

## Research Article

# CREATE WORKING MOTIVATION FOR EMPLOYEES IN FOREIGN INVESTMENT ENTERPRISES IN HANOI, VIETNAM

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### ABSTRACT

Human resources are the decisive factor for the success or failure of enterprises in general and foreign-invested enterprises (FDI) in particular. The effective use of human resources or not dramatically affects enterprises' production and business situation. However, effectively mobilizing and using existing human resources is a big challenge. In fact, enterprises have many human resources, good in quality, but that resource is only potential. Therefore, for human resources to develop to their full potential, improving the motivation of employees to work is considered an essential solution. Based on analyzing and evaluating the current situation of motivating employees at foreign-invested enterprises in Hanoi city, this article proposes some necessary solutions to create motivation to encourage employees to work.

**Keywords:** Work motivation, creating work motivation, FDI enterprises

## PERFORMANCE OF FOREIGN-INVESTED ENTERPRISES IN HANOI CITY

With the improvement of the investment and business environment, in 2016-2020, Hanoi attracted 25 billion USD of foreign direct investment (FDI), 4.08 times higher than the period 2011-2015. Hanoi ranked first in the country in terms of FDI attraction for two consecutive years, 2018 and 2019, with a cumulative number of active FDI projects of 6,278, with a total capital of over 47.7 billion USD, disbursed capital reaching over 4 billion USD. 28.5 billion USD. In 2020, Hanoi attracted USD 1,907 million, including \$ 662 million for 464 newly-licensed projects and USD 1,245 million for 132 projects with additional investment capital. Foreign investors contributed capital and bought shares that reached 1,280 million USD. In which a series of large projects have been licensed in the first months of 2020, such as Nidec Chaun Choung Vietnam (Japan) 174.5 million USD; Hanoi Lotte World Aquarium (Korea) 47 million USD; Office building 29 Lieu Giai (Twin Peaks) increased capital by 246 million USD. Up to now, the foreign-invested sector has contributed 12.8% in the capital, 10.4% in budget revenue, and actively contributed to technology transfer, job creation, and skill training for labor. As of 2020, 81 countries and territories are investing in Hanoi, of which 20 are main partners. Japan is currently the leading country in terms of registered investment capital, with 959 projects and investment capital of nearly 10.2 billion USD, accounting for 28.3% of total registered capital. Ranked second is Singapore (6.0 billion USD, accounting for 16.7% of total registered capital). The third is South Korea (5.48 billion USD, accounting for 15.2% of total registered capital). Investors from developed countries with high science and technology are still very modest, such as the United States (US\$293 million, accounting for 1.1% of total registered capital), France (247 million USD, accounting for 0.9% of total registered capital), UK (419 million USD, accounting for 1.5% of registered capital).

## SITUATION OF CREATING WORKING MOTIVATION OF FDI ENTERPRISES IN HANOI

### The results achieved

Over the years, the State's mechanisms and policies to enhance international economic integration have positively affected the foreign-invested economic sector. Many foreign investors have invested and brought many achievements to contribute to the socio-economic development of Hanoi, including creating motivation for employees, specifically:

(1). Foreign direct investment enterprises with potential advantages in capital and technology have made a significant contribution to the socio-economic development of Hanoi. At the same time, FDI capital is an essential supplementary source to the total investment capital of the whole society, especially in the current international integration context. It can be said that FDI enterprises have made an essential contribution to promoting economic growth in contributing to the total supply and aggregate demand of the economy, contributing to increasing social investment and GDP growth. FDI enterprises increase export value, create spillover effects in technology, and improve the level and capacity of production and management for other types of enterprises.

(2) FDI enterprises have improved the quality of working motivation for employees.

- Creating jobs for workers: Along with attracting investment capital, FDI enterprises put into operation have attracted a massive number of employees to work. The employment growth rate of the FDI sector is always high, especially after Vietnam accedes to the WTO and free trade agreements. FDI enterprises have contributed to the shift of labor structure from rural to urban areas and reduced the unemployment rate for Hanoi.
- Employee's income is increased and stable: Employees in FDI enterprises have relatively stable income compared to the

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local labor market. Employees' incomes have contributed to stabilizing their lives and meeting the general needs of the city's social development. Moreover, not all employees working in FDI enterprises have incomes at the average level of the society, but high wages for highly skilled workers, working in various fields that require knowledge and science, technology, etc. Thereby, the life of workers in FDI enterprises has been improved. In addition to wages being the primary source of income, many FDI enterprises have widely implemented various forms of compensation to encourage employees to work enthusiastically and improve work efficiency. FDI enterprises must demonstrate the principle of distribution according to employees' contribution and dedication.

