

Labor Practice in Vietnam



POPULATION STRUCTURE



98.80 million persons



50.2%



49.8%

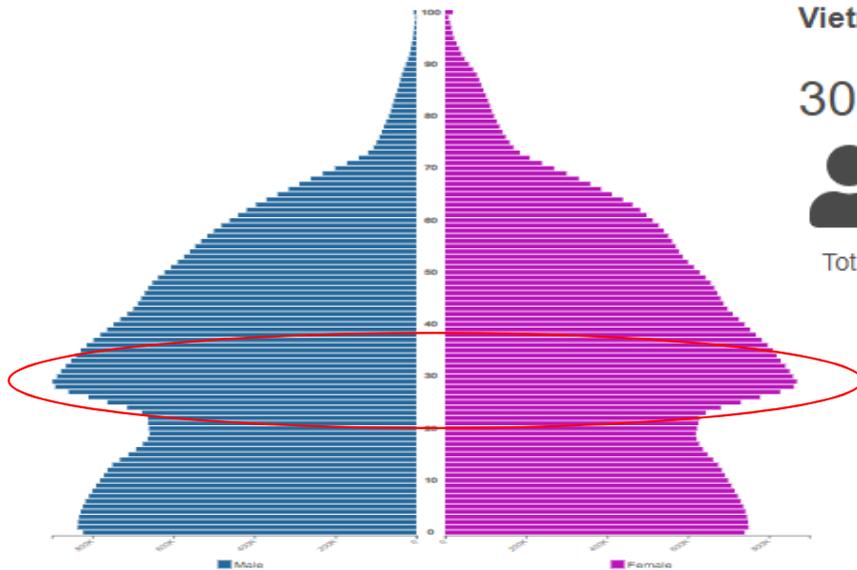


36.6%



63.4%

Vietnam Population Pyramid 2022



Vietnam Median Age

30.5 29.4 31.7



Total



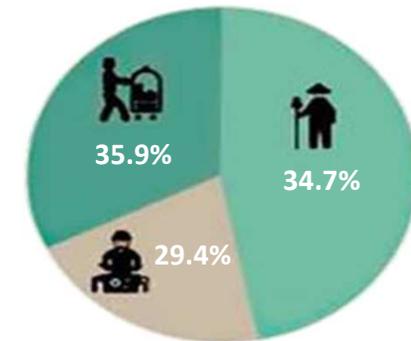
Male



Female

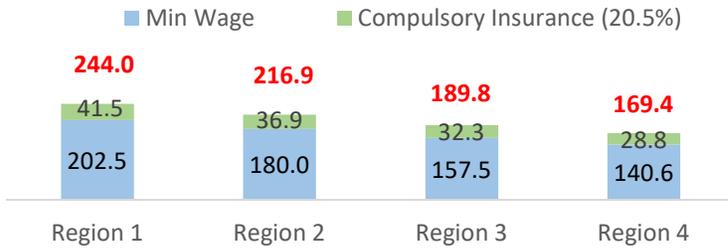
Labor force within working age :

55.1 million persons



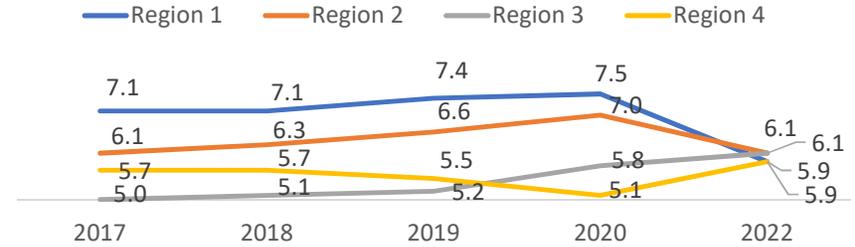
SALARY TREND

Minimum Wage 2022 (USD)



- Region 1 -> Hanoi/HCMC/Bin Duong/Dong Nai
- Region 2 -> Da Nang

Minimum Wage Increase (%)

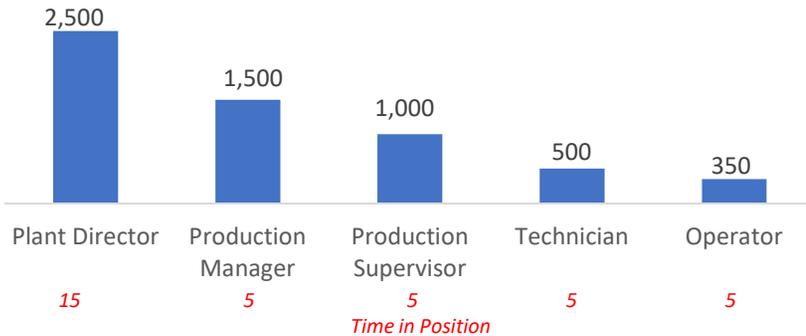


Manufacturing

Salary Survey 2021

■ Avg. Salary (USD)

