THE INFLUENCE OF SALARY ON EMPLOYEE ENGAGEMENT WITH ORGANIZATIONS: THE CASE OF SMALL AND MEDIUM ENTERPRISES IN HANOI

a Tran Thi Minh Phuong, b Nguyen Thi Hong, c Do Thi Tuoi

ABSTRACT

Objective: The study aimed to analyze the influence of salary on employee engagement with small and medium enterprises in Hanoi over the current period.

Method: The study used a pre-structured questionnaire to survey employees working for SMEs in Hanoi, with a sample size of 203. A linear structural model and Smart PLS software were used in analysis and testing to determine research hypotheses.

Results: Research results show that all five salary factors, including (i) basic salary, (ii) salary allowances, (iii) financial incentives, (iv) welfare, and (v) salary policy, have a positive effect on employee engagement with SMEs.

Conclusions: The structural model shows a significant relationship between salary and employee engagement with SMEs. The study provides policy recommendations to enhance employee engagement with SMEs.

Keywords: salary, salary policy, employee engagement, human resource management, small and medium enterprises (SMEs).

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A INFLUÊNCIA DO SALÁRIO NO ENVOLVIMENTO DOS TRABALHADORES COM AS ORGANIZAÇÕES: O CASO DAS PEQUENAS E MÉDIAS EMPRESAS EM HANÓI

RESUMO

Objetivo: O estudo teve como objetivo analisar a influência do salário no engajamento dos funcionários com pequenas e médias empresas em Hanói no período atual.

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Método: O estudo utilizou questionário pré-estruturado para vistoriar funcionários que trabalham para PME em Hanoi, com tamanho amostral de 203. Um modelo estrutural linear e o software Smart PLS foram utilizados na análise e no teste para determinar hipóteses de pesquisa.

Resultados: Os resultados da investigação mostram que todos os cinco fatores salariais, incluindo (i) o salário de base, (ii) os subsídios salariais, (iii) os incentivos financeiros, (iv) a segurança social e (v) a política salarial, têm um efeito positivo no envolvimento dos trabalhadores com as PME.

Conclusões: O modelo estrutural revela uma relação significativa entre salários e envolvimento dos trabalhadores com as PME. O estudo fornece recomendações políticas para reforçar o envolvimento dos trabalhadores com as PME.

Palavras-chave: salário, política salarial, envolvimento dos empregados, gestão de recursos humanos, pequenas e médias empresas (PME).

1 INTRODUCTION

Salary have an important role and meaning for both firms and employees. For firms, wages help attract talented people to work and engage and motivate workers to make efforts at work, helping firms lower product costs and increase competitiveness in the world market when managing salaries effectively. For workers, salary is the main source of income that helps them reproduce their labor power and reflects their qualifications and personal capacity.

According to Wiryawan (2023), COVID-19 has led to a considerable increase in worker layoffs and a significant decrease in income, particularly during periods of social distancing. The findings indicate that the rate of worker layoffs in Indonesia reached 15.6 percent. Regarding income, approximately 31.0 percent of workers reported a decrease of less than 50 percent, while 8.6 percent experienced a decrease of over 50 percent.

According to Allen and Meyer (1990), employee engagement with the organization is a psychological state that binds the individual to the organization and is closely related to the decision to continue being a member of the organization or not. From the perspective of a firm, low employee engagement with the organization will cause firms and organizations to lose human resources, reducing the efficiency and effectiveness of the firm.

Organizational engagement and organizational satisfaction have received considerable attention in research on work environments (Riketta, 2002). When employees are unhappy at work, they may feel less engaged and will look for an opportunity to quit.
The top concern of leaders today is how to encourage workers to bring all their talents and intelligence to serve the firm by enhancing the connection of workers with the firm. That improves work performance.

