, H., & Herrala, M. (2011). Productivity and Performance Management – Managerial Practices in the Construction Industry. *International Journal of Performance Measurement*, 1(December 2011), 39–58.
- Ponta, L., Delfino, F., & Cainarca, G. (2020). The Role of Monetary Incentives: Bonus and/or Stimulus. *Administrative Sciences*, 10(1), 8. <https://doi.org/10.3390/admsci10010008>
- Shields, J. (2007). *Managing Employee Performance and Reward: Concepts, Practices, Strategies*. Cambridge University Press.
- Stansbury, A. M., & Summers, L. H. (2017). Productivity and Pay: Is the Link Broken? In *NBER Working Paper Series*.
- Strain, M. R. (2007). The link between wages and productivity in Spain. *International Review of Applied Economics*, 21(2), 247–272. <https://doi.org/10.1080/02692170701189151>
- Tessema, M. T., & Soeters, J. L. (2006). Challenges and prospects of HRM in developing countries: Testing the HRM-performance link in the Eritrean civil service. *International Journal of Human Resource Management*, 17(1), 86–105. <https://doi.org/10.1080/09585190500366532>
- Tetteh, R., Mohammed, S., & Azumah, A. A. (2017). What is the effect of wages and supervision on productivity? The perspective of Sunyani Technical University staff. *Economic Policy*, 2116, 0–33.
- Tuoi, D. T., & Yen, D. T. (2021). *Salary Principles*. Labor Publisher, Hanoi, Vietnam.
- Umar, A. (2012). Effect of wages, motivation, and job satisfaction on the performance of workers in the manufacturing industry in the city of Makassar. *Jurnal Aplikasi Manajemen*, 10(2), 406–418.
- Umar, U. H. (2020). The business financial inclusion benefits from an Islamic point of view: a qualitative inquiry. *Islamic Economic Studies*, 28(1), 83–100. <https://doi.org/10.1108/IES-09-2019-0030>
- Ziapour, A., Khatony, A., Jafari, F., & Kianipour, N. (2015). Evaluation of time management behaviors and its related factors in the senior nurse managers, Kermanshah-Iran. *Global Journal of Health Science*, 7(2), 366–373. <https://doi.org/10.5539/gjhs.v7n2p366>

Received: Oct 02, 2021

Revised: Oct 13, 2021

Accepted: Feb 22, 2022

Copyright © 2021– All Rights Reserved
This is an open-access article.