FirstAlliances
vietnam's leading HR specialist



Salary Survey 2021 Trading

■ Avg. Salary (USD)



Minimum Wage Increase Trend

Year/ Area	2015		2016		2017		2018		2019		2020		2022	
	Amount	Up (%)	Amount	Up (%)	Amount	Up (%)	Amount	Up (%)	Amount	Up (%)	Amount	Up (%)	Amount	Up (%)
Region 1	3,100,000	14.81	3,500,000	12.90	3,750,000	7.14	3,980,000	6.13	4,180,000	5.03	4,420,000	5.74	4,680,000	5.88
Region 2	2,750,000	14.58	3,100,000	12.73	3,320,000	7.10	3,530,000	6.33	3,710,000	5.10	3,920,000	5.66	4,160,000	6.12
Region 3	2,400,000	14.29	2,700,000	12.50	2,900,000	7.41	3,090,000	6.55	3,250,000	5.18	3,430,000	5.54	3,640,000	6.12
Region 4	2,150,000	13.16	2,400,000	11.63	2,580,000	7.50	2,760,000	6.98	2,920,000	5.80	3,070,000	5.14	3,250,000	5.86
Effective Date	Jan 1st, 2015		Jan 1st, 2016		Jan 1st, 2017		Jan 1st, 2018		Jan 1st, 2019		Jan 1st, 2020		July 1st, 2022	
Region 1	Urban Hanoi and Ho Chi Minh City													
Region 2	Rural Hanoi and Ho Chi Minh City, Can Tho, Da Nang, Hai Phong													
Region 3	Provincial cities and districts of Bac Ninh, Bac Giang, Hai Duong and Vinh Phuc provinces													
Region 4	Remaining localities													

Compulsory Insurance

Description	Employer				
Type of Insurance	Social Insurance			Health Insurance	Unemployment Insurance
Fund	Retirement	Sick/Maternity	*Occupational		
% Contribution	14%	3%	0.5%	3%	0%
TOTAL	17.5%			20.5%	

Description	Employee				
Type of Insurance	Social Insurance			Health Insurance	Unemployment Insurance
Fund	Retirement	Sick/Maternity	Occupational		
% Contribution	8%	0%	0%	1.5%	0%
TOTAL	8%			9.5%	

The **maximum monthly salary** on which Social Insurance premiums are based is equal to 20 x Base Salary, which is **29,800,000 VND**. Currently, the Base Salary applied in 2021 is 1,490,000 VND/month and there is no prescribed change released by the authorities for 2022.

* Enterprises are entitled to apply the 0% contribution rate to the labour accident and occupational disease fund from July 1st, 2021 to June 30th, 2022, reducing contributions by 0.5% during this period.

Labor Relationship

A **SOCIAL RELATIONSHIP** arising during the hiring or employment of an employee, payment of salary between an **EMPLOYEE** and an **EMPLOYER**

EMPLOYEE

- a person who is full 15 years or older
- has the ability to work
- works under a **labor contract**
- is paid with salary
- is subject to management, direction of the employer



