# Labour Management Sustainability Score And Firm Financial Performance Between Companies In Vietnam

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**Abstract**
**Research purpose**: *The study utilises MSCI ESG Ratings to examine the correlation between labour management sustainability and financial performance of 100 Vietnamese enterprises, promoting sustainable labour management in a challenging economic climate.*
**Research motivation**: *The study aims to provide an empirical framework for Vietnamese enterprises regarding labour management sustainability, addressing discrepancies and enabling comparisons between firms. It serves as a reference example for Vietnamese businesses in measuring the sustainability of labour management through the MSCI ESG Rating Methodology.*
**Research design, approach, and method***: We collected data from 100 companies in Vietnam from financial statements, annual reports, and official websites from 2018 to 2022. The data was used to derive financial performance indicators and the Labour Management Key Issue Score by applying the MSCI ESG Rating Methodology. These data are then analyzed using panel regression via Stata to determine the relationship between labour management sustainability and financial performance.*
**Main findings**: *The study categorized businesses into groups based on EXP, MGMT, KI, and Equity. The study revealed that the Labour Management Sustainability Score has a positive influence on the return on equity (ROE) and return on assets (ROA) of Vietnamese enterprises. These findings contribute to the theoretical framework of the MSCI ESG Ratings Methodology and the field of labour management.*
**Practical/ managerial implications**: *In the context of labour management of businesses, firms are increasingly encouraged to embrace global labour management standards and publicly release pertinent labour management data. The study adopting the MSCI ESG rating method can serve as a reference for businesses, as labour management positively impacts financial performance.*
**Keywords:** Sustainable Labour Management, Financial Performance, Vietnam Companies

## 1 INTRODUCTION

The global business context is undergoing a shift in its model, where sustainability has emerged as a determining factor for the success of organizations (Zaleski & Michalski, 2021). In order to maintain long-term survival and social value, businesses everywhere are realizing how crucial it is to include environmental, social, and governance (ESG) factors in their operations (Li et al., 2021). Within the broader scope of ESG, a focus on sustainability in labour management has become prominent as organizations grapple with the dual challenge of promoting a positive work environment while aligning with the expectations of a developing global society (Jorgji et al., 2024). This study delves into the evaluation of sustainability in labour management based on the MSCI ESG Ratings Method and company financial performance.

More focus has been placed on the concepts of sustainability and sustainable development in the fields of business, management, and, more recently, labour management. Labour management sustainability describes how actions and plans affect the environment, society, and natural resources, and how this will affect how human resource development and the business environment in an organization will proceed in the future (Ehnert & Harry, 2012). By facilitating the growth of enduring relationships with employees, LMS initiatives seek to enhance organizational performance. Accordingly, organizations that practice sustainable labour management show a human development-based organizational growth path (Sypniewska et al., 2023). Employee engagement and satisfaction are indicators of a sustainable labour management organizational approach (Navajas-Romero et al., 2022). It is pointed out that LMS practices in an organization also affect employee satisfaction by drawing and keeping talent, fostering employee skill development, and upholding a fit and productive workforce (Macke & Genari, 2019). LMS also intervenes to address concerns of involvement with environmental and social implications in addition to economic performance. Strategic labour management bases its approach on the economic performance of employees and emphasizes the monitoring of human capital through accessible HR practices. The main goal of LMS is to create a creative work environment that fosters both internal and external social engagement as well as increased environmental responsibility and awareness. These actions translate into fostering organizational performance in a competitive setting (Sypniewska et al., 2023).


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In 2020, Vietnam's human resource foundation will continue to expand. One necessary and constructive change in the course of economic growth is the utilization of a team of highly qualified workers instead of relying solely on a group of manual workers. On the whole, the majority of the employees at Vietnamese businesses in the study are youthful and energetic. Numerous benefits result from this, including being creative, adaptable, energetic, and able to spend a lot of time working in a new setting. Nevertheless, when there is an excessive number of young workers, Vietnamese enterprises are particularly vulnerable because their lack of experience makes it difficult for them to adapt to new chances and positions. The human resources department also faces significant difficulty in sustaining and growing a robust human resources team for the organization (Jiminez et al., 2021). Additionally, the Vietnamese economy is greatly impacted by the ineffective utilization of human resources at the moment because there is still a tiny pool of skilled labour and poor training quality (Phan et al., 2015). Consequently, modern people management practices, particularly those from the West, are being adopted and applied by an increasing number of enterprises (Dang et al., 2018).

Vietnam's economy is in a state of transition as it moves from a variety of economic activities, such as domestic corporate operations, to more contemporary international norms. Businesses need to become more competitive and adhere to global labour laws. Companies need to follow international labour regulations and become more competitive. However, there are still a lot of important limitations in this sector (Lan, 2023). The purpose of this study is to analyze the evaluation outcomes amongst 100 Vietnamese enterprises to determine how LMS and financial efficiency relate to one another using the MSCI ESG grading technique. The study that comes after this will provide suggestions for sustainable development.

This study aims to provide empirical evidence on how the sustainability of labour management, as measured by the MSCI ESG rating framework, impacts the financial performance of Vietnamese companies. At the same time, through in-depth research and analysis, the thesis will supply valuable insights and propose useful solutions to improve the sustainability of labour management in Vietnamese enterprises. This will contribute to promoting the sustainable and efficient development of businesses in the context of the economy being affected by many challenges and fluctuations ( GSOV, 2024a). First, qualitative analysis is employed to evaluate the disclosure of information related to the sustainability of labour management in companies, which allows for the use of quantitative data for deeper analysis. The second is quantitative analysis, which is used to investigate the dual relationship between the disclosure of information on the sustainability of labour management and the financial performance of companies.