- FDI enterprises have made significant contributions to training and fostering quality workers. Through direct participation in activities of FDI enterprises, a team of managers and technical workers with high qualifications and skills has been gradually formed and gradually approached science, engineering, and high technology. In addition, employees working at FDI enterprises have a modern industrial style, good labor discipline, and learn advanced management methods and experiences. A part of local laborers admitted to working in FDI enterprises receive training, skills training, and foreign languages, improving the quality of human resources and gradually replacing important positions in the business.

### Limitations

Firstly, some problems exist in attracting high-quality foreign investment projects. The development of industrial zones and clusters is slow, the land rent in Hanoi is higher than in neighboring localities, etc. In particular, Hanoi's supporting industry is small-scale, accounting for about 25% of the total industrial production value in the area. Hanoi's industry is not connected enough to meet the requirements of large foreign investment projects. Foreign investors do not receive fully what the city of Hanoi promises them in public service with the working attitude of civil servants is not good; information related to investment and business is less transparent. Corruption occurs at almost all levels (more than 200 sub-licenses, short license validity); Investment licensing procedures are still complicated, and the time to consider and approve some projects is still long. In addition, the coordination between the city's government agencies and central ministries and branches is not very effective; The planning and introduction of construction sites for investment projects are still slow.

Second, the implementation of preferential policies for FDI enterprises in Hanoi revealed some limitations.

- The FDI sector is enjoying more preferential policies. Although tax incentives are uniformly applied to all economic sectors, the FDI sector is enjoying more benefits from preferential policies. For example, the proportion of corporate income tax eligible for exemption or reduction of FDI enterprises to the total amount of corporate income tax exempted and reduced by enterprises nationwide was 76%. The ratio of corporate income tax incentives, exemption, and reduction of FDI enterprises to total corporate income tax payable calculated at the standard tax rate is 48%. In comparison, this rate of state enterprises is 48%. 4.6%, non-state enterprises 14%. Integrating social policies into corporate income tax incentives makes tax policies more complicated, difficult to manage, and easy to create loopholes for businesses to take advantage of to reduce tax payable, causing injustice in tax incentives between subjects.

- Tax management for FDI enterprises is still limited. The problem of transfer pricing is increasingly challenging to control in transfer pricing tricks that foreign investors often use, such as raising the price of fixed assets when contributing capital. Multinational enterprises usually charge a higher price than the market price for imported machinery and equipment to contribute investment capital in Vietnam; foreign investors gain many benefits and achieve many goals in business development. Joint venture enterprises also have other tricks to transfer prices, such as raising the price of imported materials for their production. This leads to enterprises declaring losses and not paying corporate income tax in Vietnam. Transfer pricing through the transfer of intangible assets, usually technology, technical know-how, copyrights, trademarks, management techniques, administration, and governance of enterprises. FDI enterprises also carry out transfer pricing through service provision from overseas parent companies.
- Technology transfer between FDI and domestic enterprises has not been as expected. There are Japanese enterprises, when investing in Vietnam, must import input materials for production of up to 95% of the total materials. This is explained by the fact that FDI enterprises often have traditional suppliers before entering the Vietnamese market.

*Third, some FDI enterprises in Hanoi city have not paid adequate attention to workers' rights.*

- Many FDI enterprises have organized shift meals for employees. However, the quality of the meals is still low, not nutritious enough to reproduce the labor force, sometimes not ensuring food hygiene and safety, etc.
- **Working time and working environment.** Some enterprises still use the form of extending the probationary period, such as making a rather general recruitment demand. Employees have to try a job for three months before recruiting. Some businesses require a 6-month probationary period when they are accepted into the position of accountants and office workers with university degrees. Meanwhile, the Labor Code stipulates that a probationary period shall not exceed 60 days for employees with a college degree.
- Some enterprises do not sign labor contracts or have signed but with unclear conditions on participation in social insurance contributions. They do have to pay extra salary when employees work overtime or go to work on public holidays and New Year; Poorly equipped labor protection equipment, not ensuring safe working conditions for employees. To avoid paying social insurance, some employers have switched from signing labor contracts to signing service contracts, consulting, and collaborating for some regular jobs, etc.