In Hanoi, small and medium-sized enterprises account for about 97% of the total number of registered firms. Small and medium-sized enterprises play an important role in creating jobs and making important contributions to the city's socio-economic development. Presently, there are about 360,000 firms in Hanoi, with an average of 1 firm for every 37 people in the capital, 3.8 times higher than the national average. The number of small and medium-sized enterprises is constantly growing and innovating, contributing more than 45% of GDP to Hanoi and creating jobs for more than 50% of workers. SMEs in Hanoi operate in many different fields, from services, trade, manufacturing, information technology, and tourism to agriculture and food processing.

The purpose of this study is to understand and analyze the influence of salary on employee engagement with the organization at small and medium-sized enterprises in Hanoi. To clarify the research objectives, this study answers two research questions as follows:

QA1: How does salary affect employee engagement with the organization at small and medium-sized enterprises in Hanoi?

QA2: How to improve employee engagement with the organization at small and medium-sized enterprises in Hanoi through salary?

2 LITERATURE REVIEW

2.1 SALARY

According to Article 90 of the 2019 Labor Law (National Assembly, 2019), salary is the amount of money that the employer pays the employee according to the agreement to perform work, including salary according to job title, salary allowances, and other additional payments.

According to Do and Doan (2020), salary is the price of labor, formed on the basis of an agreement between the employer (or the employer's representative) and the employee. It is the amount of money that the employer pays to the employee when the employee performs a certain job and must comply with the provisions of the law.

Salary is an important financial tool. Salary is the amount of money that a firm pays to an employee, corresponding to the quantity and quality of labor wasted in the
process of performing assigned work. The basic salary is determined by calculating the 
basic needs in terms of complexity and labor consumption in the average working 
conditions of each industry and job.

2.1.1 Basic salary

According to Faulk II (2002), the salary level in the Pay Satisfaction 
Questionnaire (PSQ) scale is understood as the employee's wages or salaries. In 
particular, salary is an important factor that affects employee job satisfaction. Research 
results by Mohelska and Sokolova (2015) show that when salary increases, job 
satisfaction also increases. In addition, human resource management experts also showed 
that there is a positive relationship between salary and job satisfaction among employees.

Hypothesis H1: The basic salary of SMEs has a positive effect on employee 
engagement with the organization.

2.1.2 Salary allowance

According to Do and Doan (2020), a salary allowance is an additional salary that is 
not included when determining the basic salary (job salary, position salary, or military 
rank salary) or not counting all the factors that are unstable compared to normal working 
and living conditions. These unstable factors can be: working conditions, nature of work, 
industry, geography (remote, remote, border, island).

Salary allowances have the effect of supplementing, completing, and making 
employees' salaries more reasonable, ensuring fairness and equality in salary payment, 
motivating and attracting employees to work, and stimulating employees to work better 
in difficult, more complex conditions than usual.

A salary allowance is an amount of money used to compensate for factors such as 
working conditions, complexity of work, living conditions, and level of labor attraction 
that the salary agreed upon in the labor contract has not taken into account or has an 
incomplete calculation.

Hypothesis H2: Salary allowances of SMEs have a positive effect on employee 
engagement with the organization.
2.1.3 Financial incentives (bonus)

Article 104 of Labor Code No. 45/2019 (National Assembly, 2019) stipulates: (i) Bonus is the amount of money or property or in other forms that the employer rewards the employee based on the employee's performance, production and business performance, and the level of job completion of employees. (ii) Bonus regulations are decided by the employer and publicly announced at the workplace after consulting with the employee representative organization at the grassroots level for places where there is an employee representative organization movement at the facility.

Bonuses are one of the material incentives for employees, motivating them during the work process. According to human resource management experts, employees will stay if they are rewarded according to their ability to contribute.

Hypothesis H3: Financial incentives of SMEs have a positive effect on employee engagement with the organization.

2.1.4 Welfare

Welfare are indirect remuneration paid in the form of life support for employees, such as health insurance, social insurance, pensions, pay for days off such as holidays, vacations, etc., entertainment programs, vacations, housing, transportation, and other benefits associated with employment relationships or membership in the organization. In addition to the welfares prescribed by law, depending on the financial capacity of the firm and the firm's views and goals regarding financial welfare, different firms will have different voluntary financial benefits.