The study's findings show that, when the MSCI ESG Ratings Methodology is applied, sustainability in labour management has a positive relationship with corporate performance. This demonstrates how labour management sustainability contributes to enhancing financial performance since an increase in the enterprise's financial performance corresponds with an increase in labour management's main problem score.

This study explores sustainability in labour management and its impact on business performance in Vietnam. It is structured into five chapters, including an introduction, a comprehensive review of relevant literature, a detailed methodology, and a detailed analysis of data collected through quantitative and qualitative methods. The study concludes with a discussion of the results, limitations, and implications for future research.

## 2 LITERATURE REVIEW

### 2.1 Corporate Sustainability Reporting (CSR)

The term "corporate sustainability" describes how businesses incorporate social, environmental, and economic factors into their operations (Strand, 2014). It entails balancing conflicting interests, creating value for the corporation and society at the same time, and taking responsibility for corporate actions (Landrum & Ohsowski, 2018). Herzig and Schaltegger (2011) claimed that in recent decades, the number of companies using financial and non-financial reports has increased exponentially to inform their stakeholders about their social and environmental performance through printed reports or their websites. Corporate sustainability Reporting is the most thorough and integrated type of company reporting (Herzig & Schaltegger, 2011). Information on the environment, energy, human resources, products, and community issues are all disclosed as part of the company's sustainability reporting (SR) (Hackston & Milne, 1996). H owever, according to Opferkuch et al. (2021), sustainability reporting is simply a product of sustainable accounting and strategic management processes. Therefore, a company's sustainability report may also have other names depending on the purpose and content of the report, such as Sustainability Report, CSR Report, Integrated Report, Environmental, Social & Governance (ESG) Disclosure, or Environmental Report (Gray et al., 2014; Ioannou & Serafeim, 2017; Landrum & Ohsowski, 2018).

A corporation can gain a lot from reporting on sustainability performance (Paun, 2018). Businesses discover that revealing information about their socially and ecologically conscious practices enhances their reputation and produces

financial gains (Christofi et al., 2012). Additionally, (Albu et al., 2011) identified four key benefits of Corporate Social Responsibility. Firstly, CSR can directly reduce costs related to energy, materials, and downtime. Secondly, CSR can boost employee motivation, reduce absenteeism and turnover, thereby improving overall productivity. Thirdly, CSR can help companies gain easier access to credit, increase asset value for investors, and receive greater support from stakeholders, thereby reducing management risk. Finally, CSR can enhance a company's competitive position and public image. In 2019, a survey conducted by the State Bank of Vietnam provided evidence that Vietnamese banks are increasingly interested in corporate social responsibility. As per the survey, approximately 76% of the banks that took part had sustainable financial strategies. It is encouraged that banks use worldwide corporate sustainability reporting standards in their yearly reports as a result (Siti Nurain, 2017). Through SR, businesses can take advantage of many fantastic chances to raise capital from socially and environmentally conscious investors, increasing stakeholders' trust in the company. SR is regarded as a means of mitigating the imbalance of information and supporting investors in reinforcing the function of enterprise monitoring (Van Linh et al., 2022).

### 2.2 Labour Management Issues in Vietnam

Vietnam's economic structure is currently evolving. After the "Doi Moi" economic reform was put into place in December 1986, the nation's economy progressively moved from being centrally planned to being market-oriented. Vietnam has had impressive outcomes as a result (KING-KAUANUI et al., 2006). Notwithstanding the successes, deficiencies in the development and formation of human resources persist (DUYEN & TRI, 2021). The first has to do with contributions to social insurance. Castel and To (2012) have indicated that Vietnamese enterprises tend to underreport their income and avoid paying social insurance. Although the Social Insurance Law in Vietnam was enacted in 2014, which stipulates that enterprises and employees with indefinite or long-term labour contracts of one month or more must participate in social insurance, there still exist issues of social insurance debts (Le et al., 2022). The main reasons for this include difficulties faced by small businesses in development, misuse of insurance fees for various reasons, incomplete debt penalty systems, etc. Additionally, there is insufficient understanding of the rights and responsibilities regarding social insurance contributions by both employers and employees, as well as ineffective management of social insurance debts by the state with loose penalty enforcement, leading to intentional violations by businesses in terms of non-payment or delayed payment of social insurance (Nguyen et al., 2021).

Another constraint on labour in Vietnam is the dearth of highly skilled and specialized workers. The Conference on the summary of the 2021-2022 academic year and the implementation of key tasks for the 2022-2023 academic year in the higher education sector, organized by the Ministry of Education and Training, revealed difficulties in the effectiveness and low quality of the higher education system, failing to meet the demands of the market economy ( Nguyễn, 2022). This issue is found to be attributed to the small scale of higher education institutions and graduates lacking necessary skills. Teaching in universities often emphasizes theory rather than applying knowledge to solve problems and imparting appropriate skills for specific job markets (Hakkala & Kokko, 2007). Because of this, a large number of Vietnamese students opt to study and work in more developed nations in order to gain knowledge, experience, and skills (Nghia, 2019). As a result, there is a manpower shortage in numerous areas, such as metal cutting, mining, metallurgy, cookery, and industrial garment manufacturing (Trí, 2022). Additionally, the private sector finds it challenging to find managers with formal training and experience. While many people are capable of managing small businesses, they frequently lack the formal training and experience in business required to manage large or midsized enterprises that compete globally ( Hakkala & Kokko, 2007).