*Fourth, employees' quality of housing and spiritual life in FDI enterprises have not been guaranteed.*

- The quality of housing for workers is still low. After a stressful working period at enterprises, employees need time to rest and recover from reproducing their labor force. Most of the workers live in cramped quarters, hot in summer, cold in winter, moldy, very difficult, and lacking daily activities.
- Enterprises have not paid much attention to the spiritual life of employees. In addition to the physical needs necessary for employees, spiritual needs also play a crucial role. With low income and difficult housing conditions today, workers lack requirements to satisfy their entertainment, sports, study, and emotional exchange needs. Amusement and entertainment areas, cultural houses, libraries, markets, and supermarkets,

which provide essential daily needs for employees, have not yet been paid attention.

## SOME SOLUTIONS

### Macro solutions related to motivating employees

- Continue to innovate and perfect the wage policy for the production and business sector as required by the Resolution of the Seventh Plenum of the 12th Central Committee.
- Social security policies need to be given top priority in terms of resources and implementation rapidly, especially if the covid-19 epidemic re-emerges in the country. Supportive policies need to cover vulnerable groups such as low-skilled workers and workers in the informal sector. Because they account for a large proportion, they are weak, suffer the most, and their income will decline rapidly if the economy falls into a recession.
- Deploying quickly, neatly, to the right audience, transferring support by many different channels (in which paying great attention to information technology applications such as mobile money services, e-wallets, etc.) will ensure early support policy to the workers.
- Regarding voluntary insurance, The State should allow enterprises to use unemployment insurance funds for skill training for workers during their time off. On the one hand, this helps improve the qualifications of employees. On the other hand, it helps businesses reduce recruitment costs when the economy and businesses return to normal. At the same time, even though they are temporarily unemployed, employees should be allowed to continue to participate in social insurance, thereby ensuring their benefits on unemployment insurance and insurance for occupational accidents and diseases.

### Sustainable development of foreign-invested enterprises in Hanoi

Hanoi city needs to continue creating a favorable business and investment environment; Formulate a plan to develop supporting industries up to 2025; complete industrial zones, clusters, and traffic infrastructure. In addition, Hanoi needs to continue building e-government towards a digital government to reduce the time and cost for businesses in business registration, tax declaration, payment, social insurance, building permit licenses, etc. Hanoi needs a mechanism to help link investment between domestic and foreign enterprises; Encourage multinational corporations to set up headquarters and develop innovation centers. Hanoi needs to take many breakthrough steps and seize the opportunities brought by international economic integration, contributing to improving the efficiency and sustainability of investment promotion and attraction activities, such as:

- Take advantage of the Government's attention and direction, the coordination and assistance of central ministries and branches for the city's external economic activities; Strengthen direct dialogue with FDI enterprises; Monthly and quarterly meetings to solve difficulties promptly and problems, etc.
- Hanoi has to expand and strengthen cooperation relations with capitals, cities of countries and territories, inter-urban international organizations, governmental and non-governmental organizations, etc. This is done through signed memorandums of understanding, specific cooperation programs, and projects having practical socio-economic significance; Strengthen and expand cooperation with embassies and foreign trade deals in the capital area; international and non-governmental organizations.

- Closely combine political diplomacy with economic diplomacy, expand trade and tourism relations with other countries, attract FDI, take advantage of aid from different countries and international financial - monetary institutions, increase the export of goods and expand the export market; Pay more attention to new fields that bring socio-economic efficiency, such as labor export, software export, etc.