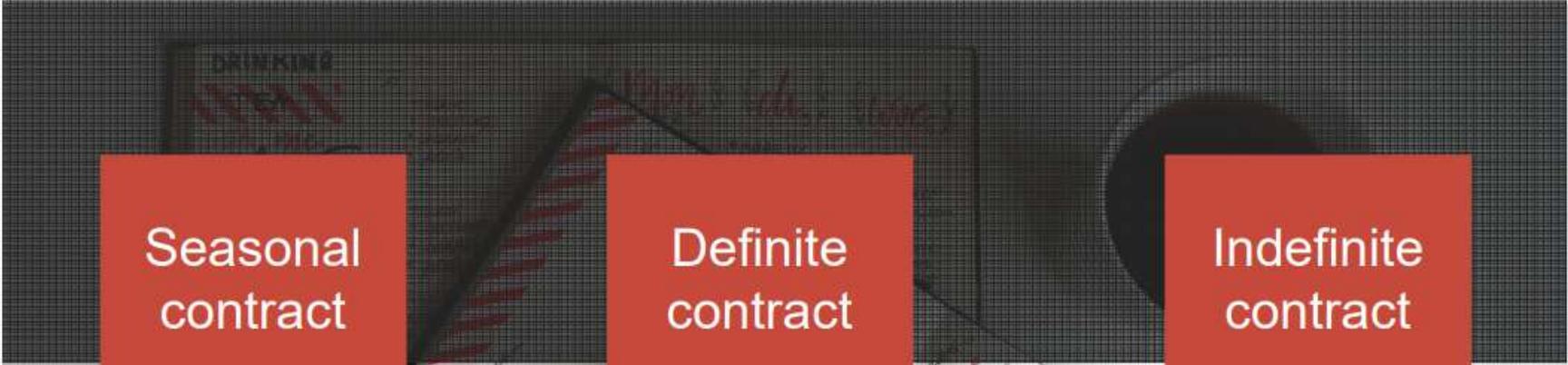
EMPLOYER

- an **enterprise**, an agency, an organization, a cooperative, a household or an individual that hires or employs employees under a **labor contract**

Probation & Labour Contract

- Employees can initially be engaged by a company using a probation agreement (generally limited to **30 days** or **60 days** for positions with technical qualifications)
- When an employee successfully passes the probationary period, the company will proceed to sign a labour contract , which is the foundation agreement between employee and employer.
- The labour contract lays out the key terms of the employment relationship, including the location of work, scope of work, work and rest hours, length of the employment term, salary, and details of social insurance, and matters relevant to preserving health and safety

Type of Labor Contract



Seasonal
contract

a labor contract with
the duration of **less
than 12 months**

Definite
contract

a labor contract with the
duration of
**between 12 months
and 36 months**

Indefinite
contract

a labor contract in which the
two parties do **NOT**
fix the **term** (or the time of
termination) of the contract

Type of Labor Contract

A Seasonal Contract may become a Definite Term Contract (with the term of 24 months), and a Definite Term Contract may become an Indefinite Term Contract IF (a) the employee **continues to work** for the employer after the expiry date and (b) the parties **fail to execute a renewal/extension of the labor contract within 30 days** from the expiry date.