Furthermore, there is an inadequate geographical distribution of labour, particularly with a concentration of skilled workers in major cities. There is also an imbalance in economic sectors, with labour predominantly focused on the rapidly growing service sector rather than the physical production sector, especially for those engaged in labour intensive and low-income occupations. Additionally, there is an inappropriate specialization trend, with a decline in technical professions while the service and management sectors expand rapidly (Kien, 2021). As a consequence, labour productivity is limited (DUYEN & TRI, 2021). Vietnam's average labour productivity is 1.7 times lower than Indonesia's, 2.1 times lower than Thailand's, and 12.4 times lower than Singapore's in 2021 (Anh, 2023). The rate of underutilized labour in 2023 stands at 4.3%. The majority of underutilized labour falls within the 15-34 age group (49.3%), significantly higher than their representation in the overall labour force (33.0%). This indicates that Vietnam still has a considerable untapped potential labour force, particularly among the younger age group (GSOV, 2024b).

### 2.3 Application of the MSCI ESG Rating Methodology in Developing Countries

MSCI is a prominent supplier of tools for investment organizations to aid in their decision-making, having been established in 1969. Global equity indexes, performance analysis, and governance tools are among the goods and services offered by MSCI (Kim et al., 2013). One of MSCI's key offerings is the ESG ratings, a series of market indexes calculated and maintained by Morgan Stanley Capital International. These indexes evaluate companies' performance

based on environmental, social, and governance (ESG) factors (Rehman et al., 2021). MSCI's ESG assessment methodology draws on multiple data sources, including company disclosures, public records, and expert analysis, ensuring comprehensive and objective evaluations (Pagano et al., 2018). The ESG rating is conducted globally with seven levels, from AAA (the highest rating) to CCC (the lowest rating). This rating assesses a business's capacity to supply goods and services that advance society or the environment in response to market demand. In addition, the MSCI ESG Ratings methodology looks at how the firm manages overall ESG risks and opportunities. This is usually done by looking at the company's goals, policies, governance structure, quantitative measurement indicators, and pertinent disputes (MSCI, 2024).

Sustainable labour management is an important aspect of business performance, especially in developing countries where labour rights and protections may be weaker (Chams & García-Blandón, 2019). Applying the MSCI ESG Rating Methodology in assessing labour management practices in these countries provides a standardized framework for assessing the governance, environmental and social performance of companies, Greenwald (2010). Implementing sustainable labour practices, like the MSCI ESG Rating Methodology, can help businesses improve performance, enhance competitiveness, and contribute to community sustainability, Melnyk et al. (2003). The role of MSCI ESG Rating Methodology in developing countries can act as a catalyst for positive change (Bujor et al., 2023). Incorporating labour standards into their metrics, incentivize companies to improve working conditions and strengthen labour management ( Kuruvilla et al., 2020). Moreover, better ESG ratings can attract investment and enhance competitiveness, creating a virtuous cycle for responsible business practices (Liu & Lyu, 2022).

The application of the MSCI ESG Rating Methodology in developing countries holds immense potential for promoting sustainable development (Deevaly & Wicaksono, 2023). By providing a standardized assessment of companies' ESG performance, the methodology enables investors to make informed decisions and allocate capital to companies that demonstrate strong sustainability practices, Klettner et al. (2014). In turn, this can attract responsible investments to developing countries, fostering economic growth and promoting sustainable development (Olteanu et al., 2023). Landi et al. (2022) stated that considering ESG factors, companies can implement effective risk mitigation strategies, reducing potential financial and reputational impacts. Furthermore, MSCI ESG Ratings promote corporate transparency and accountability (Kashyap et al., 2020). When investors and stakeholders use MSCI ESG Ratings, they send a signal that ESG information is highly valued, thereby encouraging companies to disclose their ESG information (Ignatov & Rudolf, 2023 ).

### 2.4 Hypothesis development and research framework

In the past decade, there has been a clear increase in publications on sustainability and Labour Management as companies increasingly recognize its potential benefits (Ehnert & Harry, 2012). Kramar (2014) claimed that LMS can enhance employee productivity and performance. Several studies, such as those by Cvenkel (2021), Jawahar and Stone (2011), Yadav and Dabhade (2014), have demonstrated that practices such as fair pay, work-life balance initiatives, and professional development opportunities lead to increased employee satisfaction and engagement. These practices could have an impact on outcomes that are pertinent to the organization, such as work performance, absenteeism, employee dedication, and job effort (Karman, 2020). Thus, Guthrie (2001) demonstrated how the performance of individual employees directly affects the performance of the corporation. Chams and García-Blandón (2019) suggest that LMS also contribute to enhancing the organization's reputation and appeal to potential candidates. These benefits create a sustainable foundation for the company's existence and reputation (Chams & García-Blandón, 2019; Mobarez, 2020).

In research on the relationship between the sustainability of labour management and organizational performance, Davidescu et al. (2020) found that prioritizing sustainable practices in labour management positively impacts financial performance. In which, the financial performance of the company was assessed using two indicators: return on equity (ROE) and return on assets (ROA) (Jeet & Aspal, 2021). According to a study by (Boțoc et al., 2019), businesses that prioritize ongoing training and education for staff members will see an instant improvement in return on assets (ROA). Meanwhile, ROE could be impacted in the short term as high employment costs reduce net earnings; however, staff development could boost future returns and guarantee a steady rise in profits.

To conclude, the research analyzes the effects of sustainable exposure points and their constituent elements on a company's financial performance, with particular emphasis on Return on Equity (ROE) and Return on Assets (ROA). By assessing the influence of these sustainable practices on profitability and overall financial stability, the study aims to elucidate the relationship between sustainability initiatives and critical financial metrics. This analysis may yield significant insights for companies seeking to improve their financial results via sustainable strategies. As a result, we put up the following theory:

**Hypothesis 1**: The Labour Management Score demonstrates a positive correlation with organizational financial performance, particularly to Return on Assets (ROA).