Research results have found a close relationship between welfare and compensation satisfaction (Heneman & Schwab, 1985; Faulk II, 2002). If other factors remain unchanged, increased welfare leads to increased compensation satisfaction.

Satisfaction with welfare is assessed through satisfaction with the regimes and costs paid for employee welfare in the organization (Dreher et al., 1988).

Hypothesis H4: The welfare of SMEs has a positive influence on employee engagement with the organization.

2.1.5 Salary policy

Salary structure refers to the hierarchical relationship regulated by pay levels for different jobs within the organization (Heneman & Schwab, 1985). The salary policy
management mechanism is understood as all the regulations on labor compensation, building salary criteria, and how to manage salary information in an organization.

74% of those surveyed said that employees are satisfied with their jobs when their firms provide a clear salary policy management mechanism, while only 42% of people who do not understand the company's salary policy are still satisfied with their jobs (Grensing - Pophal, 2003).

Hypothesis H5: The salary mechanism of SMEs has a positive influence on employee engagement with the organization.

2.2 EMPLOYEE ENGAGEMENT WITH THE ORGANIZATION

The theories of Homan (1958) and Becker (1960) suggest that engagement with the organization is seen as a result of the exchange relationship between the individual and the organization (Baba & Jamal, 1979).

According to Mowday et al. (1979), engagement is the intention or desire to remain an employee of the organization. According to the above concept, employees will always be loyal to the organization, no matter where they pay high wages and work in more attractive conditions.

Kahn (1990) believes that engagement refers to the feeling of responsibility to perform work and loyalty to the organization to reciprocate what the company has given you. Thus, work or organizational engagement can be understood as an employee's psychological and emotional state, demonstrating long-term commitment and dedication to the organization's goals.

Allen & Mayer (1991) focus on three psychological states of employees when engaging with the organization. Employees can bond with the organization due to their loyalty. They can stay with the organization even though there is another place with more attractive salaries or better working conditions; they can stay and stick with the organization just because they have no better place to go, or they can be loyal to the organization because of the ethical standards they pursue.

According to Northcraft et al. (1995), engagement is an individual's expression of loyalty and belief in the organization's values. Berg et al. (2003) argue that organizational engagement is an individual's determination to actively participate in a specific organization. Ilies and Judge (2003) believe that engagement is the willingness to make
every effort for the development of the organization, identifying the organization's goals with one's own goals.

Saks (2006) defines engagement as an employee's positive attitude toward the organization's values and activities. When employees receive enough material and spiritual value from the organization, they feel it is their responsibility to compensate by working the best they can for the organization. He believes that employees tend to show more positive behaviors and commitment to the organization when they receive the necessary benefits from it.

Employee engagement at work is a positive, satisfying, and emotionally motivated state of work-related well-being, which can be considered a response to job burnout (Bakker & Leiter, 2010). Employee engagement is a good tool to help any organization trying to gain a competitive advantage over other organizations. People are an element that cannot be copied or imitated by competitors and are considered the most valuable asset if properly managed and engaged.

2.3 SALARY AND EMPLOYEE ENGAGEMENT WITH THE ORGANIZATION

Research results by Motowildo (1983, citing Ducharme et al., 2005) show that there is a positive relationship between compensation satisfaction and employee engagement with the organization. Jex et al. (2001) pointed out that compensation satisfaction does not have a positive relationship with employee engagement with the organization. However, most studies agree that salary and employee engagement in the organization are closely related (Heneman & Schwab, 1985).

The influence of salary on employee engagement at firms has been of interest to researchers such as Spector (1997), Do et al. (2012).

Suma and Lesha (2013) surveyed 160 public sector employees in Shkoder, Albania. Research results show that salary is one of the factors affecting engagement with the organization.