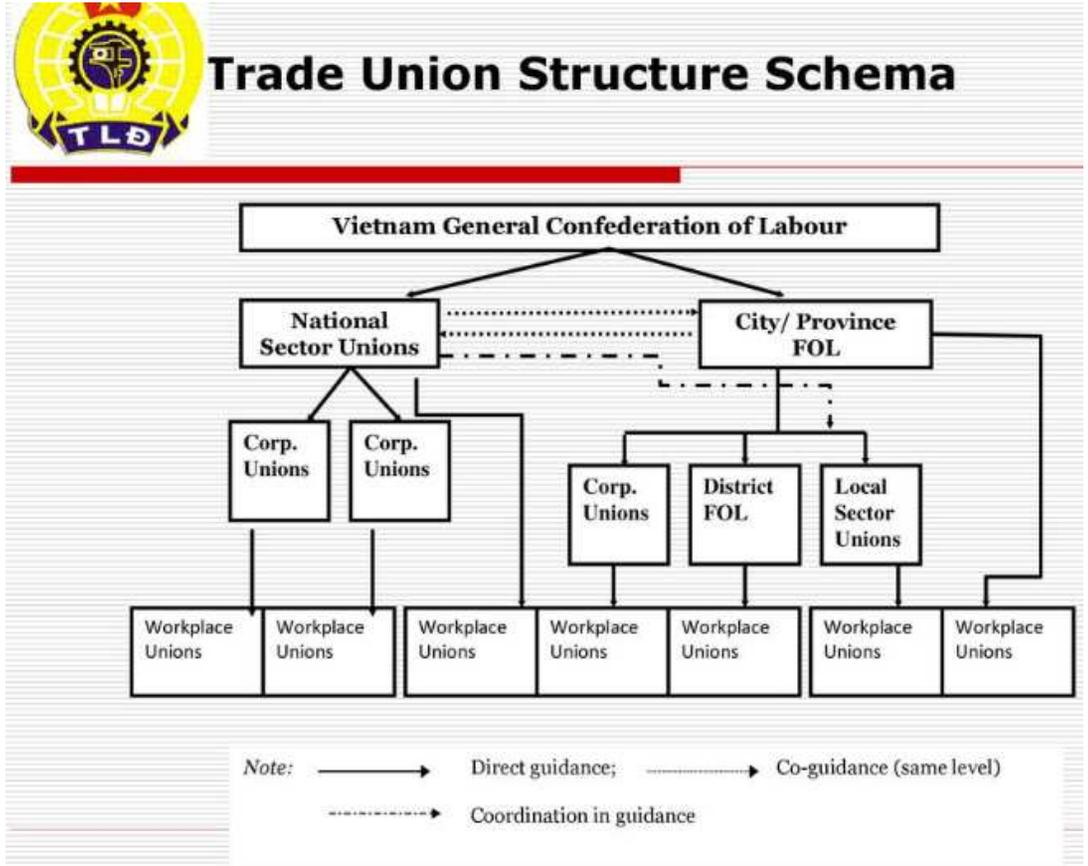


Trade Union

Where the company and its employees agree to establish a Trade Union, on a monthly basis, the total contribution of employer's portion and employee portion to the Trade Union fund will be 3% of total salary costs. In which,

- Employee's contribution **1.0%** of salary
- Employer's contribution **2.0%** of salary

The maximum monthly salary that is subject to Trade Union is capped at 29,800,000 VND (being 20 times the Minimum Basic Wage, which is currently 1,490,000 VND per month)



Personal Income Tax

Taxable Income for each employee, prior to calculating PIT, is further reduced by:

- Personal Allowance of **11,000,000 VND** per month, and
- Dependent Allowance of an additional **4,400,000 VND** per month for each registered dependent (such as spouse, child)

Tax Rate	Monthly Taxable Income (VND)	Maximum Tax in Bracket (Cumulative Tax including current Bracket) (VND)
5%	up to 5,000,000	250,000
10%	5,000,001 - 10,000,000	500,000 (750,000)
15%	10,000,001 - 18,000,000	1,200,000 (1,950,000)
20%	18,000,001 - 32,000,000	2,800,000 (4,750,000)
25%	32,000,001 - 52,000,000	5,000,000 (9,750,000)
30%	52,000,001 - 80,000,000	8,400,000 (18,150,000)
35%	80,000,001 and above	

Compulsory Labor Cost

Employer Costs and calculations

SALARY COST CALCULATION FOR THE EMPLOYER IS:

Gross Salary for Employee

Plus:

Social Insurance* @ 17.5%
Health Insurance* @ 3%
Unemployment Insurance* @ 1%
Trade Union* @ 2%

Equals: Total Salary Cost to Employer

Employee Costs and calculations

SALARY RECEIVED BY AN EMPLOYEE IS CALCULATED AS:

Gross Salary for Employee

Less:

Social Insurance* @ 8%
Health Insurance* @ 1.5%
Unemployment Insurance* @ 1%
Trade Union* @ 1%

Equals: Taxable Salary

Less: Personal Income Tax

Equals: Total Cash Received by the Employee

Government Share

CONTRIBUTIONS AND PAYMENTS TO
GOVERNMENT AUTHORITIES:

Amounts paid by the Employer and Employee:

Social Insurance of: $17.5\% + 8\% = 25.5\%$
Health Insurance of: $3\% + 1.5\% = 4.5\%$
Unemployment Insurance of: $1\% + 1\% = 2\%$
Trade Union of: $2\% + 1\% = 3\%$

Plus:

Personal Income Tax deducted from Employee,
and based upon relevant PIT scales

Overtime Calculation

Employees who work overtime will be paid an amount based on the piece rate or actual salary

Overtime type	Compensation rate
Weekday - day time	150%
Weekend – day time	200%
Public holiday, paid leave days	300% (not including the daily salary during the public holidays or paid leave for employees receiving daily salaries)
Night time	30% extra of the aforementioned rates

The regular working time is no more than 8 hours/day and no more than 48 hours per week. The employer has the right to set the working hours by day or week but must notify the employee

The maximum of overtime is **40 hours** per month and **200 hours** (temporary increase workers' monthly overtime cap from **40 to 60** hours per month and **200 to 300** hours per year starting from April 1 – end of December 2022)

Leave Days and Holidays

PUBLIC HOLIDAYS (11 days)

Employees shall be entitled to fully paid days off on the following public holidays:

- Gregorian Calendar New Year Holiday: 1 day (the 1st of January of the Gregorian calendar);
- Lunar New Year Holidays (Tet holidays): 5 days;
- Reunification Day: 1 day (30th April);
- International Labour Day: 1 day (1st May);
- National Day: 2 days (2nd September and the previous or next day);
- Hung Kings Commemoration Day: 1 day (the 10th of the third month of the Lunar calendar).

Foreign employees in Vietnam are entitled to 1 traditional public holiday and 1 National Day of their country, in addition to the Vietnamese public holidays. The Prime Minister shall decide the specific public holidays on a yearly basis.