**Hypothesis 2**: The Labour Management Score demonstrates a positive correlation with organizational financial performance, particularly to Return on Equity (ROE).

Based on the above two hypotheses, a conceptual model is proposed presented in Figure 1:

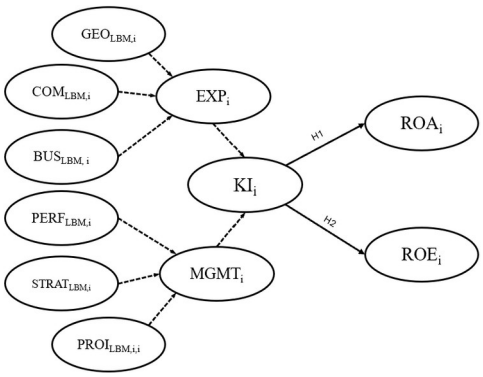


***Fig 1.*** *Research framework of the study (Source: Author)*

where:

• $FP_i$ is the Financial Performance measured by the Return on Asset (ROA) and Return on Equity (ROE) of the company *i.*

• $KI_i$ is the Key Issue Score for company *i.*

• $EXP_i$ the Exposure Score for company *i.*

• $MGMT_i$ is the Management Score for company *i.*

• $STRAT_{LBM,i}$ is the Strategy Score for company *i.*

• $PROI_{LBM,i}$ is the Programs, Initiatives Score for company *i.*

• $PERF_{LBM,i}$ is the Performance Score for company *i.*

• $BUS_{LBM,i}$ is the Business Exposure Score of company *i.*

• $GEO_{LBM,i}$ is the Geographic Exposure Score of company *i.*

• $COM_{LBM,i}$ is the Company-Specific Exposure Score of company *i.*

## 3 RESEARCH METHODOLOGY

### 3.1 Data collection

The research purposely selected 100 large businesses and corporations, all listed on the Hanoi Stock Exchange (HNX) or Ho Chi Minh City Stock Exchange (HOSE). This choice was made with the desire to provide a more comprehensive and reliable picture of sustainability in labour management in Vietnam in many different fields. For this study, we used secondary data collected from financial reports of companies on the Hanoi Stock Exchange (HNX) or Ho Chi Minh City Stock Exchange (HOSE) to ensure the accuracy and reliability of data. Our initial plan is to collect the following indicators: total assets, equity, number of employees, revenue by business segment and geographic region, assets by business segment and geographic region from 500 financial reports or annual reports. At the same time, we also collected strike and lockout indexes from information on companies' websites between 2018 and 2022. However, there is one business, DXS, that does not have an annual report or financial report in 2018. Thus, data is collected from 499 instead of 500 annual reports or financial reports. The companies are selected to ensure a diversity of industries, sizes, and operating models.

### 3.2 Scoring method process

Labour Management Key Issue Score equation:

$$KI_i = 7 - \max(EXP_i, 2) - MGMT_i$$

The score technique utilised in this study is based on the MSCI ESG Ratings Methodology – Labour Management Key Issue (MSCI, 2023), which was rated on a scale of 0 to 10 using data from the firms' internal reports, financial reports, and public website information. The scores include the following:

MGMTi (the Management Score for company *i*): The Management Score is calculated based on the average of scores related to each category: the Strategy Score for company *i*, the Programs & Initiatives Score for company *i*, and the Performance Score for company *i*. It evaluates the company's capability to manage risks related to this key issue.

$EXP_i$ (s the Labour Management Exposure Score of company *i*), measures exposure to risks of the company. That is calculated based on the average of specific contact scores between the company and the business and the company's geographic exposure. This score assesses the company's risk level regarding this Key Issue.

$STRAT_{LBM,i}$ (the Strategy Score for company *i*): The strategic score of companies in Vietnam is based on individual evaluations of employee stock policies, salary, and welfare. The strategic score of a company in Vietnam is calculated by evaluating the criteria of the Fairness Program for employees, the eligibility of the workforce to receive non-wage benefits, and the eligible workforce for performance-based component payments. The higher the score, ranging from 0 to 10, the higher the score.

$PROI_{LBM,i}$ (the Programs & Initiatives Score for company *i*): The PROI score represents the frequency of employee satisfaction surveys, restructuring of policies and programs, the scope of training for skills and knowledge development, and support for degree and certification programs for employees. The PROI score is calculated based on employee satisfaction and consideration of any negative impacts on the workforce in that year. The higher the employee satisfaction and the fewer negative impacts, the higher the PROI score, which is evaluated on a scale of 0 to 10.

$PERF_{LBM,i}$ (the Performance Score for Company *i*): It is an index that evaluates the operational efficiency of a company in Vietnam based on individual evaluations and using data on the number of strikes and closures by the company in that year. This score ranges from 0 to 10, with a higher score reflecting more strikes and factory closures within the company. Employee feedback, working hours, and product productivity every quarter are used as the basis for calculating the performance score. This score ranges from 0 to 10, with a higher score reflecting a higher turnover rate and poor performance of employees in the company, and conversely, a lower score indicating better overall stability of employees.

$ER_j$ (the Employee Revenue Score for business activity *i*): This is the revenue score of employees for business activity j. It is calculated by dividing the revenue in the business field by the total number of employees, based on the year-to-year difference of each company for scoring. Business activities with lower revenue per employee tend to employ more labour, resulting in a higher score for exposure to higher business segments.