Nguyen (2021) researched factors affecting the engagement of workers with firms in Dong Nai. This research was conducted using qualitative and quantitative methods. The data used in the research are primary data collected directly from employees working at firms in Dong Nai province. The sample size used in quantitative research is 200 observations. Research results show that income is one of six factors that positively impact the engagement of workers with firms in Dong Nai.
Padmavathi (2023) confirmed that the findings of the study suggest that a sustainable work environment positively and significantly predicts work engagement, job satisfaction, and employee retention. The results of the mediating analysis show that work engagement and job satisfaction are completely mediating the relationship between a sustainable work environment and employee retention.

Aerni Isa et al. (2023) used the survey-distributed responses from 164 employees currently employed at the 47 GLCs and the partial least squares structural equation modeling (PLS-SEM) method to analyze the data and obtain results for the hypotheses generated. The aim of this study is to examine how perceived organizational support mediates the relationship between talent culture and employee engagement among employees in Malaysian government-linked companies (GLCs). The results indicated that none of the mediated relationships were significant.

3 METHODOLOGY

3.1 SAMPLING METHODS, DATA COLLECTION, AND MEASUREMENT SCALE CONSTRUCTION

The purpose of the research is to synthesize, classify, and determine the relationship between variables and models from previous studies to propose appropriate research models. After consulting with experts, the authors have proposed measurement scales and models suitable for the Vietnamese research context. The survey was conducted in 2022, with fluctuations in the economy and the digital transformation of the whole society affecting many occupations in the labor market in Vietnam, thereby proving the impact of salary on employee engagement in the organization. Data were collected from a survey of small and medium-sized enterprises in Hanoi using the stratified sampling method through face-to-face and online forms. The survey subjects were employees working at small and medium-sized enterprises. The authors randomly selected small and medium-sized enterprises, thereby randomly selecting survey subjects. The results were 203 observations out of a total of 250 answered questionnaires with all the necessary information for the study.

3.2 ANALYZE DATA

To analyze the impact of salary on employee engagement with the organization, the questionnaire survey method is based on the application of a 5-level Likert scale. The
observed variables measure 5 levels, with the dependent variable being 1-strongly disagree and 5-strongly agree, and the independent variable being 1-no influence at all and 5-very strong influence. For survey information from the above 203 employees, the study used the following analytical methods: (i) descriptive statistics; (ii) structural model through Smart PLS software.

3.3 RESEARCH MODEL

Based on relevant theories, the results of previous studies, and the above analysis, the authors propose the following research model (Figure 1).

![Research Model Diagram]

Source: The authors proposed

4 RESEARCH RESULTS AND DISCUSSION

4.1 DESCRIPTIVE STATISTICAL RESULTS

The current status of employee engagement with SMEs in Hanoi and the influence of salary on employee engagement with SMEs in Hanoi are shown through descriptive statistical results and presented in Table 1.
Table 1: Descriptive statistical results

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Description</th>
<th>Mean</th>
<th>Description</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary (TL)</td>
<td>TL1: 2.468</td>
<td>Welfare (PL)</td>
<td>PL1: 4.207</td>
<td>Salary policy (CS)</td>
<td>CS1: 3.33</td>
</tr>
<tr>
<td></td>
<td>TL2: 3.089</td>
<td></td>
<td>PL2: 4.158</td>
<td></td>
<td>CS2: 3.754</td>
</tr>
<tr>
<td></td>
<td>TL3: 3.025</td>
<td></td>
<td>PL3: 4.167</td>
<td></td>
<td>CS3: 3.626</td>
</tr>
<tr>
<td></td>
<td>TL4: 3.005</td>
<td></td>
<td>PL4: 4.217</td>
<td></td>
<td>CS4: 2.975</td>
</tr>
<tr>
<td></td>
<td>TL5: 3.025</td>
<td></td>
<td>PL5: 4.172</td>
<td></td>
<td>CS5: 3.7</td>
</tr>
<tr>
<td>Salary allowance (PC)</td>
<td>PC1: 2.911</td>
<td>Financial incentives (bonus)</td>
<td>KK1: 3.916</td>
<td></td>
<td>CS6: 3.916</td>
</tr>
<tr>
<td></td>
<td>PC2: 3.571</td>
<td></td>
<td>KK2: 2.527</td>
<td></td>
<td>CS7: 3.916</td>
</tr>
<tr>
<td></td>
<td>PC3: 3.527</td>
<td></td>
<td>KK3: 3.335</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>PC4: 3.7</td>
<td></td>
<td>KK4: 3.936</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KK5: 3.867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee engagement with the</td>
<td>PC4: 3.7</td>
<td></td>
<td>KK5: 3.867</td>
<td></td>
<td></td>
</tr>
<tr>
<td>organization (GK)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