PERSONAL PAID LEAVE

An employee is entitled to take a fully paid personal leave in the following circumstances:

- Marriage: 3 days
- Marriage of his/her biological child or adopted child: 1 day;
- Death of his/her biological parent; death of his/her spouse's biological parent; death of spouse, biological child: 3 days.
- Death of his/her adoptive parent; death of his/her spouse's adoptive parent; death of spouse, adoptive child: 3 days (effective from 1st January 2021).

ANNUAL LEAVE

Minimum 12 days/year, plus 1 more day for 5 consecutive working year at the company

Retirement Age

The retirement age of the employees working in normal conditions has been adjusted according to the roadmap in which the retirement age may be increased until the **male employees reach 62 years old** in full by 2028 and the **female employees reach 60 years** old in full by 2035.

From the year of 2021, the retirement age of employees working in normal conditions is 60 years old and 03 months in full for male and 55 years old and 04 months in full for female; after that, the age of retirement will be annually increased by 03 months for male employees and 04 months for female employees



Foreign Employment

Regarding requirements for employment of foreigners in Vietnam, enterprises, organisations, individuals and contractors shall only employ foreign individuals to hold positions **of managers, executive directors, specialists and technical workers** for the professional requirements for which cannot be met by Vietnamese workers.

Recruitment of foreign employees in Vietnam shall be explained and subject to written approval by relevant authorities. In addition, before recruiting foreign employees in Vietnam, a contractor shall list the positions, necessary qualifications, skills, experience and employment period of the contract, and obtain a written approval from a relevant authority

Work Permit

all foreign individuals require a Work Permit before undertaking any employment in Vietnam. The duration of a foreign employee's employment contract must not exceed that of the work permit **(maximum 2 years)**. When a foreign employee in Vietnam is recruited, both parties may negotiate conclusion of multiple fixed-term labour contracts

Communist Party Organization in Private Sector

Party organizations in enterprises outside the state sector could be established in two main ways:

- 1) Directly establishing party organizations by establishing and improving operational quality of socio-political organizations in enterprises;
- 2) Upper level committees of grassroots party committees in enterprises need to strengthen their leadership and direction, create favorable conditions to improve the operational quality of newly established party organizations in enterprises outside the state sector



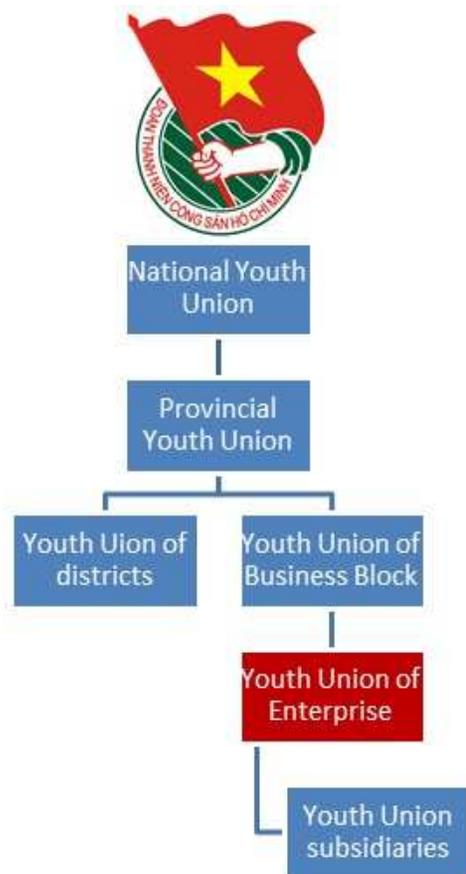
COMMUNIST PARTY OF VIETNAM

Vietnamese Communist Party (VCP), is the founding and sole ruling party of the Socialist Republic of Vietnam.

There are about 5.2 M members (2019). The National Congress is the party's highest organ and is elected once every five years.

Member contribution (in corporate sector): **1% of salary** (social insurance base)

Youth Union Organization in the Enterprise



The Ho Chi Minh Communist Youth Union (Vietnamese: Đoàn Thanh niên Cộng sản Hồ Chí Minh) is the largest social-political organisation of Vietnamese youth. The union is under the leadership of the Communist Party of Vietnam. The organization was founded on March 26, 1931 and was led and trained by President Ho Chi Minh.

Objective

The upbringing of a physically healthy, spiritually mature and intellectually advanced generation able to think independently, protect young people from the harmful effects of the outside world.

Membership

The age of the member is between 18 - 32 year old and Membership contribution is **5,000 vnd**/month/member





PASSION FOR BETTER