$SL_c$ (the Strikes and Lockouts Score in country c): It is the score for strikes and factory closures in Vietnam based on individual evaluations. The score is calculated using the number of strikes and factory closures in that year. The higher the number, the higher the score, ranging from 0 to 10.

$LI_{LBM,i}$ (the Layoffs Incidence Score of company *i*): It is the score for the layoff rate of company i. The layoff score for a specific company is calculated based on the number of employees leaving the company in that year. A score of 10 is given if the number of employees leaving the company accounts for more than 10% of the company's workforce or more than 1,000 employees.

### 3.3 Data Analysis

To investigate the relationship between Labour Management Key Issue Score and Firm Performance, we use the following regression equations:

$$\mathrm{FP}_{it} = \beta_0 + \beta_1 \log \mathrm{KI}_{it} + \beta_2 \log \mathrm{MGMT}_{it} + \beta_3 \log \mathrm{EXP}_{it} + \lambda_i + \varepsilon_{it}$$

Labour Management Key Issue Score ($KI_{it}$) Exposure Score ($EXP_{it}$) and Management Score (MGMTit) are the labour management scores of companies from 2018 to 2022. The dependent variable is the company's performance measured by return on assets (ROA) and return on equity (ROE). We use the Hausman test to choose the appropriate model between the random effects model and the fixed effects model. The fixed effects model is appropriate when the individual instrumental effects are correlated with the independent variables. However, the random effects model is more effective if there is no correlation between the individual-specific effects and the independent variables (Hausman & Taylor, 1981). In this part of the paper, we will use the panel data regression on STATA to analyze the relationship between sustainability in labour management and company performance. Specifically, we check based on three indicators including coefficient, R-squared, and P value to clarify the impact of MSCI ESG Rating indicators on the

performance of businesses in Vietnam. The regression coefficient is an estimated parameter that describes the relationship between the independent variable and the dependent variable in the regression model. This coefficient shows that when the independent variable changes and remains the same, how much the dependent variable changes ( Thomas, 2023). The positive coefficient represents a positive relationship between variables, and vice versa, a negative coefficient represents a negative relationship between variables. The P-value is a numerical value used to assess the reliability of statistical results in a regression model, calculated from the deviation between the observed value and the selected reference value with the larger the difference, the lower the P-value (Beers, 2024).P-value is less than 0.05 for the relationship between variables to be statistically significant.

## 4 DATA ANALYSIS AND FINDINGS

### 4.1 Data analysis and findings

#### Descriptive statistics

In this research paper, descriptive statistics are used as tools to summarize, organize, and analyze data, providing characteristics and patterns in the dataset under an overview. At the same time, the mean, standard deviation, and largest and smallest values in descriptive statistics help to better understand the central trend, the dispersion of data (Kumar, 2024). These values are also useful in capturing the distribution of data and discoverability between variables with underlying relationships.

***Table 1.*** *Data description*

| Variable | Obs | Mean | Std. dev. | Min | Max |
|---|---|---|---|---|---|
| ROA | 499 | 0.095497 | 0.354227 | -0.064 | 7.3262 |
| ROE | 499 | 0.186061 | 0.334488 | -0.2377 | 4.7264 |
| $KI_i$ | 500 | 9.036239 | 1.679805 | 3.54674 | 12.65367 |
| $MGMT_i$ | 500 | 5.017343 | 1.309379 | 0.8333 | 7.6537 |
| $EXP_i$ | 500 | 8.998741 | 2.693677 | 4.15195 | 15.06526 |

*(Source: Author's calculation from publications of companies)*

The descriptive statistics show that the average ROA is 0.095497, indicating that on average, the companies generate a return of 9.5497% on their total assets. The range of ROA values from -0.064 to 7.3262 shows widespread, including negative values, indicating significant differences in profitability among the companies. The average ROE is around 0.1860615, suggesting that on average, the companies generate a return of 18.60615% on their shareholders' equity. The range of ROE values from -0.2377 to 4.7264 also shows a large difference, with negative values indicating that some companies may be operating inefficiently. The variable $KI_i$ has an average of 9.036239, a standard deviation of 1.679805, and a minimum and maximum value of 3.546749 and 12.65367, respectively, indicating a wide distribution of the values. The variable $MGMT_i$ has an average of 5.017343 and a standard deviation of 1.309379, with a range from 0.8333 to 7.6537. Finally, the variable $EXP_i$ has an average of 8.998741 and a standard deviation of 2.693677, with a range from 4.15195 to 15.06526, reflecting a significant variation in the Exposure Score.

Figures 2, 3, 4, and 5 respectively illustrate the average scores of the Exposure Score ($EXP_i$), the Management Score ($MGMT_i$), the Labour Management Key Issue Score ($KI_i$), and the Equity of 100 large corporations and companies in Vietnam in the 5 years of 2018 to 2022:

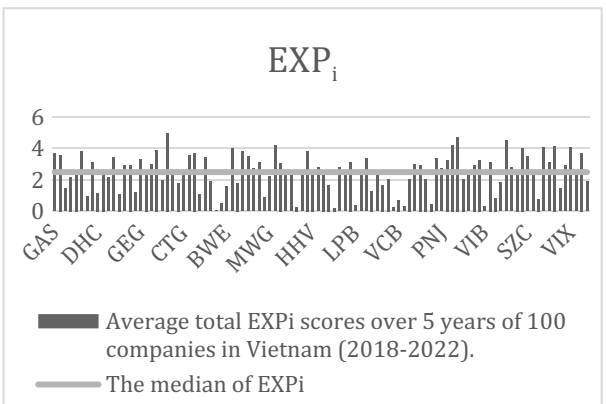


***Fig 2.*** *Average total $EXP_i$ scores over 5 years of 100 companies in Vietnam (Source: Author's calculation)*

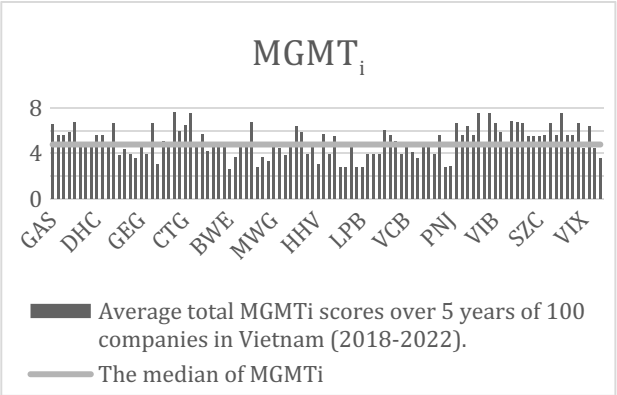


***Fig 3.*** *Average total MGMTi scores over 5 years of 100 companies in Vietnam (Source: Author's calculation)*

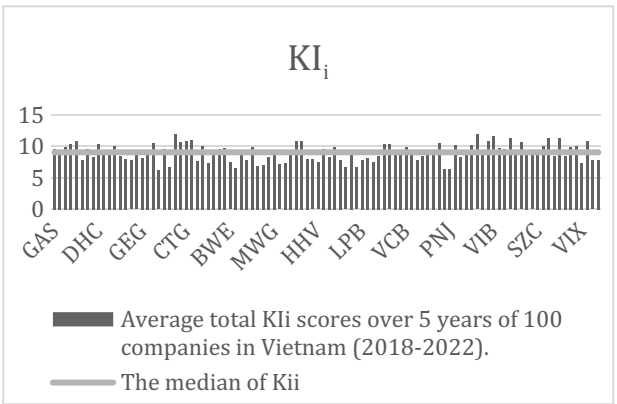


***Fig 4.*** *Average total KIi scores over 5 years of 100 companies in Vietnam (Source: Author's calculation)*

***Table 2.*** *Classification of 100 companies in Vietnam according to EXP, MGMT, and KI*

| | |
|---|---|
| Group 1 | GAS, MBB, DXG, GMD, FPT, CTD, HSG, PPC, SBT, VIC, VRE, SJS, VCI, TLG |
| Group 2 | HDB, HPG, DHC, DIG, ACB, BID, BVH, CTG, AGG, SAB, SHB, SB, IMP, KDH, SSI, STB, TCB, VCB, PDR, PVT, REE, VIB, VNM, SCS, TCH, TMS, VHC, VND |
| Group 3 | DGC, DPM, ASM, BCG, BMP, CMG, MWG, VJC |
| Group 4 | GVR, DGW, PTB, PVD, VPB, SJS, VCG, VGC |
| Group 5 | MSN, EIB, FRT, GEG, HAG, BCM, AAA, NAV, CII, CRE, CTR, DBC, PLX, POW, HDC, HDG, HT1, KDC, KOS, MSB, NGG, OCN, PAN, PHR, PNJ, SAM, VIX, VPN |
| Group 6 | DXS, FTS, GEX, BWE, DCM, HHV, KBC, LPB, NLG, TPB, VHM, NT2, PC1, VSH |

*(Source: Complied by authors from companies's financial statements)*

The table above divides the top 100 large enterprises and companies in Vietnam into 6 groups. Group 1 consists of 14 enterprises with all three indicators ($EXP_i$, $MGMT_i$, and $KI_i$) increasing. Group 2 consists of 28 enterprises with $EXP_i$ decreasing but $MGMT_i$ and $KI_i$ increasing. Group 3 consists of 8 enterprises with $EXP_i$ and $MGMT_i$ decreasing but $KI_i$ incr easing. Group 4 consists of 8 enterprises with $EXP_i$ and $MGMT_i$ increasing but $KI_i$ decreasing. Group 5 consists of 28 enterprises with $EXP_i$ increasing but $MGMT_i$ and $KI_i$ decreasing. Group 6 consists of 14 enterprises with decreasing EXP $_i$, $MGMT_i$, and $KI_i$. Group 1 mainly includes construction and real estate companies with larger equity, which make up the majority. Group 2 mostly includes large banks and securities companies, while most chemical and pharmaceutical manufacturing companies belong to Group 3. Group 4 includes manufacturing companies in the processing and

manufacturing industries. Group 5 primarily consists of food and industrial product manufacturing companies. Group 6 includes a large number of construction and real estate companies with smaller equity.

***Table 3.*** *Classification of 100 companies in Vietnam according to Equity and MGMT*

| | |
|---|---|
| Large equity and high MGMT | GAS, GVR, HDB, HPG, MBB, DXG, ACB, BID, BVH, CTG, FPT, CTD, SAB, SHB, SSG, KDH, SSI, STB, TCCB, VCB, PVD, REE, SBT, VIB, VIC, VNM, VPB, VRE, TCH, VGC, VGC |
| Large equity and low MGMT | MSN, DPM, EIB, GEX, HAG, BCM, CII, MWG, PLX, POW, KBC, LPB, MSB, NLG, TPB, VHM, OCB, VJC |
| Small equity and high MGMT | DGW, DHC, DIG, GMD, AGG, IMP, PDR, PPC, PVT, SCS, SJS, SZC, TMS, VCI, VHC, TLG, VND |
| Small equity and low MGMT | DGC, DXS, FRT, FTS, GEG, AAA, ANV, ASM, BCG, BMP, BWE, CMG, CRE, CTR, DBC, DCM, HDC, HDG, HHV, HT1 KDC, KOS, NKG |

*(Source: Complied by authors from companies's financial statements)*

Based on total equity and $MGMT_i$, the top 100 Vietnamese enterprises and companies are divided into 4 groups in the table above. Large total equity and high $MGMT_i$ are typical characteristics of banks and financial corporations, whereas giants in the real estate and construction industries are among the large total equity but low $MGMT_i$ category. Manufacturing businesses frequently have modest equity requirements, but their $MGMT_i$ can be high or low.