Table 1 show that:

Basic salary is perceived by workers to have the lowest score. The TL1 scale received a negative rating, while the remaining scales received a neutral rating. This can be explained by the fact that workers tend to underestimate the value they receive (especially salary) compared to the contributions they have made.

In general, employees agree with the salary allowance they receive, except for the PC1 scale, which is rated at a normal level. For the majority of surveyed subjects working at non-state-owned enterprises (90.1%), allowances will rarely be made because they are included in the basic salary. From there, employees have a normal assessment of the payment of salary allowances compared to state regulations.

Welfare is the factor that receives the highest average rating among salary factors. This shows that businesses are implementing very good welfare and remuneration policies for employees. The highest average score belongs to the PL4 scale.

Among the five financial incentive scales, the KK2 scale has the lowest average score. Employees disagree about the company's performance-based bonus policy. This assessment is similar to the TL1 scale (basic salary scale group), which proves that the company's performance-based financial incentive policy is creating negative feelings for workers.
Most employees agree with 5 out of 7 scales related to the company's salary policy. This shows that the construction of salary policies in businesses is being carried out in a methodical and scientific manner (accurately collecting information, aiming for an internal fair salary payment, and being customer-oriented). employees, the salary policy is attractive to employees, and it listens to employees' opinions in building salary policies.

Most of the scales of basic salary factors, salary allowances, financial incentives, benefits, and salary policies were agreed upon by respondents. Therefore, the scales of employee engagement with the organization also receive quite high agreement (the 8/09 scales are rated at the level of agreement). This is a good sign of employee commitment to the organization they are working for.

4.2 EVALUATION OF THE STRUCTURAL MODEL

4.2.1 Evaluate the degree of convergence accuracy

To evaluate the convergent value of the scale, according to Fornell and Larcker (1981), the average variance extracted (AVE) coefficient must be greater than or equal to 0.5 to confirm the convergence. Table 2 shows the appropriateness of the scale data when the AVE value is between 0.555 and 0.799 (ensuring reliability).

<table>
<thead>
<tr>
<th>Scale</th>
<th>Aggregate reliability (rho_c)</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS</td>
<td>0.889</td>
<td>0.799</td>
</tr>
<tr>
<td>GK</td>
<td>0.848</td>
<td>0.583</td>
</tr>
<tr>
<td>KK</td>
<td>0.862</td>
<td>0.676</td>
</tr>
<tr>
<td>PC</td>
<td>0.865</td>
<td>0.616</td>
</tr>
<tr>
<td>PL</td>
<td>0.898</td>
<td>0.746</td>
</tr>
<tr>
<td>TL</td>
<td>0.832</td>
<td>0.555</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

Evaluate the level of discrimination accuracy.

The HTMT values presented in Table 3 vary from 0.333 to 0.755, significantly lower than 0.85, demonstrating stronger support for discriminant validity (Henseler et al. 2009).