### Improve work motivation through salary, bonus, and welfare policies for employees

To improve workers' lives, FDI enterprises in the area need to strictly comply with the provisions of the law on wages, especially the regulations on the regional minimum wages, which are regulated by the State and Hanoi city. Enterprises need to issue regulations on salary and bonuses in writing and disseminate them to all employees. Enterprises have a more detailed and more transparent salary and bonus policy, and the higher the morale and motivation of employees. Quy chế lương thưởng càng rõ ràng, minh bạch thì tinh thần và động lực của nhân viên càng cao. Each person's salary is confidential, but the salary calculation method must be clear, understandable, public, etc. On the other hand, enterprises should note that the salary mechanism or policy should be reviewed, evaluated, and modified to suit the business context and new requirements. Clear and transparent salary evaluation policies will be the basis for employees to feel fairer and more objective and thereby increase their ability to work and link with enterprises. The salary should be commensurate with the labor force and following the assigned job position and accompanying benefits for employees such as bonuses for holidays, birthdays, filial piety, etc. In addition, a transparent insurance regime according to regulations will make employees feel more secure and appreciated, thereby making it easier for businesses to engage workers. Corporate benefits contribute to attracting and ensuring employees feel secure to work, building corporate culture, and demonstrating corporate social responsibility. These are the core factors that make up the value and brand of enterprises in the modern market economy and improve competitiveness and operational efficiency. Thus, investment in welfare is an investment in reproduction, expansion of enterprises' human resources, investment in core values and image and brand of enterprises in the market. These are investments for businesses to develop stably and sustainably. The leaders and managers of the company will be well aware of this so that they do not fall into the immediate profits but have to pay attention to the long-term development of the business. The corporate welfare regime depends heavily on leaders, managers, and employers' awareness, will, and attitude. To increase sustainable competitiveness, businesses must pay attention to welfare policies in their companies. Taking care of employees is a measure that managers aim to build a sustainable business. If enterprises implement good employee welfare, it will create a foundation to promote internal resources for development, such as employees' attitude, responsibility, initiative, dedication, efficiency, and competitiveness.

### Strengthening training and fostering to improve the quality of human resources in foreign-invested enterprises

The 4th industrial revolution is spreading vigorously, and the process of opening up to international integration is deepening in Vietnam and Hanoi. Therefore, developing the quality of human resources in FDI enterprises is an urgent requirement in the current context. FDI enterprises have to establish the quality of human resources to meet the new needs of today's society. It is necessary to have synchronous solutions from education to training. In which it is essential to focus on implementing breakthrough solutions related to coordination and

cooperation between universities and businesses, there is a mechanism to promote the parties' initiative. Through direct participation in the activities of FDI enterprises, it will gradually form a team of managers, technical workers, skilled workers with high qualifications, access to advanced science, High technology, and modern industrial style, adherence to labor discipline, updated learning methods progressive management experience. A part of local workers admitted to working at FDI enterprises are trained in foreign languages, improve their skills, significantly contribute to improving the quality of human resources, gradually replacing critical positions in the business.

### **Improve work motivation by improving the working environment and conditions**

Currently, the production investment model of FDI enterprises in Hanoi city is increasing in quantity and quality. Many enterprises meet domestic and international standards in terms of investment, technology, production, and employee remuneration policies. Therefore, to improve the work motivation for employees and improve their competitiveness, FDI enterprises in the area need to pay more attention to the working environment and conditions for employees through: It is necessary to continue maintaining and creating a creative and friendly working environment and the remuneration regimes for employees according to the regulations of the State, the City, and enterprises. Enterprises must have guidelines and develop strategies for training and retraining to improve professional qualifications for employees. The FDI enterprises have to pay more attention to the encouragement of employees through the construction of clean and well-ventilated canteens, ensuring the quality of food safety and nutrition for employees. Every year they should organize sightseeing tours and leave abroad, especially the social security policy for pregnant and nursing employees. Hanoi and FDI enterprises must create favorable conditions for workers in the provinces to be vaccinated to return to work. Enterprises need to implement safety measures to prevent and control the epidemic strictly. Enterprises promote propaganda and raise awareness for employees to feel safe for themselves, their families, and the community. This is one of the most effective solutions to "retain" employees, give employees peace of mind, focus on production, and stick with enterprises. FDI enterprises need to develop human resources in a new direction. This is also when businesses are looking for trained and highly qualified workers with different welfare policies and salaries.

### **CONCLUSION**

FDI enterprises in Hanoi play an essential role in creating jobs, contributing to economic growth, and spreading local technology. However, in the context of globalization and international economic integration, especially the 4th industrial revolution, Vietnamese enterprises in general and foreign-invested enterprises face the big challenge of what to do to effectively maintain and develop human resources. Therefore, to retain employees and connect employees with enterprises, FDI enterprises need to have many motivational policies for employees. The approaches to motivating employees that FDI enterprises can implement include improving the working environment, salary policy, bonus, employee remuneration, training policy, etc.

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