**Measurement**

***Table 4****. Correlation matrix among variables*

| | ROA | ROE | LogKI | LogMGMT | LogEXP |
|---|---|---|---|---|---|
| ROA | 1.000 | | | | |
| ROE | 0.663 | 1.000 | | | |
| LogKI | 0.086 | 0.076 | 1.000 | | |
| LogMGMT | 0.041 | 0.040 | 0.595 | 1.000 | |
| LogEXP | -0.034 | -0.032 | -0.407 | 0.071 | 1.000 |

*(Source: Author's calculation)*

Table 4 illustrates the correlation matrix suggesting concept validity. There was no correlation greater than 0.7, indicating that the model's validity is rather strong.

***Table 5.*** *Hausman test*

| Variable | (b) fixed | (B) random | (b-B) Difference | sqrt(diag(V_b-V_B)) Std. err. | Prob > chi2 |
|---|---|---|---|---|---|
| LogKI | 0.4374 | 0.3995 | 0.0379 | 0.0399 | = 0.7455 |
| LogMGMT | 0.3248 | 0.3438 | -0.0189 | 0.0175 | |
| LogEXP | -1.0034 | -1.0105 | 0.0071 | 0.0111 | |

*(Source: Author's calculation)*

The Hausman test results indicate that the null hypothesis H0: 'Difference in coefficients not systematic' cannot be rejected at the 5% significance level, based on chi2(3) = 1.23 with a p-value of 0.7455 > 5%. This suggests that the random effects model is more appropriate than the fixed effects model for this data. It indicates that the explanatory variables have random effects on the dependent variable, and there is no systematic relationship between the independent variables and the random effects.

***Table 6.*** *Regression analysis of ROE and KI, MGMT, EXP*

| Random-effects GLS regression - ROE | | | | | |
|---|---|---|---|---|---|
| **Construct** | **β** | **P values** | **Std. err.** | **z-Square** | **Conclusion** |
| Log KI | 0.3995 | 0.0190 | 0.1707 | 2.3400 | Accepted |
| Log MGMT | 0.3438 | 0.0020 | 0.1121 | 3.0700 | Accepted |
| Log EXP | -1.0105 | 0.0000 | 0.1807 | -5.5900 | Accepted |

*(Source: Author's calculation)*

Based on the results of the Random-effects GLS regression, the regression coefficient of the variable LogKI is positive, at 0.3995, with a p-value of 0.0190 which is less than 0.05, indicating that the relationship is statistically significant. $KI_i$ increase of 1% then ROE tends to raise nearly 0.4%. The two control variables, $MGMT_i$ and $EXP_i$, also show interesting effects on ROE. LogMGMT has a positive impact with a coefficient of 0.3438 and a p-value of 0.0020 (less than 0.05), indicating statistical significance. Meanwhile, LogEXP has a negative coefficient (-1.0105) with a p-value of 0.0000, indicating a significant negative impact of $EXP_i$ on ROE. Thus, with regard to the collected data, $EXP_i$ has an opposite value to the value of $KI_i$, in turn, has a negative relationship with ROE. The other variables not included in the model may contribute to the company's operational efficiency. A graph that illustrates the results of the Random-effects GLS regression of MSCI Labour Management scores on the ROE rates of the companies.

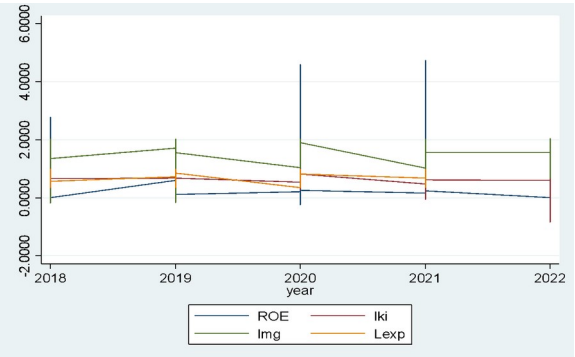


***Fig 6.*** *The Random-effects GLS regression on ROE (Source: Author's calculation)*

***Table 7.*** *Regression analysis of ROA and KI, MGMT, EXP*

| Random-effects GLS regression - ROA | | | | | |
|---|---|---|---|---|---|
| **Construct** | **β** | **P values** | **Std. err.** | **z - Square** | **Conclusion** |
| Log KI | 0.3022 | 0.1060 | 0.1870 | 1.6200 | Accepted |
| Log MGMT | 0.1900 | 0.1220 | 0.1228 | 1.5500 | Declined |
| Log EXP | -0.6524 | 0.0010 | 0.1980 | -3.2900 | Accepted |

*(Source: Author's calculation)*

The table above shows a positive regression coefficient (0.3022) and a p-value (0.1060) less than 0.05, indicating that $KI_i$ has a statistically significant positive relationship with ROA. This means that as $KI_i$ increases by 1%, ROA increases by approximately 0.3%. The variable LogMGMT has a positive coefficient of 0.1900 with a p-value of 0.1220 (>0.05), indicating that MGMT positively influences ROA but it is a statistically insignificant relationship at a 5% level. Similar to regression on ROE, $EXP_i$ has a significant negative impact on ROA as evidenced by the negative coefficient of LogEXP, which is -0.6524. Therefore, $EXP_i$ has an opposite value to the value of $KI_i$ and, in turn, has a negative relationship with ROA. This suggests that there are other factors not included in the model that affect the company's

operational efficiency. A graph that illustrates the results of the Random-effects GLS regression of MSCI Labour Management scores on the ROA rates of the companies.