To evaluate the level of discrimination accuracy, according to Henseler et al. (2015), if the HTMT confidence intervals are all less than 1 in the 95% range, then the HTMT values are all less than 1. Table 3 data shows good agreement. combination of data. Table 4 also demonstrates suitable data for taking the next steps.
The Influence of Salary on Employee Engagement with Organizations: the Case of Small and Medium Enterprises in Hanoi

Table 3. HTMT index table (heterotrait-heteromethod correlation)

<table>
<thead>
<tr>
<th></th>
<th>CS</th>
<th>GK</th>
<th>KK</th>
<th>PC</th>
<th>PL</th>
<th>TL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS</td>
<td></td>
<td>0.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GK</td>
<td>0.676</td>
<td></td>
<td>0.708</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KK</td>
<td>0.717</td>
<td>0.755</td>
<td>0.673</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC</td>
<td>0.539</td>
<td>0.644</td>
<td>0.646</td>
<td>0.687</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TL</td>
<td>0.434</td>
<td>0.589</td>
<td>0.345</td>
<td>0.596</td>
<td>0.333</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

Table 4. Degree of discrimination accuracy

<table>
<thead>
<tr>
<th></th>
<th>2.50%</th>
<th>97.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>GK &lt;-&gt; CS</td>
<td>0.512</td>
<td>0.849</td>
</tr>
<tr>
<td>KK &lt;-&gt; CS</td>
<td>0.476</td>
<td>0.87</td>
</tr>
<tr>
<td>KK &lt;-&gt; GK</td>
<td>0.595</td>
<td>0.818</td>
</tr>
<tr>
<td>PC &lt;-&gt; CS</td>
<td>0.588</td>
<td>0.844</td>
</tr>
<tr>
<td>PC &lt;-&gt; GK</td>
<td>0.556</td>
<td>0.894</td>
</tr>
<tr>
<td>PC &lt;-&gt; KK</td>
<td>0.569</td>
<td>0.771</td>
</tr>
<tr>
<td>PL &lt;-&gt; CS</td>
<td>0.373</td>
<td>0.707</td>
</tr>
<tr>
<td>PL &lt;-&gt; GK</td>
<td>0.466</td>
<td>0.785</td>
</tr>
<tr>
<td>PL &lt;-&gt; KK</td>
<td>0.531</td>
<td>0.764</td>
</tr>
<tr>
<td>PL &lt;-&gt; PC</td>
<td>0.548</td>
<td>0.81</td>
</tr>
<tr>
<td>TL &lt;-&gt; CS</td>
<td>0.262</td>
<td>0.589</td>
</tr>
<tr>
<td>TL &lt;-&gt; GK</td>
<td>0.377</td>
<td>0.766</td>
</tr>
<tr>
<td>TL &lt;-&gt; KK</td>
<td>0.24</td>
<td>0.495</td>
</tr>
<tr>
<td>TL &lt;-&gt; PC</td>
<td>0.298</td>
<td>0.774</td>
</tr>
<tr>
<td>TL &lt;-&gt; PL</td>
<td>0.15</td>
<td>0.528</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

4.2.2 Structural model

Check for multicollinearity: When the VIF coefficient is less than 5, there is no multicollinearity phenomenon. Table 5 shows the model results without multicollinearity.

Table 5. VIF coefficient and R²

<table>
<thead>
<tr>
<th></th>
<th>CS</th>
<th>KK</th>
<th>PC</th>
<th>PL</th>
<th>TL</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>GK</td>
<td>1.626</td>
<td>1.694</td>
<td>2.069</td>
<td>1.617</td>
<td>1.28</td>
<td>0.503</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

To effectively measure the large or small impact of salary factors on employee engagement with the organization, according to Cohen (1988), the $f^2$ value is 0.02; 0.15; and 0.35 represents small, medium, and large effects, respectively. The research results (table 6) determined that the influence level is small to medium because the $f^2$ test values are all in the range of 0.02 to 0.15 (table 6).
Table 6. Impact coefficient $f^2$

<table>
<thead>
<tr>
<th>Relationship</th>
<th>$f^2$</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS $\rightarrow$ GK</td>
<td>0.03</td>
<td>0.257</td>
</tr>
<tr>
<td>KK $\rightarrow$ GK</td>
<td>0.058</td>
<td>0.129</td>
</tr>
<tr>
<td>PC $\rightarrow$ GK</td>
<td>0.039</td>
<td>0.344</td>
</tr>
<tr>
<td>PL $\rightarrow$ GK</td>
<td>0.038</td>
<td>0.316</td>
</tr>
<tr>
<td>TL $\rightarrow$ GK</td>
<td>0.063</td>
<td>0.107</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors (2023) and Smart PLS software.

The results of the model of the influence of salary on employee engagement in the organization are as follows (see Figure 2).

Figure 1. Structural model results

Source: Prepared by the authors (2023) and Smart PLS software.

From the above analysis results, hypotheses H1, H2, H3, H4, and H5 are all accepted.

5 DISCUSSION

Research results show that all five salary factors, including (i) basic salary, (ii) salary allowances, (iii) financial incentives, (iv) welfare, and (v) salary policy, all have a positive impact on employee engagement with the organization. Influential factors, in order from largest to smallest, are: financial incentives, welfare, salary policies, basic salary, and salary allowances.

The research results have significant similarities with some previous studies, such
as: basic salary and welfare have a positive effect on employee engagement with the organization, similar to the research results. Research by Le and Luu (2020), Vandenberghe & Tremblay (2008), and Ha and Le (2016) shows that financial incentives have a positive effect on employee engagement with the organization, similar to the research results of Basbous (2011), Ha and Bui (2016), and Siswanto et al. (2021).

The new point of this study is to discover the positive influence of two factors—salary allowance and salary policy—on employee engagement with the organization. Previous studies often merged salary allowances and salary policies as components of the salary factor. This study has separated basic salary, bonus, and benefits into separate factors.

Small and medium-sized enterprises in Hanoi should combine hard and soft salaries linked to the work and performance of employees. Salaries are commensurate with the employee's work performance and are closely tied to the quantity and quality of labor, reflecting the employee's dedication, role, and position in the enterprise.

Job-based pay is pay based on the value and importance of the job in the enterprise.

Job-based salary payment is implemented by building a reasonable job title system and comparing the enterprise's salary level with the market salary level by periodically collecting information on employee salaries in similar industries and occupations.

Normally, job-based salary payments are based on the business's ability to pay salaries as well as current salary levels in the market. The job-based salary system is built on the basis of evaluating job value and then adjusting salary levels for corresponding jobs in the market.

Performance-based pay is a method of paying employees based on the results and achievements of the individual or the labor collective. According to this method, the employee's salary depends on the work results and labor productivity of the individual or group. To pay salary based on work performance, it is necessary to comply with the following principles: (i) comply with legal regulations on salary payment; (ii) only care about the results of the employee's work performance, not the person performing the work; (iii) fairness and objectivity in evaluating work performance; (iv) ensure competitiveness in salary payment; (v) ensure financial capacity.
6 CONCLUSIONS

To improve work efficiency for employees, one of the important tools to talk about is salary. Paying wages effectively to the right people for the right job will stimulate employees to work actively and effectively and be more attached to the business. Salary is a fairly broad category and is expressed through many contents, such as: basis for salary payment, form of salary payment, salary level, salary organization, etc.

Salary policies should be appropriate to social circumstances and the capabilities of each agency and organization, and they should ensure competitiveness with other organizations in the same industry. Wage decisions should ensure stimulation, then appropriate compensation selection and planning based on an analysis of working conditions and performance. However, salary decisions should also ensure the lives of workers so that they can create stability in their psychology. Therefore, small and medium-sized enterprises should pay combined wages for the highest efficiency.

Due to limited financial resources and time, this research still has certain limitations, such as a small research sample, a limited scope of research in space, and a lack of diversity in content. Future researchers should continue to develop and expand research topics.
REFERENCES