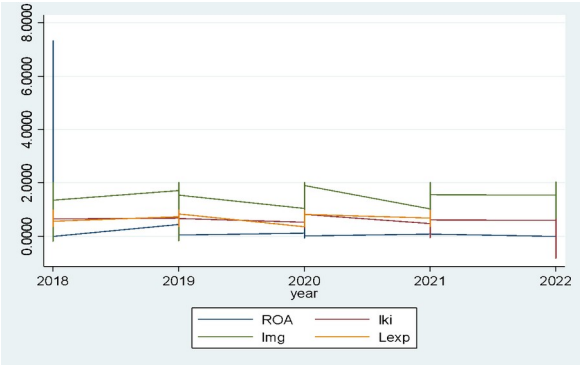


***Fig 7.*** *The Random-effects GLS regression on ROA (Source: Author's calculation)*

## 5 Conclusions

### 5.1 Conclusion and Discussion

This study examined the sustainability of labour management in significant Vietnamese enterprises and corporations using the Labour Management Key Issue Score index of the MSCI ESG Ratings Methodology. Through a comparative analysis of the indices $EXP_i$, $MGMT_i$, and $KI_i$, we observe distinct trends in the operational sectors of different groups of companies. Specifically, construction and real estate companies with larger equity report simultaneous increases in all three indices. Banks and securities companies often experience a decline in the $EXP_i$ index, although $MGMT_i$ and $KI_i$ tend to improve. For chemical and pharmaceutical manufacturing companies, while EXPi and $MGMT_i$ decrease, the $KI_i$ index increases. The processing and manufacturing sector shows a similar trend, with $EXP_i$ and $MGMT_i$ increasing but $KI_i$ decreasing. Meanwhile, food and industrial product manufacturers have an increase in $EXP_i$ but a decrease in both $MGMT_i$ and $KI_i$. Finally, construction and real estate companies with smaller equity significantly declined in all three indices.

Additionally, the comparative analysis of total equity and $MGMT_i$ shows that banks and financial institutions typically have significant total equity along with high $MGMT_i$, while real estate and construction companies have large total equity but lower $MGMT_i$. On the other hand, manufacturing companies tend to have smaller total equity but can exhibit varying levels of $MGMT_i$. These findings highlight the complex relationship between these indices, influenced by factors such as industry, company size, stage of development, labor policies, and employee welfare. The changes in these indices underscore the importance of having a deep understanding of sustainability in labor management. In particular, the application of the MSCI ESG ranking methodology can provide valuable insights for businesses to seriously consider improving and adjusting their labor management strategies to meet sustainability and long-term development requirements.

The study's findings also show that $KI_i$ has a relative effect on ROE (return on equity) and ROA (return on assets). Regression examination of the impact of sustainable labour management on business performance clearly shows this. The coefficient value in regression analysis of $KI_i$ and ROE is high, and the p-value does not exceed the statistical significance threshold of 0.05. This implies that the sustainability of labour management plays an important role in contributing to the financial performance of enterprises in Vietnam.

The purpose of this study is to investigate and assess the relationship between labour management sustainability and the operational effectiveness of major Vietnamese enterprises. As of right now, Vietnam's labour management system lacks a consistent framework for evaluating sustainability (Duc, 2021). Companies frequently use disparate benchmarks and metrics to assess how sustainable their labour management strategies are, which leads to variability and makes cross-company comparisons challenging. This research article will contribute to providing Vietnamese businesses with a reference example to measure sustainability in their labour management. Overall, our paper shows that sustainability in labour management according to the MSCI ESG Ratings Methodology has a huge and positive impact on corporate performance. This means that the higher the labour management key issue score, the more the financial efficiency of the business will increase. As a result, through this research, businesses will be able to recognize and enhance corporate sustainability by utilizing a global standard method, like the MSCI ESG Ratings Methodology.

### 5.2 Implication and Limitation

In the first quarter of 2023, there were 52.2 million people in the labour force who were 15 years of age or older, and 51.1 million of them were working. The service industry made for the biggest part of the 51.1 million employed labour force, accounting for 39.0% or almost 20.0 million individuals. The industrial and construction sector followed at 33.9% or 17.3 million people. With a proportion of 27.1%, or 13.8 million persons, the agricultural, forestry, and fisheries sector had the lowest overall (GSOV, 2023). Because of this, big businesses in Vietnam mostly work in the manufacturing and construction industries, which have an abundant and readily available labour force (Tuan, 2019). On the other hand, small and medium-sized businesses implement policies that are advantageous in order to draw in workers (Nhat Vuong et al., 2020). Examples of these policies include using HR analytics tools to assess the quality of recruitment, creating an environment that is conducive to the needs of candidates, offering internship programs with a wide range of job scopes and significant learning opportunities, etc (Nhung, 2024).

There are certain limitations associated with this study. Although the scoring procedure was meticulously double-checked by two individuals to mitigate inter-rater bias, the primary drawback remains scoring errors. Nevertheless, due to human judgment, this limitation is unavoidable. Another potential limitation is the timeframe of the study, as economic and societal conditions continually fluctuate due to factors such as policies, technology advancements, consumer trends, market competition, etc., impacting the sustainability and operational efficiency of businesses, which may change over time. Therefore, the research findings conducted during a specific period may not accurately reflect the current situation in subsequent periods.

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